WITHDRAWING A PROJECT FROM THE CORPORATE INNOVATION PORTFOLIO: PERSON, PORTFOLIO, AND FIRM LEVEL EFFECTS (SUMMARY)

Judith Behrens
Technical University Munich, judith.behrens@tum.de

Ulrich Lichtenthaler
University Mannheim

Holger Patzelt
Technical University Munich
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Principal Topic

Profitable resource allocations are a key success determinant for the corporate innovation portfolio. Therefore, managers often need to reconfigure the corporate portfolio composition and withdraw projects from the portfolio in order to maximize its commercial prospects. Drawing on a resource-based perspective, this paper develops a model of managers’ project withdrawals from the corporate innovation portfolio based on the portfolio’s characteristics, the manager’s past project failure experience, and the firm’s growth rate.

Method

We investigate 6,944 assessments of project withdrawals, nested in 217 research and development (R&D), using a conjoint experiment analyzed with hierarchical linear modeling (HLM). Specifically, we use a metric conjoint analysis to collect data on the manager’s likelihood to withdraw a project from the corporate innovation portfolio. Our data consist of 32 assessments for each of the reliably answering 217 participants, yielding 6,944 data points.

Results and Implications

This project provides the following contributions. First, we contribute to research on innovation portfolio management (Eggers, 2012) by providing new theoretical insights and empirical evidence for the determinants of managers’ assessments of stopping innovation projects. In light of an increasing interest in understanding resource allocation in new product development (Cooper, Edgett, & Kleinschmidt, 1999; Kester, Griffin, Hultink, & Lauche, 2011; Kester, Hultink, & Lauche, 2009), these insights are equally important for researchers and practitioners. Second, we contribute to overcoming the deficit of cross-level innovation and strategy research (Gupta, Tesluk, & Taylor, 2007; Rothaermel & Hess, 2007) by theoretically and empirically considering three different levels of analysis and how they interact. Third, we contribute to the literature on learning from failure by examining to what degree a manager’s experience with product development failures affects new product portfolio evaluations (Cooper et al., 1999; Shepherd, Patzelt, & Wolfe, 2011). Fourth, and finally, we contribute to a dynamic perspective on resource-based theory (Helfat & Peteraf, 2003) because we consider whether a firm’s level of growth influences managers’ resource allocation in innovation portfolio management.

CONTACT: Judith Behrens; judith.behrens@tum.de, (T): +49/8928926750; (F): +49/8928926747; Chair of Entrepreneurship, Technical University Munich, Karlsteet 45, 80333 Munich.