
Prior Knowledge and New Product and Service Introductions by Entrepreneurial Firms: The Mediating Role of Technological Innovation

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ABSTRACT:

Most research on new product and service development by entrepreneurial firms takes an individual-level, prelaunch perspective or firm-level postlaunch perspective. Our study examines two components of the new product and service introduction process: how entrepreneurs' prior knowledge underpins (1) firm technological innovation prior to the introduction of new products and services (prelaunch) and (2) postlaunch viability of those new products and services. Our findings, based on a series of analyses of data from 158 entrepreneurial firms, show that formal technological innovation fully mediates the relation between prior knowledge and the introduction of viable new products and services.

KEY FINDINGS:

Key finding from this study are:

- Greater prior knowledge leads to more viable new product and service introductions by entrepreneurial firms.
- Distinct firm technological innovations fully mediate the relation between prior knowledge and the number of new product and service introductions.

IMPLICATIONS FOR MANAGERS:

- Prior knowledge is more strongly associated with technological innovation than with new product and service development.
- The selection of new employees to fill internal technological innovation positions in entrepreneurial ventures is appropriate.
- Entrepreneurs selecting employees based on prior knowledge should limit the application of that knowledge to premarket innovations and institute beta or market testing in order to inform the shaping of innovations into products and services.
- It is more beneficial and cost-effective for entrepreneurial firms to focus their limited resources on developing multiple new products and services from just one distinct firm technological innovation.
- It is useful for specific teams and structural features to be devoted to internal innovation activity, whereas others are devoted to externally oriented market offering development.
- An operational structure reflecting sharp differences between internal technological development and the external aspects of new product and service development may be vital to entrepreneurial ventures.