

EXAMINATION OF MANAGERIAL ISSUES IN A PROCESS OF NEW PRODUCT DEVELOPMENT WITHIN B2B MARKET

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ABSTRACT

The article is devoted to the examination of possible managerial issues arising during the process of new product development (NPD process) in B2B market. Within this paper, we will primarily examine communication between business, with special focus on its character, peculiarities and possible problems. Following part of the paper is focused on revealing distinctive problematic areas within NPD process. The end of article provides additional information, gather from the real business operating in B2B market.

KEY WORDS

New product development process. B2B market. Managerial issues.

JEL CLASSIFICATION

D2, D19.

INTRODUCTION

Competition in a market is constantly increasing on its intensity and preferences of customers are quickly changing. From this reason, businesses in effort to be able to catch the trends and to attract customers, frequently improve existing and involve new products (Calantone and Benedetto, 2007). Thus, the process of new product development, is one of the crucial activity within business, due to it requires long time and usually tie huge amount of resources. As the pace of the economy and intensity of competition change, it also creates to the pressure on process of NPD. In case of B2B markets, customer level of involvement within whole process is different, especially in its frequency, character and communication channels, which are distinctive and there may occur different problems compared to the B2C market. This situation is often accompanied with management problems of different areas such as order setting and adjustment, communication, problem solving which can occur also within proper NPD process and they need to handle with them.

1 NEW PRODUCT DEVELOPMENT PROCESS

Process of a new product development becomes more and more important for business to be able to catch new trends in customer preferences and to sustain actual market position. Studies showed that successful process of NPD brings to a business higher returns than any other comparable type of investment (Berliner and Brimson, 1988; In Millward and Lewis, 2005). More than ever, introduction of a new products to market maintain to be one of the most crucial activity of all businesses. Literature brings us distinctive descriptions of this process, so we decided to pick a few examples, in order to create broader perspective to this issue.

At first Barclay and Benson (1990, In: Hanna et al., 1995), see this process as a very risky business activity, which consists of several activities guided by distinctive departments or teams with diverse resources, skills, people, structure and cultures. We can enrich this definition, by understanding of Cooper (1994, p. 3), where he perceives NPD processes as “formal blueprint, roadmap template or thought process for driving a new product from the idea stage through to market launch and beyond”.

In order to complete the problematic of NPD process, we decided to apply understanding of this process by Lesáková (2001), where she determines main tasks included in NPD process. We can talk about maintenance of market innovator position, retention and defense of achieved market share, creation of resources for achieving a new market. These steps are followed with identification of market segment, utilization of new technology through new product phases and efficient exploitation of distribution channels. Moreover, another complex definition oriented on importance of NPD process for business was provided by Rozenfeld (2006, In: Manfio and Lacerda, 2016) because he stressed the priority of providing higher value for customers through products. Therefore, businesses are able through this process to launch new product in order to meet changing needs of customers, to make products more attractive, give them new functionalities or innovations even more to become global within such competitive environment as it is recently.

Different perspective on this issue was brought by Shenhar (2007), because he emphasizes the importance of NPD process for strategic management of business. He describes the NPD projects as crucial elements for business success and factors that enable business to perform changes, to apply strategy, implement innovations and thus to create a competitive advantage for business. In addition Kratzer (2010; In: Gao and Bernard, 2017) understands the NPD projects as systematic and complex business processes that effectively

associate various individuals from distinctive functional areas, while these usually consists of making a design, providing a tests, manufacturing and marketing particular new product.

Finally, Yin et al. (2013) describe it as a very important part of businesses, which are research-intensive oriented. This process involves multitudinous spectrum of business activities which are systematic, complicated and cover huge scope. From above mentioned definitions of NPD process, we can conclude that this process takes very important role in business success. Through this complicated, systematic and complex process, business can better fits their products to customer's needs, to bring new products to market and to gather competitive advantage against competitors on a market.

Since we started to characterize NPD process, it is necessary to take into account and think about possible differences of this process between B2B and B2C markets. After extensive literature study, we revealed few areas of divergence. We can talk specifically about formal organization of this process. Study of Hanna et al., (1995) identified that businesses operating on B2B market tend to use more cross-functional lines. This NPD organization model puts higher attention on a customer as a source of ideas and emphasize finding of a new markets and ways of usage of products. On contrary, businesses operating in B2C markets use to utilize development/management groups, which provides higher authority of marketing department in decision-making process. Identified findings may indicate a higher importance placed to the utilization of various inputs and skills into the NPD process of business operating in B2B markets compared to their counterpart. This situation could be caused by distinctive character of B2B products (higher complexity in general) or by an unwillingness of business in B2C market to change their status quo (prior usage of brand/product management teams).

Another interesting study of Laugen and Lassen (2011) brought different point-of-view and revealed differences in involvement of customers and suppliers into to NPD process between businesses operating in B2B and B2C markets. Results of this study showed that business operating in B2B market, which aim to launch a new product on a frequent basis, exhibit negative relationship with involvement of customers and suppliers. On the other hand, for businesses focused on launching innovative products to B2B market reverse picture appeared, therefore it proved positive relationship with customers and suppliers. In addition, in case of businesses operating in B2C market, opposite findings appeared, thus there was proven a positive relationship between frequency of new product launch and involvement of external parties. This finding represents the fact that businesses operating in B2B market seek the expertise among all external entities to be able to create pure innovative products.

2 OBJECTIVE AND METHODOLOGY

The objective of paper is to identify managerial issues occurring during the NPD process within B2B market. At first, in this paper, we performed secondary analysis of foreign and domestic sources related to examine issue. Next, we made a primary qualitative research, where we used questioning as an explorative method for data gathering and research was performed in a form of semi-structural interview. During the data processing, we applied scientific methods of analysis, synthesis, induction, deduction and comparison.

3 RESULTS AND DISCUSSION

Due to the NPD process is very complex and include sequence of different logical steps, there is a relatively high possibility of several problems occurrence. After literature review, we found out research of Yahaya and Abu-Bakar (2007), which identifies 4 main problematic areas that use to appear in new product development process. According to the authors, these 4 crucial areas represent *Strategic NPD management issues, NPD project management issues, NPD process and structural issues and NPD people management issues*.

As we can see, due to complexity of this process, there may arise problems from distinctive areas. In general, one of the most crucial decisions in business are related to the strategic questions. According authors, exactly strategic NDP management issues, represent one of the most significant problematic area that may appear. This group of managerial problems is characterized by high level of uncertainty, risky character and also high level of ambiguity. Due to these problems are connected with essential and strategic objectives of business they can include technology issues, product positioning issues, market acceptance issues or for example portfolio issues.

Next, we can talk about project management issues within NPD process, which are primary connected with administration of project activities. As it comes from its name, they could have a very wide range, due to immense amount of details during project. For example they could represent several project execution issues, team training issues, inter and intra coordination or escalated technical issues. These problems are usually characterized by high urgency and limited alternatives of decisions. Regarding this, managers dealing with these problems need to trade off and reprioritize NPD in order to achieve wishful objective.

Third section of issues within NPD process is related to the processes and structure. These issues involve problematic of effective operation within management of NPD activities and usually a need to trade off a number of competing quality elements. Difference is that

NPD project management issues deals with running of project, while NPD structure and process issues belong to the system under which project runs. Thus, we can mention efficiency issues, bureaucratic issues or oversight issues. Unfortunately these problems receives attention of senior manager least, due to their low level of urgency.

The last group is represented by NPD people management issues, which are obviously connected to the management of human resources during project. Since NPD project are strongly depending on people involved, occurrence of this issues may accrue into the more severe problems that could influence execution and planning of projects. In this case we talk usually about job performance issues, HR management issues, competency issues and supporting environment issues (Yahaya and Abu-Bakar, 2007).

From above mentioned, it is clear that problems within NPD process, may have different level of importance or urgency and therefore they require different amount of time or resources spent. Different area of examination was revealed by research of Millward and Lewis, 2005, p. 388), while this study was based on case studies of SME business. Built on these findings, authors identified these three main areas of managerial issues occurring within NPD process, *“the influence of a dominant owner/manager; a focus on time and cost ahead of other key factors; the failure to understand the importance of product design.”*

Analysis of the results showed that dominancy of owner during NPD process usually brings more constraints than benefits. For example it could be lack of experience and training of owners, authoritative personality connected with forceful management style, problem with delegating responsibilities or short-term orientation instead of long-term focus. All these characteristics and qualities of owners create rather obstacles than benefits for effective and successful NPD process.

Next field of issues is related to the excessive focus on costs and time expect the other main factors. Case studies revealed that this concept is usually accompanied with unrealistic expectations regarding to the NPD process, omission of key steps within this process, incorrect focus on short-term decisions or compromising the quality. Similarly as in previous group, this constraints are connected with owners of business and their lack of understanding NPD process. From this reason, owners usually are not willing to allocate sufficient time and resources necessary for successful NPD process. In some cases they perceive activities such as prototyping or testing as luxury or even wasting of time.

The last group of issues identified by authors concerns the importance of product design understanding. Area of product design is very wide and involve activities such as customer requirements identification, specific design determination made through proper computer-

aided systems or branding. Due to different perception of NPD process by owners and their inexperience create lot of reworks and delays in product launch (Millward and Lewis, 2005).

Regarding to the NPD process, another very important question for managers at the beginning of this process, is to identify which product or concept they are going to develop and later on to sell and store. This question is crucial for them, because it will influence whole future of their effort, time and money invested in this project. From this reason, we can consider this very first step in NPD process as an alpha and omega of each project (Kaufman et al., 2006).

In order to enrich problematic of managerial problems during the NPD process, we would like to add finding of different authors from abroad. For example according Knudsen (2007), within the process of new product development, managers have to deal with the problem of relationship management. Due to cooperation with different types of businesses, what influence the relationships character, managers have to handle the issue of inter-organizational collaboration and its affect to the performance of a new product. Knudsen found out that only cooperation with research institutes and universities have a positive impact to the organization of new product performance.

Authors De Luca and Atuahene-Gima (2007) similarly as Ledwith and O'Dwyer (2009) conducted their researches to the problematic of NPD process related to the high tech industries, where they matched on the finding that cross-functional collaboration has a positive effect to the NPD process and it's innovation through usage of integrated mechanisms. Therefore, there arise a challenge for managers to be able to coordinate all this departments in order to maximize the performance. This evidence can be extended by Im and Workman (2004) where they likewise examine problematic of NPD process in high-tech industries. They found out that importance of inter-functional coordination of manager within the NPD process is very important, because it affects new product creativity and accomplishment of marketing program.

In order to get deeper insight in whole process of NPD between businesses, we decided to address representative from real business operating on B2B market and discuss with him this process. Due to we have an opportunity to contact SCR company which is directly responsible for project of Face Track biometric technology, we decided to make an interview with their representative. Within this interview we determined *identification of right area on which to focus* as a fundamental problem of NPD. This situation could be usually caused by very wide scope of opportunities that appear. Therefore, managers had to sit together and to

made decision about future direction of this product, based not on their assumptions, but on real external environment research.

Next, during the interview we identified another problematic area. Representative disclosed us that within development of technology, managers have to overcome also some *technical issues*, such as improvement of the intelligence of a system, which is constantly improving day-by-day of its usage. Moreover, one of the crucial factors that slowed down development of this technology by 3-4 weeks.

Consequently, we revealed that one of the most important and at the same time the most problematic task of project manager within NPD process is *regular and proper communication* with each side involved in project. Together, we identified that it is sometimes similar to walking on a thin ice. To be able to ensure this he suggested to use several tools and systems. For example they use centralized system BaseCamp, where they monitor, manage and control whole communication. This tool helps them to inform partners what is going on now, what problems do they have, why is it so and what solution they found and are going to apply. Moreover, due to their projects require advanced graphic solutions, company uses also InVision platform for approval of graphic proposals with partners. This tool simplified and shortened their communication very significantly, due to its user-friendly environment and possibility to directly propose changes into the real graphic design.

Another problematic area that was revealed during our interview was *different prioritizing of tasks between involved businesses*. During the NPD process, business can experience many times that they would need some partial results or data, which should be supplied by third company. Unfortunately, priority of this task for that third company is usually not so high and therefore they do not assign it high importance, even though this task is of very high priority for your business. In these cases, project manager has to politely hurry up the other side and to explain the importance of this task for them. Suggestion for managers is to prepare scenarios in this situation. He should prepare realistic scenario, in which he expects real time horizon in which he will receive his request. On the other hand, he needs to create also a critical scenario in which, he plans what to do or how to solve it if this process will be delayed. In addition, there is also a catastrophic scenario, in which the result will not be obtained and project manager should be prepared also for this option.

Coordination of all activities, especially all participants in this project is also a challenge for project manager. He has to coordinate 2 different businesses with one client and even more to manage developing teams from both sides. Project manager has to represent something as a pillow between all sides, who will also prioritize tasks and handle all

problematic situations that may occur. Moreover, during whole process project manager is planning and assigning tasks to staff in order to achieve objectives. He needs to have an overview about the content and time flow of the work. As we mentioned before, the regularity of communication between sides is crucial, therefore there use to be daily or weekly updates. Within these updates, project manager summarize tasks that have been accomplished and inform also about those that haven't been and reasons. As we could see, within our interview we have identified several areas of managerial issues occurring during the NPD process on B2B market.

CONCLUSION

Within this paper, we focused on identification of managerial issues occurring during the NPD process within B2B market. Based on analysis of literature devoted to the existing or possible managerial problems that used to occur within NPD process, we found four critical areas where the issues can arise. It could be strategic NPD management issues (technology issues, product positioning issues), NPD project management issues (team training issues, inter and intra coordination or escalated technical issues), NPD process and structural issues (efficiency issues, bureaucratic issues) or NPD people management issues (HR management issues, competency issues). From above mentioned, we can see that it is clear that problems within NPD process, may have different level of importance or urgency and therefore they require different amount of time or money resources used. We have examined also different perspectives on the areas of managerial issues existence. We have identified that within NPD process used to occur also another main problems. First one is usually connected to the character of owner/manager and his dominance within project. Second one is tied with the wrong orientation of manager, rather on time and costs than on other key factors.

In order to enrich this paper, we made an interview with representative directly from the business in order to identify and reveal real problematic areas from his experience. We came up to the findings that one of the most crucial area is communication between all sides that is in a hands of project manager. Here was suggested by our respondent to maintain regular, open and truthful communication with all partners in order to handle all other problems. Moreover, it is very important to keep organized communication through unified and centralized system. Secondly, we found out that prioritizing takes a very important role within NPD process and could extremely influence its progress. Coordination of all activities and

work of all staff appeared as a problematic area, due to unexpected circumstances that may occur.

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