ROLE OF ENTREPRENEURIAL ORIENTATION IN OVERCOMING THE COMPETENCY TRAP OF ABSORPTIVE CAPACITY (SUMMARY)

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SUMMARY

ROLE OF ENTREPRENEURIAL ORIENTATION IN OVERCOMING THE COMPETENCY TRAP OF ABSORPTIVE CAPACITY

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Principal Topic

Absorptive capacity (ACAP) is a firm’s ability to acquire, assimilate, transfer and exploit knowledge to introduce innovative products and thereby sustain competitive advantage. A firm must not only interact with the environment to acquire and transfer knowledge, but also needs to assimilate and exploit it through internal routines and processes for transmission. However, such recurring internal processes of knowledge transformation can lead to path dependence (Cohen and Levinthal, 1990). Path dependence creates lock-in effects for knowledge acquisition, transfer, assimilation, and exploitation capabilities. Thus, while the role of ACAP is widely acknowledged as a key capability leading to a firm’s innovation, the very capability is susceptible to “competency traps”. Levinthal (1992) explains firms can respond such competency traps by proactively altering routines and structures. More importantly, competency traps may also be addressed by introducing innovative routines and structures within the firm (Authene-Gima, 2005). To address how firms may proactively introduce innovative means to acquire and exploit external knowledge, the moderating role of entrepreneurial orientation (EO) is proposed as it explains the extent to which firms innovate, take risks and act proactively (Lumpkin and Dess, 1996).

Method

This study is based on a survey involving around 1500 technology-based Swedish SMEs, which resulted in 103 usable replies. These firms were selected for the following reasons: operate in a dynamic environment and represent the high growth oriented industrial sector. Our key measurements were based on well established scales: EO (Lumpkin and Dess, 2001), ACAP (Jansen et al, 2005), and innovative performance (Laursen and Salter, 2006), and were pre-tested using SMEs managers in similar industries as the targeted survey population. Factor and regression analysis were used for data analysis.

Results and Implications

Previous studies on ACAP have mainly focused on how firms absorb knowledge and there is a limited explanation on the probability for lock-in effects. This study shows that ACAP has a U-shaped relation to innovative performance, which supports the notion of “competency traps”. Moreover, EO plays a moderating role in overcoming this barrier and highlights the need for entrepreneurial activities. Thus, this study provides an alternative explanation to the understanding how SMEs may be able to renew routines and processes in the face of environmental changes.

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