CHAPTER XV. THE ORGANIZATION AND NETWORKS

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THE EFFECT OF ALLIANCE PORTFOLIO DIVERSITY ON BIOTECH FIRMS’ EXIT
(SUMMARY)

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SUMMARY

THE EFFECT OF ALLIANCE PORTFOLIO DIVERSITY ON BIOTECH FIRMS’ EXIT

Olga Bruyaka, EM Lyon, France

Principal Topic

High-tech industries have always been of interest for private capitals and governments because of their promising economic opportunities and scientific progress. However, these industries have also been associated with high rates of firms’ exit. The most commonly cited reasons for that are the liabilities of newness and/or smallness, since the majority of firms in high-tech industries (e.g., biotech sector) tend to be small and relatively young. Previous academic research in entrepreneurship and strategy pointed towards the necessity for small firms to build an appropriate alliance portfolio in order to survive and grow (Powell et al., 1996; Baum, Calabrese, and Silverman, 2000; George et al., 2001). The present paper deals with a particular alliance portfolio characteristic – alliance portfolio diversity (APD). Two related research questions are targeted: What is the impact of APD on biotech-firms’ exit? How does APD shape biotech firms’ resource-based advantage? The present paper studies these questions through theoretical lenses of the extended resource-based view (RBV) for interconnected firms. It permits to consider alliances as specific resources and regard APD as valuable, rare and difficult to imitate resource characteristic.

Method

I conducted a quantitative research on a population of French biotech firms having participated in the industry over 9 years (1994-2002), representing 356 firms. In terms of a particular statistical method, the preference was given to the multinomial logistic regression.

Results and Implications

The results vary depending on the way a firm exits the industry: APD is negatively related to biotech firms’ dissolution (bankruptcy and radiation), but it favours exit as a result of acquisition. Further, APD negatively shapes biotech firms’ ‘resources – exit’ relationship, thus, being a valuable resource characteristic.

I believe the present study extends previous research in strategy and entrepreneurship in three following ways: First, I propose a conceptual definition of APD and mobilize arguments from the extended RBV in order to theoretically ground this issue in connection to the firms’ competitive advantage. Second, I explicitly link APD to firms’ survival, while previous studies have looked at innovation and economic performance consequences. Third, I test the hypotheses in the context of high-tech environment (biotechnology sector) dominated by small entrepreneurial firms, while previous research has targeted established companies in traditional industries.

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