Institute of Marketing

University of St.Gallen

“A DANGER FORESEEN IS A DANGER AVOIDED.”

HOW THE SOURCE OF AN IDEA INFLUENCES MANAGERS’ EVALUATION BEHAVIOR IN OPEN INNOVATION

Global Marketing Conference

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Agenda of Today's Presentation.

1. **Problem definition**
2. **Theoretical background**
3. **Hypotheses**
4. **Empirical findings**
5. **Contribution & Further research**

Managerial Decision Making in Open Innovation.






(Brabham 2013; Fuchs, Prandelli, and Schreier 2015; Gassmann and Enkel 2004; Stevens, Esmark, Noble, and Lee 2017)

This research focuses on managerial decision making process and its consequences on internal and external outcomes of innovation processes

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Construal Level Theory.

- Construal level theory offers a framework to explain how individual contexts shape mental representations
  (e.g. Wiesenfeld et al., 2017)

- Continuum of abstraction, from relatively concrete (lower level) to abstract (higher level) cognition (Trope & Liberman, 2010)

  - Lower construal levels are associated with relatively specific experiences and representations

  - Higher construal levels involve general and inclusive processing

Hierarchy-dependent Construal Levels.



Top-Management

- Long-term organizational purposes, visions and strategies*
  (Berson, Halevy, Shamir, & Erez, 2015).
- Top-manager's strategic responsibilities are associated with a higher default construal level, abstract thinking and a stronger creativity focus.



Lower-Level Management

- Definition and execution of concrete plans*
  (Finkelstein, Hambrick, & Cannella, 2009).
- More likely to process information on lower construal levels, associated with concrete cognition and a strong feasibility focus (Magee, Milliken, & Lurie, 2010; Reyt & Wiesenfeld, 2015).

*Confirmed by a conducted qualitative pilot study with *N* = 22 top and lower-level managers

Anticipatory Regret and Attribution Theory.

- Decision makers tend to avoid negative consequences and regret by predicting and anticipating possible decision outcomes in advance.
  (Connolly & Reb, 2005; Zeelenberg et al., 1996)

- The estimation of possible consequences of the evaluation of ideas is highly dependent on the information about an idea provider.

- We argue that managers have a stronger feeling of anticipatory regret, when exposed to an idea from an employee (internal attribution) in comparison to an idea from a customer (external attribution).
  (Kelley, 1973).

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Hypotheses.

- Top and lower level managers differ in their role and tasks within an innovation process and hence their construal level.
- **Top managers** have a strong focus on the creativity and **lower level managers** on the feasibility evaluation of ideas.
- We assume that managers carefully estimate the consequences of their evaluation behavior (Reb, 2008).

Hypothesis 1: Top managers process idea evaluations on higher construal levels, resulting in a strong focus on the creativity rating. Based on assumptions of anticipatory regret and attribution theory, we expect top managers to rate customer ideas higher on creativity than employee's ideas, while lower level managers do not.

Hypothesis 2: Lower level managers process idea evaluations on lower construal levels, resulting in a strong focus on feasibility. Based on assumptions of anticipatory regret and attribution theory, we expect lower level managers to rate customer ideas higher on feasibility than employee's ideas, while top managers do not.

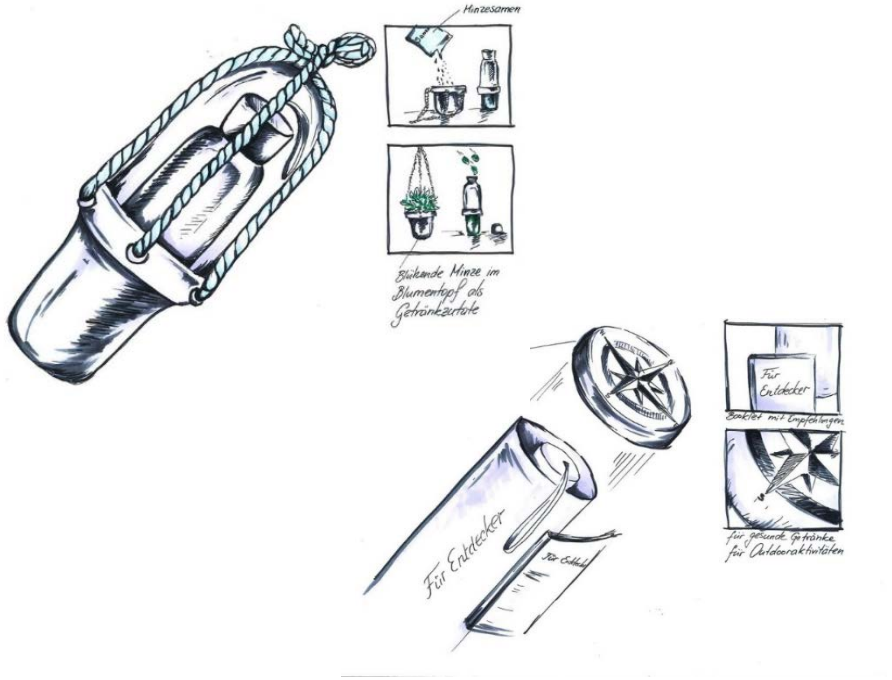
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Methodology

- Online experiment
- Between subjects design, participants were randomly exposed to one stimulus
- Stimuli: pretested packaging ideas for the launch of an innovative water bottle

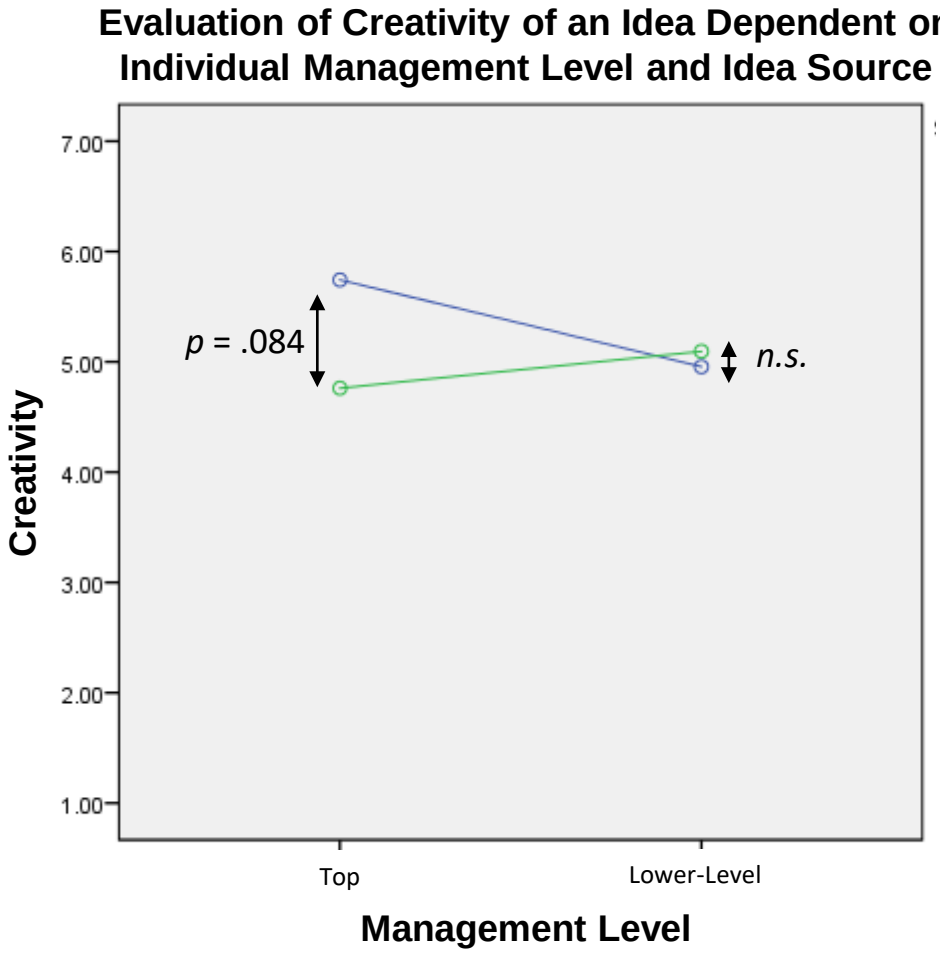




Sample.

- Sample:
  - 113 German-speaking managers
  - 34.5% top management, 65.5% lower-level management
  - Gender: 21.2% women, 78.8% men;
  - Average age: 46.30 years (SD = 9.22)
  - Departments: marketing (38.9%), organizational strategy (23%), sales (15.9%), innovation (6.2%), other (16%)

Results.

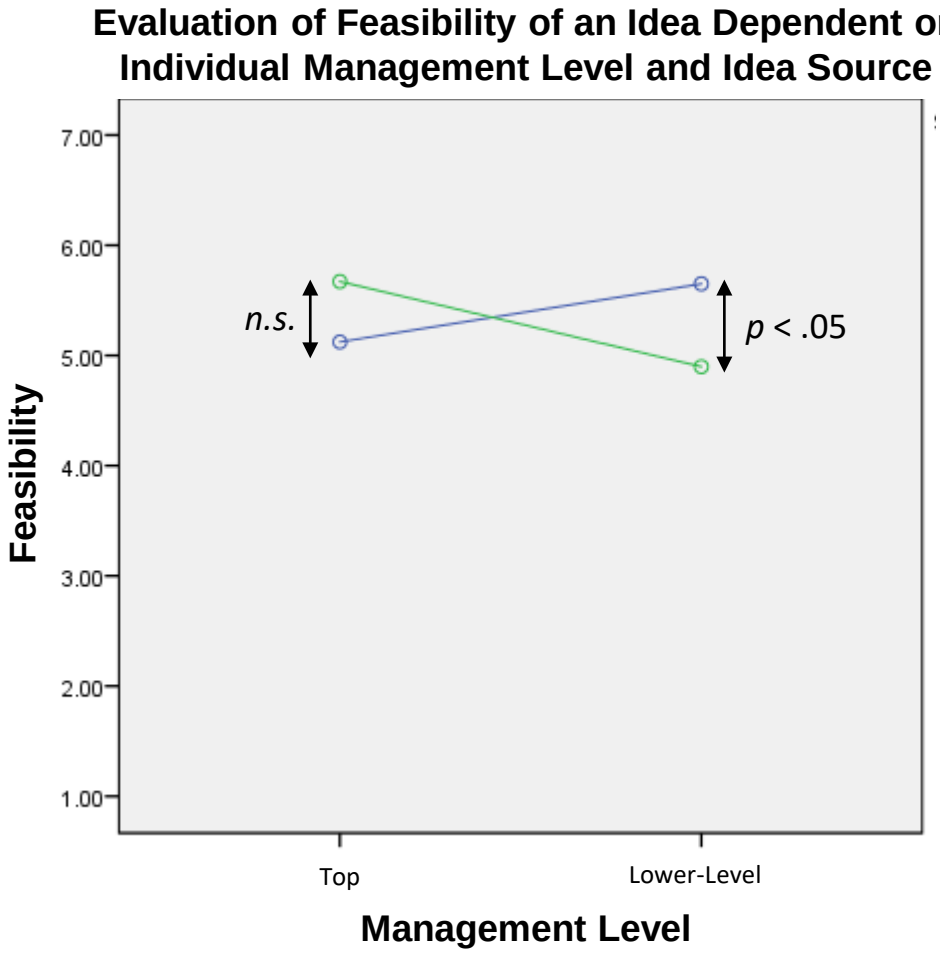


Interaction effect: $F(2,111) = 4.334$, $p = .040$
Explained variance (R^2) = 8.2%
Non significant simple effect for lower-level mgmt:
$F(1,73) = .390$, p = n.s.

Significant simple effect for top mgmt:
$F(1,38) = 3.171$, $p = .084$
Explained variance (R^2) = 18.6%

* Controlled for type of stimulus

Results.



Interaction effect: $F(2,111) = 4.524$, $p = .036$
Explained variance (R^2) = 20.5%

Significant simple effect for lower-level mgmt:
$F(1, 73) = 5.459$, $p = .022$
Explained variance (R^2) = 25.1%

Non significant simple effect for top mgmt:
$F(1, 38) = 2.206$, $p = n.s.$

* Controlled for type of stimulus

Results.

Summary of Results

- Manager's individual hierarchy level affects the evaluation of ideas from different sources, in terms of feasibility and creativity ratings:
  - Top managers tend towards distinct creativity ratings of an idea, dependent on its source
  - Lower-level managers showed no difference in their creativity evaluations, but altered their feasibility rating in respect to the source of ideas
- Our analysis yielded that especially the evaluation of customers' ideas benefit from these rating biases:
  - Lower-level managers rated the ideas from customers higher than ideas from employees in respect to feasibility
  - Same effect for creativity in the top-management condition

Discussion and Practical Implications.

- We argue that decision makers' avoidance of possible negative consequences results in a sponsorship of customers' ideas
- We first show that open innovation seems to be a double-edge sword for companies
  - Decision makers may lower perceived risks by evaluating customers' idea more favorable on the decision maker's main criterion
  - The promotion of customers' ideas obviously will have a downside as it leads to a lower appreciation of employees' ideas

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Research Contribution and Future Research.

- The main academic contribution of this research is twofold:
  - Initial evidence on managers' avoidance behavior regarding the evaluation of ideas and its negative consequences for the assessment of employees' ideas in an open innovation context
  - Contribution to current literature on managerial decision making and respective biases within innovation processes
    (Mueller, Melwani, & Goncola, 2011; Wiesenfeld, Reyt, Brockner, & Trope, 2017)
- Limitations and Future Research
  - The small sample and inhomogeneous group sizes managers result in less statistical power.
  - Future research need to provide empirical process evidence for our hypothesized effects.
  - Manipulations of failure culture appear to be promising in this regard.

Thank You for Your Attention.



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