Influence of Corporate Governance and Market Orientation on New Product Preannouncement: Evidence from Taiwan’s Electronics Industry

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Abstract

This study examined companies’ willingness to issue new product preannouncements from the perspective of corporate governance and market orientation by applying a stratified sampling method with proportional allocation. Data collected from a questionnaire mailed to 900 companies yielded a valid sample of 127 firms in Taiwan’s electronics industry; structural equation modeling was utilized to test the model among the sample. The companies that had good corporate governance tended to demonstrate a market orientation and more willingness to share information with partners and customers; as such, they are more likely to communicate with customers and publish new product preannouncements. Thus, companies can choose to partner with firms with good corporate governance as they are more willing to share information, which is critical to companies’ strategic planning.

Keywords: Corporate governance, market orientation, information disclosure, new product preannouncement

1. Introduction

In the software and electronics industry, preannouncing the upcoming availability of new products is commonplace. In the weeks and months before the release of a new product, a company may share information with customers, competitors, business partners, and producers of complementary products. Early new product preannouncement enables channel members and customers to gain familiarity with complex or innovative products (Lilly and Walters, 1997; Sorescu et al., 2007). This process includes not only the publication of new products, but also the disclosure of a postponement or cancellation of new products (Schatzel et al., 2001). Sorescu et al. (2007) concluded that companies can benefit from preannouncements with financial returns.

Even though new product preannouncements have been proven to harvest the financial rewards, there are disadvantages as well. Competitors may prepare and take their defensive actions at early stage. Companies might not be able to deliver their new products on time, which delay product launches decrease the market value of a firm by 5.25\% (Hendricks and Singhal, 1997). With pros and cons, corporate governance and company orientation affect the intention and capability to release new product preannouncements. Entrepreneurs may wonder which type of management can empower a company with the capability and willingness to make new product preannouncements and follow the schedule, while producers and channel members are anxious to know what type of partner is more “open” to them. This study

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discloses the importance of new product preannouncement and investigates the effects of corporate governance and a company’s orientation on new product preannouncement.

Corporate governance targets company’s efficiency and information disclosure. Discussions of corporate governance in previous research address primarily the quality of financial reporting, the implementation of business ethics, or the integration of strategic planning (Bonn and Fisher, 2005; Chattopadhyay et al., 1999; Goodwin and Seow, 2002; Porter, 1992). Issues related to corporate governance from a marketing point of view are never discussed, especially in regards to issues specific to new product preannouncement.

Cooper (1984) suggested that companies develop new products with the idea of market orientation in mind so as to understand customers’ actual needs and the competition of markets. Consequently, market orientation has become essential to the success of developing new products, in turn affecting business performance. Previous research has concluded that market orientation has a substantial positive effect on the profitability of businesses (Jaworski and Kohli, 1993; Narver and Slater, 1990). Narver et al. (2004) classified market orientation according to proactive and responsive perspectives—both of which have a positive influence on the development of new products. However, the market orientation’s impact on new product preannouncement is seldom discussed.

Resource-based view (RBV) distinguishes resources from capabilities and argues that company performance is optimized by the combination of resources and capabilities. Resources are tacit and socially complex; therefore market orientation is considered as a resource (Hunt and Morgan, 1995; Santos-Vijande et al., 2005). On the other hand, capability is a bundle of specific skills, procedures, and processes (Baker and Sinkula, 2005); hence, corporate governance is taken as a capability. Harris (2002) emphasized and proved the importance of management employed to improve the level of market orientation. There are numerous discussions in the literature of market orientation (e.g. Harris, 2000; 2002; Hunt and Morgan, 1995; Santos-Vijande et al., 2005) but no research attempted to investigate the influence of corporate governance on market orientation behaviors. Applying the RBV of the firm, we emphasize and examine the effect of the combination of market orientation and corporate governance.

This study examines the impact of corporate governance and market orientation on new product preannouncement and explores their correlations through information disclosure, which acts as a mediating variable. The following four aspects are scrutinized: (a) the relationship between corporate governance and market orientation, (b) the effect that corporate governance has on information disclosure, (c) the impact market orientation has on information disclosure, and (d) the influence information disclosure has on new product preannouncement.

Moreover, this study will explore the relationships of preannouncements, corporate governance, and company orientation in Taiwan’s electronics industry. Substantial amounts of Taiwan’s public research and design (R&D) resources have been allocated to the electronics industry, allowing great expansion in this industry’s technological ability. Indeed, the electronics industry has been recognized as the most prominent and promising “high-tech sector.” Taiwan has also succeeded in establishing itself as the world’s third-largest production center for electronic products behind the United States and Japan (Tsai and Wang, 2004). With short product life cycle and rampant technology competition, Taiwan’s electronics industry deals with new product development on a daily basis.

In addition, although Taiwan’s companies continued to dominate global production of information technology (IT) equipment, most companies have relocated their major production to China while maintaining R&D, management, and strategy planning activities in Taiwan (Tsai and Wang, 2004). As a result, Taiwan’s companies have transformed themselves from the role of passive original equipment manufacturers (OEMs) to aggressive
original design manufacturers (ODMs). In such an environment, new product development is critical and essential to firms. The rapid development of new products in a competitive business environment result in the electronics industry’s relatively short product life, which make it an ideal environment for the current research.

This paper is organized as follows. Following the introduction, the second section will review relevant studies from contemporary literature. The research framework and hypotheses will be presented in the third section, followed by the methodology in the fourth section. The fifth section will examine the data analysis and results. The final section will analyze the implications of corporate governance and market orientation on new product preannouncements.

2. Literature review

2.1 Corporate governance

Good corporate governance ensures transparency, fairness, and accountability by establishing rules and practices to govern the relationships between managers and shareholders of a corporation as well as other stakeholders, such as employees, pensioners, and local communities. Alkhafaji (1989) defined corporate governance as a kind of organization having the authority to supervise the operation of different departments. Among such various departments, it is critical to maintain a sense of overall authority. The failure to do so results in what Dalton and Kesner (1987) called insider-dominated boards, which violate independence. Corporate governance could be classified as two types: family-owned share as internal governance and shares structure.

Research indicated that most East Asian firms are controlled by family (Claessens and Fan, 2003; Claessens et al., 2000; La Porta et al., 1999). Yeh et al. (2001) implied the family tends to control firms through pyramid structures and cross-holdings and generate private profits. When beneficial conflict arises between a company and its family, family members might take advantage of their position of authority and make faulty financial reports or trade benefits with outsiders by offering internal information. Based on mutual benevolent motivation, it would be hard for a trustee to evaluate the performance of related managers.

Jensen and Meckling (1976) considered that managers take action consistent with shareholder if ownership structure is convergence. Prior research indicated that institutional investors have been supposed one of activity supervision (Matsumoto, 2002). Agrawal and Koneber (1996) suggested that increases in institutional holdings can improve the monitoring. Institutional holding (IH), a positive proxy for corporate governance, is the ratio of shares held by government, financial institutions and the mutual funds to total share outstanding at the beginning of the year. Porter (1992) indicated that investors include both foreign institutions and national certified institutions or banks with professional knowledge and experience. Most scholars contend that institutional investors focus on short-term performance in addition to long-term development and innovation—the foremost factors a company must have for a competitive advantage. However, Kochhar and David (1996) suggested that family investors have a negative impact on information disclosure. Meanwhile, shareholders influence the decision making of the company. Therefore, in this study, two factors constitute the construct of corporate governance: shares structure and family-owned share.

2.2 Market orientation

Market orientation not only has a positive impact on organizational innovativeness and quality implementation, but it also affects companies’ performance (Lee and Tsai, 2005). According to Narver and Slater (1990), market orientation was the value system of an
organization, which can be divided into three categories: competitor orientation, consumer orientation, and inter-functional coordination. Competitor orientation indicates that the company analyzes its competitors’ potential and tendencies; investigates the competitors’ advantages, weaknesses, and development strategies; and accordingly develops its own reactive policy. Meanwhile, consumer orientation provides the company with a good understanding of customers’ needs in a target market. By predicting the changes in customers’ demand, the company is able to create customer values despite the uncertainty of the market. Finally, inter-functional coordination is the internal business cooperation across different departments; the general goal is to create customer values.

This research adopts the three constructs introduced by Narver and Slater (1990) to measure a company’s market orientation: competitor orientation, customer orientation, and inter-functional coordination.

### 2.3 Information disclosure

Information transparency and disclosure is vital to corporate governance. Companies implement information systems to enhance their knowledge sharing and transfer (Lee et al., 2007). When information asymmetry occurs in two parties, the party obtaining richer resources can pass valuable information to the other party to avoid or reduce an unbalanced shared-information problem (Spence, 1973). Information quality is the key focus of quality management. The company performing better can release its own corporate governance information and receive a better market evaluation. Elliot and Jacobson (1994) pointed out that the higher the information disclosure, the better the corporate governance and the less the impact of the deputy and unbalanced shared-information problem. Information disclosure can improve the company’s image, enhance the exchange of stocks, reduce costs, and simultaneously create the company’s value (Hsieh et al., 2006).

The contents of information disclosure include both mandated and voluntary disclosures. When securities are issued, the mandated disclosure includes the written statement of a company’s general information, such as finances, operational plans, capital analyses, and sales. Companies are required to place this information in the Market Observation Post System and make it available for investors, who need information that is up to date, sufficient, accurate, and public.

On the other hand, voluntary disclosure—the corporation’s prediction of future development—is the most important information that investors want to know (Porter, 1992; Sorescu et al., 2007). Stockholders and potential investors think it is vital for a company to provide information regarding its evaluation of its future development. Elliot and Jacobson (1994) indicated that, when economic information is fully revealed, investors and creditors are encouraged to seek the best investment and invest in the company with the highest productivity. In this way, resources are distributed the most efficiently. In a sense, information disclosure is a way to provide internal information to investors and creditors outside the company and reveal information to the public.

Based on the ideas of mandated and voluntary disclosure, this study evaluates a company’s level of information disclosure in terms of the accountability of the financial reports and the management’s trustworthiness.

### 2.4 New product preannouncement

New product preannouncement is one of the processes used to introduce new products and plays an important role in product planning before the product is presented to the market; as such, it is closely related to the new product’s performance. The preannouncement is a communication process consistent with the goal of the enterprise. The nature and duration of preannouncement depends on the factors related to the product (Rabino and Moore, 1989). A
company can include such preannouncements in the introduction or withdrawal of a new product. In a news release or public statement, the company makes the announcement to its partners to encourage development and investment in introducing new products; if the new product is postponed or cancelled, the company likewise notifies its partners in a news release or in a public statement.

According to Schatzel et al. (2001), academic research related to preannouncements mainly investigates the preannouncement activities of introducing new products while ignoring the up-to-date information for new products. Thus, the current research evaluates a company’s new product preannouncement by rating its willingness to share information with its partners when issuing new products, including announcements related to introducing, postponing, or abandoning products.

3. Research framework and hypotheses

3.1 Relation between corporate governance and market orientation

In an outer market system, products in a fierce market reduce overall profit. The only way for a company to remain competitive is to use its resources efficiently; market orientation can successfully satisfy customers’ demand by using resources effectively (Shleifer and Vishny, 1997). According to Horng and Chen (1998), market orientation helps parallel communication across departments and enables the various aspects of the company to cooperate and react to the changes in the market, thereby effectively achieving the goals of all departments.

With higher level of corporate governance, companies focus more on their business and customers rather than private interest. Therefore, all departments need to cooperate with one another to satisfy customers’ needs and maintain the company’s competitiveness. Hence, it can be assumed that corporate governance is related to market orientation. Based on the above assumption, the following hypothesis is proposed:

\[ H1: \text{Corporate governance is positively related to market orientation.} \]

3.2 Relation between corporate governance and information disclosure

Information disclosure is indispensable for good corporate governance. According to the Organization for Economic Cooperation and Development’s (OECD) principles of corporate governance, corporate governance should be able to certify the company’s information and instantly disclose accurate information. Goodwin and Seow (2002) indicated that companies with good corporate governance develop good timing for information disclosure while maintaining their own higher standards. Healy and Palepu (1993) stated that, when a company has better corporate governance and performance, the company usually has a higher level of information disclosure so as to encourage better evaluation from investors and creditors toward the company itself.

However, Dalton and Kesner (1987) believed that a family board of trustees would violate the independence of the board. When there is beneficial conflict between company and family, family members might take advantage of their authority to report faulty financial information or use internal information for profitable trade. A family board of trustees deteriorates corporate governance and violates the company’s discipline to disclose information. Firms with a comparatively higher percentage of directors who are family members are more likely to deal with conflicts of interest (Cochran et al., 1985). These arguments lead to the following hypotheses:

\[ H2: \text{Corporate governance is positively related to information disclosure.} \]
3.3 Relation between market orientation and information disclosure

Jaworski and Kohli (1993) reviewed market orientation from the data processing point of view and suggested three constructs: (a) market information, (b) information dissemination, and (c) responses to information. First, companies with market orientation readily access and work with database information to identify marketing opportunities and problems, plan programs, and evaluate performance (Rabino and Moore, 1989). The marketing information system primarily serves the company’s managers. Second, effective information dissemination can serve customers better. With a well-organized flow of information dissemination, the company improves its product/service quality. A company with a market orientation aims to keep customers well informed, building valuable trust with customers who become loyal to the company in return (Hsieh et al., 2006). Finally, a company takes action to both respond to competitors’ strategies and satisfy customers’ needs. If the company is market oriented, it is more willing to share information with customers (Cooper, 1984). Given this rationale and evidence, the following hypothesis is proposed.

H3: Market orientation is positively related to information disclosure.

3.4 Relation between information disclosure and new product preannouncement

New product preannouncement signals the company’s intention to reveal information to others in the market (Spence, 1973). Information sharing helps the company maintain its advantages and improves communication with customers and the quality of products, which further benefits new product development and innovation (Dyer and Nobeoka, 2000; Moorman et al., 1993). Therefore:

H4: Information disclosure is positively related to new product preannouncement.

This literature review and development of the hypotheses suggest that companies’ corporate governance and market orientation can make them more willing to share information with customers and release earlier new product preannouncements. Figure 1 summarizes the theoretical model and the relationships to be tested.

Figure 1. Theoretical model.
4. Methodology

4.1 Sampling procedures

Keen competition in the hi-tech industry has promoted the rapid development of new products. Consequently, the product life cycle in the electronics industry has been greatly shortened as new products flood into companies. Thus, companies in the electronics industry will serve as research subjects for the current study. The 2004 Business Directory of the Taiwan Electronics Industry was used as a source for the mailing list. A stratified sampling method with proportional allocation was applied. A total of 15 categories related to the electronics industry in Taiwan were identified; 60 firms were randomly selected from each category (for a total of 900) to have a survey mailed to them.

4.2 Questionnaire design

The construct and questionnaire items were designed according to previous research. All question items were constructed using a seven-point Likert scale as a measurement tool.

Table 1. Reliability and factors analysis results.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Factors and items</th>
<th>Factor loading</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>Shares structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institutional ownership</td>
<td>0.867</td>
<td>0.7785</td>
</tr>
<tr>
<td></td>
<td>Stockholder ownership</td>
<td>0.748</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Family-owned share</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The ratio of family-owned share</td>
<td>0.870</td>
<td>0.8379</td>
</tr>
<tr>
<td></td>
<td>Power of the family business</td>
<td>0.960</td>
<td></td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>The amount of competitors’ information</td>
<td>0.851</td>
<td>0.7319</td>
</tr>
<tr>
<td></td>
<td>Awareness of competitors’ strategies</td>
<td>0.747</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Responses to competitors’ activities</td>
<td>0.757</td>
<td></td>
</tr>
<tr>
<td>Customer orientation</td>
<td>Fulfilling customers’ needs</td>
<td>0.785</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing new product in accordance with customers’ preferences</td>
<td>0.687</td>
<td>0.7134</td>
</tr>
<tr>
<td></td>
<td>Pursuing customer satisfaction</td>
<td>0.858</td>
<td></td>
</tr>
<tr>
<td>Inter-functional coordination</td>
<td>Customer complaint handling</td>
<td>0.782</td>
<td>0.7975</td>
</tr>
<tr>
<td></td>
<td>Customers’ requirements</td>
<td>0.882</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information sharing</td>
<td>0.698</td>
<td></td>
</tr>
<tr>
<td>Information disclosure</td>
<td>Disclosed information</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managers’ ability</td>
<td>0.617</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decisions beneficial to investors</td>
<td>0.887</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decisions worthy trust</td>
<td>0.642</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Well-structured of the board of trustees</td>
<td>0.511</td>
<td>0.8790</td>
</tr>
<tr>
<td></td>
<td>Monthly sales</td>
<td>0.572</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Account receivables (A/R)</td>
<td>0.669</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross earnings</td>
<td>0.713</td>
<td></td>
</tr>
<tr>
<td>New product preannouncement</td>
<td>New product development</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Notification of new product development</td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td></td>
<td>News related with new product development</td>
<td>0.818</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New product information updated</td>
<td>0.823</td>
<td>0.8358</td>
</tr>
<tr>
<td></td>
<td>Notification of the drop out of new product</td>
<td>0.759</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Willingness to release the progress of new product development</td>
<td>0.845</td>
<td></td>
</tr>
</tbody>
</table>
A structured, closed-type questionnaire was developed to investigate how organizations face new product preannouncement issues. A pilot test involving academics and executives from 30 hi-tech firms was conducted in order to test the survey instrument. After adopting respondents’ suggestions, some survey items were rephrased to avoid invalid answers from leading questions and ambiguous connotations. The revised instrument was used for the final study.

The survey questionnaire packet, which included a cover letter and the questionnaire, was addressed to chief executive office of each firm. All respondents were required to be at least at a manager position. Out of the 900 companies to whom surveys were mailed, complete and valid responses were received from 127 companies, yielding a response rate of 14 percent.

5. Results

5.1 Characteristics of responding and nonresponding companies

The electronics industry was chosen for this study because of its competitive nature with new product development and relatively short product life cycle. Consequently, the three categories with the greatest number of responses were electronic products (18.1 percent), semiconductors (15.7 percent), and electronic devices (11 percent). Respondents were all mid-level managers and higher, representing a variety of firm sizes in the manufacturing and service sectors. Nearly three quarters of the firms (71.6 percent) had been in operation for over 10 years. There was considerable variety among respondents in terms of their capital base, ranging from NT$2 million to NT$1 billion. Most companies invested 3 to 8 percent of sales in product development (R&D).

Response rates by subcategory are relatively consistent, without many large variations among the groups; the largest difference in response rates was the lower response in small companies versus medium and large companies. Business partners in the value chain care less and are affected little by small companies’ new product development. Moreover, most small companies follow leading companies’ new product development strategies. Hence, the effects of low response rate from small companies are considered negligible.

To avoid erroneous inferences made by nonresponse bias, the composition of respondents was compared with that of nonrespondents to identify any differences. The follow-up process focused on ensuring the receipt of responses from leading companies in each category. Nonrespondents were called to determine why they did not respond; no single reason emerged, so generalization to the population can be justified.

5.2 Factor and reliability analyses

The data of shares structure were collected from the Family Control and Board Composition Database of Taiwan Economic Journal (TEJ). Table 1 indicates the factor and reliability analyses used in this research. To test the reliability of the constructs, the Cronbach’s $\alpha$ was analyzed using SPSS; the reliability coefficients for this study ranged from .70 to .93, all within acceptable ranges (Nunally, 1978). A principle components factor analysis with VARIMAX rotation using SPSS was conducted to assess the validity of the constructs. The items loaded at .5 or better with their corresponding constructs, which is considered very significant. Thus, convergent validity was confirmed. In addition, with respect to discriminant validity, the items loaded higher on their predicted construct than on their cross-loadings. Seven factors were identified: expertise background, family-owned share, competitor orientation, customer orientation, inter-function coordination, information disclosure, and new product development.
The outcome of the analyses indicates that the construct of factors is consistent with the design of this study. In other words, the use of corporate governance, market orientation, information disclosure, and new product preannouncement in a principal components analysis elicits seven construct factors. Both factor loadings and eigen values meet the requirements, and all of the Cronbach’s α values are over .7. Thus, the results of the factor analysis are acceptable.

5.3 Data analysis

To investigate the correlations among the variables, Pearson correlation was applied to evaluate the strengths of the relationships between variables. All variables show significant positive relations except “shares structure” and “family-owned share,” which present negative correlations. Dalton and Kesner (1987) argued that family boards of trustees violate the independence of the board and damage corporate governance. Therefore, the negative effects presented in “shares structure” and “family-owned share” in regards to corporate governance are consistent with the hypotheses of this study.

The “family-owned share” construct contributes a significant negative impact to “disclosed information”; furthermore, it has no significant correlation to the other five variables. These results verify H2, demonstrating the negative effect of family-owned shares on information disclosure. In addition, the correlation of family-owned shares to other factors (except competitor orientation) is negative, which is also consistent with the hypotheses of this study.

5.4 Path analysis

Bentler (1993) recommended that the ratio of sample size to the number of parameters to be estimated in a model be at the very least 5:1, preferably 10:1, if statistical significance tests are to be trusted. The model in this study includes eight parameters altogether. This rule of thumb is modestly satisfied based on the number of respondents (n = 127).

Using AMOS, a path analysis was applied to validate the hypotheses. Figure 2 demonstrates the path model and illustrates the structural relationships among the variables. The output in Table 2 shows $\chi^2/df$ is 1.6, which is smaller than 2. Therefore, the model has an ideal fitness. Table 3 is the AVEs and the summary of the correlations of the relevant variables, also indicating convergent and discriminant validity.

The CFA results presented an acceptable level of fit (GFI = .93, AGFI = .92, RMSEA = .05, $\chi^2/df = 1.95$). Strong factor loadings indicated that observed variables are valid estimates of latent variables, and the standardized factor loading was adopted in this study. The $t$-values of all indicator loadings well exceeded the critical value ($t = 3.29$) at the 0.001 significance level, which suggests that indicators were relevant and acceptable.

Average variance extracted (AVE) was also applied to assess convergent validity. This measurement represents the amount of variance captured from latent construct relative to the measurement error and should result in extractions of more than 50 percent of variance. Table 3 presents the AVE measurements—all of which were greater than 0.5, meaning convergent validity is well supported.

The discriminant validity measures the differences between constructs; it exists if items share more common variances with their respective constructs than with other constructs. Discriminant validity can be tested by examining the AVE of individual latent constructs to determine if the value is greater than the squared correlation between constructs and all other constructs. Table 3 indicates that the AVE of each individual construct was greater than the squared correlation between a construct and any other construct, providing evidence of discriminant validity.
The model overall fit statistics (GFI = .982, AGFI = .912, NFI = .99, NNFI = .99, CFI = .99, RMSEA = .07, RMR = .025, SRMR = .026) indicated an acceptable level of fit between the hypothesized model and the observed data. Estimated structural coefficients were subsequently examined to evaluate the individual hypotheses. The research framework is set up to investigate how corporate governance and market orientation of the electronics industry affect new product preannouncement through information disclosure. Table 2 shows the results of model fit, in which most indices meet the criteria. Thus, the pattern of results indicates support for the argument.

![Figure 2. Standardized parameters estimates.](image_url)

Table 2. Path coefficients and model of fit indices in all variables.

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Path</th>
<th>Coefficients</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares structure</td>
<td>Disclosed information</td>
<td>.163</td>
<td>.001**</td>
</tr>
<tr>
<td>Family-owned share</td>
<td>Disclosed information</td>
<td>-.181</td>
<td>.015**</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>Disclosed information</td>
<td>.228</td>
<td>.005**</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>Disclosed information</td>
<td>.354</td>
<td>.009*</td>
</tr>
<tr>
<td>Inter-functional coordination</td>
<td>Disclosed information</td>
<td>.098</td>
<td>.027*</td>
</tr>
<tr>
<td>Disclosed information</td>
<td>New product development</td>
<td>.321</td>
<td>.001*</td>
</tr>
</tbody>
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General fit indices

<table>
<thead>
<tr>
<th>Path</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$/df</td>
<td>1.725</td>
</tr>
<tr>
<td>P value</td>
<td>.158</td>
</tr>
<tr>
<td>GFI</td>
<td>.988</td>
</tr>
<tr>
<td>AGFI</td>
<td>.912</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.070</td>
</tr>
</tbody>
</table>

Notes: *p < 0.05, **p < 0.01.
Table 3. SEM model construct summary.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Correlation matrix</th>
<th>AVE</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
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<tbody>
<tr>
<td>1. SS</td>
<td>.62</td>
<td>.62</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. FS</td>
<td>.94</td>
<td>-.19*</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. CmO</td>
<td>.57</td>
<td>.31**</td>
<td>.04</td>
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<td>4. CsO</td>
<td>.65</td>
<td>.55**</td>
<td>-.07</td>
<td>.41**</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>5. IC</td>
<td>.64</td>
<td>.39**</td>
<td>-.15</td>
<td>.25**</td>
<td>.56**</td>
<td>-</td>
<td></td>
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<td>6. DI</td>
<td>.55</td>
<td>.50**</td>
<td>-.19**</td>
<td>.39**</td>
<td>.53**</td>
<td>.40**</td>
<td>-</td>
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<tr>
<td>7. NPD</td>
<td>.68</td>
<td>.28**</td>
<td>-.04</td>
<td>.29**</td>
<td>.22**</td>
<td>.22**</td>
<td>.29**</td>
<td>-</td>
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</table>

Notes: SS: Shares Structure; FS: Family-owned Share; CmO: Competitor Orientation; CsO: Customer Orientation; IC: Inter-functional Cooperation; DI: Disclosed Information; NPD: New Product Development; *p < 0.05, **p < 0.01.

As Figure 2 shows, in the construct of corporate governance, the path coefficient of “shares structure” and “disclosed information” is .163 at the p < .01 level, indicating “shares structure” has a positive and direct effect on “disclosed information.” Furthermore, the path coefficient of “family-owned share” to “disclosed information” is -.181 at the p < .01 level, showing a significant negative correlation. Both results verify H2. “Shares structure” has a positive impact on “disclosed information,” which also supports Goodwin and Seow’s (2002) research. In addition, the negative effect of “family-owned share” on “disclosed information” confirms H2 and supports Dalton and Kesner’s (1987) proposition.

The coefficients of “competitor orientation” and “customer orientation” to “disclosed information” are .228 (p < .01) and .354 (p < .05) respectively, indicating that “market orientation” has a positive, direct effect on “disclosed information.” This result verifies H3 and supports Jaworski and Kohli’s (1993) presentation. However, the “inter-functional coordination” is not significantly related with “disclosed information.”

As for the effect of “disclosed information” on “new product development,” the path coefficient is .321 (p < .05), signifying that “disclosed information” has a positive and direct impact on “new product preannouncements”; consequently, H4 and Dyer and Nobeoka’s (2000) suggestions are confirmed. Thus, all proposed hypotheses have been supported by the data analysis.

6. Conclusions and suggestions

Given these findings, a market-oriented company accompanied by fine corporate governance is more likely and able to release new product preannouncements, which benefits companies by helping them maintain their market advantages, enhancing their interactions with customers, and improving the quality of new products (Dyer and Nobeoka, 2000; Moorman et al., 1993). Effective corporate governance leads to lower costs and more equitable capital. Moreover, companies with a market orientation collect more information about customers’ needs and competitors’ activities and, through information disclosure, can understand and predict customers’ preferences while developing new products to meet customers’ needs.
There are three key theoretical contributions that can be drawn from our research. First, the important role of corporate governance in supporting a firm’s market orientation is identified and supported empirically, which in turn explains significance variance in new product preannouncement in Taiwan’s electronics industry. Corporate governance is not a factor that previously has been identified explicitly as an important driver of market orientation. Second, scholars studied the ways to implement a strong market orientation incorporated with organizational structures (e.g. Becker and Homburg, 1999; Harris, 2000). However, no research considers corporate as capability and examines the performance of the combination of market orientation and corporate governance yet. With the RBV theory, this study proclaims that market orientation as a resource and corporate governance as a capability of the firm. It is the combination of resources and matching capabilities that leads to company performance. Finally, this study’s findings indicate that corporate governance is important in the decision of releasing new product information through its effect on a firm’s market orientation behaviors.

6.1 Managerial implications

Interest conflict of family-owned business would create the deputy problem; however, both Fama (1980) and Pendleton and Deakin (2007) agreed that a system incorporating a board of trustees can solve such problems. With their professional knowledge and operational experience, members of the board can provide better supervisory and decision-making efficiency and have a positive effect on performance (Cochran et al., 1985).

Companies can stimulate customers’ needs by preannouncing the features and purposes of the new product. These effects can be strengthened by a good quality corporate control system and effective market-oriented strategies. A new product preannouncement is a company’s commitment to the new product. The preannouncement helps consumers make better purchasing decisions and allows suppliers to execute better coordination. If companies hesitate to preannounce their new products because of afraid of not being able to keep the promise, they could try the first step by telling the suppliers. The relationship becomes stronger because of the preannouncement action. Suppliers show more tolerance and understating if company later delays its new product launch.

6.2 Limitations and future research

Future research should support managers in their quest to realize the benefits of new product preannouncement. It should implement corporate governance disciplines and develop more accurate measures of behaviors in firms that trigger market orientation. Strategy characteristics to investigate the relation between corporate governance and market orientation should also be considered in the future.

This research was designed to investigate the effects of corporate governance and market orientation on new product preannouncements in the electronics industry. The results should not be applied to other cases. However, the framework used in this study may be applied when investigating the same issue in other industries or countries.

References


