Journal of Business Research xxx (2015) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

Absorptive capacity and value in the banking industry: A multiple mediation model☆

Ignacio Cepeda-Carrion [a], Antonio G. Leal-Millán [a,*], Silvia Martelo-Landroguez [a], Antonio L. Leal-Rodriguez [b]

[a] Department of Business Management, Av. Ramon y Cajal, 1, Universidad de Sevilla, Seville, Spain
[b] Business Management Department, C/Energía Solar, 1, Universidad Loyola Andalucía, Seville, Spain

ARTICLE INFO

Article history:
Received 1 February 2015
Received in revised form 1 July 2015
Accepted 1 September 2015
Available online xxxx

Keywords:
Absorptive capacity
Value
Banking industry
Knowledge management

ABSTRACT

Firms continually look new ways to get the best results. This study focuses on the relationship between absorptive capacity (ACAP) and value, proposing a multiple mediation model to analyze this relationship. The study's contribution to the literature is to examine empirically, and in greater depth the antecedents and determinants of this variable. Thus, the research fills a gap in the literature through the analysis of the mediating role of knowledge stock (KS) and knowledge application (KA). This study applies variance-based structural equation modeling via partial least squares to a sample of 151 branch office managers from the Spanish banking industry. The results show that both the direct effect and indirect effect, through the mediation of KS and KA, are significant in the relationship between ACAP and value.

1. Introduction

The Spanish banking industry (SBI) is a highly knowledge-intensive sector and is therefore appropriate for identifying, analyzing, and evaluating different learning processes. The increasingly intense competition within this industry is forcing banks to recognize the need to seek new ways of leveraging their organizational knowledge. In addition to the competition within the industry, the relative intangibility of their products and services prompts the need to capture and retain customers by offering them something extra, and building a strong relationship.

Furthermore, the complex competitive environment in which banking firms operate leads to an increase in the demand for superior value (Sánchez, Iniesta, & Holbrook, 2009). Therefore, more and more firms see value as a key factor when looking for new ways to achieve and maintain a competitive advantage (Woodruff, 1997).

In this article, a reference to value means the firm's outcomes in relation to their stakeholders (i.e., their internal customers or employees and their external customers). A firm's external and internal organizational capabilities are vital for increasing that value. Thus, a firm should focus on improving those capabilities that view customers (both internal and external ones) as a key component, to maximize and then absorb the value created (Martelo-Landroguez, Barroso, & Cepeda, 2011).

Although most of the literature refers to value creation, understanding value from the perspective of the value of the stakeholders for the firm also receives attention from researchers (Payne & Holt, 2001). This stream of research focuses on the value of the stakeholders for the firm. Therefore, the focus is not only on the creation of value for the stakeholders but also on the value outcome that can derive from delivering superior value by managing knowledge.

In the SBI, new products and processes demand new competencies, or at least a new combination of competencies. These new skills and capabilities are requirements for creating new products or launching new services, and are the likely results of the acquisition, assimilation, and exploitation of new knowledge. This idea is what Cohen and Levinthal (1990) refer to as absorptive capacity (ACAP). These authors state that ACAP is a result of individual skills, prior knowledge, firm-specific competencies (i.e., internal capabilities), and access to knowledge sources outside the firm; that is, external linkages (Leal-Rodríguez, Roldán, Leal, & Ortega-Gutierrez, 2013). Thus, managers need a framework to facilitate the influence of several knowledge management (KM) aspects (e.g., ACAP, knowledge stock — KS, and knowledge application — KA) on the firm's value. Nevertheless, a gap exists in the literature concerning this issue. No study reports an empirical test of the links between ACAP, KM processes, and their consequence on value.

This study addresses the gap in the literature by focusing on the link between a firm's ACAP and value from two different perspectives: researching, on the one hand, the direct effect between ACAP and value; and, on the other hand, the indirect effect considering the multiple mediating role of another two processes of KM: KS and KA. The specific research question is: Does ACAP affect value by itself, or does it need other capabilities in order to jointly facilitate firm's appropriation of the value created?

☆ The authors thank D. Jose Luis Roldán, University of Seville, and D. Gabriel Cepeda Carrion University of Seville, for their careful reading and suggestions.

* Corresponding author.
E-mail addresses: icepeda@us.es (I. Cepeda-Carrion), aleal@us.es (A.G. Leal-Millán), smartelo@us.es (S. Martelo-Landroguez), alleal@uloyola.es (A.L. Leal-Rodriguez).

http://dx.doi.org/10.1016/j.jbusres.2015.10.032
0148-2963/

2. Theoretical background and research hypotheses

2.1. The relationship between absorptive capacity and value

Cohen and Levinthal (1990, p. 128) initially define ACAP as "the ability of recognizing new external knowledge, assimilating and applying it to commercial ends." Therefore, this concept refers to a key element within the organizational learning process. These authors also suggest that this capability is critical for any firm that seeks the attainment of sustainable competitive advantage, business performance, or innovative results. Cohen and Levinthal (1990) also suggest that ACAP depends largely on the level of prior knowledge that the firm already possesses.

Although extensive literature concerning ACAP exists, this topic only arouses significant interest in the academic community in light of Zahra and George's (2002) reconceptualization. The roots of this reconceptualization lie in the distinction between potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP).

The present work draws on Zahra and George's (2002) view, which suggests that ACAP encompasses four distinct but complementary capabilities: acquisition, assimilation, transformation, and exploitation. According to Barney (1991), the conjunction of different capabilities leads firms to achieve superior performance, which frequently results in competitive advantage.

In accordance with this theory, PACAP and RACAP encompass different capabilities. PACAP involves acquisition and assimilation capabilities. This capacity makes the firm open to the acquisition and assimilation of external knowledge (Lane & Lubatkin, 1998). PACAP captures a firm's capacity to evaluate and acquire external knowledge (mainly from market, competitors, and external customers). Nevertheless, this capacity does not always lead to knowledge exploitation (an internal customer issue or view). Conversely, RACAP deals with the capabilities of transforming and exploiting. PACAP and RACAP are essentially distinct concepts, and consequently may draw on different structures, objectives, and strategies (Leal-Rodríguez, Ariza-Montes, Roldán, & Leal-Millán, 2014).

Jansen, Van den Bosch, and Volberda (2003) develop a new model drawing on a model Van den Bosch, Volberda, and de Boer (1999) propose, and on the inclusion of some of the improvements Zahra and George (2002) provide. On the one hand, three different capabilities – coordination, system, and socialization capabilities – are the antecedents of ACAP in this model. On the other hand, the model of ACAP is an antecedent of the firm's adaptation and performance.

Similarly, several studies posit a relationship between the firm's ACAP and performance. Fiol (1996) argues that the potential of organizations to generate and capture the benefits of their innovation outcomes depends on the previous accumulation of knowledge. The emergence of KM therefore enhances the reciprocity between innovation and knowledge in the sense that innovative efforts are a result of the firm's endeavor and investment in knowledge and knowledge workers. Similarly, outcomes from innovation processes in terms of new products and processes contribute to create new knowledge. They contribute by developing a set of capabilities that extract benefits deriving from value creation (Prajogo & Ahmed, 2006). Ensuring the sharing of relevant knowledge among organizational members is crucial to effectively absorb and exploit knowledge (Spender, 1996). This result provides a better comprehension and mutual understanding (Garvin, 1993).

Several studies propose that the ability to exploit effectively external knowledge is a critical factor for the companies that have an interest in achieving innovation outcomes and higher benefits (Cohen & Levinthal, 1990). A company's ACAP performs as the enabler that permits turning knowledge into new products, services, or processes to support innovation and, therefore, the firm's ability to restrict competitive forces (Leal-Rodríguez et al., 2014; Newey & Zahra, 2009).

According to Damanpour and Gopalakrishnan (2001), innovation is nowadays a crucial element when attempting to obtain and sustain competitive advantages, being product/service innovation a key component of firm's value creation and value appropriation processes. These authors argue that innovative firms tend to be more adaptable to changes, are more flexible, and are more able to exploit opportunities than their competitors are. Firms that foster an innovative approach can deal better with the volatility and high dynamism of their environment, and are thus able to achieve and sustain long-term competitive advantages. In this vein, following the strategy of proactively embracing innovation contributes to differentiating the firm from its competitors, hence improving its business performance and market value (García-Zamora, González-Benito, & Muñoz-Gallego, 2013; Jansen, Van den Bosch, & Volberda, 2006).

This study posits that firms that want to stay in the market place have to consider both internal and external customers. To do so, firms try to provide the marketplace with a range of products or services that give value to these stakeholders. Therefore, superior performance is not an end in itself, but a result from providing superior value to stakeholders (Slater, 1997). By analyzing their customers (internal and external), firms should be able to improve their outcomes.

The literature demonstrates the possibility of viewing value both from the customer's perspective and from the firm's perspective. Some authors focus on perceived value (the customer's perspective), while others focus on value creation and appropriation (the firm's perspective) (Martelo-Landroguez, Barroso, & Cepeda, 2013). This study refers to value as the firm's outcomes in relation to their stakeholders (i.e., the firm's perspective).

However, value creation alone is insufficient to succeed in the marketplace. A firm's ability to restrict competitive forces to enable the appropriation of some of that value that the firm creates in the form of profit is also necessary (Mizik & Jacobson, 2003). Thus, value appropriation involves the development of a set of capabilities to extract benefits that stem from value creation. In other words, value appropriation focuses on the appropriation of market rents that the possession of specific differential resources or capabilities generates (Mocciaro & Battista, 2005). Although most authors focus their attention on the barriers to imitation of competitors, firms must focus on the retention of value in the organization (Bowman & Ambrosini, 2000).

The key idea is to know if firms are able to capture the value that they create for their internal and external customers. Firms that fail to pay enough attention to value appropriation are unlikely to achieve competitive advantages and capture the benefits of their innovations (Mizik & Jacobson, 2003). Mocciaro and Battista (2005) posit that a period must exist in which the firm may pursue value appropriation to seize the fruits of the firm's innovations through an increase in the efficiency of the firm's resource allocation.

Value appropriation focuses on restricting competitive forces and extracting benefits from the marketplace (Han, Kim, & Srivastava, 1998). According to Bowman and Ambrosini (2000), idiosyncratic ways of doing things allow firms to offer more value to their stakeholders, and could help firms to achieve higher benefits.

H1. Absorptive capacity has a positive relation with value.

2.2. KM and value: the mediating roles of knowledge stock, and knowledge application

Scholars broadly discuss the relationship between KM and the value for the internal and external customer (Despres & Chauvel, 1999; Gebert, Geib, Kolbe, & Brenner, 2003; Kaplan & Norton, 2004; Rezgui, 2007). In addition, Vorakulpipat and Rezgui (2008) suggest that a description of knowledge as a source of value creation is possible.

In terms of organizational processes, Gebert et al. (2003) suggest that KM processes have inherent value-creation capabilities. In this context, Vorakulpipat and Rezgui (2008) define KM as a set of processes that allow firms to use what they know to create value for the customers,