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Does learning from prior collaboration help firms to overcome the “two worlds” paradox in university-business collaboration?

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There is now substantial evidence on the positive contribution universities can make to helping firms’ innovation. Building university-business collaborations, however, confronts the ‘two-worlds’ paradox, and the difference in institutional logics and priorities between businesses and universities. Here, we consider whether firms’ experience from prior collaboration can generate learning which can help to overcome the two-world’s paradox and improve their ability to generate new-to-the-market innovations in collaboration with universities. Based on panel data for UK companies, we find evidence of significant learning effects in the commercialisation pipeline for new-to-the market innovation. Firms working with, say, customers in one period are significantly more likely to collaborate with universities in subsequent periods. Further down the pipeline, collaborating with universities increases the probability of a firm making new-to-the-market innovations (as opposed to new-to-the-firm innovation) by 21-24 per cent regardless of firm size. The commercial benefits of collaborative, new-to-the-market innovation are concentrated in medium and larger firms with no significant effect for small companies. There is the potential for policy intervention both to increase levels of small business-university collaboration and assist smaller firms to maximise the commercial benefits of collaborative, new-to-the-market innovations.