G. Trombini and A. Comacchio

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Cooperative Markets for Ideas: When does Technology Licensing Combine with R&D Partnerships?

Giulia Trombini  
Department of Management and Advanced School of Economics  
Ca’ Foscari University of Venice  
Mail: giulia.trombini@unive.it

Anna Comacchio  
Department of Management and Advanced School of Economics  
Ca’ Foscari University of Venice  
Mail: anna.comacchio@unive.it

Abstract

The study departs from the traditional view of licensing as a spot market transaction and investigates license integration with R&D partnerships, introducing the concept of licensing combination. Drawing on licensing and R&D partnership literature and adopting the “transactional value” approach, we propose two types of antecedents – knowledge and dyad features – to investigate licensing combination. Using a dataset combining 441 original license agreements with firms’ patenting and market activity in the global biopharmaceutical industry, we find a substantial heterogeneity in the ways licensors and licensees jointly exploit markets for knowledge and the specific role of R&D collaboration and minority equity in inter-organizational exchange through licensing. Results show that licensing combination with R&D collaboration is likely when the licensed innovation is embryonic, the licensee is unfamiliar with the licensor’s technology and partners have different technological backgrounds. Instead, licensing of highly specific knowledge is likely to be supported by minority equity participation on the part of the licensee. Finally, licensing is combined with both forms of partnership in case of competence distance between partners. In the light of the empirical results, four types of licensing combination are proposed for future research.

JEL classification: O32

Keywords: Markets for technology; Licensing combination; R&D collaboration; Minority equity participation; Knowledge transfer; Joint value

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