



Contents lists available at ScienceDirect

## Journal of Business Research



## Managerial disposition and front-end innovation success

Mayoor Mohan Ph.D.<sup>a,\*</sup>, Kevin E. Voss Ph.D.<sup>b</sup>, Fernando R. Jiménez Ph.D.<sup>c</sup><sup>a</sup> VCU School of Business, Virginia Commonwealth University, Richmond, VA 23284, USA<sup>b</sup> Spears School of Business, Oklahoma State University, Stillwater, OK 74078, USA<sup>c</sup> College of Business Administration, The University of Texas at El Paso, El Paso, TX 79968, USA

## ARTICLE INFO

## Article history:

Received 2 April 2016

Received in revised form 4 August 2016

Accepted 8 August 2016

Available online xxx

## Keywords:

Managerial disposition

Front-end innovation

Innovation culture

Manager activation theory

Decision-making comprehensiveness

## ABSTRACT

The link between innovation culture and firm performance is well established. However, the specific mechanism via which innovation culture facilitates better managerial decision-making in front-end innovation remains unknown. Based on manager activation theory, the authors propose that innovation culture enables decision-making comprehensiveness—the full exploration of new ideas—by inhibiting the deleterious effects of the fear of negative evaluation and allowing managers to apply themselves to those areas in which they feel most competent. In turn, decision-making comprehensiveness is positively related to front-end innovation success. The model was tested with survey data collected from a sample of 172 innovation decision-makers. Implications are that top management should incentivize the quantity of new ideas, not penalize product failures, and encourage decision-making comprehensiveness. With an innovation culture, the risk of making suboptimal decisions in the front end of innovation is limited.

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## 1. Introduction

In 1995, in the U.S. professional baseball leagues, Seattle Mariners' star batsman Edgar Martinez had 511 chances at bat and hit the ball 182 times (a 0.356 batting average, which was the best that year). Martinez was walked 116 times, hit 29 home runs, and struck out 87 times that season. In baseball, great hitters need the freedom to swing. However, that freedom comprises the freedom to not swing (i.e., to walk), to swing for the fences (i.e., hit home runs), and to swing and miss (i.e., strike out). In business, managers have long recognized that an innovation culture in which employees feel free to swing and miss at new product ideas is a key predictor of innovation success (Ali & Park, 2016; Büschgens, Bausch, & Balkin, 2013; Tellis, 2012). Moreover, the extant research supports the link between innovation culture and firm performance (Chen, Bu, Wu, & Liang, 2015; Hurley & Hult, 1998; Rubera & Kirca, 2012; Tellis, Prabhu, & Chandy, 2009). However, the specific mechanism explaining how an innovation culture affects employees' decisions to swing or not to swing remains unclear. Thus, this study attempts to fill that void. The authors propose that innovation culture facilitates front-end innovation success by enhancing decision-making comprehensiveness—conducting an exhaustive consideration of multiple

approaches (Slotegraaf & Atuahene-Gima, 2011). Based on Triandis' (1989) framework, the authors introduce manager activation theory and develop a conceptual model in which an innovation culture inhibits the deleterious effects of the fear of negative evaluation and allows managers to apply themselves to those areas in which they feel most competent. This improves decision-making comprehensiveness, which, in turn, improves front-end innovation performance. The model is supported by survey data collected from a sample of 172 innovation managers. To the best of our knowledge, this is the first study to test the combined role of two managerial dispositions: (i) fear of negative evaluation and (ii) perceived competence in innovation decision-making.

The mechanism via which innovation culture affects managerial decision-making, as well as assists managers in designing more efficient innovation processes, implementing appropriate policies, and developing effective reward systems, is highlighted. In particular, upper-level management should nurture a culture of innovation in the organization by incentivizing the development of new ideas, minimizing the penalty associated with unsuccessful ideas or “failures,” and encouraging decision-making comprehensiveness. Unless the firm's innovation culture is strong, the risk of making sub-optimal decisions in the front-end of innovation, in which concepts with merit may be prematurely expunged, will increase.

In the rest of the paper, we provide a review of the relevant literature, introduce the theoretical framework, and develop testable hypotheses. Then, we discuss our methodology and results, which is

\* Corresponding author.

E-mail addresses: mmohan@vcu.edu (M. Mohan), kevin.voss@okstate.edu (K.E. Voss), frjimenezarevalo@utep.edu (F.R. Jiménez).

subsequently followed by a discussion focusing on the managerial and theoretical implications.

## 2. Theoretical background and hypotheses

Innovation culture is an organizational culture in which organizational members share the belief that openness to new products, processes, or ideas are distinctive organizational values (Hurley & Hult, 1998; Rubera & Kirca, 2012). These values provide norms for behavior that result in the development and launch of new products (Damanpour, 1991; Deshpandé, Farley, & Webster, 1993). Firms that nurture an innovation culture emphasize creativity, risk-taking, flexibility, and spontaneity, while de-prioritizing control, rigidity, tradition, and stability (Burns & Stalker, 1966; Chatman & Jehn, 1994; Deshpandé et al., 1993; Hurley & Hult, 1998; Jassawalla & Sashittal, 2003). Further, the idea that innovation culture enables better firm-level performance outcomes has received substantial support (Hurley & Hult, 1998; Rubera & Kirca, 2012; Tellis, 2012; Tellis et al., 2009).

At the managerial-level, a culture of innovation is associated with managers' attitudes and behaviors deemed conducive to innovation. For instance, innovation culture is related to willingness to cannibalize (Chandy & Tellis, 1998), tolerance for risk (Cooper, Edgett, & Kleinschmidt, 2004), and readiness to deal with and accept uncertainty (Büschgens et al., 2013). Thus, an innovation culture helps managers mitigate the negative associations that stem from innovation failures (Tellis, 2012) and empowers them to consider alternatives that they otherwise may not (Gumusluoğlu & Ilsev, 2009). Indeed, a conclusion reached from this literature is that innovation culture is related to managerial decision-making, but the specific mechanism of how innovation culture enables a manager's decisions in front-end innovation remains unknown.

Followed by formal development and commercialization, front-end innovation is the first and most important stage of the innovation process (cf. Brown & Eisenhardt, 1995; Griffin, 1997; Montoya-Weiss & Calantone, 1994; Reid & De Brentani, 2004). The most critical decisions associated with new product success occur during the front-end stage of innovation (Reid & De Brentani, 2004), which entails activities such as idea generation, concept definition, opportunity recognition, and idea evaluation. The front-end stage culminates with the decision of whether to invest more resources in a new product idea (Moenaert, Meyer, Souder, & Deschoolmeester, 1995; Reid & De Brentani, 2004; Smith & Reinertsen, 1998)—to swing or not to swing.

At this stage, managers decide whether to be inclusive or exclusive in the number of new product ideas to put forth for formal development. An inclusive approach is referred to as decision-making comprehensiveness (Simons, Pelled, & Smith, 1999). Formally, decision-making comprehensiveness is defined as the “degree to which the innovation team is exhaustive as it considers multiple approaches, courses of action, and decision criteria in its strategic decision making” (Slotegraaf & Atuahene-Gima, 2011, p. 97). This activity aims to rigorously examine the feasibility, profitability, potential variants, competitive market advantage, and probability of the success or failure of new product ideas and concepts. This process may decrease the speed of new product development and tax additional resources; however, empirical research is inconclusive about the relationship between development speed and performance (Cankurtaran, Langerak, & Griffin, 2013). Nevertheless, the more rigorous the exploration of the multiple ideas entailed in decision-making comprehensiveness, the higher the likelihood of striking new product success (Slotegraaf & Atuahene-Gima, 2011). However, due to financial, informational, and time constraints, managers often must make “go-kill” decisions without certainty regarding the respective probabilities of product success or failure (Girotra, Terwiesch, & Ulrich, 2010; Van de Ven, 1986). Unfortunately, contrary to normative recommendations, decision-making biases under uncertainty influence managers to embrace a relatively exclusive approach by expunging uncertain ideas, often times prematurely (Droge, Calantone, & Harmancioğlu, 2008; García-Granero, Llopis,

Fernández-Mesa, & Alegre, 2015; Henard & Szymanski, 2001). Notably, in the published literature, theorists have not reconciled the role of innovation culture with regard to these managerial decision-making phenomena.

This article contends that innovation culture increases decision-making comprehensiveness via managerial activation. Triandis (1989) proposed that a cultural context can influence an individual's behavior by activating or suppressing behavioral dispositions. Moreover, the link between national culture, disposition, and behavior has been empirically validated across several contexts, such as communication (Singelis & Brown, 1995), motivation (Markus & Kitayama, 1991), emotions (Singelis & Sharkey, 1995), personality (Mowen, 2000; Triandis & Suh, 2002), and consumer behavior (Cleveland, Rojas-Méndez, Laroche, & Papadopoulos, 2016; Kacen & Lee, 2002).

In the same way that national culture influences individuals' behavioral dispositions, theorists suggest that organizational culture can activate a manager's dispositions (Chatman & Barsade, 1995; Chatman & Spataro, 2005; Hofstede, 1994). Hence, the authors introduce manager activation theory, which rests on the notion that all managers have within themselves latent dispositions that manifest in specific organizational contexts. These managerial dispositions can be suppressed or activated by organizational contexts such as culture (Bamberger, 2008; Johns, 2006). In turn, these dispositions are correlated with context-specific behaviors (Mowen, 2000). In the context of front-end innovation, two managerial dispositions are most prevalent: fear of negative evaluation and perceived competence. These dispositions manifest when managers act in the face of uncertainty (Klein, Cerully, Monin, & Moore, 2010; Trautmann, Vieider, & Wakker, 2008)—an idiosyncratic aspect of front-end innovation.

Based on this notion, a model is presented in Fig. 1 in which a strong innovation culture leads to innovation success by enhancing decision-making comprehensiveness. A key proposition is that the firm's standing on innovation culture activates or suppresses managers' dispositions with respect to fear of negative evaluation and perceived competence—which, in turn, affect decision-making comprehensiveness. Thus, the model puts forth a mechanism by which innovation culture enables managerial decision-making.

Fear of negative evaluation is a managerial disposition that inhibits decision-making comprehensiveness, and is defined as the “apprehension and distress arising from concerns about being judged disparagingly or hostilely by others” (Carleton, McCreary, Norton, & Asmundson, 2006, p. 297). In the front end, managers have little guarantee that the probabilities associated with future product success or failure can or will be identified. According to Danneels (2008), “the fear of failure in a punitive climate can dampen exploration” (p. 523). When fear of negative evaluation is activated, the fear of being perceived as wasting the firm's resources on unsuccessful ideas leads managers to steer new product decisions toward options for which the probabilities are known. In such cases, the deep consideration and investigation of alternatives—typical of high levels of decision-making comprehensiveness—are unlikely to change the decision. Thus, when fear of negative evaluation is activated, managers tend to shun ambiguous options without deep consideration and focus on more certain prospects (Curley, Yates, & Abrams, 1986; Fox & Tversky, 1998; Fox & Weber, 2002; Trautmann et al., 2008). Accordingly, managerial fear of negative evaluation suppresses decision-making comprehensiveness. Hence, we propose the following hypothesis.

**H1.** Fear of negative evaluation is negatively related to decision-making comprehensiveness.

Perceived competence refers to a manager's own sense of skill, knowledge, and understanding over a given decision context (Bandura, 1981; Heath & Tversky, 1991; Klein et al., 2010). Moreover, Bandura (1981) suggests that this disposition is important in “prospective situations that contain many ambiguous, unpredictable, and often stressful elements” (p. 200). Managers who perceive themselves as

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