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How market entry order mediates the influence of firm resources on new product performance☆

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ABSTRACT

Building from the resource-based view of the firm and the first-mover advantage literature, this paper asserts that the entry order in a new product-market affects how the firm's resources and capabilities influence the product's performance. This proposition is tested on a sample of 136 product launches by Spanish manufacturing firms. The empirical analysis reveals that firms with superior managerial and R&D resources achieve superior new product performance when an early-entry strategy is adopted. Manufacturing resources also contribute positively to the success of new products, but this effect is weakened by the difficulties and inconveniences that firms with advantages in operations face when they attempt to pioneer a new market. The results regarding the influence of marketing resources on new product performance are not conclusive.

Introduction

Product innovation is an important activity in corporate entrepreneurship (Srivastava and Lee, 2005) and technology management (Badawy, 2009). The successful introduction of new products into the market is a critical factor for the survival and growth of companies (Di Benedetto et al., 2008; Wind

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and Mahajan, 1997). However, the increasingly dynamic and turbulent environment in which firms compete makes the commercialization of a new product not only a necessary, but also a risky venture. It is thus evident the interest of both scholars and practitioners in the research on market entry strategy and its impact on the success or failure of product innovations (Hauser et al., 2006).

This paper focuses on a specific strategic decision in the program for launching product innovations: entry timing. The importance of this decision is reflected in the large number of papers that attempt to determine how order-of-entry is related to performance. The majority of studies on this topic report that first movers gain advantages in market share (Kalyanaram et al., 1995), which seems to be confirmed in the meta-analyses performed by Szymanski et al. (1995) and Vanderwerf and Mahon (1997). However, several theoretical and empirical contributions suggest follower advantages should not be disregarded (Boulding and Christen, 2003; Golder and Tellis, 1993; Lilien and Yoon, 1990; Shankar et al., 1998; Schnaars, 1994). Consequently, the debate on early-entry advantages and disadvantages is still open, and further research is necessary to evaluate the contingent nature of the decision on market entry order (Lieberman and Montgomery, 1988, 1998; Kerin et al., 1992; Szymanski et al., 1995; Sinha and Noble, 2005).

According to Lieberman and Montgomery (1998), the resource-based view of the firm (Barney, 1991; Grant, 1991; Peteraff, 1993; Wernerfelt, 1984) appears to be a promising route for advancing research on the advantages of being a first mover. Order-of-entry should be regarded as an endogenous variable (Moore et al., 1991), that is, a decision which is dependent, at least to some extent, on factors such as the firm's distinctive competences. Therefore, whether being a pioneer is convenient or not cannot be judged independently of the firm's resources and capabilities upon which the decision on when to launch a new product is based (Lieberman and Montgomery, 1998; Robinson et al., 1992; Schoenecker and Cooper, 1998; Sinha and Noble, 2005). In the study reported herein, we argue that market entry order, in conjunction with the firm's resources, determines product performance.

To date, research on the relationship between resources and market entry order and the influence of these variables on performance has been anecdotal. Lieberman and Montgomery (1988) contend that the ability of a firm to capitalize on first-mover advantages determines whether it should pioneer a new market or not. Thus, the optimum entry timing depends heavily on the importance and nature of a firm's relative strengths and weaknesses. Specialized assets are the major determinants of whether and when industry incumbents should enter an emerging subfield of the industry (Mitchell, 1989). A key study in the literature is that of Robinson et al. (1992), who demonstrate that neither pioneering nor entering later is intrinsically better. Rather, pioneers and late entrants differ in their assets and skills, a factor that helps to explain their behavior regarding the order-of-entry. Schoenecker and Cooper (1998) also suggest that resources and capabilities influence timing, although this effect varies across industries. These authors found that the possession of certain resources leads to early entry in markets in which first-mover advantages are significant. However, they did not find support for Robinson et al.'s (1992) hypothesis that later entrants have different strengths than earlier entrants. In any case, further empirical research is necessary to achieve a deeper understanding of how resources and capabilities, market entry order, and performance are related.

Thus, we aim to explore the contingent nature of the market entry order decision by considering how its fit with the resources and capabilities of a firm affects the performance of a new product. Drazin and Van de Ven (1985) and Venkatraman (1989) note two fundamental strands of contingency theory: "fit-as-moderation" and "fit-as-mediation". Traditionally, the concept of "fit" has been operationalized as moderation, according to which the impact that an independent variable has on a criterion variable is dependent on the level of a third variable, called the moderator. However, an expanded perspective on the concept of fit suggests that it can also be operationalized as mediation, which represents the generative mechanism through which the focal independent variable is able to influence the dependent variable of interest (Baron and Kenny, 1986). Specifically, mediation breaks down the effects that antecedents and mediators have on the outcomes into direct and indirect effects. In doing so, mediation addresses itself to *how* or *why* such effects occur, as opposed to moderation, which addresses itself to *when* a particular event will take place (Baron and Kenny, 1986).

Hunt and Morgan (1995) posit that the possession of certain resources, although necessary, is not sufficient for obtaining a sustainable competitive advantage. As stated by Morgan (2000, p. 496), "value arises from the firm's resources and how those resources are managed". This perspective, in