# Family firms are less likely to license their patents than non-family firms

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Family firms are over 3% less likely to license their patents than non-family firms, according to new research by emlyon business school and Bocconi University.

The researchers found that instead, they are over 6% more likely to internally commercialise their products instead of licensing them out.

The researchers say that this is because family firms want to maintain a greater control over the innovation and the value that comes from it, not because family firms patent quality is lower or inefficient.

This does mean that family firms are more likely to lose the market exclusivity of the patent, as well as lose their legal protection, but they are happy to do so as long as they uphold the values of the organisation through commercialising internally, allowing them to exploit internal resources to scale up quickly and effectively.

By prioritising internal over external commercialization, family businesses demonstrate a sophisticated balance between their economic ambitions and their non-economic goals of control and legacy preservation

These findings come from research by Addis Birhanu, Professor of Strategy at emlyon business school, alongside Alfonso Gambardella, Professor of Corporate Management at the Department of Management & Technology, Bocconi University, who wanted to examine the relationship between family ownership and patent use strategy.

To do so, the researchers used  data from 471 publicly listed companies and 2,759 patents, across 20 European countries. The researchers combined this dataset with patent data from PATSAT, as well as ownership and firm characteristic data from Orbis.

Within this dataset, inventors were asked questions about the status of the patent at the time of the survey, and whether the patent was commercially exploited internally or externally. Whilst information on whether they worked for a family or non-family firm came through the Orbis dataset.

The finding suggests that family firms are more likely to scale up than non-family firms because they have a strong preference to exploit their patents internally.

“These findings show that family firms manage to strike a balance between their desire to maintaining control over their innovations and maximising profit,” says Professor Birhanu. “By leveraging their strategic resources, family firms achieve effective internal growth and innovation, providing new value for the organisation."

With many believing that this would be a negative for family firms, these research findings clearly show that family firms' strong control preferences can enhance their ability to internally exploit resources and scale up effectively, whilst non-family firms continue to opt for using licensing as a viable approach to profit from their patents.

This research paper was published in the Strategic Management Journal.

If you would like to receive the full research paper, or speak with the researchers, please contact Peter Remon at BlueSky Education – peter@bluesky-pr.com +44 (0) 77 235 228 30.