

*Variability: The Effects of Variation in Power Relations within the Firm, in its Market Performance, and in the Evaluations of its Products*

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## English Summary

Why variability is such an important variable to discuss in management research? My fascination towards our relative ignorance to variability went a way back before my PhD years. When I was a little bit younger, I went to an IT school and there I studied to become an engineer and I learnt that R&D department or engineers has a very important role in organization. They are the champions of technology, they are the inventors of technology that can help to improve not only the performance of the company they work for, but also the quality of life in the society. Not long after I graduated from the IT school, I went to a business school in Groningen. But there my professors lamented why in many industries, the marketing department is losing grounds to other departments. They suggested that organizations should focus their attention towards the consumers, give more power to marketing department, because only then the organizations are able to recognize consumer demands and cater for them – they believe that the decline in marketing department power is very serious issue so they wrote a paper about this, published in the Journal of Marketing. When I read their paper, the engineer part of me believed that my IT professors are right, but the social scientist part of me believed that my professors in Groningen are right.

When I started my PhD, my supervisors asked me to finish an old project about the impact of marketing and R&D relative influence to new product performance. During this project I learnt that actually organizations performance is positively affected by the continuous shifts in the level of relative influence of marketing and R&D. Only then organizations are able to benefit from the knowledge and expertise of these two departments. At the end of my first research project, I started to question my perspective; perhaps our current approach in

management science is not completely right. Instead of focusing on chronic dispositions, we should explore the impact of diversity. Perhaps instead of focusing on finding out the most powerful department, we should focus on the exchanges of power. Instead of the most dominant view or opinion, we should look at a fuller overview and explore if the opinion is shared among all individuals. After all, “Variability is the law of life, and as no two faces are the same, no two bodies are alike, and no two individuals react alike and behave alike,” our current approach in management research might be misleading. I believe that we focus too much on statistical mean and modus, but largely ignore using statistical variability and its potentials.

The overall aim of this thesis was to gain insight in the effects of variability of product evaluations, -of market performance, and -of the level of marketing/R&D power and influence towards product performance or organization strategy. Product evaluations and market performance may vary across time due to many reasons, such as different reception from users, the shifting of trends and preferences among consumers and expert critics, among many others. In addition, product evaluations may also differ across consumers and across expert critics. The variability of performance and evaluations across time and the variability across evaluators have important implications to the organization, which has been largely overlooked prior to this thesis. Considering that the conditions outside the organization are continuously changing, it is also necessary for an organization to change. I explored the best organizational set up that enables organization to benefit from changes. The empirical setting of this thesis was the console video games industry and the pharmaceuticals industry.

Chapter 2 focused on the determinants of market performance of sequels. In this study we were able to confirm the findings of previous studies by showing the forward carry over effect of evaluatory signals and market performance of past editions on the sales of sequels. What is new

in our study is that we were able to show that the variability of evaluations across previous editions in the series moderates the carry over effect, both in the context of consumer evaluations and expert evaluations. In addition, we were able to identify several other moderating factors to the effect of consumer evaluations of past editions, namely: the sales performance of the past editions and the type of social interaction during product consumption. Both of these factors strengthened the effect of consumer evaluations of past editions to the sales of sequels.

Chapter 3 focused on exploring the determinants of consumer evaluations and expert evaluations of product sequels by focusing on past performance indicators and the consensus within consumer community and within expert community. Different from Chapter 2 which was focused on the determinants of sales; in Chapter 3, we were able to support the carry-over argument in the context of product reviews. The results confirmed a positive relationship between consumer evaluations of past editions and consumer evaluations of the sequel, and between expert evaluations of past editions and expert evaluations of the sequel. Our main contribution in this study is that we are also able to show that a lack of consensus among the consumers can weaken the relationship between the consumer evaluations of the past editions and consumer evaluations of the sequels. The same moderating relationship is also observed in the context of expert critics. As a minor contribution, we showed that expert critics are also being influenced by the market. Consumer behaviors (sales) of the past editions were shown to have a significant and positive effect to expert evaluations of sequels.

Shifting the attention towards the company itself, Chapter 4 focused on the determinants of the decisions to explore a new market segment. We were able to show that the variance of sales, the variance consumer evaluations, and the variance expert evaluations have a positive effect to the probability of explorations. Our results also showed that positive trends of

performance in terms of sales and consumer evaluations negatively affect the probability of a new genre exploration; however, a positive trend of expert evaluations has a negative effect. This finding signified how different performance indicators can have different effects to management decisions.

Chapter 5 looked deeper into the internal environment of the organization by exploring the effects of changes in the level of relative influence of marketing and R&D department during an NPD process. The results indicate that companies that have a rich history of changes, or high variability, in terms of marketing and R&D influence level are able to perform better than companies that experience fewer changes. We were also able to find that this effect is especially beneficial for companies that also have a high degree of integration between the two departments, while a high level of integration that is coupled with less changes can lead into a much lower level of performance.

In short conclusion, this thesis argues, provides the theoretical basis, and quantitatively explores how variability in terms of power structure, market performance, and evaluations/opinions about a product can significantly influence the performance of the product and even organization strategies. This thesis does not aim to replace the current methodology to measure market performance or power structure across departments by their mean or modus but to show how a research can explain a lot more by measuring the variability of these constructs across time and across individuals.