

Faculty Research in Practice

IS THE UNITED ARAB EMIRATES UP FOR THE PRODUCT INNOVATION CHALLENGE?

by

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Introduction

To sustain its growth and prosperity over the long-term, the UAE government recognizes the necessity of rebuilding the nation into knowledge-based economy, rather than exclusively relying on its natural endowments, as articulated in the country's Vision2021. In fact, the country has already started this transformation process by a host of innovative initiatives and programs since 2000. These initiatives and programs continuously attract global corporations to establish "innovation centers" in this country. As a result of this transformation process, according to the World Business/INSEAD Global Innovation Index 2007, the UAE currently ranks as the 14th most innovative country in the world; and it was the only country in the Top 15 that wasn't European, Asian or North American.

Despite these recent strategic-radical changes and huge investments on new product/project development (NPD), there is no any single study conducted yet on the performance and best practices in NPD in this country. Given the fact that new products/projects fail at an alarming rate; about one in ten new product/project concepts succeeds commercially while one in four development projects is a commercial success, the questions of "why are some new product/project developments so successful than the rest in UAE?", "are there similarities and/or differences between NPD practices of UAE companies and those of the US and Far East companies?", and "if so, what are these similarities and/or differences?" have yet investigated.

In response to these questions, We conducted a "best practice" study in UAE to understand the NPD activities of UAE firms and to compare them with the benchmarks that were established in a survey study among the members of the Product Development Management Association

(PDMA) in the US (Griffin 1997) and that were conducted in Hong Kong (Ozer and Chen, 2006). This study, being the first of its kind, offers useful implications not only to local firms but also to global firms that plan to develop new projects/products in this part of the world as well as to the local governmental authorities that want to promote and support product innovation in UAE.

Literature Review

The product innovation literature offers numerous "best practice" studies in New Product Development (NPD) (Barczak, Griffin, and Kahn, 2009; Booz, Allan, and Hamilton 1968 and 1982; Griffin 1997; Page 1993). Given the importance of the topic, the Product Development and Management Association (PDMA) has also initiated a series of studies in the field, and Page (1993), Griffin (1997), and Barczak, Griffin, and Kahn (2009) have published the findings of PDMA-sponsored surveys. One important characteristic of these earlier "best practice" studies is that they are primarily based on US samples. Indeed, Griffin (1997) has acknowledged that because management practices, cultures, and norms differ around the world the findings of the PDMA studies will likely to be less applicable to firms managing NPD outside the US. She further argued that NPD practices from the different parts of the world would be a fascinating piece of future research (Griffin 1997; Griffin and Di Benedetto 2004).

Major Findings

The results revealed interesting similarities and differences between the US and UAE firms. Most notable, these firms were similar in:

- the areas of NPD strategies
- the use of the "product development" phase of the NPD process
- the number of steps used in the NPD process
- the use of marketing, R&D or engineering department as a base for NPD activities
- the use of multiple organizational structures and cycle time

On the other hand, these firms differed significantly with respect to:

- the use of a formal NPD process
- the type of organizational structures
- the type of NPD team leaders
- the appointment of the NPD team leaders
- rewarding NPD personnel
- the NPD outcomes

Practical Implications

The study findings have clear implications for the UAE firms. Although market conditions might affect the success of new products, the UAE companies need to find ways to enhance their innovative capabilities by, at least, adopting more formal NPD processes and completing the stages of the NPD process more carefully. Moreover, they can acquire and use foreign technologies and

expertise to build their innovative capabilities. In order to adopt a high quality NPD process and innovative capabilities, as suggested by Zahra (2011), a sustainable absorptive capacity needs to be built among companies in the UAE through open innovation and “smart co-specialization.” Developing the requisite absorptive capacity and smart co-specialization would help them realize the importance and value of externally or internally created knowledge (e.g., new product ideas during the NPD process), acquire that knowledge, assimilate it, and use it to develop successful new products (Zahra & George, 2002). They can also utilize alternative organizational structures for NPD. Finally, they can explore different ways of appointing NPD team leaders rather than expecting top management to appoint a leader. Successful co-specialization may help them identify and appoint the right leader who can lead the NPD process to develop successful new products.

For the US companies who are interested in developing new products in this part of the world, this study suggests that they can certainly utilize many of the NPD activities that they have been using in the US in the UAE, as the UAE companies also engage in similar activities to a certain extent. Their primary challenge will be to reduce the mortality rate of new product ideas initiated in the UAE. They can either train new product managers in UAE as how to generate and select potentially successful new product ideas and as how to turn those ideas into more successful new products or generate new product ideas in the US and get new product managers in the UAE involved in the NPD process in its later stages.

Summary

Despite the fact that past research offers a large number of "best practice" studies in New Product Development (NPD), an important characteristic of the earlier studies is that they are primarily based on US samples. Because management practices, cultures, and norms differ around the world, it has long been argued that NPD practices from the different parts of the world would be a fascinating future research. In response to this call for future research, we conducted a "best practice" study in the Middle East to understand the NPD activities of firms in the United Arab Emirates (UAE) and to compare these activities with the benchmarks established in the earlier studies. The findings reveal interesting similarities and differences between the Western and Middle Eastern NPD practices. Given the economic, political, and social significance of the Middle East in the world, this comparative study makes significant contributions to both the Middle Eastern and Western research and practice.

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