Unpacking Social Defenses: A Resource-Dependence Lens on Technology

Ventures, Venture Capital, and Corporate Relationships

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ABSTRACT

Inter-organizational relationships offer many potential benefits, but they also expose firms to dangers, such as misappropriation, that pull partners apart. This tension between collaboration and competition is central to tie formation, especially for young technology-focused firms who have both high need for resources and high appropriability of their own resources. Prior work has examined legal and timing defenses that enable inter-organizational ties; we focus here on social defenses. In a longitudinal study of equity tie formation between young firms and established corporations, spanning 5 technology-based industries and 25 years, we unpack the effects of social defenses and find, intriguingly, that third-party social defenses are particularly significant when more traditional defenses are unavailable. Beyond providing resources and legitimacy, ties with centrally positioned third parties are a critical mechanism whereby young low-power firms can enhance their power in tie formation. Our study also sheds light on how a portfolio of ties helps young technology firms mobilize resources and manage resource vulnerabilities.