

Antecedents of Multi-partner NPD Projects Termination: The Role of Alliance Portfolio Characteristics

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Abstract

The termination rate of multi-partner new product development (NPD) projects is notably high. Despite the significant implications of such terminations for firms, little is known about their antecedents. This study focuses on the NPD project as the unit of analysis, exploring how alliance characteristics affect termination likelihood during the NPD process. We use the pharmaceutical industry as our empirical context – only one in every 5,000 compounds will make it to the market. Drawing on Transaction Cost Economics theory, we propose an inverted U-shaped relationship between alliance portfolio size and termination likelihood. Using econometric models, we analyze 3,725 drugs across 8,911 alliances formed by 387 biotechnology firms. Our findings support the proposed relationship and reveal that broader alliance scope and a higher proportion of horizontal alliances increase project termination. These insights shed light on alliance portfolio dynamics in NPD project success and failure.

Keywords: *Multi-partner NPD project termination, Alliance portfolio, Alliance scope*

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