Since a firm's ability to employ new and successful product innovation is an important competitive weapon, a lot of time and effort has been devoted to exploring potential determinants for superior new product performance. Research has paid attention to firm's strategic orientation such as market orientation and innovation orientation, because they are both important and managerially controllable.

Findings about the impact of innovation orientation upon innovation performance are consistent. It is widely believed that innovation orientation is the inclination to participate in innovation as it affects the scope and extent of innovation activities and helps improve innovation performance. However, the relationship between market orientation and product innovation has never been consistent.

Some studies have demonstrated that market orientation has a positive impact on new product programme performance, yet other ones find that market orientation will lead firms to develop less innovative products. Their wisdom has it that current customers are often shortsighted and fail to predict potential demands and shift in industry technology trends. A high degree of market orientation will limit innovation activity within the narrow scope of customer-driven incremental innovation.

**Market orientation and new product performance**

The conventional wisdom among marketers is that customers should be the driving force behind product innovation. It is no surprise that the new product development (NPD) process has relied heavily on customer input to evaluate an innovation's viability, design, and positioning. Methods such as concept testing, simulated test marketing, conjoint analysis, and diffusion modelling have been predominant customer focused research techniques since the 1970s.

Scanning competitors can help an organization to identify emerging substitutes, the speed substitute technologies will disseminate, and the timing of technological shifts. This information can be incorporated into planning research and development, in determining the timing of market entry, and selecting an appropriate positioning for an organization's technologies.

The process of inter-functional coordination fosters communication, collaboration, cohesiveness, trust, and commitment between different functional areas, and this promotes product innovation.

Selling a new technology requires inter-functional collaboration to solve technical and market issues and to achieve speed. The link between coordination and innovation has been proven anecdotally. Therefore:

*The extent of market orientation positively relates to new product performance.*
Innovation orientation and new product performance

We can define innovation orientation as openness to new ideas as an aspect of a firm's culture. It implies being proactive by exploring new opportunities rather than merely exploiting current strengths, so it is essential in an innovative effort capable of exceeding the customer's expectations.

A firm that is oriented towards innovation values change and encourages risk-taking and creativity, making employees feel less threatened when moving into new product areas. Attitude towards change links with the introduction of innovations. “Innovativeness” (the culture of and attitude towards innovation) contributes to a firm's capacity to innovate, that is, to implement new ideas, processes, or products. Based on this assertion:

The extent of innovation orientation positively relates to new product performance.

The moderating role of innovation orientation

Company cultures that support innovation foster the sharing and utilization of information. Customer and competitor knowledge is likely to yield greater product innovation when a firm has an innovation-oriented outlook. The argument is that managers are more likely to use this information more creatively, yielding greater product innovativeness.

Coordination also needs strong management, as the negative effects associated with poor coordination (including stress, resistance to change, and incidences of differing viewpoints) are likely to be lower when there is an organization-wide openness to new ideas and practices. Therefore:

Innovation orientation positively moderates market orientation-new product performance link.

Moderating role of environmental variables

Several studies have reported that the environment moderates the effectiveness of different strategic choices or orientations associated with new product development. Technological turbulence, market turbulence, and competitive intensity have been examined in product development studies. Their moderating effects in the market orientation-product innovation performance link have been borne out.

Technological turbulence is the extent to which rapidly changing technologies characterize the industry.

Market turbulence is the extent to which customer needs have changed and the extent to which marketing operations have changed consequently.

Competitive intensity is the extent to which companies face competition over the output market resources they need to live and grow.

Market turbulence, technological turbulence, and competitive intensity are likely to increase market uncertainty. When this happens, generating and responding to market information and coordination among different functions is essential. Under these circumstances, spending resources on market-oriented activities would be worthwhile. However, under situations of a stable market and technological and competitive environments, expending resources on market-oriented activities is unnecessary.

Market-oriented firms assume that customer focus (meeting or exceeding customer
requirements) is the cornerstone to achieve competitive advantage, for which an ongoing evaluation of customer needs is undertaken. As in dynamic environmental settings where technology, product preferences and competitor's conducts are constantly changing, market-oriented firms should be aware of this information and react consequently; engaging in wider innovative activities to meet customers' demands. This allows a superior corporate response to the market needs through product innovation. Businesses operating in the more turbulent markets are likely to have a greater need to be market-oriented compared to businesses in stable markets. Therefore:

- Technological turbulence positively moderates market orientation-new product performance link.
- Market turbulence positively moderates market orientation-new product performance link.
- Competitive intensity positively moderates market orientation-new product performance link.

**The tao of market orientation and innovation orientation**

For managers involved in new product development, market orientation is a critical determinant of new product performance, and its role in product innovation is even greater than in innovation orientation.

Because market orientation emphasizes customer and competitor focus that directs firms to better explore market trends in products and services in order to generate greater customer benefits, businesses with higher market orientation levels are likely to possess competent capabilities to enhance product innovation performance.

Therefore, in cases of strategic resources slack, manufacturers should:

*Prioritize the implementation of market orientation strategy.*

Innovation orientation is also pre-eminent in improving new product performance, and, at the same time, developing the full potential of market-orientation for manufacturing firms.

**Managers should:**

*Build market orientation along with an organizational culture that values innovation.*

This not only contributes directly to the introduction of new products but also helps in creating an internal environment that fosters the exploration of customer information in ways that are more novel.

**Managers must:**

*Consider that the pay-offs associated with market orientation are partially influenced by the environment, and this appreciation can be useful in calibrating resource allocation.*

It seems that the rewards of market orientation will not increase with the level of market turbulence and competitive intensity. In other words, market orientation has the same significant impact upon new product performance, regardless of market turbulence and competitive intensity.

However, manufacturers should be aware that as the level of technological turbulence increases, firms are more likely to benefit from the market orientation strategy, increasing the development and launching of successful innovative products.
These high-tech firms must be more aware of the importance of market orientation, and strive to maintain their ability to sense shifts in the market and inter-functional cooperation that are required to sustain their competitive strength.

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