

The moderating effects of market orientation and launch proficiency on the product advantage–performance relationship

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Abstract

The relationship between product advantage and new product performance has been identified in prior research and cannot be overlooked. However, the moderators between the two constructs have received little attention. This study examines how market orientation and launch proficiency exert contingent influences on the product advantage–performance relationship. Prior research indicates that new product performance is a multi-dimensional concept constituted by different types of performance, yet the way product advantage and its moderators influence certain types of product performance has not been investigated. This study examines the same issues under different dimensions of new product performance. A total of 112 Taiwanese biotechnology firms form the analytical sample. Two interesting findings are revealed. First, product advantage is significantly and positively related to market performance, but has no significant influence on financial performance. Second, market orientation and launch proficiency in tactics indeed moderate the relationship between product advantage and new product performance, either as a whole or in respect to different types of product performance. Obviously, these findings contribute detailed evidence to the theoretical nexus between product advantage and new product performance.

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1. Introduction

Studies in the last decades indicate that product advantage seems to be strongly related to product performance (Atuahene-Gima, 1995; Bonner & Walker, 2004; Henard & Szymanski, 2001; Hultink & Hart, 1998; Nakata, Im, Park, & Ha, 2006). However, the relationship between product advantage and product performance is not definite. Henard and Szymanski (2001) called for more information on the topic after they conducted a meta-analysis of thirty-five new product performance studies.

They concluded that product advantage and other common new product performance predictors do not always conclusively guarantee a positive product introduction. Therefore, the question of precisely how product advantage influences product performance deserves further study.

Following the suggestions of Henard and Szymanski (2001), this study discusses the existence of moderators between product advantage and product performance. The resource-based view (RBV) considers market orientation (Hult, Ketchen, & Slater, 2005) and launch proficiency (Hultink, Griffin, Hart, & Robben, 1997; Langerak, Hultink, & Robben, 2004) to be two important inimitable and unique capabilities which possibly moderate the link between product advantage and new product performance. As noted earlier, several scholars suggest that the market orientation of an organization likely influences its level of product advantage (Atuahene-Gima, 1995; Langerak et al., 2004). As a result, organizations in more market-oriented environments may

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be expected to produce better products. This general argument suggests that the importance of product advantage vary according to market orientation.

This study acknowledges the antecedent role which market orientation plays as confirmed by previous studies. Based on these findings, the present study further proposes that the linkage between product advantage and new product performance is also moderated by an organization's market orientation. Several factors lead to this opinion. First, not all firms developing advantageous products are necessarily market-orientated. For example, many Taiwanese high-tech firms pursue an "innovative and product-advantage" strategy when launching their new products. These firms aim to introduce products with high innovativeness and compete with rivals by providing above-average products (Hsieh, Tsai, & Hultink, 2006). Second, as stated and confirmed by prior literature, product advantage does not always promise new product performance. This study offers that market orientation is a key to enhance the linkage between product advantage and new product performance. Third, as noted by Baker and Sinkula (2005), market orientation is a value-based strategic philosophy exhibiting itself in behaviors which help firms stay close to their consumers. According to resource-based views (RBV), firms equipped with strong market orientation have the potential resources of competitive advantage (Pelham & Wilson, 1996; Reed & DeFillippi, 1990). Product advantage, on the other hand, is a stock of capabilities needed to actualize the output of a strong market orientation. Therefore, this study complements prior studies by proposing an ideology of fit between capabilities and resources which can enable firms to garner sustainable advantage and excellent product performance.

On the other hand, a superior product cannot reach its market without organizational launching proficiencies such as through planning, product introduction tactics, market testing, and budgeting (Gorchels, 2003: 144–149). This study presents above two moderating variables to clarify the product advantage–performance relationship.

Measurements and analyses in previous new product performance studies have been ambiguous. Even though Griffin and Page (1993, 1996) provided a rich source of new product performance measures, prior studies have not clarified which performance dimensions are related to what types of market orientation. Atuahene-Gima (1995) stated that "scholars must guard against the use of highly aggregated new product performance measures as they may mask the finer details of the influence of market orientation and hinder the emergence of critical managerial insights" (p. 287). Based on existing literature, this research claims that new product performance should not be considered an entire entity, but should be broken down into smaller, different types of performance when examining the links between performance and performance predictors.

The purpose of this article is twofold. First, the study examines the moderating effects of market orientation and launch proficiency on product advantage and product performance associations. Second, this research breaks down new product performance into more specific dimensions and studies precisely how product advantage and its moderators influence each

aspect of new product performance. This will strengthen findings from previous studies and compensate shortfalls in the literature by examining market orientation and launch proficiency. These important factors moderate the link between product advantage and new product performance in each performance dimension and performance overall.

The paper is structured as follows. Section 2 reviews previous literature to summarize the basic ideas, characteristics and fine points of the variables. Section 3 describes the associations among the research model suggested, proposes several hypotheses to be tested, and explains the methodology utilized to analyze the asserted suggestions. Section 4 presents statistical results and explains their analysis. Finally, Section 5 discusses the implications of the findings, limitations of the study, and suggestions for future research.

2. Literature review

2.1. Product advantage

Product advantage is one of the most cited predictors of new product performance (Bonner & Walker, 2004; Cooper, Easingwood, Edgett, Kleinschmidt, & Storey, 1994; Kaleka, 2002; Langerak et al., 2004; Nakata et al., 2006; Song & Parry, 1994). The studies above provide a concrete foundation for the construct of product advantage in various dimensions. For example, Bastic (2004) discovers that product advantage is associated with permitting customers to perform new tasks, meeting customer needs, and providing unique features for the customer. Gatignon and Xuereb (1997) and Olson, Walker, and Ruekert (1995) define product advantage as the superiority which certain products have over competitors' products. Next, Calantone and DiBenedetto (1988) and Langerak et al. (2004) describe product advantage as a certain product's predominance in providing customers with benefits superior to the benefits that customers get from a competitors' new product. Calantone, Chan, and Cui (2006) advocate differentiating between new product advantage and product innovativeness. Their work also provides sound definitions of these two constructs after summarizing prior literature. They refer to product advantage as "a product's superiority relative to other products in the marketplace on dimensions such as quality, benefit and function (p.410)." Thus, this study defines product advantage as certain product's predominance providing customers' superior than competitors' benefits. These benefits are quality, features, technical performance and the capability to satisfy consumer needs.

Several scholars have contributed to product literature by illustrating the significant relationship between product advantage and product performance in various industries (Langerak et al., 2004; Nakata et al., 2006; Robinson, 1990; Song & Parry, 1994, 1996). For instance, strong conceptual and empirical evidence shows that product advantage consistently appears as the most important product characteristic in explaining the adoption and success of a new product (Montoya-Weiss & Calantone, 1994). Langerak et al. (2004)'s findings also support the notion that product advantage has a positive and significant relationship with new product performance. Finally, Calantone

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