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Team effectiveness and open discussion of conflict in collaborative new product development: A cross-national study[☆]

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ABSTRACT

This study contributes to the understanding of the mechanisms through which relational governance and formal contractual governance influence new product development performance. The study tests the hypotheses using data from British and South African new technology-based firms. The results indicate that team effectiveness mediates the relationship between governance and new product development performance and that the ability of collaborating firms to create an atmosphere of openness to discussing conflicting views, positively moderates the relationship between team effectiveness and performance.

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1. Introduction

Early observations by researchers such as Lewin (1945), Van de Ven (1989), and Weick (1989), who study how groups govern their interrelationships, highlight that understanding governance is complex but critical in determining intergroup outcomes. Woodside (2010) and Eisenhardt (1989) emphasize that more studies are necessary to clarify the paradoxes within intergroup and inter-firm research. Lewin (1945) draws attention to the inherent complexity in studying groups and group processes.

The current discussion around the governance of inter-firm relationships calls for research on “how” governance influences outcomes (Cao & Lumineau, 2015; Dyer & Singh, 1998). This study responds to the increase in recent calls to understand the mechanisms through which governance influences new product development outcomes (Lee & Cavusgil, 2006; Zhao, Cavusgil, & Cavusgil, 2014). This study examines whether collaboration team effectiveness is a mechanism through which governance influences NPD outcomes and whether such effectiveness mediates the governance–NPD performance relationship. Previous studies on team effectiveness draw attention to the lack of understanding of conflict in team processes (Benavides-Espinosa & Ribeiro-Soriano, 2014). Thus, this study seeks to contribute by probing the role of open discussion of conflicting issues on team effectiveness and NPD performance, and whether open conflict moderates this relationship.

In addition to seeking to understand how these factors mediate and moderate the governance–new product development performance relationships, this study contributes by clarifying the role of institutional environment, by examining these relationships in two different institutional environments, namely South Africa and Britain. The findings demonstrate that institutional environment influences the role of governance in collaboration.

First, this paper presents the conceptual framework. Then, the paper describes the methods used and the results. Finally, the paper discusses the results, draws conclusions, and notes the implications for managers.

2. Conceptual framework and hypotheses

In addressing the heightened pressures associated with collaborative new product development, researchers either emphasize the development of social processes between firms (Lee & Cavusgil, 2006) or highlight the need for formal processes and controls (Eisenhardt & Tabrizi, 1995). In addition to formal controls and social processes, studies suggest that the effectiveness of the new product development team has a significant effect on new product development performance (Ayers, Dahlstrom, & Skinner, 1997; Lawson et al., 2015).

2.1. Formal governance, team effectiveness and new product development performance

Formal governance refers to the presence of a contract between the two firms, which clarifies roles, responsibilities, development schedules, and intellectual property rights (Cao & Lumineau, 2015). Research reports that formal planning and formal controls in highly uncertain environments, such as new product development in technology-based

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firms, may not be very useful due to the uncertainties and unknowns in this context (Yli-Renko, Autio, & Sapienza, 2001). Checking adherence to schedules using real data and objective information, however, accelerates learning, because this method forces managers to continuously collect and evaluate data and make informed decisions about the direction of the development, thus, speeding up the development process (Eisenhardt & Tabrizi, 1995).

Studies often associate the effectiveness of the new product development team with higher levels of new product development performance (Griffin & Hauser, 2001). In particular, studies in the new product development context suggest that formal controls may improve team effectiveness. Milestones and schedules have a positive effect on team cohesion, because review points provide a forum for discussion, which encourages team integration and an effective working relationship (Eisenhardt & Tabrizi, 1995). Although review meetings of the progress of the project can be time consuming, the discussions allow managers to pick up problems earlier rather than later, allowing firms to iron out any problems in the collaboration relationship (Bonaccorsi & Lipparini, 1994). Therefore, comprehensiveness of the formal governance structure should have an association with higher levels of collaboration team effectiveness. This study postulates that collaboration team effectiveness mediates the relationship between formal governance and new product development performance.

H1. : Team effectiveness mediates the relationship between formal governance and new product development performance.

2.2. Relational governance, team effectiveness, and new product development performance

Relational governance (Jayaraman, Narayanan, Luo, & Swaminathan, 2013) refers to the presence of relational norms and trust, which have developed through the inter-firm relationship and which serve to control the behavior of collaboration partners. New product development is a creative process where often many unknowns and potential problems arise from conditions of uncertainty and a lack of prior knowledge (Lawson et al., 2015). Studies often associate creativity with team processes where established social norms foster idea generation and lateral thinking, and deter unconstructive criticism (Lawson et al., 2015). Informal communication increases the exchange of ideas and thereby improves the effectiveness of a team (Carey, Lawson, & Krause, 2011). Ayers et al. (1997, p. 110) note that:

Relational norms facilitate the flow of information that enables people to present contingencies that may jeopardize performance. Flexibility provides the opportunity to make adjustments that increase the market value of new products. Conflict harmonization and solidarity enable people to resolve disputes that may prolong development.

Bonaccorsi and Lipparini (1994) find that higher levels of alliance team effectiveness (where the alliance is between the firm and a supplier) positively influence new product development performance by shortening development time. They also find a positive association between effective firm–supplier working relationships and the rate of new products developed. Drawing on these observations, this study postulates that collaboration team effectiveness mediates the relationship between relational governance and new product development performance.

H2. : Team effectiveness mediates the relationship between relational governance and new product development performance.

2.3. The moderating influence of open discussion of conflict

Lewin (1945) argues that examining conflict when examining group processes is essential. This study draws on the research of

scholars such as Rahim (1983) and Jehn and Mannix (2001) and proposes that the atmosphere that the two collaborating firms create will either promote the discussion of conflicting views or stifle discussion. Following Jehn and Mannix (2001), who highlight how an atmosphere that promotes the open discussion of conflicting issues enhances teamwork and ultimately improves performance, this study hypothesizes that open discussion of conflict positively moderates the relationship between team effectiveness and NPD performance (Fig. 1).

H3. : Open discussion of conflict positively moderates the relationship between team effectiveness and NPD performance.

3. Method

The research design follows Woodside's (2010) recommendation to use exploratory interviews in the preliminary stages of research to provide a good preparatory step to a more detailed research work. The use of qualitative exploratory interviews also complements later quantitative survey research by informing the design of the questionnaire and assisting in the interpretation of the survey results (Song & Parry, 1997). The study follows the guidelines by Song and Parry (1997) in doing cross-national research.

The preliminary stage of this study consists of semi-structured exploratory interviews with three groups of firms, firstly, new technology-based firms, secondly, with large, established firms, and thirdly, with law firms. These interviews take place in both South Africa and in Britain, to obtain a holistic understanding of collaborative new product development. From the interviews and the literature, the study develops a survey instrument, which the study pretested and administered first in Britain and then in South Africa.

This study is part of a larger study of collaborative new product development in South Africa and Britain. Other articles drawing on the British data are Parker (2012) and Parker and Brey (2015).

3.1. Sample and data collection

For the South African sample, the study uses the “Who owns Whom” database, and the INET BFA databases to construct a list of firms who had less than 100 employees, were younger than 10 years old, and operated in the Computer, Communications, and Electronic Technology Sectors. These databases report the contact details of the firms, the names of the key directors or managers, a history of the firm (in particular, the date of establishment of the firm), the nature of the firm's business, and the number of employees.

Five hundred and twenty firms met these criteria. The study contacted these firms to participate in the study. After three sets of reminders, the study obtains 102 responses.

The study obtains the British sample from the FAME database, which is an extensive database on company information in the United Kingdom. Company information in the database comes from Companies House. Registration with Companies House is compulsory for all limited companies in the United Kingdom. The FAME (Financial Analysis Made Easy) database reports the company's financials and, very importantly, information regarding the year of establishment of the firm, ownership of the firm (independent or subsidiary), the names of the directors, firm size and industry classification, and contact details for each firm. The sampling frame in this study uses the same sampling criteria as for the South African list of companies. 1071 firms in the FAME database fulfilled the necessary criteria, with 110 useable responses. The study compared early and late respondents using two-tailed t-statistic tests across the variables used. No statistical differences appeared and the results show no evidence of non-response bias (Armstrong & Overton, 1977).

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