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DECIDING TO EXPLOIT: THE PROJECT, THE PORTFOLIO, AND THE PERSON (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

DECIDING TO EXPLOIT: THE PROJECT, THE PORTFOLIO, AND THE PERSON*Judith Vollmoeller, TU Munich, Germany**Holger Ernst, WHU, Germany***Principal Topic**

Research and development (R&D) is a major source of entrepreneurial opportunities. Given limited resources (Simon, 1947; Ocasio, 1997), firms must decide whether or not to exploit a specific, newly discovered project. Existing literature is relatively silent on the project attributes other than projected financial risk and reward that managers consider in their exploitation decisions, and how they consider projects in the context of their innovation portfolio and the influence of personal characteristics on the decision to exploit. We build on the project innovation, portfolio strategy, and managerial psychology literatures to build a model covering the influence of project, portfolio, and person on managers' exploitation decisions.

Method

We investigate 4032 opportunity assessments, nested in 126 decision makers, using a conjoint experiment analyzed with hierarchical linear modeling (HLM). Specifically, we use a metric conjoint analysis to collect data on the manager's likelihood to exploit an innovation project. Our data consist of 32 assessments for each of the reliably answering 126 participants, yielding 4032 data points.

Results and Implications

First, we found that over and above projected financial risk and reward, decision makers did consider other aspects of the project and also considered the project in the context of their current innovation portfolio when making exploitation decisions. Second, management research has acknowledged that managers at different levels think differently about issues and answers (Floyd & Lane, 2000; Ocasio, 1997; Simon, 1947). We complement these studies by offering new insights into when this might be the case (at least for the exploitation decision). We find that while there are few differences in decision policies between inexperienced R&D managers and experienced project leaders, significant differences exist at higher levels of experience. Finally, past research on opportunity exploitation has taken a relatively static perspective, such that the decision policies of R&D managers appear to be relatively stable. Although we also found that the decision policies of R&D managers was relatively stable over increasing levels of experience, this did not appear to be the case for project leaders; project leaders' decision policies differed depending on their level of experience.

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