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Unpacking open innovation: Absorptive capacity, exploratory and exploitative openness and the growth of entrepreneurial biopharmaceutical firms

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In this paper we explore the relationship between two key aspects of open innovation in small firms – absorptive capacity and external relationships – and their effects on growth in the US and European biopharmaceutical sectors. Results from an international sample of 349 biopharmaceutical firms surveyed in the US, UK, France and Germany suggest that realized absorptive capacity plays an important role in determining firms' growth. In terms of the interaction between firms' absorptive capacity and external relationships, we find that engagement with exploratory relationships depends strongly on the continuity of R&D, while participation in exploitative relationships is more conditional on firms' realized absorptive capacity.