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Strategic Market Position and R&D Capability in Global Manufacturing Industries

Implications for Organizational Learning and Organizational Memory

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This study explores the relationship between R&D capabilities and strategic market positions in the global manufacturing industry. The findings from a study of 106 U.S. manufacturers with international business operations show that: (1) organizations with high business growth have an above average R&D capability to generate new product ideas from R&D, regardless of their level of market share; (2) organizations with high market share have an above average capability to launch line extensions, regardless of their level of business growth; and (3) organizations with both high levels of business growth and market share have an above average capability to generate new product ideas from R&D and

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One striking feature of the structural approach to competitive advantage is the scant consideration of the potential contribution of organization-specific capabilities.

an above average capability to launch line extensions. Implications for organizational learning and organizational memory are discussed

INTRODUCTION

The influence of research and development (R&D) capability and market position on business performance is widely recognized and well explored [1–3]. For instance, when financial analysts appraise an organization's earnings prospects, they routinely evaluate expected numbers of new products, business growth, and market share. These factors and others, which are more industry specific, are known to affect the profitability of all organizations in a particular product market [4].

Less comprehensively explored is the potential relationship *between* R&D capabilities and market position [5]. Consequently, many interesting questions remain unanswered. For example, which R&D capabilities are most important for an organization's strategic market position? Do organizations with high business growth generate more new product ideas and/or launch more line extensions than organizations with low business growth? Should we expect similar findings for organizations with high market share compared to those with low market share? Answers to these questions are especially important for organizations operating in industries that have become increasingly global. In this environment, competing product designs reach the market simultaneously, product life cycles are often compressed, and product boundaries are blurring.

The objective of this study is to determine the relationship between strategic market position and R&D capabilities for internationally operating manufacturing organizations. Specifically, we focus on idea generation and product extension capabilities. We explore how they vary across different levels of business growth and market share by drawing upon structural views and capability views of competitive advantage. To control for cultural and national complexities that might distract from establishing a relationship between market position and R&D capabilities in a global context, we use a homogeneous sample consisting of organizations from a single country competing in international markets. After testing a set of hypotheses empirically, we discuss the theoretical and managerial implications of our findings, thereby deriving direct links to organizational learning and organizational memory.

THEORETICAL BACKGROUND

The more familiar theories of competitive advantage have come from observing structural-specific characteristics of industries, competitive forces, and strategic interactions between competitors [6, 7]. Approaches to conceptualizing advantage which are driven by a structural view specify strategic market position as an important aspect of competitive advantage. This is because the strength of an organization's market position is associated with its cumulative experience. A result of this can be lower manufacturing costs and greater product differentiation. Porter's [8] cost and differentiation strategies are based on this view.

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