Organizational adaptiveness during COVID-19: The role of absorptive capacity and management practices

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Abstract
COVID-19 forced many businesses to rapidly adapt to new circumstances. While firms could not foresee this shock, some were better able to adapt than others. This required firms to quickly and efficiently process new information from both external and internal sources. To what extent and how are absorptive capacity and quality of management practices important in this setting? We expect a high level of absorptive capacity to enable firms to efficiently gather and process external information, whereas good management practices help them to deal with internal information. To test these hypotheses, we run a large scale survey among companies in the Netherlands to assess their level of absorptive capacity and the quality of their management practices. We relate this to their level of adaptiveness, measured in terms of firms’ pivot toward online revenue sources during COVID-19. We find that firms with greater absorptive capacity and greater quality of management practices earned a higher share of their revenues online. This suggests that absorptive capacity and management practices enable firms to adapt successfully in response to the COVID-19 shock.