

Value chain collaboration in new product development yields innovativeness and performance

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Businesses looking for a cutting edge with their new products when facing technological turbulence benefit from greater innovativeness and better results for both the product and the companies overall when working with other firms in the same value chain.

Research from Lancaster University, the University of Leeds, the University of Reading and Newcastle University, published in the *Journal of Business Research*, finds that [collaboration](#) between stakeholders up and down the value chain improves firm innovativeness and enhances the performance of both new products and the firms involved.

The researchers studied 146 high and medium-high-technology manufacturing companies in a developing economy, Turkey.

They looked at collaborations between several organisational stakeholders involving customers, suppliers, retailers, governments, [research institutions](#) and industrial associations, all of which hold different positions in the chain and can therefore work well to share a variety of knowledge, and develop and introduce innovative offerings to the market.

They found that collaborations formed in new product development help to counteract the effects of technological turbulence—when firms face the challenge of becoming more adaptive and must respond to emerging technological trends and changes.

"The advent of new technologies in turbulent environments requires firms to become more innovative in order to be more competitive and to avoid their products becoming obsolete," said report co-author Dr. Sena Ozdemir, of Lancaster University Management School.

"Working with multiple and diverse types of stakeholders who operate at different positions in the value chain increase opportunities for innovation as they bring non-redundant and complementary knowledge to the process from their dissimilar experiences and practices.

"When firms are developing new products, they should form collaborations with these organisational stakeholders so that they can jointly acquire and use varieties of knowledge related to the development or commercialisation of the products.

"Since those firms who enter into collaborations with others up and down the [value chain](#) benefit from diverse ideas, they are more likely to think outside the box, becoming more innovative as a result.

"This is particularly important in developing countries, where there are limited opportunities for public and private funding support for innovation initiatives.

"Importantly, in technologically turbulent environments, managers need to focus on forming new product development collaborations with stakeholders up and down the chain to enhance innovativeness. Such joint projects should focus on new opportunities rather than existing strengths.

"Our findings confirm that the greater level of innovativeness resulting from these collaborations leads to superior new product performance, as there is a stronger tendency to create highly distinctive [new products](#) in a timelier manner.

"It is important to develop the innovativeness stemming from collaboration as it improves a firm's ability to proactively take advantage of new technological opportunities. Thus, the focus should be on developing innovativeness before concentrating on how to ensure new product success, as the former has a large positive effect on the latter."

The research found that the positive effects of collaboration on innovation can be negated by a tendency to protect knowledge through means such as legal bonds. In particular, legal bonds lessen the likelihood of successful collaborations as their inflexibility generates constraints for any interactions and joint learning between companies—factors necessary to deal with unpredictable changes and thus successfully operate in technologically turbulent environments.

On the other hand, the study shows that the role of collaboration in becoming more innovative can be enhanced by forming more integrated operational links between vertically connected stakeholders, giving them more flexibility and shared interests in their joint new product development efforts.

More information: Sena Ozdemir et al, Vertical stakeholder collaborations for firm innovativeness in new product development: The moderating roles of legal bonds and operational linkages, *Journal of Business Research* (2019). [DOI: 10.1016/j.jbusres.2019.08.014](https://doi.org/10.1016/j.jbusres.2019.08.014)

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