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**Absorptive Capacity and Knowledge Transfer:
An Exploratory Model for University-led Research
Institutes (RIs) and Small and Medium Enterprises (SMEs)**

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Abstract

'Absorptive capacity' is a construct used to define an organisation's ability to exploit knowledge that is available internally and externally. The construct is very popular within management research and has been used to describe the absorptive capacity of a range of strategic Multinational Corporation partners through to whole regions of countries.

SMEs account for over 95% of businesses throughout the world. They provide innovation, productivity and economic growth, but because of their size and resources cannot afford to carry out costly Research and Development (R&D). They therefore need to be able to harness the intellectual property from universities through University-led Research Institutes.

This thesis uses the construct of absorptive capacity to propose a theoretical model to analyse the knowledge transfer from a University-led Research Institute (RI) to an SME, when the SME is commercialising a product or process the RI has developed. The application of absorptive capacity in this context would allow SME researchers and managers to develop understanding of how this knowledge transfer is affected by internal and external factors. The importance of continued government funding to ensure the collaboration between SMEs and RIs is highlighted.

This research design is highly exploratory resulting in a range of future research suggestions for future hypothesis generation. Most important of these are suggestions for determining, defining and developing the organisational determinants of absorptive capacity. This will allow a prescriptive analysis of how knowledge transfer occurs between the SME and RI and how managers can foster organisational absorptive capacity for successful knowledge transfer. Additionally, the temporal aspect of the SME and RI relationship could be explored, such as the impact of the initial experience on the ease and length of future knowledge transfer relationships. Also, researchers could study the change in the SME's knowledge requirements from the RI as the SME's organisational structure grows.

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