

The importance of NPD & Organizational Culture

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Be it a small start-up or a large MNC, organizational culture plays a very important role in many business functions. Especially in an activity such as new product development which is a collaborative effort of an organization, the importance of culture cannot be over emphasized.

So what is organizational culture? A common word used by many stakeholders of a company, it has a simple definition – “The way things are done around in an organization”. Barton (1992) has researched the paradox of the new product team’s requirements to manage core capabilities and core rigidities. i.e. while core capabilities of a firm are those deeply entrenched set of skills and knowledge that help in new product development, their downside is that they can become too inflexible and rigid. This can hamper the new product development activity. Only those project managers who can continuously discard old skills can prevent these rigidities and help in organizational renewal- which is extremely important for new product development. Some aspects under organizational culture are as follows:

Flexibility of new product process

Many industries take to new product activity to ward off competition. This means that companies have to respond situationally at the market place. Sticking to the NPD process at all costs may have implications in terms of not responding fast enough to competition. Hence there needs to be adequate flexibility for the NPD owner to modify the process if required. The organization culture should be able to view this as a necessary deviation in order to achieve success in their new product effort.

From a managerial perspective, flexibility means that there needs to be a certain freedom given to the new product team in terms of timelines, process and cost. In cases where it is appropriate, it should be understood that skipping NPD steps selectively is not necessarily undesirable and the decision should be left to the purview of the NPD manager. A similar approach should be followed regarding time and cost

adherence of NPD projects. This has specific implications in terms of key result area evaluation for the NPD personnel where the evaluation should be done taking into account the context of the project.

E.g, Google practices the concept of scientific freedom, whereby employees are given free time to experiment with projects of their choice- at their pace. Not all will be successful but this initiative ensures that employees feel there is a lot of flexibility given to new product projects and they feel a high sense of ownership.

Stability of new product team

Stability of the new product team goes a long way in ensuring success of the new product effort. This means that the members from cross- functional teams stay on the team right from the beginning of the NPD activity till its completion. It was found that goal stability is a key aspect of this and that team stability has a significantly positive effect on team learning and development cycle time(i.e. lead time required for developing the new product). Stability in an NPD team may offer important advantages for decision-making, encouraging healthy team-level debate and process comprehensiveness. Frequent changes in the team results in lack of ownership for the new product effort and that may undermine the company's future prospects in the long run.

From a practical stand point, this means that it is important for the set of team members to stay on the project till its completion. PDMA (Product development Management Association) states that the team leader and the team being constant has one of the highest bearings on the success rates of the new product project. Human Resources department needs to proactively get involved to ensure retention of NPD members. Also the evaluation of the NPD results at a later stage, should consider whether the team was stable or not. Finally, there should be no job rotation planned for the NPD team members during the project.

Organization being perceived as risk taking

Risk taking by the organization is another aspect of new product development. It is important that employees perceive the organization to be able to take adequate risks as this will encourage them to pursue new ideas. According to researchers, organizational climate for risk taking and high tolerance to failure feature among the key factors affecting new product capability. A well-known example is 3M- an organization that has a high emphasis on innovation. Risk taking by employees is actively encouraged and revenue targets from new products are tracked separately.

Conclusion

New product development is a team effort. Though the initial consumer in sighting is the responsibility of the marketing team, all the functions come together to make the new product a market reality. There has to be a collective understanding and belief that it is imperative for the organization to develop and launch new products for its survival and growth in the marketplace. The above aspects of process flexibility, team stability and risk encouragement are integral parts of organizational culture that enable that.

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