
The development of new products: The role of firm context and managerial cognition

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ABSTRACT:

We explore the effect of organizational factors and managerial cognition on firms' entrepreneurial actions and investigate the relationship between these antecedents by drawing from prior work on corporate entrepreneurship, managerial cognition, and the attention-based view of the firm. The analysis of data from 84 firms shows that firm strategy and resources influence the degree of negativity with which managers interpret events that lead to the development of new products. Our results also suggest that more negative evaluations of the triggering event led to less innovative new products. While the strategy and the resources of a firm also have an effect on a new product's degree of innovativeness, at least part of this effect is mediated by executives' evaluation of the triggering event. The theoretical elaboration and our results contribute to a better understanding of the drivers of corporate entrepreneurial activities and point to the importance of considering both managerial and organizational factors for advancing our knowledge on firms' entrepreneurial actions.

KEY FINDINGS:

- Organisational factors and managerial cognition shape a new product's degree of innovativeness.
- The top managers' interpretation of their environment influences the degree of innovativeness of a new product.
- Contextual factors such as a firm's strategy and resources also influence the outcomes of these cognitive processes.
- The context of the firm's resources also affects a new product's degree of innovativeness, and this is partially mediated by the senior managers' evaluation of the events that triggered the innovation.
- Negative evaluations by senior managers lead to the development of more innovative new products.
- Yet the availability of resources - as reflected by a firm's size - affects the evaluation.
- Managers from large firms had less negative views in relation to events that triggered the innovation than did those from smaller firms due to the greater resources available to larger firms.
- More resources can indirectly enable firms to engage in more innovative product development by guiding managers' attention to attributes and aspects of events or changes in the environment, this can reduce their negative perceptions.

IMPLICATIONS FOR MANAGERS:

- Senior managers may benefit from consciously adjusting for environmental changes.
- Executives can seek interpretations of specific changes in the environment from outside the firm by using their social network to gain access to different perspectives of an issue,

- This can help to reduce the influence of organisational factors,
- A purposeful search for interpretations that are independent of their organisational context can help new product development.
- Senior managers can potentially improve their generation of innovative new products by shifting the current management thinking about new product development.
- Such interventions may however only become effective over the longer term.