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LABOUR FLEXIBILITY AND NEW VENTURES' INNOVATION (SUMMARY)

Irini Voudouris
_Athens University of Economics and Business, ivoudour@aueb.gr_

Ioanna Deligianni
_Athens University of Economics and Business_

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SUMMARY
LABOUR FLEXIBILITY AND NEW VENTURES’ INNOVATION

Irini Voudouris, Athens University of Economics and Business, Greece
Ioanna Deligianni, Athens University of Economics and Business, Greece

Principal Topic

We investigate the individual and interaction effects of functional and numerical flexibility on new ventures’ innovation. Functional flexibility is considered to be favourable for the accumulation of tacit knowledge, increasing creativity and innovation (Kalleberg, 2001). However, many core elements of functional flexibility seem unlikely to apply to new ventures, which are so uncertain and unstable that they often have no choice but to be market-based in their approach to employees (Cardon, 2003). In this context new ventures might use numerical flexibility to enhance their innovation potential (Gardon, 2003). Bringing highly skilled flexible workers in new ventures may infuse the organization with new ideas and potentially help create new knowledge and entrepreneurial insight. Flexible workers may have extensive prior experience and higher-quality knowledge than others (Nonaka, 1994), which may be transferable to new ventures that engage them (Matusik & Hill, 1998). In this light we hypothesize that innovation in new ventures depends on both functional and numerical flexibility and most importantly we attempt to provide evidence that the effects of these two flexibility modes on innovation are complementary.

Method

We use data collected from 143 Greek firms, less than eight years old, belonging to four industrial sectors, i.e.: ICT, food, oil/chemical and textile. Data were collected using personal interviews based on a purpose-designed questionnaire. The significance of the main and interaction effects of functional and numerical flexibility on radical and incremental, process and product innovation was assessed using hierarchical regression models.

Results and Implications

The results provide evidence that radical and incremental, product and process innovations in new ventures depend mostly on functional flexibility as measured by the incidence of flexible work organization practices, whereas the training dimension of functional flexibility does not affect innovation at all, which is logical if one considers that new ventures do not possess adequate resources to engage in training practices. Numerical flexibility can provide a new venture with resources and capabilities necessary for product innovation, radical and incremental, only when it is combined with increased functional flexibility. In other words numerical flexibility may complement internal functional flexibility creating synergistic effects, whereas it can not act as a substitute of it.

CONTACT: Irini Voudouris ; ivoudour@aueb.gr; (T) : +302108203559, (F) : +302108203589 ; 76 Patission Street, 10434 Athens, Greece.