Chapter 3
The Implication of Absorptive Capacity in the Strategic Decision-Making Process

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ABSTRACT

This chapter presents the implications of absorptive capacity in strategic decision-making processes. It refers to the theoretical foundation on the two concepts based on seminal text. To present a theoretical relationship about these two concepts the methodology involved a search in the Web of Science from 1990 to 2024 with "strategic decision-making" filter and "absorptive capacity" as topic. The search brought as answer 24 documents. The analysis was made by reading these 24 documents. After the exclusion of 14 of them for not meeting the criterion, allowed to present the fundamentals of each concept ending with a proposal of relationship between them. The theoretical and managerial implications arising from the in-

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terrelationship between the two concepts, the limitations and an agenda for future studies are presented.

INTRODUCTION

"On January 28, 1986, the Challenger spacecraft was launched at Cape Canaveral, Florida. The mission ended 73 seconds later when Challenger disintegrated into a cloud of fire and smoke. The seven crew members died in the explosion. The presidential commission investigating the accident concluded that it was caused by the rocket's right fuel tank explosion, caused by the accumulation of propellant gases and a failure in the sealing ring. The committee also concluded that the decision to launch the Challenger was wrong. The project lacked the management structure that would allow recent stories about problems in the sealing rings to reach the decision-makers" (Choo, 2006, p. 254).

The quote from the Challenger accident reveals how a small detail, such as the sealing ring of the fuel tank, caused a tragedy viewed by millions of people since the event was broadcast worldwide. What does this account relate to in this chapter? First, it involves data, information, and knowledge needed for decision-making. In this sense, although the Challenger project required thousands of pieces of information, the ability to assimilate and apply knowledge associated with strategic and political issues did not result in a successful decision. Further analysis of the crash revealed that the decision to launch the rocket was hasty because some objections about risks and uncertainties about the launch were not fully considered.

Another example that can be cited is the effects of deficiencies in children arising from thalidomide use during pregnancy. This drug was introduced in the late 1950s as a sedative and given to pregnant women to combat symptoms of morning sickness. However, the use during pregnancy restricted the growth of the limbs of babies who were born with malformations in the legs and arms (Moro & Invernizzi, 2017). Several other examples can be cited, such as the case of the Chernobyl nuclear power plant explosion, the emission of toxic gases in the Bhopal tragedy in India, and the recent tragedies associated with the effects of nature involving droughts and floods in various parts of the world. In the case of the Bhopal tragedy in December 1984, about 27 metric tons of methyl isocyanide gas leaked from a deactivated pesticide factory in Union Carbide. At least 2,000 people died immediately after inhaling the toxic substance, and the risks of contamination are still present (Giovanaz, 2020).

With this initial report, we understand how important it is to seek, interpret, and apply knowledge to strategic, tactical, operational, and administrative decisions. Minute details not considered in decision-making can result in significant material and human damage.