Managerial Decision Making in Open Innovation: The Effect of Individual Hierarchy Level on the Evaluation of Customers' and Employees' Ideas

Laura Braun, University of St. Gallen
Peter Mathias Fischer, University of St. Gallen
Sven Reinecke, University of St. Gallen

Keywords: *managerial decision making, construal level, open innovation, creativity, feasibility, idea evaluation*

Description: *The present research examines how a manager's individual hierarchy level affect the assessment of creativity and feasibility of innovation ideas from customers and employees.*

EXTENDED ABSTRACT

Research Question

With the rise of digitalization and increased interaction possibilities, a rapid growth of open innovation initiatives can be recognized (Fuchs, Prandelli, and Schreier 2015; Stevens, Esmark, Noble, and Lee 2017). Today, many companies collaborate with internal (e.g., employees) and external stakeholders (e.g., actual or potential customers) to gather feedback, generate new ideas, or derive innovative business models in shorter innovation cycles and at lower costs (e.g. Fuchs, Prandelli, and Schreier 2010; Gassmann and Enkel 2004). While there has been fruitful research on customers' attitudes, behaviors, and outcomes within such initiatives (e.g. Chan, Kim, and Lam 2010; Cui and Wu 2015; Mahr, Lievens, and Blazevic 2014; Stevens, Esmark, Noble and Lee 2017), investigations on how responsible managers evaluate and select ideas have been comparatively scarce, despite being equally relevant. In our research, we address this research gap with respect to construal level theory (for a review: Wiesenfeld, Reyt, Brockner, and Trope 2017). In contrast to existing literature having focused on one's situational construal level and its influence on evaluation behavior (e.g. Mueller, Wakslak, and Krishnan 2014), we investigate the impact of a manager's actual hierarchy level on the evaluation of ideas from different sources. More specifically, we show that top- and lower level managers alter their creativity and feasibility ratings in line with their construal level, under consideration of the source of an idea (customer vs. employee).

Method and Data

To test our hypotheses, we ran an online-experiment with 113 managers. 34.5% of managers indicated to be part of the top management team (board members) of their company, whereas 65.5% were categorized as lower level managers (e.g. team managers or project managers). Participants were randomly assigned to the experimental conditions.

Summary of Findings

Our study revealed that managers evaluate the very same idea fundamentally different, dependent both on the evaluation criterion (i.e., creativity vs. feasibility) and the source of this idea (i.e., customer vs. employee). Top-managers, who process information on higher construal levels, tend to distinct creativity ratings of an idea, depending on its source (customer's vs. employee's ideas) while the source of the identical idea did not have an effect on their feasibility ratings. The complete opposite was found for lower-level managers. Lower-level managers, who process information on lower construal levels differentiated their feasibility ratings dependent on the source of innovation idea, but showed no difference in their creativity evaluations. In addition, post hoc analysis showed that especially the evaluation of cus-

For further information contact: Laura Braun, Institute of Marketing, University of St. Gallen (laura.braun@unisg.ch).

tomers' ideas benefit from this rating biases of top and lower level management.

Key Contributions

The academic contribution of this research is threefold: First, our research extends current literature on managerial decision making within innovation processes. Secondly, we contribute to existing research on construal level (for a review: Wiesenfeld, Reyt, Brockner, and Trope 2017) by manipulating psychological distance within an innovation scenario in two ways: the source of presented innovation ideas (an employee's vs. a customer's idea) and the individual hierarchy level of managers. Thirdly, we apply current theories on creativity and feasibility perception as well as their evaluations to a management context (Mueller, Melwani, and Goncola 2011; Mueller, Wakslak, and Krishnan 2014). For practitioners, the present research identifies relevant patterns of managerial decision-making and respective biases of managers regarding the evaluation of ideas within open innovation and especially crowdsourcing initiatives. Furthermore, the current study is part of a set of investigations, striving for relevant insights how organizations can avoid biases regarding managerial decision making and idea selection processes.

References are available on request.