



# Resource orchestration in the context of knowledge resources acquisition and divestment. The empirical evidence from the Italian “Serie A” football



Andrea Lanza<sup>a,\*</sup>, Giuseppina Simone<sup>b</sup>, Randolph Bruno<sup>c</sup>

<sup>a</sup> University of Calabria and SDA Bocconi University, Italy

<sup>b</sup> University of Calabria, Italy

<sup>c</sup> University College London, UK

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## ABSTRACT

We investigate how resource orchestration influences performance within the ‘knowledge resource management’ approach by exploiting a novel database on the Italian Serie A top-professional football league spanning from the 1960–61 up to the 1991–92 season. We find that the acquisition of experience via newcomers has a U-shaped non-monotonic relationship with performance. Furthermore, we find that releasing co-specialized employees has a positive moderating role within the relationship between team experience and performance by suggesting that dismissing old routines positively influences the relationship between current routines and team's performance.

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## 1. Introduction

In this study, we aim to investigate how resource orchestration (Helfat et al., 2007; Sirmon, Hitt, Ireland, & Gilbert, 2011) affects performance at the firm level in the context of decisions concerning the management of knowledge resources (Kogut & Zander, 1992).

The notion of resource orchestration<sup>1</sup> constitutes a recent development in the broader area of resource-based studies. It focuses on how managerial decision making affects performance by means of decisions concerning resource management processes (Helfat et al., 2007; Sirmon et al., 2011). In particular, Helfat et al. (2007) maintain that resource orchestration decisions address two broad areas, namely, search/selection and configuration/deployment. Accordingly, in this study, we investigate the different effects of resource orchestration in the context of knowledge

resource management, and we focus on the first area of resource orchestration decisions, i.e., search/selection, with specific attention paid to the acquisition of new resources and the release of current resources.

More precisely, we aim to explore whether the contribution of newly acquired knowledge resources, as a whole, depends on the industry-level experience of such resources. Previous research has posited that an individual's experience is a relevant knowledge resource (Reagans, Argote, & Brooks, 2005; Huckman & Pisano, 2006) that is transferable across firms (Castanias & Helfat, 1991; Holcomb, Holmes, & Connelly, 2009); however, previous studies have not examined whether and how different levels of newcomers' experience, as a whole, affect firm performance. Furthermore, we investigate whether the release of co-specialized employees' tacit knowledge affects the focal unit's performance. Although prior studies have maintained that inertia transforms routines into traps (Levintal & March, 1993), we investigate whether the release of routines (i.e., co-specialized employees' tacit knowledge) sustains (or hampers) firm performance. In particular, we investigate whether the release of co-specialized knowledge resources moderates the performance of current co-specialized

\* Corresponding author.

E-mail addresses: [andrea.lanza@unical.it](mailto:andrea.lanza@unical.it) (A. Lanza), [giuseppina.simone@unical.it](mailto:giuseppina.simone@unical.it) (G. Simone), [randolph.bruno@ucl.ac.uk](mailto:randolph.bruno@ucl.ac.uk) (R. Bruno).

<sup>1</sup> In the context of resource orchestration, Sirmon et al. (2011) define the process of acquiring, accumulating and divesting resources as resource structuring.

employees.

We argue that resource orchestration in the context of knowledge resource management deserves accurate research efforts because the renewal of such resources is unavoidable (sooner or later)<sup>2</sup> and is likely to produce important consequences for a firm's most critical source of competitive advantage.

To address the above issues, we conducted research in the context of "Serie A", the Italian top-level professional football league, from 1960 to 1992. Sports settings are particularly suited to management research (see Day, Gordon, & Fink, 2012; Wolfe et al., 2005) because they frequently allow for the observation of phenomena of particular interest from the viewpoint of the orchestration of knowledge resources, such as the fit between a given strategy and the available knowledge resources (DiMinin et al., 2014; Sirmon, Hitt, & Ireland, 2008; Wright, Smart, & McMahan, 1995); individual and collective skills and tacit knowledge (Berman, Down, & Hill, 2002; Shamsie & Mannor, 2013); resource management and value creation (Holcomb et al., 2009); knowledge resource bundling (Sirmon et al., 2008); knowledge resource acquisition and release (Moliterno & Wiersema, 2007); interorganizational co-mobility of knowledge resources (Campbell, Saxton & Banerjee, 2014); performance comparisons (Moliterno, Beck, Beckman, & Meyer, 2014); and resource complementarity (Crocker & Eckardt, 2014; Ethiraj & Garg, 2012). Furthermore, although football teams may differ in terms of size, age and historical relevance (from a sporting viewpoint), they share a common market for resources (factors) and a general environment.

Our study makes the following contributions. First, we show empirically that new knowledge resource acquisition must be examined as a collective resource and not as a sum of individual resources. In particular, insofar as the acquisition of new knowledge resources is concerned, we observed a non-monotonic relationship (i.e., a U-shaped relationship) that emphasizes the role of newly acquired knowledge as a collective resource. In addition, our study is (among) the first to explore the effect of released employees' co-specialization on a team's results. More precisely, we find a positive moderating role on the relationship between team experience and performance. This finding suggests that the dismissal of *old* routines positively influences the relationship between *new* routines and performance, thus shedding new light on an important interaction concerning the effectiveness of knowledge resources.

## 2. Theory and hypotheses

Recent research has clarified that resource-based studies require additional development insofar as resource management is concerned (Sirmon, Gove & Hitt, 2007). Accordingly, we endeavor to investigate how resource orchestration (Hefalt et al., 2007) in the context of knowledge resource decisions addresses this issue with respect to search/selection decisions. In particular, we focus on those specific decisions concerning the acquisition of new resources in the form of new employees' experience and the release of such resources in the form of the dismissal of co-specialized resources, and we examine the effect of both types of decisions on performance.

### 2.1. The impact of new employees' experience on performance

Several studies have investigated the relevance of individuals' experience (Castanias & Helfat, 1991; Coff, 1999; Dokko, Wilk, &

Rothbard, 2009; Holcomb et al., 2009) and its impact on firms' results (Argote, McEvily, & Reagans, 2003; Edmondson, Bohmer, & Pisano, 2001; Huckman, Staats, & Upton, 2009; Reagans et al., 2005). These studies<sup>3</sup> unanimously conceive of an individual's experience as a valuable resource in terms of its contribution to a unit's results. Individual experience has also been studied as a proxy for learning and tacit knowledge (Argote & Ingram, 2000; Huckman & Pisano, 2006; Shamsie & Mannor, 2013). In particular, such research has noted that although an individual's experience is a critical asset, its effect is frequently contingent on routines and contextual knowledge rooted at the organizational level. Furthermore, a given individual's experience has been examined from the viewpoint of human capital development (Lepak & Snell, 1999; Moliterno & Wiersema, 2007). For example, Lepak and Snell (1999) maintain that human capital experience can be appraised based on the degree of its development. More precisely, more *seasoned* and experienced individuals are valued as developed and *ready-to-use* resources whose contribution is expected to be fully productive in the short run. In Major League Baseball (MLB), Moliterno and Wiersema (2007) conceive of those individuals who had previously acquired substantial experience in the league as developed resources. In summary, research and studies on the contribution of an individual's experience to firm performance have produced an articulated picture; however, they have neglected the role of resource orchestration, that is, the collective and shared effect of newly acquired knowledge resources (i.e., newcomers) beyond the effect of the single, newly acquired resource.

To fill this void, we maintain that the orchestration choices regarding acquisitions must be observed with respect to the characteristics of newcomers not as if such individuals were stand-alone assets but as if they were a whole, collective resource because, following Alchian and Demsetz (1972), the contribution of a group of individuals at the team level is more than the sum of the single contribution of those individuals to the team. This phenomenon occurs because complementarity among resources is likely to affect performance in a differentiated manner (Milgrom & Roberts, 1990). Accordingly, we maintain that the level of experience among new knowledge resources is likely to affect performance in a differentiated fashion that particularly depends on their experience at the industry level. Individual experience at the industry level is a relevant indicator of professional skills (Castanias & Helfat, 1991; Dokko et al., 2009). In contrast to other types of experience that are considered to be contextual and firm-specific, individual experience at the industry level is considered to be highly transferable across firms (Reagans et al., 2005; Holcomb et al., 2009). Although individual experience is transferable across firms, we do not know how different levels of collective knowledge resources might affect a new unit's performance. Similarly, we have no empirical evidence regarding whether a group of new employees would affect the performance of their new employer in a differentiated fashion based on a given level of collective experience. Because the collective level of experience of new knowledge resources contributes to defining the resource strategy adopted by a given manager, we argue that it is important to examine whether and how such a strategy affects performance. To address this issue, we consider the collective experience of newcomers when such employees join a new firm and examine how different levels of newcomers' experience affect the unit's performance.

The effects of newcomers on performance has produced contrasting results in the literature, although it has received increasing

<sup>2</sup> As reported by Rink et al. (2013: 248), "In the USA, for example, the median duration of tenure with a current employer is approximately four years (U. S. Bureau of Labor Statistics, 2011)".

<sup>3</sup> A review of this stream of literature is beyond the scope of this manuscript. For a detailed examination, see Argote et al. (2003) and Reagans et al. (2005).

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