Productive organizational energy mediates the impact of organizational structure on absorptive capacity

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Abstract

The ability of an organization to cope with radical technological change is regarded to be heavily dependent on its ability to absorb and apply knowledge from its environment. This study investigates the role of organizational structure in driving absorptive capacity and uncovers the role of the emergent phenomenon of organizational energy as the enabler of this relationship. A field study was conducted among firms that are challenged by the disruptive nature of Cloud computing. Our results show that organizational design affects the degree of mobilization of an organization’s affective, cognitive and behavioral resources, which in turn influence the effectiveness of learning processes related to the absorption and exchange of knowledge within the organization. Furthermore, they reveal the positive relationship between the enactment of absorptive capacity and the successful adoption of Cloud technology for incumbent firms. The findings contribute to our understanding of the micro-foundations of absorptive capacity and how positive organizational phenomena facilitate effective adoption and implementation of emerging technologies.

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Introduction

Rapid technological change constitutes a powerful competitive force that bears significant strategic implications for organizations (Adner, 2002; Day et al., 2004; Hamilton, 1985). Schumpeter (1934) famously described such technological change as a force of “creative destruction” which can erode or reinforce the competitive advantage of all firms involved in the affected industries. Firms and organizations operating in such environments, however, are not completely at the mercy of said forces. Predicting and managing the implications of such change has been found to be related to the ability of organizations to absorb and utilize knowledge from their environment, i.e. their absorptive capacity (Grant, 1996; Lane et al., 2006; Zander and Kogut, 1995).

Recent empirical research has shed light on the antecedents of absorptive capacity by constructively synthesizing theories of learning, managerial cognition, the knowledge-based view of the firm and dynamic capabilities (for a review see Volberda et al., 2010). Consequently, extant studies have revealed a breadth of contributing factors, traced at different levels of analysis, such as managerial, inter-organizational, intra-organizational or environmental. At the intra-organizational level, organizational design has been identified as a key factor that has a major influence on absorptive capacity (Van den Bosch et al., 1999).

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By organizational design, we refer to the “formal allocation of work roles and the administrative mechanisms to control and integrate work activities including those who cross formal organizational boundaries” (Child, 1972: p.2). Unfortunately, despite the theoretical weight put on organizational design in relation to supporting absorptive capacity, empirical evidence remains limited and agreement on the nature of the relationship between structural attributes and organizational capabilities is lacking (Volberda et al., 2010). Moreover, empirical research is yet to enquire the underlying mechanisms that drive this relationship.

By adopting a positive organizational scholarship (POS) lens (Cameron and Caza, 2004; Cameron et al., 2003; Luthans and Youssef, 2007; Luthans and Church, 2002), the current study aims to reveal the collective psychological underpinnings of absorptive capacity and how they are influenced by organizational characteristics such as organizational design (i.e. degree of centralization and formalization). POS is concerned with both personal fulfillment and the “long-term sustainability of people, organizations, society, and the environment” (Spreitzer and Cameron, 2012: 1037). As such, it puts emphasis on the generative dynamics that lead to sought-after positive organizational outcomes (Meyers et al., 2013) by looking at the role of employee strengths and positive states on shaping important individual- and organizational-level outcomes (Steele et al., 2012).

Prior research has shown the emotional, cognitive and behavioral underpinnings of organizational learning (Chadwick and Raver, 2012; Fineman, 1997; Leroy and Ramanantsoa, 1997; Osterloh and Frey, 2000; Scherer and Tran, 2003). Building on these insights, we investigate how the positive emotional, cognitive and behavioral resources of organizational members jointly manifest as a higher-level resource (i.e. productive organizational energy) that can enhance the learning capabilities of organizations. Productive organizational energy (POE) captures the “shared experience and demonstration of positive affect, cognitive arousal, and agentic behavior among unit members” (Cole et al., 2012: p.447). Most importantly, it is malleable as it can be influenced by organizational factors such as degrees of autonomy and participation in the decision-making process, something that has implications for organizations. Organizational energy has been associated with knowledge creation and exchange (Cross et al., 2007). Energized individuals have a significant impact on what units and networks as a whole learn over time, while energizing relationships were found to be a consistent determinant of knowledge exchange (Cross et al., 2003). In fact, the energy network is an important predictor of information-seeking relationships, as people are more likely to seek out information and learn from individuals that are considered highly and positively energized (Cross et al., 2007). In this sense, POE is a very useful construct that helps us ground the development of organizational capabilities on micro-psychological phenomena that manifest collectively through micro and interactional processes.

Our theoretical model predicts that organizational design influences the intensity of POE, which in turn enhances the learning capabilities of organizations. The two aspects of organizational structure that have been included in this study are centralization and formalization since they have been shown to influence organizational behaviors that relate to learning, innovation and knowledge management (Hirst et al., 2011; Jarvenpaa and Staples, 2000; Lubit, 2001; Zmud, 1982). To investigate the above issues, we conducted a survey study among SMEs that are challenged by the Cloud computing technology. Finally, we conducted a post hoc analysis based on interview data generated by a field study that was conducted concurrently to the survey data collection to gain better insight in the interpretation of our results and into the ambiguous relationship between organizational structure and ACAP.

The current study makes several important contributions to the literature. By combining the literature on absorptive capacity with insights from organizational behavior and particularly the construct of POE, we add to existing knowledge on the effects of structural characteristics of firms on learning capabilities and particularly knowledge absorption and application. At the same time, this study is one of the first to empirically investigate the role of the emergent phenomenon of POE as an enabler of learning capabilities, such as absorptive capacity. Moreover, contrary to the majority of studies investigating absorptive capacity in the context of large organizations, we focus on small and medium-sized firms that depend heavily on external sources for new knowledge acquisition and typically lack formal R&D departments due to limited internal resources. While the survival of such firms is heavily dependent on their ability to recognize and utilize external knowledge, relevant literature has remained relatively limited in this area (Zahra et al., 2006). Additionally, the nature of organizational energy as an emergent collective phenomenon rooted in interpersonal employee interactions renders it difficult to be monitored and measured in a way that takes into consideration the divisional and multilayered organizational structure of large firms. To this regard, smaller organizations provide a more fertile ground to measure the collective energetic activation of organizational members.

**Theoretical background and hypotheses**

Our theoretical model is built around the premise that key characteristics of the work environment influence the level of energetic activation of unit members, i.e. their level of positive affect, constructive thinking regarding work-related problems and investment of physical resources to benefit the organization (Cole et al., 2012). In particular, we focus on the degree to which individuals participate in the decision-making process and the degree of job standardization. In the rich literature on absorptive capacity a multitude of inter- and intra-organizational variables are discussed that can act as antecedents and enablers of absorptive capacity (Jansen et al., 2005; Volberda et al., 2010). In this study, we are concerned with the intra-organizational domain where organizational design has been identified as an important, yet under-researched antecedent, particularly when considering the psychological and behavioral underpinnings of this relationship. Since our objective is neither to delineate all the relationships underlying organizational structure and absorptive capacity nor to identify new ones.
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