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Trust, perception, and managerial use of market information

Tamara Keszey

Corvinus University of Budapest, Institute of Marketing and Media, Department of Marketing, Fővám tér 8., Budapest, 1093, Hungary

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ABSTRACT

This study aims to enrich international business theory and practice by being the first study to investigate how both inter- and intra-organizational managerial trust in the source of market information contributes to its' perception and use and by examining the contingent role of structural fluctuations and market turbulence. Structural equation modelling of cross-sectional survey data of 158 firms in Hungary shows that trust is an important driver of utilization of market information. Perceived information quality mediates the effect of trust on information use partially when it derives from intra- and fully when from inter-organizational source. When unpredictable changes occur due to structural fluctuations of the firm, the role of trust in quality perception of market information becomes more prominent. However, changes in the environment due to market turbulence do not moderate the effect of trust on perceived quality of information from inside, only from outside the firm.

1. Introduction

It has long been suggested that successful firms thrive because of their ability to identify and respond to market trends and needs. The ability to effectively use market information deriving from multiple sources both within and outside of a firm is a potential source of competitive advantage for firms in the international business arena (Ahlvik & Björkman, 2015). A number of studies emphasize that firms' competitive advantage lies in their ability to scan market needs across multiple locations, transfer and respond to these trends and needs (Ahlvik & Björkman, 2015; Day, 1994; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990).

Trust in the source of information is a central ingredient of firms' ability to respond to market information (Moorman, Zaltman, & Deshpandé, 1992). The role of trust in information use is considered an under-researched area in the international business literature (Khalid & Ali, 2017); a limited number of extant studies show inconclusive results. For example, Presutti, Boari, and Fratocchi (2007) found that trust between global high-tech start-up companies in Italy and their key foreign customers related negatively to knowledge acquisition abroad. On the contrary, Francis, Mukherji, and Mukherji (2009) concluded that trust between Mexican firms and their customers had a positive effect on information exchange between partners. However, Li (2005) observed that trust between co-workers had no effect on inward knowledge transfer to Chinese subsidiaries from multinational companies' headquarters.

The objective of this paper is to further clarify the role of trust in managerial use of marketplace information. More specifically, this paper addresses the following research questions: (1) How does marketing managers' trust in the source of market information influence its later use? (2) Does the effect of trust on information use vary when market information is obtained from inter- and intra-organizational sources? (3) Is the effect of trust contingent on the organizational and business context of the firm?

The findings of this study offer two key contributions to the extant international business literature. First, the empirical evidence on the effect of trust and information use is broadened. To provide a more nuanced understanding of how trust can strengthen an organization's responsiveness to market-related information, we consider a mediator, namely, the perceived information quality. Modelling mediators contributes to identifying and explaining the mechanisms underlying the relationship between trust and information use via inclusion of the third hypothetical variable, the mediator (MacKinnon, 2008). Thus, the mediator variable serves to clarify the nature of the relationship between two variables (i.e., trust and information use). This is a particularly important contribution, as the extant literature is fragmented and inconclusive on whether trust has an impact on firm-level information processing. This study contributes to a nuanced understanding of salient factors that are often implicitly assumed in mechanisms involved in transforming trust into information use.

This study considers differential information processing consequences of trust in both inter- and intra-organizational information sources. Market information is considered the most complex type of information within the firm (Davenport, Harris, & Kohli, 2001) because it derives from a great variety of sources, such as databases, market research reports, sales representatives' interactions with customers,

E-mail address: tamara.keszey@uni-corvinus.hu.

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Table 1
Research gaps in empirical studies of inter- and intra-organizational trust and managerial information use.

Research gap #1: Mixed results on the effect of trust on information use
Inter-organizational trust
Positive: Firm-level exploratory capability of creating radical innovation in high-tech industries (Lew, et al., 2013)
Information exchange between partners (Francis, et al., 2009)
Relationship learning (Jean, et al., 2010)
Inward transfer of knowledge to headquarters from subsidiaries and external relationship ties (Li, 2005)
Negative: Knowledge acquisition of start-up firms abroad (Presutti, et al., 2007)
Not significant: Marketers' use of information from external market research companies† (Moorman, et al., 1992).
Intra-organizational trust
Positive: Knowledge sharing behaviour among colleagues (Akhavan & Mahdi Hosseini, 2016; Mäkelä, et al., 2012; Rutten, et al., 2016)
R&D managers' quality perception and use of information from marketing managers (Maltz, et al., 2001)
Not significant: Marketing's use of information from sales colleagues† (Keszey & Biemans, 2017)
Attitude towards knowledge sharing and subjective norms for knowledge sharing (Chow & Chan, 2008)
Inward transfer of knowledge to headquarters from subsidiaries and external relationship ties (Li, 2005)
Marketers' use of information from internal market research colleagues† (Moorman, et al., 1992)
Research gap #2: Few (to the best of our knowledge, only two) studies on the differential effects of both inter- and intra-organizational trust on information use
The role of trust is more important in inter- than in intra-organizational settings. Intra-organizational trust has no significant effect, while inter-organizational trust has a positive effect on inward transfer of knowledge to headquarters from subsidiaries and external relationship ties. (Li, 2005)
The role of trust is more important in intra- than in inter-organizational settings. Trust has no direct effect on information use and only an indirect effect through mediators (the quality of interaction and researcher involvement) (Moorman, et al., 1992).
Research gap #3: The role of contingency (moderator) variables in the effect of trust on information use is less understood (to the best of our knowledge, there is only one such paper in the extant literature)
The effect of inter-organizational trust on relationship learning is positively moderated by communication context (high context: information from personal networks; low context: information from formal channels) (Jean, et al., 2010)

Notes: † no significant direct effect; however, indirect effect is observed through mediators, such as perceived information quality and integration.

marketplace observations, etc. Accordingly, managers rely on information obtained through inter- and intra-organizational relationships. The extant literature, apart from the notable exception of Li (2005), is based on restricted scenarios and focuses on the role of trust in processing information derived from either inter- (Jean, Sinkovics, & Kim, 2010; Lew, Sinkovics, & Kuivalainen, 2013) or intra-organizational sources (Maltz & Kohli, 1996; Rutten, Blaas-Franken, Martin, & Chase, 2016; Yang & Farn, 2009). Scholars suggest that trust is more vulnerable in inter-organizational relationships, as monitoring and formal controls are difficult and costly to establish; hence, trust may be the primary organizing principle to safeguard against opportunistic behaviour (Li, 2005). However, the notion that the importance of trust in processing information may be higher in inter- than in intra-organizational relationships is largely theoretical in the extant literature and requires further empirical evidence.

Second, this study sheds light on the importance of contingencies to the information processing outcomes of trust. A recent meta-analysis of 112 independent studies shows that environmental factors, such as task interdependence, authority and skill differentiation, largely moderate the performance effects of interpersonal trust (De Jong, Dirks, & Gillespie, 2016). Similarly, the information processing outcomes of trust may also be contingent on certain factors. Although researchers have made great progress in understanding information perception and processing managerial behaviours, to our knowledge, only one study in this domain has considered contingent variables (Jean et al., 2010). This study provides a more fine-grained view of contingencies that moderate trust's role in organizational responsiveness to market information.

The remainder of this paper is organized as follows. The following section presents the context and the conceptual background of the study, including the research hypotheses. Next, the study's research method and key findings are presented. The article concludes with a discussion of the study's theoretical contributions, managerial implications, limitations, and suggestions for future research.

2. Theoretical background and research gaps

This study focuses on the role of trust in use of market information that marketing managers obtain from inter- and intra-organizational sources under different contingencies. Our conceptualization of differential effects of trust on managerial utilization of market information rests on the theoretical basis of such utilization that has become an influential framework for analysing the types of capabilities managers should possess to generate and integrate market information for use in decision making (Caplan, Morisson, & Stambaugh, 1975; Menon & Varadarajan, 1992).

Market information use is defined as the extent to which market information is taken into account in managerial problem solving and decision making (Diamantopoulos & Souchon, 1999; Moorman et al., 1992). Certain authors distinguish between instrumental and conceptual uses of market information. Instrumental use of market information refers to the direct use of information for solving a well-defined problem (Caplan et al., 1975). Conceptual use of market information refers to using information in highlighting and better understanding a problem, without a direct application (Beyer & Trice, 1982). However, later empirical studies confirmed that these two dimensions theoretically overlapped and suggested unidimensional conceptualizations of information use (Diamantopoulos & Souchon, 1999; Korhonen-Sande & Sande, 2014). Following this approach, the current study treats market information utilization as a one-dimensional concept.

The key assumption in the literature is that it is not the identification of market needs but the ability to use such information effectively that is the crucial link between information acquisition and the firm's performance (Feldman & March, 1981). Market information is conceptualized as information about customer needs and competitor activities (Kohli & Jaworski, 1990). Typical market information includes information on customer needs and complaints, as well as on buyer behaviour, market segment characteristics, competitor actions and business development (Jüttner, Christopher, & Baker, 2007). Recent studies confirm that better utilization of market information in operational planning and new product development results in considerable improvements in customer service satisfaction, more successful product launches and cost savings (Cuijpers, Guenter, & Hussinger, 2011; Korhonen-Sande & Sande, 2014).

Despite valuable findings in uncovering the role of interpersonal