HOW DO FIRMS LEVERAGE INNOVATION-CAPABILITIES FOR REPEAT INNOVATION? (SUMMARY)

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SUMMARY

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Principal Topic

Innovation is a widely accepted fundamental “specific function” of the entrepreneurial process, which is necessary for survival and success (Schumpeter, 1934; Kirzner, 1979; Drucker, 2002). In this study, we focus on the differential ability of firms to recognize opportunities and employ firm resources and capabilities to repeatedly innovate. Specifically examine the linkage between a firm’s innovation capabilities and repeat innovation activity. By doing so, we theorize that this linkage is positively moderated by firm age/experience. We theorize that at high levels of innovation capabilities, older firms are more likely to repeat innovations than younger firms are. Specifically, we expect older, more experienced firms to have a large accumulation of knowledge, resources, and capabilities, as well as the established routines necessary to support innovation (Nelson & Winter, 1982; Sørensen & Stuart, 2000). Likewise, we also expect that younger, less experienced firms may lack such essential knowledge, resources, and capabilities, as well as the established routines necessary to support innovation (Stinchcombe, 1965).

Method

We examine our model and hypotheses for the linkage between a firm’s innovation capabilities and repeat innovation activity, and the proposed moderating effect of firm age/experience, with a stratified random sample of 753 small and medium-sized firms from the National Small Business Poll on Innovation (NFIB). We tested our hypotheses using a multi-method approach consisting of OLS and Hierarchical regression. Further, we control for a variety of endogenous and exogenous factors, which may influence innovation activity.

Results and Implications

After controlling for industry, firm size, environmental dynamism, and technological propensity, the results generally confirm the existence of a positive relationship between innovation capabilities and repeat innovation activity. Further, we also observed a positive moderation effect on the expected moderating effect of firm age/experience. These results appear to confirm the theorized relationships advocated in this study, and are consistent with and/or offer an extension of prior related research (e.g., Stinchcombe, 1965; Cohen & Levinthal, 1990; Branzei & Vertinsky, 2006; Thornhill, 2006). As such, our findings and contributions may hold importance for researchers and managers alike.

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