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STUDYING THE DIFFERENT LOGICS OF CO-OPETITION FOR PRODUCT INNOVATION AMONG NEW VENTURES AND INCUMBENTS (SUMMARY)

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SUMMARY

STUDYING THE DIFFERENT LOGICS OF CO-OPETITION FOR PRODUCT INNOVATION AMONG NEW VENTURES AND INCUMBENTS

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Principal Topic

Extant research emphasize that new ventures typically face a set of common conditions called liability of newness (e.g. Stinchcombe, 1965), which affects their chances of survival (e.g. Arthurs and Busenitz, 2006). We propose that new ventures have a differentiated approach to cooperation compared with established firms due to their different backgrounds and needs. While new ventures are forced to overcome hostile environments and lack of resources when developing new products (Bruton and Rubanik, 2002), incumbents are not so constrained and are more able to develop products on their own. Thus, liability of newness forces new ventures to cooperate under a cost-economizing and risk sharing paradigm, while incumbents are guided by a wider range of strategic rationales such as acquiring technical knowledge, market positioning or assuring the apropiability of the results. Therefore, new ventures' most effective ways of cooperation in R&D may have a differentiated profile than those for incumbents. Specifically, we suggest that, for new ventures, the most effective collaboration partners to foster product innovation are SMEs, other new ventures, knowledge centers (universities, research centers, and public labs) and financial institutions while incumbents can profit the most from cooperating with large companies.

Method

Previous studies, that have examined the relationship between competition intensity and new product development, have found inconsistent results (e.g. Cooper and Kleinsmidt, 1987; 1993). We suggest that such somehow inconsistent results might be explained under the lens of entrepreneurship theory. Competitive dynamics literature argues that local rivalry increase the pressures for competitors towards the introduction of new products. However, these processes need some time to take place, being more probable to occur in seasoned firms. Therefore, we posit that local rivalry is a better predictor of product innovation for incumbents than for new ventures.

Results and Implications

Based upon a sample of 3,528 firms from 32 European countries operating in cluster-like environments, our results support these arguments in general terms. These findings confirm the existence of a differentiated pattern of effective co-opetition in R&D for new ventures and incumbents. This gives rise to interesting insights for entrepreneurship, innovation, cooperation, rivalry and cluster literatures.

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