

Research Proposal

“Investigation of the Impact of Patent Based spinoffs”

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Kauffman Foundation report suggest that new ventures create an average of 3 million new jobs, and all other ages of firms are net job destroyers losing 1 million jobs net combined annually using “Business Dynamics Statistics” dataset by the U.S. Census Bureau (Kane 2010, p.6). These staggering statistics suggests that new ventures have enormous contribution towards economic growth and job creation within an economy.

A specific type of new ventures called “spinoffs” have drawn substantial attention in the last decades. Spinoffs are the new entries whose impetus originates from within an existing company. It does neither require the spin-off to be in the same industry as the incubator firm, nor does it require the spin-off to be located in some high-tech industry (Eriksson and Kuhn 2006, p.1022). The distinctive performance of spinoffs as compare to start-ups raises fundamental theoretical and policy-related concerns (Klepper 2009; Sorenson and Fassiotto 2011).

This research project aims to address the lack of systematic research on the long-term impacts of technology based spinoffs. Considering the importance of technology based spinoffs in the entrepreneurship research and innovation policies, and the significant amount of resources used to promote these firms; limited knowledge about their impacts is an impediment to the design of efficient policies and support mechanisms.

A unique database is created based on the survey conducted under European Commission 7th Framework (EC FP7) projects (InnoS&T and PATVAL 2). This dataset covered USA, 20 European countries, Israel, and Japan in which 115,220 inventors were contacted and surveyed using a questionnaire. It contains information on various aspects related to the invention process leading to EPO patents and their determinants, inventor

biographies, patent commercialization by founding a new firm and related issues (InnoS&T 2011). The survey response rate was 20% corresponding to total 23,044 responses. The sample was drawn at the level of patent applications with priority dates from 2003 to 2005. Furthermore, 718 patents (4.6%) patents were used to found new firms. This dataset was supplemented by collecting further information about spinoffs financial performance and top management team information from Amadeus, Bureau Van Dijk's ORBIS, Lexis nexis, company websites (company prospectus, profile, annual report etc.), The European Patent Register (EPO), LinkedIn, and US Securities and Exchange Commission (SEC) etc.

While data on public firms are readily available in machine-readable databases such as Compustat; information on young private firms, specifically patent based spinoffs, is much harder to gather. This novel combination of data sources will make it possible to draw deeper insights into the determinants and performance of patent based spinoffs.

This approach makes it possible to explore largely unaddressed research questions such as: What is the link between initial founding conditions, resources (e.g. financing) and the long-term performance of patent based spinoffs? How does the source of funding (e.g. venture capital, angel, & corporate sponsored) influence performance of spinoffs? Do the most successful spinoffs become acquired?

Implications of the study will inform the discussion about whether the prominence given to spinoff research and innovation policy is warranted; and how entrepreneurship policies and support initiatives to promote the growth and potential impacts of spinoffs should be designed. Finally I hope that project results will have important implications for scholars, managers and policy makers in the field of technology based entrepreneurship.

References:

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