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## “TAKE AND GIVE” VERSUS “KNOWLEDGE CATCHING”- EMPIRICAL ANALYSIS OF HOW FIRMS MANAGE KNOWLEDGE (SUMMARY)

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## SUMMARY

### “TAKE AND GIVE” VERSUS “KNOWLEDGE CATCHING”- EMPIRICAL ANALYSIS OF HOW FIRMS MANAGE KNOWLEDGE

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#### **Principal Topic**

Successful innovation depends on the management of a firm's incoming and outgoing knowledge flows. Managing knowledge is a challenging task, since firms are faced with a dilemma. On the one hand, firms profit from the knowledge of other firms, in that they can advance their own technology. On the other hand, knowledge is often only valuable if it is privately held, and others are excluded from its usage. Knowledge that is asymmetrically distributed among firms allows the firm that disposes the specific knowledge to appropriate rents. However, knowledge is also inherently a public good, which implies that it is flux – its possession does not imply natural excludability of others (Arrow, 1962). Hence, firms must make a decision (a) to take actions to keep knowledge as a private good (Liebeskind, 1997), (b) freely reveal the knowledge, or (3) stay passive by neither actively preventing nor supporting knowledge spill out. This paper empirically investigates if in an environment within which spillovers are considerable, firms regulate outflows more or less strongly whereby we propose a “take and give” approach rather than a “knowledge absorption” approach.

#### **Method**

Using firm-level survey data, the study provides in-depth insights into the control of knowledge flows of 157 German biotechnology firms. We carefully model the variable “incoming spillovers” by introducing a two-step procedure to take endogeneity of the variable into account.

#### **Results and Implications**

The analysis reveals that firms who are profiting from knowledge inflows from competitors take fewer actions to control outgoing knowledge. The effect of channels through which knowledge is accessed is ambiguous. If a firm acquires external knowledge from competitors by engaging in interaction, more actions are taken to control outgoing knowledge. Hence, these firms try to establish opaque and soundproof fences to surround them. Contrarily, when a firm profits from collaborating with partners through channels that require interaction (e.g., informal contacts, joint projects) with the knowledge source, fewer actions are undertaken to control knowledge. Here, firms eliminate obstacles to promote circulation and elaboration of research projects. This research has important implications for future research and practitioners since it details how firms strategically choose actions to control knowledge depending on source and channel type.

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