

Overlaps between firms can lead to both cooperation and competition

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Technological overlap increases a firm's invention performance, whilst product market overlap decreases it, finds new research from the University of Cologne.

The research, conducted by Dr. Christian Schwens, Dr. Matthias Schulz, and Steffen Runge, aimed to find out how technological, geographical, and product market overlaps between a firm and its alliance partner influences the firm's invention performance, by shaping the learning and competitive tension in a research and development alliance.

The study found that the firm's invention performance is influenced positively by technological overlap and negatively by product market overlap.

Moreover, the researchers argue that product market overlap negatively moderates the positive relationships between technological and geographical overlaps and the firm's invention performance.

They found that product market overlap is distinct from the other types of overlap: it changes the focus of the alliance from joint value creation towards private value appropriation.

This way, product market overlap not only decreases a firm's invention performance, but also weakens the positive impacts of technological and geographical overlaps on a firm's invention performance.

"Technological overlap tends to foster the firm's ability to learn, as the firm and its partner increasingly share a common framework, which facilitates interfirm learning and knowledge transfer. Such common framework enables the firm to recognize, assimilate, and apply valuable knowledge from its partner, which increases its absorptive capacity," says Dr Schwens.

The research was carried out through testing the hypotheses on a dataset of 215 R&D alliances formed by 94 U.S. pharmaceutical firms over 17 years.

It was published in the Wiley Strategic Management Journal.

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