

EXAMINING CONTEXTUAL FACTORS OF THE RELATIONSHIP BETWEEN OPERATIONAL KNOWLEDGE AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS

ABSTRACT

There exists empirical evidence that a firm's performance sensitivity to its internal innovation activities is impacted by innovation carried out by its opponent firm(s). Firms tend to exploit the innovation-knowledge resources that leak out from other innovative firms, and thereby imitate what their competitors are doing well. This expropriation can augment the rival firm's profitability, but would also tend to diminish the innovative firm's profitability. Using the resource-based view (RBV) of a firm, the impact of this phenomenon on firm performance is evaluated to empirically show that firms are heterogeneous in nature when it comes to benefitting from operational imitation.