



Contents lists available at ScienceDirect

Journal of Business Research



Enhancing the sales benefits of radical product innovativeness in internationalizing small and medium-sized enterprises☆

Nathaniel Boso^{a,*}, Vicky M. Story^b, John W. Cadogan^{c,d}, Jonathan Annan^e,
Selma Kadić-Maglajić^f, Milena Micevski^g

^a University of Leeds, Leeds University Business School, Leeds LS2 9JT, United Kingdom

^b Loughborough University, Loughborough, Leicestershire LE11 3TU, United Kingdom

^c Loughborough University, Loughborough, Leicestershire LE11 3TU, United Kingdom

^d Lappeenranta University of Technology, Finland

^e Kwame Nkrumah University of Science and Technology, Accra Road, Kumasi, Ghana

^f University of Sarajevo, Obala Kulina bana 7/II, Sarajevo 71000, Bosnia and Herzegovina

^g University of Vienna, Universitätsring 1, 1010 Wien, Austria

ARTICLE INFO

Article history:

Received 1 February 2016

Received in revised form 1 March 2016

Accepted 1 April 2016

Available online xxxx

Keywords:

Radical product innovation capability

Strategic orientation

Sales performance

Developed economy

Developing economy

ABSTRACT

This study draws on resource-based theory to examine the strategic orientation conditions under which radical product innovation capability is more or less beneficial. To test these relationships, this study conducts multiple survey studies among international small and medium-sized enterprises (SMEs) in developed and developing economies. This study finds that, although a positive association exists between radical product innovativeness and sales performance in the context of a developed economy, the relationship is non-significant in a developing market context. In addition, across both the developed and developing economy contexts, when high levels of radical product innovativeness exist, as well as when entrepreneurial orientation increases in magnitude, a corresponding increase in sales performance occurs. Similarly, this study finds that, across both contexts, high market-orientation levels strengthen the effect of radical product innovativeness on sales performance.

© 2016 Published by Elsevier Inc.

1. Introduction

Extant literature on product innovation suggests that a radical product innovation capability provides firms with the benefits of first-mover and pioneer advantage (Zhang, Xu, & Yue, 2012). It is argued that a radical product innovation capability allows firms to obtain faster market penetration, premium prices, accelerated cash flows, reduced volatility and vulnerability of cash flows, greater customer loyalty, substantial cost reductions, and the capacity to extend operations to new markets, relative to more incrementally innovative firms (Tellis, Prabhu, & Chandy, 2009). However, empirical findings regarding the effect of radical product innovativeness on performance have been inconsistent (Evanschitzky, Eisend, Calantone, & Jiang, 2012; Rosenbusch, Brinckmann, & Bausch, 2011).

Additionally, although SMEs attempting to compete in foreign markets face multiple resource and legitimacy challenges, the extant literature both under-recognizes and under-researches how such firms radically innovate in their international market operations (Tomlinson & Fai, 2013). To this end, this study proposes the examination of two important contingency factors: (1) the firms' complementary resources and (2) institutional and infrastructural conditions under which internationalizing SMEs innovate. The research purpose, therefore, is to examine the moderating effects of complementary firm resources (focusing on strategic orientations) on the radical product innovativeness-performance relationship in both more and less developed institutional settings. By doing so, this study shows why these contingencies are important boundary conditions that help enrich the understanding of how radical product innovation capability is more or less beneficial for SMEs performance.

Consequently, this paper seeks to make two theoretical and contextual contributions. First, by addressing calls to further research on the interface between innovation, entrepreneurship, and marketing domains (Avlonitis & Salavou, 2007; Li, Zhao, Tan, & Liu, 2008), this study extends scholarly understanding of the consequences of radical innovation efforts, by examining the moderating effects of entrepreneurial orientation (EO) and market orientation (MO) on the radical product innovativeness-performance relationship. To this end, this

☆ The authors are grateful to contributions from Professor Yaw Debrah, Swansea University and Dr. Joseph Amankwah-Amoah, University of Bristol for their careful reading and suggestions on revising this article.

* Corresponding author.

E-mail addresses: N.Boso@Leeds.ac.uk (N. Boso), V.M.Story@Lboro.ac.uk (V.M. Story), j.w.cadogan@Lboro.ac.uk (J.W. Cadogan), jothananan@yahoo.com (J. Annan), selma.kadic@efsa.unsa.ba (S. Kadić-Maglajić), milena.micevski@univie.ac.at (M. Micevski).

study extends knowledge on how a firm's capacity to combine resources in unique ways helps create and commercialize successful, inventive new products (Augier & Teece, 2007). Additionally, this study enriches literature on how the success of radical product innovation depends on a firm's willingness and proclivity to generate, share, and respond to market information (Jaworski & Kohli, 1993).

Second, this study notes that variations in institutional development across nations may condition the effectiveness of firms' business activities (van Waarden, 2001) because firms "are both constrained and enabled by the institutions in their environment" (Bruton, Ahlstrom, & Li, 2010, p. 426). Acknowledging potential variation in the levels of institutional development—in terms of resources, possibilities, and limitations—as well as their implications for the outcomes of radical product innovation activities across more and less developed institutional environments (van Waarden, 2001), this study investigates the role that differences in institutional development may play in shaping the nature of the radical product innovativeness–performance relationship. As a result, this study tests the conceptual model, displayed in Fig. 1, with primary data from internationalizing SMEs operating in developed and developing market economies.

2. Theoretical foundation and hypotheses

Radical innovativeness is the degree to which a firm's innovation activities depart from existing products and/or technologies (McDermott & O'Connor, 2002). Radically innovative products have the capacity to render existing products and technologies obsolete and transform industries and markets (Troilo, De Luca, & Atuahene-Gima, 2013). Further, the multi-dimensionality of innovativeness is well recognized (e.g., Garcia & Calantone, 2002) and, while definitions highlight a number of dimensions, this paper focuses on past research regarding the degree of radicalness (or newness) of firms' new products (e.g., Kyrgidou & Spyropoulou, 2013).

The literature suggests a number of reasons for the positive relationship between radical product innovativeness, a firm's ability to develop and commercialize original innovations relative to the competition, and the firm's business success (Calantone, Cavusgil, & Zhao, 2002). First, this innovativeness enables firms to create dramatic product and process differentiations (Tellis et al., 2009), enabling them to alter the nature of the competition, and to compete in areas in which they have the upper hand relative to competitors (Calantone et al., 2002; Garcia & Calantone, 2002). Second, high levels of innovation novelty help firms build robust brand images and reputation assets (McDermott & O'Connor, 2002). Third, radical innovations help firms to meet sales and profitability objectives more quickly than less innovative competitors because novelty effects and high customer trials lead to greater adoption rates (Tellis et al., 2009).

However, empirical findings regarding the value of firm innovativeness, in general, and radical innovativeness, in particular, have been inconsistent; performance outcomes are positive in some studies and negative in others (see Rosenbusch et al., 2011). Indeed, some studies show that firms who are incremental in their product innovation efforts also enjoy performance benefits; their new product portfolios are more familiar to customers, have less uncertainty, and fit better within existing new product development routines and market frameworks (e.g., Calantone et al., 2002). In addition, other studies fail to reveal a

direct effect (e.g., Zhang et al., 2012). This study argues that the examination of key firm resources and institutional contextual contingencies may provide answers for these inconsistencies.

2.1. Moderating effect of strategic orientations

In line with Miller and Friesen (1982) and Lumpkin and Dess (1996) this work argues that a firm's EO may help amplify the likelihood of radical product innovativeness enhancing performance. EO refers to a firm's proclivity to be innovative, risk seeking, proactive, competitively aggressive, and supportive of autonomous decision-making (Lumpkin & Dess, 1996). Accordingly, Miller and Friesen (1982) argue that firms with greater EO are willing to take considerable risks to pioneer novel innovations. In addition, firms with superior EO innovate in a more proactive and aggressive manner, enabling them to connect to new customer needs more successfully. Furthermore, firms that are receptive to autonomous decision-making tend to develop organic structures that make converting novel new product ideas to revenue generating new products easier. Therefore, under high levels of EO, the effect of higher levels of radical innovativeness on performance should be amplified (Wu, Chang, & Chen, 2008). Thus, this study posits that:

H1. The relationship between radical product innovativeness and firm performance is more positive when levels of EO increase in magnitude.

MO relates to a firm's willingness to generate, disseminate, and respond to market information (Jaworski & Kohli, 1993). Interestingly, although studies suggest a significant positive relationship between MO and innovation (e.g., Deshpandé, Farley, & Webster, 1993), evidence showing negative (e.g., Bennett & Cooper, 1981; Zhou, Yim, & Tse, 2005) and non-significant (e.g., Baker & Sinkula, 2007) relationships abound. Based on resource-based theory (e.g., Day, 1994), this study argues that MO, as a firm-level resource, may facilitate the radical innovativeness–performance relationship through a moderating effect.

As a major source of ideas for new products and services, MO enables companies to act differently in response to market conditions (Jaworski & Kohli, 1993). Indeed, in firms where MO is a predominant orientation, radical innovation activities are emphasized more than incremental innovation (Baker & Sinkula, 2009) because such firms create conducive climates for in-depth understanding of the target market (e.g., Day, 1994), making new product failures less likely. Accordingly, this study argues that:

H2. The relationship between radical product innovativeness and firm performance is more positive when levels of MO increase in magnitude.

2.2. Differential effects across developed and developing institutional environments

The institutional environment plays a role in shaping business success (Williamson, 1985), and the extant literature suggests that variations in institutional development levels across nations may explain why some nations have greater innovation outputs than do others (Beck, Demirgüç-Kunt, & Maksimovic, 2008; van Waarden, 2001). In addition, the conventional wisdom is that firms in developed economies are predominantly the ones that undertake radical innovations, primarily because of the superiority of the institutions in developed nations, when compared to those in developing countries. Therefore, this study posits that variations in the levels of institutional development across both developed and less developed economies may account for the differences in the effectiveness of radical product innovation strategies across firms.

Several reasons for this claim exist. This study draws on institutional theory to argue that variations in institutional development levels may affect the economic values that accrue to firms, as a result of investments in radical innovation activities. In addition, researchers have

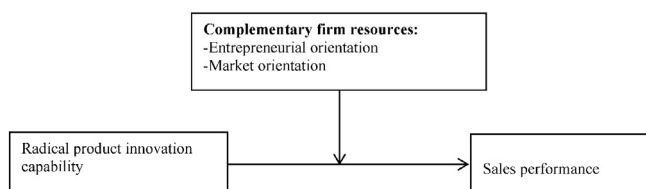


Fig. 1. Conceptual model and hypotheses.

Download English Version:

<https://daneshyari.com/en/article/5109741>

Download Persian Version:

<https://daneshyari.com/article/5109741>

[Daneshyari.com](https://daneshyari.com)