MIMETIC BEHAVIOR IN ALLIANCE STRATEGIES WITHIN BIOTECH INITIAL PUBLIC OFFERINGS (SUMMARY)

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SUMMARY
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Principal Topic

Entrepreneurial firms face high levels of uncertainty in their strategic decisions, and must look to other actors in their environment on how to proceed (Meyer and Rowan, 1977; Pfeiffer and Salancik, 1978). Isomorphism has been proposed as a strategy for firm survival in uncertain conditions (DiMaggio and Powell, 1983), where conforming can earn legitimacy (Deephouse, 1996; Oliver, 1991), but what strategy templates are worthy of mimicry? Further, there lacks a systematic understanding of how the mimetic behavior of firms matters with increasing age and how this behavior is, in turn, rewarded in entrepreneurial settings. I consider mimicry at IPO, since the IPO process offers a feedback system based on its public disclosures of strategies. Thus, I propose a variation on the concept of maximization to state that being consistent with a legitimized norm of an alliance strategy varies with firm age. Separately, I propose that the degree of isomorphism between a focal firm's alliances versus precedent firms' strategies affects their IPO proceeds. Thus, there exists an alliance template that is legitimated by IPO firms and their constituents over time, and this template informs the alliance strategies observed in subsequent IPO firms.

Method

I collect data on biotechnology IPO firms that trade on U.S.-based exchanges that are identified by Recombinant Capital Group's classification, similar to previous work (Deeds et al., 2004; Gulati and Higgins, 2003). This results in 274 IPO firms engaged in human therapeutic product markets within the period of 1980 -2006 (inclusive). A two-stage Heckman selection procedure is used to analyze the models.

Results & Implications

Three IPO-relevant contributions emerge from the preliminary findings. The first contributes to an understanding of firm strategic behavior. In terms of alliance strategies, I find that younger firms tend to be more isomorphic to what has been established in precedent IPOs in the year prior. Second, when theorizing the existence of a quadratic relationship between firm age and the degree of isomorphism to alliance strategies at IPO, I find an inverted 'U' signature. In terms of the performance implications for looking like norm, more resources are provided to those who seek a better-than-average number of alliances before their IPO, regardless of alliance type.

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