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Firm Specific Capability Organizational Structure and New Product Performance of Fast Moving Consumer Goods Manufacturers in Emerging Economy

***Onamusi Abiodun B.**, Department of Management & Accounting, Lead City University, Ibadan, Nigeria

Adenekan Tolulope E., Department of Information Management, Lead City University, Ibadan, Nigeria

Ojo Elizabeth O., Lead City University, Ibadan, Nigeria

Owolabi Olubukola A., Lead City University, Ibadan, Nigeria

*Corresponding author's email address: abiodunonamusi@gmail.com

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ABSTRACT

Purpose: This study was centered on understanding the linkages between internal organizational competencies and performance of new products and the role of organizational structure focusing on Fast Moving Consumer Goods (FMCGs) manufacturers in the South-Western States in Nigeria.

Methodology: A survey approach was adopted, and 529 employees of fifteen FMCGs took part in data gathering. A moderated regression analysis was used to test the hypotheses formulated

Findings: The results of the moderated regression analysis established that firm-specific capability significantly enhanced new product performance, and the introduction of a definitive organizational structure increased the established effect firm-specific capability had on new product performance to suggest a significant moderator.

Implications: Management of the FMCGs investigated need to strengthen their commitment to developing critical and dynamic firm-specific capability and understand the relevance of organizational structure appropriateness. The firms should possess the knowledge to deploy ambidextrous firm-specific capability; it would enable the firms to expand and explore market opportunities that facilitate achieving significant new product performance.

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Introduction

Intense competition is an attribute of the external business environment in which firms operate. Hence, it is critical that firms consistently offer new (incremental and or radical) products that satisfy the needs of varying customer demands, strengthen their competitiveness, and meet their expected financial return's objective especially in an emerging economy. Academic discussions in the area of Firm-Specific

Capability (FSC) have investigated how to continually improve the performance of new product through research and development (R&D) efforts, innovation and inter-departmental collaboration for New Product Performance (NPP), marketing capabilities, knowledge acquisition, and sharing for successful NPD, in different economic settings; developed, emerging market and developing economies (Bendig, Enke, Thieme, & Brettel, 2018; Chang, Bai, & Li, 2015; Feng, Huang, & Avgerinos, 2018; Gumusluoglu & Acur, 2016; McCann & Bahl, 2016; Mu, 2015). Nevertheless, a few scholars examined the FSC-NPP linkage (Chang *et al.*, 2015; Feng, Huang, & Avgerinos, 2018; McCann & Bahl, 2016; Shinkle & McCann, 2014; Sok & O'Cass, 2015; Song & Chen, 2014; Tsai & Hsu, 2014; Wei, Yi, & Guo, 2014). Although, scholars share common thought that NPP is vital for organizations (Shinkle & Macann, 2014) because it can boost organizational capability to adapt to market dynamics, sustain market share and influence firm competitiveness. Nevertheless, their findings provided a mixed result, which could result from the contextual, methodological differences, and the issues addressed.

In manufacturing organizations, the processes leading to attractive NPP are not entirely an inter-firm activity but one that incorporates the external stakeholder. These include suppliers (Vanpoucke, Vereecke, & Wetzels, 2014), who offer complementary assets to the firm, Market (Mu, Bao, Sekhon, Qi, & Love, 2018), and customers (Fidel, Schlesinger, & Cervera, 2015). The inability to effectively engage these stakeholders, the enormous cost associated with sourcing raw materials, and the harsh operating environment in Nigeria (Sylva, Ofoegbu, & Akpan, 2016) may have contributed to the poor performance recorded for new product (Pampers's baby dry, Huggies baby essential, Nuric) introduced to the market by Procter & Gamble, PZ Cusson, and Friesland Campina. As a result, these products have neither gained nor sustained market share. This poor product performance has grave financial consequences, considering the resources invested in developing a new product from ideation to commercialization. To buttress this point, Procter & Gamble shut down one of their production plants in Lagos State's Agbara industrial estate in 2018, while Pz Cusson announced a cutback on operations in Nigeria in 2019. Furthermore, Kimberly Clark's Huggies' baby essential showed that a low-cost strategy is not for every business because even after adopting the low-cost strategy for its local brand, the company's NPP is below expectations (Nairametrics, 2018; Procter & Gamble press release July 2018; PZ Cusson press release January 2019). It is imperative to stress that the attendant consequences of the covid-19 pandemic hold severe adverse effects for firms in this category.

Organizations are composed of different functional units; hence, it is vital to have a well-designed Organizational Structure (OS) to align these functional units and set them up to achieve organizational goals (Chen, Li, & Liu, 2015). Literature has provided evidence of scholarly studies on the FSC-organizational performance linkage (Arasa & Gideon, 2015; Feng *et al.*, 2018; McCann & Bahl, 2016; Najafi-Tavani *et al.*, 2018; Ngo, Bucic, Sinha, & Lu, 2019; Sok & O'Cass, 2015). However, not much is done to establish the moderating effect of OS in the light of the listed studies. A few scholars related OS with firm adaptability and performance (Adler & Borys, 1996; Zahra & Covin, 1995), and Wilden, Gudergan, Nielsen, and Lings (2013) examined the effect of OS in conjunction with the internal organizational process. However, studies that have combined both its ability to adapt to environmental turbulence and enhance internal organizational processes are scarce, presenting a gap worthy of study. Thus, not much is known about how OS moderates the interactions between FSC and NPP of manufacturers of FMCGs in South-Western States, Nigeria. Also, Nwonu, Agbaeze, and Obi-Anike (2017) emphasized that the failure to manage a firm's OS and achieve fit among contingent factors like strategy, structure, and environment produce poor overall organizational performance, and the manufacturers of FMCGs are not excluded. The identified gap limits the broader relevance of specific firm-level competencies link with the performance of a new product and how a definitive system of shared authority and responsibility can enhance the association between FSC and NPP. Based on this discussion, this study addressed the effect of FSC on NPP and whether OS acts as a contingent factor that will enhance the association between FSC and NPP focusing on FMCG industry in South-Western States, Nigeria.

Literature Review

Theory and Basis for the Hypotheses

This study draws on Resource Base-View (RBV), Dynamic Capability Theory (DCT), and the Structural Contingency Theory (SCT) to address the interaction between FSC, NPP, and OS. RBV opines that firms desirous of achieving competitive advantage must possess internal organizational resources to do so (Onamusi, 2020). More so, such internal organizational resources need to be unique, complex to copy, and the firm can use them (Chukwuemeka & Onuoha, 2018; Fidel, Schlesinger, & Cervera, 2015; Zhang & Hartley, 2018). In addition, the DCT perspective suggests only dynamic capabilities; one that enhances a firm's adaptability to environmental changes, absorb information within and externally and innovate its operation to take advantage of market dynamics within changing macro-environment to achieve competitive advantage (Teece, 2014a; Kaur & Mehta, 2017; Wang, Senaratne, & Rafiq, 2015). This implies a direct and indirect interaction exist between the ownership of dynamic internal-external capabilities and superior firm performance (Schilke, Hu, and Helfat, 2018; Kaur & Mehta, 2017; Lee, Wu, Kuo, & Li, 2016).

Moreover, FSC such as engaging customers, developing new products, conducting creative marketing survey, and been innovative are not static competencies which mean as environmental factors changes and market demands become less predictable, firms can count on its dynamic FSC to cope with the changes and achieve better performance than firms with static capability. Overall, the central supposition of the RBV and DCT provides the theoretical underpinnings for the first hypothesis in this study. Hence, the study hypothesized that: (H1) the ownership of FSC will significantly enhance NPP. Also, the Structural Contingency Theory (SCT) advocates that OS appropriateness remains a contingent factor that can enhance firm competencies to deliver efficient value. Hence this study proposes that (H2) the association between FSC and NPP will significantly be enhanced by OS.

Firm-Specific Capability and New Product Performance

In an attempt to establish which firm capabilities, influence NPP, the preliminary result in Mu (2015) showed that both Marketing Capability (MC) and NPP are strongly and positively correlated. However, further analysis revealed that the ability of a firm's MC to contribute significantly to NPP is contingent on firms that have ambidextrous competence. That is a firm competent in combining two extreme product innovation activities: exploitation and exploration. Unlike Mu (2015), who examined the US and Chinese tech firms, Azubuike (2013) focused on manufacturing companies in Nigeria, and the findings posit that technological innovation competencies significantly correlates with NPP and profitability. Although the research context in Azubuike (2013) and Mu (2015) differ, underscoring their findings show support for the argument put forward by the proponents of RBV; organization capabilities (FSC) drive performance.

The findings in Talaja's (2013) study aligned with Azubuike's (2013) with few additions. The author investigated the performance-effect of foreign firms' innovation capability, and it confirmed that firms that possess innovative proficiency achieve better performance, irrespective of the company's size. Further analysis showed that foreign firms had more capability to develop new products and consequently reap better NPP. In an attempt to substantiate how specific internal organization's contingencies, influence NPP, Wei, Yi, and Guo's (2014) result suggested that NPP is attributed to organization learning flexibility and innovation exploration capacity in NPD. However, unlike Wei *et al.* (2014) that focused on learning and innovation, Kim *et al.* (2016) sort to establish a link between two firm-specific capabilities; marketing proficiency and technological asset that drives NPP of Korean firms. The study suggested that technological resources (proxy to innovation capability) enhance marketing capability to influence NPP. Specifically, the positive association between MC and NPP was explained by possessing technological resources such as dynamic and embedded technology assets.

Also, Lee, Lee, and Garrett (2017) decided to prove the collaboration effect of innovation on the organizational performance of firms in Korea. The result confirmed that through exploitation and

exploration behavior, innovation capability dimensions such as product and process influenced firm performance. These findings echo the submission of scholars such as Azubuike (2013) and Foroudi, Jin, Gupta, Melewar, and Foroudi (2016) and Ukpabio, Oyebisi, and Siyanbola (2017) on the significant performance-effect of innovation capability. By implication, Lee *et al.* (2017) encourages firms in their commitment to innovate to embrace exploiting their present market in a bid to penetrate the market and improve on products initially offered, and to explore the possibilities of offering an entirely new product to the market. According to the study, the innovation activities will guarantee superior market and financial performance if this is done.

Focusing on another FSC variable different from Lee *et al.* (2017) and Ukpabio *et al.* (2017), Dirisu *et al.* (2013), was interested in determining what NPD feature drive NPP. The findings revealed that NPD features, such as uniqueness and quality, drive NPP. Contrasting to Dirisu *et al.* (2013), Ateke and Iruka (2015) were more interested in NPD activities that can influence NPP but not the NPD features. The scholar found that involving the customers in the NPD activities (co-creation activities) is significant for NPP. The study revealed that customer involvement management and NPP are strongly and positively related. This stressed that when customers are involved in the co-creation activities to produce a new product, their expectations as per product features and quality are captured, reducing the potential for NPD failures. To buttress the submission of Ateke and Iruka (2015) and Dirisu, Iyiola, and Ibidunni (2013), through co-creation activities, customers enjoy a positive brand experience, which drives customer satisfaction and subsequently improves NPP. Several scholars have substantiated this point of view with studies in a different research context, for example, in the aviation industry, hotel and banking industry, among retailer and automobile industry respectively (Chahal & Dutta, 2014; Ha & Perks, 2005; Khan, Garg, & Rahman, 2015; Kim, Chua, Lee, Boo, & Han, 2016; Lin, 2015; Şahin, Turhan & Zehir, 2013).

From an outside-in marketing capability, Ateke and Iruka (2015) focused on one dimension of marketing capability: customer involvement; however, Mu *et al.* (2018) considered all the dimensions of marketing capability to position its relevance to organizational performance. The study revealed that proficiency in market sensing, partner-linking, customer engagement, selling, communication, and market implementation (dimensions of outside-in marketing capability) guarantees superior performance measured as profitability, market share, and customer satisfaction. Moreover, since all the performance measures used by Mu *et al.* (2018) are the standard measure for NPP, it would not be out of place to say that Outside-in marketing capability significantly explains the performance of a new product.

This finding draws strength from the customer-focus-driven perspective, highlighting the need to incorporate customer/market realities into productive activities needed for the market, hence avoiding the potential failure of NPD activities and the massive waste of resources. As such, it becomes imperative for firms to acquire information from external sources. Scholars suggest that such information is obtainable from different sources, which include informal business discussions, rival competitiveness, collaborative business efforts, market survey, customer interactions, and capabilities to influence government (Acur, Kandemir, & Boer, 2013; Chen, Tribbitt, Yang, & Li, 2017; Feng *et al.*, 2018; Fidel *et al.*, 2015; McCann & Bahl, 2016; Mu *et al.*, 2018; Najafi-Tavani *et al.*, 2018). In all, firms must prioritize developing proficiency from outside-in such that their inside-out capabilities can accomplish superior performance.

On the contrary, it is difficult to fault the usefulness of firm-specific capabilities like customer engagement and innovation capability, particularly regarding their contribution towards NPP. This is because several authors, as discussed earlier, had found that these capabilities improve NPP significantly; however, some scholars have expressed a contrasting submission. For example, Fang (2008) posited that involving customers in a co-creation function may reduce production efficiency and increase product timeliness to the market. In the same vein, Cheng and Krumwiede (2012) and Gustafsson, Kristensson, and Witell (2012) argued that customer involvement does not benefit all NPD.

Implying that customer participation benefits mostly incremental new product and its performance; however, it is ineffective in time of a radically new product.

Furthermore, Beckers, Van-Doorn, and Verhoef (2017) found a company's shareholders reacting negatively when it initiated customer involvement activities for the fear that it backfires. Besides, Ngo and O'Cass (2012) queried the direct performance effect of customer engagement capability, suggesting that this capability is a contingent factor through which innovation capability can bring business success. Focusing on innovation capability, Idowu (2013) found no relationship between firm innovativeness and financial performance. Similar to Idowu's (2013) finding was Namusonge, Muturi, and Olaniran's (2016) study. Namusonge et al. (2016) found that innovation-financial performance linkage firms trading with the Nigeria stock exchange were negatively correlated.

Moderating Role of Organisational Structure

The moderating effect of OS on the relationship between FSC and NPP suggests that not much has been done in this direction. The few scholars (Zahra & Covin, 1995) that did relate OS with firm adaptability and performance, while Wilden *et al.* (2013) examined the effect of OS in conjunction with the internal organizational process, however, studies that combined both its ability to adapt to environmental turbulence and enhance internal organizational process are sparse. Thus, the need for a theory that can substantiate a possible interaction.

Many scholars in management research have supported and generally applied the notion that no tactic is comprehensively superior; that is, the performance effect of a strategy is context-specific. They arrived at this submission primarily by adopting the contingency perspective (Nwonu *et al.*, 2017; Oliveira *et al.*, 2018; Titus & Anderson, 2018; Sayilar, 2016), established within the interaction perspective. As noted by Schoonhoven (1981, p. 351), "When contingency theorists assert that there is a relationship between two variables ... which predicts a third variable... they are stating that an interaction exists between the first two variables", hence accentuating the attractiveness of the interaction perception in organizational studies.

The moderation perspective suggests that the independent variable (FSC) effect on the dependent variable (NPP) is a condition on a third variable (OS), defined as the moderator. In line with this position advanced by the structural contingency theory, which addresses fit as a moderator, this study posits that the fit between OSs as a contingent factor is a prerequisite for high organizational performance. OS generates precise effect relationships that produce improved efficiency and overall performance (Sayilar, 2016). By implication organization, structural fit produces better performance, but organizational performance becomes poor when it fails to achieve a structural fit (Sayilar, 2016).

This study assumes (given the argument of SCT) that the decision for firms to harness inter-firm resources (FSs) for success (NPP) is a herculean task one in which OS can help to facilitate. This line of thought was corroborated by Feng-Jyh and Ching-Wei (2019); according to the Scholars, OS appropriateness is critical to how firms efficiently run their operations (Feng-Jyh & Ching-Wei, 2019). Hence, stressing the relevance of OS in helping the organization achieve set goals by aligning the internal organization's activities with external contingencies.

Methodology

The cross-sectional approach to survey design offers this study the ability to collect data from a sampling unit once. From a population of 12,712 employees engaged with fifteen FMCG manufacturers in categories such as food & Beverage, Sweet & Biscuit, Baby-care products, and household detergents, 378 using research advisor was computed. We added 151 (40% of 378), making 521 to ensure that responses obtained from questionnaire administration would not be lower than the optimum sample size of 378. The employees who form the unit of analysis were management-level employees. Data were collected by administering an adapted questionnaire (Bendig *et al.*, 2019; Kadic-Maglajlic *et al.*, 2018)

with response options ranging from strongly agree to disagree strongly. After eight weeks of questionnaire administration, 452 questionnaires were considered adequately filled, representing a response rate of 85.4%.

In this study, FSC, NPP, and OS are the independent, dependent, and moderating variables, respectively. FSC reflects the extent to which an organization possesses core and unique capabilities and assets (tangible and intangible) which are developed over time, across functional areas whose efficient utilization enables a firm to achieve competitive advantage; more so, its continued improvement ensures the sustenance of the firm's competitive advantage. Hence, the firm-specific capabilities in this study are measured by customer engagement as defined by Anning-Dorson *et al.* (2018), new product development as defined by Mu *et al.* (2017), marketing capability as defined by Mu *et al.* (2018), and innovation capability according to Foroudi *et al.* (2016) definition.

NPP reflects the extent to which a firm's new product developed increases the market presence and success rate, acquire new and maintains existing customers, and can be produced quickly. They were measured using a Likert-type scale by scholars (Bendig *et al.*, 2019; Kadic-Magljajlic *et al.*, 2018). According to Cummings and Worley (2015), the OS reflects the extent to which authority and responsibility are defined within a formal system. This study follows a similar approach established by these scholars to measure these variables and use a Likert-type scale to collect the data. In addition, the study adopted the Moderated Regression Analysis (MRA) to determine the moderating effect of OS on the association between FSC and NPP of FMCG manufacturers in the South-Western States in Nigeria.

Analysis and Result

This study must establish that the data collection instrument is valid and reliable. Hence, we conducted a validity and reliability test to ascertain that. Through principal component factor analysis and using the varimax extraction method, only factor loading of 0.7 and above was considered and used to compute each variable's AVE and CR results. Also, the internal consistency for using Cronbach's alpha coefficient was conducted for all the variables, respectively. The result in Table 4.1 shows that the AVE, CR, and CA had values above the acceptable benchmark of 0.5, 0.7, and 0.7, respectively.

Table 4.1: Validity and Reliability Result

Variables	Measures	CA	CR	AVE
Independent	FSC:			
	Marketing capability	0.78	0.86	0.60
	New product development	0.82	0.84	0.58
	Customer engagement	0.77	0.82	0.54
	Innovation capability	0.82	0.86	0.62
Dependent	NPP	0.89	0.83	0.71
Moderator	Organisational structure	0.81	0.88	0.57

Source: Authors' compilation using SPSS V24 (2021)

Table 4.2: Result of the Moderated Regression analysis

Model	Beta	t	Sig.	R	R ²	Adj. R ²	ΔR ²	ΔF	Sig. F Change
(Constant) ¹	.231	1.286	.199	.754 ^a	.569	.568	.569	593.330	.000
FSC	.906	24.358	.000						
F/Anova Sig: 593.330 (1,450), p< .001									
(Constant) ²	-.539	-2.840	.005	.793 ^b	.629	.627	.060	72.466	.000
FSC	.904	26.157	.000						
Organisational structure	.183	8.513	.000						

F/Anova Sig: 380.013 (2,449), $p < .001$

(Constant) ³	-2.986	-6.171	.000	.807 ^c	.652	.650	.023	29.899	.000
Firm-specific capability	1.397	14.529	.000						
Organisational structure	.883	6.805	.000						
FSC*OS	-.142	-5.468	.000						

a. Predictors: (Constant), FSC b. Predictors: FSC, OS c. Predictors: FSC, OS, FSC*OS
d. Dependent Variable: NPP

Source: Authors' compilation using SPSS V24 (2021)

Table 4.2 above depicts the MRA for the moderating effect of OS on the relationship between FSC and NPP. The result in model one shows that FSC is a significant contributor to NPP given a 56.9% variability in NPP attributed to FSC ($R^2 = 0.569$, $F(1,450)593.330$, $p < .001$). Model two established that FSC and OS jointly influence 62.7% of the changes NPP (Adj. $R^2 = 0.627$, $F(2,449)380.013$, $p = .000$). In the last model, therefore, the interaction term of FSC*OS was obtained and considered in the model. The result shows that the introduction of OS improves the relationship between FSC and NPP, given the 2.3% increase in R^2 ($\Delta R^2 = 0.023$, $p = 0.000$) experienced in NPP. This finding reinforces the contingent perspective that OS significantly moderates the link between FSC and NPP.

Discussion Conclusion and Recommendation

The possession of internal organizational capabilities conceptualized as FSCs are considered sustainable elements that drive firm performance (Abiodun, 2017; Lee *et al.*, 2017; Mu, 2015; Tuan, Nhan, Giang, & Ngoc, 2016; Ukpabio *et al.*, 2017). This finding aligns with the submission of Onamusi (2020), who considered FSC to be the core and unique organizational capabilities and assets (tangible and intangible) developed over time, across functional areas whose efficient utilization enables a firm to achieve superior performance; more so it continued improvement ensure the sustenance of the firm's competitive advantage.

In addition, the findings of this study have support in the empirical literature. For instance, Mu (2015) posited that both NPD and NPP are strongly and positively correlated. Although the research context in Azubuike (2013) and Mu (2015) differ, underscoring their findings supports the argument put forward by the proponents of RBV; organization capabilities drive performance. The findings in Talaja's (2013) study aligned with Azubuike's (2013). The author indicated that foreign firms had the superior capability to develop new products and consequently reap better NPP.

Similarly, Wei, Yi, and Guo (2014) corroborated Azubuike's (2013) submission that NPP is attributed to NPD organization learning flexibility and innovation exploration capacity. Lee *et al.* (2017), Ukpabio *et al.* (2017), and Dirisu *et al.* (2013), all revealed that the development of a new product with unique features and quality improves the success recorded with regards to such new product. Thus, from the theoretical standpoint, the RBV is strengthened. The RBV, an inside-out perspective, emphasizes that for a firm to achieve superior performance, such firms must own internal organizational knowledge, skill, and ability that are incredibly unique.

The results of hierarchical regression analysis (also MRA) for the moderating effect of OS on the association between FSC and NPP show a significant moderation effect on the association. Scholars have posited that OS is a precondition for attaining an organizational goal. According to Feng-Jyh and Ching-Wei (2019), a suitable OS is necessary for companies to effectively and efficiently manage its activities. Feng-Jyh and Ching-Wei (2019) corroborate Gurianova and Mechtcheriakova (2015), who suggested that OS is a construct that assists with effective decision-making.

The significant contribution to knowledge that this study offers is evident in the gap is addressed and that it offers relevance for FMCG manufacturers in terms of critical firm-level competencies that can be developed and deployed to aid NPP. More so, providing relevance for having a definitive OS that spells out responsibilities, defines authority, and aligns the organization with its strategy to stay competitive in an environment characterized by erratic customer demand, intense competitive rivalry, and inconsistent government policy in emerging economies. Also, the empirical results add to current literature in FSC and boost the significance of OS. Finally, in terms of theoretical contribution, this study aligns with underlining narratives of the RBV, DCT, and the CT, providing further support for the assumptions of these theories.

The study concludes that FSC affects NPP; OS moderates the interaction between FSC and NPP. Based on these findings, this study recommends that firms strengthen their commitment to developing critical and dynamic FSC. These capabilities have been documented in the literature and supported by the finding of this study to influence firm performance. Also, management must possess the knowledge to deploy the ambidextrous FSC to enable the firms to expand and explore market opportunities that facilitate achieving superior performance in a new product. Lastly, OS appropriateness is key to facilitating operational efficiency in NPP.

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