

A Configurational Approach to Understand the Effect of Organizational Structure on Absorptive Capacity: Results from PLS and fsQCA

Authors : Murad Ali, Anderson Konan Seny Kan, Khalid A. Maimani

Abstract : Based on the theory of organizational design and the theory of knowledge, this study uses complexity theory to explain and better understand the causal impacts of various patterns of organizational structural factors stimulating absorptive capacity (ACAP). Organizational structure can be thought of as heterogeneous configurations where various components are often intertwined. This study argues that impact of the traditional variables which define a firm's organizational structure (centralization, formalization, complexity and integration) on ACAP is better understood in terms of set-theoretic relations rather than correlations. This study uses a data sample of 347 from a multiple industrial sector in South Korea. The results from PLS-SEM support all the hypothetical relationships among the variables. However, fsQCA results suggest the possible configurations of centralization, formalization, complexity, integration, age, size, industry and revenue factors that contribute to high level of ACAP. The results from fsQCA demonstrate the usefulness of configurational approaches in helping understand equifinality in the field of knowledge management. A recent fsQCA procedure based on a modeling subsample and holdout subsample is use in this study to assess the predictive validity of the model under investigation. The same type predictive analysis is also made through PLS-SEM. These analyses reveal a good relevance of causal solutions leading to high level of ACAP. In overall, the results obtained from combining PLS-SEM and fsQCA are very insightful. In particular, they could help managers to link internal organizational structural with ACAP. In other words, managers may comprehend finely how different components of organizational structure can increase the level of ACAP. The configurational approach may trigger new insights that could help managers prioritize selection criteria and understand the interactions between organizational structure and ACAP. The paper also discusses theoretical and managerial implications arising from these findings.

Keywords : absorptive capacity, organizational structure, PLS-SEM, fsQCA, predictive analysis, modeling subsample, holdout subsample

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