

ESSAY 1

MARKETING INNOVATION AND FIRM PERFORMANCE:
RESEARCH MODEL, RESEARCH HYPOTHESES, AND MANAGERIAL IMPLICATIONS

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EXTENDED ABSTRACT

This research conceptualizes and develops a scale for the marketing innovation construct for the purpose of furthering research in marketing strategy. This marketing innovation construct and its associated strategic activities are clearly distinguished from product and process innovation, better enabling researchers and practitioners to identify new and updated paths from innovation to firm performance. Marketing innovation is defined as the degree of novelty in the implementation of three core business processes: (1) product development management, (2) supply chain management, and (3) customer relationship management, as identified in the Srivastava, Shervani & Fahey (1999) framework. Results from an initial qualitative study involving in-depth interviews indicate marketing innovation is developed and fostered by marketing insight and marketing imagination, and these relationships appear to be moderated by the market orientation of the firm. As conceptualized, marketing innovation is suggested to enhance firm performance via (1) the marketing-product space, (2) the marketing-process space, and (3) the marketing-relationship space. This enhancement process, however, is moderated by the degree of radical product innovation the firm is currently undergoing as well as the degree of process innovation the firm practices.

The central research question is: Does marketing innovation make a substantial impact in explaining firm performance, and, if so, when and why? Through this research, marketing innovation is conceptually demonstrated to have a direct impact on firm performance because it effectively captures the ability of an organization to innovatively implement marketing activities that are embedded in core business processes. This is an important extension to research findings

in innovation, market orientation, creativity, and market sensing. This research goes beyond the mere detection of a market-focused or innovative firm environment and concentrates on the implementation of strategic marketing activities and their specific effect on firm survival, good performance, and great performance.

This newly defined marketing innovation construct has several important features that are worthy of attention as they help move the literature on innovation and marketing strategy forward.

First, this new definition of marketing innovation includes *existing* and *new* products and services. The intention here is to separate the construct from product innovation, which focuses on new or improved market offerings. While the author recognizes that new product development, and thus product innovation, is a critical component of marketing, it is only one of the many activities associated with the marketing innovation construct; these activities are later defined in the marketing-product space of marketing innovation. Next, a marketing-process space of marketing innovation is defined in order to capture as well as separately identify the organizational and customer value associated with improved efficiency in the order-fulfillment process. Finally, and most importantly, in order to give adequate attention to innovative elements that are in the most direct control of marketing, a marketing-relationship space of marketing innovation is defined; this space is aimed specifically at attracting and retaining customers with existing products and services through innovative methods in pricing and promotion.

There are two key antecedents which enable an organization to effectively create, foster, and implement marketing innovation: marketing insight (Bowen 1990, Linoff 2004, Roberts and Eisenhardt 2003) and marketing imagination (Andrews and Smith 1996, Levitt 1960, 1983).

These internal antecedents are considered more enduring than circumstantial because they are difficult for firms to change as they are highly embedded in the organization, requiring substantial effort and time to alter. Their modification often needs to include changes to corporate structure, top management, or substantial modification to the mix of corporate capital. Nonetheless, two interesting contributions of this research are the propositions of how the impact of these antecedents on marketing innovation changes substantially (1) over the various phases of the industry maturity and (1) at various levels of marketing orientation. Further, based on theoretical and practitioner guidance, the moderating forces of type of product innovation and level of process innovation are hypothesized to significantly alter the conversion of marketing innovation to firm performance.

At the end of the day, marketing researchers and practitioners will benefit from the multi-dimensional construct development of marketing innovation as well as its future empirical grounding. Through this understanding, practitioners will be able to implement a specific set of activities as defined in the marketing innovation construct that can lead to a statistically and practically significant improvement in their ability to reach superior firm performance. A complete summary and discussion of marketing innovation's antecedents, manifestations, and consequences are included to ground future research in this area. A comprehensive research model, proposed method, and details for two empirical studies, testing key relationships in the marketing innovation framework, are discussed.

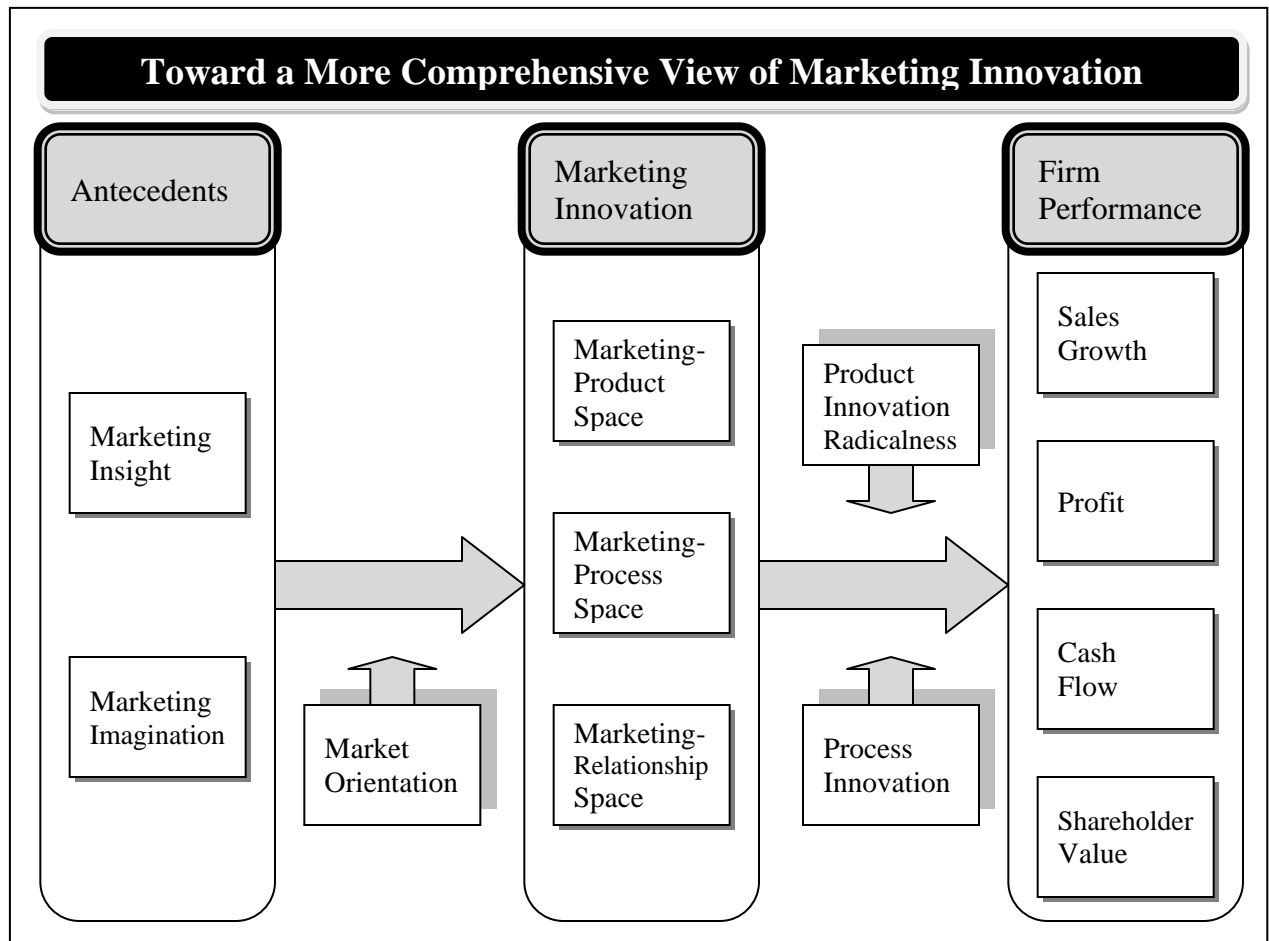


Figure 1 - Research Model