

Press release

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Losing innovative employees to competitors can benefit companies, ESMT Berlin study finds

Firms often put great effort in retaining good employees because they fear the loss of talent and knowledge spillover to rival companies. However, new research by Stefan Wagner, Professor of Strategy at ESMT Berlin, and Martin Goossen from Tilburg University suggests that employee mobility within an industry can actually be a benefit to companies.

To assess the impact of mobile employees the researchers focused on R&D alliances in the pharmaceutical industry, where partnerships are a common mode of innovation as they diffuse the burden of costly drug development. They collected data on alliance formation amongst the 55 largest pharmaceutical firms over a 16-year period, identifying all scientists that moved between these firms. Of the 130,000 scientists the researchers tracked, more than 8,200 moved from one firm to another.

In addition, the authors conducted in-depth interviews with 15 high-ranking pharmaceutical executives based in the U.S., the UK, Germany, and France responsible for R&D and business development.

The researchers found that on average, the likelihood of forming an R&D alliance increases by 33 percent when a scientist moved between two firms within the last five years. According to the data, such alliances are also more innovative. The number of patents filed within three years was almost twice as high compared to alliances not involving scientists that had worked for both companies.

Professor Wagner says, “Talks between potential collaborators often break down, at the cost of lost resources and opportunities. Involving people familiar with either side in the decision-making process not only helps alliance formation, but also leads to more effective partnerships.”

By acting as “bridges,” hires from former rivals facilitate the forming of R&D alliances between the new and old employer, which might outweigh the loss of an inventor. Forming strategic partnerships is usually very challenging as both sides have incomplete information and differing technological capabilities, goals, and expectations.

Professor Wagner says, “Our interviews suggest that mobile employees act as bridges for at least two reasons. First, knowledge of the technological approaches and strategic motivations of their former employer will reduce information uncertainty regarding possible fit. Second, and more importantly, mobile inventors can explain to their new colleagues how their old company likely perceives the contingencies of an alliance, because they are familiar with its corporate culture and decision-making routines.”

The results do not only apply to the formation of R&D alliances but to many inter-organizational collaborations as well, including negotiations of outsourcing contracts, formal joint ventures, and M&A decision making.

Reference:

[Wagner, S. and Goossen, M.C. \(2018\): Knowing me, knowing you: Inventor mobility and the formation of technology-oriented alliances. *Academy of Management Journal* 61 \(6\), December 2018: 2026–2052.](#)

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