ABSTRACT

Successful organizations continually operate in a state of innovation in terms of the offerings they produce, frequently introducing new products or modifying and improving existing products as needed and by the market. The means of conceptualizing, designing, and marketing new products is known as new product development. Successful new product development is a considerable challenge for any market oriented organization. The cost of designing and developing new products is increasing while the rate of success of new products is not. Marketing managers are constantly looking for ways to improve their new product development process. This necessitates, among other things, linking an organization’s capabilities and resources with the new product demands of the markets they serve. This chapter considers some of the internal process any market driven organization should focus on to improve the likelihood that their new products will enjoy market success.

INTRODUCTION

The continuous development and introduction of new product offerings is considered an important strategy for a firm’s continued success. New products can enhance a firm’s overall performance by satisfying customer needs more effectively than existing products or competitors’ offerings. As such, a firm’s success is partially contingent on the success of new product development (Salomo et al. 2007; 2008). This implies that firms are oriented towards the markets they serve, a managerial paradigm known as market orientation. Shapiro (1988) suggest that a firm is market oriented if information on all important customers and buying influences permeates every corporate function, so that strategic and tactical decisions are made inter-functionally and inter-divisionally, and these well-coordinated decisions are executed with a sense of commitment. A customer orientation is posited to improve overall firm performance (Deshpande et al. 1993).

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An alternative definition of market orientation favored by marketing scholars comes from the work of Narver and Slater (1990: 21) who define it as ‘the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business.’ Customer orientation, according to Narver and Slater (1990), requires a sufficient understanding of consumer needs to create goods and services of superior value. As such, their definition of market orientation confirms to the central notion of the marketing concept (Deshpande & Farley, 1999), a notion that the entire purpose of any business is to ‘create a customer’ (Drucker, 1954, p. 39) such that ‘the whole business is seen from the point of view of its final result, that is, from the customer’s point of view’ (ibid).

Some scholars have recognized the existence between market orientation and new product development and an organization’s market orientation. The role of market orientation as an antecedent of organizational performance has been extensively studied in various contexts (Deshpande & Farley, 2004; Narver & Slater, 1990; Voss & Voss, 2000). Previous new product performance-market orientation research has yielded mixed results. For example, Langerak, Hultink, and Robben (2004) found no significant link between the two variables, whereas Subramanian and Gopalakrishna (2001) found a significant impact on new product performance, as a result of an organization’s market orientation.

Whilst a market oriented/customer focused approach to new product development makes sense from a marketing perspective, scholars have raised concerns about the positive impact market orientation has on new product development, and in particular product innovation (Zhang & Duan, 2010). For instance, Bennett and Cooper (1979) posit that a strong market orientation may lead to imitations and marginally new products, whilst Leonard-Barton and Doyle (1996) find that listening too closely to current markets can constitute a barrier to launching new technology and leads to reduced competitiveness. In an earlier work, Lawton and Parasuraman (1980) found no significant relationship between implementation of the marketing concept (that is, market orientation) and product innovation.

Two specific concerns of having too much managerial focus on market orientation are prevalent in the literature. The first is posited by Berthon, et al. (1999) who suggest a market orientation may detract from product innovation. The second, proposed by Frosch (1996) suggests that it may lead to myopic research and development (a cornerstone in new product development and product innovation). It is these two positions that form the underpinning work of this chapter. That is not to say that I don’t believe market orientation-product development (and subsequent market performance) relationship is not important. The work of Atuahene-Gima (1995) provides evidence of this causal relationship. Indeed, there has been sufficient empirical evidence to suggest that market orientation has influenced many aspects of marketing practice such as advertising expenditure (Ozturan et al. 2014), distribution channel management (Langerak, 2001), pricing strategies (Jobber & Ellis-Chadwick, 2005), customer relationship management (Tuominan et al. 2004), innovation (Atuahene-Gima, 1996), and service quality (Chang & Chen, 1998). Rather, I adopt the view that market orientation is only useful to successful new product development, if the insights gathered from such a managerial outlook are used to improve internal new product development practices. As such, the stance taken in this chapter takes an internal (e.g. successful managerial practices in new product development) rather than an external approach (e.g. market factors) to new product development.