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For Immediate Release

SPINOUT VENTURES

Transitioning from Employees to Entrepreneurs

By André Laplume and Sepideh Yeganegi

Business Expert Press

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BUSTING THE MYTH OF THE GARAGE ENTREPRENEUR

**New Book Reveals that “Spinout Ventures”
Are the Most Successful Start-Up Model**

“The myth of the garage entrepreneur needs busting,” declare business experts André Laplume and Sepideh Yeganegi. Despite conventional wisdom, the majority of entrepreneurs actually come from within the walls of established organizations. This is a phenomenon known as the “spinout.” In their comprehensive new book, **SPINOUT VENTURES: Transitioning from Employees to Entrepreneurs** (Business Expert Press; March 26, 2024), Laplume and Yeganegi lay out everything potential entrepreneurs need to know about launching their own ventures, as well what corporations need to know about managing spinout ventures within the organization.

“Employee entrepreneurs—employees who create new ventures either inside or outside existing organizations—typically exploit innovations they have learned from their employment experience,” the authors explain. Despite the challenges these employee entrepreneurs face, including potentially hostile parent organizations and intellectual property protections, studies show that spinout ventures are more successful than other types of startups. “Therefore, learning to overcome the barriers to employee entrepreneurship is paramount,” say Laplume and Yeganegi, who teach business and entrepreneurship at the Ted Rogers School of Management and the Lazaridis School of Business and Economics, respectively.

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Based on nearly a decade of research, including interviews with dozens of employee entrepreneurs as well as analysis of hundreds of spinout ventures, the authors provide insights into what it takes to launch a successful spinout. They illustrate their findings with real-life spinout stories including Chevrolet, Apple, Zoom, Zillow, and Intel, covering such topics as:

- **Characteristics and Motivations of Spinout Founders** – Spinout founders tend to be more educated and have more experience than other types of entrepreneurs, thanks to their tenure with parent companies. They are also likely to have experience with both exploration (developing a new strategic initiative) and exploitation (implementing that initiative). In addition, they have often learned to spot the key talent needed to create an effective startup.

- **The Spinout Creation Process** – Spinouts are created using knowledge and resources transferred from a parent organization. For example, the authors have found that spinouts often inherit routines from their parent firms—which means that spinouts from higher-performing parents tend to be better at execution than those from lower-performing parents. Spinout entrepreneurs often need specialized knowledge beyond what they personally have; therefore, they may seek to attract other employees to join their teams. **SPINOUT VENTURES** also addresses the issue of financing, pointing out that spinouts may attract venture capitalists. “Being from a prominent firm can make it easier to get the support needed to form a spinout successfully, Laplume and Yeganegi write.

- **Benefits for Parent Organizations** – There are several major benefits to being “spinout-friendly,” contend the authors. For example, they point to the importance of “corporate coherence. “Organizations thrive best when their business activities are in good alignment with each other and not pull in too many different directions,” they explain. In addition, over time, a spinout’s usable knowledge can flow back to the parent when ties are maintained among former colleagues. Moreover, having a reputation for “incubation” can enable a corporation to attract capable employees who are keen to work for a company that spawns high-quality new ventures.

• **Spinout Challenges** – “Entrepreneurs, in general, face many challenges. For spinout founders, there are other rough waters to navigate,” Laplume and Yeganegi write. Restrictive covenants, in the form of noncompete, nondisclosure, and non-solicitation agreements, are among the most significant of these. There is also the issue of intellectual property rights, including copyrights, trade secrets, and patents. The authors explain how some spinout founders negotiate licenses with their parent organizations.

Despite the fact that spinouts are the most common and most successful form of entrepreneurship, the phenomenon is rarely discussed. **SPINOUT VENTURES** is an essential guide to the journey from employment to entrepreneurship, with invaluable insights for entrepreneurs and corporate management, alike.

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ABOUT THE AUTHORS

DR. ANDRÉ LAPLUME, co-author of **SPINOUT VENTURES**, is a Full Professor in Entrepreneurship and Strategy at the Ted Rogers School of Management, which is part of Toronto Metropolitan University. Laplume researches the intersections where new entrants and incumbent firms meet with the aim of breaking down the barriers facing entrepreneurs, while helping managers deal with entrepreneurial ambitions in their organizations. His research has appeared in top journals like Human Relations, Journal of International Business Studies, and Journal of Business Research, among others. He received his PhD in Management from the University of Manitoba in Winnipeg, and spent seven years at Michigan Tech, teaching in its MBA program. Earlier, Laplume was a business and information technology consultant, helping clients integrate businesses and automate units. He is a frequent judge at entrepreneurship pitch competitions and an experienced entrepreneur, having launched a startup while in Michigan.

DR. SEPIDEH YEGANEGI, co-author of **SPINOUT VENTURES**, is an Associate Professor in Strategic Management at the Lazaridis School of Business and Economics in Waterloo, Canada. She received her PhD in Management from the University of Manitoba in 2018. Yeganegi’s research centers on the intersection of strategy and entrepreneurship, especially employee entrepreneurship and spinouts. She has been studying spinout ventures, the focus of her PhD dissertation, for over a decade, investigating how enablers, like venture capital availability and work experiences, can propel employee entrepreneurs. Her projects also explore the barriers that employee entrepreneurs face (e.g., non-compete agreements). Yeganegi has interviewed dozens of spinout founders and reviewed the growing literature on private sector employee spinouts. Her research has been published in journals such as Research Policy and Journal of Small Business Management.