



From potential absorptive capacity to innovation outcomes in project teams: The conditional mediating role of the realized absorptive capacity in a relational learning context

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Abstract

Starting from the construct absorptive capacity, this study separately treats its two dimensions – potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP) – and analyzes their influence on innovation outcomes (IO) in project teams. We also examine potential absorptive capacity as an antecedent of realized absorptive capacity. In addition, we propose that relational learning (RL) will play a moderator role reinforcing the PACAP and RACAP link. Consequently, this paper builds and tests a conditional process model. Data was collected from a sample of 110 project managers of firms belonging to the Spanish automotive components manufacturing sector. Results from variance-based structural equation modeling and PROCESS tool show that RACAP fully mediates the influence of the PACAP on IO, and this indirect effect is positively conditioned by RL. This paper provides evidence that when RL achieves a low value, this indirect influence is not different from zero.

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1. Introduction

This paper adopts Zahra and George's (2002) conceptualization of absorptive capacity (ACAP) as a set of dynamic organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge. According to these authors, absorptive capacity has two general states: (1) *potential absorptive capacity* (hereinafter, PACAP), which includes knowledge acquisition and assimilation, captures efforts expended in identifying and acquiring new external knowledge; and (2) *realized absorptive capacity* (hereinafter,

RACAP), which includes knowledge transformation and exploitation, encompasses deriving new insights and consequences from the combination of existing and newly-acquired knowledge into operations. The identification of absorptive capacity as a dynamic capability suggests several essential research questions. First, what is the impact of absorptive capacity on an organization's innovation outcomes (firms, project teams, joint-ventures, etc.)? We will address this issue by distinguishing between PACAP and RACAP. Second, is there any relationship between both facets of ACAP? That is to say, is PACAP an antecedent of RACAP? If this is so, the third question would be: is RACAP a mediator in the relationship between PACAP and innovation outcomes?

Zahra and George (2002) theorized that the relationship between PACAP and RACAP is moderated by social integration mechanisms. In summary, they said that “social

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integration mechanisms lower the barriers to information sharing while increasing the efficiency of assimilation and transformation capabilities”. Consequently, we extend this work by introducing the use of relational learning (hereinafter, RL). This construct can be understood as a joint activity between the organization and one or more parts – supplier, customer, partner, etc. – in which the purpose is to share information. This will contribute to the enhancement of their knowledge bases, capacities and competitive spirits through relational-level learning (Leal-Rodríguez et al., 2013). We propose that RL could play a key moderating role in the relationship between PACAP and RACAP. We consider that this makes an important contribution to the advancement in the knowledge on this research topic, taking project teams as the analysis unit.

If most or all business activities of an organization are undertaken in the form of projects, these organizations are referred to as project-based organizations (Hobday, 2000). Organizations are increasingly managing by projects and, hence, project management capability is more and more demanded from managers. Bartsch et al. (2013, p. 239) recently affirmed that “organizations increasingly rely on projects to carry out their business activities (Midler, 1995; Whittington et al., 1999). Project-based organizations are the prevalent mode of organization in a variety of industries, including engineering (Shenhar and Dvir, 1996), advertising (Grabher, 2002), construction, and film (Bechky, 2006)”. Therefore, in our work, we have tested these relationships in project teams belonging to companies within the sector of automotive components in Spain. These are knowledge-intensive companies in the use of project teams in which innovation is a key survival capability.

The origin of project management is rooted in the management of large construction and engineering projects. However, the literature concerning project management lacks evidence on small to medium size enterprises (SMEs). Despite their scarce presence in the literature, SMEs actually play a crucial role in the European economy, performing as authentic economic engines. In fact, ninety-nine percent of all European businesses are SMEs, providing two out of three of the private sector jobs, and their contribution is more than half of the total value-added created by businesses in the EU (European Commission, 2013). Particularly, the automotive components manufacturing sector in Spain is principally composed of SMEs.

One of the questions we attempt to answer throughout this study is the following: Why is it important to build ACAP in project teams? According to Turner (2009, p. 2), “a project is an endeavor in which human, financial and material resources are organized in a novel way to undertake a unique scope of work, within constraints of cost and time, so as to achieve beneficial change, defined by quantitative and qualitative objectives”.

Could learning be among these objectives? In accordance with Kolb (1984), learning is the process of creating knowledge through the transformation of experience. In this sense, it is certain that knowledge guides experience. Nevertheless, it is

equally true that practice contributes to yielding theory. Therefore, could firms come to rely on projects with the aim of learning new approaches, obtaining new knowledge and extracting lessons and good practices? We believe that it is important to build ACAP in project teams so that all knowledge which emerges from projects may be retained and stored within the team’s knowledge base or even at the firm level.

The capacity to innovate is what makes companies able to respond faster to the rapid changes of the environment. Markets are nowadays characterized by their being fierce and having strong competition. Under these circumstances, innovation outcomes (hereinafter, IO) have come to be considered as one of the pivotal drivers of the long-term success of firms (Baker and Sinkula, 2002; Balkin et al., 2000; Cepeda-Carrión et al., 2012a; García-Morales et al., 2008). A study from Turner et al. (2010) reveals that SMEs reinvest on average 30% of their turnover on projects. These authors sustain that as SMEs are more flexible than larger companies, they do not require the use of excessively bureaucratic management procedures. Turner (2009) argues that rather than being the preferred management style, bureaucracies are nowadays regarded as barriers that hinder the firm’s ability to respond to change, and hence remain competitive. All the above-mentioned can make SMEs the ideal setting for the pursuit of innovation.

The purpose of this paper is hence to develop a model that: (i) separately examines the link between the absorptive capacity’s dimensions (PACAP and RACAP) and IO; (ii) analyzes the mediator role of RACAP in the relationship between PACAP and IO; (iii) investigates the moderating function of RL in the PACAP-RACAP link. The paper proceeds as follows. Section 2 presents the theoretical background and hypotheses. This is followed by a description of the research methodology used to test these hypotheses, and then the results of the data analyses, the implications and the future research directions are discussed.

2. Theory and hypotheses

2.1. From potential absorptive capacity (PACAP) to innovation outcomes (IO)

The innovation outcomes comprise the application of new knowledge to obtain new products, services or processes which suppose an enhancement or novelty – radical or disruptive – for the existing ones. The firms’ potential to generate innovation outcomes is yielded by the prior accumulation of knowledge that they have absorbed (Fiol, 1996). The relationship between knowledge management (KM) and IO has traditionally been a topic which has aroused great interest. Damanpour (1991) defines innovation as the generation and development of new products, services or processes. Thus, the innovation capacity is associated with a novelty that contributes to creating or enhancing value for the firm.

Cohen and Levinthal (1990) defined absorptive capacity (ACAP) as the firm’s ability to value, assimilate, and apply new knowledge. Other authors consider it as a broad set of skills

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