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## Corporate governance and firm performance in new technology ventures

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### Abstract

This paper studies the relationship between the features of managerial board, ownership structure and firm performance of a particular type of new technology ventures: the academic spin offs. These are mainly small and medium firms, focused on high technology, research and innovation, that involve private and public actors in their ownership structure. Literature shows that these firms play an important role for economic growth of a country, however in Italy a high degree of academic spin offs doesn't survive for a long time. Managerial competences, corporate governance attributes and financial structure could explain these phenomenon. This study observes a sample of Italian academic spin offs established in the last five years: primary data on corporate governance, industry, ownership structure, financial aspects are taken from the National Register of Firms, University (parent organization) and company website. Statistics show relevant relations between firm performance and corporate governance attributes and confirmed, after the start-up, the inefficiency of the board of directors in which there is an overlapping between academic-founder and manager, suggesting greater openness to outside expertise.

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*Keywords:* academic spin off; CEO duality; ownership structure; firm performance.

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### 1. Introduction

Composition, managerial style and competences are important elements for the efficiency of managerial board and for the firm performance. During the last decade, research on corporate governance shown that the real problem, for a good governance practice, is linked more to the access to critical resources that to agency conflicts between

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ownership and management (Van Gils, 2005; Roe 1994). Strategic and managerial competences of CEO, financial resources and partnerships are strategic for the development of the firms (James, 1999; Bianco and Casavola, 1999), especially in those contexts where competitiveness is based upon knowledge and innovation and where capital markets are not very developed and not very dynamics. In knowledge-intensive sectors, also attribute of corporate governance may represent critical resources, able to influence the firm performance and its survival (Renders et al, 2010). For this reason designing the structures of governance, the primary goal becomes searching for more effective solutions to engage stakeholder who bring expertise, critical know-how, financial resources and strategic relations (Rajan and Zingales, 2000). Small and medium enterprises are the most representative firm model in Italy, where the corporate governance structure presents a high degree of ownership concentration, CEO duality and overlapping between manager and founder. These features reduce the agency problems, but bring out the need to have extensive knowledge and expertise, in order to have a rapid, efficient and flexible decision-making process, considering the actual challenges of enterprises, especially within dynamic sectors. Based on resource dependency theory (Pfeffer and Salancik, 1978), this study analyzes a particular type of SME: the academic spin offs. These are technology or research-based ventures, that involve private and public actors in their ownership structure, where there is often an overlap between the roles of founder, manager and academic researcher, who continues to carry out its research activities within the university, reconciling with great difficulty the managerial duties. This research focuses on the relations between the corporate governance features and the economic performance of academic spin-offs after the start-up phase, when management expertise and research funding are crucial for the development of these firms and, consequently, for their survival. The structure of the paper is as follows: in section 2 we describe the features of academic spin off; in section 3 we present the role of corporate governance in ASOs and we develop the hypotheses of this study; in section 4 we present the research model, variables and sample; in section 5 we show the empirical results and then we discuss the main finding and draw some conclusion.

## **2. Academic spin off**

Academic spin-off (ASO) is a specific type of new technology venture, that involve stakeholders and resources of both public and private nature and which are given the ambitious function of promoting local development by national research policies. Some authors identify a spin-off as the result of a parent organization active in research and development, such as Universities, University Research Centres, laboratories and private research organizations (Wright et al., 2007). ASO is an autonomous structure, nor a subsidiary of the parent organization, that exploit knowledge produced by academic research in a profit perspective, excluding non-profit organizations (Pirnay et al., 2003 Shane, 2004). These firms, in contrast to others original start-ups, represent an innovative way of transfer of research results to a productive and independent business (Robert and Malone, 1996), in which university provides, in the start-up phase, specialized services, expertise, technical equipment, financial resources. Others authors define academic spin-off as a company that was born from researchers that aims to broaden their skills and abilities through the development of research within the university environment (Conti et al., 2010) and that, for these reason, may involve in the ownership structure the university with a minority equity stake. Some authors (Fryges and Wright, 2014) distinguish between pure academic spin off and a hybrid type: pure ASO includes only academic founders that continue to work part-time for the university (parent organization), while in the hybrid type the team of founders includes university researchers and outsiders with entrepreneurial experience. In some cases the founder-researcher left the university for the private-profit activity and this is considered a potential career path for the researcher; in other case, spin offs creation is a strategic milestone for the career path within the academic context. These motivations affect on the firm performance and on the survival rate of ASOs, together with the business model of these ventures. Literature distinguishes the product-oriented spin offs from research spin offs as a subcategory of new technology ventures and makes a distinction between firms able to attract management capabilities in the founding team and firms founded by individual researchers. In this last case, the managerial style and the objectives are the results of personal interests of academic inventor, who wants, first of all, to complete their research project and to increase their independence within scientific community. Grandi and Grimaldi (2005) show that market orientation and managerial competences of founders are determinants for a successful industrial innovation, especially when the business idea don't come from the market, but from the availability of scientific and

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