THE ORGANIZATIONAL STRUCTURES FOR NEW PRODUCT DEVELOPMENT

Dr. Recep Baki DENİZ

In recent years the important of the new product development activity is increasing. The most important reasons of this phenomenon are: the profitability of new product development and the competitions advantage of new product development.

Therefore the contemporary managers should have to look and effort for this activity.

Eventhough some firms do not emphasize new-product development, most leading companies try to ensure a continuous flow of new product because new product development is closely tied to profitability. New products have especially strong profit potential because they are designed to satisfy unmet customer needs.(l)

Marketing managements's major product responsibilities are(l) to manage the existing product line to achieve short-range marketing objectives and (2) to add new products to keep the line competetive and the business growing over the longer term.(2)

Given the rapid changes in tastes, technology, and competition, a company cannot roly solely on its existing products, Customers want and expect the new and improved products that competition will do its best to provide. Every company needs a new-product development program(3).

By new products we mean original products, product improvements, product modifications, and new brand that the firm develops through its own research and development efforts.

In the new product planning and development process, it is generally necessary to establish relations ship with persons with new product ideas, both outside the firm and within different departments of the company(4).

The responsibilities of each member of the organization involved in new product decision-making should be formalized so that effective lines of communiciton can be established with top management.

The organizational structures for new product development generally fall into one of the following five types:

1- New Product Manager
2- New Product Department
3- New Product Committee
4- Venture Team
5- Task Force

The type of organizasyon selected is largely a function of the size of the firm and its resources and objectives within the context of its product and market.

1. New Product Manager

New Product Manager is responsible for planning and coordinating various business functions for the new product. In most instances the product manager is a staff person. They are specialists or expects in a particular product market, yet generalists in the sense that they must be concerned with all variables in the marketing mix that are relevant to their products or product lines(5).

The new product manager was involved with the testing of the concept, the development and testing of the product and package design, the product ingredient formula, the number of scents, and the market positioning (young in spirit, different, pleasant).

New product managers report to group product managers. This position "professionalizes" the new-product function. On the other hand, new product managers tend to think in terms of product modifications and line extensions limited to their current product and markets(6).

Product managers receive the expent advice and recommendations of other departments-particularly sales, production, engineering, accounting and advertising-in the decision-making process. All decisions must be cleared with top management before product managers are able to continue the development process(7). The manager is responsible for planning and coordinating various business functions for the new product. I most instances the product manager is a staff person.

2. New Product Department

New product department is headed by a director who may be a vice president. Usually the director will report to the Company or division chief executive. The principal advantage of this organizational arrangement is that the responsibility for new products is placed at a senior level where (1) the director of new products can work with the other functional heads as an equal and (2) where direct aceess to the chief executive means that the clent of that position can be called on as need to break log jams(8).

The functions of the new product department (with other names: new product development department, product planning department, or market development) are as follows:

1- Recommending new product objectives
2- Planning exploration of new product ideas
3- Screening new product ideas
4- Assisting in development of new product specifications
5- Recommending and implementing test marketing
6- Coordinating interdepartmental effort during the evolution process(9).

The new-product department headed by a manager who has substantial authority and access to top management. The department's major responsibilities include generating and screening new ideas, working with the R+D department, and carrying out field testing and commercilazition.

The continuous support of top management is very important for this department to implement successful new product programs.

New product department places new product planning responsibility in a formal department. Two versions may be found(1) a separete department to give new products attention, push, focus and drive, as would occur if the chief operating executive were managing the product; and(2) the product manager cluster, which consists of a manager responsible for two or more product managers(11).

3. New Product Committee

New Product Committee operates under the aegis of the company or division chief executive, who also its chairperson. The membership of the Committee is composed of the functional department heads, with the new product director serving.

This committee charged wiht reviewing and approving new-product proposals. It usually consists of representatives from marketing, manufacturing, finance, engineering, and other departments. Its function is not developing or coordinating new products so much as reviewing and approving new—product plans(12).

The new product Committee provides the vehicle for setting and reviewing new product policy, establishing the priorities for projectes, reviewing progress, dealing with log jams, and deciding whether to commercialize(13). The chairperson is very important in the success of a new product committee. The composed of committee members is also important; those chosen should be able to successfuly interact in and contribute to a group stuation. The committee meets at regular intervals (usually monthly) to check on the progress of each new products project, communicate between departments, focus on roadblocks, and enforce accountability(14).

4. Venture Team

Venture team are independent of any functional department. This independent role is crucial because the concept of the venture team is to provide an entrepreneurial environment unencumbered by the bureaucracy of the regular organization. The basic idea is to develop a "new business" which may or may not be smilar to the existing corporate business. Venture Team characteristically take their product all the way through test marketing and commercialization.(15)

Venture Team orgnization is a new approach to new product development that seems better-suited to the design and development of products that do not necessarily fit into the on-going business of the firm.

A study of 98 venture managers for industrial and consumer products at large corporations revealed that a venture team has the following characteristics.(16)

1. It is separete from the remainder of the organization
2. Members are recruited from various functional areas, such as engineering, production, marketing and finance.
3. Existing lines of authority in the permanent organization are not necessarily valid.
4. The venture team manager usually reports to the chief executive officer and is given authority to make major decisions.
5. The team is free of deadlines and remains together until the task is completed.
6. Freedom from time pressures fosters creativity and innovativeness.

Members of the teams are chosen from the various functional areas, with one person given the title of venture team manager, who reports to the division head or some other upper-level administrator.

5. Task Forces

This is an organizational device used by some companies to overcome the problem of getting support from functional departments. A task force is set up for each new product to shepherd it through the various stages to the point of commercialization, at which time it is turned over to the marketing department(17).

The members of task force usually are from marketing research and development, and finance and may be supplemented with others as it mores closer to commercialization. The task force may report to the new products director, a marketing executive. The task force is used in stuations where innovation is not very risky, on going operations must be protected, and the firm has not made an allout commitment to new products(18).

Also it is a realistic observation in practic, that many companies assign responsibility for new-product ideas to their product managers. Because these managers are close to the market and competition, they are ideally situated to find and develop new-product opportunities. In practic, however, this system has several faults. Product managers are usually so busy managing their product lines that they give little thought to new products other than brand modifications or extensions. They also lack the specific skills and knowledge needed to critique and develop new products(19).

Conclusion

To decide the right organizational structure depens on:

- the size of the firm
- the type of the market
- the company objectives
- the availability of expert personnel

As example, the venture team structure may be more suited to large corporations interested in totally new products, rather than product extensions or limitation products. Smaller firms that cannot afford full time personnel for new product planning and development are likely to use the new product committee approach. This allows minimal commitment to new product development.

The new product department is better suited the firms which with the advantage of a centralized coordinator of various departments involved in the planning and development proess.

NOTES

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4) Robert D. Hisrich, Micheal P. Peters, Marketing Decisions for New and Mature

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6) Philip kotler, Gary Armstrong, Ibid. p.289
7) Robert D. Hisrich, Micheal P.Peters, Ibid. p.99.
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9) Robert D. Hisrich, Micheal P.Peters, ibid. p.94
11) David W.Cravens, Strategic Marketing, Irwin Homewood, Illinois, Second Edition 1987 p.398.
12) Philip Kotler, Gary Armstrong, ibid. p.289.
13) Victor P.Buell, ibid. p.458
14) C.Merle Crawford, New Products Management, Irvin, Homewood Illinois, 1987,p.476
15) Victor P.Buell, ibid. 459.
16) Robert D. Hisrich, Micheal P.Peters; ibid. p.105.
17) Victor P.Buell, ibid. p.458
18) C.Merle Crawford; ibid. p.478
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