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Winners

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Konstaninos Grigoriou and Frank T. Rothaermel: “Organizing for Adaptation: Innovative Capabilities, Relational Stars, Coordination Costs, and Boundary Choices”



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Abstract:

Under circumstances of disruptive technological change, incumbent firms often adapt to the changing environment using exploration alliances to access basic science underlying the new technology. Despite high asset specificity and uncertain outcomes these governance structures remain popular among incumbents and persist even after the development of internal innovative capabilities. To resolve the puzzle, we look at the internal organization of incumbents and identify the origins of their innovative capabilities at the individual level. We develop a taxonomy of individuals representing different degrees of individual productivity achieved at varying levels of coordination costs (i.e. relational stars) to emphasize the productive and social aspects of their skills. Conceptualizing innovation as a process of knowledge production and recombination, we hypothesize that incumbents are more likely to enter exploration alliances when they lack sustainable knowledge generation capabilities as reflected on their individuals and that cost economizing considerations operate at the origins of those capabilities constraining the pure capability logic. We show that incumbents' boundary choices to govern innovative capability development depend on comparative assessments of internal organization, human resource attributes, capabilities, and coordination costs. Highlighting the role of coordination costs as a component of innovative capability building efforts, we explicate the relationship between internal skills and costs by examining them simultaneously as they leverage each other and co-evolve.