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THE INTERPLAY BETWEEN EXTERNAL AND INTERNAL KNOWLEDGE SOURCES IN CORPORATE ENTREPRENEURSHIP: BREAKTHROUGH INNOVATION FROM R&D PROJECTS (SUMMARY)

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THE INTERPLAY BETWEEN EXTERNAL AND INTERNAL KNOWLEDGE SOURCES IN CORPORATE ENTREPRENEURSHIP: BREAKTHROUGH INNOVATION FROM R&D PROJECTS

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Principal Topic
Cohen and Levinthal (1990, p.128) define the firm’s absorptive capacity as “the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends.” Nooteboom et al. (2007) asserts that the ability of firms to benefit from external information depends on the cognitive distance between the firm and the actor providing new information or resources. A low cognitive distance makes it easy to understand each other, but such actors may not provide very novel information compared to what the firm already knows. In contrast, a high cognitive distance makes communication difficult, but increases the likelihood of receiving novel information. This paper look at how firms develop new or radically improved products and services by examining the interplay between internal and external knowledge sources over the life course of high performing R&D projects.

Method
We examine this issue by case studies of 16 successful innovation projects. The projects are selected among the top performing innovation projects in a government R&D program that supports high-potential innovation projects in Norwegian industry. To get an in-depth understanding of how the innovation process unfolded in each case we have interviewed 34 persons. The data analysis is based on triangulation of data sources to analyze each case, followed by cross-case comparison.

Results and Implications
Our findings show that internal knowledge sources are crucial to frame the initial project idea while external sources are used to enhance firm-internal competencies during the implementation of the innovation project. In line with the absorptive capacity theory, the firms tend to gain most value from external actors they know from prior collaborations. These actors can be labeled “close collaborators” and usually engage in an open dialogue characterized by a high level of trust. Our paper extends prior research on corporate entrepreneurship (Ireland et al., 2009; Kelly, 2009; Kelly et al., 2009) by clarifying how internal and external knowledge sources interplay and promotes the ability of firms to develop breakthrough innovation.

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