MANAGING INNOVATION IN MARKETING PARTNERSHIPS

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Abstract

Data from a cross-industry sample suggest that innovation in marketing partnerships is driven by a 'chain of innovation' comprising partnership creativity, partnership learning and partnership knowledge stock. This chain, in turn, is influenced by factors related to individuals and group dynamics within and other characteristics of the marketing partnership. The key contributions are as follows: First, we have made a significant step towards integrating and synthesising the works on creativity, learning and knowledge within the context of innovation in marketing partnerships. As such, we offer additional insight into the intricacies of dynamic capabilities theory for marketing management. Second, we have provided a thorough examination of the multiple facets of innovation within marketing partnership settings. This outcome advances the theoretical understanding of the works on the management of collaboration. Finally and foremost, our work is not just of conceptual nature but grounded in and supported by a thorough empirical examination.

Introduction

Increasingly, companies struggle to deliver innovative products to leapfrog competitors. Yet, managing and driving innovations that lead to the marketing of successful products is crucial for reasons such as strengthening customer relationships, blocking competition and, ultimately, growing revenues. Simultaneously, companies face the challenge of collaborating with other businesses in the provision and marketing of such products. While the coordination of such marketing partnerships presents challenges in itself, the management of innovation within these relationships to facilitate the development and marketing of products becomes more problematical. The underlying research issue that needs to be addressed can be summarized as follows: Why are some businesses better in producing and marketing innovative products in marketing partnerships than others?

The plan of the paper is as follows. In order to provide a foundation for understanding the intricacies of innovation in marketing partnerships, we will first discuss the literatures that address relevant aspects of innovation. Then, we will develop and describe a conceptual model of the innovation process within marketing partnerships. This will be followed by a brief description of the methodology used for the empirical research and a description of the findings. We will conclude with a discussion of the implications for understanding and practice.

Existing literature

Extant literature addressing the topics of innovation and business collaboration is fragmented with limited linkages between the two fields. Exemptions include the works of Stuart (2000) who suggests that innovative partners within the context of a business partnership contribute to organisational performance, Li and Atuahehe-Gima (2001) who examine the link between innovation strategy and performance of joint ventures, and Gudergan et. al., (2002) who demonstrate that innovation is a critical factor impacting on the strategic performance of marketing partnerships. The latter also illustrate the existence of and relationships between the constructs of learning, creativity and innovation in marketing partnerships.

In a broader context, the process of innovation depends on the evolving capabilities of an organisation. Schumpeter (1934) was among the first to recognise the necessity of dynamic capabilities when suggesting that organisational performance is influenced by the development of innovation generating capabilities (Lado et al. 1997). Such capabilities encompass the facets of creativity, learning and knowledge stock. First, creativity is central to the generation of new ideas and is explicitly and directly linked to innovation (e.g., Amabile 1988, Woodman et al. 1993). Second, learning is directly linked to innovation (e.g., Kanter 1988) and capability renewal (e.g., Schendel 1996). Third, knowledge stock is critical to the transfer and integration of new skills and resources that are critical to the firm's ability to renew capabilities (e.g., Grant 1995) and generate innovation. We will provide a short review of the existing research related to the different facets of innovation in the following sections.

Research in creativity has studied the influence of social and contextual surroundings (e.g., Amabile 1988, Woodman et al. 1993). As a result we now know that critical and creative thinking are complementary factors in an evolving process which is influenced by social and contextual surroundings and understand various antecedents of creativity as well as the existence of the link between creativity and innovation (e.g., Amabile 1988). Shortcomings of creativity research include: the link between creativity and innovation is not empirically supported (e.g., Amabile 1988); while creativity is identified as a part in the larger domain of innovation, other components affecting innovation are not recognized (e.g., Amabile 1988); and creativity research has not looked explicitly at the interfirm unit of analysis, in general, and marketing partnerships, in particular.

The learning literature is wide-ranging with some of the major contributions to theory development including the works of Argyris and Schon (1978). Research has emphasised aspects of learning at various levels (i.e., individual, organisational and interfirm), the role of critical thinking within the context of learning and the fact that learning is invariably linked to knowledge. Shortcomings of this research include: while process aspects of organisational learning (e.g., adaptive and generative learning; single-loop, double-loop and deutero-learning learning) are described, a set of antecedent factors is not yet clearly defined. Also, empirical research within the context of marketing partnerships seems not existant.

Although there is no comprehensive theory of knowledge, work has been accumulated and synthesised by Grant (1996). The link between knowledge and innovation, particularly in business relationships, is strong (e.g., Kogut 1988). Yet, the literature lacks empirical validation and, while knowledge is viewed as a key antecedent factor of innovation, the understanding of the interplay of knowledge and other factors in explaining organisational innovation is limited. Further, empirical studies within the context of marketing partnerships are scare.

While research in innovation and its facets is expansive, it is not well integrated and has some severe limitations. Throughout the literature, there is no comprehensive model of innovation; current innovation research lacks extensive empirical validation (e.g., Neely and Hii 1998); and despite the importance of business collaboration in advancing innovation we are still lacking an empirically validated framework at the interfirm unit of analysis (Edwards 1999), in general, and within the context of marketing partnerships, in particular.

Further, although significant advances have been made to our understanding of innovation and the facets of creativity, learning and knowledge stock, our understanding of the *process of innovation in marketing partnerships* is limited by two factors inherent in much of that research. First, the research on innovation lacks integration and a far-reaching synthesis of the works on creativity, learning and knowledge within the context of innovation. Second, a thorough examination of the multiple facets of innovation within marketing partnerships is missing. As a result, the theoretical issue of what constitutes innovation in marketing partnerships has not been explicitly addressed.

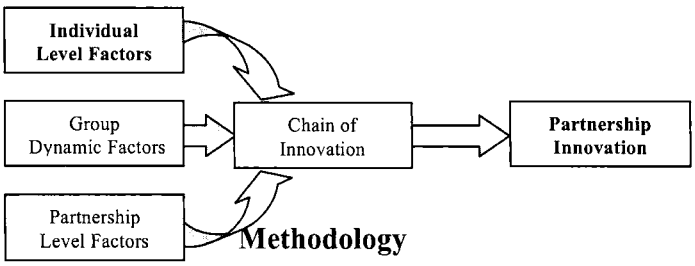
A Model of Innovation in Marketing Partnerships

Our model includes three building blocks: marketing partnership innovation, the "chain of innovation" and the factors influencing the chain of innovation. Marketing partnership innovation is the combined output of partnership creativity, partnership learning and the knowledge stock within the partnership. We define partnership innovation as the novel outcome of a dynamic and renewable system at the marketing partnership level. Further, we define partnership creativity as the process of generating new ideas and unique solutions to problems or situations; partnership learning as the process of developing skills and expertise; and partnership knowledge stock as an accumulation of knowledge within the partnership. The interrelated nature of the three factors explains the process by which innovation occurs within marketing partnership. The "chain of innovation" is a systematic flow between the inputs of partnership creativity, partnership learning and the knowledge stock in the partnership. Partnership creativity has a direct influence on partnership learning and the latter has a direct impact on the level of knowledge stock in the partnership.

The factors influencing the chain of innovation are divided into three main groups. These include factors related to individuals and group dynamics within and other characteristics of the marketing partnership. This breakdown allows for systematic identification and understanding of the variables that affect key drivers of the innovation. The individual level factors include intrinsic and extrinsic motivation and critical thinking. These describe attributes that generally occur at the individual unit

of analysis. The group dynamic factors consist of communicative interaction, job autonomy, and diversity. These factors most commonly occur at the group level of the marketing partnership and comprise social factors impacting on individual behaviour during interaction. The partnership level factors comprise cultural facets—risk orientation and collectivism, structural facets—centralisation and formality, and absorptive capacity. Figure 1 illustrates the basic model.

FIGURE 1: A MODEL OF INNOVATION IN MARKETING PARTNERSHIPS



To test the predictions from our theoretical model empirically, we employed a questionnaire survey methodology and estimated the model using partial least squares (PLS). We first discuss the sample of firms surveyed, then the data collection procedure, and finally the method of estimation.

A 12-page questionnaire with formative and reflective multiple-item scales was developed to gather the data required for testing the hypothesised relationships. The survey, inclusive of a cover letter and self addressed reply paid envelope, was sent to the General Manager, Chief Executive Officer or Managing Director requesting that the survey would be passed on to the most suitable marketing partnership manager for completion—often the marketing manager. The survey resulted in 397 usable replies representing an effective response rate of 12.53%. This response rate is sufficient for the purpose of theory testing. A range of additional test has been carried out to assess the appropriateness of the data—the tests [e.g., Confirmatory Factor Analysis for the reliability of our reflective scales; and Tetrad Test for causal indicators comprising our formative scales (Bollen and Ting, 2000)] showed that the data are useful and that the measurement scales used appropriate.

The data from the survey were analysed using partial least squares (PLS), a well-established technique for estimating path coefficients in causal models (e.g., Johansson and Yip 1994). The major advantages of PLS are that it (1) accepts small sample sizes, (2) can deal with complex causal models, (3) does not require multivariate normality, and (4) produces consistent parameter estimates. It is especially suited to "situations of high complexity but low theoretical information" (Barclay et al. 1995: 288), a point that is particularly relevant given that the field of collaborative innovation research is relatively new with concepts and relationships still being developed; hence, the emphasis is on theory building rather than theory testing.

Findings

Using PLS estimations the model is evaluated based on the R-square of the dependent latent constructs, the structural path coefficients and then, the t-tests obtained from the Jackknife procedure. Table 1 presents the results.

TABLE 1: RESULTS OF PLS ESTIMATION

Effects	Path Coefficient	OBSERVED T-VALUE	Sig. level
Effects in Partnership Innovation (R2=0.308)			
Partnership Creativity	0.2410	4.6973	****
Partnership Learning	0.2920	4.1323	****
Partnership Knowledge Stock	0.1700	4.6835	****
Effects on Partnership Creativity (R2=0.516)			
Intrinsic Motivation	0.1990	3.5219	****
Critical Thinking	0.2510	6.3289	****
Extrinsic Motivation	-0.0370	-1.8421	**
Diversity	0.1160	3.5552	****
Job Autonomy	0.0850	-0.4805	n.s.
Communicative Interaction	0.1420	3.3657	****
Structure - Formality	0.0020	-1.0158	n.s.
Structure - Centralisation	-0.1120	-2.3590	***
Culture - Risk Orientation	0.2900	9.6911	****
Effects on Partnership Learning (R2=0.247)			
Partnership Creativity	0.0820	2.9266	***
Intrinsic Motivation	0.1770	4.7102	****
Critical Thinking	0.1810	2.2407	**
Extrinsic Motivation	0.0100	1.4616	*
Diversity	0.0330	0.1929	n.s.
Communicative Interaction	0.2040	6.0014	****
Structure – Formality	-0.1690	-2.3528	***
Structure – Centralisation	-0.0850	-2.9692	****
Culture – Collectivism	-0.0510	-1.1130	n.s.
Effects on Partnership Knowledge Stock (R2=0.453)			
Partnership Learning	0.6350	11.7210	****
Absorptive Capacity	0.0530	2.2154	**

Marketing Partnership Innovation

Marketing partnership innovation has an R-square of 0.308, indicating that the model is capable of explaining variances in marketing partnership innovation. Our results demonstrate that the "chain of innovation" exists within the marketing partnership context; i.e., partnership creativity, partnership learning and partnership knowledge stock have positive and significant effects on marketing partnership innovation.

Marketing Partnership Creativity

Partnership creativity has an R-square of 0.516, indicating that our model structure explains variations in partnership creativity. While the results support most of the hypothesised relationships (see Table 1), the effect of job autonomy on partnership creativity is consistent with the hypothesised direction but not significant and the effect structural formality on partnership creativity is contrary to the hypothesised direction and also not significant. The implication is that the latter two factors are not critical when explaining partnership creativity.

Marketing Partnership Learning

Our model structure explains variation in partnership learning (R-square of 0.247) and most relationships are as hypothesised (see Table 1). However, while the effect of

team member diversity on alliance learning is positive, as hypothesised, it is not significant. Also, the effect of a collectivists culture on partnership learning is negative, contrary to the hypothesised relationship, though not significant. This implies that partnership learning is neither driven by team member diversity nor a collectivists culture in the marketing partnership.

Marketing Partnership Knowledge Stock
The findings associated with partnership knowledge stock support the general literature. The R-square is 0.453 and the effects of both partnership learning and absorptive capacity on partnership knowledge stock are positive, as hypothesised, and significant.

Implications for Marketing Theory and Practice

The implications for both marketing theory and practice are manifold. The key contributions are as follows: First, we have made a significant step towards integrating and synthesising the works on creativity, learning and knowledge within the context of innovation in marketing partnerships. As such, we offer additional insight into the intricacies of dynamic capabilities theory for explaining aspects of marketing management. This is a theoretical contribution to the marketing management and strategy literature in general. Second, we have provided thorough examination of the multiple facets of innovation within the setting of marketing partnerships. This outcome advances the theoretical understanding of the works on the management of marketing partnerships. As a result we have provided a forward-thinking agenda on tackling the theoretical issue of what constitutes innovation in marketing partnership settings. Finally and foremost, our work is not just of conceptual nature but grounded in and supported by a thorough empirical examination.

For marketing management, our findings are also of relevance. This research has significant potential in guiding attention to the chain of innovation to better manage the overall process of innovation in marketing partnerships. When driving the innovation process in marketing partnerships, marketing managers should place emphasis on those factors that enhance partnership creativity and learning as well the accumulation of knowledge stock in the marketing partnership. For example, marketing managers should ensure that they create a setting in which aspects such as intrinsic motivation, critical thinking, and communicative interaction are fostered. Overall, from a managerial perspective, this study offers ideas on where to focus attention to achieve greater innovation in marketing partnerships.

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