Choosing best allies in product development depends on info needed

Companies increasingly see alliances with other firms as a way to create successful new products. Christine Moorman and Arci Rindfleisch, in "The Acquisition and Use of Information in New Product Alliances: A Strength-of-Ties Perspective," featured in the Spring issue of Journal of Marketing, suggest that whether these alliances are horizontal—such as with competitive firms, for example—or vertical, with channel partners, makes a difference in how creative these new product development processes turn out to be.

The authors studied the acquisition and use of information in new product alliances, defined as collaborative arrangements among two or more organizations to acquire and use information related to the research and development (R&D) of a new product (or process) innovations. These relationships have dramatically increased in number since the National Cooperative Research Act of 1984 was passed. However, little research has been done on their effect on the new product development activities of alliance participants.

The authors studied 106 U.S. firms that recently had participated in new product development alliances. Using social network theory, they examined how the degree of redundant knowledge and the degree of embedded relationships among the participating firms affects new product-related outcomes. For example, they looked at how these relationships affect the amount of information acquired from alliance participants, how the companies used the information to develop creative new products and processes, and how quickly those products were introduced to the marketplace. The study examined the differences in both horizontal and vertical alliances.

The authors found that firms participating in horizontal alliances face two challenges: working with partners that are unable to provide much complementary knowledge and are furthermore reluctant to share the knowledge they do have. Therefore, horizontal alliance participants are likely to acquire less new product-related information than vertical alliance participants. However, because of their high degree of redundant knowledge, horizontal alliance participants may enjoy the benefits of developing more creative new products and shortening their product development time.

Therefore, the authors suggest that cooperation among competitors may enhance innovation and bolster social welfare.

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Rewarding the process

Cross-functional teams are a popular way of developing new product concepts, but measuring and rewarding team members' performances poses more management challenges than many companies realize, write Vijay Mahajan and Shilkar Sarin in "In the Effect of Reward Structures on the Performance of Cross-Functional Product Development Teams," also in the Spring issue of JM.

Research on the issue of how to reward cross-functional team members is almost nonexistent, although companies increasingly are adopting such teams. Mahajan and Sarin surveyed 246 team members representing 65 teams in the high-tech industry. In their study, they identify two types of reward structures: equal vs. position-based distribution of rewards, and process- vs. outcome-based rewards. The authors then apply these structures to different dimensions of team members' performances under a variety of product and industry conditions.

They found that when individual performances are easily evaluated, position-based rewards lead to greater satisfaction in teams. However, when individual evaluations are not easy to make, managers who use both equal and position-based rewards decrease team satisfaction and self-rated performance.

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AMA's Dunlap honored in BtoB pub

Everybody likes recognition, even when they know they’re doing well. And so the nod that CEO Dennis Dunlap received in a recent issue of the business-to-business marketing magazine BtoB was welcome recognition of the Association’s efforts on behalf of business marketers.

Dunlap was included in the Communications Inc. publication’s “Who’s Who in BtoB,” a special report, profiling 100 national and international leaders in the field, including IBM CEO Lou Gerstner, Transera CEO Judith Spriester and John Wickersham, president of VNU USA. “They are the people who have a reputation in the business-to-business to-b-to-revolution, and they will be among the faces to watch in 2001,” the publication said.

“As the nation’s leading association for marketers, we are indeed at the forefront of a revolution,” says AMA Board Chairman Robert F. Lusch. “And we are in good company with the likes of Gerstner and Spriester.”

Dunlap and the AMA were included under the “Associations and Government” leaders section, where the magazine noted, “Expect a dramatic increase in the AMA’s b-to-b products and services in 2001. Association head Dunlap realizes how important the sector has become.... Last year the AMA created the Business-to-Business Shared Interest Group on the Web site (www.ama.org), and several other b-to-b specific products are under consideration.”

“It is an acknowledgement of the commitment the AMA has made to this important segment,” says AMA Group Publisher Jack Holleider.


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