ABSORPTIVE CAPACITY AND ITS IMPACT ON NEW VENTURE PERFORMANCE (SUMMARY)

Greta Greve
RWTH Aachen University, greve@win.rwth-aachen.de

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SUMMARY

ABSORPTIVE CAPACITY AND ITS IMPACT ON NEW VENTURE PERFORMANCE

Greta Greve, RWTH Aachen University, Germany

Principal Topic

New ventures rely very much on close and informal relationships between their members (Tybje et al., 1983). Furthermore, new ventures are typically less formalized and more flexible than older companies, which are often characterized by more rigid organizational structures (Gruber, 2003). They profit from efficient communication channels leading to fast reactions and decision making, which enables them to respond quicker to environmental changes than older, more established companies (Stinchcombe, 1965). Therefore we hypothesize that their absorptive capacity (ACAP), namely the ability, “to recognize the value of new external information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p.128), should impact their performance more than it would in established companies.

Our research model addresses two issues. First, we reassess the question of how ACAP impacts performance. Second, we shed light on the question whether ACAP is more beneficial for new ventures than for established companies. To answer these questions, we mainly draw on insights from the dynamic capabilities approach (Teece et al., 1997; Wade & Hulland, 2004).

Method

Based on a survey, we received 344 responses, thereof 39% new ventures, being defined as companies of eight years and younger. We tested our hypotheses with covariance-based structural equation modeling using AMOS 17.0.

Results and Implications

We confirm previous findings that the implementation of ACAP can enhance performance and we advance the literature by empirically demonstrating that ACAP is more beneficial for organizational outcomes with respect to performance in new ventures than in older companies. With respect to the cutting-edge research field of ACAP, we extend the existing research stream towards young companies. This paper is the first one using a valid and reliable scale and not only proxies to measure the impact of ACAP on performance.

Practically, our study provides several valuable insights for entrepreneurs and managers of new ventures on how to achieve a competitive advantage by means of ACAP. First of all, the awareness for the ACAP process for new ventures is established. In addition, we empirically prove its strategic importance and the related performance effect. Thus, practitioners appreciate the magnitude of the implementation and the monitoring of ACAP within their new ventures.

CONTACT: Greta Greve; greve@win.rwth-aachen.de; (T): +49-241-8096222; (F): +49-241-8092371; RWTH Aachen University, Templergraben 64, 52062 Aachen, Germany.