

A CONTINGENCY MODEL OF NEW PRODUCT PERFORMANCE: THE MODERATING EFFECT OF INDUSTRY COMPETITIVENESS AND COMPATITIVE DOMINANCE

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ABSTRACT

This conceptual paper focuses on the effects of six different variables on new product performance under the contingency approach. As recommended by Montoya-Weiss and Calantone (1994), six variables, namely, environment, financial/business analysis, costs, strategy, speed to market, and company resources were analyzed under two different contingencies. Industry concentration and competitive dominance of the firm were presented as the contingency variables that influence the relationships among the six independent variables and between these variables and the new product performance. After presenting fifteen propositions, some future research avenues were suggested.

INTRODUCTION

This paper proposes a model of influence of industry concentration and competitive dominance on the relationship between the six independent variables and the new product performance. The propositions have two contingency states for each contingent variable, low industry concentration versus high industry concentration, and dominant firm versus subordinate firm. In this paper, it is assumed that dominant firms in an industry tend to be large in size, whereas subordinate firms tend to be small. Dominant firms can be viewed as having structured frameworks and formalized procedures, whereas subordinate firms having less structured frameworks and less formalized procedures. Also, industry concentration can change throughout the industry life cycle. As the industry starts maturing, it may become more fragmented. Porter (1980) mentions that although coping with new products is a difficult problem in all industries, it seems especially difficult in fragmented businesses.

P(1): The higher the competitive dominance of the firm (or the industry concentration), the less the effect of environmental factors on strategic impetus of the firm.

P(2): The higher the competitive dominance of the firm (or the industry concentration), the less the effect of environmental factors on its acquisition of necessary resources to build up resource base compatible with the requirements of the project.

P(3): The higher the competitive dominance of the firm (or the industry concentration), higher the effect of environmental factors on the firm's product development costs.

P(4): The higher the competitive dominance of the firm, the higher the effect of environmental factors that slow down the firm's product development process.

P(5): The higher the competitive dominance of the firm (or the industry concentration), the higher the effect of environmental factors on the firm's conduct of financial and business analysis.

P(6): The higher the competitive dominance of the firm (or the industry concentration), the less the effect of environmental factors on the firm's new product performance.

P(7): The higher the competitive dominance of the firm (or the industry concentration), the less the effect of external resources on strategic impetus of the firm.

P(8): The higher the competitive dominance of the firm (or the industry concentration), the faster the new product development because of its more resources.

P(9a): The higher the competitive dominance of the firm, the less the effect of company resources on the firm's conduct of financial and business analysis.

P(9b): The higher the industry concentration, the higher the effect of company resources on the firm's conduct of financial and business analysis.

P(10a): The higher the competitive dominance of the firm, the less the effect of company resources on the firm's new product performance.

P(10b): The higher the industry concentration, the higher the effect of company resources on the firm's new product development.

P(11): The higher the competitive dominance of the firm (or the industry concentration), less the effect of competitive strategy on the firm's motivation for faster new product development.

P(12a): The higher the competitive dominance of the firm (or the industry concentration), higher the effect of competitive strategy on the firm's evaluation of new product performance.

P(13a): The higher the competitive dominance of the firm, less the effect of development costs on the firm's new product performance.

P(13b): The higher the industry concentration, higher the effect of development costs on the firm's new product performance.

P(14a): The higher the competitive dominance of the firm, less the effect of speed to market on the firm's new product performance.

P(14b): The higher the industry concentration, higher the effect of speed to market costs on the firm's new product performance.

P(15): The higher the competitive dominance of the firm (or the industry concentration), less the effect of the firm's proficiency of financial and business analysis on the firm's new product performance.

SUGGESTIONS FOR FUTURE RESEARCH AND CONCLUSIONS

This paper focused on the impact of six variables, as recommended by Montoya-Weiss and Calantone (1994), on new product performance under industry competitiveness and competitive dominance contingencies. The proposed model indicates possible relationships among these six determinants of performance. The intent of this paper was not to operationalize and to test the propositions that were proposed. However, the proposed model can be tested in the future studies. The results of the tested model can provide theoretical and managerial implications. This model can also be tested in different markets. Additionally, another paper can be conducted on joint assessment of the eighteen success factors (Montoya-Weiss and Calantone 1994) and additional ones, if necessary, on performance. It should always be kept in mind that success of a new product depends upon the superiority of the product that is developed. Superiority of the product is the only factor that will be unaffected by the contingency factors. However, to conclude within the spectrum of this model, it can be said that among the six variables, environment is the one variable that affects all other variables and performance. Secondly, company resources and then strategy are the relatively important variables in affecting the rest. Therefore, speed to market, costs, and financial/business analysis were argued to have the least effect on the performance of new products under the existence of contingency variables.

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