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INTERACTIVE PAPER SESSION

THE KNOWLEDGE BUILDING DILEMMA OF TECHNOLOGY BASED NEW FIRMS

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Principal Topic

This study investigates how technology-based new firms (TBNF) acquire capabilities beyond their size. We review and incorporate literature on strategic alliances, internal capabilities development and entrepreneurial orientation and further theory development of how these key constructs interact over time in a dynamic process of knowledge building.

Method

This study uses a grounded theory approach involving a longitudinal comparison of three purposely chosen young UK biotech companies that have very different knowledge building approaches. We followed the progress of these companies over the last three years. The main source of data was a series of interviews with the senior management teams of each company, including founders and also with the executives of other biotechnology companies, collaborating institutions, venture capital companies and consultancies. We also used a variety of company documents and industry publications to understand the research setting context.

Results and Implications

The analysis revealed a dynamic process of capability development in which the contingent factors of EO (pro-activeness, innovativeness and risk taking) moderate the knowledge building process. The process involves an accelerated development of either an internal learning capability or an alliance management capability in a manner that unpacks more precisely the construction of a firm’s alliance portfolio as the firm considers growth or survival concerns over time. The use of learning alliances decreases as accelerated internal learning development proceeds whereas the use of accessing alliances increases in all cases.

The paper will enrich discussion among entrepreneurship and strategy researchers by showing how conventional constructs such as ACAP can fit into an entrepreneurial setting. We show how EO and ACAP constructs are in fact complementary in that one emphasises motivation and the other capacity. EO can spur a firm’s capability building efforts even when the firm starts with a low knowledge-base.

On a practical note, for the founders of young technology firms, we show there are multiple paths of development. It is possible for firms to be virtual and successful, which is an alternative to the more conventional path of internal development. We also show that alliances for external knowledge access can in some instances be more effective than deep knowledge transfer.

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