

Inheriting the parent organisations' DNA: new concepts in micro-level explanations of spin-off effects

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Abstract

In economic geography literature the attention for spin-off entrepreneurship has been steadily growing. Its main driver is that spin-off firms are said to have intrinsic advantages over other start-ups because of their embedded link to a parent company. Through this embedded link spin-off firms have a relatively ‘easy’ access to resources for production which has several interesting implications on both the firm and the regional level. At the firm level, spin-off firms seem to outperform other entrants on at least some aspects of success including employment growth and survival chances. At the regional level, they may play a key role in the development of clusters.

Despite the increasing number of studies addressing the effects of spin-off processes at the firm and regional level, important issues remain unresolved. Most importantly, there is still work to be done in *identifying what it is* that spin-off entrepreneurs take with them from their previous employer and how this affects their location decisions, innovative behavior, business strategies and performance; and ultimately their alleged contribution to regional economic development. This has been acknowledged before: “... we know little about how conversion [between knowledge and technology commercialization] actually occurs, even though knowledge conversion is at the core of what spin-offs do...” (Zahra et al., 2007: 570).

Based on a review of recent spin-off studies, this paper draws on key inheritance mechanisms in an attempt to develop a new conceptualization of explanations of spin-off effects. Following Koster (2006), initially a distinction will be made between direct resource transfers between parent and spin-off (providing accommodation or guaranteed turnover) and indirect transfers (spin-off entrepreneurs capitalizing on previously gained skills). We explore the concept of indirect transfers further in differentiating between personal skills of spin-off entrepreneurs gained while working in the parent organization on the one hand, and the inheritance of specific features of the parental organization, in particular its organizational characteristics and strategies. This closely fits in with the evolutionary economics vocabulary, especially with Nelson and Winters’ (1982) famous DNA metaphor: the knowledge and routines of firms (their ‘DNA’) are partially inherited by their spin-offs (Boschma et al., 2002).