EXPLOITING EXPLORATION: AN ANALYSIS OF THE IMPACT OF PHASE 1 SBIR AWARDS ON SUBSEQUENT AWARD ACTIVITY (SUMMARY)

Michael P. Ciuchta
University of Wisconsin – Madison, mciuchta@bus.wisc.edu

Recommended Citation
Ciuchta, Michael P. (2007) "EXPLOITING EXPLORATION: AN ANALYSIS OF THE IMPACT OF PHASE 1 SBIR AWARDS ON SUBSEQUENT AWARD ACTIVITY (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 27: Iss. 10, Article 3.
Available at: http://digitalknowledge.babson.edu/fer/vol27/iss10/3

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

EXPLOITING EXPLORATION: AN ANALYSIS OF THE IMPACT OF PHASE 1 SBIR AWARDS ON SUBSEQUENT AWARD ACTIVITY

Michael P. Ciuchta, University of Wisconsin – Madison, USA

Principal Topic

A competency trap exists when an organization accumulates experience with procedures that generate favorable outcomes despite the possible existence of superior procedures (Levitt & March, 1988). Competency traps can be especially problematic for new organizations as routines developed early in an organization’s life can have a lasting imprint on subsequent behaviors. Despite the general acceptance of competency traps within the literature, there has been limited empirical research on how these traps emerge or are linked to higher order capabilities. One factor that can lead to the onset of a competency trap is the rate at which an organization learns (March, 1991). Thus, in this study, I examine whether learning rates affect the likelihood an organization will succumb to a competency trap.

Method

To study the propensity of organizations to fall into competency traps, I conduct an analysis of a sample of firms that have spun off from a large Midwestern research university. The study context consists of Phase 1 winners from the SBA’s Small Business Innovation Research (SBIR) Program. The SBIR program is well-suited for this research question because the two-phase program essentially represents an institutionalized form of what March (1991) calls exploration (Phase 1) and exploitation (Phase 2). In this study, I empirically assess whether the timing of winning a Phase 1 as well as the level of experience in winning Phase 1 awards affects whether an organization is more or less likely to further commercialization efforts as evidenced by winning a subsequent Phase 2.

Results and Implications

This study further develops the notion of complementary capabilities by examining whether being good at winning Phase 1 awards necessarily translates into being good at winning a follow-up Phase 2 award. Empirical findings contribute to our understanding of the link between competency traps and the emergence and development of capabilities in young organizations. Though not the focal aspect of this study, policy implications for the SBIR program are also addressed.

CONTACT: Michael P. Ciuchta; mciuchta@bus.wisc.edu; (T): 608-241-8068; University of Wisconsin-Madison, 975 University Ave., Madison, WI 53706.