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An empirical investigation into the determinants of decision speed in product elimination decision processes



Paraskevas C. Argouslidis ^{a,*}, George Baltas ^a, Alexis Mavrommatis ^b

^a Department of Marketing and Communication, School of Business, Athens University of Economics and Business, 76 Patision Street, 10434 Athens, Greece

^b Department of Marketing, EADA Business School, C/Aragó, 204-0801 Barcelona, Spain

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ABSTRACT

This paper considers the determinants of decision speed in the area of product elimination, i.e. the decision of the firm to discontinue a product's manufacturing process. Because temporal efficiencies are beneficial to organizational action, scholars have sought to understand what determines decision speed. Non-routine decisions (e.g. mergers and acquisitions) have traditionally been the focus of decision speed research and calls for investigations with more routine decisions as units of analysis remain largely under-addressed. A more routine decision is product elimination. Whereas other product management decisions continuously attract research attention, product eliminations remain comparatively understudied, despite their importance, especially in today's global financial stringency. The knowledge gap is particularly evident in key organizational aspects of product elimination processes, like decision speed. Drawing on theories of the correlates of business strategy and organizational work, as well as on decision speed and product elimination research, this paper empirically tests a framework for main and moderating effects on product elimination decision reaching and implementation speed. Results from 175 consumer product elimination decisions show speed's dependence on (a) structural and temporal characteristics of decision making (i.e. locus of tactical responsibilities and decision authority in product elimination processes; polychronicity), (b) decision-specific factors (e.g. life stage of the product), and (c) environmental conditions (i.e. complexity; turbulence). The results enrich product elimination and decision speed research. Also, because consumer goods manufacturers eliminate products frequently, the results provide managerially useful insights into conjectures promoting or hindering temporal efficiencies in product elimination processes.

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1. Introduction

The scarcity of time as an organizational resource makes decision speed an important consideration in organizational decision processes. Managers favor temporal efficiency because it signals organizational flexibility and reduces a firm's exposure to the uncertainties of the external context (Angwin, 2004). Before the appearance of decision speed research, the organizational literature viewed fast action as a crucial competitive weapon and suggested that decision speed does not diminish decision quality and that slow decision processes do not necessarily increase decision accuracy (e.g. Hickson, Butler, Cray, Mallory, & Wilson, 1986). In the light of subsequent empirical prescriptions of decision speed as a source of competitive edge (Bourgeois & Eisenhardt, 1988), a number of studies sought to understand how a firm's ability to decide fast is affected

by factors within its internal and external context (e.g. Forbes, 2005; Souitaris & Maestro, 2010). Because all such studies used non-routine decisions as units of analysis (e.g. mergers and acquisitions), the decision speed literature has a gap regarding how the speed of routine decision processes is shaped by the same internal and external factors and by new factors that relate to the nature of a routine decision. Indeed, authors of past decision speed studies labeled their focus on non-routine (often unprecedented) decisions as a potential limitation to the generality of findings (in the sense that such decisions are not typical of firms' overall decision making pattern) and called for research that tested their models in routine decisions (e.g. Wally & Baum, 1994).

It is the above gap that our study intends to address, by investigating decision speed's determinants in an important (but understudied) decision of product line management, namely, the elimination of an individual consumer product from the line of its manufacturer. Regarding the routineness of product elimination (PE) decisions, there exist circumstances (e.g. sectors, firms, time periods) in which such decisions can be less routinized or not routinized at all. This, for example, can apply to firms that produce only a limited number of items, that have never before engaged (or that engage

* Corresponding author. Department of Marketing and Communication, School of Business, Athens University of Economics and Business, 76 Patision Street, 10434 Athens, Greece. Tel: +30 210 8203415; fax: +30 210 8223802.

E-mail address: pargousl@aueb.gr (P.C. Argouslidis).

only rarely) into product elimination decision making (PEDM), or that must withdraw (for one reason or another) entire product lines. This can also apply to sectors of customized industrial products, where a supplier's intention to remove an item may be less of a routine due to contractual obligations toward buyers. But, on the other hand, PE decisions are routine in many sectors and under many conditions, and it is on that subset of decisions that our study focuses in order to contribute to theory and practice. This routineness manifests in the typicality and the recurrence of PE decisions and is particularly obvious among manufacturers of consumer products (Boyle, 2013; Hitsch, 2006), including the ones that we sampled for the purposes of this study (e.g. packaged foods and drinks). Specifically, firms in our focal sectors typically have multi-item product lines and their engagement into PEDM for individual line items is a frequent and common practice. Although one may not see advantages in moving fast when eliminating products, several benefits from PE (e.g. conservation of resources, creation of space for new products) depend on efficient completion of all tasks between the identification of a product as a candidate for elimination and its actual removal (Avlonitis, 1985a). By overemphasizing product proliferation for many decades, many firms globally ended up with lengthy product lines, which trimmed profitability, caused customer confusion, and fostered sales cannibalization (Quelch & Kenny, 1994). Recently, however, a shift in emphasis is evident, as many firms globally (including multinationals like P&G and Unilever) dramatically reduced line length (e.g. Grant, 2005). Even more recently, it has been noted that the current economic downturn increases further the significance of PE for firms' future growth (Boyle, 2013). The thesis of prior research that concentrated on determinants (not outcomes) of decision speed in non-routine decisions (e.g. Talaulicar, Grundei, & Werder, 2005; Wally & Baum, 1994) was that it is theoretically and managerially useful to investigate what promotes or hinders an aspect of decision making for which there exists prior solid evidence that, in principle, it is a good business practice. Because we do not address the outcomes of PEDM speed (this is beyond the scope of a single study), we do not directly claim that faster PE decisions are necessarily better decisions. But on the basis of the above thesis and of the increased significance of PE in today's economic downturn, we claim that temporal efficiency in PEDM is a good practice.

To develop our framework, we draw upon the overarching theories on the correlates of business strategy and of organizational work (e.g. Miller, 1987; Mintzberg, Raisinghani, & Théorêt, 1976) as well as upon decision speed (e.g. Eisenhardt, 1989) and product elimination research (e.g. Avlonitis, 1985a). Specifically, we investigate how PEDM speed is shaped by (a) PEDM- and firm-level structural and temporal characteristics of the firm, (b) factors relating to the PE decision itself, and (c) conditions in the external environment. As such, we intend to make two specific academic contributions. First, to enrich decision speed literature, by testing the generality of effects of traditional structural and environmental junctures on the speed of a routine decision process and by investigating the role of new factors relating to the routine decision at hand. Second, to enrich empirical knowledge about temporal aspects of PEDM, by considering the role of traditional determinants of the speed of non-routine decision processes and by investigating the role of factors that have proved to affect aspects of PEDM other than speed. Managerially, we intend to provide manufacturers of consumer products with insights about what enables or hinders temporal efficiencies in PEDM. Regarding the generalizability of our study, we note here that some of the hypothesized relationships between structural and environmental drivers and PEDM speed are likely to hold for non-routine PE decisions too. But (a) our model and insights from the econometric estimation apply to those firms that, because of product or sectorial characteristics, make PE decisions on a routine basis and (b) the

core of our contribution consists in addressing a set of decision-specific drivers that are relevant to the content of routine PE decisions. The ensuing sections present an overview of decision speed and PE research, our theoretical underpinnings, hypotheses, methods, analysis, and results. We then discuss academic and managerial implications, limitations, and opportunities for future inquiry.

2. Literature background: research on decision speed's determinants and PE research

Decision speed appeared as the focal aspect of decision processes in a study by Bourgeois and Eisenhardt (1988), which identified its beneficial effect on firm performance. Scholars have since started to view decision speed as a source of competitive edge and to investigate how it is shaped by dimensions of organizational structure, personal characteristics of decision makers, decision-specific factors, and the external environment. The literature comprises eight such major studies, whose dimensions are summarized in Table 1. The addressed structural determinants include decision process centralization, formalization, and organizational polychronicity (i.e. a culture favoring simultaneous multi-tasking). Personal determinants include, among others, conflict resolution skills, experience in a focal decision, and tolerance for risk. Decision-specific factors comprise, among others, the availability of real-time information and the number of the considered decision alternatives. Environmental determinants include munificence and dynamism. A closer examination of Table 1 reveals that, following Eisenhardt (1989), subsequent research contributed in several respects. For example, Judge and Miller (1991) tested some of Eisenhardt's findings in sectors differing in environmental dynamism. Wally and Baum (1994) considered personal characteristics of decision makers and dimensions of organizational structure (i.e. centralization, formalization). Baum and Wally (2003) disaggregated the operationalization of centralization (into strategic and operations management) and of formalization (into routine and non-routine tasks). Forbes (2005) sampled small firms only, while Souitaris and Maestro (2010) linked decision speed with organizational polychronicity. Despite the significance of all contributions, one aspect that remained constant is the focus on non-routine (often unprecedented) decisions. Much as such decisions are understandably important for theory development, it is useful to extend decision speed research to more routine (yet important) decisions of the firm, a task that (to our best knowledge) remains largely unaddressed.

While the new product development (NPD) literature grows impressively, PE research remains comparatively small, despite its theoretical and managerial value. In most instances, a firm's decision to eliminate a product is the outcome of a four-stage process: (1) its identification as a candidate for elimination, (2) consideration of remedial actions to possibly revitalize it, (3) evaluation of the elimination/retention alternatives and decision reaching, and (4) implementation of removal (e.g. Avlonitis & Argouslidis, 2012). Stages 1–3 form the PE decision reaching process. Stage 4 is the implementation process and it concerns a choice between an immediate drop and a slow phase-out of a product from the market (e.g. Argouslidis & Baltas, 2007; Avlonitis, 1985a). Most PE studies reported stage-specific investigations into contextual effects on each stage's content and intensity (e.g. Argouslidis, 2004, 2007; Avlonitis, 1985b, 1986, 1993; Avlonitis, Hart, & Tzokas, 2000; Hart, 1988). The PE literature also comprises investigations into economic and structural aspects of PEDM, like micro- and macro-economic effects on a firm's magnitude of line pruning (Putsis & Bayus, 2001), optimal product exit rates under demand uncertainty (Hitsch, 2006), and decision process formalization and rationality (Argouslidis & Baltas, 2007; Avlonitis, 1985a). Closer to our study, researchers addressed temporal aspects of PEDM. In an investigation into PE practices among manufacturers of industrial products, Avlonitis

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