

## ABSORPTIVE CAPACITY IN OPEN INNOVATION PARADIGM

Companies nowadays operate under conditions of increasing competitive pressure from globalization, new market players and shorter production cycles [5]. To face these challenges, innovations are considered as major engines to enhance firms' performance and to strengthen their competitive position in the market [9]. Nowadays, developing internal innovation capacities is no longer sufficient to gain and sustain competitive advantage. Therefore, a trend to intensify collaboration between companies across industry networks and partnerships, opening up their innovation processes has emerged [2].

Such collaborative innovation activities reduce costs and risks of a failure, while at the same time shorten the innovation cycles [9]. It is embraced with the terms open innovation and absorptive capacity. Open innovation strongly depends on interorganizational knowledge exchange and the capacity of a firm to extend its internal knowledge base with the information received from the external environment [1; 6]. It's not just about the cooperation between complementary or competing individual companies, but also the inclusion of external knowledge sources such as universities, research institutes, customers and suppliers [2].

Open innovation is the opening of the innovation processes of the firms and, thus, the active strategic use of the outside world for enlargement of their own potentials [3: p. 108]. Absorptive capacity is crucial in defining the success of the company in recognizing and capturing value from in-sourcing externally developed technology and innovation through collaboration with partners. Therefore, absorptive capacity of the company is an important requirement of open innovation and has become crucial for both internal and external knowledge sourcing [8].

Cohen/Levinthal define absorptive capacity as «the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends» [4; p. 128]. The firm's absorptive capacity enables not only to exploit new external knowledge but also allows the company to predict more accurately the nature of future technological developments, and, thus, to enhance the firm's competitive market position. The fundamental assumption behind the concept of absorptive capacity is that the ability of a company to use the knowledge that exists outside of the company depends on the knowledge that the organization already possesses. This prior knowledge includes basic skills, a common language, and also the knowledge available via the latest scientific and / or technological developments in a research field. Accordingly, the development of the organization's absorptive capacity constructs on prior investments in its members' individual absorptive capacities, tends to develop cumulatively and to be path dependent, and, moreover, depends on the organization's ability to share knowledge and communicate it internally [7].

Organizational and interorganizational learning pre-define the initial level of absorptive capacity of a company. Increased learning enlarges the organization's knowledge base in a particular area, which further increases its absorptive capacity and, thereby, facilitates more learning in that area. Both organizational and interorganizational learning capacities should be developed in the company since they enable acquiring different types and quality of knowledge. Individual learning influences the absorptive abilities of the firm's members that in the end define the success of creation and transfer of the knowledge inside the organization.

Interorganizational learning and absorptive capacity are crucial for implementing the open innovation approach in the business practice. High absorptive capacity is associated with the better chances to successfully apply new external knowledge toward commercial ends, producing more innovations and showing better business performance. Managers can also limit the absorptive capacity of the company by comprehending the external information through their cognitive maps. In this way the organization loose valuable knowledge which may lower its absorptive capacity.

Absorptive capacity is a huge and complicated area of research. Although much has been already elaborated and written on this topic, there is a clear lack of empirical studies proving the conceptual theories. Furthermore, there is the need for further research studying the interactions of the organizational and interorganizational learning, managerial antecedents in terms of creating absorptive capacity.

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