



Contents lists available at ScienceDirect

Journal of Business Research



Direct and configurational paths of absorptive capacity and organizational innovation to successful organizational performance☆

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ARTICLE INFO

Article history:

Received 1 January 2016

Received in revised form 1 March 2016

Accepted 1 April 2016

Available online xxxx

Keywords:

Absorptive capacity

Innovation

Performance

PLS-SEM

fsQCA

Predictive analysis

ABSTRACT

This study investigates how firms can achieve high levels of organizational performance under different configurations of absorptive capacity and organizational innovation. The study uses partial least squares structural equation modeling (PLS-SEM) and fuzzy-set qualitative comparative analysis (fsQCA) to test relationships among dimensions of absorptive capacity, organizational innovation, and organizational performance. The results provide support for the absorptive capacity's role for organizational innovation and performance. Furthermore, different configurations of absorptive capacity and organizational innovation conditions lead to better organizational performance.

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1. Introduction

Research shows that absorptive capacity (ACAP), which is a firm's "ability to recognize the value of new information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990, p. 128), plays a fundamental role in the development of firms' innovative capabilities and performance (e.g. Camisón & Villar-López, 2014; Cepeda-Carrion, Cegarra-Navarro, & Jimenez-Jimenez, 2012; Chen, Lin, & Chang, 2009). ACAP is a multidimensional concept that comprises acquisition, assimilation, transformation, and exploitation of knowledge (Zahra & George, 2002). While prior research acknowledges the importance of ACAP for firms (Camisón & Forés, 2010), to date, no study analyzes empirically

each individual dimension's role in explaining innovative capabilities and performance. More precisely, prior research on the effects of ACAP draws on a unidimensional (Forés & Camisón, 2015) or two-dimensional (Ali & Park, 2016; Leal-Rodríguez, Ariza-Montes, Roldán, & Leal-Millán, 2014) conceptualization of the ACAP construct, instead of clearly differentiating between dimensions. However, acquisition, assimilation, transformation, and exploitation are fundamentally distinct concepts that involve different objectives, structures, and strategies (Cepeda-Carrion et al., 2012).

Against this background, this study sheds light on whether these four dimensions provide the same (or different) results for a firm when considering them separately (Jansen, Van Den Bosch, & Volberda, 2005). More precisely, this study examines the four ACAP dimensions' effect on the three dimensions of organizational innovation (i.e., product, process, and management-related innovation), and, finally, on organizational performance. By simultaneously considering antecedents and contingencies of ACAP and organizational innovation, this study offers a holistic model that captures the complexity of the relationship among the variables reflecting ACAP and organizational innovation processes involved in organizational performance.

Finally, by using the fuzzy-set qualitative comparative analysis (fsQCA) (Fiss, 2011; Cheng, Chang, & Li, 2013; Ganter & Hecker, 2014; Woodside, 2016), this study identifies distinct mechanisms through which ACAP and organizational innovation set to achieve higher levels

☆ This article was funded by the Deanship of Scientific Research (DSR) at King Abdulaziz University, Jeddah. The authors, therefore acknowledge with thanks DSR for technical and financial support. The authors thank the anonymous reviewers, the JBR editors, and the participants at the 2016 GIKA conference held in Valencia, Spain, for their constructive comments on the study. The authors also thank Mohammad Asif Salam and Imran Ali, King Abdulaziz University, Saudi Arabia for their careful reading and suggestions, as well as Jin Ji Piao, Cheonsik Park and Eungyeong Bahk for their support on data collection. This study receives the Best Paper Award at GIKA 2016 held in Valencia, Spain.

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of organizational performance. As such, this study answers the call for a more nuanced exploration of the complex causal relationships between antecedents and contingencies of organizational performance (Ren, Tsai, & Eisingerich, 2015).

2. Theoretical background and hypotheses

2.1. Absorptive capacity and organizational innovation

Zahra and George (2002) distinguish four dimensions of ACAP: acquisition, assimilation, transformation, and exploitation. Furthermore, these authors distinguish between potential absorptive capacity (PACAP), which comprises the first two dimensions, and realized absorptive capacity (RAPAC), which comprises the latter two dimensions.

Acquisition refers to a firm's capability to initiate, identify, value, acquire, and gather relevant knowledge that is critical to its operations from external sources (Zahra & George, 2002). Assimilation refers to a firm's capability to assimilate or absorb externally generated knowledge, enabling the firm to analyze, process, and interpret this externally acquired knowledge through its own specific processes and routines. This assimilation helps the firm to understand, internalize, and further classify the knowledge (Zahra & George, 2002).

Transformation describes the degree to which a firm develops and refines those internal routines, which facilitates combining existing knowledge with the newly acquired and assimilated knowledge for future use (Zahra & George, 2002). Finally, exploitation measures a firm's capability to use and implement the acquired, assimilated, and transformed knowledge, along with its existing routines, operations, competences, and technologies. This process not only improves the firm's existing operations, routines, and competences but also creates new organizational ones, including new product innovation, process innovation, and management innovation (Jiménez-Barrionuevo, García-Morales, & Molina, 2011; Zahra & George, 2002).

In terms of effects of ACAP, this study distinguishes three innovation categories: product, process, and management innovation. Product innovation refers to the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses (Damanpour, 1991, 1996). Process innovation is the introduction of new elements into the firm's production or service process, to produce better product or provide better service (Damanpour, 1991, 1996). Management innovation consists on the implementation of a new organizational method in the firm's business practices, workplace organization, or external relations.

Previous research on ACAP-innovation interaction shows that the ACAP has a significant impact on organizational innovation (Chen et al., 2009; Jiménez-Jiménez & Sanz-Valle, 2011; Leal-Rodríguez et al., 2014; Tsai, 2001). ACAP increases a firm's ability to apply new knowledge to produce more innovations and improve the business operations and performance. Thus, the ability of a firm to recognize the value of new external information, assimilate, and apply new external knowledge to commercial ends is a critical factor to firms' innovative capabilities (Cohen & Levinthal, 1990). Zahra and George (2002) also argue that ACAP is a primary source of innovation and performance improvements. Research shows that absorptive capacities affect the effectiveness of innovation activities (Chen et al., 2009). ACAP is one of the most important determinants of the firm's ability to acquire, assimilate, and effectively utilize new knowledge to increase innovation. Firms with well-developed ACAP are more likely to pursue product, process, and management innovation. Firms with a strong ACAP are capable to acquire new external knowledge, combine the acquired knowledge with their prior related knowledge, and transform and exploit the new knowledge in the product, process, and management innovation (Leal-Rodríguez et al., 2014). Consequently, firms make efforts to increase absorptive capacities to acquire, assimilate, transform, and exploit new and external knowledge, which contributes to achieve high performance in product, process, and management innovation. Firms

that possess ACAP are likely to have a better understanding of new technology, which can generate new ideas and develop new product, process and management innovation (Tsai, 2001). Therefore:

H1. Acquisition relates positively to product innovation, process innovation, and management innovation.

H2. Assimilation relates positively to product innovation, process innovation, and management innovation.

H3. Transformation relates positively to product innovation, process innovation, and management innovation.

H4. Exploitation relates positively to product innovation, process innovation, and management innovation.

2.2. Organizational innovation and performance

Numerous studies evidence a positive relationship between organizational innovation and firm performance. For example, Camisón and Villar-López (2014) show how product, process, and management innovation separately affect firm performance. Similarly, Jiménez-Jiménez and Sanz-Valle (2011) show that product, process, and administrative innovation jointly influence organizational performance positively. Therefore, this study proposes the following final set of hypotheses.

H5. Product innovation, process innovation, and management innovation relate positively to organizational performance.

The hypothesized relationships suggest a causal chain leading from ACAP (acquisition, assimilation, transformation, and exploitation) and organizational innovation (product, process, and management) to organizational performance. Jansen et al. (2005) use four dimensions of ACAP separately instead of PACAP, RACAP, or ACAP. All the four dimensions of ACAP coexist and participate in the improvement of organizational innovation and performance. Research studies also show that the relationship between innovation and performance is complex and requires more research (Jiménez-Jiménez & Sanz-Valle, 2011). Camisón and Villar-López (2014) show that the interrelation of product, process, and management innovation provides a better understanding of how firms benefit from these types of innovation to obtain superior firm performance. The representation of organizational innovativeness is more accurate when considering multiple rather than single innovation. Firm performance may depend more on the congruency between innovations of different types than on each type alone (Damanpour, 1991). Damanpour (1991) suggests that to enhance performance, firms invest in product and intraorganizational process innovations synchronously, rather than in product innovations alone. This suggests the existence of complex configurations of ACAP and organizational innovation dimensions associated with organizational performance. In line with this perspective, this study posits the following hypothesis:

H6. Varied combinations of ACAP (acquisition, assimilation, transformation, and exploitation) and organizational innovation (product, process, and management) associate with superior organizational performance.

This study tests this last hypothesis with fsQCA, which suits the aim of gaining a deeper understanding of the interconnected structures of the constructs and the complex nature of their interdependencies. Recently, management scholars suggest that the analysis of configurations plays a crucial role in organization research (Fiss, 2011; Seny Kan, Adegbite, El Omari, & Abdellatif, 2015). The identification and analysis of causal conditions' configurations that improve organizational performance provide a more detailed picture and allow for rich insights. These analyses contribute to understand complex causal relationships and the effect of causal recipes of improved organizational performance. Such

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