WHEN LEARNING CAN HURT YOUR PERFORMANCE: MARKET LEARNING THROUGH EXPANSION, MODIFICATION AND CONTRACTION IN TECHNOLOGY-BASED VENTURES (SUMMARY)

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SUMMARY

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MARKET LEARNING THROUGH EXPANSION, MODIFICATION
AND CONTRACTION IN TECHNOLOGY-BASED VENTURES

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Principal Topic

New technology-based ventures face enormous learning challenges. Paradoxically, business folklore often cites adaptability and change as key to survival and performance; yet learning, defined as changes in the core elements of the firm, is not necessarily advantageous for the learning organization. This paper aims at adding to our knowledge by exploring under which conditions technology-based ventures engage in market learning and when this learning can be considered advantageous for learning organizations. Based on the organizational learning literature, we argue that these learning behaviors can be better understood by considering their learning and unlearning content. In the context of market learning, it is possible to make a distinction between learning through expansion, modification and contraction. We develop testable hypotheses regarding the antecedents and consequences of market learning.

Method

We test our hypotheses on a sample of independent and corporate ventures in the Finnish machine and equipment manufacturing, electrical equipment manufacturing and software industries. We extracted the sample from the Sfinno database of 1482 Finnish innovations. Our final dataset includes 61 ventures that commercialized their product inventions between the years 1995 and 1998. We acquired data on these ventures over an average period of 11 years. Our data sources included interviews with key people involved in these innovative ventures, a questionnaire survey and financial data from various public databases.

Results and Implications

The results of our study show that the likelihood of learning through expansion, modification and contraction depends on a host of contextual factors, such as familiarity of markets for innovating firms and changes in ownership. Our study also contributes to the debate on whether learning is helpful or harmful for organizations by identifying three types of market learning and analyzing their performance implications. In particular, our results show that learning through business model expansion has positive performance implications for innovating firms, whereas learning through modification and contraction may hurt the performance of technology-based ventures.

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