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Empirical paper

Reputation for technological innovation: Does it actually cohere with innovative activity?

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ABSTRACT

Firms strategically promote, foster and pursue a reputation for technological innovation. Yet, present research did not examine whether such perception actually coheres with innovative activity itself. Previous studies in this field often relied solely on tangible products/product introductions, hence we apply multiple proxies based on a firm's intangible innovative performance to examine the influences on reputation for technological innovation. Using patent, financial and consumer data our Poisson regression analyzes 65 international firms which have been nominated by 231 consumers. We apply time-series and likewise cross-sectional data for our interdisciplinary analysis. Our findings demonstrate that innovative performance (citation intensity) is linked to reputation for technological innovation. Counter-intuitively, our results provide evidence that marketing intensity negatively influences a reputation for technological innovation. From the results, we conclude that innovative performance may be associated with a reputation for technological innovation. Actual technological advancement attracts attention from consumers that cannot be purchased with greater marketing investments. This implies that consumers appreciate the costly and uncertain R&D efforts and value those firms that constantly offer innovation. As a theoretical implication, the consideration of intangible inputs for reputation research is an important contribution for a holistic understanding. The results represent essential strategic information for innovation and marketing functions, where both divisions need to align their activities and investments.

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Reputación de la innovación tecnológica: ¿coincide realmente con la actividad innovadora?

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Las empresas estratégicamente promueven, fomentan y aspiran a alcanzar una reputación de innovación tecnológica. Sin embargo, la investigación actual no ha analizado si esta percepción coincide realmente con la actividad innovadora en sí misma. Estudios previos en este campo a menudo se han basado exclusivamente en productos tangibles/introducciones de productos; por tanto, aplicamos múltiples indicadores basados en el intangible rendimiento innovador de una empresa para analizar las influencias sobre la reputación de la innovación tecnológica. Utilizando datos de patentes, financieros y de consumo, nuestra regresión de Poisson analiza 65 empresas internacionales que han sido elegidas por 231 consumidores. Aplicamos series cronológicas y datos transversales para nuestro análisis interdisciplinario. Nuestros hallazgos demuestran que el rendimiento innovador (intensidad de la citación) está vinculado con la reputación de la innovación tecnológica. En contra de toda lógica, nuestros resultados ofrecen la evidencia de que la intensidad del marketing influye negativamente en la reputación de la innovación tecnológica. A partir de los resultados, podemos concluir que el rendimiento innovador puede estar relacionado con una reputación de innovación tecnológica. El avance tecnológico actual atrae la atención de los consumidores que no pueden ser comprados con mayores inversiones en marketing. Esto implica que los consumidores aprecian los costosos e inciertos esfuerzos de I+D y aprecian aquellas empresas que constantemente ofrecen innovación. A modo de implicación teórica, la consideración de insumos intangibles para la investigación de la reputación es una contribución importante a una comprensión holística. Los resultados son información estratégica esencial para las funciones de innovación y marketing, donde ambas divisiones necesitan nivelar sus actividades e inversiones.

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“You can’t buy a good reputation, you must earn it”

(Harvey Mackay, Businessmen and Author)

Introduction

Can consumers assess the innovative performance of firms? There are strong signs suggesting that the subjective perception of innovative performance differs from objectively measurable performance criteria: The study “Navigating the Digital Future: The Global Innovation 1000” by Jaruzelski, Loehr, and Holman (2013) analyzed the top R&D spenders worldwide. In the same study, senior managers also ranked the most innovative companies according to their own perceptions. Exemplarily, Apple Inc. was perceived as most innovative company, however ranked on position 43 based on their R&D spending. Studying whether innovative performance and reputation cohere is legitimate and urgent, particularly when considering the benefits of a good reputation (Boyd, Bergh, & Ketchen, 2010; Henard & Dacin, 2010).

Most papers in this field investigated reputation as a resource of competitive advantage with effects on financial results (Roberts & Dowling, 2002) or shareholder value (Raithel & Schwaiger, 2014). Fewer studies researched how firms gain reputational status and how reputation as a signal contributes to defending a strategic, competitive position (Shamsie, 2003). Basdeo, Smith, Grimm, Rindova, and Derfus (2006) found that reputation is substantially affected by both a firm’s own and

its rivals’ activities. Henard and Dacin (2010) specifically investigated the development of reputation for product innovation, finding that consumers increase their loyalty, their excitement and their tolerance for failure. Recently, Stock and Zacharias (2013) found positive effects of product meaningfulness and negative effects of product newness on customer loyalty.

Although the topic is relevant for research and practice, prior papers have been limited. First, previous research on the reputation for technological innovation addressed “innovative performance in the narrow sense” (Freeman & Soete, 1997; Hagedoorn & Cloudt, 2003), i.e. product innovations. Henard and Dacin (2010) developed a specific “reputation for product innovation”, showing that firms yield a specific reputation for introducing product innovations to the market. A shortcoming is the focus on “innovative performance in the narrow sense” (Hagedoorn & Cloudt, 2003), by focusing on products/product introductions which are tangible and visible aspects (Freeman & Soete, 1997; Henard & Szymanski, 2001; Szymanski, Kroff, & Troy, 2007). Henard and Dacin (2010, p. 322) in particular state that “one cannot simply rely on a proxy (e.g. number of patents filed, R&D dollars spent) to adequately capture the true measure of an organization’s reputation for product innovation”. We extend this by using multiple proxies based on patents, its citations and R&D spending. Patents are often considered to be the ultimate and accepted measure of an organization’s innovative output (Griliches, 1990; Hirshleifer, Hsu, & Li, 2013). In many high-tech industries, innovative products new to

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