

Relationships as source of innovations in advertising industry: comparative study of Polish and Japanese approaches

Abstract

Collaboration among companies is often claimed to become the source of distinctive competitive advantage to companies. Trust belongs to key determinants of collaboration. The literature on innovation suggests that innovative companies have well mastered two processes: creation of ideas and transformation of ideas into new solutions. In this paper these two areas are the focal point. We seek for the information about the customer role as a generator of ideas and its impact on the process of their implementation.

The paper is based on case studies of Polish companies, which are compared with a cases from Japan. This approach allows comparison of the situation in countries with low and very high innovation economy. In the Polish respondent opinion the Japanese advertising agencies market operates on totally different rules than in Poland. Areas indicated by representatives of both agencies concern mainly the role of trust in the cooperation with external stakeholders.

The advertising market in Poland is still young and highly fragmented. The transactional approach represented by polish agencies results in concentrating on the development of projects and selling capabilities. There is no place, time and knowledge to maintain customers and to develop their loyalty. The fight for customers, often on the borderline of ethics, and price, as the main determinant of project selection, inhibit innovation. The approach to relationships represented by the Polish companies is rooted in the culture. Looking more broadly at the issue of trust in relationships and the role of relationships in the innovation process we refer to the transition economy, which is characterized by a lack of confidence.

Keywords: innovations, relationships, service, social capital, learning orientation, transition economy

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Introduction

Innovation is widely recognized as a key driver of economic growth. In the case of rapid changes at the market, no company follows quickly enough to have itself knowledge available for developing new products and solutions. Therefore collaboration among companies is often claimed to become the source of distinctive competitive advantage to companies. It allows exploiting and developing their resources (Gulati et al., 2000, Hung, 2002). Companies perceive collaboration as an opportunity for innovation through sharing of knowledge to see the market in a new perspective (Johnston et al. 2006), seeking increased effectiveness by new business development or improvement of processes (Gupta et al., 2006). Innovation developed on the basis of cooperation with other entities allows risk-sharing, gives access to new markets and technologies, accelerates technological change and reduces time of market entry and facilitates combination of complementary skills (Powell and Koput 1996).

The impact of external actors on innovation of the company was discussed in the articles of the different areas of management: in the literature related to new product development (Rindfleisch & Moorman, 2003; Wuyts, Dutta, & Stremersch, 2004), innovation (Laursen & Salter, 2006) and business-to-business marketing (Chen et al. in 2011, Moller and Svahn 2009, Salunke et al. 2011). In particular, IMP Group draws attention to the favorable role of relationships and business networks for innovation and even shows that innovation is performed within relationship (Håkansson et al., 2009). We contribute to the innovation and relationship literature, by providing a case study showing the role of collaboration with customer in service companies. We also address environmental issues by comparing collaboration in countries with different economies.

We focus on service companies in which the interaction with customers is particularly important. Advertising companies were chosen because advertising industry is defined as a “co-creation service”, where a high level of participation of the customer is required to create the service and the service itself is advisory and problem-solving (Bolton and Saxena-Iyer, 2009). Professional services are high in credence properties and require high involvement with customers (La et al., 2009)

We assume that the customer - service provider relationship may value the innovation process thus we look at this process through the lens of social capital concept (Jones and Taylor 2012). Our discussion concerns the impact of trust on the role of customer relationships in the creation of innovation by service companies. The second area is how the environmental uncertainty moderates that influence. Trust belongs to key determinants of collaboration. High level of trust is characteristic for developed economies. In transition economies a decline of trust is the price paid for the transformation.

Innovation is proclaimed as foundation for the future of both transition and market economy countries. Countries transiting economy to market one, like Central and Eastern Europe ones, experienced major changes in their political and economic systems affecting their competitive capabilities that affect relationships between companies and their role in innovation processes. Thus we compare cases of Polish approach with Japanese point of view as those two countries represent different levels of innovativeness, but also different levels of economy and have diverse cultures. The level of innovativeness of Poland is one of lowest among OECD countries (OECD 2011) and below European Union average (European Commission 2005). The low rating of innovation relates specifically to polish service companies (Crowley 2004). On the other hand Japan is one of the most innovative economies today (OECD 2011). As is often said, Japanese companies are good at incremental innovations and not good at radical innovations.

This paper is organized as follows. We first review the literature on innovation and factors influencing innovation: social capital and learning orientation. Then we discuss those issues in the perspective of transition and developed economies. We outline the case studies

from Polish and Japanese companies and then we present reaction of Polish and Japanese respondents to those cases. Last section concludes the study and mentions the limitations and points out the future research directions.

Service innovation

The ability to innovate gives the opportunity to develop a company and create a competitive advantage (Day, 1994). Innovation is important to all organizations, but most of previous research has focused on manufacturing industries whereas studies on service innovation are less common.

Service innovation is distinct from manufacturing one because of interactivity and intangibility of services. Service requires co-creation of value with customers thus innovation can be formed during customer-provider interaction where customer acts as a collaborative partner (Ordanini & Parasuraman, 2011; Vargo & Lusch, 2004). Changing customer needs can therefore have an impact on the content of the service or the way it is provided. Service intangibility may translate into immateriality of innovation.

Service innovation manifests itself in four areas: new combination of services or service elements, reproduction of service, involvement of customer and adoption of technology (Aa and Elfring 2002). Salunke et al. (2011) present service innovation as the extent to which new knowledge is integrated by the firm into service offerings, which directly or indirectly results in value for the firm and its customers/clients.

Mager and Sangiorgi (2005) point out three dimensions of innovation, which may be considered at advertising market:

- market dimension where pricing and offering strategies are developed,
- organizational and production dimension where processes and organizational models are invented,
- relational dimension in which the social and cultural aspects that characterize and influence the service experience by inclusion of the users' perspective.

The main sources of information for innovation reflect the specificity of services at advertising industry: being highly dependent on the human capital, professional knowledge and the knowledge gained from practice have a primary role in fostering innovation, as much as the relationship with users, being customers considered as a fundamental stimulus for innovation processes, followed by competitors' and suppliers' input. Therefore in our study we focused mainly on the last dimension – relational one.

Customer as a source of innovation

Ideas are created by individuals, but the knowledge, supporting the idea, is dependent on the social context in which individuals operate. Interactions of individual entities and information that can be obtained are considered as the sources of ideas (Koestler 1989). Therefore high intensity of the exchange of information has a positive effect on the quality of generated ideas (Bjork and Magnusson 2009).

If innovation management ensures a good flow of ideas and suggestions among company employees then creation of a large number of incremental improvement ideas is supported. However it does not give more substantial innovation ideas. Therefore, the traditional approach to innovation that places the source of ideas inside the company has shifted towards employees indirectly related to R&D activities as well as to external sources (Bjork and Magnusson 2009). A move towards 'open innovation' can be observed, where links and connections become as important for innovation as production facilities (Chesborough 2003).

Innovation and interorganizational learning literature regards bonds with actors outside company as an essential element of access to external knowledge (Pittaway et al. 2004). Von Hippel (1978) emphasized the importance of cooperation with the customer as an external

source of new ideas for the company. Subsequent studies have confirmed that interactions with customers are an important source of innovative ideas (Hyland et al., 2006).

The presumed advantage of collaborating with customers for innovation relates to the generation of service ideas and information about user requirements, but also includes development stages: comments on new concepts, assistance on development and testing of prototypes, and assistance in diffusion. It is also suggested that co-creation with customers has a strong impact on service innovation (Chen et al. 2011).

Rothwell (1994) studied the evolution of innovation models and he pointed out the shift from a linear science/technology-push or demand-pull process, to inter-activity, first across the firm with cross-functional teams and then outside the firm and its links with others. The last innovation concept treats innovation as process, which requires integration of actors, activities and resources at intra- and inter-firm levels. When an interactive or network model of innovation is adopted, at least two new areas became significant: the potential of social capital that enables cooperation and learning orientation, which allows incorporation of the innovative potential inherent in the relationships.

Social capital and trust as an open innovation enabler

Social capital

Social capital is defined as the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit (Nahapiet and Ghoshal 1998). Social capital appears to be groundwork for cooperation with customers and can be perceived as a generator of innovation capabilities based on relations with customers.

The main benefit of social capital is the exchange of information. Parties that have high social capital will exchange information more easily and with bigger number of parties (Wu et al 2008). Takeuchi and Nonaka (1986) highlight the importance of information sharing, especially the role of lateral/horizontal information and knowledge exchange for innovation.

Trust is one of fundamental aspect of social capital (Canning, Leek 2009). Trust is an essential ingredient of any partnership, personal or professional, and consequently plays a major role in determining the success of any innovation, which is itself an inherently collaborative process. Mutual trust between partners is on the top of the list of factors that affect performance of collaboration (Gulati, 1995, Dyer and Hatch, 2004). Collaboration based on high trust can increase the transparency and initiative of interorganizational learning (Lane et al., 2001; Gulati, 1995) and reduces concerns about opening own core proprietary assets towards customer when an innovation requires creative work, where a risk of failure is big and the outcomes are unpredictable. When confidence is too high, the performance of creative work decreases (Bidault and Castello 2009), however the lack of confidence leads both sides to regulate the cooperation by contracts (Wang et al. 2011).

Learning orientation

Organizational culture of innovative companies is characterized by openness to comments and recommendations from the environment, particularly communicated by customers (Kanter 1988). Companies enter relationships to gain access to resources that they cannot produce themselves. The extent to which the company is able to learn new capabilities depends on the extent of contacts with other companies and business institutions that make up the social capital of the company (Brown and Duguid, 1991). The extent to which company is able to profit from those relationships for innovation is connected with learning philosophy (Paladino, 2008, Chen et al. 2011). Rothaermel and Deeds (2004) suggest that companies oriented toward explorative innovations are more concentrated on learning than companies

oriented toward exploiting innovations. The first group of companies is looking for new knowledge, which requires establishing relationships with new actors. The second group seeks to improve existing solutions, so existing knowledge, stronger integration of partners and learning from each other is sufficient. This approach requires relationships with fewer partners (especially suppliers), less diversity of knowledge than in the case of explorative innovations (Von Hippel 1998; Rajala and Westerlund 2010). It results in better position in price competition and higher profits but complicates the introduction of new concepts and creation of value in collaboration with customers (Matthyssens et al. 2009).

Research problem

The issue of the role of customer service in the creation of innovation is still very little explored field and requires research. The demand to cooperate with customers for service innovation seems noticeable. In our case the main issue is related to the social context of innovation. The main feature of that context is low trust between and within companies. Therefore the research focuses on two problems: how the service provider – customer collaboration is affected by low trust and how it affects the willingness to cooperate for innovation.

Research methodology

The case study method (Yin, 2003) was chosen for an encompassing view of relationships in business network as source of innovations. Case studies, in their true essence, explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships.

Case study research, through reports of past studies, allows the exploration and understanding of complex issues (Zainal 2007). It can be considered a robust research method particularly at the problem exploration stage. We treat case study as selective, focusing on one or two issues that are fundamental to understanding the system being examined. It is essential to understand the context within the research is being conducted by considering social and cultural factors that impinge on the research problem (Johnston et al. 1999).

The study was performed in two stages. At the beginning data were collected from two Polish and three Japanese advertising companies to prepare a description of each agency. It focuses on main issues discussed in this paper: the role of trust in relationships with customers, learning orientation of the company and innovation process. The cases of Japanese companies are presenting altogether, because these Japanese companies are working as one team.

In the second stage the case study of Japanese companies was presented and discussed at subsequent in-depth interviews in Polish agencies. Also the case of Polish companies are presented and discussed at subsequent interviews in Japanese agencies. Personal, in-depth interviews were conducted with executive managers, account managers and art designer in both Polish and Japanese companies. This allowed the confrontation of the approach in both countries varying in terms of attitude to collaboration and level of innovation.

This presentation of research results is organized as follows. We first compare cultural, social and economic issues for Poland and Japan. Then we present advertising companies as case studies and finally the data from interviews.

Research context: economy and culture in Poland and Japan

Economy

In socialistic, centrally planned market environment, there were no economic incentives for companies to develop the abilities such as flexibility and innovativeness. As the result the value added is still stagnating at low level, return on capital is low and does not allow investment in new technologies (Bastic, 2004). Poland is an example of economy that has completed the transition process by entering the European Union in 2005, but the social effects of transition still exist (EBRD 2006). Many problems of transition of Polish economy to market one are interpreted as the result of deterioration in the rules, norms and trust or social capital. Social capital is lower than in developed countries because of the level of economic development and quality of institutions (Paldam, Svedsen 2000; Fidrmuc, Gerxhani 2005). Collapsing business relationships, lack of well-established legal frameworks is typical for the transition and, as a social issue, takes time to recover. Those circumstances allow widespread opportunistic behaviour in Poland. Trust and contracts are viewed as two important mechanisms to safeguard opportunism that provide a framework for market behaviour, thus the costs and risks associated with knowledge exchange and with collaborative innovation are reduced (Gurkov 1996, Wuyts and Geyskens, 2005, Laaksonen et al., 2009). Culture of distrust in Poland (as in other CEE countries) is usually dysfunctional because it prevents collaboration.

Trust has an impact on strength of relationships and on the nature of the economy. It is therefore not a coincidence that network structures developed in Japan where trust is high and relationships are important (Fukuyama 2000). Japanese companies place a high priority on a long-term and fixed relationship with specific partners. The relationship makes it possible to elaborate and ensures high quality. One could assume that it is very long-term relationship cantered or closed network cantered approach to innovation.

These closed network can be found everywhere in Japanese industry. Previous research revealed positive relationship between cooperative relationships between assembly maker and supplier performance (Helper and Sako, 1994; Dyer, 1996). For example, in Japanese automobile industry, assembly maker and its parts supplier work in collaboration to improve specific parts quality. They sometimes set a decade-long shared goal, such as downsizing specific parts in half in next ten years. This long-term relationship has usually a form of closed network formed by exclusive ties, often supported by the “keiretsu” system (Lincoln, Gerlach and Takahashi, 1992). The close interaction with suppliers in early stage of projects development is enabling modular technical designs (Clarke and Fujimoto 1991). In other instance, Japanese convenience store and its vendors often develop new products jointly. If a vendor wants to sell his product to Seven-eleven – the biggest convenience store chain in Japan – he must join a supplier association or study group with closed membership. Furthermore, they must contribute to operate distribution centre. It means they are forced to do transaction specific investigation for the specific distribution centre. Closed network derives loyalty from the members of the network, and then derives the effort, knowledge, resource etc. from the members (Yahagi 1994).

Culture

National culture is mentioned among the most important factors affecting the level of trust in relationships between firms (Hofstede, Hofstede, 2005; Knight et al. 2007).

In cultures, with a high individualism, masculinity, power distance, and weak uncertainty avoidance, confidence is calculative. In turn, collective cultures, with a small power distance, strong uncertainty avoidance and high femininity values are based on trust. In cultures with high collectivism trust is personal in nature, but this is conducive to cooperation and exchange of information (Branzei et al. 2007).

Comparison of Polish and Japanese culture can be conduct based on the dimensions of culture proposed by Hofstede (Geert-hofstede.com):

- Power distance in Poland is higher than in Japan (PL 68, JAP 54),
- Poland is more individualism oriented than Japan (PL 60, JAP 46),
- Poland is a country with a lower level of masculinity than Japan (PL 64, JAP 95),
- the two cultures are characterized by high levels of uncertainty avoidance (PL 93, JAP 92),
- Poland is a short-term oriented, and Japan on the contrary - the long term oriented (PL 32, JAP 80).

The differences between Poland and Japan show that in these countries culture can create varied conditions for business-to-business cooperation. Japanese society shows characteristics of a collectivistic society where harmony of group is put above the expression of individual opinions. Japan is one of the most masculine societies in the world and competition between groups is strong. In Poland, the realization of own goals is more important than to win over the opponents. Moreover, Polish managers expect quick results of their actions because of the short-term orientation. Meanwhile, Japanese culture is focused on giving and receiving results in a long time. In both countries, the level of uncertainty avoidance is high, which means little acceptance for the new situation and cooperation with new actors.

Innovation models in advertising companies (case studies)

Case study I

This case describes Agency A, an advertising company localized in Poland. There are 18 employees and it supports many international brands represented in Poland. The Agency specializes in creating and supporting loyalty programs.

Trust

Agency A operates in the market where there is no trust between the agency and external partners. Customers are not able to understand and appreciate the work of the agency, and therefore cut costs. There is a lack of innovative new solutions. Instead of new products sometimes customers get similar projects that have been already designed for different market.

The main factor determining selection of agency is the price. The existing cooperation and relations are perceived as less important elements, so the loyalty in the industry is almost impossible. Therefore, even small and medium-sized companies organize auctions, trying to emerge the cheapest agency offer that meets their needs. It may also indicate a lack of customer trust to an advertising agency.

Learning orientation

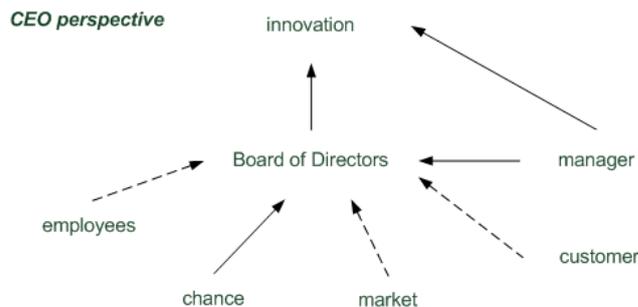
Except from the CEO, who defined innovation as something ground-breaking that could alter the competitive advantage, the employees of the Agency perceived innovation through the prism of better organized management processes and information flow, so that work could be carried out more efficiently and effectively.

Account manager is the only person who links the customer and the agency. Customer does not know who is responsible for his project and it is not allowed to organize a customer-art designer or copywriter due to the lack of confidence in the loyalty of both parties. Customers interfere with the projects, but they do not trust the skills and experience of the agency. Most interference is not essential in the nature. The exception is the cooperation with large companies, which is based on partnership and trust.

Innovation

There are different approaches to the process of working on new products / innovations in the Agency A. At the diagram 1. CEOs approach is shown. In his opinion in the centre of the entire process Board of Directors should be placed. Innovation can also come from the manager. The sources of innovation can be both external and internal elements, but importance of external sources is less relevant. Links to external objects are in the stage "before development". The destination of the innovation was not specified.

Diagram 1. Innovation process in Agency A (CEO perspective)



Other employees do not perceive the Board of Directors in the process of innovation. Each of them appreciated, however, its own role in the process. The customer is the final recipient of innovation; however, a role in the creation of innovation is limited to notification of the problem.

Case study II

Agency B has been in business for 22 years and focuses primarily on servicing for local brands.

Trust

Customers of the Agency can be described as distrustful. They do not trust in the skills, knowledge and experience of the agencies what negatively affects the quality of final design. Therefore, customers often interfere with the project and try to improve it on their own. The Agency does not involve the customer in the implementation process, e.g. by explaining and showing the various stages of the creative process, unless the client wishes so. Agency has problems with the defence of its own ideas. Customers enforce the changes that they believe are good because they are far from trusting the employees of the agency. Respondents claimed that it is important to convince the customer that Agency employees are specialist with extensive experience in the industry.

Learning orientation

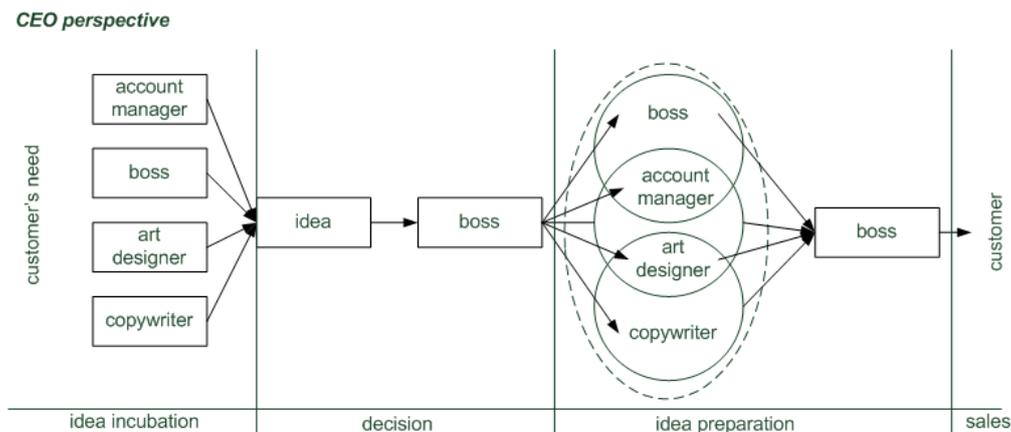
Agency B is looking for subcontractors that may support creation of interesting solutions and ideas. The Agency does not cooperate with other advertising-, research- or event agencies with whom new solutions could be created. The same approach can be observed towards the role of customer in the innovation process - lack of confidence and lack of faith in the customer's knowledge does not contribute to engage the customer in product development. Short deadlines cause the lack of time for research in new technologies or solutions.

Innovation

The process of creating a new product in opinion of the B Agency's CEO is presented on diagram 2. It is linear in its nature, where the beginning and end is a client and his needs. The main part of the process is, however, the work carried out inside the Agency results

from cooperation within the teams. The head of the agency controls teams and any inspirations from third parties are less desired.

Diagram 2. Innovation process in Agency B (CEO perspective)



Meanwhile, the account manager sees a process of creating new product exclusively through the prism of the interior of the Agency. Source of ideas are employees and their creative potential. New ideas are derivative of a creative process, not a diagnosis of customer needs. Subsequently the finished solution is presented to the customer. The account manager had a slightly different perspective on the role of the boss. In his opinion boss is a full-fledged member of the creative team, rather than person managing and supervising the work. This attitude on creating ideas from inside the company may be rooted in the fact that the Agency has been present on the market for a long time and was founded during the boom in the market of advertising agencies, when creation was important, not a cooperation with the client or customer relationship management and developing partnerships.

Case study III

This case describes Agencies C (full service agency), which together with Agency D (planning boutique) and E (event agency) form a network of interdependent relationships. Advertising companies are located in Japan.

Trust

Relationship is the basis of cooperation with the customer and within the company. Personal relationships are very important in this industry. Japanese customers order advertisement from the same advertising agency because they do not possess specialist knowledge. They assume that an agency has the knowledge and experience needed to create an advertisement or other marketing activities. However customers are not able to assess its capabilities. Customers just believe the Agency because treachery is forgivable in Japanese society. It is just a matter of social rules and culture.

A possibility of selection of own team is given to customer – together with a salesperson alone or with a sales manager customer decides on the choice of creative director - because creativity is strictly assigned to a particular person an advertising knowledge is tacit in its nature. Each Creative Director has its own "clan," whose members combine informal, personal ties, beyond the barriers set by the organization. Clans associate always the same members who have mutual trust in each other. However advertising agency doesn't trust their clans. They just believe clan members can't betray the agency. Agencies D and E take order from the Agency C. If they take order from other agencies than C, it is taken as a betrayal to C. It is much alike feudality.

Learning orientation

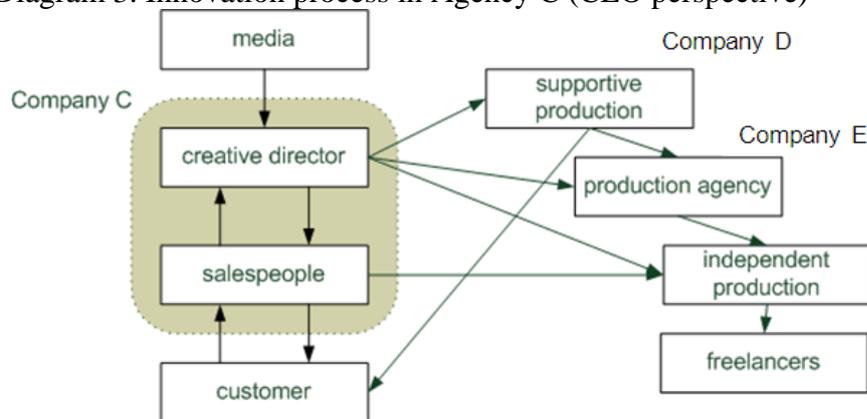
All units form the network is geared to cooperation with external actors - with production companies, freelancers, suppliers, or with each other. Social capital is quite important inside the clan and frequent interaction occur inside the clan. In this way the exchange of knowledge appears. The whole network strives to maintain a high quality of its services. Cooperation is based on trust, but also on the better, faster and cheaper performance of work for long standing partner in the business.

Agencies D and E do not take order from other companies than the Agency C. In exchange, Agency C takes care of financial matters (payment terms from C are shorter than on orders from external customers). Acceptance of order from outside the clan would stop the cooperation with Agency C.

Innovation

Customer needs cannot be regarded as a source of innovation in Japanese advertising industry. It can be assumed that the approach to the innovation is still in technology-push stage. The sources of innovation are the clans, in which new ideas are created, which are then copied by other clans. It allows other clans to work at the similar level of quality. According to the CEO of the Agency D innovation is creating new connections. The company is able to guarantee the appropriate people from its clan, tailored to customer needs. However, radical innovations come from outside the clan. Clan members try to copy the new ideas and solutions and adjust them appropriately to customers' needs. Innovations are born based on life interactions.

Diagram 3. Innovation process in Agency C (CEO perspective)



A representative from Agency E pointed to the cooperation as a source of information as well. But some orders, usually of very little value, are currently sent directly from the customers thanks to personal connections with clients in local network. This type of order is too small to gain a substantial profit. It might be caused by customer driven innovations and disruptive technology.

Perception of innovation models (interviews)

Polish perception of Japanese model

For a better understanding of the differences between the innovation processes in advertising agencies in Japan and Poland we asked for a reciprocal comment of managers involved in the study. In the opinion of Polish respondents the Japanese advertising agencies market operates on totally different rules than in Poland. Areas indicated by representatives

of both Polish agencies concern mainly the role of trust in the cooperation with external stakeholders.

Trust

Polish managers were surprised by the importance of customer relationships that are the deciding factor in selection of the agency. Trust to the people who are familiar is highly important. And it is widely known that the best service is provided by acquaintance

Agency A has indicated that this type of situation sometime occurs, but only with large customers who decide for long-term cooperation. It is safer for the agency to work based on cooperation agreement and for the customer it proves often to be ultimately less expensive solutions since there can be a small work executed free of charge (as a proof for good relations). Such cooperation, however, takes place quite rarely.

The customer in Poland wishes to choose the cheapest or (rarely) the best advertising agency, which will do the job in the imposed deadline. Most customers do not rely on the family relationships or friendships. Customers do not trust in professional knowledge and experience of advertising agency thus they try to control and verify their creative work. In respondents opinion this is due to the nature and mentality of Poles, but mainly due to the immaturity of the market and the fact that this is a transition economy. One respondent from the agency A stressed the historical conditions - being a country that has gained recently the political and economical independence, the society still has shortage of trust - both socially and economically; the competition is permanently inscribed in the business landscape. The battle for customers takes place often on the borderline of ethics. Lack of stability at the advertising market does not support confidence.

Respondents from both agencies have indicated that a lack of trust from the client and perceptions of the agency in terms of "enemy" has a negative impact on the final draft. Client tries to participate in the project. In the opinion of polish respondents it leads to lower quality of the project. This often leads to a dilemma: whether to insist on its' own solution or to compromise and take into account the customer's comments. On the one hand, respondents believe that they work well; on the other hand they have to accept that the customer can intuitively be right. Such cooperation is not based on trust.

CEO of the Agency A also pointed to the role of trust in the cooperation with external parties in the case of Agency C and dependent on it organizations. He stressed that he believed that it reduces the competitiveness of the market. This type of solution, because of a desire to become independent entities and to reduce operational risks through diversification of activities, is not possible to implement in Poland.

Learning orientation

In the opinion polish respondents cooperation with thirds parties so strongly developed as it is in case of Japanese agencies, is impossible in polish circumstances. The main reason is fear of the lack of loyalty. Representatives of the polish agencies also distrust knowledge and skills of external entities, including the client. It is therefore important for them to focus on the organization of internal processes.

Innovation

Another discussed issue, which influences the innovation in the opinion of representatives from polish agencies, is the organization of work. In Poland, in advertising agencies a team that deals with customers, is set up, but employees remain parts of the departments in which they are employed. The Japanese concept of clans seems to be very interesting, because it provides greater competitiveness of ideas at the stage of creation. The solution may be difficult to transfer into Polish market, since the work of clans makes

sense only when they do not compete with each other. In Poland much greater stress is put on competition. This can lead to a situation, when creative potential is not fully exploited. Everyone is convinced that works best, no one wants to subordinate to others.

Another aspect is the client's role in the selection of clan members to the project. In Polish conditions, the customer at all costs (except for a few cases) is kept away from the team members who support and develop projects. Mediating between client and agency remains the accounts' task. There is concern that the client might try to circumvent the agency and enter directly into a relationship with the designer who could do the job for on his or her own. Therefore, in Poland, a lot of time is spent to define the contract between the cooperating companies, or between the agency and client.

Japanese perception of Polish model

In the opinion of Japanese respondents the Polish advertising agencies market operates on totally different rules than in Japan. Areas indicated by representatives of both agencies concern mainly the role of trust in the cooperation with external stakeholders.

Trust

Japanese respondents were surprised on distrustful relationship in Polish advertising industry. They said that they couldn't create good works without the trust. Trust and cooperation with others is a basic and minimum request to do creative works in Japanese advertising industry.

Traditionally, Japanese advertising industry is formed around a few big advertising agencies, like the Agency C. They dominate the advertising spot, such as TV ad spot, ad space of newspapers, and so on. They buy the ad spot from the media companies, sell them to the clients, and assign the creative work to subsidiary production companies. The big agencies do not have creative capability and organizations by themselves. They are organizers or brokers of the workflow in the industry.

To make these work flow smooth, personal exchange are occur quite often between clients, big agencies, and production companies. These personal exchanges facilitate to trustful relationships inside the clan.

All of this workflow carries on under the coordination of the big agency. Implementation for a specific project is up to the big agency. What specific company do and how they earn is up to big agency. Even contract does not exist. Every fruits of the project is distributed by big agencies after the project is done. This coordination is based on the trust so that no subcontractors betray the big agency and the big agency provide sanctuary to the subcontractors.

However, in Japanese respondents viewpoint, Polish style is going ahead in some sense. The trust in Japanese ad industry is not trust in its true meaning. Japanese companies never betray partners. But these relationships are not based on believing in partner's skills and/or capabilities. It is rather a kind of feudalism. In recent, designation based on skills of specific creator or production company is increased. These designation is much alike a trust in its true meaning. In Polish ad industry, these designations seem to exist, if it is only based on capabilities to do job in cheaper price.

Learning orientation

In contrast to Polish case, cooperation with third parties is necessary in Japanese advertising industry. In case study II, Agency B said that "short deadlines cause the lack of time for research in new technology or solutions". The situation is same in Japan. But, for this reason, business partners are important. They provide confirmed and established skills. So,

keeping relationship with same partner is efficient and effective way to do job. Selecting new partners or working alone without cooperation is time wasting.

Innovation

Customer needs cannot be regarded as a source of innovation in Japanese advertising industry. Customer has some needs but they cannot explain their needs verbally or specifically. But for this reason, trust is important to understand the customer needs. Japanese customers also try to circumvent the agency and enter directly into a relationship with the designer. But in Japan this direct communication is regarded as important to understand customer needs. Personnel exchange and direct communication is necessary to make good work.

These frequent communication and good relationship, however, facilitate only incremental innovation. These good relationships sometimes facilitate a tendency to avoid new challenges. The good relationship is based on past success. New challenges sometimes mean to deny the past success and today's good relationship.

Radical innovations sometimes occur in tough situation, such as getting new customer, or hard competition with other agencies. In these tough situations, advertising agencies have to do new challenges. Thus, radical innovations occur.

But for the radical innovations, customer does not take an important role. They only have needs for something new, but they are not able to explain what they want. For example, "hidden solution advertising" - advertising that at the beginning presents only a theme or interesting expressions, and involves customer to search for the solution and finally customers find the product as a solution - is available because of development of internet technology. Such new type of advertising that no one has ever seen before is available by the new technology. It is not derived from customers' needs.

Discussion

According to Moenaert et al. (2000) the effectiveness of cooperation between entities results from the efficiency of communication and innovation activities. In the case of interviewed polish advertising agencies a low score in both customer communication and its impact on the creation of new ideas or solutions can be observed. Lack of efficiency in these areas leads to a poor perception of the effects that might arise from treating the client as an actor's of business network focused on creating new solutions.

It can be seen in both cases that crucial role in relationships with customer and the innovative outcome is played by trust. Unfortunately, the organization of the market makes it impossible to built trust, and therefore the market is dominated by opportunistic behavior. Firms have to rely much more on contracts to control their partners what limits creative approach and innovations.

In both cases from Poland a strong negative impact of clients' power distance can be observed. Agencies do not treat client as a potential source of innovations. It can be assumed that this result in negative impact on the innovative solutions offered to customers

Polish advertising agencies define the market as very competitive. The main factors that determine the winning of a customer are price and time needed to prepare projects (deadlines). Permanent lack of trust within the agency-client relationship is on the one hand factor impeding cooperation, on the other hand - it can be perceived as a brake of innovative projects and solutions. The project is a way out form the customer, who sees only the final result. Often a client reports comments or makes remarks to the projects that, in the opinion of surveyed advertising agencies, are not substantive in the nature. This is proof of lack of faith in the knowledge and experience of the agency.

Lack of trust in relationships is related to lack of loyalty. Tenders announced by even small enterprises are aimed at selecting the cheapest agency, not to find the best or the most innovative project. When the cheaper agency appears, a change of service provider immediately occurs.

These selection based on price does not exist in Japan. Furthermore, contract between agencies and production companies does not exist neither. Everything starts without any definition about specific description of job or terms and conditions.

The conflict is not conducive to innovation, if it is not balanced by cooperation. Although a certain level of conflict may be necessary for innovation, but cooperation is needed for efficiency (Laine, 2002). In the case of Polish advertising agencies a clear lack of harmony in relationships with customers can be observed, understood as the level of common interest. They do not try to understand each other, to solve problems at a low level in the organization and instead of discussion they prefer simply to accept solutions (Gupta, Raj, & Wilemon, 1986). Because of cultural distrust all the projects and innovations are created inside the company and they are the result of work of creative units or work within the group. The role of client and external actors is small, and clients' relation with team that works on the project is limited. Therefore for researched agencies it is important to streamline internal processes.

Lack of trust reduces the tendency to learn from other organizations with whom the companies remain in relationships. The Polish advertising agencies are an example of how the challenges associated with learning from others put large requirements. According to Mohr and Sengupta (2002) a need to open company's resources for the partner due to lack of confidence becomes an obstacle. Excessive openness might deprive the company of sources of competitive advantage, which in the absence of trust is an important obstacle.

A completely different situation occurs in the Japanese market. Cooperation between the agency and the client and other actors in the market is based entirely on trust and loyalty. However trust in Japanese advertising industry is not based on personality or capability. It is kind of a feudal system or social/culture norm. This leads to a situation, defined by Polish respondents as "unrealistic", in which the agency will only accept order from a larger partner and is entirely dependent on it. Trust between the actors in the market affects positively on the willingness to learn from each other and to combine knowledge from different sources. Ideas are created in the clans, which consist of employees chosen for the project from various units.

The presented solution from Japanese advertising agencies confirms that companies are able to enhance their effectiveness through the network. Highlighting the impact on innovation of actors with whom the company works leads to the questions about the ability to manage relationships for innovation (Moller and Svahn 2009). Relationship management is difficult, and obstacles are anything exceptional. Bidault and Castello (2009) give examples of research in which the overall failure rates of 50-80%. Coordination of cooperation is especially valid in the reported case of Japan agencies, and on this background particularly visible is a lack of such mechanisms in the Polish case.

In the case of representatives of the Agency B after the analysis of the Japanese case the idea of the cluster consists of several advertising agencies appeared. In such cluster to the idea of clans could be used. However, it is very difficult to implement because in the first place, each agency put a competitive fight and not willingness to cooperate. As a result, clusters are causing a lot of suspicions, except that the choice of one idea from the cluster by the client could result in envy of the other clusters participants. The clusters are not popular in Polish advertising industry, so only few can afford the luxury of a work organization as the Japanese agencies have.

The presented case studies have shown that customer and his needs are not regarded as a source of innovations. It can be assumed that the approach to the innovation is still in technology-push stage. Innovation comes from within the company. In Japanese case trust enables to co-create innovation within the network. This is impossible in Polish circumstances. This leads to questions about the direction of development of cooperation networks in the Polish market advertising agencies – is it possible to get to the next step of cooperation when the trust is missing?

Conclusions

Analysis of the case study of Polish advertising agencies and the comparison with the case of a Japanese ad network leads to some conclusions about the role of customer in service innovation and the role of social capital and learning orientation. The most important observation is that advertising service is co-created with customers but customer is not the source of innovation, both in Japanese and Polish cases.

The advertising market in Poland is still young and highly fragmented. Hence the struggle between the agencies concerned foremost to obtain the contract. The transactional approach represented by Polish agencies results in concentrating on the development of projects and selling capabilities. There is no place, time and knowledge to maintain customers and to develop their loyalty. Lack of effective client service does not allow for building confidence loyalty.

The fight for customers, often on the borderline of ethics, and price, as the main determinant of project selection, inhibit innovation. Employees are committed to the ongoing task; on the other hand they do not see the need for innovative solutions on the client side, because of budget and lack of knowledge and fear of change.

The approach to relationships represented by the Polish companies is rooted in the culture. According to the culture dimensions Poland has a low rate in long-term orientation. It can be assumed that companies are not able to think strategically and do not see the profitability of investing in long-term relations and quick results are expected.

Looking more broadly at the issue of trust in relationships and the role of relationships in the innovation process we refer to transition of the economy, which is characterized by a lack of confidence. Therefore there is no possibility that third parties (including clients) took part in the innovation process. This leads to the question of how relationships and trust are seen in the CEE countries, and whether similar phenomena can be observed in different sectors/industries.

Looking critically at our research the motivation to cooperate on innovation should be taken into account. Franke et al. (2006) pointed to situations in which the interest of customer and supplier collaboration for innovation is asymmetric. Customer's propensity increases when the company uses the offered solution for a long time, so the company is self-motivated for improvement. In case of occasional purchase of advertising service, the benefits of involvement in the innovation process are not recognized. Similarly, the client may be more interested in innovation, if it belongs to the group of lead users or proposals result from the applications - they are difficult to accept by the supplier especially in the first phase of market introducing. It is possible that the customers' motivation (an interest in the effects of the project) differs significantly from that service provider (interest in the quality of the project). This may affect the reluctance to cooperate.

The presented observations are exploratory in nature and allowed only to capture the phenomenon of weak use of business relationships as a source of innovation in a narrow perspective. In order to better understand the process of innovation in the Polish advertising agencies survey, following the suggestion of Ragin (1987), multiple case

analyses should be introduced. This should allow us to examine similarities and differences between agencies of all sizes, different specializations and at different development stages.

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