

ORGANIZATIONAL INFLUENCERS OF NEW PRODUCT DEVELOPMENT IN MANUFACTURING SMES: REVIEW OF LITERATURE

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ABSTRACT

New product development is one of the most important determinants of organizational performance and therefore new product development is considered as a key challenge for small and medium enterprises. New product development provides an opportunity to gain competitive advantage and to achieve long run success and it has a significant effect on firm's performance. The present study aims to identify factors that influence the new product development of firm by using a literature review and document analysis. The results of the study indicated that 1) Entrepreneurial orientation has positive effect on new product development in SMEs 2) Market orientation has positive effect on new product development in SMEs 3) Learning orientation has positive effect and relationship with new product development 4) Organizational culture and climate has positive effect and relationship with new product development. The findings from the study should therefore be used by administrators as a guideline for new product development in the future.

Keywords: New product development, Small and Medium enterprises, Organizational Performance

Introduction

In current competitive environments, new product development and introduction are considered as a necessary for every firm. For achieving market success and sustain a competitive advantage, firms develop new products or services and markets. Innovation is typically an outcome oriented measure, innovativeness measures an organisation's inclination to engage in innovative behaviour (Menguc & Auh, 2006). New product development is an inter-linked sequence of information processing tasks where knowledge of customer needs is translated in to final product design (Meybodi, 2003). It is one of the most powerful but difficult activities in business (Clark and Wheelwright, 1995). Business managers and marketing academics alike agree that an essential element of an organisation's long term survival is success in new product development (Henry et al. 1989). New product development is regarded as an engine for driving economic growth. New product development is considered equally important for the large enterprises as well as the small and medium enterprises (SMEs). Role of new product development becomes of even importance in the context of the business environment of developing countries such as India where most of the SMEs do not embrace rigorous innovation and at the same time there is lack of sufficient resources to encourage innovation.

The objective of this study ,therefore is to construct a proposed new product development model that linkage between new product development and factors affecting on new product development in SMEs.

The findings from the study should therefore be used by administrators as a guideline for development of new products in the future.

Methodology

This paper is documentary research. Secondary data was examined in order to construct a proposed model of the linkage between new product development and factors affecting on new product development.

Results

1. New product development:

Historically new product development has been understood as the introduction of a new product. New product development is the complete process of bringing a new product to market.

New product development is defined as “ the transformation of a market opportunity and a set of assumptions about product technology in to a product available for sale”(Buyukozkn and Feyzioglu, 2004). New product development is a complex process covering various dimensions technological, product,process, organisation, managerial, marketing etc.

2. Entrepreneurial orientation

Entrepreneurial orientation is regarded as a critical organisational process that is essential for firm survival and performance. Managers and owners of small businesses have an exaggerated impact on the strategic direction adopted by their firms and there resulting performance (Donckels and Fronlich,1991). To understand the new product development in small firms, entrepreneurial characteristics should be studied such as age of the owner, manager, education and prior work experience of owners and managers.Many studies have found a significant relationship between the characteristics of Chief executive officer (CEO) and a firm’s innovative activity (Becheikh et al. 2006).

From the literature found that entrepreneurial orientation had a direct positive relationship with new product development. Gray Colin 2006 revealed that younger owner-managers tended to focus on products and processes and their age has direct impact on new product development. Educational levels have been found to be positively linked to levels of entrepreneurship, growth and the internal development practices associated with high absorptive capacity (Storey 1994, Gray 1998, Harding 2003). Romijn Henry & Albaladejo Manuel 2002 found that the education profile of a firm’s workforce can contribute to its new product development. Soltani Shohreh and Hosseini F. J. S. 2012 concluded that manager’s experience positively related with organisational innovation. According to Helen Salavou and Lioukas Spyros 2004 both dimensions of entrepreneurial orientation such as (Pro-activeness and Risk taking) were found to be statistically important with new product development. Marc Graner & Behr Mibler Magdalena 2013 concluded that extent of top management support have a significant influence on the adoption of new product development methods.

3. Learning orientation

Traditionally, learning is defined as the process through which an individual acquires knowledge, skills, attitudes and opinions (Illeris,2004). Learning as capability is a multidimensional construct that involves in knowledge processing for change and improvement (Jerez Gomez et al. 2005). Learning orientation has to do with the development of new knowledge in the organization (Crossan et al. 1999). Calantone et al. 2002 defines learning orientation as the activities of the organisation to adding and using knowledge to enhance competitiveness.

From the literature found that learning orientation had a direct positive impact on new product development (Wang Yu Lin et al. 2010).The authors found that organisational learning factors such as knowledge acquisition and knowledge absorptive capacity determine a SME’s innovation performance. Saunders mark N. K et al. 2014 found that SMEs have a strong commitment to learning, much of this learning is informal through network events, mentoring or coaching.

4. Market orientation

Market orientation involves the implementation of the marketing concept. It facilitates a firm’s ability to anticipate, react to, and capitalize on environmental changes, there by leading to superior outcomes (Shoham et al.2005). Market orientation is seen as a composite of an organisation’s orientation towards customers, competitors, and the firm. The first component is customer orientation that reflects the necessary activities for acquiring and disseminating information about customers. Competitor orientation implies an effort to gather and disseminate information about competitors of the market orientation firm.

From the literature found that Customer orientation had a direct positive impact on new product development. Customer orientation is placed among the most important components of the market orientation concept (Atuahene Gima,1995). Salavou Helen 2005 found that customer orientation has direct effect on product newness.R. Low David et al. 2007 concluded that innovation is positively correlated to market orientation (customer orientation, competitor orientation and inter functional co-ordination). Salavou H. et al. 2004 found that strategy driven characteristics such as market orientation and learning, are shown to increase SME's innovative performance and they suggested that competition related characteristics, appear to have significant effects on SME's innovative activity. Overall, the empirical findings suggest that market and learning oriented SMEs facing strong competition tend to be more innovative. Hernandez Miguel et al. 2009 found the positive role that market orientation plays in promoting innovation and performance, no matter the level of the competitive forces.

5. Organisational culture & climate

Organisational culture refers to organisational values and ways of working. Organisational climate refers to common practices, shared beliefs, and value systems that an organisation follows (Schneider 1990). Organisational climate plays an essential role in shaping employees's behaviours and influencing their perception of knowledge management (Chen & Lin, 2004). Small and medium firms can encourage employees to think freely, to communicate their opinions and ideas openly, and to explore non routines alternatives through formulating an innovative climate (Jaw & Liu, 2003). When firms possess a higher level of innovative climate, employees are more inclined to increasing interaction to exchange and share knowledge for creative thoughts. (Edmondson,1999)

From the literature found that organizational culture and climate had a direct positive impact on new product development. Laforet Sylvie and Tann Jennifer 2006 found that there is correlation between organizational culture and new product development which includes innovative behaviour and commitment of leaders. O' Regan et al 2005 considered culture to be one of the most common impediments to the implementation of innovation. O'Regan et al.2006 suggested that the strength of the culture style positively influences the innovation process of firm.

Proposed conceptual model

The conceptual model of new product development is designed based on secondary data from prior research. This paper identifies the new product development from the four factors: Entrepreneurial orientation,Market orientation,Learning orientation and Organisational culture and climate. The relationship between the construct is illustrated in the model in figure 1:-

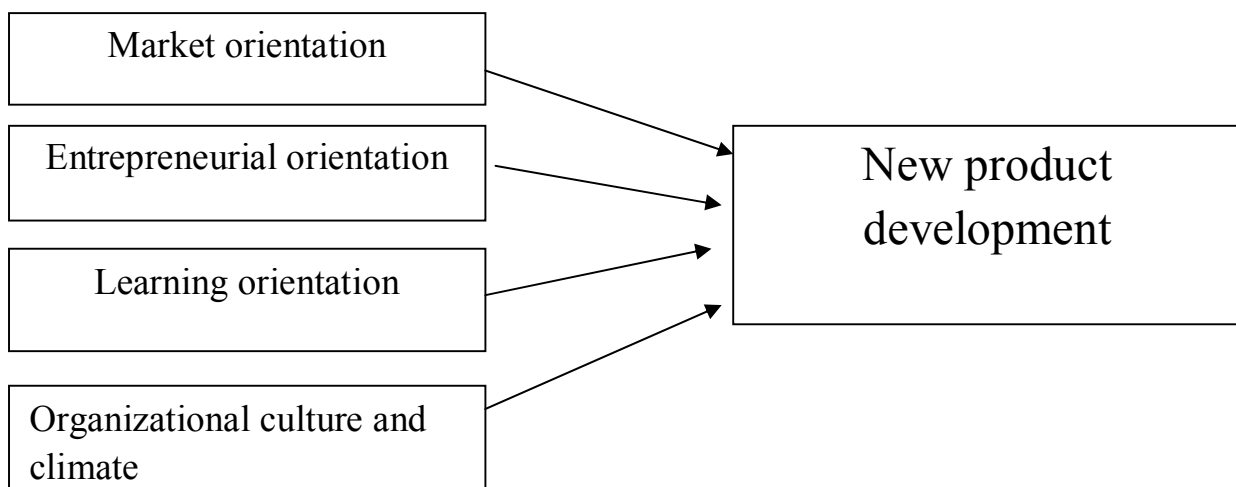


Figure: 1

Conclusion

This research aims to identify factors that influence the new product development by using a literature review and document analysis. The results of the study indicated that entrepreneurial orientation, market orientation, learning orientation and organisational culture and climate had positive effect and relationships with organisational new product development.

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