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THE ROLE OF SPIN-OFFS IN SME DYNAMIC CAPABILITIES DEVELOPMENT

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Principal Topic
Applying the dynamic capability perspective, this article takes two different views on spin-offs. Firstly, they are considered as developmental strategies not only to realign the assets but also to create, develop and rejuvenate assets through recombination. Secondly, we consider them in the context of SME where resources and managerial limitations limits slack for growth.

With such constraints, spin-offs are often viewed as risky processes leading to the loss of specific assets and skills. However, we argue that they can enable SMEs to create, extend and outreach assets and competencies outside their traditional scope but related to their core competencies.

Building on Teece's dynamic capabilities framework, we intend to contribute to the literature gap on small firm growth by conceptualizing how spin-offs can be a hybrid developmental mode rather than a divestment mode in the context of SME.

Method
Our analysis is a multi-case study of three SMEs that have generated several spin-offs with varied performance in terms of sales and profits during a 5-year period. Data was collected at different moments during this period from multiple sources: 40 interviews (16 top managers in the growing firms and 23 on the side of the spin-offs founders), archival data (Reports, Documents, etc.) and observations.

Results and Implications
Our results are structured around Teece's definition of the meta-competences for capability development: sensing, seizing and transforming. For each, we depict the microfoundations enabling such development via the spin-off.

Spin-offs are effective sensing mode to sense and shape opportunities based on potentially risky technologies and niche markets. The choice of spin-offs for sensing depends on management's perception of employees in terms of skills and experience and the perceived strategic nature of the assets.

Seizing occurs when there are several resources and incentives to capture value. Our cases illustrate financial participation (10-25% on average), advisory sessions and assets sharing such as common distribution channels, marketing campaigns, client-supplier contracts or technology or infrastructure co-investments.

Transforming occurs with a trial-and-error learning process is accepted along with a strong engagement at management level to build loyalty and commitment even if tensions and conflicts emerge. This leads the path for co-specialization of assets as tight linkages are established at management level between the two entities.

We discuss four common practices for managing spin-offs as an hybrid growth mode: Entrepreneurial Commitment; Human capital Nurturing; Consensus Building; Opening to intuitions and emotions.

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