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How Pricing Teams Develop Effective Pricing Strategies for New Products*

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Companies increasingly rely on pricing teams to master the complexity of pricing a new product. However, little is known about how firms should design such pricing teams. In this study, pricing teams are defined as two or more professionals within a firm who are formally or informally involved in the decision-making process with regard to the pricing strategy for a new product. Drawing on the information-processing view of organizational design, this study presents a framework of how pricing teams develop effective pricing strategies for such new products. Specifically, the authors provide evidence that rationality and intuition are two key pricing team information-processing modes that drive the effectiveness of a new product's pricing strategy. The authors examine how pricing team characteristics—stability, experience, size, autonomy, and functional diversity—enable pricing teams to apply rationality and intuition when developing a new product's pricing strategy. Using data gathered from managers involved in pricing team decisions, the authors demonstrate that pricing teams can be designed to enable the application of pricing team rationality and intuition in this realm, thereby driving effectiveness of the pricing strategy. Product innovativeness moderates these relationships. Specifically, while pricing team rationality has an unambiguously positive effect on pricing strategy effectiveness, pricing team intuition is functional for high levels of product innovativeness and dysfunctional for low levels of product innovativeness. Consequently, managers should not inhibit intuitive decision-making processes under all circumstances but allow intuition to complement rational decision-making in the development of pricing strategies for really new products. Choosing the right pricing team design can facilitate the effective use of rationality and intuition.

Practitioner Points

- Companies frequently employ pricing teams to master the complexity of developing pricing strategies for new products.
- In the case of incrementally new products, pricing team members should be experienced but membership should remain stable throughout the pricing strategy task to curb the use of intuition.
- In the case of really new products, pricing team members should also be experienced but membership should fluctuate throughout the pricing strategy task to facilitate the use of intuition.
- Managers should not inhibit intuitive decision-making processes under all circumstances but allow intuition to complement rational decision-making in the development of pricing strategies for really new products.

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A central task in launching a new product is the development of its pricing strategy (Dean, 1969), which represents the long-term decision about the price–value positioning of a new product over time (Homburg, Jensen, and Hahn, 2012; Rao, 1984). An inappropriate pricing strategy for a new product puts at stake all efforts made in its development (Ingenbleek, Frambach, and Verhallen, 2013). In fact, developing a pricing strategy for a new product is one of the most complex endeavors in pricing (Dean, 1969; Monroe and Della Bitta, 1978), and to address this complexity, companies such as Goodyear have established pricing teams (PTs) (Aeppel, 2002; Hinterhuber and Liozu, 2015). From an organizational design theoretical perspective, companies may establish cross-functional PTs to facilitate effective information processing by moving "the level of decision

making down to where the information exists" (Galbraith, 1974, p. 33).

The question of how firms should organize pricing internally is in general chronically under-researched. Previous research addresses some organizational issues, such as pricing as an organizational capability (e.g., Dutta, Zbaracki, and Bergen, 2003) or how to organize pricing authority within the firm (e.g., Homburg et al., 2012). However, beyond initial case-study research (Bernstein and Macias, 2002; Dutta et al., 2003), empirical studies on PTs are lacking and while case studies acknowledge the existence of PTs, no study illuminates how these teams can be installed for effective pricing decision-making. Thus, the overall aim of the current study is to investigate how the design of PTs influences the development of effective pricing strategies for new products. In this study, a PT is defined as two or more professionals within a firm who are formally or informally involved in the decision-making process with regard to the pricing strategy for a new product.

Building on the information-processing view of organizational design (Galbraith, 1974, 1977), this study focuses on two crucial PT aspects: PT characteristics and PT information processing. With regard to the latter, enabling effective information processing within organizational structures is the central tenet of Galbraith's theory, and a particularly interesting question is whether PTs should apply rational or intuitive information processing in developing pricing strategies for new products. This decision is crucial because the pricing literature contends that new product pricing strategies are rarely the outcome of a rational process conducted in a purely logical and analytical manner. Instead, researchers have described the apparently unconscious process by which firms often develop pricing strategies as being "largely intuitive" (Oxenfeldt, 1973, p. 48), "ad hoc" (Dutta, Bergen, Levy, Ritson, and Zbaracki, 2002, p. 61), or made "more by instinct than design" (Monroe and Della Bitta, 1978, p. 415). At the same time, prior research does not explore whether a PT's reliance on intuition or rationality is beneficial for pricing new products.

A second important question, then, is how managers enable forms of rational or intuitive information processing by tailoring the PT's structural characteristics to this particular end. Indeed, the organizational team literature pertaining to a variety of different contexts suggests a link between PT characteristics and modes of information processing (Hambrick and Mason, 1984; Milliken and Martins, 1996; Sivasubramaniam, Liebowitz, and Lackman, 2012). More importantly, the information-processing view advocates that organizational structures such as teams should be designed to support decision-making, especially by enhancing information flow and interpretation (Galbraith, 1974, 1977). Consequently, many organizational design issues relate to team decision-making, such as who participates (Galbraith, 1974). Determining the structural characteristics of PTs is thus an important team-related design issue that needs to be resolved to enable effective modes of information processing. In accordance with prior literature on new product development (NPD) teams, the authors of the present study consider PT stability, experience, size, autonomy, and functional diversity to be important PT

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characteristics in this regard (e.g., Patanakul, Chen, and Lynn, 2012; Sethi, Smith, and Park, 2001; Slotegraaf and Atuahene-Gima, 2011).

In line with the contingency approach to organizational design (Tushman and Nadler, 1978), this study additionally considers product innovativeness to be an important contextual factor for designing PTs. In particular, this study argues that product innovativeness determines the complexity of the pricing strategy task (Garcia and Calantone, 2002; Monroe and Della Bitta, 1978). For example, a pricing strategy for a highly innovative product is developed under great uncertainty with respect to demand, costs, and competitive conditions (Dean, 1969), whereas a product low in innovativeness entails far less uncertainty regarding these conditions. The authors contend that PTs represent information-processing units impacted by these contextual uncertainties in the way they go about making pricing decisions and how they affect pricing strategy effectiveness.

In addressing these issues, this study offers several contributions. To the best of our knowledge, this research is the first to empirically examine the development of pricing strategies for new products by PTs. Using cross-industry data garnered from 231 managers involved in PTs, this study demonstrates that PTs serve as an adequate organizational structure to support decision-making in new product pricing contexts. In so doing, this study expands the information-processing view of organizational design in three ways. First, this study identifies characteristics of PTs to be important design decisions that help these teams to apply forms of information processing that can engender effective pricing strategies for new products. Second, the accordance with the information-processing view of organizational design, rationality, and intuition are incorporated as key information-processing modes that PTs can apply in the new product pricing context. By exploring the effects of PT rationality and intuition on the effectiveness of a pricing strategy, this study also enriches an ongoing debate in the literature about the functionality or dysfunctionality of rationality versus intuition in managerial decisions (Eling, Griffin, and Langerak, 2014; Miller and Ireland, 2005; Priem, Rasheed, and Kotulic, 1995). Third, it is demonstrated that the new product's innovativeness is an important contextual factor impacting how PTs should be designed to enable the various modes of information processing and how these modes in turn affect pricing strategy effectiveness. By identifying product innovativeness as a factor representing information requirements that must be matched by choosing appropriate PT characteristics, our study also adds to the literature supporting a contingency view of organizational design (Tushman and Nadler, 1978).

Theoretical Background

Our conceptual framework draws on the information-processing view of organizational design (Galbraith, 1974; Tushman and Nadler, 1978), which is grounded on the paradigm that organizations should be designed to facilitate organizational decision-making (Huber and McDaniel, 1986). The basic notion of this perspective is that the structural design of organizations or organizational subunits partly determines the capacity for effective information processing and that the need for information-processing capacity depends on task-related uncertainty (Becker and Gordon, 1966; Tushman and Nadler, 1978). Therefore, organizations and their subunits act as information-processing systems (Tushman and Nadler, 1978). The key issue in organizational design is to enable the organization to handle the uncertainty inherent in routine tasks. As task uncertainty increases, so does the information load on the organization, which needs to be processed by decision-makers during task execution (Galbraith, 1974). Organizations should then adopt design strategies to establish a fit between information-processing requirements and information-processing capacities for a specific task (Daft and Lengel, 1986; Galbraith, 1974; Tushman and Nadler, 1978). These strategies may aim at either reducing the need for information processing or increasing the capacity for information processing (Galbraith, 1974).

In our focal context, assembling a PT represents a mechanism to increase the information-processing capacity needed to perform the complex pricing strategy task within the firm. More specifically, forming a PT establishes lateral relationships that reduce the number of decisions that are referred upward, leading to more effective decision-making (Galbraith, 1973, 1974). The authors of the present study argue that the extent to which more effective decision-making occurs depends on specific PT characteristics (Galbraith, 1974). In line with the organizational team literature suggesting that PT characteristics reflect the cognitive attributes the members bring into the PT (Hambrick, 2007; Horwitz and Horwitz, 2007; Milliken and Martins, 1996; Wiersema and Bantel, 1992), it is proposed that PT characteristics are valid surrogates for a PT's

information-processing capacity, reflecting the PT members' expertise, experience, and perspectives with regard to alternative ways of pricing new products.

The extent to which information-processing capacity is needed in the first place is determined by the information-processing requirements of the PT task (Galbraith, 1974; Tushman and Nadler, 1978). Product innovativeness is expected to represent a major driver of the information-processing requirements and that PT characteristics should match the innovativeness of the new product for which the PT develops a pricing strategy. This match enables the PT to apply the information-processing modes of PT rationality or intuition appropriate for developing an effective pricing strategy in the given task situation.

Conceptual Model and Literature Review

Figure 1 represents our conceptual model, in which the PT characteristics (PT stability, experience, size, autonomy, and functional diversity) reflect a PT's information-processing capacity driving the two information-processing modes of PT rationality and intuition. These modes in turn affect pricing strategy effectiveness as represented by the new product's financial performance. Further, product innovativeness is included as a key contextual factor. On the basis of contingency theory, product innovativeness should also determine the extent to which the respective information-processing modes lead to pricing strategy effectiveness.

Information-Processing Modes: PT Rationality and Intuition

Prior research suggests that intuition is not the absence of rationality. Rather, intuition and rationality are two distinct systems that complement each other (Sloman, 1996). Whereas rationality pertains to conscious information processing, intuition is a more unconscious way of processing information without logical inference or analytical methods (Evans, 2008) and has been described as "holistic hunch" or "gut feeling" (Miller and Ireland, 2005, p. 21). The result of intuitive processing is a seemingly unsubstantiated attitude toward a decision alternative or course of action (Eling et al., 2014).

The notion that team intuition is *not* based on a conscious, comprehensible evaluation of facts has discredited its use in organizational decision-making. For some time, a common perception equated the use of intuition with guessing (Miller and Ireland, 2005). More recently, researchers and managers have begun to acknowledge advantages of intuitive over rational information processing within teams. For instance, team intuition can provide benefits in NPD and innovation management (Dayan and Di Benedetto, 2011; Dayan and Elbanna, 2011; Eling, Langerak, and

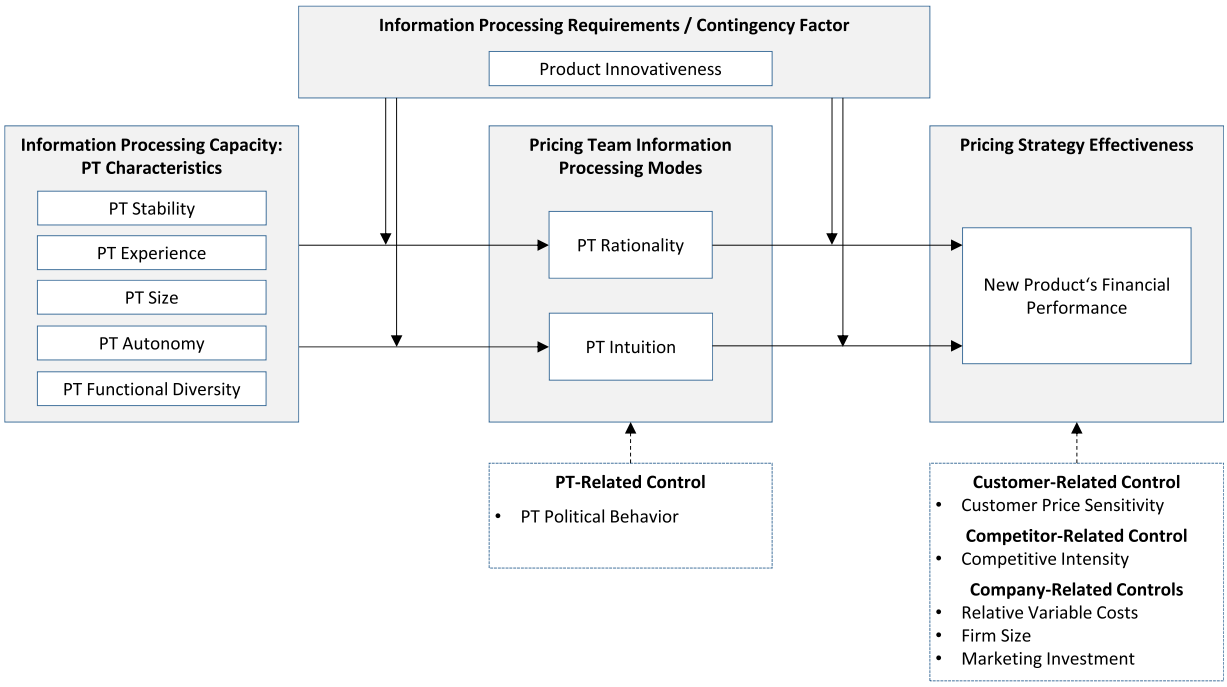


Figure 1. Conceptual Framework. [Color figure can be viewed at wileyonlinelibrary.com]

Griffin, 2015). Eling et al. (2014) synthesize prior literature and propose that potential benefits of intuition arise from a high information-processing capacity, access to implicit and tacit knowledge, high openness to integration of new information, precise unconscious weighting of information, making of new associations, and matching of complex patterns. On the downside, they note that intuition is not universally applicable, does not produce reasons that support the tendency toward a decision alternative, and results in decision-makers' lack of awareness of the process.

In line with this literature, the authors expect PT rationality and intuition to be two key information-processing modes that may be functional or dysfunctional, depending on the level of product innovativeness. Hence, PT rationality and intuition are conceptualized as distinct ways of dealing with complex environments. Drawing on Dean and Sharfman (1993), PT rationality is defined as the extent to which the process of developing the pricing strategy for a new product is characterized by the PT members' collection of information and reliance on relevant information in a logical and analytical manner. This understanding of PT rationality reflects that PT members are not omniscient but desire to make the most logical and accountable decision given the circumstances (Dean and Sharfman, 1993). In this sense, a PT seeking to establish rationality in the development of a pricing strategy needs to be designed to allow accessing and processing the relevant information. Drawing on Sadler-Smith and Shefy (2004), PT intuition is defined as the extent to which the pricing strategy for a new product results from the PT members' capacity for attaining direct knowledge or understanding through personal judgment, initial feelings, and gut instinct, without the apparent intrusion of rational thought or logical inference.

Information-Processing Capacity: PT Characteristics

This study argues that the characteristics of PTs reflect the information-processing capacity and hence support mastery of the complexity of information processing in the development of a pricing strategy for a new product. In this regard, PT characteristics identified in the literature on NPD teams are considered to be also relevant for PTs (e.g., Patanakul et al., 2012; Sethi et al., 2001; Slotegraaf and Atuahene-Gima, 2011). Specifically, this study explores the role of team stability, experience, size, autonomy, and functional diversity. The authors propose that these characteristics enable PTs to apply the level of rational and intuitive information processing that fits the requirements of the focal new product's innovativeness. It is argued that—contingent on the level of product innovativeness—PT characteristics have to be adjusted so that PTs are able to apply the needed information-processing mode.

Team stability is a key issue in the literature on team and organizational decision-making (Akgün and Lynn, 2002; Slotegraaf and Atuahene-Gima, 2011). Team stability is an often-used integration mechanism that firms can adopt to support information processing and sharing in cross-functional teams (Slotegraaf and Atuahene-Gima, 2011). In the present study, stability refers to the extent to which the members of a PT remain stable for the duration of the pricing strategy task.

Prior literature in innovation management points to the importance of team members' experience (Carbonell and Rodriguez, 2006; Dayan and Di Benedetto, 2011). In accordance with Dayan and Di Benedetto (2011), PT experience is defined as the extent to which members of the PT have previously developed pricing strategies for similar products and have thus accumulated relevant experience for this task environment.

In line with Slotegraaf and Atuahene-Gima (2011), PT size is referred to as the number of individuals on a PT. Team size should positively relate to the amount of information that can be accessed and processed by the team (Hambrick and D'Aveni, 1992; Tushman and Nadler, 1978). However, as size increases, so do issues with regard to coordination and information processing (Haleblian and Finkelstein, 1993).

Next, teams can be broadly differentiated as having an autonomous or functional team structure. In a functional team structure, members are grouped primarily by discipline and coordination is handled by the managers of each discipline (Clark and Wheelwright, 1992). In the autonomous team structure, team members are dedicated and colocated with a project leader from senior management who has full control over the team's resources (Patanakul et al., 2012). On the one hand, autonomous teams are advantageous in terms of ease of coordination and integration because the process does not need to be divided into separable activities (Clark and Wheelwright, 1992). On the other hand, the strength of functional teams is that the most capable and experienced individuals within the organization allocate their knowledge systematically over time and across projects. Accordingly, the present study uses PT autonomy to refer to the degree to

which a PT operates independently from functional departments and other teams.

Last, functional diversity is important in innovation management because members bring input from different "thought worlds" to the team task (Sivadas and Dwyer, 2000, p. 33). However, while diversity in members' functional backgrounds may increase the variety of ideas and perspectives, it may also lead to information overload (Sethi et al., 2001). In line with prior research, functional diversity is defined as the number of functions represented in the PT (Carbonell and Rodriguez, 2006; Sethi et al., 2001).

Pricing Strategy Effectiveness

Pricing strategy effectiveness refers to the extent to which the new product achieves its goals in terms of external criteria (Stock, 2014). Prior research stresses that the most important criterion for evaluating a pricing strategy's effectiveness is the new product's financial performance (Homburg et al., 2012), defined as the extent to which the new product achieves its objectives in terms of profit margin, return on investment, and return on assets. Therefore, in our research, pricing strategy effectiveness is reflected by the new product's financial performance.

Contingency Factor: Product Innovativeness

The authors conceptualize product innovativeness on a spectrum ranging from an incrementally new product (INP) to a really new product (RNP) (Urban, Weinberg, and Hauser, 1996). While INPs satisfy existing market needs using existing or refined technologies, RNPs "shift market structures, represent new technologies, require consumer learning, and induce behavior changes" (Urban et al., 1996, p. 47). Prior literature suggests that product innovativeness is an important contingency factor for the organization of NPD teams (Olson, Walker, and Ruekert, 1995), and the complexity of the pricing strategy task is expected to increase with the innovativeness of the new product. For RNPs, automated decision rules based on established products may not apply and comparable market experiences rarely exist (Monroe and Della Bitta, 1978; Zbaracki and Bergen, 2010). Additionally, for RNPs market segments are often ill-defined, customer and competitor reactions are difficult to predict, assessments of willingness to pay is biased, and whether RNPs cannibalize existing products is unclear (Dean, 1969; Dutta et al., 2002; Hofstetter, Miller, Krohmer, and Zhang, 2013; Kuester, Feurer, Schuhmacher, and Reinartz, 2015). Therefore, the role of product innovativeness in our model is twofold. First, product innovativeness is a central contextual factor reflecting the information-processing requirements of the task and thus determines how PTs should be designed to exercise different modes of information processing. Second, product innovativeness determines the extent to which the respective information-processing modes lead to effective pricing strategies, since the strategic management literature suggests that the effect of strategy-making processes on organizational outcomes depends on contingency factors (e.g., Elbanna and Child, 2007).

Control Variables

The conceptual framework includes several potential confounds of pricing strategy effectiveness. The authors draw on the "three Cs" (customer, company, competition) of the strategic triangle that prior research considers important in pricing situations (Homburg et al., 2012; Ingenbleek et al., 2013; Monroe, 2003). Specifically, the range of prices a company can reasonably set for a new product is limited by the variable costs of the product (price floor) and customers' maximum willingness to pay (price ceiling), and competition can create downward pressure on the upper limit (Monroe, 2003). As these factors vary by industry and product category, these important considerations are captured for any pricing decision by the relative variable costs, customer price sensitivity, and competitive intensity (Homburg et al., 2012). Firm size and marketing investments are also controlled for, both of which may affect a new product's financial performance but are not the focus of our study.

In addition, it is taken into account that conflicts leading to political behavior may occur in the development of pricing strategies (e.g., Lancioni, Schau, and Smith, 2005; Smith, 1995). Indeed, political behavior represents a third dimension in strategic decision-making (Elbanna and Child, 2007) that may impede the other two dimensions of PT rationality and intuition. Therefore, PT political behavior is included as a potential confound for PT rationality and intuition.

Hypotheses Development

Drawing on the information-processing view of organizational design, hypotheses are formulated concerning

both direct and conditional effects of PT characteristics on PT rationality and intuition. Subsequently, on the basis of the contingency view of strategic decision making, hypotheses are developed concerning both direct and conditional effects of PT rationality and intuition on the new product's financial performance.

Direct Effects of PT Characteristics

If the characteristics of PT stability, experience, size, autonomy, and functional diversity are considered to be valid surrogates for a PT's information-processing capacity, the question arises as to the direct relationship between the PT's information-processing capacity and modes of information processing. The information-processing view suggests that organizational subunits with a high information-processing capacity are those that allow an efficient use of individuals as problem solvers by increasing the opportunity for feedback and error correction and for the synthesis of different points of view (Tushman and Nadler, 1978). Therefore, designing for high PT information-processing capacity should enable PTs to better deal with the generally high complexity of the pricing strategy task and apply a rational mode of information processing in the development of the pricing strategy. Similarly, as noted earlier, an effective use of intuition requires information-processing capacity to synthesize and process all information in an unconscious manner (Eling et al., 2014; Evans, 2008). Hence, a PT's information-processing capacity is generally expected to be positively related to the team's ability to apply both rationality and intuition in the development of the pricing strategy.

In developing the hypotheses, it is argued whether high or low levels of the respective PT characteristics reflect high PT information-processing capacity that enables rational and intuitive modes of information processing.

PT stability. On the one hand, prior literature suggests that high team stability should be achieved because changing team members can lead to loss of information and knowledge (Carley, 1992) and reduce information processing (Akgün and Lynn, 2002). On the other hand, team stability may negatively influence team learning and information processing by impeding the critical thinking that is needed to broaden team members' perspectives and challenge prevailing assumptions (Levine and Moreland, 1999). Slotegraaf and Atuahene-Gima (2011) integrate these findings by demonstrating that the effect of NPD team stability on the decision-making process variables follows the shape of an inverted U. However, the capacity to challenge prevailing assumptions seems more central to NPD teams' creation of innovative outcomes than PTs' development of a pricing strategy. Considering further that the inflection point that Slotegraaf and Atuahene-Gima (2011) find occurs only at very high levels of team stability, it is expected that a high PT stability reflects a high information-processing capacity and is thus positively related to the information-processing modes of PT rationality and intuition.

PT experience. Prior research indicates that experience positively affects team processes. For example, prior team experience enhances a team's capacity for interaction and effective communication by ensuring that members have a similar understanding of task execution (Akgün, Keskin, Byrne, and Imamoglu, 2007). Experience also improves knowledge, skills, abilities, and the sharing of tacit knowledge in teams (Mascitelli, 2000). Additionally, research suggests that both rationality and intuition draw on accumulated domain knowledge, which relates to team experience (Dane and Pratt, 2007; Khatri and Ng, 2000). Thus, it is expected that high PT experience reflects a high information-processing capacity and should be positively related to the respective information-processing modes of PT rationality and intuition.

PT size. The literature provides mixed evidence as to whether and how team size affects team information processing. Empirical evidence shows that small teams may lack resources (Stewart, 2006), and that the larger the team the more team members contribute information and perspectives to the team task (Haleblian and Finkelstein, 1993; Hambrick and D'Aveni, 1992). As a result, larger teams have greater information-processing capacity (Shull, Delbecq, and Cummings, 1970). Still, some researchers suggest that increasing team size may at some point lead to greater coordination costs and problems in processing information (Haleblian and Finkelstein, 1993; Stewart, 2006), which could result in less efficient information processing and lower information-processing capacity. The present study adopts the perspective that a large (rather than small) PT size is better able to deal with, synthesize, and process the amount and variety of information regarding company, consumers, and competitors during the pricing strategy development task. Thus, large PT size reflects a high

information-processing capacity and should therefore be positively related to the ability to exercise rational or intuitive information processing.

PT autonomy. The formation of a PT as such can be seen as a design strategy to increase the capacity of information processing by creating lateral relationships on a more permanent basis (Galbraith, 1973, 1974). This argument implies that PTs operating autonomously from functional departments and other teams should be particularly effective in achieving high information-processing capacity. Prior literature seems to support this argument, indicating that autonomous teams are able to communicate more frequently and independently and are able to flexibly follow their own operating procedures (Clark and Wheelwright, 1992; Patanakul et al., 2012). In sum, it is expected that high PT autonomy reflects high information-processing capacity and is thus positively related to the information-processing modes of PT rationality and intuition.

PT functional diversity. Prior literature suggests that high functional diversity reflects a PT's information-processing capacity. Generally, a high level of team diversity constitutes "a team's cognitive resource base," and team diversity is associated with high exchange of information and perspectives among team members as well as integration of information and perspectives (Joshi and Roh, 2009, p. 600). More specifically, NPD team literature stresses that functional diversity is generally favorable because a high level of functional diversity leads to collective wisdom of all team members, ensuring the availability of crucial information and different thought worlds (Doughtery, 1992; Sethi et al., 2001). Furthermore, it is expected that with increasing functional diversity, the opportunity for feedback and error correction increases. Therefore, a PT high in functional diversity is assumed to reflect a high information-processing capacity and is thus positively related to the respective information-processing modes of PT rationality and intuition. To summarize:

H1: In the development of a pricing strategy for a new product, a PT's (a) stability, (b) experience, (c) size, (d) autonomy, and (e) functional diversity are positively related with a PT's ability to exercise PT rationality as an information-processing mode.
H2: In the development of a pricing strategy for a new product, a PT's (a) stability, (b) experience, (c) size, (d) autonomy, and (e) functional diversity are positively related with a PT's ability to exercise PT intuition as an information-processing mode.

Conditional Effects of PT Characteristics

In hypothesizing the effects of PT characteristics for different levels of product innovativeness, an important consideration is the information-processing theory's prediction that a match between an organizational subunit's information-processing capacity and information-processing requirements should lead to effective information processing. Two types of misfit may occur that lead to ineffective information processing (Tushman and Nadler, 1978). If the information-processing requirements exceed the information-processing capacity, the organizational unit can process only a less than optimal amount of information. On the other hand, if the information-processing capacity exceeds the information-processing requirements, the subunit may suffer from redundant information and incur costs in terms of time, effort, and control.

In the realm of PTs developing pricing strategies for new products, product innovativeness reflects the information-processing requirements of the PT task such that the information-processing requirements are high when the focal new product is an RNP and low when the focal new product is an INP. For an RNP, high PT information-processing capacity reflected by high PT stability, experience, size, autonomy, and functional diversity should thus be particularly well suited to enable effective modes of information processing. For an INP, however, high PT information-processing capacity can be considered excessive. Consider a PT that is designed specifically to deal with the most complex pricing strategy task for a groundbreaking RNP and is then given the relatively straightforward task to develop a pricing strategy for an INP that represents a mere improvement of an already established product. Here, the extra information-processing capacity should have adverse effects on the effort and ability to apply the information-processing modes. Consequently, the generally positive effects of a high information-processing capacity should be reduced for INPs and enhanced for RNPs. Thus:

H3a-e: The positive effects hypothesized in H1 are stronger (weaker) for RNPs (INPs).
H4a-e: The positive effects hypothesized in H2 are stronger (weaker) for RNPs (INPs).

Direct Effects of PT Rationality and PT Intuition

With regard to the effect of PT rationality, most empirical evidence in the strategic decision-making literature indicates that a positive relationship exists between rationality and organizational outcomes (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007).

In context of pricing teams, and in line with this dominant view, it is argued that the conscious, systematic collection and analysis of all relevant information helps PTs to manage the complex decision-making process for pricing strategies (Lancioni et al., 2005; Rao, 1984) and increases the effectiveness of developing pricing strategies as reflected by a higher financial performance.

H5: In the development of pricing strategies for a new product, a high (vs. low) PT rationality has a positive effect on the new product's financial performance.

Although authors frequently suggest that intuition offers a valuable approach to strategic decision-making (Sadler-Smith and Shefy, 2004), empirical results provide a rather mixed picture. While prior research does not find intuition to be related to organizational outcomes (Elbanna and Child, 2007), other studies find evidence for a positive (Dayan and Elbanna, 2011; Khatri and Ng, 2000) or curvilinear effect (Dayan, Elbanna, and Di Benedetto, 2012). It is argued that with an increase in PT members' capacity for attaining direct knowledge or understanding through personal judgement without rational thought, the decision-making for the pricing strategy should be more effective given the overall complexity of the pricing task. This higher information-processing effectiveness is expected to translate into a more effective pricing strategy, which is reflected by a new product's greater financial performance.

H6: In the development of pricing strategies for a new product, a high (vs. low) PT intuition has a positive effect on the new product's financial performance.

Conditional Effects of PT Rationality and PT Intuition

According to the contingency theory of organizational decision-making, different strategic decision-making processes are effective under different environmental conditions (Elbanna and Child, 2007; Hart and Banbury, 1994). Accordingly, the effects of PT rationality and intuition on pricing strategy effectiveness are expected to hinge on the level of product innovativeness.

With regard to PT rationality, several studies find that the positive effect of rationality on performance is stronger for high environmental uncertainty because uncertain situations require more comprehensive scanning and analysis (Priem et al., 1995). Other studies report that rationality relates to organizational performance positively in a stable environment and negatively in an unstable environment (Fredrickson and Mitchell, 1984; Hough and White, 2003). In the present study, it is argued that in more routine and less uncertain INP situations, PT rationality should result in a pricing strategy that is more likely effective in terms of the new product's financial performance. Here, PT members can rely on relevant information from prior product offerings and thus can derive logical inferences for an effective setting of the pricing strategy. Following the same logic, for an RNP the uncertainty and unpredictability regarding market responses for the new product should mitigate the positive effect of PT rationality. Thus:

H7: The positive effect hypothesized in H5 is stronger (weaker) for INPs (RNPs).

In line with previous research on NPD teams, it is argued that intuition is not universally applicable and therefore the effect of intuition on a new product's financial performance should be contingent on product innovativeness. Anecdotal evidence suggests that the use of intuition in strategic decision-making is most valuable in a complex and unpredictable business environment (Dane and Pratt, 2007; Sadler-Smith and Shefy, 2004). For instance, Eling et al. (2014) propose that the effectiveness of intuition in fuzzy front-end decision-making is lower for incremental projects because exact numbers are often available, requiring arithmetic and logic. For RNPs, the information available is less precise and complete, making intuition more effective. Similarly, product innovativeness can alter the complexity and unpredictability of the pricing strategy task. In the case of INPs, customers' and competitors' reactions to the launch may be relatively foreseeable, which is not the case for RNPs (Dean, 1969; Min, Kalwani, and Robinson, 2006). For instance, assessments of customers' willingness to pay are typically less accurate when the new product is radical (Hofstetter et al., 2013). Therefore, it is expected that the higher the level of product innovativeness, the more PT intuition represents an effective way of synthesizing a given situation on the basis of a deep understanding of that situation. Thus:

H8: The positive effect hypothesized in H6 is stronger (weaker) for RNPs (INPs).

Method

Data Collection and Sample

To test our hypotheses, a commercial manager panel was used to conduct a cross-industry online survey among managers from firms operating in the United Kingdom. The unit of analysis was the PT's decision-making process with regard to the pricing strategy for a new product. Participants were asked to select a new product that their business unit or division launched 1 to 3 years ago and for which they were involved in decision-making with regard to the pricing strategy. These criteria resulted in 526 respondents.

To ensure that team processes were examined, a screening question restricted participation to respondents who stated that at least one other person had also been involved, which was the case for 403 of the 526 respondents. This outcome implies a high PT incidence of 77%. Of the 403 respondents who qualified to participate in our study, 260 subsequently completed our questionnaire. To ensure high data quality, 29 participants with fewer than 5 years of professional industry experience were excluded from further analysis (Homburg et al., 2012), yielding 231 usable questionnaires (44% effective response rate). Respondents' average work experience in their current position was 7.55 years. The sample was diverse in terms of product type (industrial/consumer durable: 4%/8%; industrial/consumer service: 21%/37%; industrial commodity: 5%; consumer nondurable: 18%; consumer IT-based services: 7%).

Measurements

PT rationality and intuition as well as the dependent variable were measured by reflective seven-point multi-item measures taken from top-tier publications and adapted to our focal context (see the Appendix). To assess pricing strategy effectiveness, a perceptual scale of a new product's financial performance was used (Ingenbleek, Frambach, and Verhallen, 2010). All multi-item scales showed acceptable levels of reliability and convergent validity based on the composite reliability (CR) and average variance extracted (AVE) coefficients. Discriminant validity is given based on the Fornell and Larcker (1981) criterion (see Table 1).

Additionally, a confirmatory factor analysis was conducted to evaluate the measurement models of our multi-item scales. The local goodness of fit was evaluated on the basis of the comparative fit index (CFI), Tucker–Lewis index (TLI), root mean square error of approximation (RMSEA), and standardized root mean squared residual (SRMR). While CFI (all values $> .94$) and SRMR (all values $< .05$) indicated an excellent fit, TLI (all values $> .87$) and RMSEA (all values $< .23$) fell short of the expected values. However, the RMSEA tends to over-reject true models for relatively low sample sizes (<250), and the SRMR should be preferred (Iacobucci, 2010). Similarly, CFI is preferred to TLI. Hence, it is concluded that the goodness of fit is satisfactory. Most PT characteristics and control variables were assessed on single-item scales.

Finally, on the basis of our conceptualization, product innovativeness was operationalized as a first-order

Table 1. Descriptive Statistics and Correlation Analysis

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Financial performance	4.87	1.04	**.93**														
2. PT rationality	5.18	1.07	.35	**.87**													
3. PT intuition	4.20	1.36	.27	–.03	**.87**												
4. Product innovativeness	4.65	1.22	.33	.42	.29	**N/A**											
5. PT size	6.84	7.31	.01	.01	.00	.03	**N/A**										
6. PT stability	5.53	1.23	.29	.38	.06	.19	–.11	**N/A**									
7. PT autonomy (dummy)	.38	.48	.14	.18	–.03	.07	.04	.27	**N/A**								
8. PT functional diversity	5.19	1.68	.26	.12	.09	.25	.29	.12	.08	**N/A**							
9. PT experience	5.19	1.24	.44	.37	.15	.27	.06	.50	.20	.21	**N/A**						
10. PT political behavior	3.79	1.37	.29	.11	.53	.32	.14	–.08	–.17	.14	.12	**.84**					
11. Competitive intensity	4.61	1.21	.34	.29	.24	.39	.16	.16	.07	.19	.34	.43	**.91**				
12. Customers' price sensitivity	4.78	1.34	.19	.08	.26	.17	.04	.02	–.08	.14	.13	.37	.29	**.89**			
13. Relative variable cost	4.47	1.15	.20	.14	.19	.19	.21	.05	–.15	.05	.17	.38	.40	.13	**N.A.**		
14. Marketing investment	4.44	1.20	.38	.30	.08	.25	.11	.08	.05	.17	.28	.39	.50	.20	.49	**N.A.**	
15. Firm size (employees)	119	837	.10	.20	.02	.18	.18	.14	.01	.09	.16	.20	.22	.07	.06	.20	**N.A.**

Notes: Diagonal bold elements are square roots of the average variance explained (AVE) (not applicable for formative and single-item measures); all other elements are construct correlations. N.A. = not applicable.

formative index with four items indicating to what extent the product shifted the market structure, represented a new technology, required consumer learning, and induced behavior changes for customers (Urban et al., 1996). Our rationale for formative index construction is based on Jarvis, MacKenzie, and Podsakoff (2003), who propose a formative measurement if removing or adding an indicator alters the conceptual domain of the construct. As the four indicators cover different aspects, a formative index is appropriate.

Common Method Bias

In designing our survey, several steps were taken to reduce common method bias, notably by ensuring confidentiality and anonymity (Podsakoff, MacKenzie, Lee, and Podsakoff, 2003). Great care was taken to construct all items in a simple and unambiguous way. To avoid anchoring effects, it was ensured that the dependent variable's scale endpoints differed from those of the predictor variables. The authors also tested for common method bias by adding a latent method factor with all items as indicators to the model. Since this procedure is tied to a covariance-based structural equation model, a model was recalculated using *R*. A comparison of the structural parameters revealed no change in the direction of main effects and no substantial change in the parameter values. Considering further that interactions can only be *de*flated through common method variance (Siemsen, Roth, and Oliveira, 2010), common method bias does not seem to represent a serious threat to our main results.

Analysis

The authors employed SmartPLS 2.0 to test our hypotheses because both reflective and formative constructs were used (Diamantopoulos and Winklhofer, 2001; Hair, Sarstedt, Ringle, and Mena, 2012). Furthermore, partial least squares (PLS) demands fewer data points (Slotegraaf and Atuahene-Gima, 2011), and is appropriate in light of our sample size and the number of paths to estimate. Five thousand bootstrap re-samples were used (Hair et al., 2012), and Diamantopoulos and Winklhofer's (2001) guidelines for index construction were followed to validate our formative measurement approach. Subsequently, all indicators were retained in the model (Hair, Hult, Ringle, and Sarstedt, 2014).

Results

Descriptive Results

In our sample, the average (median) PT size was five members. Of all business functions, top management was most strongly represented in the PTs (22%), followed by sales and operations (both 16%), marketing (14%), finance/accounting (14%), R&D (10%), and other (8%). This finding confirms that PTs integrate knowledge from different functional domains. In 62% of all cases, the PT was rather functional and in 38% of all cases rather autonomous.

Structural Results

Table 2 presents a summary of our standardized structural results. Model 1a includes direct effects only. The results from Model 1b are reported, which includes interactions (but not control variables), along with two-tailed tests and with the new product's financial performance as the dependent variable. It was then examined whether the results remain robust when introducing the control variables (Model 1c).

First, PT stability has a positive and significant effect on PT rationality ($\beta = .220$, $p < .01$), supporting H1a. However, this effect does not depend on the level of product innovativeness ($\beta = .004$, *n.s.*, H3a). In contrast, while the direct effect of PT stability on PT intuition is not significant ($\beta = –.087$, *n.s.*, H2a), there is a significant product innovativeness × PT stability interaction on PT intuition ($\beta = –.183$, $p < .05$). This interaction suggests that the effect of PT stability on intuition is negative for high levels but positive for low levels of product innovativeness, which is in contrast to our expectations, and H4a is hence not supported. Second, the direct effect of PT experience on PT rationality is positive and significant ($\beta = .146$, $p < .05$), supporting H1b. Again, this effect does not interact with product innovativeness ($\beta = –.029$, *n.s.* H3b). While there is no significant direct effect of PT experience on PT intuition ($\beta = .126$, n.s., H2b), the results reveal a significant product innovativeness × PT experience interaction on PT intuition ($\beta = .214$, $p < .05$). Hence, the effect is more pronounced than anticipated, but generally supports H2b. All other hypotheses involving PT characteristics were not supported (see Table 2).

Regarding the effects of the focal information-processing modes, both PT rationality and intuition have direct positive effects on financial performance ($\beta = .304$, $p < .001$ and $\beta = .222$, $p < .01$, respectively). While the effect of PT rationality on financial performance does not depend on the level of product innovativeness ($\beta = –.011$, *n.s.*), the product innovativeness × PT intuition effect on financial performance is significant ($\beta = .250$, $p < .001$). Hence, H5 and H6 as well as H8 are supported, but H7 is not supported.

Table 2. Structural Results

Paths			DV: New Product's Financial Performance		
			Model 1a	Model 1b	Model 1c
Effects of PT Characteristics					
PT stability	→	PT rationality	.232****	.220***	.220***
	→	PT intuition	–.024	–.087	−.004
PT experience	→	PT rationality	.151**	.146**	.146**
	→	PT intuition	.113	.126	.053
PT size	→	PT rationality	.027	.012	.013
	→	PT intuition	–.020	–.022	–.066
PT autonomy	→	PT rationality	.071	.062	.062
	→	PT intuition	–.054	–.049	.030
PT functional diversity	→	PT rationality	–.041	–.033	–.033
	→	PT intuition	.009	.039	.018
Effects of PT Information-Processing Modes					
PT rationality	→	Financial performance	.300****	.304****	.262***
PT intuition	→	Financial performance	.252****	.222***	.208****
Moderating Effects					
Product inn. × PT stability	→	PT rationality		.004	.004
	→	PT intuition		−.183**	−.152**
Product inn. × PT experience	→	PT rationality		−.029	−.029
	→	PT intuition		.214**	.143*
Product inn. × PT size	→	PT rationality		.017	.016
	→	PT intuition		−.064	−.036
Product inn. × PT autonomy	→	PT rationality		.002	.002
	→	PT intuition		−.042	−.000
Product inn. × PT functional diversity	→	PT rationality		−.172	−.172
	→	PT intuition		−.106	−.063
Product inn. × PT rationality	→	Financial performance		−.011	.034
Product inn. × PT intuition	→	Financial performance		.25***	.181***
Effects of Moderator					
Product innovativeness	→	PT rationality	.344****	.341****	.341****
	→	PT intuition	.258****	.273****	.118*
	→	Financial performance	.131*	.143*	.099
Potential Confounds					
PT political behavior	→	PT rationality			−.001
	→	PT intuition			.486****
Relative variable costs	→	Financial performance			–.070
Competitive intensity	→	Financial performance			.094
Customer price sensitivity	→	Financial performance			.012
Firm size (in employees)	→	Financial performance			–.035
Marketing investment	→	Financial performance			.210**
Explained Variance (R^2)					
Financial performance			.222	.282	.323
PT rationality			.298	.329	.329
PT intuition			.097	.152	.333

*$p \leq .10$; **$p \leq .05$; ***$p \leq .01$; ****$p \leq .001$ (two-tailed); based on 5,000 bootstrap resamples; PT = pricing team.

Next, the model that includes control variables was examined. As Table 2 (Model 1c) depicts, the results remain generally robust, indicating that the focal relationships do not hinge on the influence of the control variables.

Floodlight Analyses of Interactions

To decompose the interactions, a floodlight analysis was performed using Hayes's (2013) PROCESS macro for SPSS 22. Floodlight analyses identify the range of values of product innovativeness for which a significant direct effect can be observed. In all analyses, the predictors included the focal variables as well as the remaining main constructs that showed significant effects on the respective dependent variable in the PLS analysis (see Table 2). All variables were centered on their means prior to analysis.

First, a floodlight analysis was performed to examine the PT stability × product innovativeness interaction on PT in intuition (Figure 2, Panel A). As before, the results show a significant negative interaction ($b = –.162$, $p < .05$). For values of product

innovativeness larger than .55, PT stability has a significant negative effect on PT intuition. At low levels, the effect of PT intuition turns positive but remains insignificant.

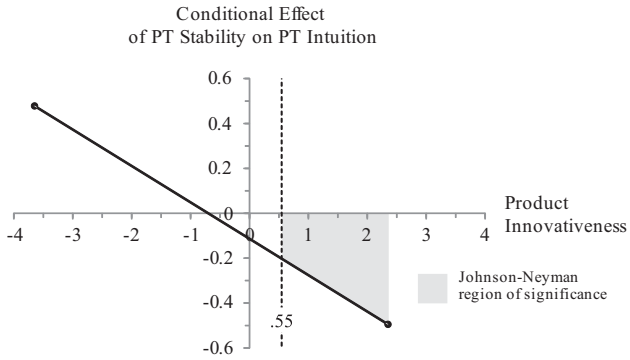
Second, the floodlight analysis of the PT experience × product innovativeness interaction on PT intuition replicates the PLS results in that it reveals a significant interaction ($b = .157$, $p < .05$). As Figure 2 (Panel B) shows, for values of product innovativeness larger than .39, PT experience has a significant positive effect on PT intuition. For low levels of product innovativeness, the effect of PT experience turns negative but remains insignificant.

Last, a floodlight analysis was performed to examine at which values of product innovativeness the application of PT intuition is and is not beneficial in terms of financial performance (Figure 2, Panel C). Again, a significant positive interaction is found ($b = .130$, $p < .001$). For values of product innovativeness smaller than −3.33, PT intuition has a negative effect on financial performance. For product innovativeness values larger than –.38 (i.e., including the mean), PT intuition has a significant positive effect on financial performance. Hence, not only is the positive effect of PT intuition on financial performance for RNPs reduced for INPs but the interaction effect is stronger than anticipated. For INPs, PT intuition relates negatively to financial performance.

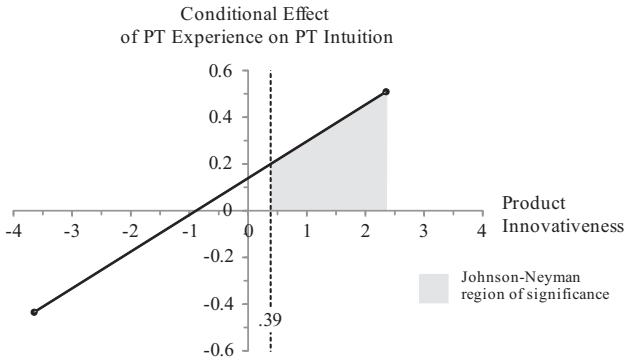
Additional Analyses

Quality of structural results. The quality of the PLS results was assessed by examining the variance inflation factors (VIF) (max. VIF =2.78), the R^2 values (financial performance: .323; PT rationality: .329 and PT intuition: .333), and the Stone-Geisser's Q^2 for all endogenous constructs (>0 for different omission distances). All suggested thresholds were met (Hair et al., 2014).

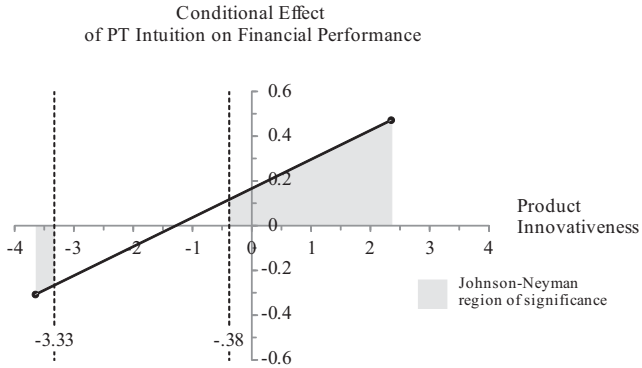
A: PT Stability x Product Innovativeness Interaction on PT Intuition



B: PT Experience x Product Innovativeness Interaction on PT Intuition



C: PT Intuition x Product Innovativeness Interaction on Financial Performance



D: PT Intuition x Product Innovativeness Interaction on Market Performance (Validation)

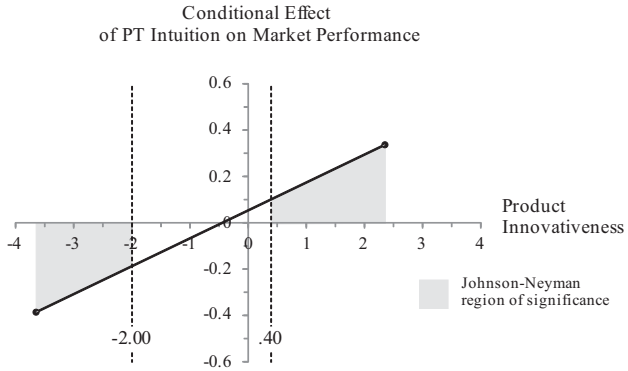


Figure 2. Floodlight Analyses of Interaction

Market performance as the dependent variable. To ensure that financial performance is a valid proxy for pricing strategy effectiveness, the face validity of this construct was evaluated by conducting qualitative interviews with eight expert managers regarding the criteria by which pricing strategy effectiveness for a new product is assessed in their companies (Hardesty and Bearden, 2004). The results suggest that, indeed, a new product's financial performance is frequently used, albeit most often in conjunction with a new product's market performance.[1] Hence, the new product's market performance was additionally assessed as an alternative proxy of pricing strategy effectiveness. The authors define and operationalize a new product's market performance as the extent to which the new product achieves its expected objectives in terms of sales to current customers, sales to new customers, and market share. As Table 3 (Model 2b) depicts, the results remain robust with two exceptions. First, while the effect of PT intuition on market performance turns insignificant ($\beta = .078$, *n.s.*), the interaction with product innovativeness remains significant ($\beta = .237$, $p < .001$). Second, product innovativeness itself now has a positive direct effect on market performance ($\beta = .311$, $p < .001$). A floodlight analysis confirms that the interaction occurs for market performance as the dependent variable ($b = .122$, $p < .001$). For product innovativeness values below -2.00, PT intuition has a significant negative effect on market performance. Above values of .40, PT intuition has a significantly positive effect on market performance. The interaction is depicted in Figure 2 (Panel D).

Test for a potential rationality × intuition interaction. Given that any PT will apply rationality and intuition to some extent, the two variables may possibly interact in their effects on pricing strategy effectiveness. A test for this interaction revealed no significant effect.

Discussion and Conclusion

PTs are sprouting up all over the business landscape (Aeppel, 2002), but academic research on the topic is scarce. This study is the first to demonstrate empirically that PTs, rather than individuals, are in charge of the pricing decisions for new products. The authors set out to uncover the relevance of PT rationality and intuition for pricing strategy decision-making. Further, it was revealed how PTs should be designed to facilitate a rational or intuitive mode of information processing.

Information-Processing Modes, Pricing Strategy Effectiveness, and PT Characteristics

This study tested the central propositions that (1) PTs can cope with the challenges of developing an effective pricing strategy for a new product if they can flexibly apply a rational or intuitive mode of information processing, and (2) PTs can be designed such that the information-processing capacity of the PT as reflected by the PT's characteristics matches the information-processing requirements induced by product innovativeness.

Concerning the former, our study underscores the prevailing dual-processing perspective that rationality and intuition are two parallel modes of information processing that may complement each other in decision-making (e.g., Dane and Pratt, 2007; Eling et al., 2014; Khatri and Ng, 2000; Sadler-Smith and Shefy, 2004). The results reveal that PT rationality and intuition have distinct (conditional) effects on pricing strategy effectiveness. Specifically, PT rationality is unambiguously positively related to pricing strategy effectiveness. This result is consistent with findings in an NPD project context (de Visser, Faems, Visscher, and de Weerd-Nederhof, 2014) and so far matches the traditional view of strategic decision-making. Our analyses also reveal that PT intuition affects a new product's financial performance depending on the level of product innovativeness. This finding is generally consistent with the notion that intuition is not universally applicable. For example, Eling et al. (2014) propose that the positive effect of intuition on creativity is weaker for more incremental product development projects. In a similar vein, Dayan and Elbanna (2011) find the positive effects of NPD team intuition to be stronger in conditions of high environmental turbulence. Our results provide empirical support for the occurrence of such a contingency effect also in the context of PTs. Interestingly, a specific interaction pattern was observed such that the positive effect of PT intuition not only diminishes as product innovativeness decreases but eventually turns negative for INPs. Given that the majority of NPD projects are of an incremental nature, our results draw a less favorable picture of team intuition in the realm of innovation management.

[1]Two researchers coded the data and found that the experts reported that they use either financial performance indicators alone (1 expert) or market performance indicators alone (1 expert) or use financial indicators in combination with market performance indicators (4 experts) (inter-judge agreement = .86; Rust and Cooil, 1994). The authors thank an anonymous reviewer for proposing this validation.

Table 3. Structural Results with Market Performance as the Dependent Variable

Paths			DV: New Product's Market Performance[a] Model 2a	Model 2b	Model 2c
Effects of PT Characteristics					
PT stability	→	PT rationality	.231****	.220***	.220***
	→	PT intuition	–.022	–.086	–.004
PT experience	→	PT rationality	.151**	.146**	.146**
	→	PT intuition	.115	.127	.052
PT size	→	PT rationality	.027	.013	.013
	→	PT intuition	–.022	–.023	–.066
PT autonomy	→	PT rationality	.072	.064	.063
	→	PT intuition	–.051	–.047	.030
PT functional diversity	→	PT rationality	–.042	–.033	–.033
	→	PT intuition	.007	.039	.019
Effects of PT Information-Processing Modes					
PT rationality	→	Market performance	.271****	.279****	.246****
PT intuition	→	Market performance	.109	.078	.039
Moderating Effects					
Product inn. × PT stability	→	PT rationality		.006	.006
	→	PT intuition		–.184**	–.152**
Product inn. × PT experience	→	PT rationality		–.031	–.031
	→	PT intuition		.214**	.143*
Product inn. × PT size	→	PT rationality		.017	.017
	→	PT intuition		–.065	–.036
Product inn. × PT autonomy	→	PT rationality		.003	.003
	→	PT intuition		–.043	–.000
Product inn. × PT functional diversity	→	PT rationality		–.171	–.172
	→	PT intuition		–.106	–.063
Product inn. × PT rationality	→	Market performance		.012	.044
Product inn. × PT intuition	→	Market performance		.237****	.173**
Effects of Moderator					
Product innovativeness	→	PT rationality	.341****	.342****	.342****
	→	PT intuition	.102****	.274****	.117*
	→	Market performance	.266****	.311****	.282****
Potential Confounds					
PT political behavior	→	PT rationality			–.000
	→	PT intuition			.486****
Relative variable costs	→	Market performance			.018
Competitive intensity	→	Market performance			.056
Customer price sensitivity	→	Market performance			.066
Firm size (in employees)	→	Market performance			–.062
Marketing investment	→	Market performance			.136
Explained Variance (R^2)					
Market performance			.262	.317	.347
PT rationality			.299	.330	.330
PT intuition			.098	.152	.333

*$p \leq .10$; **$p \leq .05$; ***$p \leq .01$; ****$p \leq .001$ (two-tailed); based on 5,000 bootstrap resamples; PT = pricing team.
[a]Market performance and financial performance have a correlation of .61.

Concerning the latter, our study identifies PT stability and PT experience as two characteristics that can enable the application of PT rationality and intuition. While the effect of PT stability on PT rationality is independent of the level of innovativeness, our results indicate that low (versus high) PT stability matches the information-processing requirements of an RNP such that PTs can apply an intuitive information-processing mode. This result is somewhat in contrast to earlier findings that NPD team stability has a generally positive but inverted U-shaped effect on a decision-making process that ultimately enhances new product advantage (Slotegraaf and Atuahene-Gima, 2011). Similarly, other results indicate that team stability relates positively to speed to market, team learning, and ultimately team success (Akgün and Lynn, 2002). In our context of PTs, and in contrast to our expectations, team stability relates significantly negatively to

PT intuition when product innovativeness is high. This finding indicates that the role of team stability may be more complex than anticipated such that differential effects occur, depending on the outcome mode of information processing. Apparently, high PT stability constrains a PT's ability to exercise intuition when the focal new product is an RNP by keeping away fresh perspectives, experience, and expertise that a constant replacement of PT members may contribute to the team and that can be effectively synthesized by the use of intuition.

PT experience has a positive effect on PT rationality that is not contingent on the level of product innovativeness. Here, our results are similar to those of Akgün et al. (2007), who find that past experiences of software-development project teams are beneficial. However, it was also found that PT experience has a positive effect on PT intuition, but only for a high level of product innovativeness. When the focal new product is an RNP, this (often tacit) knowledge and experience gained from prior pricing projects enables PTs to apply an intuitive processing mode. This finding reinforces prior research suggesting that intuition draws on accumulated knowledge about the decision problem at hand (Khatri and Ng, 2000). In contrast to our predictions, the remaining PT characteristics showed no effect on either PT rationality or PT intuition.

With regard to our descriptive results, our data highlight the cross-functional character of the pricing strategy development task. This finding complements prior empirical research acknowledging that a variety of functions contribute to pricing decisions (Homburg et al., 2012; Verhoef and Leeflang, 2009).

In summary, it was observed that interaction effects involving product innovativeness occur only when PT intuition, and not PT rationality, is involved. A possible explanation for this finding is that in most organizations, firm culture (as reflected mainly by organizational design but also by recruiting, formalization, goal setting, coordination, etc.) has trained PT members to engage in rational and comprehensive decision-making under all circumstances, allowing decisions to be made in a comprehensible and accountable manner. Then, only for RNPs is rationality in the development of a pricing strategy stretched to its limits such that PT intuition is applied.

Theoretical Implications

Our research contributes to the literature in several ways. First and foremost, our study broadens team research in innovation management to the realm of PTs tasked with the development of effective pricing strategies for new products. In our dataset, 77% of pricing strategies are developed by PTs, providing first empirical evidence of the incidence of PTs. Thus, this study shows that PTs are an adequate organizational structure to support pricing strategy-making in new product contexts.

Second, this study expands the information-processing view of organizational design (Galbraith, 1974, 1977) to the context of developing pricing strategies for new products. The information-processing view suggests that organizations should form PTs and design their characteristics such that they support decision-making by enhancing information flow and interpretation. Specifically, the results substantiate Galbraith's (1974, 1977) theory of how teams should be designed by offering measures of PT characteristics that can enable information-processing modes for effective pricing strategies for new products. Our findings indicate that PT stability and experience can partly enable the use of PT rationality and intuition in the development of a pricing strategy for a new product.

Third, this study integrates the role of PT rationality and intuition into the research stream grounded on the information-processing view. PT rationality and intuition are identified as two information-processing modes in the complex pricing context for new products. By demonstrating their relevance for the effectiveness of pricing strategies, this study contributes to the literature that traditionally highlights the importance of rational information processing (Dean and Sharfman, 1993; Priem et al., 1995). Thereby, this study provides much-needed empirical insights on the subject of unconscious information processing in team decision-making and contributes to recent literature examining team intuition in the realm of innovation management (Dayan and Elbanna, 2011; Eling et al., 2014, 2015). Thereby, this study contributes to the ongoing debate about the functionality or dysfunctionality of rationality and intuition in managerial decisions (e.g., Dane and Pratt, 2007), by demonstrating that PT intuition serves as an effective information-processing mode in pricing new products and that, in fact, both processing modes are complementary in this decision-making context.

Finally, while the authors of the present study agree with scholarly criticism that pricing new products is "more art than science" (Hofstetter et al., 2013, p. 1043), the results demonstrate that scientists must not

neglect the art of making intuitive pricing decisions. In this regard, this study adds to the literature supporting the contingency view of organizational design (Tushman and Nadler, 1978) by accounting for product innovativeness as an important contingency factor. The results show that the innovativeness of the focal new product largely influences how PTs should process information to facilitate effective decision-making in setting pricing strategies for INPs versus RNPs. The results extend research by revealing important interaction effects that depart from prior research, indicating that team intuition can be beneficial or detrimental in the development of a pricing strategy. Furthermore, this study enriches research on the information-processing view of organizational design (Galbraith, 1974, 1977) by demonstrating that product innovativeness represents information requirements that must be matched by choosing appropriate PT characteristics to enable PT rationality and intuition.

Managerial Implications

In accordance with the information-processing view of organizational design (Galbraith, 1974, 1977) companies must build an organizational structure that can handle and process the complex nature of new products. One strategy to obtain the needed information-processing capacity is to create teams that are responsible for achieving a specific task. The present study provides companies with a mechanism to develop the requisite information-processing capacity and clarify team characteristics issues highlighted by Galbraith (1974). In the context of pricing strategy design for new products, PTs are an adequate organizational structure to support decision-making. Thus, managers should establish PTs to effectively manage the complexity of developing a pricing strategy for a new product. Moreover, managers need to design PTs so that information flow and interpretation are enhanced. Once managers are aware of this necessity, they need to carefully craft PTs in a way that enables teams to apply information-processing modes that can engender pricing strategy effectiveness. Thus, PT composition needs to feature the characteristics this study found to be valuable.

Further, it is found that PTs' tasks are context-dependent. PTs must be designed to handle the uncertainty inherent in routine versus nonroutine tasks and thus to facilitate the development of pricing strategies for INPs or RNPs. Consequently, to increase the effectiveness of pricing strategies, managers need to assess whether the focal new product is an RNP or an INP, depending on whether it represents a new technology and whether it is expected to shift the market structure, require consumer learning, and induce behavior changes for customers (Urban et al., 1996). Together with our findings on the role of PT stability, our results imply that firms may install PTs that develop pricing strategies for several INPs simultaneously, but need to assemble a new PT every time the focal product is an RNP.

For an INP, managers should focus on ensuring that the PT can apply a rational, but not intuitive, mode of information processing in developing the pricing strategy. This application can be facilitated by making certain that the core membership of the PT remains stable throughout the pricing strategy task and by instilling a culture that cherishes the knowledge of experienced PT members. With regard to the application of rational decision-making, PTs that develop a pricing strategy for an INP must receive training promoting rational thinking. For example, rational exercises can help to practice logical inference making.

For an RNP, high PT rationality should be complemented by high PT intuition. Consequently, for an RNP managers should screen employees for PT members that are experienced. However, these members of the PT should turn over at relatively high rates. Further, while members of the PT should be trained for logical inference making, they should also be trained to use intuition. That is, besides training PT members in logical inference making, workshops should also apply mechanisms for practicing intuitive and thus unconscious analyses. This way, PTs will learn to combine intuitive analysis with rational reflection to make the final decision of the pricing strategy for an RNP.

Limitations and Recommendations for Further Research

One limitation of this study is the reliance on single informants. It is to be noted that, beyond the exclusion of inexperienced respondents, a multi-informant design could have helped to reduce random measurement error. Although considerable human and financial resources were invested in efforts to obtain second key-informant data, these efforts were not crowned with success. All participants were extremely reluctant to name potential second key informants, and if they did, those persons were unwilling to participate. Presumably, both sides

suspected they would be cross-checked with responses of their colleagues and would have to give up a certain degree of anonymity to allow matching of the responses. Regarding a potential common method bias, future research should try to replicate our findings relying on data from different sources.

As this study is a first step in understanding the role of PTs in the realm of innovation management, scholars are encouraged to pursue this path further. First, future research could examine how PTs can be organized to support dynamic knowledge integration (Gardner, Gino, and Staats, 2012) and to facilitate team learning and information use. Second, an interesting study would be to examine PT characteristics the present study has not focused on, such as cohesiveness, leadership, or motivation and goals, and to determine at what NPD stages the characteristics are particularly important. Researchers could also investigate how aspects of organizational culture influence knowledge integration in PTs, such as learning orientation (Hult, Hurley, and Knight, 2004).

Third, it is important to uncover measures that enable PTs to adjust their information-processing mode according to the strategic goal and contingent on product innovativeness. Specifically, when appropriate, senior managers or PT leaders could employ measures to motivate and facilitate PT intuition. In this regard, important insights may be derived from studying management style and leadership characteristics (e.g., Barczak and Wilemon, 1989; Sarin and O'Connor, 2009).

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Appendix: Measurement

Construct		λ	*t*-value
Main Constructs			
Pricing team rationality (adapted from Elbanna and Child, 2007)[a]			
AVE = .76	*The process of developing the pricing strategy for the innovation was characterized by...*		
CR = .93	...the gathering of relevant information by the members of the pricing team.	.872	36.811
	...the analysis of relevant information by the members of the pricing team.	.907	61.449
	...the use of analytic techniques by the members of the pricing team.	.835	27.902
	...the focus of attention on crucial information by the members of the pricing team.	.876	45.153
Pricing team intuition (adapted from Dayan and Elbanna, 2011)[a]			
AVE = .76	*During the process of developing the pricing strategy, ...*		
CR = .95	...the members of the pricing team relied basically on personal judgment.	.848	31.006
	...on many occasions, the members of the pricing team depended on a "gut feeling."	.899	56.038
	...the members of the pricing team trusted their hunches.	.876	44.457
	...the members of the pricing team put a lot of faith in their initial feelings about important questions that had to be answered.	.814	27.680
	...the members of the pricing team put more emphasis on feelings than on data.	.879	51.259
	...in general, the members of the pricing team relied a great deal on intuition.	.902	55.254
New product's financial performance (adopted from Ingenbleek et al., 2010)[c]			
AVE = .86	*Please rate the extent to which the innovation has achieved the following outcomes*		
CR = .95	*compared with its expected objectives during the first 12 months after its launch.*		
	The profit margin was...	.910	64.437
	The return on investment was...	.940	88.573
	The return on assets was...	.938	88.363
New product's market performance (adapted from Ingenbleek et al., 2010)[c]			
AVE = .69	*Please rate the extent to which the innovation has achieved the following outcomes*		
CR = .92	*compared with its expected objectives during the first 12 months after its launch.*		
	Sales to current customers were...	.886	48.267
	Sales to new customers were...	.881	43.642
	Market share was...	.886	42.234
Pricing team stability (taken from Slotegraaf and Atuahene-Gima, 2011)[a]			
	Pricing team membership was stable; members did not come and go during the project.	N/A	N/A
Pricing team size			
	In total, how many persons were members of the pricing team?	N/A	N/A

(*Continued*)

Table *(Continued)*

Construct		λ	*t*-value
Pricing team experience (taken from Dayan and Di Benedetto, 2011)[a]			
	There was a critical mass of experienced people in the pricing team who had been involved in the development of the pricing strategies for other innovations before.	N/A	N/A
Pricing team functional diversity (Sethi et al., 2001)			
	[calculated as the number of functions represented in the pricing team]	N/A	N/A
Pricing team structure (Patanakul et al., 2012)[f]			
	The pricing team can be characterized best as (please select one):	N/A	N/A
	A functional team where people were grouped together primarily by discipline. Coordination was done by the managers of each discipline.		
	A lightweight team where people were grouped together primarily by discipline, but there existed someone on the team who acted as a liaison across the different disciplines. The liaison was a middle or junior-level person whose primary function was to inform and coordinate activities across the various functions. The liaison did not have the authority to reassign team members or reallocate resources.		
	A heavyweight team that consisted of a core group of people who were dedicated to the project. The team leader was a heavyweight in that not only was s/he a senior manager within the company, but s/he had primary authority over the people working on the project.		
	An autonomous team, also called skunk work or tiger team, where team members were dedicated and colocated with a project leader who was a senior manager in the organization. The project leader had full control over the resources of the team and was the sole evaluator of the performance of the people on the team. Autonomous teams are typically given a clean sheet of paper to work.		
Moderator			
Product innovativeness (formative index; based on Urban et al., 1996)[a]			
AVE = N/A	*This innovation…*		
CR = N/A	…has shifted the market structure (e.g., the number and relative strength of buyers and sellers).	N/A	N/A
	…represented a new technology.		
	…required customer learning.		
	…induced behavior changes for our customers.		
Control Variables			
Pricing team political behavior (adapted from Elbanna and Child, 2007)[a]			
AVE = .71	*The process of developing the pricing strategy for the innovation was characterized by…*		
CR = .92	…a low openness among the members of the pricing team.	.789	22.190
	…a high degree of bargaining among the members of the pricing team.	.808	28.339
	…the formation of alliances among the members of the pricing team.	.841	30.523
	…the preoccupation of members of the pricing team with individual interests.	.897	57.039
	…the distortion or restriction of information by members of the pricing team.	.858	33.825
Customer price sensitivity (adopted from Homburg et al., 2012)[a]			
AVE = .80	*Generally, in this market, …*		
CR = .92	…customers change suppliers even for small price differences.	.944	12.969
	…our customers decide mainly based on price.	.889	8.508
	…customers are very price sensitive.	.846	7.736
Competitive intensity (adopted from Ingenbleek et al., 2013)[d]			
AVE = .83	*How would you characterize the market in which the innovation has been launched?*		
CR = .94	Changes in offerings by your competitors occur…	.856	26.394
	Changes in sales strategies by your competitors occur…	.934	62.354
	Changes in sales promotion/advertising strategies by your competitors occur…	.942	71.394
Relative variable costs (Homburg et al., 2012)[e]			
	How do you estimate the variable costs of the innovation as compared with competitors' offerings?	N/A	N/A
Firm size			
	How many people work in your business unit/division?[g]	N/A	N/A
Marketing investment (adopted from Slotegraaf and Atuahene-Gima, 2011)[e]			
AVE = .85	*For this innovation, to what extent does your firm compare with your major competitors on the following?*		
CR = .92	Marketing research	.921	54.542
	Brand building and advertising	.926	44.058

Notes: N/A = not applicable.

[a]Anchored 1 = "strongly disagree" and 7 = "strongly agree."

[b]Anchored 1 = "poor," and 7 = "excellent."

[c]Anchored 1 = "strongly short of our expected objectives" and 7 = "strongly in excess of our expected objectives."

[d]Anchored 1 = "to a small extent" and 7 = "to a large extent."

[e]Anchored 1 = "much lower" and 7 = "much higher."

[f]Prior to analysis, these four choice options were coded into one dummy variable where functional team and lightweight team were coded 0 and heavyweight team and autonomous team were coded 1.

[g]The natural logarithm thereof was used in the analysis.