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Transforming entrepreneurial posture into a superior first product market position via dynamic capabilities and TMT prior start-up experience

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ABSTRACT

First product commercialization is the first entrepreneurial act of new technology ventures. However, little is known about mechanisms that transform these firms' entrepreneurial posture into first product advantage. Building on the dynamic capability view of the firm, this study examines the role of capabilities exploitation (i.e., in the form of complementarity), top management team start-up experience, cross-functional collaboration and information and communication technology assets in driving entrepreneurial posture toward first product advantage. A multi-informant study of 137 B2B new technology ventures was undertaken. The results show that entrepreneurial posture can contribute to first product advantage indirectly by fostering R & D-marketing capability complementarity. Furthermore, our results indicate that the entrepreneurial posture - capabilities complementarity relationship is augmented when top management team possess prior start-up experience. Finally, our findings indicate that the benefits of R & D-marketing capability complementarity for first product advantage are contingent on the exploitation of cross-functional collaboration and ICT capabilities.

1. Introduction

New technology ventures (NTVs) suffer from high failure rates (Zane & DeCarolis, 2016), especially in transitioning economies (Bruton, Su, & Filatotchev, 2016). Their survival is contingent on the success of their very first product (Song, Di Benedetto, & Song, 2010; Zhao, Libaers, & Song, 2015). For NTVs this is their very first entrepreneurial act and is accompanied by risk and delayed financial returns (Song, Song, & Di Benedetto, 2011). However, in the face of challenges impacting NTVs, research has remained largely silent on the factors that bolster first product success (Song et al., 2010; Song et al., 2011; Zhao et al., 2015).

One crucial factor in understanding new product development (NPD) may be the strategic postures they adopt (see Matsuno, Zhu, & Rice, 2014; Mu, Thomas, Peng, & Di Benedetto, 2016). Of particular relevance is the role of the entrepreneurial posture (EP), which denotes a firm-level attribute that reflects the disposition to respond to situations through taking calculated risks, being innovative, and demonstrating strategic proactiveness (Covin & Lumpkin, 2011; Covin & Slevin, 1989; Matsuno, Mentzer, & Özsomer, 2002). Research focusing on EP has labeled it variously as "entrepreneurial orientation" (Covin & Slevin, 1991), "entrepreneurial proclivity" (Covin & Slevin, 1989; Matsuno et al., 2002; Matsuno et al., 2014), and "entrepreneurial strategic posture" (Covin, Slevin, & Schultz, 1994).

While new firms are faced with resource limitations, they are often good at product innovations (Rosenbusch, Brinckmann, & Bausch, 2011). Their small size and evolving structures (Delmar & Shane, 2006), along with a pronounced EP can expedite their product innovation activities (Vossen, 1998). Although attention has been paid to the EP-performance relationship in new ventures, efforts to explain EP's impact have to-date failed to demonstrate how it is translated into an advantageous market position for NTVs' first product (Ahmadi & O'Cass, 2016). Recognizing that there are underlying requirements to maximize EP's potential benefits (Mu et al., 2016), many argue that it is essential to explore mechanisms that translate EP into market advantages (e.g., Covin, Green, & Slevin, 2006; Rauch, Wiklund, Lumpkin, & Frese, 2009). In this regard, the importance of contingencies among EP and other constructs has been emphasized (Mu et al., 2016; Rauch et al., 2009).

Our research model (Fig. 1) focuses on the dynamic nature of product-focused capabilities in the commercialization of NTV's first product. We conceptualize EP as a firm-level disposition which drives capability exploitation (at the operational level in the form of complementarity). Furthermore, we examine the role of three key contingency assets that influence the translation of EP into first product outcomes.

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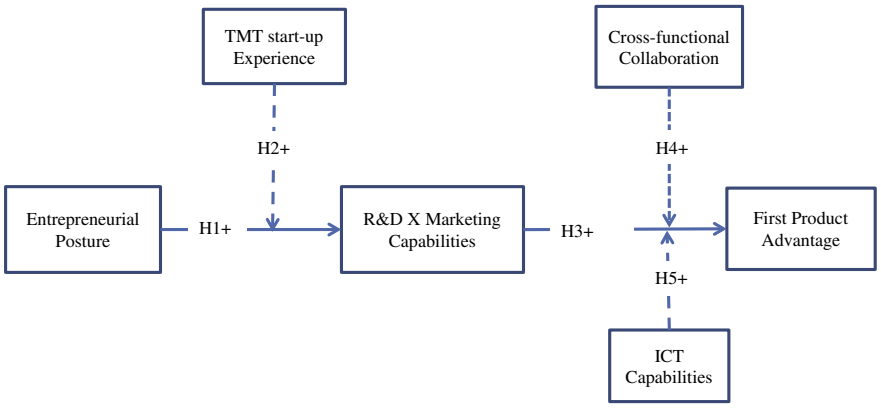

Fig. 1. Conceptual framework.

Our contribution to the literature is two-fold. First, researchers have called for examination of the dynamic capability theory (DC) as a lens to explain EP's impact on different aspects of firm performance (Covin & Miller, 2014). DC theory focuses on a firm's behaviors regarding the continuous reconfiguration, renewal, and exploitation of assets to effectively respond to the changing environment to attain an advantageous position (Teece, Pisano, & Shuen, 1997). As an important component embedded in configuration and exploitation behaviors, DC theorists highlight the influence of knowledge management on these behaviors (Cepeda & Vera, 2007; Wu, 2007). On the other hand, EP has been recognized as an enabler of market-learning behaviors within firms. Building on this view, DC may be a helpful lens to understand EP's role in asset configuration through knowledge acquisition and generation in first product commercialization.

DC theory has also been seen as suitable when researchers aim to develop a holistic model for entrepreneurial and innovation processes within organizations (Lawson & Samson, 2001). Therefore, different product-focused capabilities deployed for first product commercialization can be scrutinized simultaneously. Given the role of EP in exploring firms market opportunities (Miller, 2011), DC may be a key means for linking EP to NTVs' opportunity exploitation (successful launch of the first product) and the subsequent market position gained (see Covin & Miller, 2014). DC theorists have also identified the importance of deploying product-level capabilities in the form of complementary combinations (Feng, Morgan, & Rego, 2017; Morgan, Slotegraaf, & Vorhies, 2009) to achieve product advantage and superior product performance.

We position EP as an initial disposition providing a specific strategic direction for NTVs' first product commercialization. We contend that EP's influence on NTVs first product advantage is working through and fostering the level of R & D – marketing capability complementarity. We theorize that NTVs can achieve first product performance benefits because EP acts as a transformational driver to configure R & D and marketing capabilities to maximize their complementarity.

Second, we argue that the occurrence of the transformational process through R & D – marketing capability complementarity is contingent upon specific factors that facilitate putting EP into action. By extending DC's view on knowledge generation and integration in the new product commercialization process (e.g., Cepeda & Vera, 2007), we address the role of three contingency assets including top management team (TMT) prior start-up experience, cross-functional collaboration (CFC) and information and communication technology (ICT) capabilities, as contributors to the configuration and exploitation of marketing-R & D complementarity in NTVs first product commercialization.

TMT characteristics have been shown to influence the formation of organizational attributes (Auh & Menguc, 2005). Management experience has been recognized as a key aspect of DC (Bendig, Strese, Flatten, da Costa, & Brettel, 2017) - representing an essential “integrating and aligning mechanism in successful strategy implementation” (Panagopoulos & Avlonitis, 2010, p. 54). It has been argued that the TMT possesses much of the managerial experience in new ventures (De Clercq, Dimov, & Thongpapanl, 2015) helping to manage the organization's strategic posture (Rosenbusch et al., 2011) and exploit product-focused assets (Alvarez & Busenitz, 2001; Song et al., 2010). Research has shown the moderating role of prior experience (Farmer, Yao, & Kung-Mcintyre, 2011; Tsinopoulos, Lages, & Sousa, 2014) in augmenting the association between an organization's propensity to act in a specific manner (e.g. strategic postures) and its actual behaviors (e.g., capabilities to undertake an activity) (cf Ozer, 2011). Building on this work and setting it within the DC lens we show that an NTV's TMTs' prior start-up experience enhances the relationship between the level of EP and the complementary capabilities directed to commercialize the first product.

From a DC perspective, knowledge integration and sharing are important factors impacting capability deployment and renewal (Verona & Ravasi, 2003). CFC has been identified as a dynamic capability that supports asset exploitation (Allred, Fawcett, Wallin, & Magnan, 2011). Building on the knowledge management aspect of DC, we argue that CFC is an essential asset directed to the exploitation of complementary product-focused capabilities. The development and spread of knowledge within first product commercialization teams may be challenging (cf Szulanski, 2000) and in reality, the exploitation of product level assets cannot be considered in isolation from the knowledge sharing capacities of CFC (Wales, Monsen, & McKelvie, 2011). Through the exchange of technical and market knowledge in the first product project, NTVs may be more capable of exploiting a market opportunity (cf Tafti, Mithas, & Krishnan, 2013). Hence, we theorize that CFC enhances the relationship between R & D - marketing capabilities complementarity and first product advantage in NTVs' first product commercialization.

Further, ICT capabilities are key assets providing the infrastructure for access and exchange of knowledge (Froehle, Roth, Chase, & Voss, 2000) to support the exploitation of R & D-marketing capabilities complementarity (Vilaseca-Requena, Torrent-Sellens, & Jiménez-Zarco, 2007). In NPD research, CFCs' role has been considered in isolation, yet ICT is essential in facilitating knowledge-based collaboration. Research identifies the indirect role of ICT in enhancing the function of product-related capabilities through the implementation of knowledge management mechanisms (DeSarbo, Benedetto, Jedidi, & Song, 2006; Sher & Lee, 2004). Given the increasing contribution of ICT to new ventures' efficiency (Parida & Örtqvist, 2015), we see ICT capabilities as beneficial when they are used as facilitators to exploit R & D-marketing complementarity in NTVs. Hence, we position ICT as a facilitator of first product advantage and a supportive competency in translating capability complementarity (configured by EP) into first product advantage. Hence, we argue that ICT capabilities enhance the relationship between R & D-marketing capabilities complementarity and first product advantage in NTVs'.