DANCING WITH THE DEVIL?
SAFEGUARDING R&D ALLIANCES OF
ENTREPRENEURIAL FIRMS WITH LARGER
PARTNERS (INTERACTIVE PAPER)

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DANCING WITH THE DEVIL? SAFEGUARDING R&D ALLIANCES OF ENTREPRENEURIAL FIRMS WITH LARGER PARTNERS

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Principal Topic
To access critical resources and learn, entrepreneurial firms increasingly seek R&D alliances with larger partners. The unbalanced bargaining power often makes it difficult for the entrepreneurial firm to assert its rights. When the large firm gains access to the ventures’ technology, even the venture’s long-term survival is compromised (Alvarez and Barney 2001). But how can entrepreneurial firms effectively reduce the considerable risks associated with such partnerships? Our study illuminates (1) how powerful several safeguards are in mitigating two salient risks, strategic manipulation and knowledge leakages, and (2) how these risks affect partnership performance. Specifically, we draw on logic from transaction cost economics and agency theory to argue that the risks of strategic manipulation and knowledge leakages are substantially decreased by contractual safeguards (H1a and 1b), formalization (H 2a and 2b), and goal alignment (H3a and 3b). Moreover, we hypothesize that both risks reduce the perceived partnership performance, in terms of relationship value and satisfaction (H4 and 5).

Method
We tested our arguments on survey data from 82 R&D alliances in Germany. One focal firm, the entrepreneurial firm, reported on the relationship. The start-ups were headquartered in Germany, technology-oriented, and on average 3 years old. To prevent the threat of a common method bias, data on the dependent and independent variables was collected from different sources. Measures were extracted from the extant literature, where possible.

Results and Implications
Our findings suggest that contractual agreements and formalization do not lower the risk of strategic manipulation (H1a and 2a not supported), whereas goal alignment does (H3a supported). Regarding knowledge leakages, a negative impact of contractual agreements and goal alignment (H1b and 3b supported) and, rather surprisingly, a positive impact of formalization (H2b not supported) were found. Thus, overformalizing R&D cooperations seems to foster knowledge spillovers rather than reducing them. Strategic manipulation was, as expected, negatively related to partnership performance (H4 supported). Interestingly, we found no significant impact of knowledge leakages (H5 not supported). The entrepreneurial firms do not seem to perceive them as a major issue, possibly because they also learn from the partner or have anticipated knowledge flows.

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