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The moderating role of managerial ties in market orientation and innovation: An Asian perspective

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ABSTRACT

This empirical study contributes to the extant literature by investigating the relations among market orientation, managerial ties and innovation simultaneously and interactively, from an Asian perspective. Our findings reveal that customer orientation and interfunctional coordination have a positive impact on innovation. Moreover, managerial ties play a moderation role in the market orientation–innovation linkage. Business ties enhance the relation between customer orientation and interfunctional coordination and innovation. On the other hand, business ties and competitor orientation have a negative interaction effect on innovation. In addition, political ties also dampen the relation between interfunctional coordination and innovation. Such results add new insights to the extant literature and provide implications for future research and marketing practices in Asia.

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1. Introduction

In the past decades there has been a growing interest in investigating the relation between a firm's market orientation and innovation (Atuahene-Gima, 1996; Gatignon & Xuereb, 1997; Han, Kim, & Srivastava, 1998; Lukas & Ferrell, 2000). Though a significant amount of research has revealed a positive relation between MO and firm performance (Narver & Slater, 1990; Slater & Narver, 1994), other research suggests that the effect of MO on performance is not direct, but instead is via innovation (Deshpandé, Farley, & Webster, 1993; Gatignon & Xuereb, 1997; Han et al., 1998). A review of the extant literature that examines the relation between MO and innovation also reveals a cultural bias towards more economically developed countries and Western individualistic cultures (Ellis, 2006). Grinstein's (2008) meta-analysis, for example, suggests that more than 80% of the studies were based on samples from developed countries, mostly Western individualistic societies. Given that MO is regarded as a form of organizational culture (Slater & Narver, 1995), which is often shaped by national cultures, there is a need to integrate MO and innovation research with underlying cultural factors (Marketing Science Institute, 1990). Indeed, the theories about corporate culture and innovation that have evolved in the context of Western cultural values and institutions may not readily

apply to other cultures. It is important to examine the relation between MO and innovation in non-Western settings.

Considering the growing importance of emerging markets in Asian countries and the role of innovation in Asian firms competing in the global market, this study focuses on understanding the MO–innovation relation from an Asian perspective. In this study the unique features rooted in Asian business cultures, such as guanxi and managerial ties, are incorporated into our research framework, because these features are the most noticeable factors that differentiate firms across different cultural backgrounds (Chung, 2011; Wang, 2007; Wang, Siu, & Barnes, 2008; Yang & Wang, 2011). Empirical evidence shows that adequate guanxi networking or managerial ties can help firms to achieve their innovation objectives (Su, Tsang, & Peng, 2009) and facilitate the implementation of market orientation (Chung, 2011).

While previous studies have found empirical supports for the role of managerial ties in influencing business financial performance, the relation between managerial ties and innovation is not yet uncovered. In particular the way in which MO and managerial ties interactively influences innovation has not been examined. To fill such a void, the objective of this study makes an important contribution to the extant literature by simultaneously and interactively investigating the relations among MO, managerial ties and innovation. Additionally, as managerial ties are closely associated with social capital and social network theories (Geletkanycz & Hambrick, 1997; Luo, Hsu, & Liu, 2008), our research also contributes to the development of these theories by empirically testing the proposed moderating role of managerial ties in the MO–innovation relation from an Asian perspective.

In the following sections, we first introduce the theoretical background of the three research areas: innovation, MO and managerial

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ties. Next, we develop a set of hypotheses that are derived from the theoretical conceptualization and literature review. Then, we report our empirical testing of the hypotheses based on a sample of firms operating in Taiwan. Finally, we provide theoretical and managerial implications and future research directions.

2. Literature review and theoretical background

2.1. Innovation

Successful innovations often provide a competitive edge in changing the relative position of a firm within an industry (Kim & Pennings, 2009). Product innovativeness can be understood either from the customers' perspective, or from the firm's perspective. By integrating innovation with MO, a firm with a customer focus can take a more proactive perspective in innovation by meeting market responses, or customer needs. The proactive perspective often leads firms to take an offensive strategy, in which they aim to be first to market with a new product. Competitor orientation, on the other hand, often takes a more reactive perspective in innovation because it is a strategy that is designed to catch up with competitors based on incremental innovations. Such a defensive strategy is often used to extend a firm's life cycles (Kim & Pennings, 2009).

Innovation can be interpreted on a continuum from breakthrough innovation (in the introduction stage) to product modification and improvement (in the mature product life cycle stage) (Atuahene-Gima, 1996; Capon, Farley, Lehmann, & Hulbert, 1992; Robertson, 1971). The present study focuses on the cutting edge innovation, because this type of innovation is a relatively weak area for most Asian firms (Hobday, 1995). The underdeveloped institutional infrastructures lead firms relying on imitation, product improvement and modification rather than through cutting-edge innovation as it is often too costly to do so. This phenomenon is evident even in technologically advanced Asian countries, such as Japan. Japanese firms, when compared to US firms, were found to be more successful in product modification, improvement and application of technologies, but less successful in the discovery of revolutionary new technologies (Flynn, 1985).

2.2. Market orientation

Market orientation (MO) refers to the organization-wide generation of market intelligence that pertains to current and future customer needs, dissemination of intelligence across departments and organization-wide responsiveness (Kohli & Jaworski, 1990). Given that a MO is typically involved with doing something new in response to market conditions, it is considered as an antecedent of innovation (Jaworski & Kohli, 1993, 1996). Empirical research has found that the degree to which a firm is involved in new product development activity is significantly associated with the extent and nature of its MO (Han et al., 1998; Hurley, Tomas, & Hult, 1998; Narver, Slater, & MacLachlan, 2004).

Narver and Slater (1990) conceive MO as having three behavioral components; customer orientation, competitor orientation, and inter-functional coordination. Although a positive relation between MO and firm performance through innovation is generally assumed in the literature (Day, 1994; Gatignon & Xuereb, 1997; Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994), the empirical relation between each of the three components and innovation is still not conclusive (Grinstein, 2008). This study attempts to shed further lights on the inclusive and often contradictory findings by examining the moderating role of managerial ties and their interactive effect on MO–innovation relations.

2.3. Managerial ties

Managerial ties refer to managers' connections and ties with their counterparts in other firms, including exchanging parties, government

organizations and officials (Peng & Luo, 2000). Depending upon the nature of the networks, managerial ties consist of business and political ties. Business ties refer to managers' connections with other firms such as ties with their suppliers, buyers, distributors and competitors. Political ties, on the other hand, denote managers' connections with government officials, or personnel, in various government agencies. Managers' ties with government officials enable firms to overcome institutional barriers and instability in the face of regulatory changes and assist firms to obtain scarce resources (e.g., access to capital, land and human resources, and the ability to influence a firm's competitive strategies) (Luo, 2003; Li, Zhou, & Shao, 2009; Park & Luo, 2001).

Managerial ties are particularly important in collective cultures and emerging economies where business relations are characterized as extensive guanxi networks, underdeveloped market-supporting institutions for fostering economic exchange (Boisot & Child, 1996; Lin & Wang, 2008). Based on our proposed conceptual framework, we argue that business ties and political ties interact with three MO components in different ways and their interactions have a varied impact on innovation.

3. Research hypotheses

3.1. The joint effect of managerial ties and customer orientation

3.1.1. Business ties and customer orientation

Innovative ideas often result from information exchange among firms. Therefore, much of the firm's innovativeness hinges on the extent to which managers acquire and act on market intelligence through the firm's business ties (Hult, Tomas, Hurley, & Knight, 2004). As technologies become more sophisticated, the more a corporation can access another organization's knowledge through its business ties, the more it needs absorbing capacity to identify, assimilate, transform and exploit the external knowledge (Gao, Xu, & Yang, 2008). Meanwhile, connections with customers will help firms to better respond to long-term customer needs. Customer orientation enables firms to acquire the information that is needed for developing the type of innovation that is required by customers (Atuahene-Gima, 1995; Frambach, Prabhu, & Verhallen, 2003; Narver et al., 2004). Such firms also often work closely with customers, who may be other firms, in the early stages of the new product development process (Gruner & Homburg, 2000).

Business ties provide managers with opportunities to tap into the resources embedded in networks and, thus, enhance a firm's ability to obtain, or access, information resources (Geletkanycz & Hambrick, 1997). With these resource advantages, firms can formulate an appropriate customer orientation that can help them to create a higher extent of innovation. Therefore, we hypothesize that business ties will enhance the impact of customer orientation on innovation.

H1a. The influence of customer orientation on innovation is stronger when business ties are strong than when they are weak.

3.1.2. Political ties and customer orientation

Political ties, often reflected in networks with government agencies and officials, are important social resources for firms operating in an Asian business environment where formal institutional constraints remain relatively weak and business people often rely on connections with those in power to achieve their business objectives (Luo, 2003). Benefits from political ties may include preferential access to valuable market information controlled by governments, fewer bureaucratic delays, both monetary and non-monetary incentives such as getting tax reductions and obtaining land, and licenses (Child & Tse, 2001; Park & Luo, 2001). Although political ties may enable firms to better understand the rules of the game and to achieve an advantageous position in terms of market share, they may hinder the effect of customer orientation on innovation.

Innovation is heavily dependent on a flexible working environment that encourages creative ideas, non-traditional routine behavior and quick responses to market needs. Such market stimulated innovation will often be in conflict with a government's desire for control. For example, government support for innovation in many countries, particularly in Asia, consists of bolstering science and R&D. Such a process is criticized as an "over-the-wall model" (Douthwaite, 2002), because an R&D team assumes it knows enough about the users' needs to develop a new product without involving customers in product specification or design. Such an approach is obviously contradictory to customer orientation, which centers on market responses and customer needs in generating innovation. Thus, a high extent of political ties may be harmful to the implementation of customer orientation and its subsequent effect on performance (Luo et al., 2008). As such, we expect that political ties may dampen the relation between customer orientation and innovation in the following hypothesis:

H1b. The influence of customer orientation on innovation is weaker when political ties are strong than when they are weak.

3.2. The joint effect of managerial ties and competitor orientation

3.2.1. Business ties and competitor orientation

Firms pursuing competitor orientation are likely to take reactive actions and tend to shift their attention from new product innovation towards responding to competitors' actions. Therefore competitor orientation firms are more likely to adopt a less innovative approach such as introducing a "me-too" type of products (Lukas & Ferrell, 2000) or less likely to launch radically new products because of risk and cost concerns (Zahra, Nash, & Brickford, 1995). Through their interaction with business ties, managers are exposed to information concerning other firms' policies and practices, which they often emulate in their own organizations (Geletkanycz & Hambrick, 1997). Thus, connecting business ties might help a firm to better access new information, but may not change management mental set if the major focus is on a competitor's strategic moves.

Meanwhile, firms wishing to receive a high extent of competitor information from their business ties may limit their ability to create their own innovative capability. Consequently, competitor oriented firms tend to use business ties in competing with rivals on cost saving or incremental improvement, but have a low intention to invest sufficiently for radical innovation development. Therefore, given competitor orientation is assumed to have a negative effect on innovation, we hypothesize that such a negative effect will be aggravated by business ties.

H2a. Business ties tend to aggravate the negative effect of competitive orientation on innovation.

3.2.2. Political ties and competitor orientation

In Asian countries, firms' strategic moves are often influenced by their relationships with political officials (Tsang, 1998). Relationships with governmental officials are a vital source for firms adopting a high degree of competitor orientation, because in many emerging economies the interpretation and reinforcement of rules and regulations are largely subject to local authorities' discretion (Boisot & Child, 1996). The favoritism received from governments due to strong political ties might improve a firm's financial performance, or market share, but this does not translate to firm innovation and may even be harmful to innovation, especially when a firm is competitor oriented. A strong political tie often corresponds with a strong government intervention and influence, which is likely to disrupt a firm's innovation development and cause the costs of political ties to outweigh their benefits.

If the competitiveness of a firm relies on getting more favorable treatment from government than its competitors, this dependence will decrease the firm's motivation to pursue innovation through unique product development. For example, state owned firms in China often

lack of innovation because their monopoly power and protected market due to government favorable treatment make innovation unnecessary and unattractive. Therefore, such social embeddedness in political ties may lead to the dark side of *guanxi* networking (Gu, Hung, & Tse, 2008; Uzzi, 1997). In addition, because the *guanxi* connection is largely built on a personal level rather than on the organization level (Wang, 2007; Wang, Shi, & Barnes, in press), the loss of key political alliances in the government could cause the discontinuance of sources and information associated with its political ties and eventually jeopardize the formulation and implementation of a firm's innovation strategies. Since relying on political ties may eventually reduce the firm's intention to create its own competitive advantages through innovation, we hypothesize that strong political ties may compound the adverse effects of competitor orientation on innovation.

H2b. Political ties tend to aggravate the negative effect of competitive orientation on innovation.

3.3. The joint effect of managerial ties and interfunctional coordination

3.3.1. Business ties and interfunctional coordination

Social capital theories or networking theories consider managerial actions to be embedded in networks of interpersonal relations (Granovetter, 1985; Geletkanycz & Hambrick, 1997; Uzzi, 1997). Although most studies define social capital as a resource external to a given organization, interfunctional coordination can also be considered as a key form of internal social capital in an organization (Auh & Menguc, 2005). Firms fostering trust and dependence among functional units will facilitate a corporate culture that is more receptive to new product innovation (Argyris, 1982). Meanwhile, networking with external business ties will provide firms with more opportunities to access new ideas and resources in order to facilitate information exchange and sharing within the firm.

Management's openness to change will be enhanced by information sharing with external business ties. Through meta-analysis Damanpour (1991) shows that the determinants of innovation are embedded in the workplace environment. Such determinants include a lack of formalization, with a low emphasis on strict rules and a positive managerial attitude towards change. Therefore, business ties with more diversified networks inside, or outside, the company or industry, will expose managers to a variety of viewpoints and different ideas (Geletkanycz & Hambrick, 1997). As the network connection with business societies and internal functional departments facilitates dissemination of novel market information and enhances problem solving (Gatignon & Xuereb, 1997), we hypothesize that business ties and interfunctional coordination have a positive interaction effect on innovation.

H3a. The influence of inter-functional coordination on innovation is stronger when business ties are strong than when they are weak.

3.3.2. Political ties and interfunctional coordination

While H3a suggests that business ties will enhance the influence of interfunctional coordination on innovation, we argue that political ties may, however, have a negative impact on the interfunctional coordination and innovation linkages. Such phenomena as social cohesion, high levels of turf, status differences and politics, which are frequently observed in government agencies, will have a negative effect on new product innovativeness (Sethi, Smith, & Park, 2001). Consequently, strong political ties and government influence shape the organizational culture into being more hierarchical and cohesive among functional departments. This type of organizational culture tends to be negatively associated with innovation. According to Deshpandé et al. (1993), when compared to those firms with relatively responsive (market) culture and flexible (ad hoc) culture, hierarchical culture (which emphasizes smooth operations within a bureaucratic organization) and clan

culture (which emphasizes internal maintenance and traditions) often lead to a slow response changing market needs.

In addition, when a firm uses its political ties to obtain scarce resources, or gaining permission to enter certain businesses, in return it must accommodate excessive requests from these political ties (e.g., hiring unqualified personnel in important positions). Such requests will have a detrimental impact on interfunctional coordination as they reduce employees' trust in management, influence office politics and eventually hurt a firm's innovation motives and behaviors. Therefore, the joint effect of political ties and interfunctional coordination tends to be negatively associated with innovation. The following hypothesis is developed:

H3b. The influence of interfunctional coordination on innovation is weaker when political ties are strong than when they are weak.

4. Research methodology

4.1. Data collection

This study selects firms operating in Taiwan because firms operating in Taiwan are heavily reliant on their managerial ties to conduct business in China (Zhao & Hsu, 2007) and innovation is highly listed in the Taiwanese government's economic development agenda. We randomly selected 420 firms from key industrial sectors listed in *Taiwan Yellow Pages* and the Taiwan Stock Exchange listings as our sample. Then, a survey was delivered to the manager who is in charge in business operations, or the most senior staff member of the firm (e.g., CEO, managing director, owner) by email, fax and mail. In total, 122 firms responded to the survey request, representing a 29% response rate. The wave response technique was employed and no significant differences were found between early and late respondents on key variables, indicating that a non-response bias is not present in the survey (Armstrong & Overton, 1977). In general, respondents have also had a high level of business experience (average 27 years) in their industry.

4.2. Measurements

All measures used in the current research were based on 7-point Likert scales, adopted from previous studies with proven reliability and validity. The three MO dimensions were measured by Narver and Slater's (1990) scale. Managerial ties, including business ties and political ties, were adapted from scales in previous studies (Peng & Luo, 2000; Park & Luo, 2001; Luo et al., 2008). Innovation was measured by the two items adapted from Capon et al. (1992). For the purpose of this study, the innovation measure captures issues of first-to-market and cutting edge innovation. The survey questionnaire was initially developed in English and later translated into Chinese, following the back translation procedures. In addition, several control variables, such as market and technological turbulence and competitive intensity (Kirca, Jayachandran, & Bearden, 2005) as well as industry type, firm size and age were included in the survey, because these variables are found to have a significant effect on the relation between MO and innovation (Han et al., 1998), or on the relation between managerial ties and innovation (Su et al., 2009). The measurement scales and items are listed in Table 1.

5. Results

5.1. Validity, reliability and common method bias check

Results from Partial Least Square analysis show that the values of the square root of the average variance extract (SQRT AVE) of the key constructs (MO, managerial ties and innovation) were greater than those of their correlations with any other constructs in the framework (lowest

SQRT AVE value = .75). In addition, the measurement items of each construct are strongly related to its underlying constructs, but weakly associated with other constructs, demonstrating adequate discriminant validity (Chin, 2010). Our results also show a strong convergent validity of each construct, with all factor loadings greater than .6 (Gefen & Straub, 2005). Meanwhile, as shown in Table 1, the composite reliability (CR) on all scales were above .7, AVE values of all of the main constructs were higher than .5 and Cronbach's alpha was greater than .7. Harman's one factor method was used by entering all dependent and independent variables (multi-item measurement constructs) at once. The results showed that, among the nine factors formulated, the first factor alone contributes 30% of the total variance and all of the nine factors accounting for 75% of the total variance. This result indicates that common method bias is not evidenced in this study.

5.2. Findings

A hierarchical moderated regression was conducted to test our research hypotheses. The predictor variables are centered to create the interaction term (Aiken & West, 1991; Judd & McClelland, 1989). Among the three regression analysis models, the highest VIF value stands at 3.60, which is much lower than the cut-off value of 10.0, showing multicollinearity is not a problem in our models (Hair, Black, Babin, & Anderson, 2010).

In the analysis process, the control variables were entered in the first step (i.e., Model 1). The main effects of the independent variables (three marketing orientation components and two managerial ties) were entered in the second step (i.e., Model 2) and, finally, the interaction terms were included in the equation (i.e., Model 3). We tested for the moderating effects by examining the change in R^2 attributable to the interaction terms added at the final stage. If a significant R^2 change appears for the criterion variable, the moderating effect is judged to be significant (Jaccard, Turrisi, & Wan, 1990). As demonstrated in Table 2, the interaction models perform better than those containing the main effect only (change of R^2 value is significant) (Hair et al., 2010).

Our major interest in this study is to test the moderating role of managerial ties on the effect of MO on innovation. The results show a significant positive interaction effect ($\beta = .31, p < .05$) between business ties and customer orientation, suggesting that business ties strengthen the customer orientation and innovation linkage. H1a is supported. The interaction of political ties and customer orientation, however, is not significant and thus H2b is not supported. The negative interaction effect between business ties and competitor orientation on innovation ($\beta = -.49, p < .01$) shows that business ties compound the adverse effects of competitor orientation on innovation. As such, H2a is supported. The interaction between competitor orientation and political ties is not significant ($\beta = .09, p > .05$) and H2b is not supported. A positive interaction effect between business ties and interfunctional coordination is significant ($\beta = .44, p < .01$), indicating that firms with a high interfunctional coordination coupled with strong business ties tend to lead to high levels of innovation. This result supports H3a. In a same vein, a significant negative interaction effect between interfunctional coordination and political ties ($\beta = -.23, p < .05$) supports H3b, indicating that political ties may weaken the interfunctional coordination–innovation linkage.

6. Discussions and research implications

This study contributes to the extant literature by investigating whether, and how, the effect of each MO component on innovation is moderated by managerial ties. Our findings reveal interesting patterns among these variables. In particular, business ties will enhance the impact of customer orientation and interfunctional coordination on innovation. Such a result can be explained by social capital theories and social network theories, which propose that market

Table 1
Research measurements & results.

Factors	Items	Factor loading	CR & AVE values
Customer orientation ^a Cronbach's alpha = .92	We constantly monitor our level of commitment & orientation to serving customer needs	.80	CR = .93 AVE = .64
	Our business strategies are driven by the goal of increasing customer value	.80	
	Our strategy for competitive advantage is based on our understanding of customer needs	.81	
	We have routine or regular measures of customer needs	.87	
	Our business objectives are driven primarily by customer satisfaction	.72	
	We measure customer satisfaction systematically and frequently	.81	
	We pay close attention to after-sales service	.81	
	We are more customer-focused than our competitors	.80	
Competitor orientation ^a Cronbach's alpha = .93	Our salespeople share information about competitor information	.85	CR = .94 AVE = .73
	We respond rapidly to competitor's actions	.88	
	Our top managers often discuss competitors' actions	.91	
	We consider opportunities based on competitive advantage	.73	
	We regularly monitor our competitors' marketing efforts	.90	
	We frequently collect marketing data on our competitors to help direct our marketing plans	.87	
Interfunctional coordination ^a Cronbach's alpha = .91	Our top managers from each functional department regularly visit customers	.67	CR = .89 AVE = .60
	Information about customers is shared with all departments	.82	
	We do a good job integrating the activities of all departments	.91	
	Our managers understand how employee can contribute to value of customers	.88	
	Our resources are shared across all departments	.88	
	All departments are involved in preparing business plans/strategies	.86	
Business managerial ties ^b Cronbach's alpha = .81	Top managers at buyer firms	.78	CR = .86 AVE = .56
	Top managers at supplier firms	.77	
	Top managers at distributor firms	.78	
	Top managers at competitors firms	.68	
	Top managers at other key firms in the industry	.77	
	Political managerial ties ^b Cronbach's alpha = .88	Political leaders in various levels in government	
Officials in various bureaus	.93		
Officials in regulatory and supporting organizations	.85		
Market turbulence ^a Cronbach's alpha = .78	In our industry, customers' product preferences change quite a bit over time	.86	CR = .86 AVE = .61
	Our customers tend to look for new products/services all the time	.87	
	We are witnessing demand for our products and services from customers who never bought them before	.64	
	New customers tend to have product-related needs that are different from those of our existing customers	.73	
Technological turbulence ^a Cronbach's alpha = .90	The technology in our industry is changing rapidly	.91	CR = .93 AVE = .83
	Technological changes provide big opportunities in our industry	.94	
	A large number of new product ideas have been made possible through technological breakthroughs in our industry	.90	
Competitive intensity ^a Cronbach's alpha = .73	Competition in our industry is cutthroat	.62	CR = .82 AVE = .48
	Anything that one competitor can offer, others can match easily	.64	
	Price competition is a hallmark of our industry	.82	
	There are too many similar products in the market; it is difficult to differentiate our products/services	.75	
	One hears of a new competitive move almost every day	.61	
Innovation ^c Cronbach's alpha = .81	First-to-market with new products and services	.91	CR = .91 AVE = .83
	At the cutting edge of technological innovation	.91	

^a Measured by 7-point scale (1 = strongly disagree; 7 = strongly agree).

^b Measured by 7-point scale (1 = very little; 7 = very extensive).

^c Measured by 7-point scale (1 = never; 7 = always).

intelligence and the information managers acquire from business ties, as well as management's openness to information sharing with business network members, can significantly facilitate innovation (Geletkanycz & Hambrick, 1997). The finding of negative interaction effects between business ties and competitor orientation on innovation suggests that, when a firm is competitor oriented, business ties may shift a firm's attention and innovation initiatives from market needs to competitor's actions. Consequently, such firms often overly rely on adopting imitating or me-too strategies rather than innovation.

Another interesting finding is that political ties tend to negatively influence the relation between interfunctional coordination and innovation, demonstrating the potential dark side of political ties in their negative influence on firms' performance, particularly in terms of firms' innovative behavior. Such a result is in line with the conceptualization that strong political ties and government influence often shape the organization's culture into a more hierarchical structure that has greater cohesiveness among functional departments. This form of organization's culture is shown to be negatively associated with innovation (Deshpandé et al., 1993).

Acknowledging the importance of cutting edge innovation in reshaping the competitive position of a firm in the current business

world, the managerial implications of this study are evident and promising. Identifying the moderating role of managerial ties between market orientation and innovation linkage is particularly important from the Asian perspective, given many Asian countries are characterized as collective and relational cultures, in which networks and guanxi play a crucial role in business growth. Asian managers should, however, be aware of different impacts of business ties vs. political ties on innovation when implementing strategic orientation activities. For example, since business ties tend to enhance the effect of customer orientation and interfunctional coordination on innovation, managers should utilize the information and other resources they have acquired from their business ties for innovation development. However, when a firm is competitor oriented, business ties may not lead to risk aversion by imitation, instead of cutting edge innovation. Meanwhile, managers in Asian firms should be aware of the dark side of the political ties, which may dampen a firm's ability to generate creative ideas and implement innovative products. The possible political power conflicts and government interventions associated with political ties may disrupt interfunctional coordination and lead to an unproductive atmosphere for innovation.

Our results also have an implication for Western firms intending to operate in, or already operating in, an Asian collectivist culture.

Table 2
Hierarchical moderated regression results.

Independent variables	Innovation		
	Model 1	Model 2	Model 3
<i>Control variables</i>			
1. Year in the market	.000	-.005	-.014 ^b
2. Firm size	.033	.044	.182
3. MarketTurb	.056	.120	.170
4. TechnologicalTurb	.453 ^a	.300 ^a	.193
5. ComplIntensity	-.261	-.376 ^b	-.472 ^a
6. Industry	-.016	-.019	.063
<i>Direct effect variables</i>			
7. CustomerMO		.248	.468 ^b
8. CompetitorMO		-.029	-.292
9. Interfunctional CoordinationMO		.419 ^b	.473 ^b
10. BusinessTies		.140	.112
11. PoliticalTies		.140	.226 ^b
<i>Interactions</i>			
12. BusinessTies × CustomerMO (H1a)			.311 ^b
13. PoliticalTies × CustomerMO (H1b)			-.124
14. BusinessTies × CompetitorMO (H2a)			-.486 ^a
15. PoliticalTies × CompetitorMO (H2b)			.087
16. BusinessTies × Interfunctional coordinationMO (H3a)			.439 ^a
17. PoliticalTies × Interfunctional coordinationMO (H3b)			-.229 ^b
R ² value	0.221	0.446	0.531
ΔR ² value	-	0.225	0.085
		(p < 0.01)	(p < 0.05)
F value	4.832	7.094	6.064
F significance	p < 0.001	p < 0.001	p < 0.001

^a p < 0.01.
^b p < 0.05.

Managerial ties may help foreign firms to acquire information and resources in formulating their market oriented strategies. They should, however, fully understand the specific effect of the two different types of managerial ties (i.e., business vs political ties) and their different impacts on innovation. Understanding such unique ways of doing business in Asian countries will facilitate Western firms to formulate appropriate market orientation and innovation strategies through managerial ties.

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