Chapter 4

Effect of Venture Capital on the Growth of Information and Communication Technology University Spin-Offs: Venture Capital Effect on the Growth of ICT-USOs

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ABSTRACT

The creation of university spin-off firms (USOs) to commercialize the academic research outputs contributes to the economic development of the regions. These firms are often resource-constrained, which may hamper their growth. However, the involvement of venture capital (VC) partners in their management can partly counterbalance their traditional lack of resources. Within the USOs created in

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INTRODUCTION

In recent decades, the creation of university spin-off firms (USOs) is one of mechanisms used by universities to transfer technology to society and contribute to the regions’ economic development. The USO concept does not have a single and consensually accepted definition (Pirnay et al., 2003), but rather several proposals that are not always convergent. In a literature survey, Djokovic and Souitaris (2008) indicate that definition must contain two main issues: the agents involved and the elements to be transferred. Regarding the first one, the parent organization has to be a university or academic institution but there is no consensus on the need for participation of a university member in the company.

Regarding the second one, the new entity has to exploit knowledge produced from academic activities or academic pursuits. In this respect, whereas some authors use a very narrow definition, requiring that the rights transferred being of an exclusively technological nature (O’Shea et al., 2008), other ones argue that these rights may include both codified knowledge (for example, in the form of patents or copyrights) and tacit knowledge (technical know-how) (Hindle & Yencken, 2004). The output of these combinations has to be a separate legal entity to be considered a university spin-off.

In this paper, we follow the definition by Red OTRI, which considers USOs as start-ups exploiting university knowledge but not necessarily founded by university staff (Red OTRI, 2011). This definition of USO also appears to be one of the most widely employed among researchers (Zhang, 2009). Using this definition in the Spanish and Portuguese academic entrepreneurship contexts means to consider a mix of both technology and service-based spin-offs.

USOs are an important mechanism of transferring knowledge from Universities to society. In so doing, USOs contribute to create new high quality employment and accelerate the productivity of regional economies (Hayter, 2016; Shane, 2004). Therefore, policy-makers are increasingly investing in universities to foster the creation of innovative start-ups (Autio et al., 2014). However, several studies have
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