

## Chapter 23

# Path-Deepening or Path-Creating Orientation? Implications for New Product Development Performance in Chinese Manufacturing Firms

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### ABSTRACT

*This chapter aims to have a better understanding of the roles of strategic orientations in developing new products for quality innovation. First, the authors apply the path-deepening and path-creating orientation perspectives to clarify the key sub-dimensions of strategic orientation and outline their effects on firms' new product development performance, respectively. Then, the chapter proposes the contingent effects of several factors from both environmental and organizational levels. Finally, based upon a sample of 392 manufacturing firms located in Zhejiang Province in China, the results support all the arguments.*

### INTRODUCTION

Faced with growing fierce competition, firms have increasingly used external knowledge as an important source for innovation and generating competitive advantages. Strategic orientation, defined as a firm's strategic direction to create

proper behaviors to interact with the market (Justin Martin & Faircloth, 1995), serves as an important guideline for firms to survive and prosper in the competitive market.

Following the strategic marketing stream (Jaworski & Kohli, 1993; Narver & Slater, 1990), strategic orientation includes several sub-dimensions, among which, market orientation, technology orientation and entrepreneurial orientation have

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received considerable attentions. There are lots of studies examining the effects of one or two dimensions on performance, and mixed results have been found. But it's a pity that the extant researchers have not found a proper theory to clarify these different dimensions, and to comprehensively analyze the mechanisms through which these dimensions can influence new product development (NPD) performance. To address this gap, we apply the path dependency theory to propose a conceptual framework to comprehensively combine strategic orientation's three key sub-dimensions, in which market orientation can be viewed as the path-deepening one because of that it focuses on understanding the articulated needs of customers, while technology and entrepreneurial orientations can be seen as two sub-dimensions of path-creating one because they aim to acquire new knowledge and information to meet customers' latent needs. Based on this classification, we examine the effects of path-deepening orientation and path-creating orientation on NPD performance. Then we attempt to identify the boundary conditions of these relationships, in which environmental factors, organizational factors are considered to have influences.

We intend to make three contributions.

1. To our knowledge, we are the very first to apply the path dependency theory for combining three key dimensions of strategic orientation, namely, market orientation, entrepreneurship orientation and technology orientation, and examine their effect on NPD performance, which enriches the literature of strategic orientation.
2. We contribute to the path dependency theory by examining the effects of path-deepening orientation and path-creating orientation on NPD performance.
3. Following the contingent view of strategy theory, we propose the boundary condition of how strategic orientation affects NPD performance.

## **THEORY AND HYPOTHESES**

Strategic orientation includes several sub-dimensions, among which, market orientation, technology orientation and entrepreneurial orientation are the key ones that provide directions for firms to survive and prosper in the competitive market. Extant literature has mainly focused on the relationship between one sub-dimension and NPD performance separately, and found inconsistent results. Take market orientation for example, some researchers find it lead to new product success (Burgelman, 1991; Gatignon & Xuereb, 1997; Levinthal & March, 1993), some find it fails, while others find there is no direct relationship (Ginsberg & Venkatraman, 1985; Wind & Mahajan, 1997). Besides, there are some studies combining two strategic sub-dimensions together to examine their effects on NPD performance, such as Atuahene-Gima & Ko (2001) integrate entrepreneurial and market orientation and examine their interactive effect on NPD performance. But until now, there is a dearth of research comprehensively bringing these three sub-dimensions together to study their influences on NPD performance.

In this chapter we draw upon path dependency theory to finish the regret. Path dependency researchers have identified two search patterns, that is path-deepening search and path-creating search. Specifically, path-deepening search is a kind of local search, which examine how inertia (Helfat, 1994) and momentum (Deshpandé & Farley, 2004) sustain change along pre-existing paths. Researchers have identified that path-deepening search can enhance performance through reducing cost and risk, improving efficiency and flexibility, but has no significant influence in developing new product. While the creation of new path is the cornerstone of heterogeneous resource (Ahuja & Katila, 2004), empirical studies have found that path-creating search can positively relate to performance through obtaining non-redundant knowledge and promoting innovation. So we propose that strategic orientation can contribute to firms' performance through the mechanism of

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