



CALL FOR PAPERS

CREGO (IAE DIJON) & RITM (UNIVERSITE PARIS SUD - PARIS SACLAY)

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REVUE DE L'ENTREPRENEURIAT

FINANCING AND GOVERNANCE OF INNOVATIVE COMPANIES

The conference on the theme of the **links between financing and governance of innovative companies** will be held on 30 March 2017 at IAE de Dijon. It is being organised by the research laboratory CREGO (*Centre de REcherche en Gestion des Organisations*) and the RITM (*Réseau Innovation, Territoire et Mondialisation*). After the conference, the best papers will be selected for publication in a special issue of *Revue de l'Entrepreneuriat*.

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FINANCING AND GOVERNANCE OF INNOVATIVE COMPANIES

In the age of digital revolution, rent-seeking from innovation is a central concern for contemporary economies, placing questions of financing for innovation - whether radical or incremental - at the heart of today's challenges (Da Rin *et al.*, 2013; Landström and Mason, 2012). A certain number of analyses based on international comparisons aim to identify the key determinants of the dynamics of innovation finance (Da Rin *et al.*, 2006; Felix *et al.*, 2007; Bonini and Senem, 2011; Li and Zahra, 2012). For example, they study the impact of connections between finance and industry (Pinch and Sunley, 2009; Ortín-Ángel and Vendrell-Herrero, 2010), and the features of innovation clusters (Ferrary and Granovetter, 2009; Ferrary, 2011). Other studies analyse the impact of the institutional and regulatory framework (Cumming *et al.*, 2010), identify specific handicaps such the European labour market's inflexibility (Da Rin *et al.*, 2006) or propose an assessment of public measures to support innovation funding (Gans and Stern, 2003; Lerner, 2008; Lerner, 2010). On the macro level, the impact of venture capital on innovative activity has also been the subject of many investigations. Research has examined topics such as the effect of venture capital on innovation (Colombo *et al.*, 2012; Kortum and Lerner, 2000), the filing of patents (Bertoni *et al.*, 2010), growth and employment (Lehmann, 2006; Peneder, 2010). However, research is still needed on a more micro level (Desbrières, 2015). The aim of this call for papers is thus to collect research that analyses the impact of innovation funding on the governance system for innovative companies (Desbrières, 2001; Depret and Hamdouch, 2004).

There are many different providers of capital for the innovative company, and it is standard practice to divide the life of the company into stages and connect each one with the type of actors that provide financial resources (Wright and Robbie, 1998; Dubocage and Rivaud-Danset, 2006). In the seed funding stage, financial resources come first from the manager's friends and relations (love money), then from *Business Angels* (Wirtz *et al.*, 2015). In the start-up phase, the money comes from venture capitalists (Gompers and Lerner, 2000; Landström and Mason, 2012). Finally, development is supported by private equity funds or, when the innovative company is listed, investors on the financial markets specialising in growth stocks (Revest and Sapio, 2010). In addition to their strictly financial and disciplinary dimension, the resources provided for the company can include a cognitive dimension. Business Angels and venture-capitalists are usually "hands-on" investors who provide "smart money", i.e. not just

funding but also advice for the manager, with the aim of creating value for the innovative company they are investing in (Wirtz, 2011). This dual dimension of resources relates to the question of governance of innovative companies, and more specifically the impact of innovation funding on their governance system. In the dominant financial literature, this is mainly addressed through the lens of information asymmetry and agency theory (Da Rin *et al.*, 2013; Krishnan *et al.*, 2011; Hochberg, 2012). Research that seeks to look beyond simple disciplinary governance and consider its collaborative, cognitive dimension (Charreaux and Desbrières, 1998; Charreaux and Wirtz, 2006; Wirtz, 2008; Dubocage and Galindo, 2014) remains rare, although it is essential for identification and even creation of innovation-based investment opportunities (Desbrières, 2015). The papers submitted could adopt this unusual theoretical framework, which places the concepts of knowledge and skills at the heart of the understanding of governance mechanisms. They could draw on theoretical fields related to finance and corporate governance, organisational theory and an approach based on resources and dynamic capabilities (Wernerfelt, 1984; Barney, 1991; Teece, 2007).

More precisely, the research submitted could focus on the following two questions:

- ✓ What roles do innovation funding actors play in the governance of high-technology start-ups?

In addition to a central focus on analyses in terms of disciplinary governance, the providers of capital act as mentors in innovative companies. Case studies and qualitative research could be used for in-depth examination of the way this dual role of control and mentoring operates in business management. The typical disciplinary mechanisms (changes to the board of directors, separation of management and the board, adoption of formal or informal control mechanisms, etc) have been investigated in several studies. It would be interesting for the proposed papers to look at the impact of venture capitalists on the business models (Demil *et al.*, 2014) adopted by the venture-backed companies (Dubocage et Galindo, 2008), for instance in terms of corporate social responsibility. Finally, another promising angle of analysis is the angle of governance of innovative listed companies on financial markets that specialise in growth stocks (Filatotchev *et al.*, 2006). Research could examine the way the various stakeholders' influence is exercised on this type of company, the impact of "lock-up" practices, etc.

- ✓ How can the innovation and value creation process be analysed in a way that looks beyond the framework of disciplinary governance?

Value creation is central to the concerns of providers of capital for innovative companies, as the main source of returns is the gain on resale of the investments. Financial theory provides clues to understanding the value creation process. It could usefully be enhanced by studies taking a cognitive perspective, to provide a detailed analysis of the support measures for creation, development, application and profitable growth of innovation that are stimulated by innovation funders. The research proposed could seek to explain the cross-fertilisation process that operates between the entrepreneur and the providers of financial resources. With this objective, investigations could concern exchanges of skills between managers and finance providers, using the resource-based view (Barney, 1991) and the Dynamic Capabilities theoretical framework (Teece, 2007). Also, one specific form of venture capital deserves further analysis: Corporate Venture Capital (Braune and Grand, 2013), which is venture capital provided by non-financial companies, and is becoming more common in the “open innovation” environment (Chesbrough *et al.*, 2006). How effective is this type of venture capital, not only financially but also in terms of large companies’ innovation strategies and performance?

There is a two-way causal link between the financing and governance of innovative companies. Research could therefore also analyse the impact of the governance system on the funding of innovative companies.

Nature of desired papers

The proposed papers should discuss the links between the financing and governance of innovative companies using a sound theoretical grounding, via an empirical approach based on quantitative or qualitative methods. Particular attention will be paid to proposals based on unusual theoretical approaches, and priority will also be given to papers with an international dimension. Methodological research aiming to address the question of relevant research methods to grasp the cognitive dimension of governance can also be proposed, and reading notes on books about governance will also be considered. However, mathematical models with no empirical adaptations or tests will not take priority. The aim is that the conference programme and the papers selected for publication in the special issue of the *Revue de l’entrepreneuriat* should cover a diversity of contributors and approaches, with a broad international dimension.

Papers may be submitted in French or English.

Submission procedure

Papers should be submitted as Word file, in duplicate: one copy must be anonymous and the other should show the article title, authors' names, title and establishments, and address for correspondence on the first page. Both the full postal address and email address must be given (acknowledgement of receipt will be sent by email).

Authors must ensure that they cannot be identified from the body of the text.

Papers must be no more than 25 pages long including diagrams, tables, appendices and references.

After the conference, the best papers will be selected for publication in a special issue of *Revue de l'Entrepreneuriat*. These papers will then undergo an accelerated double-blind review process.

Key dates:

Deadline for submission of papers: 6 January 2017

Decision by referees: 15 February 2017

Oral presentation of the paper: 30 March 2017 at IAE de Dijon

Submissions must be sent by email, using the subject line **Links between financing and governance of innovative companies** to philippe.desbrieres@u-bourgogne.fr and emmanuelle.dubocage@u-psud.fr.

Submissions must respect the presentation format required by *Revue de l'entrepreneuriat*. Author instructions can be found here: <http://www.entrepreneuriat.com/pole-recherche/la-revue-nouvelle-formule/note-aux-auteurs/#c958>

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