Of Academics and Creative Destruction Startup Advantage in the Process of Innovation

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What is the role of startups within the innovation ecosystem? Since 2000, startups have grown in their share of commercializing research from top U.S. universities; however, prior work has little to say on the particular advantages of startup ventures in the innovation process relative to more traditional alternatives such as academia and established private-sector incumbents. We develop a simple model of startup advantage based on private information held by the initial inventor, and generate predictions related to the value and impact of startup innovation. We then explore these predictions using patents granted within the regional ecosystems of top-25 research universities from 2000 to 2015. Our results show a significant startup advantage in terms of forward citations and outlier-patent rates. Further, startup innovation is both more original and more general than innovation by incumbent firms. Moreover, startups that survive to become “scale-ups” quickly grow to dominate their regional innovation ecosystems. Our findings have important implications for innovation policy.