

# Chapter 1

## Discovering the Nexus between Market Orientation and Open Innovation: A Grounded Theory Approach

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### **ABSTRACT**

*The global marketplace is characterized by various changes taking place in social, economic, natural, and technological areas. As these changes occur both at the organizational and market levels, innovations act as the main processes that accelerate the adaptation of these changes to the services/products of the organizations. Considering the involvement of many stakeholders and the partners within the dynamic business environment of the organizations, an increasing need for the cooperation and the coordination of such actors in the development of service innovations is observed. As topical research areas of both the marketing and management disciplines, this chapter focuses on discovering the relationship between market orientation and the open innovation by pursuing a grounded theory methodology in combination with a specific case study of a leading container shipping company. The originality of the research lies on the investigation of the unexplored research field of open innovation from the perspective of the grounded theory methodology as well as the generation of an emergent theory by the use of an inductive approach.*

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## **INTRODUCTION**

Innovation research has gained considerable attention in many fields such as sociology, engineering, economics, marketing and psychology not only because innovation is considered as a key to adaptation of a change, but also it is related to the creation of something new (Gopalakrishnan & Damanpour, 1997). A number of studies associating innovation concept with supply chain and logistics practices have been conducted, mostly emphasizing the noticeable effects of external long-term relationships between supply chain partners (Choi & Hartley, 1996), and collective behaviours (Soosay, Hyland, & Ferrer, 2008) on continuous innovation. The tendency towards innovation research on supply chain seems to support the notion that collaboration has links to innovations in the supply chain (Soosay, Hyland & Ferrer, 2008). Empirical studies investigating the contribution of applying innovation in shipping companies (Jenssen & Randoy, 2002; Jenssen & Randoy, 2006; Doloreux & Melancon, 2008; Yang, Marlow, & Lu, 2009) resulted in the major finding of the significance of innovativeness on firm performance and on creating distinctive competitive advantage.

Innovation research efforts in the shipping industry accept the benefits of coordination and cooperation between the stakeholders, customer orientation, structural characteristics of the organization and environmental drivers. Such factors stimulating innovation in shipping companies can also be regarded as components of 'open innovation'. As a more externally-focused perspective of innovation, 'open innovation' especially for shipping companies paves the way for achieving market orientation practices. Since there has been a shift in the competition and the innovation processes in the organizations from the individual firm to the organizational network, mostly the decisive factors connecting the market orientation and open innovation capabilities of the organizations should be discussed.

Therefore, the goal of the study is to explore the main mechanisms which enable the organization to succeed in open innovation applications by considering the market orientation dynamics within turbulent business environments as witnessed in the shipping industry. Moreover, the study attempts to discover the nexus between open innovation and market orientation capabilities of organizations based on a proposed model developed from the specific case of a leading container shipping company and generate a substantive theory by formulating relevant propositions.

The study is organized as follows. After a brief overview of the background literature on open innovation and market orientation concepts, the interrelation between the innovativeness, new service development and market orientation within the context of detailed literature review is discussed. As the research stance of the study, the grounded theory building process and methodological path followed are elucidated. Then, an in-depth case study is thoroughly analyzed in accordance with the principles of the grounded theory. Following the analysis procedure, a substantive theory relating the open innovation and market orientation was developed supported by the model and the propositions. The study concludes with implications for theory and practice, charting several promising areas for future research on open innovation and market orientation.

## **BACKGROUND LITERATURE**

### **The Insights of Open Innovation**

The global marketplace today is characterized by profound social, economical, and technological changes. Change is ubiquitous and pervasive and innovation facilitates the process of adaptation to many of these changes. Consequently, innovation plays a role in nurturing the economy, in enhancing and sustaining the high performance of firms, in building industrial competitiveness, in improving

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