RESOLVING THE TENSION BETWEEN INDIVIDUAL KNOWLEDGE AND ORGANIZATIONAL TENURE: AN INTEGRATIVE APPROACH AND EMPIRICAL TEST OF ABSORPTIVE CAPACITY (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss11/6

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SUMMARY

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Principal Topic

Absorptive capacity is a multi-disciplinary construct that has been used by economists, sociologists and management researchers to measure a host of outcomes on multiple levels, but there is still a lack of studies examining the impact of absorptive capacity on new firm survival and performance. This paper argues for a deconstruction of absorptive capacity into an (a) individual knowledge component and an (b) organizational tenure/process component.

Method

A literature review of 149 papers reveals that there is a general lack of empirical studies applying ACAP to firm performance in general and to new firm performance in particular (Lane et al., 2006; Zahra et al., 2006). Common operationalizations of absorptive capacity have been R&D spending, or the proportion of technology/R&D-staff relative to the total number of employees (DeCarolis & Deeds, 1999). When examining the performance of start-up firms the established operationalization of ACAP is less useful, as these firms more often than not do not have the resources or size to operate dedicated R&D departments, budgets or staff. In addition, there have been no comparisons of the relative effects of absorptive capacity on the performance of resource-constrained independent new ventures operating in two different industry logics; product manufacturing firms and service firms, which is a relatively new area of inquiry (Brixy & Grotz, 2007; Galbreath & Galvin, 2008).

Results and Implications

The paper contains the development and testing of hypotheses based on these constructs on a longitudinal dataset on new ventures comparing two samples of manufacturing firms (n=682) and service/consulting firms (n=5,477) active in knowledge-intensive industries in Sweden 1995-2002. The tests show that the suggested different components of absorptive capacity have different and sometimes opposed effects on new firm survival and firm performance measures. A novel finding is that absorptive capacity has differential effects in the two different industry samples, and together these results open up further avenues of inquiry relating to new firm survival and performance.

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