

Abstract

Bringing Ideas to Life: Integrating Organizational Economics and Organizational Capabilities"

joint with David Hsu and Edward Roberts

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Using unique data on firm origins, early composition and multiple stages of performance measures, we provide evidence that if there are significant differences in the organizational capability to find valuable resources, then empirical tests of organizational economics alone will yield spurious results. Similarly, if determining the optimal arrangements for governance and transactions significantly drives heterogeneity in firm performance, then tests of organizational capabilities in terms of resources alone will provide confusing results at best. Our results demonstrate that as organizational capabilities literatures suggest, some firms identify and develop more valuable resources than others, yet in accordance with organizational economics, firms with experience in the founding team in structuring transactional and governance arrangements as well outperform those who do not. Advancing a more integrated perspective, we show that firms must both identify valuable ideas and also find the human capital with expertise in structuring the organizational arrangements to commercialize those ideas and resources.