

Does absorbing more knowledge always enhance corporate entrepreneurship in SME's?

Investigating the moderating role of strategic orientations and networking capabilities

Principal topic

Why are some SMEs better in corporate entrepreneurship than others? Recently scholars have pointed to the importance of a firm's capability to recognize, assimilate and exploit new external knowledge (Laursen and Salter, 2006; Lichtenthaler, 2009; Cohen and Levinthal, 1990). But will the mere capability to absorb more and more external knowledge enhance corporate entrepreneurship? Information processing theories suggest that the amount of knowledge that is acquired should be dependent on the requirements of the task at hand, as otherwise inefficiencies due to information overloads will occur (Van De Ven et al., 1976; Tushman and Nadler, 1978; Siggelkow and Rivkin, 2006). This is even more of a concern for SME's, who are more constrained in their ability to process large amounts of information than larger firms. But limiting the amount of knowledge absorption is not the answer. It should be about the capability to channel the organizational knowledge absorption mechanisms to the "right" type of knowledge given the task at hand. Or in the words of Zhou and Li (2012: 1099), "given that some firms are better at acquiring external knowledge than others, what capabilities would enable firms to benefit more from external knowledge acquisition?"

This paper aims to address this gap in the literature by investigating moderating influences on the effects of absorptive capacity on corporate entrepreneurship in SME's. We examine two mechanisms that have been suggested to channel the absorptive capacity of an organization, an organization's strategic orientation (Lane et al., 2006) and networking capabilities (Zhou and Li, 2012). By doing so, we provide more understanding about why and how some companies are better able to enhance their corporate entrepreneurial activities through acquiring and exploiting external knowledge than others.

Method

Entrepreneurial Management (EM) has recently emerged as a useful conceptualization of an organization's strategic orientation with regards to stimulating entrepreneurial activities (Brown et al., 2001; Bradley et al., 2011; Bruining et al., 2012); Harms and Ehrmann, 2009). However, the mechanism through which EM influences corporate entrepreneurship in companies has been overlooked in the literature. We argue it may channel the absorptive capabilities of the organization in a way commensurate with the firm's overall strategic orientation, be it administrative or entrepreneurial (Stevenson and Jarillo, 1990). A networking capability is the capability of a firm "to initiate, maintain, and utilize relationships with various external partners" (Walter et al., 2006: 546). It helps a firm to better link available knowledge to the needs of the firm (Walter et al., 2006) and as such we expect it to be able to channel the absorptive capacity of an organization towards entrepreneurial outcomes. Smaller and newer companies may have more difficulty in understanding and gaining relevant knowledge, making such networking capabilities even more important in the context of SMEs.

We test our model utilizing a survey amongst Iranian mining equipment, technology and services providers. We expect about 200 responding firms. We chose the Iranian context as

mining industries in developing countries such as Iran are relatively closed but gaining increasing attention from and competition of foreign firms. This increases the pressure to become more entrepreneurial (Etemad and Salmasi, 2001). This makes it an excellent context to study corporate entrepreneurship, absorptive capacity, networking capabilities and EM.

To address increasing concerns about common method bias in surveys we followed recommendations of prior studies by collecting independent and dependent variables from different respondents, using different response formats and employing a marker variable (Podsakoff et al., 2003; Williams et al., 2010; Lindell and Whitney, 2001).

Results and Implications

We are currently finalizing the data collection and are confident that we will be able to analyze the data and produce a full paper by the deadline. We expect to make the following contributions. We provide more insights about the conditions under which companies can better utilize their absorptive capacity by showing how EM and networking capabilities can shape the outcomes of absorptive capacity. This contributes to literatures on capabilities that suggests our understanding of organizational capabilities such as acap can be enhanced by investigating the role of strategic orientations and networking capabilities in creating, developing, and deploying organizational capabilities (Helfat et al., 2007; Lane et al., 2006; Ambrosini & Bowman, 2009; Zhou and Li, 2012). We also explore the boundary conditions of these constructs by investigating how firms operating in relatively closed industries in developing countries can enhance their corporate entrepreneurial activities by utilizing absorptive capacity, EM and networking capabilities.