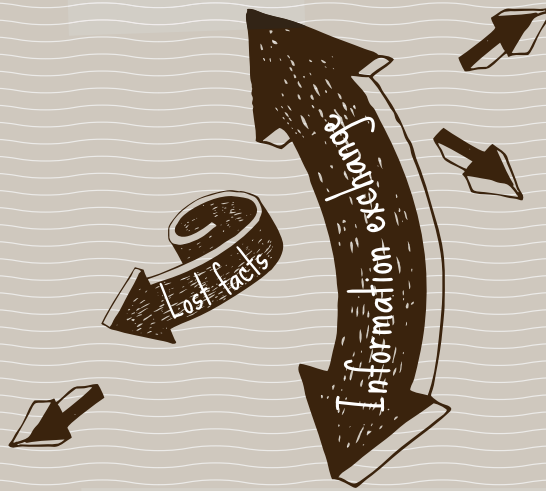


{ New Theory }

**TOP**  
Management



Research employees



/// Important pieces of information may sometimes not reach the top management team.

# SHOULD TOP MANAGEMENT GET INVOLVED IN MARKET INFORMATION COLLECTION EFFORTS?

*Nukhet Harmancioglu, Amir Grinstein and Arie Goldman*

Research in marketing has typically studied market information collection efforts from the perspective of employees and market research companies, disregarding the role that the top management team (TMT) plays in these efforts. In a B2B environment, we find positive effects of TMT involvement in market information collection efforts on firm innovativeness above and beyond employees' market information collection efforts. The observed effects are stronger for smaller firms and high-tech companies.

## **Market Information Collection and the Top Management Team (TMT)**

Market information is strongly associated with a firm's ability to effectively implement marketing strategies, develop successful new products and achieve superior business performance. Without it there is no opportunity for the firm to keep abreast of its customer and competitor environments. However, although market information is particularly necessary for strategy selection and implementation, top managers are typically not active participants in the collection of market information. The key decision-makers in the organization are often only expected to be exposed to the final outcome of the market research (e.g., a summary report) on customer satisfaction compiled by a market research company or the firm's marketing team.

Top managers usually do not have the time to be involved in information collection or closely supervise information collection efforts and are therefore less likely to put their hands on 'raw' market information. They are also often removed from the day-to-day interaction with custom-

ers, which may hinder their ability as managers to 'get a good sense' of the market information. Furthermore, important pieces of information may sometimes not even reach them and can limit effective decision making as a result. This may result in gaps between the priorities of top management and employees, making it difficult to effectively implement marketing programs.

## **Market Information's Role within the Company**

Market information is defined as external data concerning a firm's current and potential external stakeholders. Market information can provide the basis for shared values and beliefs in market-oriented firms, determine employee behavior, and help them better understand their environment and their organization. If implemented well, this behavior and these processes contribute to the firm's ability to create customer value, outperform the competition and achieve superior market results. Sensing the market environment allows firms to respond to and alter the market, and attain competitive advantage through innovations as market intelligence is developed and bolstered.

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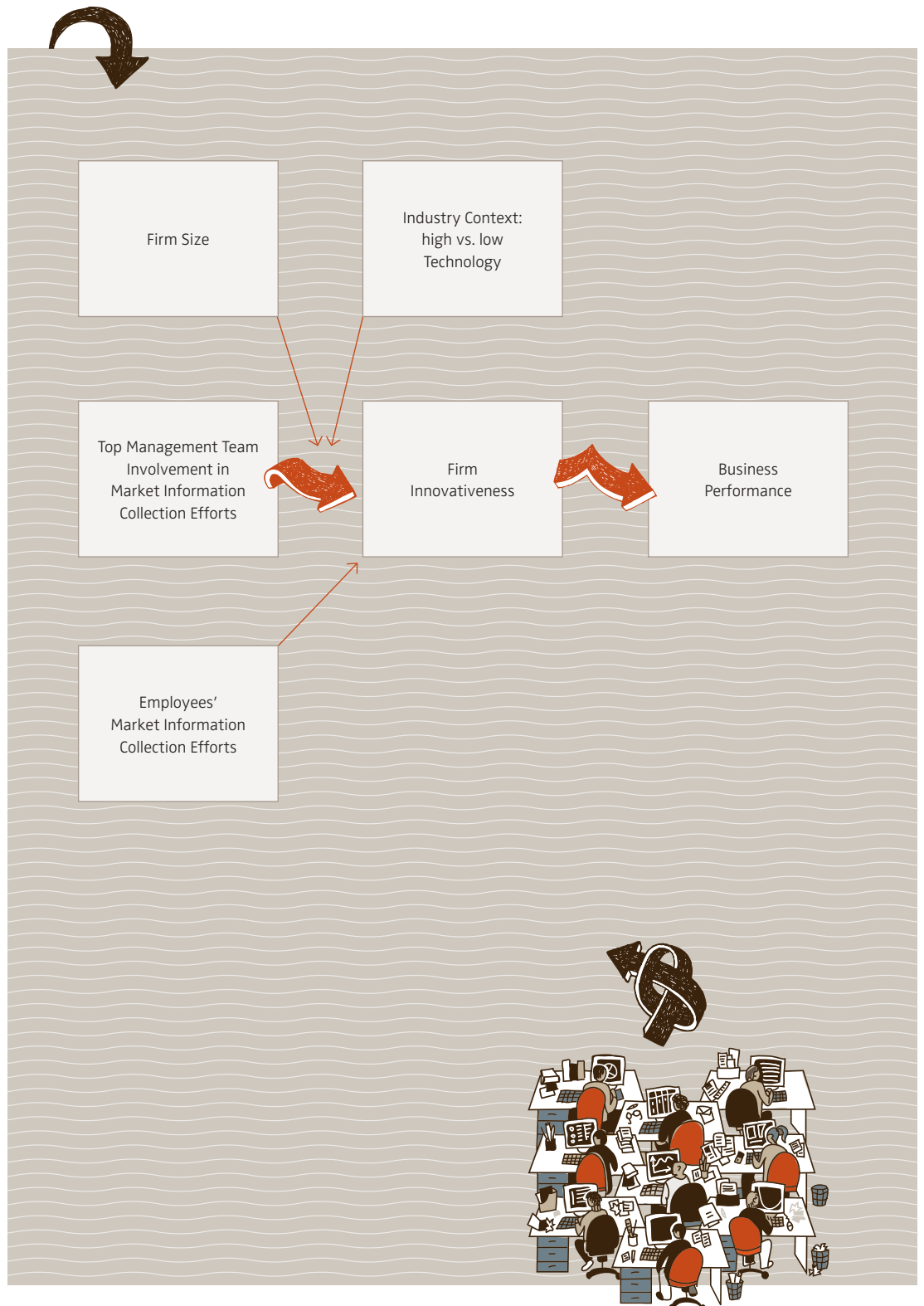
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FIGURE 1:  
Framework of Effects of  
Market Information Collection  
and TMT Involvement



The fact that such information is collected does not necessarily mean that it is actually used effectively within companies. Repeatedly it was found that there is a mediating impact of the quality of implementation on the conversion of distinctive resources into competitive advantages. Superior resources (e.g., market information) and skills (e.g., TMT involvement in market information collection) may not be automatically converted into positional advantages (e.g., firm innovativeness). Furthermore, the firm's internal characteristics (e.g., firm size) and the external competitive environment (e.g., industry context) might determine the quality of information transmission and utilization. Given the importance of market information for knowledge development, organizational learning and competitiveness, it is important to analyze if, and to what extent, the way in which the information is collected influences key outcomes.

#### Arguments for TMT Involvement in Information Collection

The TMT is defined as the organization's top-tier members. These key executives provide guidelines and direction for critical strategic decisions; they are viewed as the driving force behind the firm's behavior and performance. TMT behavior such as TMT agreement-seeking and consensus, behavioral integration, informal communication, conflict resolution and decision comprehension all determine the course of the company. Even though market information is often at the heart of decision making, top managers are generally not highly involved in, or do not closely supervise, the information collection process.

As a matter of fact, there are several arguments why TMT involvement in market information collection might result in superior decisions and improved success. TMTs' lack of time and/or limited attention leads them to put emphasis primarily on summary reports of internally or externally collected information. As a result, top managers might not always be able to 'get a good sense' of market information or receive important tacit information. Tacit information (e.g., information on business customers' corporate culture) is particularly important for firms because this type of information, which is non-verbalizable, intuitive, unarticulated, difficult to formalize and communicate and learned through collaborative experience, can support firms in becoming more innovative and gaining competitive advantage. Tacit information helps

managers identify latent customer needs, customers' decision-making processes and new market opportunities. Furthermore, the nature of tacit information is often associated with informal communication, which is viewed as a critical process for innovation.

Active and effective TMT involvement in market information collection efforts may therefore be in the form of customer visits, frequent and close customer interaction and/or informal meetings with customers (e.g., lunches, dinners, golf). Beyond increased innovativeness, such behavior is likely to lead to improved strategic decision making, new strategic insights and courses of action and increased management confidence. Conversely, lack of access to tacit market information can limit effective decision making and innovativeness.

#### A Framework to Test the Effects of TMT Involvement

Based on these arguments, an empirical study aims to provide a better understanding of *how market information collection efforts* and *TMT involvement*, in particular, impacts the firm. As discussed in the previous chapters, a firms' efforts in market information collection and TMT involvement in this process should have positive effects on business performance. Figure 1 gives an overview of the expected relationships.

» Market information can provide the basis for shared values and beliefs in market-oriented firms, determine employee behavior, and help them better understand their environment and their organization. «

FIGURE 2a:  
Interaction Effect of TMT  
Involvement and Firm Size on  
Firm Innovativeness

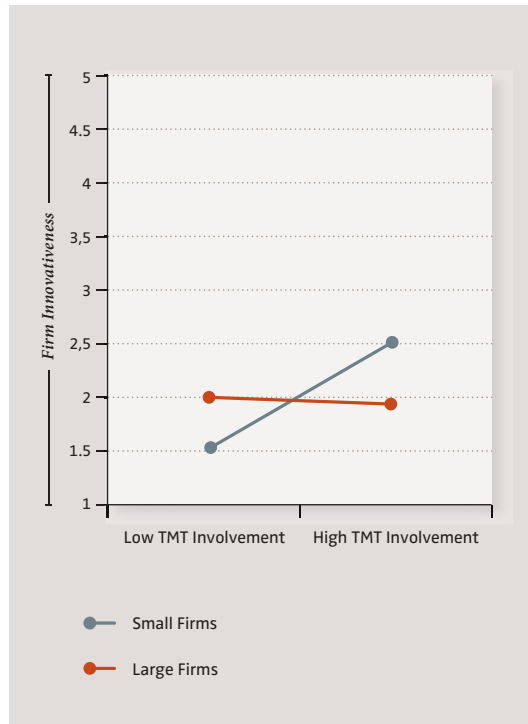
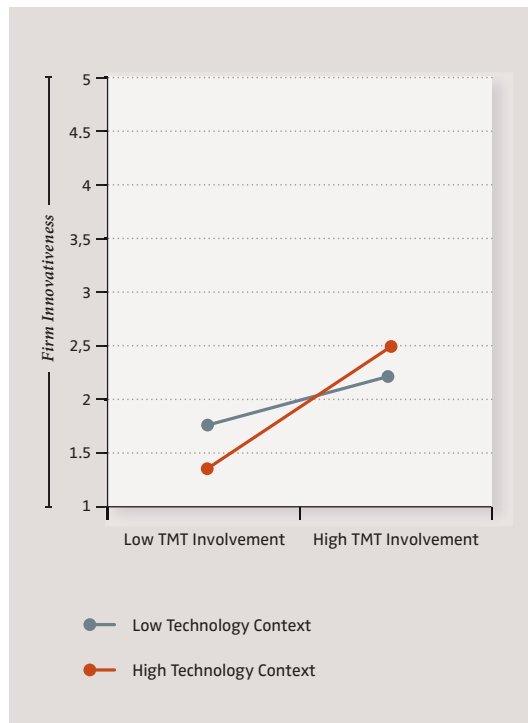


FIGURE 2b:  
Interaction Effect of TMT  
Involvement and Industry  
Context on Firm Innovativeness



“*Firm innovativeness*” is used as the key variable of *business performance* because it is a key element of firms’ competitive advantage and superior results. In the study, effects on firm innovativeness, direct effects on business performance and indirect effects (effects on business performance resulting from increased innovativeness) are analyzed.

Some additional factors that might be of relevance were also included: concerning the positive impact of TMT involvement, the effects might differ depending on *firm size* or the *type of industry* a company faces. Even though small and large firms should both benefit from TMT involvement in market information collection, the incremental contribution for smaller firms is expected to be greater than that for large firms. Small firms have fewer funds to purchase industry data or conduct professional market research and their internal knowledge base and human capital is more limited. Therefore TMT’s role in market information collection is expected to be more crucial.

When differentiating between industry contexts, the positive effect of TMT involvement should be more pronounced in high-tech than low-tech environments. The former are characterized by frequent changes in customer expectations, competitive volatility arising from new entrants and rapid technological shifts, the availability of more information resources and shorter product life cycles. To actually collect relevant customer insights and convert them into increased innovativeness and competitive advantages, high-technology firms need advanced organizational mechanisms. Direct TMT involvement should have beneficial effects in their implementation.

#### Results from a Sample of B2B Firms

The model was tested with a sample of 95 B2B companies in Israel. Personal, standardized interviews were conducted with one manager per company (mostly CEOs or vice presidents). All items were measured with 5-point scales ranging from “strongly disagree” to “strongly agree” (with the exception of firm size, where a 6-point scale was used, and industry context, where a 0/1 coding was applied for high and low tech contexts). The answers were analyzed with multiple regression analyses and ordinary least squares (OLS) estimations.

The results support the relations in the framework:

- > Employees' market information collection efforts positively influence firm innovativeness
- > TMT involvement in market information collection efforts exerts a strong positive influence on firm innovativeness above and beyond employees' efforts.
- > The effects are stronger for small companies and for companies in a high-tech environment (see Figure 2).
- > TMT involvement exerts a positive and significant indirect effect on business performance through firm innovativeness, but no direct effect was observed.

Being involved in market collection efforts sends signals to organizational members about the value of market information and helps building and nurturing a market-oriented culture. There are a number of mechanisms which TMT can consider. Systematically sharing insightful market information with other top managers, department heads and employees both formally through progress reports and brainstorming meetings and informally through interpersonal interactions can have the desired effects. An alternative approach the TMT could adopt would be to invite customers with valuable insights to visit the firm, encouraging cooperation through presentations and meetings.

Summing up, the results show that TMT involvement in market information collection creates value for the firm and augments business performance through increased innovativeness. Especially for small companies and/or within a high-tech environment it seems to pay off when top managers invest some of their valuable time in active participation in market information collection. •

## FURTHER READING

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### KEYWORDS:

Market Information,  
Top Management Teams,  
Customer Orientation,  
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