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## COPYCAT OR INNOVATOR? LEARNING STRATEGIES OF SPIN-OUT FOUNDERS AND FIRM GROWTH (SUMMARY)

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≈ SUMMARY ≈

## COPYCAT OR INNOVATOR? LEARNING STRATEGIES OF SPIN-OUT FOUNDERS AND FIRM GROWTH

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### Principal Topic

Spin-outs—start-ups by ex-employees—are said to start with a partial copy of their parent firms' knowledge base. This knowledge “legacy” can be a key advantage over de novo start-ups but “piggybacking” on parent's knowledge can also result in key disadvantages, such as insufficient spin-out differentiation, lawsuits over intellectual property, and retaliation by the parent. This raises the important questions of whether and, if so, when spin-outs should exploit their knowledge “legacy” or explore their own ways of doing business. While a mix of exploitation and exploration has been suggested for established firms, surprisingly little is known about organizational learning in a spin-out context. We argue that spin-outs' sales growth suffers from exploitation (H1) but benefits from exploration (H2) because exploration helps develop competitive advantage via a differentiated knowledge base, whereas exploitation is susceptible to structural inertia. Moreover, networking by the spin-out moderates the learning-performance relationships: collaboration with the parent mitigates the negative performance effect of exploitation (H3a) and reduces the positive effect of exploration (H3b). Network development increases the negative effect of exploitation (H4a) and the positive effect of exploration (H4b).

### Method

We used survey data collected in face-to-face interviews with founders of spin-outs in Germany, resulting in a usable sample of 130 spin-outs. Measures were extracted from the extant literature, where possible, and included sales growth, exploitation ( $\alpha = .80$ ), exploration ( $\alpha = .81$ ), parent collaboration (composite), and network development (composite), besides important control variables.

### Results and Implications

Sales growth suffered from exploitation (H1 supported), whereas exploration per se had no significant effect (H2 not supported). Parent collaboration mitigated the negative effect of exploitation (H3a supported) and reduced the positive effect of exploration (H3b supported). Network development enhanced the positive effect of exploration (H4b supported) but no moderating effect was found with regards to exploitation (H4a). A key insight of this study is that relying on inherited knowledge can be counterproductive for spin-outs and knowledge “legacies” can turn into knowledge “liabilities”. The development of the spin-out seems to depend on their ability to emancipate from the parent firm and differentiate their knowledge bases.

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