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PRODUCT INNOVATION CHARTERS:
A STATE-OF-THE ART REVIEW

by

Christopher K. Bart

Innovation Research Working Group
WORKING PAPER NO. 67

May, 1997

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ABSTRACT

This article explores the nature and usage of product innovation charters in North American corporations. Although it has been 17 years since the concept was last formally investigated, the author reports that "PICs" (product innovation charters) are working their way into the fabric of modern corporate life. The article shows current trends in the content of PICs and attempts to define appropriate parameters for managers in creating/reviewing such documents. The research also demonstrates that product innovation charters may be of more value than most managers realize.

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Product Innovation Charters: A State-of-the-Art Review

In a pioneering article from 1980, Merle Crawford claimed to have identified a set of organizational policies and objectives which he considered essential to a firm's new product development activities. He called this set of policies and objectives (which had never before been named) a firm's "product innovation charter" or PIC.

The PIC was fundamentally described as an off-shoot of a firm's strategic planning process. According to Crawford, formal strategic planning was (and, in 1997, still is) an important organizational process for the successful long-term health and management of every firm. But, the new product development function was seen as not getting the full benefit that formal strategic planning systems had to offer. Because of their multi-functional nature and environments, new products were being relegated to more informal "back-of-the-envelope" planning processes. This, in turn, caused those multi-functional units engaged in new product development to lack the unity of purpose and direction enjoyed by traditional uni-functional departments.

The product innovation charter was, therefore, seen as providing an "integrated, goals-oriented character" to a firm's product development process. Crawford then went on to describe a study in which he attempted (a) to identify and categorize the specific components of product innovation charters; and (b) to measure the degree to which firms were actually adopting their use.

Given the importance of innovation to most organizations, it is remarkable that there has been no follow-up studies to Crawford's initial groundbreaking research. The purpose of the present study was to fill this void. Specifically, this article describes some preliminary findings from an on-going research project on the nature and degree of PIC usage within North American corporations. Most importantly, the impact of PICs on organizational performance was also investigated.

Product Innovation Charters and Mission Statements

Crawford described PICs as having essentially three major dimensions (and a variety of components within each dimension). Those dimensions and components were as follows:

* the target business arenas (including: product type, end user activity, technology and intermediate/end user group);
* the goals or objectives of product innovation (including both quantitative measures and special qualitative targets); and
* the program of activities (policies) selected to achieve the goals (including: strengths to exploit; weaknesses to avoid; sources of innovation; degree of innovativeness sought; and special conditions, restrictions or mandates).

The mission connection. In many respects, Crawford's depiction of product innovation charters parallels another, more familiar management concept called "the mission statement". In

fact, until just recently, mission statements, like PICs, have been a relatively uncharted area of management (Bart & Baetz, 1997). However, also like PICs, mission statements have been described as one of the most fundamental building blocks of an organization and its strategic planning system (Bart, 1997b).

Mission statement components & PICs. In their most basic form, mission statements are formal written documents intended to capture an organization's unique purpose and practices (Bart, 1996a; Bart, 1996b; Bart, 1996c; Bart and Baetz, 1997; Baetz and Bart, 1996; Campbell & Yeung, 1991; Campbell, 1993; Collins & Porras, 1991). A casual review of the literature suggests that there may be as many as 25 component parts making up their content (Bart, 1997a). Interestingly, almost all of the PIC dimensions cited by Crawford can be found in most recent commentaries describing the content of mission statements (Bart, 1997a and 1997b). Unfortunately, since Crawford, there has been no systematic attempt to analyse - and further confirm - the specific content and characteristics of PICs. In addition, the importance which should be attached to any one PIC component also appears to be unknown.

Mission statement benefits & PICs. According to Bart & Baetz (1997), the major benefits associated with mission statements include:

* providing more control over employee behavior through increased unity of purpose and direction; and
* a more focussed resource allocation process.

Recently, there has also been some research which suggests that there may be specific performance benefits associated with selected dimensions/components of mission statements (Bart, 1996a; Bart & Baetz, 1997; Bart, 1996c; Bart, 1997a); and that some components of

mission statements may be more important than others in terms of their influence on the organization and its members.

The degree to which PICs (and their component parts) are associated with new product performance, however, has not been heretofore investigated rigorously or directly. And yet, it seems only natural that, to the extent PICs provide direction and focus, improved performance should somehow result. Indeed, one historical article claims, albeit anecdotally, that improved new product speed-to-market will result in those firms that have a clear new product mission (or, product innovation charter) (Reinertsen & Smith, 1991). This is because firms with new product mission statements eliminate new product ideas rapidly and thereby "create space" for the more rapid development of those new products ultimately chosen. Unwanted new product projects, on the other hand, are jettisoned quickly before they can consume valuable resources. However, the empirical evidence in support of the performance benefits from PICs is extremely thin - if not virtually non-existant.

The present research, therefore, was specifically designed to expand our knowledge and understanding of product innovation charters (drawing especially from our growing knowledge of organizational mission statements) and also to help correct, at least in part, for some of the shortcomings in the previous research identified above.

The Research Questions

Given the importance of innovation to the long-term success of almost every organization, it is worthwhile to identify and understand those organizational processes which enhance a firm's

innovativeness. Unfortunately, apart from Crawford's initial study, most of the previous research on new products has been done without specific reference to the existence of product innovation charters. As a result, managers today would be hard pressed to know what exactly their PICs should look like or whether they should have one at all. The historical mission statement literature, however, has recently confirmed the usefulness that such documents have in terms of motivating employees and improving firm performance. It was, therefore, decided to address the empirical shortcomings of the PIC literature directly. A research project was launched to answer several specific questions:

1.) What are the specific content characteristics of PICs today and how do these compare to Crawford's original findings?

2.) What should PICs include?

   a.) Does the specific inclusion of any single PIC component make a difference in terms of firm member behavior and attitudes?

   b.) Does the specific inclusion of any single PIC component make a difference in terms of firm performance?

   c.) To what degree should any particular PIC component be specified?

3.) How satisfied are managers with their PICs?

Research Method

Sample Selection and Size

The current study involved a survey of 86 managers who claimed to be involved with

their organization's new product development process. They were randomly selected from the 1995 roster of the Product Development Managers Association. Sixty-six percent of the managers' firms were classified as manufacturing; 20 percent were categorized as service organizations; and the remaining 14 percent were labelled as "mixed". The product mix of the participating firms was also diverse. Thirty-six percent of the firms were categorized by respondents as "dominant product" companies; 60 percent were considered to be "related product" organizations; and 4 percent were deemed to be "unrelated products" or "conglomerates". There appeared to be no industry bias in the sample of firms. However, by North American standards, all of the firms surveyed would be considered large and important public corporations.

Managers were also asked to categorize and rate their firm on a number of actual and perceived performance dimensions. A summary of their responses is presented in Table 1. This data suggests that the firms participating in the survey represent a broad spectrum of organizations which are not weighted toward any particular characteristic (i.e. innovativeness; number of new products; percent of new product sales; degree of technological sophistication or intensity). The findings presented below may, therefore, be considered as representative of firms in general with potentially wide application.

Insert Table 1 about here.

Operationalizing PIC content and characteristics.

The content and characteristics of product innovation charters were operationalized by reviewing the prior mission statement literature and combining those findings with the

categorization scheme originally developed by Crawford. Thirty-four components were identified. These included:

A) the target business arenas:

* new product "business definition" guidelines (Drucker, 1973; David, 1989; Crawford, 1980)

* specific type of new products/new services to be offered (David, 1989; Ireland and Hitt, 1992; Crawford, 1980)

* specific type of new product end-user activity (or function) to be pursued (Crawford, 1980)

* nature of new product technology (David, 1989; Crawford, 1980)

* specific types of new product customers/markets to be served (David, 1989; Ireland and Hitt, 1992; Crawford, 1980)

B) the goals or objectives of product innovation (including: quantitative results expected and special qualitative targets:

* Quantitative

    * desired competitive position (or new product market share) to be achieved (Drucker, 1973; Campbell and Yeung, 1991; Crawford, 1980)

    * specific financial new product performance targets/objectives to be achieved (Klemm et al, 1991; Ireland and Hitt, 1992; Crawford, 1980);

* Qualitative:

    * statement of general (corporate-level) new product aims/goals (Coats et al., 1991; Collins and Porras, 1991; Klemmet al, 1991; Want, 1986; Klemm et al., 1991);

    * one clear and compelling new product goal (Collins and Porras, 1991);

    * specific non-financial new product performance targets/objectives to be achieved (Ireland and Hitt, 1992; Coats et al., 1991; Collins and Porras, 1991; Klemmet al, 1991; Want, 1986; Klemm et al., 1991; Crawford, 1980);

C) the program of activities (policies) selected to achieve the goals.

* distinctive competence/strength of the organization that new products are to exploit (Drucker, 1973; Campbell and Yeung, 1991; Crawford, 1980)

* organizational areas to avoid in creating new products (Crawford, 1980)

* competitive strategy defined for new products (Campbell and Yeung, 1991; Drucker, 1973; Ireland and Hitt, 1992);

* statement of new product self-concept/identity (David, 1989; Want, 1986; Crawford, 1980)

* statement of desired public image to be maintained or achieved with respect to new products ("How innovative do we want others to see us?") (David, 1989; Crawford, 1980)

D) Special conditions, restrictions or mandates (Crawford, 1980):

* product quality level to be protected and/or improved with respect to new products

* level of acceptable risk with respect to new products

* concern for serving only "real" or "genuine" needs with respect to new products

* concern for seeking low volume niches for "quiet intrusions" by new products

* attitude toward "low cost, repeat buying" product categories

* concern for avoiding regulatory or social problems with respect to new products

* the acceptable rate of growth in those markets being considered for new products

* concern for the patent ability of new products

E) Other possible PIC components based on the mission statement literature:

* general statement of purpose or raison d'etre for having new products (Drucker, 1973; Want, 1986; Campbell and Yeung, 1991; McGinnis, 1981; Klemm et al., 1991; Ireland and Hitt, 1992)

* statement of values/beliefs/philosophy to guide the new product innovation process (David, 1989; Want, 1986; Campbell and Yeung, 1991; Ireland and Hitt, 1992; Klemm et al., 1991)

* relevant/critical new product stakeholders identified (Bates and Dillard, 1991; Collins and

Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992);

* specific new product behavior standards to be observed (Campbell and Yeung, 1991; Want, 1986)

* identification of the business' location for new product activities (David, 1989);

* concern for satisfying customers with respect to new products (Want, 1986; Bates and Dillard, 1991; Collins and Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992)

* concern for employees and their welfare with respect to new products (David, 1989; Want 1986; Bates and Dillard, 1991; Collins and Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992)

* concern for suppliers with respect to new products (Want, 1986; Bates and Dillard, 1991; Collins and Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992)

* concern for society with respect to new products (Want, 1986; Bates and Dillard, 1991; Collins and Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992)

* concern for shareholders with respect to new products (Bates and Dillard, 1991; Collins and Porras, 1991; Daniel, 1992; Freeman, 1984; Medley, 1992; Oswald et al, 1994; Wilson, 1992)

* statement of new product vision (Collins and Porras, 1991)

Measuring PIC component utilization and specificity

Using the list of PIC content components identified above, a questionnaire was developed (and pretested with managers) which measured (a) the degree to which those PIC components were present and, if so, (b) the degree to which they were clearly specified among their firms' policies. The individual PIC components were measured by asking managers to indicate, on a three point scale, the degree to which each component was part of their firms'

formal written policies (0=not at all; 1= somewhat specified; 2=clearly specified). Cronbach's coefficient alpha for this PIC content scale was 0.94 - thereby indicating exceptionally high statistical reliability. Although it is recognized that actual specification of PIC components may vary significantly from managers' perceptions, exploring such differences has been left to another study.

Measures of PIC performance outcomes

To assess the relationship of a firm's PIC components (and their specificity) with performance, we used five outcome measures: two objective and three subjective/perceptual. The objective performance outcome measures were: (1) percent of current year sales resulting from new products introduced within the last five years; and, (2) the number of new products commercially introduced into the marketplace in the last five years. They were selected on the basis that these are the ones to which analysts and managers pay most attention.

In terms of the perceptual performance outcome measures, we developed a series of 10 point scales in which respondents were asked to indicate:

* the degree to which they were satisfied (i.e., 0=very dissatisfied; 9= very satisfied) with their organizations' new product performance in all respects (i.e., number of new product "winners"; number of new products introduced; etc)
* the degree to which they perceived their firm's new product policies as actually influencing the behaviors/actions of individuals throughout their organizations (i.e., 0=not at all; 9= to the greatest extent; and
* the degree to which they were satisfied overall with their organizations' set of new product

policies (i.e., 0=very dissatisfied; 9= very satisfied).

It should be noted that the correlation between actual new product sales (expressed as a percent) and our measure of managers' satisfaction with perceived new product performance was .47 and significant at $p < .001$. Thus, the subjective measure of new product performance appears to be a good proxy for the actual percentage sales. In fact, it may even be more appropriate since managers typically take many factors into account other than "straight numbers" when assessing performance such as, relative industry standing ("did we outperform the other firms in our industry") and time period comparisons("did we do better than last year"); and, they instinctively control for extraneous variables when making their judgements. In other words, they understand that high percentages per se may not always be indicative of high performance just as low percentages may not always reflect poor performance. The correlation between actual and perceived new product performance, therefore, takes on new meaning and significance. But its importance should also only be considered when taken into account with other performance measures.

Data analysis

The frequency with which each PIC component was mentioned in the firms was tabulated, analyzed using Kolmogorov-Smirnov tests and compared, wherever possible, to Crawford's earlier results. Using correlational and t-test analyses, we then compared the scores for each PIC component with our five performance outcome measures.

Findings & Discussion

Product Innovation Charters and their Policies

When Crawford completed his groundbreaking study, the phrase "new product charters" had not yet been coined. So, it was not possible for him to ask whether firms had a grouping of policies specifically called by that name. We, of course, did not face this same problem. In our survey, 29 percent of the respondents stated that their organization had a formal written document which was referred specifically to as a product innovation charter. In addition, 76.8 percent of the respondents admitted to their firms having *some* policies (Crawford referred to these as "partial charters") with respect to managing new products. These findings would suggest, therefore, that the concept of product innovation charters (as defined in this study) is, indeed, beginning to catch-on and that the phrase itself is beginning to enter the management lexicon. In addition, companies appear to be embracing Crawford's notion of having some policies to guide their new product development activities in a more purposeful and co-ordinated fashion - particularly in light of the multi-functional nature of the activity.

PIC Components and their Frequencies

Table 2 shows the results of our detailed analysis concerning the frequency with which individual PIC components (or specific new product policies) were observed to occur. There are no meaningful comparisons between this data and Crawford's original findings since he did

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Insert Table 2 about here.

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not provide any detailed statistics on each component's frequency of mention. Nevertheless, it is a general observation from our study that most of the 35 policy items were being used to a large extent. In addition, the results of our Kolmogorov-Smirnov tests established that there were significant differences in the respondents' evaluations of "component specificity" for each PIC policy.

The most popular policies appeared to be those which concerned "new product purpose", "new product type", "new product market" and "concern for customers". They were specified to some extent (or more) in over 90 percent of the cases. They are also among the more frequently mentioned items in prior discussions and analyses of company mission statements (Bart 1997a).

When a particular PIC policy item is mentioned in a firm, however, it is much more likely to be specified only "somewhat" as opposed to "clearly". Thirty-three out of the 35 policy items were classified as "somewhat specified" with frequencies of 30 percent or greater (whereas only 18 of the PIC components were "clearly specified" at the 30 percent level or more).

Interestingly, eleven PIC components were observed to be "not mentioned at all" to a fairly high degree (i.e. in 30 percent or more of the respondents' answers). These eleven items were: one clear and compelling goal; organizational areas to avoid; new product self concept; level of acceptable risk; concern for seeking low volume niches; avoiding particular competitors; acceptable rate of growth; attitude toward low cost categories; concern for patent ability; concern for suppliers; and concern for society. It is noteworthy, though, that the highest concentration of these "no mention" policies occurred within the "special conditions"

category of Table 2.

What these findings suggest is that among firms which use full or partial PICs, there is generally a propensity to limit the degree to which new product policies are specified. Why this occurs is presently unknown. It is intriguing, however, that policies which have been described (both in theory and practice) as being responsible for guiding the actions and behaviors of mult-functional members should be left so loose. Three possible explanations for this appear to exist. The first is that "loosely specified" new product policies create the organizational context in which employees are given the necessary freedom to be creative and to put their own imprimatur on the new product process. They have the discretion to make decisions - but only *within acceptable boundaries*. This approach is often called "empowerment" (Peters and Waterman (1986) referred to it as creating "loose-tight controls") and it can be very motivating for those participating in the new product process.

However, a second explanation for limited and loose new product policies may simply be that senior management does not know itself what exactly those policies should be in the first place. While senior managers recognize the necessity for having some policies, they are so hesitant and unsure as to what the firm's ultimate decisions should be that they are unwilling to commit (in the form of "clearly specified" policies) with boldness and conviction. Their challenge then becomes one of fostering, finding and executing a successful "emergent strategy".

Finally, a third reason for firms going only half-way with their specification of new product policies is that the managers just don't understand the necessity for (or see the benefits in) providing more clearly specified policies. The following discussion concerning the impact

of PICs on performance outcomes, however, sheds additional light on this issue.

Individual PIC Components and Performance

Do PICs matter? The results of our analysis comparing the level of specificity in the content of PICs with the five performance outcome measures is displayed in Table 3. The findings show that, with only four exceptions (i.e., "concern for low volume niches", "avoiding particular competitors", "attitude toward repeat buying" and "concern for shareholders"), each of the PIC components was significantly correlated with at least one of the five performance measures. Some performance measures, however, were found to have a more pervasive relationship with the PIC components than others. For example, virtually none of the individual PIC components was found to correlate with either of the two objective measures of performance: "percentage of sales from new products introduced in the last five years" (i.e., only 2 of 34 components) and "number of new products introduced" (i.e., only 1 of 34 components). At the same time, the three subjective performance measures were each found to correlate with large numbers of PIC items - with the most extensive correlations occurring in the case of "satisfaction with the firm's new product components".

Insert Table 3 about here.

What these findings suggest is that the impact of individual PIC components on performance is both behavioral and achievement oriented. In particular, the more that individual new product policies are specified in their PICs, the greater the satisfaction of

organizational members with those polices; the greater their perceived influence on firm member behavior; and the greater the managers' satisfaction with overall new product performance. Or, put another way, managers appreciate and respond positively to company policies to the extent that they are clearly explained and well understood. It was remarkable, however, to find that large numbers of companies exist (as in this sample) which still did not understand this fundamental and important principle of human motivation: that clarity of direction and expression begets the commitment that results in behavior change. Goal oriented behavior change, in turn, leads to improved performance (Bart, 1996a and 1997).

Do some PIC components matter more than others? Table 3 also shows that 7 of the PIC components were observed to be significantly correlated with many more of the performance measures (i.e., with at least three or more) than the other 28 items. Those 7 PIC components included: business definition, specific financial targets, one compelling goal, specific non-financial performance objectives, new product areas to avoid, competitive strategy, and statement of. Each of these PIC components was also found to have a positive relationship with performance i.e. the more the PIC component was clearly specified, the higher the performance rating.

With the exception of one item (i.e., specification of organizational areas to avoid), support for the performance relationships identified in this study can be found in the prior mission statement literature (see Table 3). It would seem, therefore, that (as with previous studies concerning the content of mission statements) some PIC components do, indeed, matter more than others. Moreover, the similarities in the findings between PICs and mission statements is noteworthy in that product innovation charters would appear to be simply a

"mission statement mutation" applied to a firm's new product/service/technology activities.

Benchmarking with Frequencies vs. Correlations. When the performance correlations of Table 3 were compared to our earlier frequency analysis results (Table 2), it was observed that only one of the high frequency PIC components (i.e., "specification of customer/markets to be served") was also among those found to have a significant correlation with performance. None of the other high frequency items from Table 2 (i.e. new product purpose, new product type and concern for customers) was found to have as strong a relationship with performance. At the same time, the PIC item which received the highest score in Table 2 for "no mention" (i.e., organizational areas to avoid) was also one of the components identified as having the most pervasive relationship with performance (Table 3).

These observations suggest, therefore, (a) that firms interested in benchmarking new product practices had better consider more than just identifying the most popular new product policies and adopting them, and (b) that managers should be wary about "following the crowd" when it comes to designing their PICs. As most mothers tell their children: "Just because everybody else is doing it is no excuse for going along". This is because, as our results demonstrated, many of the high frequency PIC items (as shown in Table 2) were apparently adopted to the same extent by both high performing and low performing firms (as shown in Table 3). The challenge in benchmarking, as in life, therefore, is to make sure one chooses the right (i.e., "performance enhancing") paths to follow.

Aggregate PIC Components and Performance

Having "some" vs "none". When a firm's new product polices are considered as a

whole, there appears to be a handsome "payoff" - even just for having "some". In particular, the 75 percent of firms which reported having some new product policies were found to have a significantly higher ($p. < .001$) percentage of sales from new products (35.8%) as compared with those firms that did not (16.9%). Given this finding, it was somewhat amazing to observe that, in the 1990s, almost one quarter of the respondents stated that their firms had no such policies at all. These laggard firms, however, would probably be equally amazed that they were missing out on such an opportunity.

The whole is greater than the sum. When the individual PIC component scores were aggregated for each firm and compared with their performance measures, three interesting results occurred (Table 4). The first is that, as with the individual PIC items, significant

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Insert Table 4 about here.

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positive associations were found once again with the three perceptual performance measures - i.e., satisfaction with overall new product performance, PIC influence on behavior and satisfaction with PIC components. Thus, the effect of aggregating PIC components on performance appears to be meaningful and important and we now have some evidence in direct support of this. The second finding, though, is that the associations between aggregated PIC components and performance appear to hold both when all 35 PIC components are combined and even when the eight situational components are excluded. The findings from this study, therefore, are quite robust. Finally, the third major observation from Table 4 is that it complements and extends our earlier notion stated above concerning the value of "simply

having any sort of new product policies" (i.e. that the mere existance of new product policies appears to be associated with superior performance). Only now, we have some empirical evidence which suggests that it is probably some combination of "number" and "specificity" of new product policies which contribute to higher levels of performance in general and higher levels of new product sales in particular.

PIC specification, performance and control. The findings in Table 4 also offer some resolution to our concerns over the the relationship between "the specificity of new product policies" and "manager behavior". Recall that our frequency analysis (in Table 2) found that most new product policies were only specified "somewhat" and we wondered whether this was deliberate in order to encourage creativity and flexibility or whether firms were simply not being direct enough in specifying their policies. The answer to this question now appears straightforward and plainly clear. Firms that have policies which are vague, ill-formed and/or poorly articulated are missing the boat. Higher performance (both in "perceived market achievement" and "behavioral" terms) is clearly associated with both more and crisply defined new product policies - in other words, "tight controls".

Now, some managers may blanche on reading this because they have been taught in recent years that high levels of creativity and new products result from having an organizational structure characterized by an absence of bureaucracy and administrative controls (Galbraith and Nathanson, 1982; Peters and Waterman, 1986; Peters, 1990). However, recent research on the nature of formal and informal controls is now beginning to argue - somewhat ironically - that the key to high levels of new products may reside with high levels of control (Bart, 1990, 1993, 1995, 1996). In addition, the large quantity of PIC items which were

observed in this study to be significantly correlated with our measure for "satisfaction with new product policies" intimates that the managers themselves do not find the currently high levels of new product policies oppressive.

These observations, in turn, suggest something even more provocative and enticing: that specifying clearly a firm's new product policies may be one of the most important considerations in terms of its ultimate market performance. And the rationale for this is equally straightforward - even obvious: most people in most organizations simply want to know what to do and what is expected of them. In other words, they want direction.

But, this should not be news. How many times have you heard managers and other employees throughout an organization complain that they don't know what's going on; or that they would probably be more motivated and happier if someone just explained to them where they were going or why they were doing something in a certain way. Therefore, by specifying what an organization expects and the boundaries around selected decision arenas, managers can focus the energies, efforts and attention of firm members in a way that may be simply awesome. In fact, the CEO of one major Fortune 500 firm once remarked to me: "In the end, having perfect strategies is really not all that critical. The most important thing is to simply do your homework, make some choices and then say to yourself and the rest of the organization 'We will now make these choices succeed'."

So too, then, perhaps with new products. In the end, it may be less important to agonize over which new product types to offer, which customers/markets on which to focus, and what organizational values to adopt. The more important consideration may be that somewhere and somehow the organization has undertaken the obligation to simply "make some

hard choices" about its new product attitudes, intentions and boundaries and then for top management to spend the bulk of its time communicating those policies clearly and precisely to organizational members. And it is only then that the firm members can set their minds to working on how to collectively implement those directives. Indeed, previous research exists which confirms that it is the clarity and precision of an organization's focus which creates the behaviors desired (Bart, 1996a). Or, to paraphrase a psychologist friend of mine: "the mind is a funny tool, it will attempt to solve whatever problem is presented to it. So the clearer the problem definition, the clearer the solution."

Some Final Thoughts

The research presented in this article has demonstrated that shown new product policies appear to be an integral part of most large North American corporations. And since Crawford's pioneering article, the concept of product innovation charters - or PICs - also appears to have grown. Until today, however, there were very few guidelines on how to create and deploy them. Hopefully, the current research results have taken our understanding of Crawford's initial ideas to a new level. The findings have suggested that there are clear areas of preference on the part of managers with respect to their firm's PICs. As a result, we now have some evidence on the degree to which specific new product policies are being used and in what way. We also have a better understanding of the impact that such policies - both individually and collectively - have on various performance outcomes. Managers should, therefore, consider the findings of this article seriously when contemplating their next new

products' policies review. This is because the choices that they ultimately make will - for sure - make a difference in terms of their success.

TABLE 1

KEY FINANCIAL AND OPERATING PERFORMANCE STATISTICS
(all $ numbers reported in millions)

Criteria	Statistic Reported Means 1995
Sales Change - Companies	15.9%
Sales Change - Industry	6.9%
Profit Change - Companies	64.9%
Profit Change - Industry	6.3%
ROS - Companies	9.2%
ROS - Industry	10.7%
ROA - Companies	13.1%
ROA - Industry	14.4%
Percentage of Current Sales from New Products in the last 5 Years	31.4%
Number of New Products Introduced in the last 5 Years	254
Satisfaction with current New Products performance (Scale = 0 - 9)	4.6
Degree of Innovativeness (Scale = 0 - 9)	5.1
Degree of Technological Sophistication (Scale = 0 - 9)	6.0

Table 2

PIC Component Frequency Analysis

Product Innovation Charter Components (i.e. specific New Product Policies)	PIC Component Not specified (0) % response	PIC Component Stated Somewhat (1) % response	PIC Component Clearly Specified (2) % response	Kolmogorov -Smirnov Test & Significance
A) the target business arenas:				
* *new product "business definition" guidelines*	21.0	51.6	27.4	2.07 ****
* *type of new products/new services to be offered*	9.7	50.0	40.3	2.21 ****
**type of new product end-user activity*	13.8	46.2	40.0	2.07 ****
* *nature of new product technology*	21.5	55.4	23.1	2.24 ****
* *types of new product customers/markets to be served*	8.1	51.6	40.3	2.32 ****
B1) the goals or objectives of product innovation: * Quantitative				
* *desired competitive position*	21.0	41.9	37.1	1.83 ***
* *specific financial new product performance objectives*	12.9	45.2	41.9	2.12 ****
B2) * Qualitative:				
**general new product goals*	8.2	55.7	36.1	2.47 ****
* *one clear and compelling new product goal*	35.5	33.9	30.6	1.83 ***
* *specific non-financial new product performance objectives*	13.1	68.9	18.0	2.77 ****
C) the program of activities (policies) selected to achieve the goals.				
* *distinctive competence/strength*	11.3	48.4	40.3	2.10 ****
* *organizational areas to avoid*	62.7	27.1	10.2	2.96 ****
* *competitive strategy*	17.7	50.0	32.3	2.05 ****
* *new product self-concept/identity*	38.7	46.8	14.5	1.97 ****
* *desired new product public image*	26.6	48.4	25.0	1.94 ***
D) Special conditions, restrictions or mandates:				

Product Innovation Charter Components (i.e. specific New Product Policies)	PIC Component Not specified (0) % response	PIC Component Stated Somewhat (1) % response	PIC Component Clearly Specified (2) % response	Kolmogorov -Smirnov Test & Significance
* *new product quality level to be protected and/or improved*	10.8	55.4	33.8	2.45 ****
* *level of acceptable new product risk*	34.4	53.1	12.5	2.3 ****
* *concern for serving only "real" or "genuine" needs*	20.3	56.3	23.4	2.27 ****
* *concern for seeking low volume niches for "quiet intrusions"*	60.0	35.4	4.6	3.03 ****
* *avoiding particular competitors*	55.4	33.8	10.8	2.77 ****
* *acceptable rate of growth*	38.5	50.8	10.8	2.26 ****
* *attitude toward "low cost, repeat buying" product categories*	46.9	37.5	15.6	2.36 ****
* *concern for avoiding regulatory or social problems*	20.3	35.9	43.8	2.22 ****
* *concern for new product patent ability*	32.3	33.8	33.8	1.80 ***
E) Other possible PIC components based on the mission statement literature:				
* *statement of purpose*	4.8	56.5	38.7	2.65 ****
* *statement of values*	12.9	46.8	40.3	2.05 ****
* *relevant stakeholders identified*	24.2	51.6	24.2	2.03 ****
* *specific new product behavior standards*	25.8	45.2	29.0	1.79 ***
* *identification of new product location*	27.0	39.7	33.3	1.73 ***
* *concern for satisfying customers*	3.1	43.1	53.8	2.80 ****
* *concern for employees*	23.1	47.7	29.2	1.95 ***
* *concern for suppliers*	37.5	48.4	14.1	2.07 ****
* *concern for society*	32.8	29.7	37.5	1.97 ****
* *concern for shareholders*	11.1	50.8	38.1	2.22 ****
* *statement of new product vision*	16.9	55.4	27.7	2.32 ****

Legend: ** $p < 0.05$ significance (two tail significance)
*** $p < 0.01$ significance
**** $p < 0.001$ significance

Table 3

PIC Component Correlations with Performance

Product Innovation Charter Components (i.e. specific New Product Policies)	New Product Sales as a % of Current Sales	Number of New Products Introduced	Satisfaction with overall new product performance	PIC components influence on behavior	Satisfaction with PIC components	Prior mission statement lit. support
A) the target business arenas:						
* *new product "business definition" guidelines*	ns	ns	.35 ***	.41 ***	.45 ****	1
* *type of new products/new services to be offered*	ns	ns	ns	.46 ****	.33 ***	
**type of new product end-user activity*	ns	ns	ns	.38 ***	.30 **	
* *nature of new product technology*	ns	ns	ns	.32 ***	ns	3
* *types of new product customers/markets to be served*	ns	ns	.27 **	ns	.26 **	
B1) the goals or objectives of product innovation: * **Quantitative**						
* *desired competitive position*	ns	ns	ns	.29 **	.28 **	
* *specific financial new product performance objectives*	ns	ns	.27 **	.39 ***	.35 ***	2,3
B2) * **Qualitative:**						
**general new product goals*	-.27 **	ns	ns	ns	.27 **	1
* *one clear and compelling new product goal*	ns	ns	.25 **	.32 **	.40 ***	3
* *specific non-financial new product performance objectives*	ns	ns	.38 ***	.35 ***	.58 ****	3
C) the program of activities (policies) selected to achieve the goals:						
* *distinctive competence/strength*	ns	ns	ns	.34 ***	.30 **	
* *organizational areas to avoid*	ns	ns	.29 **	.26 **	.30 **	
* *competitive strategy*	.30 **	ns	.29 **	.33 ***	.43 ****	1,3
* *new product self-concept/identity*	ns	ns	ns	ns	.42***	1
* *desired new product public image*	ns	ns	.28 **	ns	.39 ***	1
D) Special conditions, restrictions or mandates:						

Product Innovation Charter Components (i.e. specific New Product Policies)	New Product Sales as a % of Current Sales	Number of New Products Introduced	Satisfaction with overall new product performance	PIC components influence on behavior	Satisfaction with PIC components	Prior mission statement lit. support
* *new product quality level to be protected and/or improved*	ns	ns	.22 ***	ns	.44 ****	
* *level of acceptable new product risk*	ns	ns	ns	ns	.35 ***	
* *concern for serving only "real" or "genuine" needs*	ns	ns	ns	ns	.37 ***	
* *concern for seeking low volume niches for "quiet intrusions"*	ns	ns	ns	ns	ns	
* *avoiding particular competitors*	ns	ns	ns	ns	ns	
* *acceptable rate of growth*	ns	ns	ns	ns	.26 **	
* *attitude toward "low cost, repeat buying" product categories*	ns	ns	ns	ns	ns	
* *concern for avoiding regulatory or social problems*	ns	ns	ns	ns	.42 ***	
* *concern for new product patent ability*	ns	ns	ns	ns	.28 **	
E) Other possible PIC components:						
* *statement of purpose*	ns	ns	ns	ns	.31 **	1,2
* *statement of values*	ns	ns	.36 ***	.32 **	.53 ****	1,2
* *relevant stakeholders identified*	ns	ns	ns	.35 ***	.52 ****	
* *specific new product behavior standards*	ns	ns	ns	.27 **	.39 ***	3,4
* *identification of new product location*	ns	ns	ns	ns	.30 **	
* *concern for satisfying customers*	ns	ns	ns	ns	.2759 **	1
* *concern for employees*	ns	.3192 **	ns	ns	.4080 ***	1,3
* *concern for suppliers*	ns	ns	.38 ***	ns	.33 ***	1
* *concern for society*	ns	ns	ns	ns	.30 **	1
* *concern for shareholders*	ns	ns	ns	ns	ns	1,3
* *statement of new product vision*	ns	ns	ns	ns	.28 **	1,3

Legend: ** $p < 0.05$ significance (two tail significance)
*** $p < 0.01$ significance
**** $p < 0.001$ significance

(1)= Bart, 1997b; (2)= Bart & Baetz, 1997;(3)= Bart, 1997a;(4)=Bart, 1996a

Table 4

Aggregated PIC Component Scores and Performance Outcomes

Aggregated Product Innovation Charter Components	New Product Sales as a Percent of Current Sales	Number of New Products Introduced	Satisfaction with Overall New Product Performance	PIC Components' Influence on Behavior	Satisfaction with PIC Components
Total PIC Items - All	ns	ns	.33 ***	.40 ***	.58 ****
Total PIC Items - Excluding all "Situational Items"	ns	ns	.43 ***	.43 ****	.59 ****

Legend: ** $p < 0.05$ significance (two tail significance)
*** $p < 0.01$ significance
**** $p < 0.001$ significance

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