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**INTEGRATING INSTITUTIONS IN A COMPETENCE-BASED
THEORY OF THE FIRM:
THE CO-EVOLUTION OF INNOVATIONS AND
MICRO-LEVEL PRACTICES**

Track 1 (General Track): Theory Development in Competence-based Strategic Management

Abstract

We stress that resource- and competence-based research demands for integrating institutional aspects to better understand the role of the social context and multi-level phenomena in innovation processes. However, extant research combining strategic management and institutional thinking can be criticized for being eclectic. The Competence-based Theory of the Firm (CbTF) is a relatively nascent approach which draws on market process theory. We stress that upon its clear theoretical fundament, we are able to elaborate on a coherent and compatible conceptualization of institutions as well as to study the co-evolution of innovations and micro-level practices via the construct of proto-institutions on different layers of analysis. Highlighting the role of institutions in innovation development research, we provide a threefold contribution by first, elaborating a suggestion of a coherent conceptualization of institutions in a Competence-based Theory of the Firm; second, by illustrating that routines and institutions co-evolve through a recursive relationship, which is mediated by the coherence of the belief system on the individual-level and an external standard of reasonable behavior on the collective-level; and third, by providing an explanation of how social factors can prevent the implementation of innovations on the micro-level.

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