Knowledge Spillover Through Entrepreneurial Spawning: How Incumbent Parents’ Knowledge Capabilities Predict Different Spinoffs Entry?

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Abstract

The organizational antecedent of different spinoffs entry, when created but remained unexploited knowledge in the industry incumbents underpins entrepreneurial spawning is the subject of this paper. Drawing on knowledge spillover theory of entrepreneurship and building on the corporate coherence argument, I posit that one reason incumbent firms deliberately shelve unprecedented created opportunity is to maintain their extant level of coherence. Further, I contend that generated gap between incumbent firms’ level of technological and market knowledge triggers spinoff entry, when required complementary capabilities are available within incumbents’ stock of knowledge. Having parent-spinoff dyads as the unit of analysis, this study focuses on a taxonomy of spinoffs entry based on the extent of technological and market overlap between a spinoff and its parent firm at the time of spawning. Using a sample of 131 spinoffs from the Biotech sector, I found that spinoffs developing similar technologies in new market segments distant from their parents’ core businesses are more likely to spawn from technologically diversified incumbent firms active in a few market segments. In contrast, the results of analysis didn’t confirm my hypothesis linking the incumbents’ level of technological and market diversity to new technologies seeking but same market spinoff entry due to incumbents’ defensive strategy or negative reaction toward potential competition. Further, I found that spinoff founders’ earlier entrepreneurial experiences and their hierarchical position within the incumbent parents positively moderate the relation between incumbent parents’ technological diversity and new technology seeking and same technology seeking but new market serving spinoffs entry, respectively.
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ABSTRACT
The organizational antecedent of different patterns of spinoffs formation, when unexploited knowledge created by incumbent firms spurs entrepreneurial spawning is the subject of this paper. Building on the corporate coherence argument, I claim that incumbents pursue and further exploit new ideas and opportunities that have a level of similarity and synergy with their existing stock of knowledge, and leave unfamiliar or less similar opportunities unexploited. Further, drawing on knowledge spillover theory of entrepreneurship, I argue that while such underutilized knowledge created in the incumbents may signal employees the existence of untapped entrepreneurial opportunities, the employees’ decision to leverage them for the purpose of venturing out is contingent on the presence of complementary capabilities within the incumbents’ stock of knowledge. Analyses of 131 spinoffs from the biotech sector supported the hypotheses linking the incumbents’ level of technological and market diversity to their spinoffs patterns of entry to the same (or different) technological fields or market segments as their parents’ core businesses. The results contribute to the growing literature on knowledge spillover and entry by spinoffs.

Keywords:
Knowledge Spillovers; Corporate Coherence; Entrepreneurship; Spinoffs