Journal of Business Research 66 (2013) 2431–2437

Contents lists available at ScienceDirect

Journal of Business Research

The moderating role of managerial ties in market orientation and innovation: An Asian perspective

Cheng Lu Wang [a,*,1], Henry F.L. Chung [b,1]

[a] University of New Haven, USA
[b] School of Communication, Journalism and Marketing, College of Business, Massey University Albany Campus, Private Bag 102 904, North Shore City, Auckland 0745, New Zealand

ARTICLE INFO

Article history:
Received 1 October 2011
Received in revised form 1 December 2012
Accepted 1 March 2013
Available online 21 June 2013

Keywords:
Market orientation
Innovation
Business ties
Political ties
Asia

ABSTRACT

This empirical study contributes to the extant literature by investigating the relations among market orientation, managerial ties and innovation simultaneously and interactively, from an Asian perspective. Our findings reveal that customer orientation and interfunctional coordination have a positive impact on innovation. Moreover, managerial ties play a moderation role in the market orientation–innovation linkage. Business ties enhance the relation between customer orientation and interfunctional coordination and innovation. On the other hand, business ties and competitor orientation have a negative interaction effect on innovation. In addition, political ties also dampen the relation between interfunctional coordination and innovation. Such results add new insights to the extant literature and provide implications for future research and marketing practices in Asia.

1. Introduction

In the past decades there has been a growing interest in investigating the relation between a firm's market orientation and innovation (Atuahene-Gima, 1996; Gatignon & Xuereb, 1997; Han, Kim, & Strivastava, 1998; Lukas & Ferrell, 2000). Though a significant amount of research has revealed a positive relation between MO and firm performance (Narver & Slater, 1990; Slater & Narver, 1994), other research suggests that the effect of MO on performance is not direct, but instead is via innovation (Deshpandé, Farley, & Webster, 1993; Gatignon & Xuereb, 1997; Han et al., 1998). A review of the extant literature that examines the relation between MO and innovation also reveals a cultural bias towards more economically developed countries and Western individualistic cultures (Ellis, 2006). Grinstein's (2008) meta-analysis, for example, suggests that more than 80% of the studies were based on samples from developed countries, mostly Western individualistic societies. Given that MO is regarded as a form of organizational culture (Slater & Narver, 1995), which is often shaped by national cultures, there is a need to integrate MO and innovation research with underlying cultural factors (Marketing Science Institute, 1990). Indeed, the theories about corporate culture and innovation that have evolved in the context of Western cultural values and institutions may not readily apply to other cultures. It is important to examine the relation between MO and innovation in non-Western settings.

Considering the growing importance of emerging markets in Asian countries and the role of innovation in Asian firms competing in the global market, this study focuses on understanding the MO–innovation relation from an Asian perspective. In this study the unique features rooted in Asian business cultures, such as guanxi and managerial ties, are incorporated into our research framework, because these features are the most noticeable factors that differentiate firms across different cultural backgrounds (Chung, 2011; Wang, 2007; Wang, Siu, & Barnes, 2008; Yang & Wang, 2011). Empirical evidence shows that adequate guanxi networking or managerial ties can help firms to achieve their innovation objectives (Su, Tsang, & Peng, 2009) and facilitate the implementation of market orientation (Chung, 2011).

While previous studies have found empirical supports for the role of managerial ties in influencing business financial performance, the relation between managerial ties and innovation is not yet uncovered. In particular the way in which MO and managerial ties interactively influences innovation has not been examined. To fill such a void, the objective of this study makes an important contribution to the extant literature by simultaneously and interactively investigating the relations among MO, managerial ties and innovation. Additionally, as managerial ties are closely associated with social capital and social network theories (Geletkanycz & Hambrick, 1997; Luo, Hsu, & Liu, 2008), our research also contributes to the development of these theories by empirically testing the proposed moderating role of managerial ties in the MO–innovation relation from an Asian perspective.

In the following sections, we first introduce the theoretical background of the three research areas: innovation, MO and managerial

* Corresponding author at: Department of Marketing & Quantitative Analysis, College of Business, University of New Haven, West Haven, CT 06516, USA. Tel.: +1 203 932 7209; fax: +1 203 931 6016.
E-mail addresses: cwang@newhaven.edu (C.L. Wang), h.chung@massey.ac.nz (H.F.L. Chung).

[1] Both authors contribute equally to the manuscript.

0148-2963/$ – see front matter
http://dx.doi.org/10.1016/j.jbusres.2013.05.031

ties. Next, we develop a set of hypotheses that are derived from the theoretical conceptualization and literature review. Then, we report our empirical testing of the hypotheses based on a sample of firms operating in Taiwan. Finally, we provide theoretical and managerial implications and future research directions.

2. Literature review and theoretical background

2.1. Innovation

Successful innovations often provide a competitive edge in changing the relative position of a firm within an industry (Kim & Pennings, 2009). Product innovativeness can be understood either from the customers' perspective, or from the firm's perspective. By integrating innovation with MO, a firm with a customer focus can take a more proactive perspective in innovation by meeting market responses, or customer needs. The proactive perspective often leads firms to take an offensive strategy, in which they aim to be first to market with a new product. Competitor orientation, on the other hand, often takes a more reactive perspective in innovation because it is a strategy that is designed to catch up with competitors based on incremental innovations. Such a defensive strategy is often used to extend a firm's life cycles (Kim & Pennings, 2009).

Innovation can be interpreted on a continuum from breakthrough innovation (in the introduction stage) to product modification and improvement (in the mature product life cycle stage) (Atuahene-Gima, 1996; Capon, Farley, Lehmann, & Hulbert, 1992; Robertson, 1971). The present study focuses on the cutting edge innovation, because this type of innovation is a relatively weak area for most Asian firms (Hobday, 1995). The underdeveloped institutional infrastructures lead firms relying on imitation, product improvement and modification rather than through cutting-edge innovation as it is often too costly to do so. This phenomenon is evident even in technologically advanced Asian countries, such as Japan. Japanese firms, when compared to US firms, were found to be more successful in product modification, improvement and application of technologies, but less successful in the discovery of revolutionary new technologies (Flynn, 1985).

2.2. Market orientation

Market orientation (MO) refers to the organization-wide generation of market intelligence that pertains to current and future customer needs, dissemination of intelligence across departments and organization-wide responsiveness (Kohli & Jaworski, 1990). Given that a MO is typically involved with doing something new in response to market conditions, it is considered as an antecedent of innovation (Jaworski & Kohli, 1993, 1996). Empirical research has found that the degree to which a firm is involved in new product development activity is significantly associated with the extent and nature of its MO (Han et al., 1998; Hurley, Tomas, & Hult, 1998; Narver, Slater, & MacLachlan, 2004).

Narver and Slater (1990) conceive MO as having three behavioral components; customer orientation, competitor orientation, and interfunctional coordination. Although a positive relation between MO and firm performance through innovation is generally assumed in the literature (Day, 1994; Gatignon & Xuereb, 1997; Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994), the empirical relation between each of the three components and innovation is still not conclusive (Grinstein, 2008). This study attempts to shed further lights on the inclusive and often contradictory findings by examining the moderating role of managerial ties and their interactive effect on MO–innovation relations.

2.3. Managerial ties

Managerial ties refer to managers' connections and ties with their counterparts in other firms, including exchanging parties, government organizations and officials (Peng & Luo, 2000). Depending upon the nature of the networks, managerial ties consist of business and political ties. Business ties refer to managers' connections with other firms such as ties with their suppliers, buyers, distributors and competitors. Political ties, on the other hand, denote managers' connections with government officials, or personnel, in various government agencies. Managers' ties with government officials enable firms to overcome institutional barriers and instability in the face of regulatory changes and assist firms to obtain scarce resources (e.g., access to capital, land and human resources, and the ability to influence a firm's competitive strategies) (Luo, 2003; Li, Zhou, & Shao, 2009; Park & Luo, 2001).

Managerial ties are particularly important in collective cultures and emerging economies where business relations are characterized as extensive guanxi networks, underdeveloped market-supporting institutions for fostering economic exchange (Boisot & Child, 1996; Lin & Wang, 2008). Based on our proposed conceptual framework, we argue that business ties and political ties interact with three MO components in different ways and their interactions have a varied impact on innovation.

3. Research hypotheses

3.1. The joint effect of managerial ties and customer orientation

3.1.1. Business ties and customer orientation

Innovative ideas often result from information exchange among firms. Therefore, much of the firm's innovativeness hinges on the extent to which managers acquire and act on market intelligence through the firm's business ties (Hult, Tomas, Hurley, & Knight, 2004). As technologies become more sophisticated, the more a corporation can access another organization's knowledge through its business ties, the more it needs absorbing capacity to identify, assimilate, transform and exploit the external knowledge (Gao, Xu, & Yang, 2008). Meanwhile, connections with customers will help firms to better respond to long-term customer needs. Customer orientation enables firms to acquire the information that is needed for developing the type of innovation that is required by customers (Atuahene-Gima, 1995; Frambach, Prabhu, & Verhallen, 2003; Narver et al., 2004). Such firms also often work closely with customers, who may be other firms, in the early stages of the new product development process (Gruner & Homburg, 2000).

Business ties provide managers with opportunities to tap into the resources embedded in networks and, thus, enhance a firm's ability to obtain, or access, information resources (Geletkanycz & Hambrick, 1997). With these resource advantages, firms can formulate an appropriate customer orientation that can help them to create a higher extent of innovation. Therefore, we hypothesize that business ties will enhance the impact of customer orientation on innovation.

H1a. The influence of customer orientation on innovation is stronger when business ties are strong than when they are weak.

3.1.2. Political ties and customer orientation

Political ties, often reflected in networks with government agencies and officials, are important social resources for firms operating in an Asian business environment where formal institutional constraints remain relatively weak and business people often rely on connections with those in power to achieve their business objectives (Luo, 2003). Benefits from political ties may include preferential access to valuable market information controlled by governments, fewer bureaucratic delays, both monetary and non-monetary incentives such as getting tax reductions and obtaining land, and licenses (Child & Tse, 2001; Park & Luo, 2001). Although political ties may enable firms to better understand the rules of the game and to achieve an advantageous position in terms of market share, they may hinder the effect of customer orientation on innovation.