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Strategic orientation and new product development performance: The role of networking capability and networking ability[☆]

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ABSTRACT

While strategic orientation can represent an important antecedent to new product development (NPD) performance, research suggests that adopting a strategic orientation alone is not sufficient and a better understanding of contingencies is necessary. Based on the dynamic capability view of the firm, this study examines the effect of a firm's ability to connect with external network partners (networking capability) and the ability of NPD project managers to network with stakeholders within the firm (networking ability). The empirical results indicate that market orientation and entrepreneurial orientation are positively associated with NPD performance when a firm has sufficient networking capability to manage network dynamics and when the managers of NPD projects possess networking ability to successfully mobilize the support and advocacy of stakeholders within the firm. The results also show that NPD performance is highest when market (entrepreneurial) orientation, networking capability, and networking ability are all high, thus supporting the proposed three-way interaction.

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1. Introduction

New product development (NPD) has become an important source of competitive advantage for firms and understanding factors that contribute to new product success is a vital managerial concern. One factor that is crucial to understanding NPD and performance is a firm's strategic orientation (Atuahene-Gima and Ko, 2001; Gatignon & Xuereb, 1997; Kim, Im, & Slater, 2013; Kirca, Jayachandran, & Bearden, 2005; Mu & Di Benedetto, 2011; Zhou, Yim, & Tse, 2005), commonly defined as "the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business" (Gatignon & Xuereb, 1997, p. 78). Many different types of strategic orientations are discussed in literature including market orientation and entrepreneurial orientation. Although a broad consensus has emerged over the past two decades among academia and practitioners alike that a clear strategic orientation can be a crucial determinant of firm performance including NPD performance (e.g., Hughes & Morgan,

2007; Kumar, Jones, Venkatesan, & Leone, 2011), empirical results have been mixed. While many studies demonstrate a positive association between strategic orientation and performance outcomes, others have failed to find a positive relationship (Hitt, Ireland, Camp, & Sexton, 2001; Ireland, Hitt, & Sirmon, 2003; Rauch, Wiklund, Frese, & Lumpkin, 2009), leading to the conclusion that strategic orientation "does not automatically lead to performance" (Zhou et al., 2005, pg 54).

Conflicting results suggest that adopting a strategic orientation alone is not sufficient for successful NPD outcomes by a firm (e.g., Evanschitzky, Eisend, Calantone, & Jiang, 2012; Kumar et al., 2011; Wiklund & Shepherd, 2005). Therefore, a better understanding of the relationship between strategic orientation and NPD performance requires emphasizing the importance of contingencies among a firm's strategic posture and other constructs of interest (Rauch et al., 2009). Identifying which particular factors enhance or constrain the impact of strategic orientation on performance is an important research agenda (e.g., Kumar et al., 2011; Matsuno, Mentzer, & Ozsomer, 2002; Theodosiou, Kehagias, & Katsikea, 2012; Wiklund & Shepherd, 2005). For example, research suggests that factors such as innovativeness, knowledge type, competitive strength, co-worker relationship quality and environmental forces serve as moderators in the relationship between strategic orientation and performance (e.g., Augusto & Author VitaeCoelho, 2009; Chung, 2011; Kim et al., 2013; Menguc, Auh, Katsikeas, & Jung, 2016; Theodosiou et al., 2012). In social networking research, the capability to manage both inter- and intra-firm network

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relationships has long been recognized as vehicles through which firms innovate, create value, and build competitive advantages (Evanschitzky et al., 2012; Kumar et al., 2011; Matsuno et al., 2002; Mu, 2013, 2014; Mu & Di Benedetto, 2012; Mu, Zhang, & MacLachlan, 2011; Theodosiou et al., 2012). Extant research, however, has not sufficiently linked the two streams of literature, i.e. the relationship between strategic orientation and networking on firm performance.

Grounded in the dynamic capability theory of the firm, this study explores the impact of external and internal networking on the relationship between strategic orientation and NPD performance. The central tenant of dynamic capability theory is that firms can adapt, integrate, renew and reconfigure their competitive advantages to better capture and exploit the opportunities presented by a changing environment (Teece, Pisano, & Shuen, 1997). Dynamic capability theory argues for the integration of external and internal resources suggesting the importance of both external and internal interface mechanisms (Teece et al., 1997). External interface mechanisms, or networking capability, is defined in this study as the ability of a firm to exploit its existing interfirm relationships and explore new relationships with external entities in order “to achieve resource (re)configurations and strategic competitive advantage as markets emerge, collide, split, evolve, and die” (Mu & Di Benedetto, 2012, pg 5). Internal interface mechanisms, or networking ability, is defined in this study as the extent to which project managers are skilled in developing and using intrafirm social networks to effect change at work (Ferris et al., 2007), or the ability to involve others and build coalitions within their own organization.

Consistent with dynamic capability theory, recent NPD research on the roles of social networks recognizes that networking capability (e.g., Dyer & Singh, 1998; Mu & Di Benedetto, 2012; Vesalainen & Hakala, 2014) can help firms acquire and exploit external resources for NPD projects. Similarly, research suggests that the networking ability of NPD managers (Ferris et al., 2005, 2007; Mu et al., 2011; Venkatesh & Wilemon, 1976) can help a NPD project team to mobilize support and advocacy for project success. For example, in a meta-analysis conducted by Balkundi and Harrison (2006), networking both within firms and across firms was found to positively affect team performance and viability.

Firms may fail to turn strategic orientation into high product development performance because they do not have sufficient networking capability and networking ability to leverage resources and gain the support and advocacy needed for product development projects (e.g., Dyer & Singh, 1998; Hitt et al., 2001; Mu et al., 2011). Thus, there may exist an interaction between strategic orientation, networking capability, and networking ability on NPD performance. Without a better understanding of these interactions, the findings of strategic orientation, networking capability, and networking ability on NPD performance are incomplete. Moreover, research into the interaction relationship between strategic orientation, networking capability, and networking ability on NPD can help us gain a deeper appreciation of the impact that networking strategy can have on NPD performance (Evanschitzky et al., 2012). Therefore taking the dynamic capability view of the firm we argue that networking capability and networking ability respectively, as well as jointly, enhance the effect of strategic orientation on NPD performance. In order to test our hypotheses, we used survey data of 364 firms from China. We used moderated multiple regression (MMR) to analyze our data. The results support our argument that the performance implications of strategic orientation depend on a firm's networking capability and NPD managers' networking ability.

Our study contributes to research in a number of ways. Though extant research provides important insights on how strategic orientation affects firm performance in general, it also calls for further research on the contingencies of the relationship between strategic orientation and firm performance (Covin, Green, & Slevin, 2006; Evanschitzky et al., 2012; Hughes, Le Bon, & Rapp, 2013; Kumar et al., 2011; Wiklund & Shepherd, 2005). As a major theoretical contribution, this research advances our understanding of NPD by examining how the

configuration of strategic orientation, networking capability, and networking ability shapes performance. By doing so, our research answers call that a more detailed inquiry from the perspectives of social networking is needed on how strategic orientation improves NPD performance (e.g., Evanschitzky et al., 2012; Kumar et al., 2011; Matsuno et al., 2002; Mu & Di Benedetto, 2012; Mu et al., 2011; Theodosiou et al., 2012).

Moreover, though both the strategic orientation literature and the networking literature have studied the impact of strategic orientation and networking behavior on firm performance in general and NPD performance in particular (e.g., Kumar et al., 2011; Mu & Di Benedetto, 2012), our contingency approach based on a dynamic capability perspective provides additional insights into the moderating mechanisms that ensure consistency and complementarity among various external and internal factors affecting performance outcomes (Dess, Lumpkin, & Covin, 1997; Teece, 2007). Prior studies have investigated how strategic orientation can be aligned with factors either outside the firm or inside the firm to obtain superior performance, but limited research has focused on both external factors and internal factors that affect strategic orientation on performance (e.g., Covin et al., 2006; Evanschitzky et al., 2012; Kumar et al., 2011). Introducing networking capability and networking ability as potential impetus for the implementation of strategic orientation can alleviate concerns associated with resource constraint and deployment in organizations for NPD projects (Covin et al., 2006; Ferris et al., 2005, 2007; Mu, 2013, 2014; Mu & Di Benedetto, 2012). Our study provides empirical support for an elaboration of its various contingencies in the relationship between strategic orientation and firm performance (Covin et al., 2006). This aspect of the investigation is particularly important for our purpose since lacking networking capability and networking ability constrains a firm's capabilities in the implementation of strategic orientation for NPD projects (Mu, 2013, 2014; Mu & Di Benedetto, 2011, 2012; Mu et al., 2011).

Finally, while performance and strategic orientation are generally studied in the context of market based economies, this study's context is a transitional economy, China. Because of its developing market and rapidly changing competitive environment, many firms have focused their strategy on NPD and strategic orientation (Li, Liu, & Zhao, 2006). Studying how successfully Chinese firms implement strategic orientation for their NPD projects can shed light on international firms, big and small, entering China and other similar emerging economies to further their success in these economies.

As a practical contribution, our research provides a guideline for practitioners in their efforts to leverage network resources and secure support and advocacy to achieve superior NPD performance along with strategic orientation, specifically market and entrepreneurial orientation.

The remainder of the paper proceeds as follows. We first present the conceptual framework, and then we develop the research hypotheses. Next, we describe the data and the methodology. We test the hypotheses using survey data from Chinese high-tech industries. Finally, we present findings and discuss their theoretical and managerial implications, as well as the limitations of the research.

2. Theoretical framework

Strategic orientation is “the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business” (Gatignon & Xuereb, 1997, p. 78). It reflects a firm's perspective on how to conduct business; in short it is the business philosophy of the firm (e.g., Covin & Slevin, 1989; Mu & Di Benedetto, 2011; Theodosiou et al., 2012; Venkatraman, 1989). In NPD, strategic orientation is critical to the management of knowledge since it helps a firm determine the “focus of knowledge creation, and how knowledge is shared and integrated to become a resource from which to develop and launch new products” (Kim et al., 2013, pg 140). There exist different strategic orientations that reflect the focus of the firm's knowledge-

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