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# Moderating Effect of Customer Engagement on New Product Development Capability and New Product Performance in Baby-Diaper Industry in Nigeria

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#### Abstract:

Purpose: This study assessed the effect of new product development on new product performance of selected manufacturers of baby-diapers in Lagos State, Nigeria, more so, it examined the moderating effect of customer engagement on the relationship between new product development and new product performance.

Methodology: This study employed a cross-sectional survey design and a sample of 262 employees of three manufacturers of baby-diapers in Lagos State, Nigeria. The hierarchical regression analysis to test two-way interaction hypotheses was conducted.

Findings: The results show that new product development has a positive and significant effect on new product performance (R2 = 0.273, F(1,260) = 97.409, p = 0.000). Further analysis shows that customer engagement explained the increase experienced in new product performance ( $\Delta R2 = 0.168$ ,  $\Delta F(1,559) = 77.565$ , p = 0.000) with the introduction of customer engagement as a moderator.

Implications: The findings suggest the need for Product and Marketing managers in the baby-diaper industry to imbibe innovative production management process. This is because such innovative production process can serve as a strategy to manage erratic customer behaviours, disrupt competitive rivalry in new product development, and position the new product development offering to have unique appeal to the customers. Also it is imperative for management to create platforms to reach out to customers particularly during the new product development process; this is because it helps to harvest first-hand information regarding what the consumers will buy repeatedly.

**Keywords:** New product development, new product performance, customer engagement, resource-based view, contingency theory

## 1. Introduction

Several research in the area of new product development (NPD) have dealt with issues such as how to continually improve the performance of new product through research & development (R&D) efforts, innovation and interdepartmental collaboration for new product performance, marketing capabilities, knowledge acquisition and sharing for successful NPD, in different economic settings; developed and in emerging markets (Bendig, Enke, Thieme, & Brettel, 2018; Feng, Huang & Avgerinos, 2018; Gumusluoglu & Acur, 2016; McCann & Bahl, 2016; Mu, 2015; Najafi-Tavani, Najafi-Tavani, Naudé, Oghazi & Zeynaloo, 2018; Sok & O'Cass, 2015). However, few of these scholars emphasized the effect of NPD capability on new product performance (Chang, Bai & Li, 2015; Feng et al., 2018; McCann & Bahl, 2016; Sok & O'Cass, 2015; Song & Chen, 2014). Although, scholars share common thought that new product development success is vital for organizations (Ata, Zehir, & Zehir, 2018; Shinkle & Macann, 2014), giving that it can boost organizational capability to adapt to market dynamics, sustain market share and influence firm competitiveness.

On the contrary, the new product developed Wemy Industry, Kimberly-Clark, and Procter &Gamble (P&G) (Dr. Brown, huggies baby essential and pampers baby dry) in Nigeria have experienced poor run of result; within three years (2015-2018). Dr brown diaper's market share has consistently decline form 4.2% in 2014 to 3.1% in 2018 Pampers lost market leader position and consequently lost 35% of its market share from 63.9% in 2014 while Huggies baby essential's market share of local brand as consistently been less significant of the total diaper market despite adopting low cost strategy (Euromonitor International, 2018). What is missing? One argument put forward by marketing scholars is that the processes involved in NPD has gone beyond it been an intra-organization responsibility, to one that involve obtaining information primarily from the customers (Fidel et al., 2015) particularly through customer engagement which involve creating platforms for customers to participate in the production process (cocreation responsibility) (Mu, 2015; Mu et al., 2018). While prior empirical studies on NPD have position its effect on organizational performance (Chang, Bai & Li, 2015; Feng et al., 2018; McCann & Bahl, 2016; Sok & O'Cass, 2015; Song & Chen, 2014), these studies did not consider the link between NPD and customer engagement and how it can influence new product performance.

Consequently little is known on how customer engagement moderate the NPD activities to influence new product performance (NPP). Hence, this suggests a gap and the motivation to evaluate under what condition the functional relationship between NPD and NPP can be enhanced. To achieve this, a cross-sectional survey-based sample of 262 employees of P&G and Kimberly Clark in Lagos State, Nigeria and a two-way interaction hypothesis was developed and tested. The reminder of the article is in four sections. Section two which follows after this introduction is the literature review. Section three addressed the methodology. Section four focused on data analysis and section five incorporate discussions of findings, conclusion and recommendations.

## 2. Literature Review

#### 2.1.1. New Product Development

It is crucial for manufacturers to consistently offer products to their customers considered as an improvement of existing products or an outright new product; this is because the competitive landscape and rivalry amongst companies suggest that, companies will outperform one another both in terms of strategies adopted and the products offered to the market. Nevertheless, what the companies offer to the market as products, has the potential to ensure its sustainability at the very least (Garvey-Orji, 2017; Udegbe & Udegbe, 2013). Hence, the process of developing new products although complex (Bogers & Lhuillery, 2018; Gemser & Leenders, 2011; Salojärvi, Ritala, Sainio, & Saarenketo, 2015), its success become sacrosanct to the going-concern of an organization (Salojarvi et al., 2015). How prior studies defined new product development (NPD), will enhance its conceptual understanding and relevance, particularly for this study.

According to Wong and Tong (2012), NPD is the complete process of bringing a new product to market. Similarly, Kanapathy, Khong and Dekkers (2014) suggested that NPD is a process that results into the production of a new product which can be a good, service or idea that is perceived by some potential customers as new. However, in 2013, Acur, Kandemir, and Boer provided a more robust definition of NPD given how narrow Wong and Tong (2012) and Kanapathy et al. (2014) had defined the concept. Acur et al. (2013) defined NPD as the process of initiating, coordinating, and accomplishing the product and related production process development activities of a business unit. While this definition seems adequate, the overall objective of NPD is not incorporated into the definition, nor the nature of the product produced defined.

Skinkle and McCann (2013) definition of NPD address one weakness of Acur et al. (2013) but fails to specify the newness of product produced. They posit that NPD is the introduction into the marketplace of products that are new to the firm, although they are not necessarily new to the world. Such new product offered to the market is a product of a series of coordinated activities from product ideation to market lunching activities (Bhuiyan, 2011). Jong and Slavova (2014) definition aligns with Bhuiyan (2011) as the scholar stated the NPD is a process which starts from idea generation for a product or any other market offering by a firm, to its successful commercialization. Furthermore, Kotler and Armstrong (2010) defined NPD as the creation of original products, product improvements, product modifications, and new brands through the firms' research and development efforts. These definitions by Skinkle and McCann (2013) and Bhuiyan (2011) incorporated the source of new product and the dimensions new products can take; however, the overall objective for the NPD to the organization still eludes these definitions. It is crucial to emphasize that the capability to achieve NPD lies in the competency of an organization to better utilize its intra-organizational resources including processes to create value in the form of a new product (Chuang, Morgan & Robson, 2014).

Amue and Kenneth (2014) definition seem to be elaborate as it address majority of the weakness in definitions reviewed, by stating that NPD is a dynamic process, which requires the combination and exploitation of all the enterprise capabilities, in order for a new product with unique characteristics which will satisfy market needs to be produced. By implication NPD activities involve dynamism, more so it is considered an intradepartmental (cross-functional responsibility) effort which uses firm-specific resources to deliver unique products that satisfies customer needs. Despite the details in this definition, the objective of NPD to the overall organization objective was not emphasized by this definition. In view of these definitions presented by earlier scholars, this study defines NPD as a management-initiated effort, which incorporate information from external and internal environment to create a value proposition which is either by improving an existing products or the production of an entirely new product with the conviction that it satisfy market needs and has the capacity to achieve business sustainability and competitive advantage.

#### 2.1.2. New Product Performance

Consistently developing new products for the market, is a primary feature of an organization desirous of being competitive. Of more significance is that such new product becomes successful. Obtaining an actual new product performance (NPP) is crucial for a firm seeking achieve competitive advantage (Salari & Bhuiyan, 2016). Such a firm is likely going to adapt well to changing market conditions. One of the attributes of a dynamic market condition is erratic consumer behaviour, which result in the desire to consume new products and changing consumer taste. Corroborating this position, Akroush and Awwad (2018) opined that NPP becomes a topmost concern for scholars and business owners due to its potential to positively influence firm growth and long term prosperity. Similarly, Mu, Thomas, Peng and Benedetto (2017) provided a relationship between NPD, NPP, and competitive advantage. According to these scholars, NPP is a strategic source of achieving competitive advantage; thus, knowing the factors that enhance NPP is considered to have relevant-managerial implication (Mu et al., 2017). To enhance the understanding of NPP, several scholars have come up with definitions. Ulrich and Eppinger (2011) opined that a new product is deemed successful (performing) if the target consumers adopt it, satisfies a need, can be sold profitably and survives in the market. In the same vein, Acur et al. (2012) pointed out that NPP is the operational effectiveness of a firm's NPD activities (i.e., quality, timeliness and customer

responsiveness). That is, NPP measures the degree of product acceptance by consumers, and the extent to which the product meets consumers' expectation. Also, Akroush and Awwad (2018) posit NPP is the outcome of successful NPD capabilities improvements. While these definitions showed that NPP is an outcome of firm-specific activities, they emphasize it measures based on customer outcomes (Chen & Chen, 2014) alone. However, the dimensions of the measurement of NPP include internal parameters, for example, date of product lunch.

Also, scholars equally defined NPP as the outcome of new products in the market that depends on the design to specifications and the ability to translate the customers' needs into product specifications Meyer and Utterback, (1993 as cited in Fong, Lo & Ramayah, 2014). These scholars incorporate two measure of NPP; design to specification and meeting customer needs; however, the objective of NPP to the sustainability of the organization is not addressed in their view of NPP. Likewise, Park and Oh (2015) uphold the idea that the performance of a new product is portrayed by the success recorded by the product in satisfying customers' demands. Also, Ulrich and Eppinger (2011) emphasize that NPP is a viable measure of marketing performance since most new product introduced to the markets do not return their cost of investment, resulting in the waste of economic resources. Given the definitions above, this study suggests that NPP is an outcome of well-managed firm-specific capabilities which result in a new product that satisfies the following: customer expectation, design-specification, functionality, pay-back investment, zero call-backs, improve firm's market share, increase profitability and enhance competitive advantage.

#### 2.1.3. Customer Engagement

To advance the course of CE conceptually, scholars came up with different definitions to capture its essence. For instance, Pansari and Kumar considered CE "as the mechanics of a customer's value addition to the firm, either through direct or indirect contribution" (Pansari & Kumar, 2017, p. 4). Their definition did not incorporate what CE entails; however, in an earlier study in 2015, Kumar and Pansari suggested that CE comprised buyer buying behaviour, buyer recommendation behaviour, buyer swaying, and buyer awareness behaviour. Nevertheless, this definition is more a description of the attributes of CE as it did not explain how CE is created, nor does it clearly define the benefit derivable from it. To address the weakness in Kumar and Pansari's 2015 definition, Brodie et al. in 2011 express CE to be a mental state which results from customer interacting and co-creation experience with a business. Similarly, CE is considered multilevel activities that happen from a customer's feelings of positive experience with a brand that results in the attainment of the personal goal (Calder, Hollebeek & Malthouse, 2017).

Also, Vivek, Beatty, Dalela and Morgan (2012) expressed CE as the degree of a customer's involvement in and his/her association with a company's products and its production activities. Dessart, Veloutsou and Morgan-Thomas (2016) on the other hand suggested that CE is a state that shows a customer attitude towards an organization's engagement effort, communicated through emotional, intellectual, and social interaction that goes beyond purchase activities. Although scholars (Brodie et al., 2011; Calder et al., 2017; Dessart et al., 2016; Vivek et al., 2012), addressed how CE is created, the authors did not identify potential benefits derivable from CE. As a follow-up, Van-Doorn et al. (2010) opined that CE is a customer's behavioural expression towards a company, beyond buying activities, resulting from a company-induce motivation activity. Another scholar who accentuated the benefit of CE attributable to firms was Bowden in 2009. According to Bowden, CE is an emotional process through which customer loyalty is formed both for new and existing customers.

Harmeling, Moffett, Arnold and Carlson (2016) suggested that CE is a state where a customer willingly contributes to a company's marketing responsibility beyond patronage. This definition suggests that the customer is responsible for the organization in driving CE, however viewing CE as a firm-initiated resource is essential because organizations typically take the initiative to engage the customer (Vivek et al., 2012), and firms should proactively manage the CE experience (Alvarez-Milán et al., 2018; Calder et al., 2017; Lemon & Verhoef, 2016; Van-Doorn et al., 2010). Supporting this line of thought, Harmeling et al. (2017) opined that CE is "the firm's deliberate effort to motivate, empower, and measure a customer's voluntary contribution to its marketing functions, beyond a core, economic transaction" (p. 312).

In view of the above definitions, this study defines customer engagement (or involvement) as a firm internally-initiated activities designed to form a platform; one that allows customers to engage in a direct, and voluntary collaboration with the organization in the manufacturing activities (value co-creation) and distribution process (Anning-Dorson, 2016a) aimed at creating a sense of brand identity and brand loyalty while building strong marketing capability toward the overall business success. Defining customer engagement in this manner emphasizes the value-creation potentials, which can stimulate customers' buying behaviour and in turn, improve patronage for the organization.

#### 2.2. Theoretical Framework and Hypotheses Development

A number of studies have been done to appraise existing theories and to enhance the understanding of NPD and NPP (Akroush & Awwad; 2018; Shinkle & Macann, 2014). However, this present study draws on two perspectives; resource based-view (RBV) and contingency theory, to substantiate the effect of NPD on NPP of manufacturers of baby diaper in Lagos state, Nigeria and to ascertain the moderating effect of customer engagement on the relationship between NPD and NPP. These two views are of particular implication to this study.

First, RVB submission is centered on the need for firms to develop internal competences that are peculiar to it for the firm to stand a change at achieving competitive advantage. This suggest that there must be a direct correlation with the ownership of internal capabilities (that are unique, very difficult to copy and cannot be substituted), the ability to make use of them and superior performance (Barney, 1991a; Fidel, Schlesinger, & Cervera, 2015; Zhang & Hartley, 2018). Second, according to Boyd, Takac-Haynes, Hitt, Bergh and Ketchen (2011), CT was built on the premise that beyond the organization, some exigencies influences the organization's performance. Implying that when an organization can fit itself

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with contingent factors (such as culture, strategy, technology, structure, and environment), such alignment will guarantee improved performance(Monday, Akinola, Ologbenla, & Aladeraji, 2015; Nwonu, Agbaeze, Obi-Anike, 2017;Binti & Bin Zainuddin, 2016; Monday et al., 2015; Ngo et al., 2019; Nwonu et al, 2017; Oliveira et al., 2018; Sayilar, 2016; Titus & Anderson 2018). In other words, the CT suggest that organizing to achieve superior performance is not cast in iron and that organizations whose internal features best match the demands of their environments will achieve the best adaptation. Hence, experience prosperity.

The main supposition of these theories provide the theoretical explanations for the variables under evaluation and the hypotheses formulated. Specifically, RVB been an inside out perspective suggest that organizations desirous of achieving superior performance must develop and deploy it internal competences that are considered peculiar to it. Furthermore, the contingency theory of fit-as-a-moderator suggest that when the effect-size between two variables is explained by a third, then a moderation effect is achieved. Given the foregoing, this study proposes that NPD capability will influence NPP. More so, customer engagement would moderate the relationship between NPD and NPP.

## 2.3. Empirical Review

## 2.3.1. New Product Development and New Product Performance

In an attempt to establish which firm capabilities influence new product performance (NPP), the preliminary result in Mu (2015) showed that both NPD and NPP are strongly and positively correlated. Further analysis revealed that the ability of a firm's MC to contribute significant variation in NPP is contingent on firm's that has ambidextrous competence. That is a firm who possess the competencies to combine two extreme product innovation activities: exploitation and exploration. 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 (NPD capability) drive performance. The findings in Talaja's (2013) study aligned with Azubuike (2013) with few additions. The author investigate the performance-effect of foreign firms' innovation capability and it confirmed that firms that possess innovative proficiency achieve better performance, and this is irrespective of the size of the company. Further analysis showed the foreign firm had more capability to develop new product and consequently reap better NPP. In an attempt to substantiate how specific internal organization's contingencies influence NPP, Wei, Yi and Guo (2014) result suggested that NPP is attributed to organization learning flexibility and innovation exploration capacity in NPD.

Lee et al. (2017) and Ukpabio et al. (2017), Dirisu et al. (2013), was interested in determining what NPD feature drive NNP. The findings revealed that NPD features such as uniqueness and quality drives NPP. Contrasting to Dirisu et al (2013), Ateke and Iruka (2015) was more interested in what NPD activities that can influence NPP but not the NPD features. The scholar found 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 means that when customers are involved in the co-creation activities to produce a new product, their expectation as per product features and quality are captured hence reducing the potential of NPD failures. To buttress the submission of Ateke and Iruka (2015) and Dirisu et al. (2013), via 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 different research context for example in the automotive sector (Şahin, Turhan & Zehir, 2013), retail sector (Ha & Perks, 2005), banking sector (Chahal & Dutta, 2014) Hospitality sector (Khan, Garg & Rahman, 2015) and in the airline business (Kim, Chua, Lee, Boo & Han, 2016; Lin, 2015).

Conversely, it is difficult to fault the usefulness of firm-specific capabilities like customer engagement, particularly with regards to 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. Fang (2008) posit that involving customers in a co-creation function may reduce production efficiency and increase product timeliness to the market. In same vein, Cheng and Krumwiede (2012) and Gustafsson, Kristensson and Witell (2012) argue that customer involvement does not benefit all NPD. Implying that customer participation benefits mostly incremental new product and its performance; however, in time of a radical new product, it is ineffective. 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 innovative activity like NPD can bring business success.

### 2.3.2. The Moderating Effect of Customer Engagement

Ateke and Iruka (2015) assessed whether customer involvement relates to market performance of manufacturing firms in River State and the result found the existence of a significant positive association between customer involvement management and customer satisfaction with regards to the manufacturing companies investigated. Nontheless Ateke and Iruka's (2015) study did not establish the effect of customer involvement on market performance. Whereas, in a study conducted by Roya, Balajib, Soutarc, Lassard and Roy (2018), the scholars were able to establish that to develop motivated and satisfied customers, firms need to build trust, treat customers fairly and engage in value co-creation activities.

This findings, uphold Mahr, Lievens and Blazevic, (2014) submission, that co-creation activity contribute positively to organizational performance because co-creation function offers the opportunity to understand the customer erratic behaviours and desires (Carbonell & Rodriguez-Escudero, 2014) and to meet them with the appropriate products (Brady, Davies & Gann, 2005). Also, in other to authenticate Mahr et al. (2014) submission on the relevance of customer relationship building, Elbedweihy et al. (2016) establish that when customers acknowledged a brand, they tend to overlook adverse report concerning such product. This buttress the point that firms who build positive association with their customers enjoy more from the relationship. More so through relationship building, firm shares knowledge which

enable the customers to uncover firms' unique capabilities and present value co-creation prospects that drives customer satisfaction (Fang, Palmatier & Steenkamp, 2008; Johansson, Raddats & Witell, 2019; Kohtamäki & Partanen, 2016). The highlight of these studies, is that they accentuates the significance of customer engagement capability to organizational performance.

On the contrary, Anning-Dorson (2018) result showed that customer involvement capability is not a first-order capability that drives organizational performance. Specifically, the study suggests that the customer involvement capability is a second-order competency whose performance effect was explained through a first-order proficiency such as innovation capability. Similarly, in a study which seek to unravel the interactions amongst firm-specific dimensions (innovation capability, service quality and customer engagement) and performance measures (Sales, market share & profitability), Ngo and O'Cass (2012a) found that customer engagement plays a crucial role in ensuring that innovation activities achieved desired firm performance. This finding provided evidence for Beckers et al. (2017) submission which averred that customer involvement is not a first-order capability. Ngo and O'Cass's (2012a) study upheld the submission of earlier scholars such as Prahalad and Ramaswamy (2004) which pointed out that customer involvement act as a contingent factor which organizations can endorse to maximize the benefit of product innovation capability.

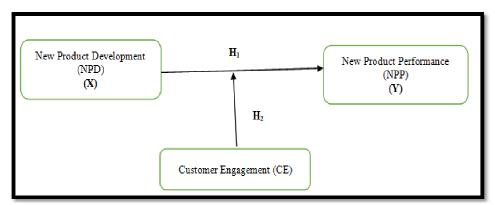


Figure 1: Research Framework

## 3. Methodology

Been an empirical research, this study employed a cross-sectional survey design which involves data collection at a point in time. Several studies have employed this research design and found it appropriate in collecting data to substantiate the effect of an independent variable on a dependent variable at a point in time (Abass & Abu, 2019; Mohammad et al., 2017; Ogbechi et al., 2018; Onamusi et al., 2019).

## 3.1. The Study Context, Sampling and Data collection

The population of this study comprised of 311 employees working with Wemy Industry, Kimberly Clark and Procter & Gamble. Considering the small population, the study adopted the total enumeration approach and this is consistent with extant literature who have small population (Arokodare, Asikhia, & Makinde, 2019). The category of staff that made up the population are those in the top management level and middle management level. More so, these categories of staff have been employed by the selected manufacturing companies in diaper production in Lagos State within fifteen years. Furthermore, these employees' engaged in the manufacturing companies form the unit of analysis for this study.

The research instrument for data collection was a structured questionnaire. The use of questionnaire is relevant because it helps in collecting feedback based on the opinion of the respondents, more so, it is suitable for collecting data from respondents in a short time on current issues, and it facilitates quantitative data analysis (Onamusi et al., 2019). The items in the questionnaire were adapted. The adapted questionnaire was a standardized scale that has been used by authors on the subject matter of this research in another research context. The response options provided in this study's questionnaire followed the 6-point Likert type scale (1 = strongly disagree, 6 = strongly agree), consistent with (Arokodare et al., 2019). The administration and retrieval of the questionnaire took four weeks. After collating the questionnaires, the researcher then screened the questionnaires in such a way that questionnaire that were not properly filled were dropped. In all 262 questionnaire were considered usable representing 84.2% response rate.

## 3.2. Measurement of Variables

Drawing from this study's research framework, the following dependent (New product performance), independent (New product development), and moderating (Customer engagement) variables were discussed taking cognizance of their measurement in extant literature.

#### 3.2.1. Dependent Variable

## 3.2.1.1. New Product Performance (NPP)

New product performance reflects the extent to which a firm's new product developed increases market presence, success rate, acquire new and maintain existing customers, and can be produced in a short time. They were measured using Likert-type scale by scholars (Bendig et al., 2019; Kadic-Maglajlic et al., 2018).

## 3.2.2. Independent Variable

#### 3.2.2.1. New Product Development (NPD)

New product development reflects the extent to which firms can conceive and introduce new products to the market. Previous studies measured NPD by incorporating different dimensions of NPD. The dimension includes New-product introduction, time to market of the new product, the development cycle of the new product, and market potential of new products in comparison to the major firm competitor. These elements were measured using the Likert-type scale by earlier scholars (Griffin & Page, 1993; Mu et al., 2017; Wei et al., 2014).

## 3.2.3. Moderating Variable

#### 3.2.3.1. Customer Engagement (CE)

Based on these previous studies, customer engagement reflects the extent to which firms involve their customers in the co-creation of products. It further measures how customer insights are gathered and how customers are motivated to participate in production activities. These elements were measured using the Likert-type scale by earlier scholars (Anning-Dorson et al., 2018; Mu, 2015; Mu et al., 2018).

#### 3.3. Data Analysis

The study employed a regression analysis to first establish the functional relationship between innovation capability and market share and subsequently establish the moderating effect of marketing capability on the relationship using moderated regression analysis.

### 3.4. Model Specification

Y = f(X)

*Y* =Dependent variable: New product performance (NPP)

X = Independent variables: New product development (NPD)

Z = Moderating variables: Customer Engagement (CE)

Y = f(X)

 $Y = \beta o + \beta_1 X_i + \mu_i$ 

 $NPP = \beta o + \beta_1 NPD_i + \mu_i$  research model 1

V\_ f(V7)

 $Y = \beta_0 + \beta_1 X_i + \beta_2 Z_i + \beta_3 X Z_i + \mu_i$ 

NPP =  $\beta_0 + \beta_1 \text{NPD}_i + \beta_3 \text{CE}_i + \beta_4 \text{NPD}_i * \text{CE}_i + \mu_i$  research model 2

For the purpose of this study, the above models were used.

Where:

 $\beta$ o = the intercept expected value of y when x is equal to zero.

b = the Coefficient of the independent variable (it is the rate of change in y with respect to x).

 $\mu$  = the error term to accommodate the effect of other variables that can influence organizational performance, but which were not included in the model.

## 4. Analysis and Result

#### 4.1. Validity and Reliability Test

Given that the questionnaire used was adapted to fit the peculiarity of this study, the researcher conducted exploratory factor analysis (EFA) to ascertain the overall adequacy and validity of the instrument. A Kaiser-Meyer-Olkin (KMO) statistic greater than 0.72 confirmed the suitability of the items for factor analysis since (Hair, Black, Babin & Anderson, 2018). The factor loadings of these items were used to establish the Average Variance Extracted (AVE). All the constructs have an AVE value above the threshold 0.5. The construct, convergent validity and reliability result is presented in Table 2 below.

Latent			Loadings	CA	CR	AVE
Variables	Notation	Items				
NPD capability NPD1		Improve production process	0.572	0.825	0.848	0.589
	NPD3	Highly innovative product	0.869			
	NPD4	First to introduce product	0.848			
	NPD5 Cost reduction		0.746			
Customer	CE4	Co-create with customers	0.852	0.774	0.822	0.543
Engagement	CE5	Interact with customers	0.804	1		
	CE6	Attend to customer needs	0.707			
	CE7	Immerse in customer reality	0.548			
NPP NPP1 NPP2		Desired sales growth	0.895	0.835 0.844		0.579
		Acquire new customers	0.771			
NPP3		Open new market	0.743	.3		
NPP5		Desired market share	0.610			
		M. P. P. L. P. L. P. M. C. M.	. 7.			

Table 2: Validity and Reliability Test for Measurement Items.

Note CA= Cronbach Alpha, CR= Composite Reliability, AVE= Average Variance Explained

Source: Author's Computation Using SPSS V23

## 4.2. Hypotheses Testing

Change Statistics									
DEP VAR	Model	Predictors	R <sup>2</sup>	Adj R2	$\Delta R^2$	ΔF	df1	df2	Sig. F
	1	NPD	.273	.270	.273	97.409	1	260	.000
NPP									
	2	NPD * CE	.440	.436	.168	77.565	1	559	.000

Table 3: Hierarchical Regression Result Source: Author's computation using SPSS V23

In the first step (Model 1), the effect of NPD on NPP were examined. In the Second step (Model 2), the moderating effect of CE on the interaction between NPD and NPP were examined and discussed below.

# 4.3. New Product Performance

It was discovered that NPD accounted for 27.3% of the variance recorded in NPP ( $R^2$  =0.273, F(1,260) = 97.409, p <0.05). When the interaction term CE\*NPD was added to the regression model (MODEL 2), there was an additional significant increase in NPP by 16.4% ( $\Delta$   $R^2$  =0.168, p <0.05) because  $R^2$  increased from 0.273 to 0.427. This result shows that CE has an <u>enhancing</u> (moderating) effect on the relationship between NPD and NPP.

		Model	Unstandardized Coefficients		t	Sig.
			В	Std. Error	1	
NPP	1	(Constant)	8.615	.977	8.820	.000
		NPD	.488	.049	9.870	.000
	2	(Constant)	4.307	.988	4.359	.000
		NPD	.244	.051	4.729	.000
		NPD * CE	.492	.056	8.807	.000

Table 4: Coefficients

Source: Author's Computation Using SPSS V23

## 5. Discussion and Conclusion

The study ascertained the effect NPD capability has on new product performance and the moderating effect of CE on the relationship between NPD and NPP.

The findings align with the hypotheses formulated in this study hence providing important implications for theory and practice. The first hypothesis suggested that NPDwould positively influence NPP. Our research shows that NPD significantly influenced NPP. This suggest that by developing new products, firms can improve market performance which

translate to superior organizational performance. This result aligns with past empirical study likeDirisu et al. (2013) and Ateke and Iruka (2015). The scholar posit that NPD features like uniqueness, quality and cocreation activities in NPD influence NPP positively.

What the second-order analysis confirm is that the path between NPD and NPP became enhanced and significant when management decides to engage their customers. This significant performance effect of customer engagement has been established in prior empirical studies for example in the automotive sector (Şahin, Turhan & Zehir, 2013), retail sector (Ha & Perks, 2005), banking sector (Chahal & Dutta, 2014) Hospitality sector (Khan, Garg & Rahman, 2015), airline business (Kim, Chua, Lee, Boo & Han, 2016; Lin, 2015) and in manufacturing sector (Ateke & Iruka, 2015)and this study's result affirm these submissions.

The second hypothesis strengthens the narrative of both the resource based-view and contingency theory. The RBV which is an inside-out organizational perspective promote the ideology that firms desirous of achieving superior performance must own, develop and deploy unique competencies. Our result aligns with this theories because the deployment of CE potentially improves NPP. By this result, the contingency viewpoint is strengthened in the sense that where the strength of the interaction between two variables is enhanced by the introduction of a third variable (in this case management innovation) then a contingency theory of fit-as-a-moderator holds. This study strongly affirm this position with its result.

#### 5.1. Contribution

The contribution of this study to knowledge is in many ways. First, the study developed a conceptual model that expressed the functional relationships between NPD and NPP. The model further showed the moderating role of CE on the established effect of NPD on NPP. Third, the empirical results showed that CE significantly moderate the relationship between NPD on NPP. More so, this findings is an addition to the sparse literature on this subject matters. Fourth, this study further corroborates the position of the contingency perspective and RBV by providing further support for the underlining assumptions of both theories.

# 5.2. Managerial Implication (Recommendation)

The findings of this study, suggest the need for product and marketing managers in the baby-care industry to imbibe innovative production management process. This is because such innovative production process can serve as a strategy to manage the erratic customer behaviours, disrupt competitive rivalry in NPD, position the NPD offering to have unique appeal to the customers and to enhance the overall profit maximization objective in NPD. Also it is imperative for management to create platforms to reach out to customers particularly during the NPD process; this is because it helps to harvest first-hand information regarding what the customers will buy repeatedly.

## 5.3. Limitations and Future Research

As with many research, this study has limitations which must be acknowledged to provide opportunities for future studies. First of all, the study focused only on three manufacturers of baby diapers in Lagos, Nigeria. As with any single industry studies, the findings of this study is more appropriate for managers in this line of business. The adoption of a cross-sectional survey design equally suggests that the study is unable to provide explanations of the changes in the dependent variable attributable to the independent and moderating variable over a long period. Also, the study focused on one dimension of marketing capability (NPD), and organizational performance (NPP).

Future studies may consider incorporating other manufacturing companies in the FMCG category in the country to enhance this study's findings. In other to provide explanations to the cause and effect relationship between the variables over time, future studies may consider a longitudinal study. With regards to environmental turbulence and innovation capability, future studies may incorporate other dimensions of both variables to see their effect on organizational performance. Also, studies that would bring in other firm-specific capabilities for example marketing capability in addition to innovation capability to see the joint moderating effect on organizational performance and or determine which variable can better help organizations cope and prosper in a dynamic macro environment. Despite these limitations, this study provides important empirical, theoretical and practical implications for managers regarding the deployment of firm-specific capability (NPD) needed to improve NPP in a dynamic market.

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