

# STAKEHOLDER DYNAMICS IN FIRM INNOVATION MANAGEMENT

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## Abstract

Session Theme and Contributions Innovation is a firm action of high strategic importance and of interest to a large number of stakeholders, including firm managers, customers, channel intermediaries, and shareholders. A long research tradition documents the positive effect of firm innovation efforts on sales and profits (e.g., Bayus, Erickson, and Jacobson 2003; Pauwels et al. 2004) as well as on stock returns (e.g., Chaney, Devinney, and Winer 1991; Sorescu and Spanjol 2008, Sood and Tellis 2009). Considering the critical importance of innovation to firm performance and survival, firms have a strong need to invest in innovation. However, while of interest to a large group of stakeholders, these same stakeholders also impose a number of frictions on the firm's innovation efforts. In this special session, we offer the field a broader view of how firms manage these challenges from stakeholders. We do so by including four papers that offer diverse perspectives on such stakeholder challenges and their interactions with firm innovation behavior. These challenges include: (1) shareholders who exert short-term pressures on firm innovation behavior (Wies, Moorman, and Chandy); (2) retailers who exercise channel power and thereby drive firm innovation behavior (Gielens, Geyskens, and Dekimpe); (3) B2B buyers who at the same time can be competitors, suppliers, or partners of the focal firm, and thereby influence firm innovation behavior (Slot, Wuyts, and Geyskens); and (4) regulatory bodies who monitor firm innovation behavior (Lim and Tuli). In the first paper of the session ("Beating the Going-Public Effect: How Firms Plant the Seeds of Innovation Before They Go Public"), Wies, Moorman, and Chandy address how managers can effectively combat shareholder pressures. In a sample of CPG firms, the authors show that preparing the firm before going public can help the firm stay innovative and invest in risky breakthrough innovation projects despite being exposed to short-term pressures after going public. The second paper of the session ("Are Private Labels Killing Brands? The Impact on Brand Innovation and Selection") focuses on a different yet very powerful stakeholder in the CPG industry, namely retailers. Gielens, Geyskens, and Dekimpe document the adverse impact that retailer power has on brand manufacturers' innovation activity. The third paper in the session ("Buyer Participation in Outsourced NPD Projects: The Role of Relationship Multiplexity") by Slot, Wuyts, and Geyskens provides new insights in the B2B sector by highlighting the special role of buyer participation in the innovation process. Specifically, the authors outline the complicating feature in which a buyer may take several roles, making the buyer-supplier relationship multicomplex and the evaluation of the success of such relationship challenging. Finally, the fourth paper ("The Financial Performance of Ancillary Fees") addresses a pricing innovation in a highly regulated industry. Lim and

Tuli's finding on ancillary fees in the airline industry offer novel insights on the economic profit impact of this pricing instrument and help inform the recent regulatory discourse on this pricing instrument. Across ten authors, the papers in the special session offer novel conceptual and empirical contributions in the area of innovation management and its interactions with the firm's outside stakeholders. In doing so, the session cuts across various industry contexts including the CPG industry, the aerospace industry, and the airline industry. Using a range of methods such as roundtable discussions, in-depth interviews, and archival data analysis, the papers jointly contribute to a better understanding of how firms can effectively respond to the challenges imposed by various stakeholders and provide actionable implications for managers. There are several audiences that we think will find value in the session. First, conference attendees who study firm level outcomes, most notably marketing strategy researchers, will find the session interesting. Second, researchers who work in the innovation area, will likely find value in the diverse array of different innovation outcomes examined and the broad array of industry contexts studied. Finally, any researcher that is interested in a strong behavioral foundation for any aspect of marketing, including individual behavior, group, firm, or interfirm levels, may draw inspiration from the tools and ideas offered in this session.