

## Technological Innovation and Competitive Advantages: What are Missing!

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**Abstract:** Product innovation and knowledge management have now become unavoidable for firms that want to develop and maintain a competitive advantage in the business world. Many studies, however, find that firms could also fail to appropriate superior innovative returns through the new product development. While some researchers have examined how exploration and exploitation activities of knowledge influence firm performance in various settings, we still know little about the relationship between the endeavor of technologically new product innovation and firm performance, as well as some important contingency factors that could affect such relationship. Therefore, through knowledge-based view of the firm, we propose to examine how technological capabilities,

including absorptive capacity, knowledge stock and firm specificity, affect the relationship between technological innovation and operating returns of firms. We also propose to investigate the moderating effect of technological capabilities on the relationship between technologically new product innovations and firm performance by adopting Hierarchical Linear Modeling. This research will contribute to the existing literature by enriching current understanding of the relationship between technology innovation and firm performance, as well as the role of moderating factors in the appropriation of operating returns in the technologically new product innovation.

**Keywords:** Technological innovation; moderating factors; knowledge stock; absorptive capacity