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THE MODERATING ROLE OF LEARNING ON COMPETITIVE ADVANTAGE: LONGITUDINAL EVIDENCE FROM YOUNG FIRMS (INTERACTIVE PAPER)

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Principal Topic

The question of how young firms reconcile the absence of well-established learning routines arising from the “liabilities of newness” with the “learning advantages of newness” has received scant attention in entrepreneurship. While older firms follow established learning routines and sometimes face problems in overcoming inertia, young firms with lower levels of inertia are better poised to explore, search and test unique avenues for their products and services. The process of learning and capability development as well as establishing uniqueness in their product offerings is an important part not only in the early stages of firm growth, but also in firm survival. Given their inexperience, for young firms, these learning processes are iterative and include contrasting learning loops that sometimes progress and at other times digress from initially perceived unique ideas. Such processes are embedded within capabilities that the firm develops and nurtures. Based on this premise and adopting a capabilities-based view, we examine how strategic networks and environmental knowledge affects uniqueness- mediated performance in young firms. We identify firms with digressive learning strategies based on their self-assessment of learning and compare them with other firms to demonstrate a differential effect on performance.

Method

Our results follow a full theory testing approach by using structural equation modeling. Results are based on four latent theoretical constructs, with full information on loadings and overall construct estimates. The sampling represents a targeted learning sample identified from the CAUSEE project, a 4-year longitudinal study on firm emergence conducted in Australia. Towards this end, we compare a sub-sample of 105 firms with digressive learning patterns with other firms over a two-year period in an overall sample of 474 surviving young firms in Australia.

Results and Implications

Our results confirm that the identified capabilities and the interrelationships therein play an important role in young firm performance. We also find that firms that learn by digressing from their initially perceived unique ideas score significantly higher on performance when compared with other firms.

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