

# Internal Ventures: Drivers of Innovation

An exploratory study of the management of internal ventures in ambidextrous organizations

## Abstract

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Companies have a desire to survive. For that purpose they must be continuously profitable. They need to focus on sales today, but they also have to innovate to stay competitive tomorrow. Doing both is demanding and difficult. From an organizational perspective there are different ways to approach these two tasks. Internal venturing is one of these approaches and has been increasingly popular among organizations in the recent past. How these are managed can be viewed from two perspectives; from the parent company's and the venture's own perspective. While the parent company's perspective has been given plenty of attention in research, the perspective of the venture - how it is managing itself and how having a corporate parent affects it - has been largely neglected to this day and is requested by scholars.

This thesis therefore set out to make an exploratory multiple case study to address this gap in organizational ambidexterity research. To explore how internal ventures are managed by their management teams and what the managerial issues are, four internal ventures were studied and in total 18 interviews were conducted. A theoretical framework, based on existing ambidexterity research, was applied in this study. It points out seven factors for organizations to address in order to be ambidextrous.

The application of the framework suggests that internal ventures only manage certain of the seven factors actively in an explorative way. Furthermore, it is shown that the ventures strategically build the competencies and the explorative culture they require to reach their strategic goals, through recruitment. The ventures are also able to leverage different capabilities and resources of the parent company. It can be seen that the relationship with the parent is also influenced by the degree to which the internal venture is integrated in it. Lastly, the thesis proposes an alternative perspective of internal ventures as organizational teenagers, which are dependent on their parents, but do not need constant control and supervision. This is reflected in the way they identify with their parent, which results in an either loyal or rebellious identity.

The thesis advances the research on both ambidexterity and internal venturing. In addition both parent companies and internal ventures can benefit from understanding what the managerial issues are in order to understand how these relate to organizational ambidexterity as well as to address them early on.

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**Key words:** *Ambidexterity, internal venturing, exploration, managerial issues, organizational teenagers*

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**Date:** May 19<sup>th</sup>, 2014

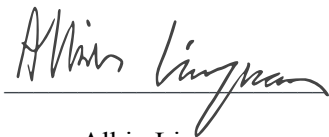
## Acknowledgments

To start with, we would like to give a special thank you to the four participating ventures and all interviewees for taking the time to give us valuable insights into the way they work. This thesis would not have been possible without their cooperation.

We would also like to thank our supervisor Anders Richtnér for his aid, guidance, and support; helping us to pursue an exciting research topic.

Finally, we want to express our gratitude to everyone making these past years brilliant and unforgettable.

Stockholm, May 19<sup>th</sup> 2014

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Albin Lingman

A handwritten signature in black ink, appearing to read 'N. Neubauer', written over a horizontal line.

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## List of abbreviations

CEO	Chief Executive Officer
CTO	Chief Technology Officer
CVC	Corporate Venture Capital
EVP	Executive Vice President
HR	Human Resources
IT	Information Technology
KPI	Key Performance Indicator
NBDU	New Business Development Unit
P&L	Profit and Loss
R&D	Research and Development
TMT	Top Management Team
VMT	Venture Management Team

## Definitions of key terms

Ambidexterity	The ability to perform two contradicting tasks equally well and simultaneously.
Exploitation	The activity of exploiting existing resources in its current business.
Exploration	The activity of exploring new ideas and opportunities.
Internal Venture	A venture that is created and owned by another company. It is an external entity that uses internal capabilities of the parent company.
Parent Company	The company that has ownership of the internal venture.
Top Management Team	The management team of the parent company.
Venture Management Team	The management team that is working in and for the internal venture.



# 1. Introduction

Companies have a desire to survive. For that purpose they must be continuously profitable. They need to focus on sales today, but they also have to innovate to stay competitive tomorrow (O'Reilly & Tushman, 2004; Raisch & Birkinshaw, 2008; Uotila, et al., 2009). Doing both is demanding and difficult. From an organizational perspective there are different ways to approach these two tasks. Internal venturing is one of these options and has been increasingly popular among organizations in the recent past. How these are managed can be viewed from two perspectives, from the parent company's and the venture's own perspective. While the parent company's perspective has been given plenty of attention in research (e.g. Buyl et al., 2012; O'Reilly & Tushman, 2009; Tinoco, 2009), the perspective of the venture; how it is managing itself and how having a corporate parent affects it, has been largely neglected to this day and is requested by scholars (O'Reilly & Tushman, 2011).

## 1.1 Background

Internal venturing has become increasingly popular over the last years. One reason for this is the desire of companies to grow their current businesses in new markets and the need to explore new and radical business opportunities that can add value to current offerings, or disrupt the industries. Fast moving markets and shortened product life cycles force organizations to simultaneously be profitable and innovative, in order to survive in the long-term. The ability to exploit current business today and also to explore new opportunities for tomorrow is called organizational ambidexterity, i.e. the ability to perform two contradicting actions equally well and simultaneously (March, 1991). Achieving ambidexterity is not without its difficulties. On the contrary, while innovation is claimed to be a top strategic priority in most companies (Bramwell, 2013; General Electric, 2013), most companies tend to pursue product line extensions rather than developing new products and prioritize short-term financial results (Koetzier & Alon, 2013). The issue is that there exists an imbedded tension in exploiting current business and exploring future opportunities due to conflicting demands (Duncan, 1976; March, 1991). Exploitation and exploration activities compete for the same resources, which makes it difficult for managers to allocate them. This encourages many to believe in the following words:

***If you want something new, you have to stop doing something old***

Peter F. Drucker

Ambidexterity research is however arguing the opposite; that it can be achieved simultaneously, and even claims that so-called 'ambidextrous organizations' can expect superior results in a long-term perspective (He & Wong, 2004; O'Reilly & Tushman, 1996; Raisch & Birkinshaw, 2008; Tinoco, 2009; Uotila et al.,

2009). Large companies that have successfully done this include IBM and Cisco, by separating the explorative and exploitative activities into structurally separated units (O'Reilly & Tushman, 2011).

Internal ventures are one type of these structural units. They are closely linked to their parent companies, yet they are self-managed units with separate value propositions and business models. This makes them especially suitable for the purpose of structural ambidexterity, because they have the ability to fully commit to the task of exploration. However, many firms fail in their efforts to grow both through explorative and exploitative activities (Benner & Tushman, 2003; Christensen, 1997; Hill & Birkinshaw, 2008). Internal ventures require substantial financial investments and they therefore pose a huge risk for the companies and it is thus of chief concern to understand the management of these ventures.

### **1.1.1 Problem**

Understanding the management of internal ventures requires one to look from the perspectives of both the parent company and the venture unit. The parent company's perspective has been thoroughly researched by looking at how the parent company creates and manages its relationship with its explorative unit (e.g. Campbell et al., 2003; Chesbrough, 2000; Jansen et al., 2005; O'Reilly et al., 2009; Puranam et al., 2006; Tinoco, 2009; Tushman & O'Reilly, 1996). In addition research regards the degree of autonomy and the level of top management involvement as key determinants for success. For that reason the top management's role has also received considerable attention in research (e.g. Buyl et al., 2012; O'Reilly & Tushman, 2007; Simsek, 2009).

However, in the context of ambidexterity, there has been little to no focus in previous research on how the venture itself approaches management decisions and on how its decisions and actions are affected by having a corporate parent. There is thus a need to shed a light on how internal ventures are managed under the expectations to be innovative and explorative as separate entities while still being strategic arms of parents with influential power and an exploitative focus.

## **1.2 Purpose**

What is introduced up to now illustrates a distinct research gap where literature has failed to properly address a perspective on how ambidexterity is achieved. Since research has mainly taken the perspective of the parent company, the aim of this thesis is to address the venture unit's perspective.

There is up until now no developed framework treating the venture unit's perspective. Therefore, this thesis will use existing research concerning ambidexterity as a base for analysis.

O'Reilly and Tushman (2004) introduced a framework of seven factors that suggests what the strategies, structures, processes and culture should be in exploitative and explorative business units within an

ambidextrous organization. It is appealing to parent companies that want to become ambidextrous and that try to define the roles of their ventures. It does however not consider how this design affects the management of the ventures that have an explorative intent.

Nonetheless O'Reilly and Tushman's framework is a relevant reference point, and will be used to analyze how the seven critical factors are relevant for and managed by the ventures themselves. This will help to understand how the ventures manage their role in ambidextrous organizations.

### **1.3 Research question**

In this thesis the assumption is made that internal ventures will always be, to some extent, influenced by their parent companies (Chesbrough, 2000; Kuratko, et al., 2009; Raisch & Birkinshaw, 2008). The lack of research from the perspective of the ventures in ambidextrous organization leads to the following research question:

**How are internal ventures, that were intended to be explorative units in ambidextrous organizations, managed by their venture management teams and what are main managerial issues?**

The answer to the research question will not suggest one best way to manage internal ventures, but it will show how ventures are managed and it will point out common managerial issues that affect the internal ventures' management.

### **1.4 Disposition**

This section will present the structure of the rest of the thesis.

#### ***2. Literature Review***

The *second chapter* presents the relevant literature and the theoretical standpoints underlying the thesis. The chapter will furthermore elaborate on the addressed research gap.

#### ***3. Theoretical Framework***

The *third chapter* introduces a theoretical framework, which is grounded in current literature on ambidexterity.

#### ***4. Methodology***

The *fourth chapter* covers methodological approach, case selection and introduction, data collection analysis, limitations, and finally reliability and validity.

#### ***5. Empirics***

The *fifth chapter* presents the empirical findings from the four cases individually.

## **6. Analysis**

The *sixth chapter* analyzes the empirical findings by applying the presented theoretical framework.

## **7. Discussion**

The *seventh chapter* discusses the limitations of the applied framework. The discussion will then go beyond the scope of the theoretical framework in order to identify other relevant managerial issues.

## **8. Conclusion**

The *eighth chapter* presents an answer to the research question. It also concludes theoretical and practical implications and an overview of potential limitations of the thesis. The chapter will then conclude with an outlook on possible future research in the field of ambidexterity and internal venturing.

## 2. Literature review

*This chapter will identify a research gap by reviewing existing literature on organizational ambidexterity and internal venturing.*

### 2.1 Approach to literature review

For an organization to ensure long-term survival it cannot merely aim to be profitable today. It must also be innovative to enable the organization to be profitable in the future (O'Reilly & Tushman, 2004; Raisch & Birkinshaw, 2008; Uotila et al., 2009). Firms that choose between either being long-term focused and innovative, or being short-term focused and profit-driven are unlikely to survive (Li et al., 2007). It is thus an organizational challenge to pursue a short-term and a long-term strategy more or less simultaneously. The ability to do so is called ambidexterity, and therefore a review of relevant literature on ambidexterity will be conducted and a research gap will be identified. For this purpose the literature review will first look at the concept of ambidexterity in general (2.2) and introduce three organizational approaches on how to become ambidextrous (2.3). This will then be followed by a closer look at structural ambidexterity and how organizations can use different structural approaches for this purpose (2.4). To achieve ambidexterity organizations can for instance engage in internal venturing (2.5). Finally, within the field of internal venturing a distinct research gap will be identified (See Figure 2.1).

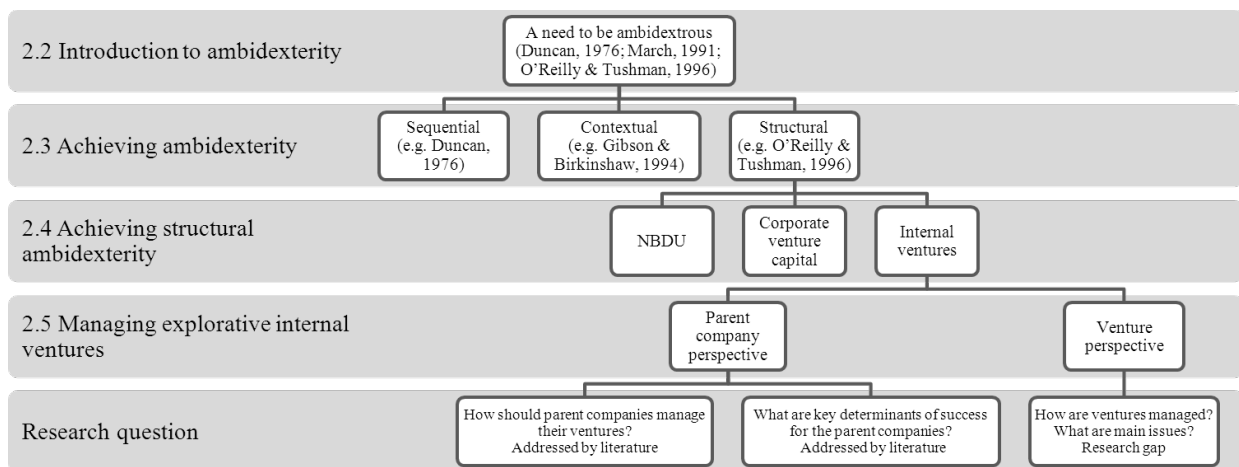


Figure 2.1 – Identifying the research gap

### 2.2 Introduction to Ambidexterity

Ambidexterity originally refers to the ability to use both the left and right appendages, such as the hands, equally well. In general, it is thus used to describe the ability to perform two contradicting actions equally well.

The concept of ambidexterity, although existing in organizational literature for nearly 40 years, has been a popular research paradigm for the last 20 years. The concept that eventually became popular can be attributed to three research works by Duncan (1976), March (1991) and O'Reilly & Tushman (1996). These researchers were the main contributors to the creation, definition and establishment of the concept of ambidexterity as the organizational research field it is today.

### **2.2.1 Creation of the concept**

In 1976, when the term ambidexterity was coined, it had a slightly different meaning than it has today. At this point Duncan (1976) framed ambidexterity as the management of innovational tensions between being aligned and efficient in management of today's business demands, while also being adaptive to changes in the environment. He argued that achieving each of these abilities required different structures, and the organization must change between the structures sequentially, to only focus on one demand at a time.

### **2.2.2 Definition of the concept**

Building on Duncan, March's "Exploration and Exploitation in Organizational Learning" (1991) became a defining point for the field of ambidexterity. The article introduced the concept of 'exploration and exploitation', which has thereafter defined ambidexterity. March argued that these two forces place contradicting organizational demands on the firm and create conflicts for resources.

According to March's definition, exploration "includes things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation" and exploitation "includes such things as refinement, choice, production, efficiency, selection, implementation, execution" (1991, p.71).

These contradicting demands are fundamental issues in March's article. The tensions coerce the organizations into making trade-offs between having an explorative or an exploitative focus. For many organizations these trade-offs causes the organizations get polarized to one focus. Whereas an exploitative focus yields immediate financial returns, the returns of an explorative focus are more distant in time from the actions and uncertain. A business that has to choose between exploitation and exploration will most likely choose exploitation. Therefore exploration is more vulnerable in trade-offs. If the company devotes itself to the more immediate returns of exploiting its current competencies, it will fall into a competency trap in which it will not nurture any innovative and explorative competencies and, in the long run, will be unable to adapt once the current business returns decrease (March, 1991).

### **2.2.3 Establishment of the concept**

Based on Duncan (1976) and March (1991), Tushman and O'Reilly (1996) extended the existing research by anchoring the concept of the 'ambidextrous organization'. They stressed the idea of structural

mechanisms that allow firms to be both innovative and profitable. Their research suggests that only ambidextrous organizations can ensure long-term survival. They point out that companies that have long-term success clearly show the ability to focus on both exploiting current opportunities and exploring new concepts. While companies have a need to have a well-aligned strategy and culture, they must also be willing to destroy existing structures to adapt to changing demands. Managers must ensure that there is a focus on both incremental and discontinuous innovation. By doing so, managers will face adversity. This is because changing an organization will always affect those who benefit from the current structures. Managers will thus need to defy pressures that urge them not to change.

Tushman and O'Reilly's work has consequently triggered a far greater research interest in the topic of ambidexterity (Raisch et al., 2009). Empirical studies have since supported the importance of organizational ambidexterity for organizational performance (Abell, 1999; He & Wong, 2004; Raisch & Birkinshaw, 2008; Tinoco, 2009; Uotila et al., 2009).

### **2.3 Achieving ambidexterity**

In addition to the research on the performance of ambidextrous organizations, research has established three organizational approaches that organizations can utilize in their attempt to manage the competing forces of exploration and exploitation in order to achieve ambidexterity. These three organizational approaches are sequential, contextual and structural.

Sequential ambidexterity builds upon the original idea of Duncan (1976) that an organization must have different structures to manage exploitation and exploration (Brown & Eisenhardt, 1998; Nickerson & Zenger, 2002; Siggelkow & Levinthal, 2003). The approach suggests that the firm first creates a structure that is aimed at exploring new opportunities. Once this is done and the firm wants to exploit these opportunities it must change its organizational structure. Sequential ambidexterity is therefore what most companies do at some stage when going from a startup structure into a structure that allows economies of scale to achieve better margins.

Contextual ambidexterity research on the other hand examines how an organization can enable its individuals to become ambidextrous. The basic concept is that each employee has the capacity to be ambidextrous and has the ability to choose between engaging in either explorative or exploitative behavior (Gibson & Birkinshaw, 2004; Andriopoulos & Lewis, 2009; Raisch et al., 2009).

In contrast to contextual ambidexterity, which focuses on each individual, structural ambidexterity looks at an organization as a whole. Tushman and O'Reilly (1996) applied the concept in their presentation of the 'ambidextrous organization'. According to them, an ambidextrous organization is characterized by separate organizational units that have the distinct task to either exploit existing business opportunities, or

to explore new ones. The same authors indicate that the strict separation of units makes organizations more successful at innovating than organizations with e.g. functional designs or cross-functional teams (O'Reilly & Tushman, 2004).

Sequential ambidexterity and contextual ambidexterity have both received criticism for their applicability in managerial practice. Sequential ambidexterity is not applicable in a fast moving world that requires constant adaptation (O'Reilly & Tushman, 2008; Simsek, 2009). Contextual ambidexterity is mainly prescribed to a top management level, and as a complement to structural ambidexterity (Andriopoulos & Lewis, 2009). Structural ambidexterity has on the contrary been prominent in both research and practice.

## **2.4 Achieving structural ambidexterity**

Structural ambidexterity can be achieved in several ways. Three prominent approaches will be presented, which differ distinctively in the degree to which they are separated from the rest of the organization. The firm can either choose to do it as a functional division within the organization (e.g. new business development unit), or choose to achieve ambidexterity through a separate entity, often in the form of a Corporate Venture. Veugelers and Cassiman (1999) describe Corporate Venturing as including both venturing others' ideas through buying them (e.g. corporate venture capital) and venturing own ideas and strategies (e.g. internal ventures). The firm can thus rely on internal resources, or gain access to external competencies (Chesbrough, 2000; Miles and Covin, 2002; Narayanan et al., 2009; Roberts & Berry, 1985).

### **2.4.1 New business development units**

An explorative business unit that is fully integrated in the organization as a functional division is most commonly known as a new business development unit (NBDU). Although it has been structurally separated from the exploitative units, the explorative unit is still highly dependent on the other business units and it is thus more exposed to the conflicting demands of exploitation and exploration. Part of this is that tight social ties can have a huge effect in diminishing the explorative abilities (March, 1991; Jansen et al., 2005). For example, NBDUs will need a close collaboration with R&D, sales and marketing.

### **2.4.2 Corporate venture capital**

Corporate venture capital (CVC) refers to the direct investment of corporate funds in external startups. This has received a lot of attention in research over the last years and has become increasingly popular for large companies like Comcast, IBM and Samsung (Farr, 2013; Olson, 2013). CVC funds often focus on financial returns only (Birkinshaw & Hill, 2003; Chesbrough, 2000; Lerner, 2013). The pure financial focus stands in contradiction to the strategic purpose of explorative units, making classic CVC rather unsuitable to pursue ambidexterity.



Investments in ventures that are strategically aligned with the firm are more inclined to show successful results and it is therefore suggested that the parent companies (hereafter referred to as the parents (pl.)) should be more involved in their investments (Chesbrough, 2002; Lerner 2013). In other words, Corporate Venturing research suggests that CVC funds adopt certain traits of NBDUs.

#### **2.4.3 Internal venturing**

Internal ventures can be described as a mix of NBDUs and CVC. They make use of existing organizational structures and resources, while they are managed as new and separate business entities (Burgelman, 1984; Burgelman & Sayles, 1986; Garud & Van de Ven, 1992). Firms can dedicate separate venturing units to explore opportunities that can use existing internal resources (Williams & Lee, 2009). These units are characterized by the interaction with multiple stakeholders from the parent and a focus on more radical product and business development than most R&D departments, or NBDUs (Burgelman, 1983).

While theory suggests that internal venturing is adopting important traits of both NBDUs and CVC, it also forms a complex relationship with its parent. As it is a separate entity it ensures a level of autonomy, yet it is still influenced by and dependent on its parent.

### **2.5 Managing explorative internal ventures**

However, while they can create high performance, many internal ventures fail and many of them do so because of managerial issues, such as unclear strategies (Benner & Tushman, 2003; Christensen, 1997; Hill & Birkinshaw, 2008; Lerner, 2013). Due to the vast investments in structural ambidexterity, there is a tangible and direct risk associated with it. It should therefore be a chief concern for ambidexterity research to ensure a substantial level of understanding on how internal ventures are managed (O'Reilly & Tushman, 2011).

The research can take two perspectives; either looking at the organization as a whole, or looking at the explorative unit individually. For internal venture research in the context of ambidexterity this means either taking the parent's perspective or the perspective of the internal venture. The parent's perspective has been thoroughly researched, looking at how parents create and manage explorative units (e.g. Campbell et al., 2003; Chesbrough, 2000; Jansen et al., 2005; Li et al., 2007; O'Reilly et al., 2009; O'Reilly & Tushman, 2004, 2011; Puranam et al., 2006; Tinoco, 2009; Tushman & O'Reilly 1996).

From a parent's perspective the degree of autonomy and the level of top management involvement have also been identified as key determinants of success (e.g. Buyl et al., 2012; O'Reilly & Tushman 2007; Simsek, 2009). Furthermore, Birkinshaw (2006) researched how the top management teams' (TMT) involvement is crucial for the success of ventures and venturing units. He concluded that the level of

interaction and the relationship of the TMT and venture management team (VMT) are crucial for the success of the venture and the organization's level of ambidexterity.

Literature also provides more specific suggestions on how parents should manage and structure the exploitative and explorative units respectively. It is for example suggested that parents and ventures should align their values and that the parents should be highly involved in the strategic decisions of the ventures (O'Reilly & Tushman, 2008). Furthermore they suggest giving teams full product ownership and keeping teams small, as this will increase their level of commitment to and responsibility for the product and long-term success (Tushman & O'Reilly, 1996).

Research has generally focused on answering the question of how parents should choose and manage their ventures in order to become ambidextrous. However, little to no attention has been paid to the venture management, the managers working in the ventures and not in the parent. There is a lack in research on how they approach management decisions and how their decisions and actions are affected by having a corporate parent.

## **2.6 Summary of literature review**

In summary, literature has established the need for ambidexterity and consequently suggested several organizational approaches to achieve it, including structural ambidexterity. Structurally ambidextrous organizations are characterized by the separation of exploitative and explorative units. The explorative units can take different forms whereas some are more and some are less dependent on the parent. Internal ventures have been frequently created for the purpose of exploration and literature has made suggestions as to how the parents should manage them. It however failed to address how the venture manages itself and what its key concerns are. While the parent has influential power in most cases, internal ventures are still separate entities and a VMT handles day-to-day management. The VMT might have different priorities and see different issues than the parent. This study will thus explore this perspective and provide an overview on how the internal ventures are managed and what the main issues are.

### 3. Theoretical framework

*The literature review identified a gap in the current research, which fails to look at the management of ventures from their perspective. In order to address this gap, a theoretical framework based on current ambidexterity literature will be presented, and consequently applied in chapter 6.*

#### 3.1 Ambidexterity factors

Research has paid limited attention to the management of internal ventures. In fact, there is no framework focusing on how a venture manages its role as an explorative unit. Most research has focused on how parents create and manage their relationship with internal ventures. O'Reilly and Tushman (2004) introduced a framework, building on their previous work (e.g. Tushman & O'Reilly, 1997), that suggests what the strategies, structures, processes and culture should be in exploitative and explorative business units within an ambidextrous organization (Table 3.1). It is appealing to parents that want to become ambidextrous and that try to define the roles of their ventures. It does however not consider how this design affects the management of the ventures.

Nevertheless, O'Reilly and Tushman's framework will be used to analyze how the seven critical factors that they have identified are relevant for and managed by the ventures themselves. The framework will then be further substantiated by referring to additional literature that supports the claims of O'Reilly and Tushman. This will help to understand how the ventures manage their role in ambidextrous organizations.

In the next part each of the seven factors as presented by O'Reilly and Tushman, will be elaborated on. O'Reilly and Tushman claim that the exploitative and explorative business units should have distinct characteristics for each factor and the management of these factors has been identified as critical in the creation of ambidextrous organizations.

Factor	Exploitative unit	Explorative unit
<b>Strategic intent</b>	Cost, profit	Innovation, growth
<b>Critical tasks</b>	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation
<b>Competencies</b>	Operational	Entrepreneurial
<b>Structure</b>	Formal, mechanistic	Adaptive, loose
<b>Controls and rewards</b>	Margins, productivity	Milestones, growth
<b>Culture</b>	Efficiency, low risk, quality, customers	Risk taking, speed, flexibility, experimentation
<b>Leadership role</b>	Authoritative, top down	Visionary, involved

Table 3.1 – Factors of Organizational Ambidexterity (O'Reilly & Tushman, 2004, p. 8)

### 3.1.1 Strategic intent

Factor	Exploitative unit	Explorative unit
<b>Strategic intent</b>	Cost, profit	Innovation, growth

Table 3.2 – Factor: Strategic intent

The reasons for companies to engage in internal venturing are diverse. They can have purely financial goals in order to decrease costs or to drive profit, but in order for the internal ventures to be explorative they need to focus on innovation and create growth for the parents (O'Reilly & Tushman, 2004). Explorative strategic intents often originate from a sense of urgency to adapt to drastic changes in environment (O'Reilly & Tushman, 2008). The strategic goals for internal ventures are usually set during the design of the ventures themselves (Kuratko et al., 2009) and the ideas to create the ventures as well as the strategies can originate from either within the parents or from external sources (Chesbrough, 2000; Veugelers & Cassiman, 1999).

### 3.1.2 Critical tasks

Factor	Exploitative unit	Explorative unit
<b>Critical tasks</b>	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation

Table 3.3 – Factor: Critical tasks

The critical tasks for internal ventures relate to the abilities to adapt to possible changes in business demands, to launch new products and to create breakthrough innovations. While innovations can be created in all parts of the value chain, fundamental research and early development activities are done through exploring new knowledge and uncertain opportunities. The activities in these parts of the value chain are thus explorative by nature and most of the radical innovations stem from these activities (Li et al., 2008). However innovation can also be created in later stages of product development as well as marketing efforts. Exploitative forces might influence the internal ventures to put the effort into taking an operational perspective, aiming to make them more efficient and to only develop the businesses through minor incremental innovations (O'Reilly & Tushman, 2004).

### 3.1.3 Competencies

Factor	Exploitative unit	Explorative unit
<b>Competencies</b>	Operational	Entrepreneurial

Table 3.4 – Factor: Competencies

Internal ventures must ensure that they have the right competencies to fulfill their strategic intent. In order to be explorative, the ventures must have entrepreneurial competencies rather than operational (O'Reilly & Tushman, 2004). Key competencies also relate to knowledge and it is thus important to review the

origin of the knowledge inflow (Mom et al., 2007). Most knowledge inflow in new units comes from recruitment. This suggests that recruitment is one way to build competencies. Explorative units in general have a high knowledge inflow from knowledge areas distant from the parent's current business. Literature suggests that there are three different fields of knowledge, which firms can be familiar or unfamiliar with, and these are disciplinary knowledge (from other industries), technical knowledge and market segment knowledge (Li et al., 2008).

### 3.1.4 Structure

Factor	Exploitative unit	Explorative unit
<b>Structure</b>	Formal, mechanistic	Adaptive, loose

Table 3.5 – Factor: Structure

To be explorative, literature suggests that internal ventures should have informal structures that are adaptive to changes. Structures that are formal and mechanistic will prohibit the ability to be explorative (O'Reilly & Tushman, 2004). Narrow role definitions are indicators of formal structures. Flat hierarchies and role definitions that allow the individuals to take task ownership and a higher level of accountability often characterize adaptive and loose structures (Tushman & O'Reilly, 1997). In formal organizations people work in larger teams that are independent of each other, which can be separated by location (e.g. different offices) or by task (e.g. R&D and marketing).

### 3.1.5 Control and rewards

Factor	Exploitative unit	Explorative unit
<b>Controls and rewards</b>	Margins, productivity	Milestones, growth

Table 3.6 – Factor: Control and rewards

Exploitative units are mainly controlled through setting margins that need to be met. For this purpose a firm will have to focus on increasing the productivity (O'Reilly & Tushman, 2004). Explorative ventures on the other hand need to grow. In order to leave room for exploration these ventures use milestones to track progress, rather than strict performance targets. Milestones can also be used by the parents in reward and performance appraisal systems. Parents also use them to measure the overall performance of the ventures, in terms of progress (Wolcott & Lippitz, 2007). Margins and productivity play important roles, when units mainly focus on maximizing profit and do not need to grow their market shares (Tushman & O'Reilly, 1997).

### 3.1.6 Culture

Factor	Exploitative unit	Explorative unit
<b>Culture</b>	Efficiency, low risk, quality, customers	Risk taking, speed, flexibility, experimentation

**Table 3.7 – Factor: Culture**

Explorative internal ventures have cultures that pursue opportunities that entail higher risks as the rewards are higher. Moreover, explorative businesses are developed in high speed, which often affects the quality (Tushman & O'Reilly, 1997). Explorative units also have experimenting cultures, which are established through encouraging individuals to take own initiatives to pursue explorative tasks (Greve, 2009). Exploitative forces can however make the ventures focus on the risks rather than the rewards, which makes the ventures being risk averse with more modest rewards as probable result.

Additionally, a quality focus counters exploration as it makes ventures concentrate on efficiency and on refining the quality of existing products and services rather than experimenting with new ideas (O'Reilly & Tushman, 2004). For internal ventures that want to be explorative it is furthermore a risk to take a customer-centric approach, because customers reflect present demands rather than the demands of tomorrow (Tushman & O'Reilly, 1997).

### 3.1.7 Leadership role

Factor	Exploitative unit	Explorative unit
<b>Leadership role</b>	Authoritative, top down	Visionary, involved

**Table 3.8 – Factor: Leadership role**

In explorative units the leaders are visionary and the central figures in ensuring that the units follow their explorative ambitions. Visionary leaders have significant influence on their employees and often create intrinsic motivation and commitment. One critical purpose of this is to establish employee involvement. An exploitative leadership style requires a top-down, authoritarian approach in order to streamline processes (O'Reilly & Tushman, 2004) to improve quality, productivity and profitability. Another role for many IVTs are to manage the relationships with the TMTs and other units of the parents (Wolcott & Lippitz, 2007). From an ambidextrous perspective, the relationship is important since it determines how well the learnings, processes and outcomes will be diffused within the parent (Hill & Birkinshaw, 2008).

## **4. Methodology**

*This chapter will describe how the research was conducted, and the underlying reasoning for the methodological choices. It covers the methodological approach, case selection, data collection, analysis, limitation, and finally reliability and validity.*

### **4.1 Methodology approach**

The literature review outlines a need to approach ambidexterity from a managerial perspective within the ventures. We therefore conduct an exploratory study to build theory on how internal ventures, that were intended to be explorative units in ambidextrous organizations, are managed and what the main managerial issues are.

Research suggests that conducting qualitative studies are a good approach to answer ‘how’ questions and to build new theory. The method is in particular suitable when studying a real phenomenon, which is highly dependent on contextual circumstances (Yin, 2013). In general, organizational management is complex and requires the researcher to observe management in natural settings, where contextual conditions need to be taken into account (Meredith, 1998; Voss et al., 2002).

While there are several approaches to a qualitative study we have chosen to conduct case studies as they help illustrate real management issues and are effective in creating relevant managerial theory (Gibbert et al., 2008). Ambidexterity as a research topic needs further theory building from a managerial perspective and patterns should be identified. In order to do a pattern search, a cross-case analysis should be conducted and we therefore chose to study multiple cases (Eisenhardt & Graebner, 2007).

Prior to initiating the case selection and data collection a theoretical proposition to guide and provide boundaries to the data collection and analysis was developed. This is important to create an effective case study (Yin, 2013).

### **4.2 Case selection**

In the chosen approach of case studies there are limits to the amount of observable cases. In order to only study relevant cases one should have a set of clearly defined criteria (Eisenhardt, 1989). In a multiple-case study it is also recommended to choose cases with the best fit to the theoretical framework (Yin, 2013). Hence we developed criteria in order to conduct a structured search for case companies.

#### 4.2.1 Selection criteria

We developed the selection criteria both based on the definition of an internal venture, and additional criteria to limit our search and to ensure we could conduct feasible and valid research. The criteria are listed in Table 4.1.

Internal venture criteria	Limitation criteria
Structural separation	Large Cap company
Strategic purpose	Listed on Stockholm Stock Exchange
Ownership	

Table 4.1 – Selection criteria

#### 4.2.2 Internal venture definition and limitations

An internal venture can according to literature be described as an external entity making use of internal capabilities of the parent (Burgelman, 1983; Williams & Lee, 2009). However in order to ensure we choose cases with the best fit we have a few additional criteria:

**Structural separation** – The venture must be its own entity. This is to ensure that it is not only a NBDU.

**Strategic purpose** – The parent’s investment in the venture must have a strategic innovation purpose. Corporate venture capital investments to result solely in financial gains are disqualified.

**Ownership** – The internal venture must be fully owned by the parent. This ensures that the parent is involved and that it has a legal mandate to impose power over the IV and influence decisions.

In addition to the definition of the IV we also have search criteria for the parent:

**Large cap company** - This criterion was selected for two reasons. First, in order for a company to be able to invest in ventures it requires capital. Second, larger listed firms have an immediate pressure to focus on financial results, which is a material factor in this study.

**Listed on the Stockholm Stock Exchange** - This allows for accessibility and helps achieve increased comparability between cases, as they will be active in a similar environment.

#### 4.3 Case search

In accordance with Yin’s (2013) recommendations we conducted a broad screening of 116 Large Cap companies on the Stockholm Stock Exchange. We determined if these companies had ventures by reviewing and using:

1. Company Websites
2. Search engines (Search words: Company name + venture/innovation/new business/development)



In uncertain situations annual reports were also reviewed to find proof of innovation focus or ownership. The search identified ten companies that showed signs of conducting internal venturing activities. After contacting them, three companies showed interest in participating.

In addition to this, we found one firm that fulfilled all criteria except not being listed on Stockholm Stock Exchange. However, apart from this, we assessed it to be under similar exploitation pressures as the other firms and was thus deemed suitable. In total four companies were therefore involved in the case study.

## **4.4 Case Introduction**

### **4.4.1 Internal Venture A (IVA)**

An internal venture established about a year ago to develop and accelerate the parent's new businesses and has around 70 employees. It is fully owned by parent A, which is active in the technology, media and telecommunications industry. Parent A is listed on the Stockholm Stock Exchange.

### **4.4.2 Internal Venture B (IVB)**

An internal venture established almost a year ago to enable growth in new business areas that has 60 employees. It is fully owned by parent B, which is active in the technology, media and telecommunications industry. Parent B is listed on the Stockholm Stock Exchange.

### **4.4.3 Internal Venture C (IVC)**

An internal venture established three years ago to add another array of products and services to reach new markets and which has 70 employees. It is fully owned by parent C, which is a global player in the paper industry. Parent C is listed on the Stockholm Stock Exchange

### **4.4.4 Internal Venture D (IVD)**

An internal venture established four years ago to develop an array of products and services to increase and support the existing product portfolio, and which now has 40 employees. It is fully owned by parent D, a global media conglomerate.

## **4.5 Data collection**

We decided to collect the majority of the data through semi-structured interviews, as these provide insights and personal views (Yin, 2013).

Other efficient methods to cover contextual phenomena like direct observations were ruled out, as they are time consuming and companies expressed reluctance to provide the accessibility needed. When possible we included observations of physical artifacts, during office visits in conjunction with

interviews, and documentation from websites, which were mainly used for collecting data on cultural aspects as they are unobtrusive and provide an extra dimension to the more personal views of interviews (Yin, 2013). We decided early on that other methods to triangulate the data, such as surveys and other quantitative research methods, would not add significant value to the study due the importance of context.

#### **4.5.1 Semi-structured interviews**

As our research question is highly contextual, conducting interviews is the most proper method to collect data, because it allows the participant to set the pace and provide context to his or her answer (Silverman, 2013). We wished for open-ended interviews to enable us to explore different paths depending on the participant and because semi-structured interviews allow for addressing the interviewee's subjective story from several perspectives (Flick, 2009).

To ensure focus in the open-ended interviews, we developed an interview guide based on an initial theoretical guide (Eisenhardt, 1989).

#### **4.5.2 Interview Guide**

Our interview guide (Appendix 1) involved two approaches. Since it is a managerial issue in which the context is interesting we used a story telling approach, asking the participants about the story of the venture and their involvement. In order to keep focus we used a second approach and developed follow-up questions according to topical areas that the initial theoretical review regarded as important (Flick, 2009). In our first interviews we piloted the two approaches to assess the most efficient approach for our research (Silverman, 2013). As anticipated the story telling approach was more rewarding, as it provided a natural flow to the interviews and more context to the issues. The topical areas provided good support to intercept interesting paths.

When designing the guide we anticipated tendencies of the participants to give answers in the following way:

1. Attribute and describe innovation as more important than they normally would if the research topic would have been different.
2. Describe managers and parent in a positive manner in order to not stir up conflict

We mitigated the first by not asking value-based questions, instead asking for exemplifying and concrete actions and activities. In general we avoided inflicting values into questions. The expected tendency to be overly positive or unwilling to comment was mitigated by using the story telling format, and asking for descriptions of situations, refraining from using charged words or expressions.

#### 4.5.3 Participants

In order to get a diverse perspective of the firm we selected interviewees representing five different roles (Table 4.2). The VMT representative role ensures strategy insight and a top-down perspective. The managerial role ensures managerial insight from a top-down perspective. The developer role ensures development/innovation insight and a bottom-up perspective. The core function ensures case specific core function insight and a bottom-up perspective. The human resource role ensures employee management insight and a support function perspective.

<b>Role</b>	<b>Perspective</b>	<b>Insight</b>
<b>Venture Management Team</b>	Top-down	Strategy
<b>Manager</b>	Top-down	Managerial
<b>Developer</b>	Bottom-up	Development/Innovation
<b>Core function</b>	Bottom-up	Case specific
<b>Human resources</b>	Support	Employee management

**Table 4.2 – Interviewee roles**

As seen in Table 4.3, 18 employees from the ventures were interviewed in total (for a more detailed description see Appendix 2). IVC and IVD did not have specific HR roles; therefore only four interviews were conducted with these two ventures.

<b>Role (Interviewee code)</b>	<b>IVA (5x)</b>	<b>IVB (5x)</b>	<b>IVC (4x)</b>	<b>IVD (4x)</b>
<b>VMT representative (VMT)</b>	1x VMT	1x VMT	1x VMT	1x VMT
<b>Managerial role (MGMT)</b>	1x VMT	1x CTO	1x VMT	1x CTO
<b>Developer role (DEV)</b>	1x Business Developer	1x Developer	1x Business Developer	1x Product Developer
<b>Core function for venture (CORE)</b>	1x Analyst	1x Creative Staff	1x Creative Developer	1x PR
<b>Human Resources (HR)</b>	1x HR	1x HR		

**Table 4.3 – List of interviewees**

#### 4.5.4 Interview setting

The interviews were all approximately 45 minutes in length. This allowed us to address all key topics and also to be adaptive to the participants. The story line approach also acted as an efficient warm-up for the participants, as letting them introduce themselves made them more relaxed.

Most interviews were recorded. The use of recording devices is however a debated topic, from being viewed as non-debatable (Silverman, 2013) to depending on the researcher's and the participant's

preferences (Yin, 2013). Nonetheless, managerial processes and internal relationships can be sensitive, thus it was agreed that companies and interviewees are kept anonymous.

#### 4.5.5 Triangulation

Reliability is important for a high quality of the research, and as triangulation increases reliability, options were debated (Voss et al., 2002). As our research focus made us focus on interviews we were only able to use different collection approaches looking at cultural aspects and documentation through website and ad hoc office observations. In addition, the transcripts of the interviews within each venture were compared to identify common opinions and to increase the reliability of the collected data. Overall, we used several sources of data to get multiple perspectives (Figure 4.1).

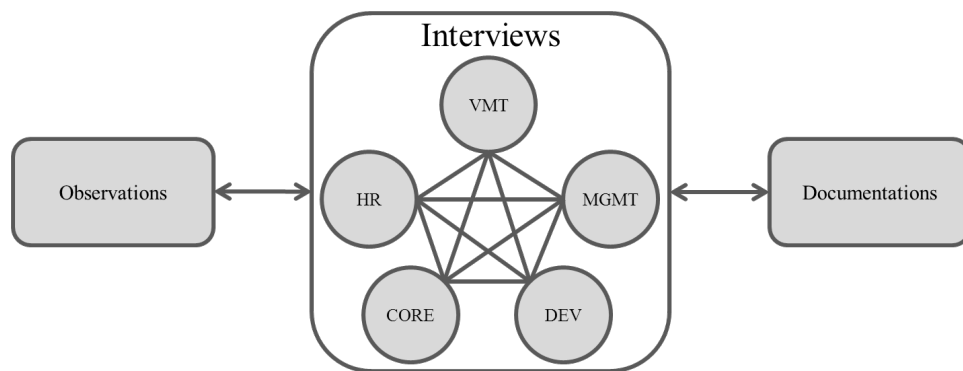


Figure 4.1 – Triangulation method

#### 4.6 Data analysis and Coding

Yin (2013) states that pattern matching logic is the most desirable technique in order to be able to draw conclusions and to make generalizations. The in-case analysis was thus followed by a cross-case analysis. A good way to approach a cross-case analysis is to select dimensions and with these dimensions as basis look for similarities and differences (Voss et al., 2002). Following the cross-case analysis we took a more holistic perspective to look at the findings. Finally, in the discussion we highlighted additional managerial issues and findings.

Pattern matching requires a structured approach where coding interview data is a good first step to allow the researcher to identify themes (Patton, 2002), and we therefore coded data after conducting all interviews. However, we are looking at the process and how they work in a contextual way, thus we found no reason to try to quantify the collected data through coding.

We wanted to ensure a structured approach to the organization of the data once it was collected. This structured process is illustrated in Figure 4.2. The data we had collected from interviews was transcribed and was together with the websites of the cases regarded as our collected raw data. We first applied a set

of seven fixed codes based on our theoretical framework (See Appendix 3), which was used for our analysis.

We quickly observed that a substantial part of the collected data remained uncoded and in order to identify additional findings and themes we used open coding, which means we created as many categories needed to find themes within the data (Lee, 1999). In total we added twelve codes, based on actors, activities and assets (See Appendix 3). These were then elaborated on in chapter 7.

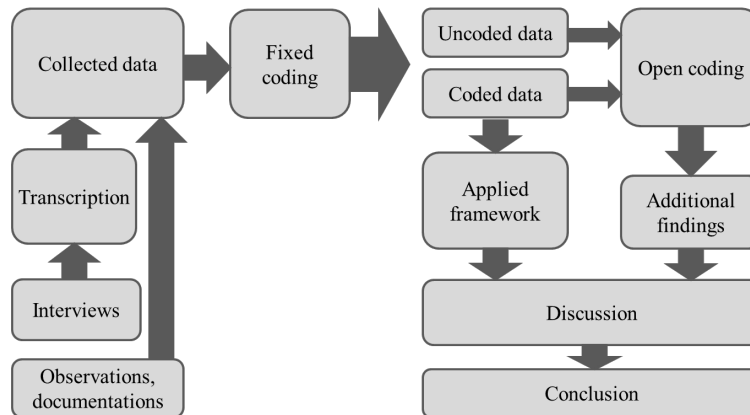


Figure 4.2 – Coding process

## 4.7 Methodological Critique

While we have taken several points into account when designing our research to ensure high quality, as the next section will show, choices that created limitations to the study were made.

First, our research only focused on the perspective of the venture company. One could argue that input from the parent might have built stronger reliability with the data and triangulation. The study intends to focus on the venture itself however. We were furthermore unable to conduct interviews with top management executives from the four cases due to the scope of the study.

Second, the four ventures are all in different stages of maturity. While two are approximately one year old, the other two are three to four years old. We have also a mix of service-oriented and technology oriented ventures. These two differences can make it harder to make generalizations, however Eisenhardt (1989) explains that searching for similarities in seemingly different cases can lead to more sophisticated understanding.

Finally, even though we promised anonymity we got the impression that there was some reluctance to comment on activities related to the parent. We tried to manage this by asking them to describe their involvement in own words rather than asking leading questions.

## **4.8 Data quality**

Conducting research of high quality and trustworthiness has been important throughout our research. Following the suggestion by Yin (2013) on how to approach quality in case studies we considered the subsequent four aspects:

### **4.8.1 Construct validity**

“Construct validity refers to the extent to which a study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality” (Gibbert et al., 2008, p.1466). A common risk when conducting a qualitative study is that the researcher draws conclusions from subjective judgments. We have addressed this in two ways. First, we tried to establish a clear chain of evidence by using quotes and examples from interviews when drawing conclusions. Second, we sought out triangulations by using multiple sources, with multiple perspectives and insights, within same case to ensure our observations validity.

### **4.8.2 Internal validity**

Internal validity refers to how well causal relationships can be established and why event X led to event Y. Due to the nature of an exploratory study we should not see this as great issue (Yin, 2013). We have taken the fact that we are dependent on the participant’s observations into account, and we are aware that the observations are subjective and might not provide correct deductions. For that purpose we interviewed several participants within the same case to cross check. After each interview we compared our observations and also compared these with the transcripts once they were done.

### **4.8.3 External validity**

Although case studies do not allow for statistical generalizations, they can allow for analytical generalizations (Gibbert et al., 2008). As Eisenhardt (1989) argued, using at least four cases in cross-case analysis is enough to create theory and should allow for generalizations. During the cross-case analysis we adopted replication logic to increase the validity (Yin, 2013). It is also advised to support the reader by giving a clear rationale for the cases selected, which we did by describing the selection process in detail.

### **4.8.4 Reliability**

Reliability refers to whether or not other researchers are able to arrive at the same conclusions if they would have conducted the study according to the same methodology again (Yin, 2013).

During all interviews both researchers were present, which assists in achieving a standardized interview approach (Eisenhardt, 1989). We used a case study protocol, to comprehend which questions were addressed even though we kept a story telling approach. Moreover, a case study database was developed and interview summaries were provided.

## 5. Empirics

*To address the research question four case studies were conducted comprised of in total 18 interviews. The results of the interviews will be presented case-by-case in this chapter. It will look closer at the origin of the ventures, how the ventures and their people are managed, as well as look at the ventures' future outlooks. The ventures' stories are all different, and for that reason the empirics also take slightly different turns.*

### 5.1 IVA

#### 5.1.1 Origin

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*It became quite obvious that from a structure and ambition perspective that they [the parent] had to change to become more focused on future businesses.*

IVA\_MGMT

*We realized that the industry was developing with enormous speed, which made it extremely important to stay on track and not fall behind.*

IVA\_DEV

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The parent of IVA is active in an industry that is changing rapidly; making it a prerequisite to develop alongside new trends in order to preserve a leading position. When the parent appointed a new CEO, he together with other managers of the parent identified the need to create a space for product development in new business areas to ensure the ability to quickly adapt. An internal venture was therefore created with a specific idea and a defined task in mind to become the accelerator for all new business within the parent.

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*Nearly all initiatives within the venture complement or extend existing businesses. They are supposed to drive and enhance the sales of existing services.*

IVA\_DEV

*We don't want to have a huge portfolio of companies that don't add any significant value.*

IVA\_VMT

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Its purpose was to develop new products that would drive sales of current businesses. In order to have a strong impact on the parent, the venture's activities were limited to explore products within the same industry as the parent was operating in. Besides the acceleration of products that originate in the venture,

they also have a formal team assigned to look at young startups that operate in the parent's industry in order to remain adaptive to the development of disruptive technologies.

### 5.1.2 Venture

The parent hired an external CEO to build the venture. He was appointed to the overall strategy and vision for the venture and is a central actor of the venture; having significant experience in the industry and founding own startups. The rest of the VMT is a mix of founding managers from the parent and externals. The venture ensures its relevance and position within the parent through its CEO, who is responsible for the communication with the parent's TMT.

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*On paper the venture is a huge cost center, but we actually create revenue already.*

IVA\_VMT

*We [IVA] will always focus on the future, to make [Parent A] 'future proof'*

IVA\_CORE

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The venture is formally mainly a cost center for the parent as all sales are done through the parent's business units. One reason for this strategy is the use of synergies, since the parent has many operational capabilities in place. Also, many products and services are sold as add-ons or in packaged bundles with the existing products and services of the parent. Therefore, the venture itself does not create any revenue. The venture does however have a so-called virtual P&L statement, where the sales of the venture's products and services are shown, in order to understand its financial impact.

The interaction with the parent's business units is key for the venture, as the sales force needs to be well informed about the products they sell for the venture. In addition, it is tasked with making the overall organization "future proof", and should therefore infuse the parent with new thinking, a more innovative approach to business and an entrepreneurial spirit. It has thus an educational role towards the parent.

The venture took over product development for projects that had previously been run by other divisions of the parent and is mainly incremental at this stage. Radical developments are instead conducted by the investment team. It seeks partnerships and minority investments in startups that have the potential to disrupt the industry and can support parent's overall strategy. To ensure its adaptability and long-term perspective, one team member is solely tasked with screening trend reports and market developments.



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*I pitch to the product owner, who pitches to the CIO, who pitches to the CEO, who pitches to the board.  
It's always this process.*

IVA\_CORE

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In product development they mainly work towards milestones, however in order to ensure focus all employees also have assigned roles and ownership of different parts. While the venture is said to have an informal communication structure, formal reporting structures also can be observed. This is evident for the investment team, which has to run all investment proposals through several hierarchy levels up to the CEO of the parent, in order to get approval. Ideas for new products are also the VMTs responsibility, even though employees are encouraged to share thoughts and pitch ideas. The venture and the employees' performances are furthermore evaluated by looking at an array of non-financial KPI's that vary according to the role of the individual.

### 5.1.3 People

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*Most of our employees are from the parent, but we look for employees who dare to be curious.*

IVA\_DEV

*Especially in our industry it is important to break down old structures to be more dynamic.*

IVA\_HR

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The VMT considers recruitment an instrumental tool to become successful. Therefore, one of the first hires was an HR specialist to ensure a systematic approach. In addition to creating specific roles, they were also specific about what attitudes and personalities they were looking for. The VMT saw that in the past the different departments engaged in limited interaction with each other and therefore, to avoid this isolation, focuses on hiring people with great technical, but also social skills in order to break down social structures in the organization. The venture mainly hires technical developers, but also business developers. Due to the business integration with the parent it does not require a sales team. The recruitment activities also focus on hiring experienced and skilled professionals. Additionally, consultants are employed to address temporary competency gaps and to gain access to outside perspectives. However, since they are trying to be innovative, they are also looking for people with that mindset.

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*Parent A, that's the company we work for. We are not separate.*

IVA\_DEV

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Several of the employees come from the parent and many therefore identify strongly with it. The VMT also emphasizes the importance to have common values and a high level of open communication amongst

the different units. This is aided by the fact that the venture and the parent share an office building. The venture has considered to physically separate the units, however it does not want to become a completely separate entity. Instead it wants to remain a part of the parent. Their identity is to be the innovator of the parent and it is therefore important for them to also be considered a vital part of the organization by the parent's employees. The venture therefore builds its own culture on many of the parent's values. One example is the emphasis of speed, which had always been vital to business development in the parent. If a task requires more time in order to meet high quality standards, the strong financial backing by the parent allows the employees to tackle issues and tasks without fear of financial distress. Despite the informal communication, the venture itself is organized in a matrix structure with defined hierarchy levels.

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*We have more of a startup mentality. We are a startup with lots of money. There are afterworks and it's quite relaxed. We try to make it fun for employees, to retain and attract top talent.*

IVA\_DEV

*We want to be more entrepreneurial than the rest of the business in order to be able to adapt, to take risks.*

IVA\_MGMT

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Although embracing the values of the parent, the VMT set out to make the culture distinctively different from the parent's. They emphasize having a more informal culture, which is compared to that of startups. The informality is characterized by open communication and an emphasis on fun at the workplace. Artifacts that can be observed in the venture's office are an office landscape, Ping-Pong table, and other amenities, such as free drinks. These cultural differences have also raised some questions and skepticism within the parent in the past. They consequently have to justify their culture to other departments, which usually understand the motivation behind it once it's been explained to them.

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*We try to copy the world's most innovative digital firms.*

IVA\_DEV

*Everybody needs to develop something every day.*

IVA\_VMT

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The overall culture is focused on emulating the culture of big and successful digital companies. The culture focuses on people and their ability to add value. There is a strong belief that the employees can perform best if they have a workplace that is engaging and fun. By providing the employees with this environment, the VMT however also expects its employees to show a positive attitude by taking on responsibilities.

#### 5.1.4 Future Outlook

The venture is set to advance the company and its responsibilities and business will grow rapidly, because most new products will cater to the venture's business segment. As the venture grows, there is some uncertainty concerning the more mature products. They might either remain with the venture, or could be integrated in the product portfolio of the parent. For the more immediate future the interviewees expect the products to remain under the control of the venture, but the topic has not yet been addressed. For that reason, the venture's overall role also remains uncertain. They are convinced however that they will remain an accelerator first and foremost and will continue to leverage operational capabilities from the parent.

### 5.2 IVB

#### 5.2.1 Origin

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*IVB was an initiative from the Parent actually, under the helm of one of the EVPs.*

IVB\_VMT

*They (the parent) needed to do something with their money other than investing in CVC.*

IVB\_VMT

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The idea of creating an internal venture came from the parent whose core business was becoming stagnant and therefore saw a great need for future growth in new business areas. The company was already making corporate venture capital investments, but believed it could be more innovative and effective by having greater ownership of the initiatives. The responsible EVP brought on two external people to build the venture. These two founders looked into six different venture options that could all be linked to the core business; whereas a few were radical for the firm, others were even new to the industry. The two that were most closely linked to the current business and could complement the current business offering of the parent were chosen. One of the projects might also be a disruptive technology for the parent. Moreover, the venture is tasked to continuously look for new business opportunities over time.

### 5.2.2 Venture

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*The management is extremely high paced.*

IVB\_HR

*I was picked to execute and that's what I do.*

IVB\_VMT

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The two founders went on to execute the strategy themselves and became co-directors, recruiting additional members to the VMT to manage the two projects. The VMT started to develop the roadmaps to create minimum viable products, which was negotiated with and accepted by the parent. Since then the venture has worked towards these roadmaps in an “extremely high” pace. The main reason for this was the performance focused VMT. They also created a sense of urgency, as they want to beat the competition to the market.

In the development phase radical innovation has not been important as such. Instead the developers and creative staff often take a customer oriented approach and seek constant feedback in different development stages and then adapt to it. The VMT has tried to limit its own involvement in the actual product development and has left it to the employees. When internal decisions have to be taken the VMT instead take the role of the parent.

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*And I think all employees know what they have to do, and that we have a goal.*

IVB\_DEV

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The parent mainly controls the venture based on a set roadmap, and the VMT continuously report the progress and achievements, which are based on milestones. This approach is also used by the VMT to manage the venture. No individual performance measurement exists, but the teams work towards short-term milestones, called sprints. The launch dates for the products that were set in the initial roadmap are non-negotiable and missing these dates is not an option. Further, the venture uses no performance based reward systems for individuals. The first product was recently launched, and the KPIs have not yet been set, but the VMT is arguing to limit it to one single growth KPI.

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*We should of course install our product on the parent's products since they sell millions of them.*

IVB\_VMT

*The biggest feedback is that they don't understand what we do. They don't have a clue.*

IVB\_CORE

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The parent is important for both business and culture. The funding provides security and the parent's market reach provides great possibilities for instant access to customers. The company also has several support functions and administrative capabilities that the venture wishes to utilize, e.g. HR, IT and legal. The venture will offer its products to everyone but will also utilize the parent's sales channels and products. Therefore they work together with different departments within the parent, which do not always understand the products or question its chances for success. A lot of time has therefore been spent on educating the parent's employees and making them understand the qualities of the product.

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*I asked the Executive HR, "if I have to disappoint anyone, which way should I go", and he was very clear, "you are going to support these guys, but also make sure they behave because you are not an island".*

IVB\_HR

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Overall, the use of parent function and capabilities created issues in the beginning, as the parent has processes and policies that need to be followed, for example not being able to purchase proper equipment due to policy restrictions. The different structures caused frustration for the parent and IVB alike. This had not been foreseen by the VMT. That led to the venture hiring one HR manager, who is the only administrative person in the venture. His role is to ensure that the relationship runs smoothly.

### 5.2.3 People

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*We were among the first to join and they just told us 'get things going and we will get things done during the time.*

IVB\_DEV

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The members of the VMT had worked together previously and were all business developers. Since they were not tech oriented they had to recruit developers and creative staff to develop the products. One member of the VMT explains that he is a people person and therefore leaves it to his CTO to "run the show", who himself argues that they only hire experienced people that they do not "have to hold hands with" or give directions to. The employees therefore define their roles and responsibilities to a large extent, themselves.

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*We recruited a few real superstars who then attract others.*

IVB\_HR

*I really wanted to work with [X] and [Y] and I know a lot of people have tried to follow [Z], because he is an insane developer.*

IVB\_CORE

---

They had an elaborate strategy to first recruit two renowned and prominent people within the business field as senior advisors. The VMT had high ambitions and wanted to establish a senior and accomplished workforce. In the venture's industry the best people do not have to search for jobs, but must be headhunted. Having these two "superstars" onboard helped the VMT to attract other stars and talents that wanted to get the chance to work with them. This was made possible by three different factors. The first and second factors refer to the financial strength of the parent; they are paid attractive salaries and will not have to worry about sufficient funding, unlike in many other startups. The unexplored markets and the immediate consumer reach through the parent's sales channels were also important in attracting the best talent. Access to this pool of talent also allows the venture to focus on rapid development, while maintaining a high quality focus.

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*Our funding enables us to hire a consultant for two months, while spending that time finding the best developer.*

IVB\_MGMT

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Skill is not the only criterion. Personality is also of high priority, and therefore it is a team decision to hire a new person into the team. The financial backing from the parent allows them to take the time to find the right person while temporarily increasing capabilities and capacity: Also, they mainly look externally for new people and have not yet recruited anyone from the parent.

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*We look more at hiring people from a similar environment to the one we want to create. So we look at people from startups, media and commercial.*

IVB\_VMT

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Although they claim not to avoid recruiting people from the parent it is important for them to have a different culture than the parent. They want to create a startup-like, entrepreneurial culture, which is relaxed, informal and fun. This is seen in the use of certain artifacts, such as foosball, Ping-Pong tables and weekly afterworks for the teams. Although they have one culture within the venture, work-related activities are mainly kept within the separate projects.

The culture is central for two reasons. First, skilled technical employees often have an array of job options to choose from. They will only take a job, which is well paid, but also fun and where they receive a lot of responsibility. Second, there is a shared belief within the venture that a comfortable and fun environment will allow them to perform best.

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*The venture is a teenager. As a teenager you identify yourself against your parent, the big company.*

IVB\_HR

*Our [the VMT's] job is to work as a filter towards the parent, the guys here work as a silo as if it was funded by a government owned fund.*

IVB\_VMT

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It is key for the venture to have an independent culture and an identity different from the parent. It is the VMT's job to work as gatekeepers towards the parent and doing all stakeholder management. A first step was to separate themselves from the company physically, by having own facilities. Moreover, new employees have to be part of the parent's induction. The VMT ask the employees to attend in order to understand where the venture comes from, but the venture has its own processes. Most employees identify themselves with the venture and to a certain extent indifferent to the parent.

#### **5.2.4 Future Outlook**

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*At this stage, we have at least nine to twelve months of new features and growing the product ahead of us; and setting up new countries to expand. Right now it is executing on the product.*

IVB\_MGMT

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The venture projects are rapidly growing in staff and will at some point reach a mature stage. The venture is simultaneously tasked with finding and establishing new innovative projects. Whilst they want to be autonomous and keep control over their projects, they also want to remain small in size and have their own 'IVB', startup-culture. As the projects grow this might pose a challenge, which they do not have an answer to yet. Although a conservative five-year-plan exists none of the interviewees know what will happen in the future or directions when they will have to be profitable.

### **5.3 IVC**

#### **5.3.1 Origin**

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*The project was initiated by the CEO when he joined the company.*

IVC\_VMT

*We were looking at all segments we are in [30] to identify in which we can find more services and create more revenue, and where we have more knowledge and interest.*

IVC\_VMT

---

The parent is active in a stagnant industry where it must focus on cost cutting and productivity. A few years ago it recognized the need to act and grow beyond the existing business by exploring new markets. When a new CEO joined the company he initiated a thorough screening of segments and business areas that the parent was active in. The parent is an actor in the first steps of its industry's value chain. The overarching objective of the initiative was to create additional revenue streams by targeting other actors further down the value chain. Overall 30 segments were screened and two segments showed strong potential and an internal venture was created to target one of them.

### 5.3.2 Venture

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*The business model wasn't very defined at all; it was an idea, more like a cloud in the sky. We had to develop backward*

IVC\_VMT

*They understood it after a few months, and some still haven't understood it.*

IVC\_DEV

---

One of the persons responsible for the screening project was made responsible for developing a business model and was appointed CEO of the new internal venture. At this point the degree of innovation of the new products was not determined. The VMT took an end-user approach to research and developed the business model, and met with actors from the entire industry. This led to the venture having clients already before the strategy was completed. At this time, the funding from the parent provided a safety net, in case they needed additional funding to meet their clients' early demands.

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*We realized that we sold the idea of working in a different way.*

IVC\_DEV

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The business idea perceived as radical by the entire industry and the venture's main task was consequently to educate potential clients how the venture's services could do so. The venture was set to become the bridge between the parent and the other actors in the end of the value chain. However, they were not required to work with the parent, but were free to cooperate with the parent's competitors as well. The VMT had trouble identifying the actors with the most power and they therefore had to remain adaptive and explored several paths to identify other clients. This was time consuming, but it could use the funding from the parent to hire consultants to speed up this process.

Initially they had a narrow client focus, but as the venture explored growth opportunities they realized they had neither the capacity, nor the competencies to be able to expand. An opportunity arose to partner



with a unit from an American-based firm with technical expertise and an own capacity to develop solutions. The parent then decided to acquire the specific unit from the American firm and the two units merged.

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*When we acquired the unit our parent gained entry to new geographical markets and could reach the end-user.*

IVC\_MGMT

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Through the newly acquired competencies it reaches even further down the value chain. In addition, the venture accesses new markets, which the parent wants to reach. In the new markets, the venture benefits from the financially strong parent, because it reassures potential customers of their viability and allows them to target large customers as well. The acquisition changed the structure of the venture. The parent appointed one of its own EVPs as CEO of the venture. The rest of the VMT is however from both the old Swedish part and the new acquired part. One office remained in Sweden, while another is located to the United States. Responsibility for the venture is kept formally in Sweden although the larger part of the workforce is abroad.

---

*We need to improve profitability and new ways of thinking and new ways of working[...] and which areas can give us better margins.*

IVC\_VMT

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Previously the two, now merged, units had been run informally and with ad-hoc structures. The new VMT took the chance to formalize and reinforce structures in the venture after the acquisition. The increasing formalization has led to a more metric driven performance appraisal system. In addition to keeping the budgets they are measured on EBITDA and they have ambitious sales targets.

### 5.3.3 People

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*We use a completely different approach than what the company had done previously, which led us to have more than one hundred people applying.*

IVC\_VMT

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Although they later acquired a unit to grow their competencies, when creating the venture, the founder had to hire a team. Positions were posted online and made a record within the parent group in amount of applications. He could therefore be demanding and selective in his search, while complementing this process with headhunting.

Since the project at this time lacked directions from the parent, other than to be able to create a pull effect through the value chain the recruits had to have years of experience in both value-based sales and business development in order to take own initiative and contribute extensively. They also took into account the personality in order to create the culture that they wanted for the venture. The services are completely different from the parent's current offering and the venture therefore mainly recruits externals.

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*We decided from the start to be an independent entity, otherwise we would only get rolled up in everything else.*

IVC\_VMT

*We have always been free to use any material. Of course, since they are our parent, we always give them the chance to pitch.*

IVC\_CORE

---

In order to be able to tell clients that they are providing them with the best solutions on the market, they cannot only use material from the parent. The venture therefore keeps itself independent. Although the parent encourages it to use material from them, it is not a requirement. The parent needs to pitch its products to the venture, like other any other supplier.

Through the acquisition the venture received a workforce of a different culture with creative and R&D competencies. These parts of the business have been kept rather autonomous and remain abroad, while the venture still has none in Europe. The cultural differences between the two merged units were mainly reduced to differences in the national cultures of Sweden and the Unites States. Already from the start it was decided to keep the venture independent from the parent. It therefore also has its own P&L statement. While several of the employees of the founding team always had an informal responsibility to develop new technologies alongside their sales responsibilities, the VMT wants to formalize it further by giving a few of them KPIs to measure this.

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*The general consensus is that we appreciate that they come in and provide us with advantages, but give us space to run the show.*

IVC\_CORE

*We have an arms-length's distance with our parent*

IVC\_MGMT

---

While being a separate entity it is seeking increased collaboration with the parent. In Sweden, they share an office with the parent and sit in an office landscape. The Swedish part is therefore more aligned with

the parent's culture than its American part. Nevertheless, the VMT works actively to have the acquired unit adopt and embrace the values as well as the mission of the parent. To do so, it recruited a new member for the VMT with extensive experience from acquisitions in the past. The overall goal is to have shared values and a similar culture to that of the parent. The venture will also start exchanging employees with the parent soon. In addition the acquired business unit was stripped of all administrative staff and the venture therefore utilizes HR and IT from the parent. Even though the venture is trying to be closely connected with its parent, it also emphasizes that it has a less formal structure.

#### 5.3.4 Future outlook

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*We continuously work to adapt our vision and mission and to integrate the values of [Parent C].*

IVC\_MGMT

*It would spur an internal discussion. If Toyota took GMs motors and put the car on the market it would give a bad message - IVC\_DEV*

---

The venture expects no radical changes in the near future. It will continue to integrate in the parent and will adopt its values. In addition it will focus on incremental innovations through new offerings and growth in new markets. The acquisition of the additional unit turned the venture into a profitable business. The support from the parent however also depends on the venture driving revenue for the parent. Although they are not formally required to use material from the parent, it is not certain what would happen to the support if they stopped using it. The venture does not believe it must create radical changes, but that it is enough if they continue to innovate incrementally.

### 5.4 IVD

#### 5.4.1 Origin

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*They told themselves: let's not do things like we did with the web by giving out everything for free.*

IVD\_VMT

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IVD as an idea was born when the parent identified an emerging technology that was disrupting some of its business areas, and asked itself what would happen, if that technology transformed other business areas as well. At this point no one knew what the consequences of the disruptive technology would be, but they decided to be proactive and assigned a design agency to create a conceptual prototype of what the future could look like. What the agency came up with was a radical concept incorporating a whole ecosystem.

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*They had started this as a prototype and they took me in as a consultant to review it.*

IVD\_VMT

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The parent brought in an external, renowned serial entrepreneur to review the prototype since the parent lacked competency in this field. The consultant pointed out that only parts of it were feasible to accomplish, and that there were a lot of risks involved due to high development costs and uncertainty regarding the market demand. While the parent lacked technical competencies and experience in running a technology company, it still wanted to pursue the risky opportunity. It therefore created an internal venture as it did not want to tie the venture to the parent's processes and structures. It also appointed the consultant as CEO to develop the business model.

#### 5.4.2 Venture

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*I had to hire a developer online, I did not have time for anything else, and we were in deep trouble as we had made promises to customers that we could deliver a product soon.*

IVD\_VMT

---

During this period the radical concept got worldwide publicity when another company promoted it as a key feature in its new product. As they were frontrunners with this kind of product, customers were starting to contact them. While the CEO and representatives of the parent developed the business model, they did not have the technological expertise to develop the product, yet. To meet the demand they had to temporarily hire a developer online.

The development proceeded quickly and once a first product was created they started to bring a new team on board, including a CTO to develop the product themselves. From the start they decided to go into the markets with the largest customer bases and they therefore have two headquarters, one in Stockholm, where all developers of the venture are stationed, and one in the US. During the brief period of time of developing the first product, the parent's involvement had slightly changed.

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*The parent said: you live on your own merits, don't expect us to buy from you, and don't think we want you to sell to our businesses. You need to find new customers.*

IVD\_VMT

---

The idea of the venture had been to create a platform, which the parent would push all business through in the future. But the parent distanced itself from the venture since then. It now mainly has a financial interest in the venture and only wants it to contribute to the parent through revenue. They therefore also impose budget constraints on the venture. The venture however believes a closer relationship to be more

beneficial. It could benefit from ‘easy-earned’ revenue by selling to parent subsidiaries and could also share experiences with members of the parent. Instead, the subsidiaries actually license the products from the venture’s competitors and there is limited communication with other parent members.

Nonetheless, the venture also actively distances itself from the parent in some instances. Already in its first PR campaign it experienced issues due to referring to the parent. Many of its potential customers in its home market are competitors of the parent and are thus reluctant to do business with the venture. In foreign markets they have a different approach, where they see that it can be useful to have a renowned parent and brand for marketing purposes.

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*A lot of things are changing with customers, we are now moving away from the old industry and most of our customers are from other industries.*

IVD\_DEV

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Since the initial development, the teams within the venture have mainly focused on redesigning the product. The changes and innovation have been in form of redesigning and incremental adaptations. The market is however changing and today more than half of its customers are from other segments than it originally targeted. The venture has therefore recently initiated a radical change to its products and business model. The idea originated within the venture and not in the parent, as it requires technology knowledge as well as frequent customer contact to identify the idea. The team involved in this development does this alongside normal operational routines.

---

*We outsource bits and pieces of the admin tasks, but handle some.*

IVD\_MGMT

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The VMT has kept administration to a minimum and only has one employee who has specific time devoted to administrative tasks (<50% of time). The rest of the staff is employed to either develop products or drive sales. Recruitment and similar activities are done by the managers themselves. The managers are said to have plenty of experience in handling larger organizations and therefore can handle administrative tasks, such as recruitment. Other tasks that they do not have time for, or experience in, are bought as services from subsidiaries of the parent.

### 5.4.3 People

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*It is only the executive team that meets with the parent. The others have no touch points with it.*

IVD\_MGMT

*The impression I get is that the board is very supportive.*

IVD\_CORE

---

The parent is still actively involved through the board, which is only made up only by parent members. They meet at board meetings on a regular basis, every one to two months. The board meetings are only attended by members of the VMT. This is the general approach and the staff of the venture do not interact with the parent at all.

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*We were in the middle of the parent's office, so in order for us to grow and be independent we moved out.*

IVD\_CORE

---

While the venture has distanced itself from the parent for business purposes, it has also done so for other reasons. Culture was from the start an important topic for the VMT and they wanted to establish a startup culture, through for example, creative team activities. But mainly they wanted to create a culture independent from the parent, which would enable them to grow. In order to do so, they decided to move out of their formally shared office. The facilities are still owned by parent, although now they do not have any interaction with the parent. One employee mentions that although they have an independent culture, a concern is that a startup culture can be hard to retain with a high manager to employee ratio.

---

*I mainly feel part of the parent when reporting 'time' because we use software from the parent. Since we moved from the shared offices we are even more detached and independent.*

IVD\_DEV

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In general the venture has recruited externals to create this independent culture and identity. Moreover, similar to how the CEO started off, several of the product development and marketing staff were brought on as consultants and stayed on. Even though they do not follow a distinct recruitment strategy, they mainly hire experienced professionals, or staff that offers skills, which they need and do not have access to. Since the majority of employees lack ties to the parent they rarely identify themselves as part of the parent and keep an independent identity.

From a business and product development perspective, culture has also been important. In the beginning the VMT wanted to establish a sense of urgency to be able to deliver rapidly. This was however abandoned for a more long-term approach, and the employees are instead supposed to be intrinsically motivated by knowing that they do not have to worry about time. Funding is secured, as the parent believes in them.

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*I saw the need to do something about these issues for some time, but did not have time to do anything, but then I talked about it with my superior and we changed my role.*

IVD\_DEV

---

The VMT has focuses on autonomy and individual ownership to ensure high quality results by the developers and creative staff. People are, as common in startups, in many cases defining their own roles and get the responsibility they take. Nevertheless, the directives on what the developers and creative staff should focus on mainly come from the VMT. The developers and creative staff thus mainly focus on exploring one solution rather than exploring several options. Product development staff mainly works towards achieving milestones instead of operational KPIs.

#### **5.4.4 Future Outlook**

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*Normally the parent is involved long-term with its subsidiary, but we are not a normal subsidiary, so they could stay on, sell in two years or shut us down.*

IVD\_VMT

*The revenue is increasing, so there is hope and trust from the parent.*

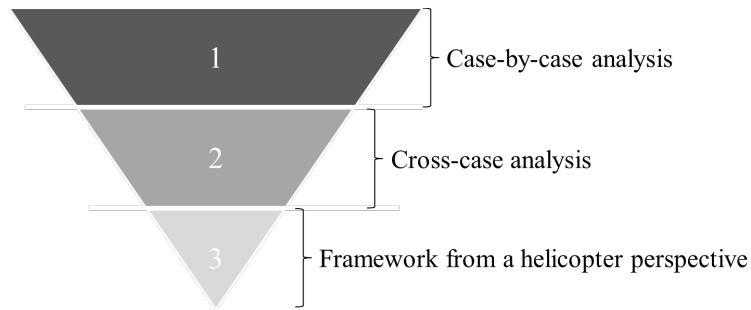
IVD\_DEV

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There is a mixed concern regarding the parents involvement in the future. Usually, the parent plans to be involved with its subsidiaries for a long period, but due to the different business model of VCD this might not apply in its case. Nevertheless, the venture is not expressing any concern over its own future. They will continue their initiative to change the business model to address new segments and develop new products.

## 6. Analysis

*The empirical findings give an overview of how each case is managed. In the following part the theoretical framework will be applied in three steps. First it is applied on each case (Table 6.1), second a cross-case analysis for each factor is conducted, and finally the analysis will look at the applied framework from a helicopter perspective.*



**Figure 6.1 – Approach to analysis**

### 6.1 Case-by-Case analysis

In Table 6.1 the theoretical framework was applied in a case-by-case analysis. This will then act as a foundation for the cross-case analysis.



Factor	IVA	IVB	IVC	IVD
Strategic intent	<ul style="list-style-type: none"> <li>• Created to advance and grow new businesses for the parent as a result of a rapid changing environment</li> <li>• Originates from the parent, developed together with VMT founders</li> <li>• Invests in new projects to further drive business</li> </ul>	<ul style="list-style-type: none"> <li>• Created because parent core business stagnant and adapt to changes in environment, find growth in new business areas</li> <li>• Tasked with finding new business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Parent in need of new revenue streams, to reach further down its value chain</li> <li>• Has acquired a business unit to reach new markets and clients</li> </ul>	<ul style="list-style-type: none"> <li>• Parent proactive against disruptive technologies</li> <li>• Growth in beginning, later mainly financial investment for the parent</li> </ul>
Critical tasks	<ul style="list-style-type: none"> <li>• Continuous development of new products</li> <li>• Degree of innovation is not a main concern</li> <li>• Uncertainty about the future of mature products</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous development of new products</li> <li>• Degree of innovation no main concern, but potentially disruptive</li> <li>• Uncertainty about the future of mature products</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on driving existing profits</li> <li>• Degree of innovation no main focus</li> </ul>	<ul style="list-style-type: none"> <li>• Incremental development of their existing products</li> <li>• Started to look at radical changes in the business model</li> <li>• Degree of innovation no main concern</li> </ul>
Competencies	<ul style="list-style-type: none"> <li>• CEO with tech and startup experience</li> <li>• Hired recruitment specialist first, technical staff and business developers, experienced professionals</li> <li>• Wanted people with explorative mindset</li> </ul>	<ul style="list-style-type: none"> <li>• Recruited superstars</li> <li>• In general focus on experienced people and rising stars</li> <li>• No employees from parent</li> </ul>	<ul style="list-style-type: none"> <li>• In beginning looked externally for senior expertise to work independently</li> <li>• Acquired technical competencies from new unit</li> <li>• Selective recruitment in beginning</li> </ul>	<ul style="list-style-type: none"> <li>• In beginning not selective due to time restrictions</li> <li>• No detailed recruitment strategy</li> <li>• Looking for experienced staff</li> </ul>
Structure	<ul style="list-style-type: none"> <li>• Describes itself as startup</li> <li>• Wants to be informal</li> <li>• Informal communication structure</li> <li>• Formal reporting structures</li> <li>• Strong VMT</li> <li>• Defines roles</li> <li>• Matrix structure</li> </ul>	<ul style="list-style-type: none"> <li>• Refers to itself as a startup, with informal structures</li> <li>• Staff defines own roles</li> <li>• VMT not involved in development</li> <li>• Projects are separate with limited work interaction</li> </ul>	<ul style="list-style-type: none"> <li>• Formal and top-down</li> <li>• A distinct reporting structure</li> <li>• Geographical separation, R&amp;D in US</li> </ul>	<ul style="list-style-type: none"> <li>• Staff often defines own roles and responsibilities</li> <li>• Managers do most administrative tasks themselves</li> <li>• Geographical separation with R&amp;D in Sweden only</li> </ul>

Control and rewards	<ul style="list-style-type: none"> <li>• Control and reward systems play no major role</li> <li>• Staff has high degree of autonomy and ownership of its work</li> <li>• ‘Fun’ culture as another source of motivation</li> <li>• Milestones to track progress</li> </ul>	<ul style="list-style-type: none"> <li>• Control and reward systems play a minor role for the VMT</li> <li>• Employees get autonomy and responsibility over their work</li> <li>• ‘Fun’ culture to further motivate staff</li> <li>• Milestones to track progress</li> </ul>	<ul style="list-style-type: none"> <li>• Control and reward systems exist, but play only minor role</li> <li>• Employees can work autonomously</li> <li>• Measure performance by looking at sales and EBITDA targets</li> <li>• Individual KPI's exist</li> <li>• There are formal reporting systems</li> </ul>	<ul style="list-style-type: none"> <li>• Control and reward systems play no major role</li> <li>• Employees are responsible for their tasks</li> <li>• Milestones are used to track progress</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Safe environment, because of financial strength</li> <li>• Employees have autonomy</li> <li>• Goal oriented, because of roadmap set by the VMT</li> <li>• Focus on speed, but also quality</li> <li>• Culture managed actively</li> <li>• Emphasis on fun and informal</li> <li>• Symbols include Ping-Pong table, free beverages and free afterworks</li> </ul>	<ul style="list-style-type: none"> <li>• Financial strength of the parent provides secure environment</li> <li>• Employees have a high level of autonomy and define own tasks</li> <li>• Emphasis on speed and quality</li> <li>• Culture is managed actively</li> <li>• Supposed to be fun and engaging</li> <li>• Symbols include a Ping-Pong table, videogames and afterworks</li> </ul>	<ul style="list-style-type: none"> <li>• Financially strong parent makes them feel safe</li> <li>• Employees have autonomy, but defined roles</li> <li>• Culture is managed actively</li> <li>• More informal than the parent, but is becoming more formal</li> <li>• Speed was an important factor in the beginning, but not anymore</li> <li>• Symbols of informal culture include an open office landscape</li> </ul>	<ul style="list-style-type: none"> <li>• Financially strong parent creates safe environment</li> <li>• Staff has autonomy over its tasks, but directions set by VMT</li> <li>• Refer to themselves as having an entrepreneurial culture</li> <li>• Emphasize fun at the workplace</li> <li>• Culture is managed actively</li> <li>• Symbols include creative team activities</li> </ul>
Leadership role	<ul style="list-style-type: none"> <li>• Leader sets vision and strategy</li> <li>• VMT vital in communication with the parent and other stakeholders</li> <li>• VMT ensures that the venture follows its strategic intent and remains vital to the parent</li> <li>• VMT has most ideas concerning new projects</li> </ul>	<ul style="list-style-type: none"> <li>• Leaders set the vision and make the most important strategic decisions</li> <li>• They work actively with stakeholder management including the parent</li> <li>• Leaders work as gatekeepers to shield staff from direct influences by the parent</li> <li>• Represent the parent in discussions</li> <li>• Leaders not involved in development</li> </ul>	<ul style="list-style-type: none"> <li>• Leaders make all important strategic decisions</li> <li>• They are managing the relationship with the parent</li> <li>• CEO also member of parent management</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy and future direction is set by the VMT</li> <li>• VMT centralized ideation</li> <li>• Manage all contact with the parent</li> <li>• Communicate the strategic potential of the venture for the parent</li> <li>• Shield the rest of the venture from influences by the parent</li> </ul>

Table 6.1 – Case-by-Case analysis

## **6.2 Cross case analysis**

In this cross-case analysis, the case-by-case analysis will be used to identify relevant patterns and common themes for each of the seven factors.

### **6.2.1 Strategic intent**

All ventures were created with a specific explorative purpose by the parents in collaboration with the founding VMTs, as suggested by literature (Kuratko et al., 2009). A common driver for the parents to create the ventures was creating growth through exploring new opportunities. In the parent of IVC it was mainly to grow in new markets and extend its reach for new customers. For the other parents it was mainly to adapt to external changes in their environments. IVA and IVC have since invested in, or acquired, other businesses to further drive growth through new businesses, as literature suggests (Chesbrough, 2000; Veugelers & Cassiman, 1999).

While IVA and IVB concentrate mainly on the growth of their respective businesses, IVD is more limited in its budget and pressured to exploit its current products and customers in order to turn a profit, which O'Reilly and Tushman touches upon (2004). It can be observed that IVA and IVB try to focus on innovation and are also encouraged by their parents to do so. IVD is by now more of a financial investment for the parent, instead of being used for a strategic purpose. IVC is already generating profit and focuses on driving it. The venture remains focused on providing innovative solutions for its customers, but innovate more incrementally than initially done.

### **6.2.2 Critical tasks**

In line with O'Reilly and Tushman's definition of explorative businesses (2004), IVA and IVB's key task and focus is the continuous development of new products, while IVC and IVD focus on the incremental development and exploitation of their existing product. None of the observed ventures focus on breakthrough innovations, although recent changes in the focus of IVD can be observed. It should be noted that the two ventures that emphasize incremental development are also more mature than the other two. This indicates that the latter might undergo a similar development, in which IVA and IVB will become more exploitative, i.e. focused on operations and efficiency in the future. They are uncertain of the long-term development of their critical tasks in terms of the venture will keep ownership of all projects once they require more operational attention.

### **6.2.3 Competencies**

The differentiation of entrepreneurial and operational competencies, as described by literature (O'Reilly & Tushman, 2004), is nothing the ventures are particularly concerned about. Instead they focus on employing mainly experienced professionals that contribute with superior knowledge and can work independently. In that sense, the four ventures cannot be attributed with neither explorative nor exploitative characteristics. However, they build their competencies by recruiting internally from

the parents, and externally through headhunting and, in some instances, traditional job advertisement. In three of the cases they were thorough in their recruitment to ensure getting experienced professionals with relevant market and industry knowledge. Where literature suggests that unfamiliar knowledge is more explorative this is not of major concern for the VMTs (Li et al., 2008). IVD also emphasized experienced professionals although it did not have a detailed recruitment strategy.

#### **6.2.4 Structure**

In all ventures there is a wish to be informal and they refer to themselves as such. Three of the VMTs use the term ‘startup’ to describe their ventures. Looking closer it can be observed that all the ventures are not informal in all circumstances. IVA and IVC have a more formal management with formal reporting structures and systems, which literature suggest as more exploitative (O’Reilly & Tushman, 2004). Individual roles are defined and most employees have individual KPIs and targets. Employees of IVB and IVD have less defined roles and are adaptable in their work tasks, which suggest alignment to literature (Tushman & O’Reilly, 1997).

Looking at separation within the ventures shows yet another view. IVA ensures integration between business units through a matrix structure. The two current projects of IVB are separated with limited integration. In the cases of IVC and IVD the developing teams are geographically separated.

#### **6.2.5 Control and Rewards**

Explorative ventures should control success and base rewards on the achievement of milestones and the growth of their businesses instead of margins and productivity levels (O’Reilly & Tushman, 2004). Three of the VMTs use milestones as their primary way to control progress. IVC is more sales focused and also on EBITDA margins. The other ventures use milestones mainly to track their own progress and not as the basis for rewards. IVA and IVC in addition use other control mechanisms, like individual KPIs and formal reporting systems, which literature suggests prohibit an explorative business (Tushman & O’Reilly, 1997).

Overall the use of control and reward systems does not play a major role for the VMTs. Instead, all VMTs give employees autonomy and ownership of their work and use this as a major source of motivation. IVA, IVB and IVD also use a ‘fun culture and atmosphere’ to motivate people to perform.

#### **6.2.6 Culture**

Explorative ventures should embrace risk (O’Reilly & Tushman, 2004); however risk-affinity and risk-adversity are not used by the ventures when describing their cultures. Instead all ventures refer to the safety of being backed by a large corporation, which creates a more relaxed atmosphere.

IVA and IVB work in high speed – which is in line with the literature definition of explorative ventures (O'Reilly & Tushman, 2004). However, they are not willing to sacrifice quality for the sake of speed. They have a quality focus and try to achieve the split between quality and speed. IVD initially focused on high speed as well, although it changed once the first product was created. According to literature quality is an exploitative trait (O'Reilly & Tushman, 2004).

All ventures show a similar approach to flexibility. On an individual level they provide flexibility in terms of giving employees the freedom to decide on how to do their own job – although there are differences in how well defined the job roles are. On a venture level the flexibility decreases as they most often stick to the roadmap and strategy set out by the VMT.

Nonetheless, the cultures are managed actively in all ventures and emphasize the importance of a motivated staff. Therefore, three ventures want to, as mentioned in 6.2.5, create a 'fun' culture, which includes the use of common symbols of startups, such as videogames, free beverages and afterworks. IVC on the other hand regards itself as less formal than its parent, but not as a startup.

#### **6.2.7 Leadership role**

In literature leaders have an important role in determining the explorative focus of the venture, by being responsible for setting the vision and following a collaborative approach in decision-making (O'Reilly & Tushman, 2004). This holds true for the ventures as well, in IVC however that has changed slightly and the management has become more top-down following the acquisition of an additional business unit.

In IVA and IVD most ideas come from the VMT whereas in IVB the VMT has made an active choice to leave the ideation and actual product development to the developers and creative staff. The VMT instead represents the parent's expectations in internal discussions.

Whereas all VMTs work actively with stakeholder management of the parents (Wolcott & Lippitz, 2007), the VMTs of IVB and IVD have more distinct focus. In these the VMT take the role of gatekeepers to shield the rest of the venture from direct influences from the parents in order to remain autonomous and explorative.

However, all VMTs still want to play an important role for the parent and see the ventures as crucial for the parents. As Hill and Birkinshaw (2008) suggest, the leaders generally play an important role in how the venture's culture, knowledge and processes influence the parent. The leaders' task is therefore not only to shield the venture, but also to ensure the venture remains important for the parent.

### 6.3 The applied framework from a helicopter perspective

While analyzing the seven factors individually it can be seen that the ventures are all managed differently. Taking a helicopter perspective helps to make interesting observations. Although the seven factors are all addressed in the management of the ventures, it is apparent that the ventures are more explorative in regards to three factors: strategic intent, culture and leadership. In addition, competencies is a core factor for the ventures although they are not concerned with typical explorative or exploitative characteristics (i.e. operational or entrepreneurial).

Moreover, a helicopter perspective also identifies a relationship between these four core factors and is illustrated in Figure 6.2:

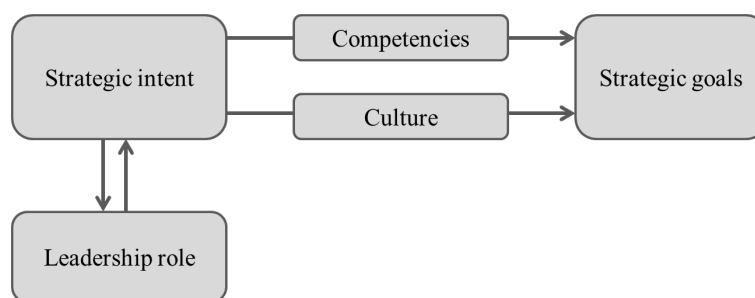


Figure 6.2 – Management of factors

The cross-case analysis suggests that strategic intent and leadership are interlinked; the strategic intent is influenced by the leadership whereas the leadership role is established based on the strategic intent. In order for the ventures to pursue the strategic intent and to achieve the strategic goals they mainly build an explorative focus through competencies and culture.

## **7. Discussion**

*In the following discussion the limitations of the applied framework from O'Reilly and Tushman (2004) will be discussed. Thereafter the discussion will go beyond the framework to further address the research question. In light of the limitations other managerial issues that influence the management of internal ventures will be presented. Finally an additional view of the internal ventures will be presented.*

### **7.1 Limitations of the applied framework**

Already when addressing the purpose of this thesis, predictions were made that O'Reilly and Tushman's framework (2004) could present limitations. There is up until now no developed framework treating the venture's perspective. Therefore the existing ambidexterity research was used as a base for analysis. Whilst the framework enabled identification of the core factors that ventures use to achieve their strategic goals, certain limitations were also identified.

The theoretical framework shows how the ventures are managed in regards to the seven factors, however the collected data shows that there are several managerial issues not covered by the framework. Furthermore, as exemplified by the factor competencies, there are managerial issues that are used by the ventures to execute on the explorative strategic intent, but that cannot be attributed to neither explorative nor exploitative characteristics.

In order to properly address the research question this discussion will go beyond the theoretical framework to illuminate the managerial issues that are of chief concern for the ventures.

### **7.2 Beyond the framework**

In the analysis the factors strategic intent, culture and leadership role are identified as the factors through which the VMTs establish an explorative business. In addition, competencies is a one of two core factors to execute on the strategic intent, although the characteristics of the factor are neither explorative, nor exploitative. In order to achieve its strategic intent the empirical findings identify three managerial issues that are of chief concern: recruitment, leveraging the parents and the integration with them.

#### **7.2.1 Recruitment**

The ventures mainly execute on the strategic intent by obtaining the right competencies and creating the desired cultures. In the ventures these are obtained and created predominantly through recruitment.

#### ***Competencies***

For the four cases, recruitment is equal to building competencies. There is no other way for the ventures to obtain knowledge and expertise since there exists no internal training. This can be linked

to other ambidexterity research (Li et al., 2008; Mom et al., 2007). Moreover the ventures are focused on rapid development when time is of essence. The ventures are therefore dependent on recruiting experienced people instead of recruiting inexperienced people and educating them in the venture. Time constraints are however not the only reason for hiring experienced people, but also to ensure the recruits are able to work independently, to deliver high quality results and to explore new directions instead of spending their time learning fundamental tasks. IVB stood out as using recruitment as a core strategy, to recruit superstars, which helps to attract others.

### ***Culture***

Tied in with competency building, recruitment also impacts the culture. In many cases the ventures are in need of competencies that do not exist within the parent, and therefore, by recruiting external people the culture will be less similar to the parent (Li et al., 2008; Perretti & Negro, 2007). But culture is not only a result of recruiting specific competencies. The ventures often use recruitment to actively build the intended cultures and the decision in recruitment can thus have a great impact on the ventures' abilities to be explorative depending on what cultures they create.

#### **7.2.2 Leveraging the parent**

While the VMTs manage the ventures mainly through competencies and culture. The ventures have additional resources and capabilities through their parents that can be leveraged to achieve the strategic goals, as other research suggest (Burgelman, 1984; Miller, et al., 1991; O'Reilly & Tushman, 2008). In order to achieve the strategic intent the empirical findings show that the ventures also leverage this. According to Miller, Spann and Lerner (1991) leveraging resources from the parent will lead to higher product quality. This suggests that the ventures can pursue exploitative quality ambitions through leveraging the parent, while keeping an explorative focus themselves. In the four cases there are three factors that the ventures attempt to leverage:

1. Capital
2. Brand
3. Support functions

### ***Capital***

All four ventures present access to capital that few companies of their size and age have. They leverage this in different ways. Access to capital provides the ventures with safety and buys them time. None of the ventures have to speed to the market in order to survive, which stands in contrast to O'Reilly and Tushman's view (2004) on explorative businesses. However, all VMTs have enforced speed in early development of the businesses, but this is linked mainly to the ventures' wish to achieve results, or because they were approached by customers. Access to capital also impacts the culture and recruitment process as they can afford to use consultants while finding the right personality or



expertise for a position. Moreover, access to capital can also be key in attracting skilled individuals, which is supported by literature (Chesbrough, 1999).

### ***Brand***

The brand is another common element that the venture tries to leverage, and it is easier as it requires little active participation and involvement of the parent (Chesbrough, 2000). Brand leveraging can be used for purposes of branding the venture as a well-known brand in foreign markets and to reassure clients that a financially strong parent backs the venture.

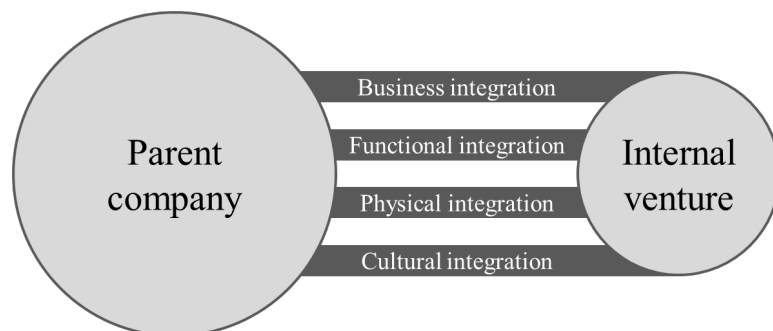
### ***Support functions***

A third element that ventures choose to leverage is the support functions of their parents. Instead of setting up their own administrative and support functions, three of the ventures with more than 40 employees can manage with limited administrative staff by leveraging and utilizing the parents'. This way they can retain the explorative characteristics of having adaptive and loose structures.

In the case of IVC, it shows that ventures can also leverage functions related to exploitation, such as reporting systems, in order to create structure and to become more performance driven.

## **7.2.3 Integration with Parent Company**

A third managerial issue for the VMTs regards the integration with the parents, which they deal with on a regular basis. The empirical findings suggest that the VMTs are concerned with four dimensions of integration (Figure 7.1).



**Figure 7.1 – Four dimensions of integration**

### ***Business integration***

The internal ventures can integrate their own businesses in the parents' businesses in a variety of ways. In this study it ranges from completely using the parents' revenue channels (IVA), to being part of parents' offerings while complementing them with own revenue channels (IVB), to having the option to do business with the parents while treating the relationship like any other client-supplier (IVC and IVD). Since the business integration is to a large extent linked to the strategic intent (O'Reilly & Tushman, 2008), and it has an impact on the parents' business performance, the parent involvements high. The VMTs' power might therefore be limited.

***Functional integration***

The second dimension of integration is functional integration; utilizing the parents' support functions such as HR and IT, or being part of the same reporting and appraisal systems. While two ventures see it as beneficial to integrate (IVA and IVC), another sees it as a risk of losing autonomy and flexibility (IVD). Yet another venture's view is two-sided; while identifying a great risk of losing autonomy, it also wants the benefits of leveraging (IVB). This supports research, which suggests that functional integration and inter-unit coordination are key challenges in creating ambidextrous organizations (Gibson & Birkinshaw, 2004; Siggelkow & Rivkin, 2006).

***Physical Integration***

The third dimension, physical integration, refers to where they are located. Physical integration is closely linked to what identities and cultures the ventures want to create. Two ventures choose to integrate (IVA and IVC) whereas one does it partly due to the possibility to leverage for financial reasons (IVD).

***Cultural Integration***

The final and fourth dimension that the VMTs are concerned with is cultural integration. The ventures can choose to share cultures with the parents, but can also develop separate cultures. Ventures can work actively to have their own cultures, yet also see it as vital to be compatible with the parents'. Another way of integrating is to adopt the parents' missions and values. According to O'Reilly & Tushman (2007) an alignment of vision and values between explorative and exploitative units is necessary to achieve superior performance. Developing own separate cultures can be done differently, for example by actively adopting different cultures than the parents' or simply by creating cultures that are independent of parents.

**7.3 Organizational teenagers and their identities**

The decisions of how the ventures choose to integrate with or leverage the parents do not necessarily reflect whether or not the ventures identify with their parents or not.

One of the interviewees stated that its venture is a teenager as it defines itself against its parent. This thesis argues that all internal ventures are organizational teenagers. They are not completely adults as they are dependent on their parents, neither are they children that the parents have to protect in every situation.

The four cases further suggest that internal ventures can, as previously mentioned, define themselves against their parents, and thus become rebellious teenagers that develop opposite values or cut the ties to establish independent identities. However, the study also suggests that the ventures also can be loyal teenagers that define themselves with the parents and who build their identities aligned with their parents', embracing their values and are determined to have a close relationship with them.

As with teenagers, a rebellious attitude and behavior is neither an indicator of poor relationship nor lack of appreciation of having a parent. The rebellious as well as the loyal organizational teenagers are determined to nurture their relationships with their parents however the study shows that the two rebellious teenagers embrace integration with the intentions to leverage their parents - also not unlike typical teenagers. This study does however not suggest whether loyal or rebellious teenagers are more successful, neither does it suggest which identity contributes the most to a parent's ambidexterity.

<b>Loyal teenager</b>		<b>Rebellious teenager</b>	
Defines itself as part of the parent	Defines itself as the innovator of the parent	Defines itself as not the parent	Defines itself as its own individual identity
Adopting values	Adapting Values	Creating different values	Creating new values
IVC	IVA	IVB	IVD

**Table 7.1 – Organizational teenager identities**

## 8. Conclusion

This chapter will provide an answer to the research question, followed by the theoretical and practical implications. It will then point out limitations of the study and provide an outlook on future research in the field of ambidexterity and internal ventures.

### 8.1 Addressing the research question

This study identified a distinct research gap in literature on how ambidexterity is achieved. Since literature has mainly taken the perspective of the parent company, the aim of this study was to address the perspective of the venture. For this purpose an exploratory case study of four internal ventures was conducted, which was guided by the following research question:

**How are internal ventures, that were intended to be explorative units in ambidextrous organizations, managed by their venture management teams and what are main managerial issues?**

A framework by O'Reilly and Tushman (2004) that suggests what the strategies, structures, processes and culture should be in exploitative and explorative units within an ambidextrous organization was used to address this question. The application of this framework showed that the ventures address all factors of the framework, although only four of them were actively used by the ventures to achieve strategic goals.

The internal ventures execute on an initial explorative strategic intent. Interdependency exists between the strategic intent and the leadership role. While the strategic intent influences the role of the leaders, the leadership also influences the strategic intent of the ventures. The ventures achieve their strategic goals by creating an explorative culture and by obtaining the necessary competencies.

The framework by O'Reilly and Tushman (2004) does however not sufficiently portray the managerial issues that are of chief concern for the four internal ventures. By moving beyond the framework, three managerial activities and issues could be identified.

1. **Recruitment:** The ventures mainly execute on the strategic intent by obtaining the right competencies and creating the desired cultures. In the ventures these are obtained and created predominantly through recruitment.
2. **The leveraging of the parent company:** While the VMTs manage the ventures mainly through competencies and culture, the ventures have additional resources and capabilities through their parent companies that can be leveraged to achieve the strategic goals. The findings show that they mainly leverage their access to capital, their parent companies' brand and support functions.

3. **The integration with the parent company:** Apart from leveraging their parent companies, ventures are also managing the degree to which they are integrated with the parent companies in terms of business, functional, physical and cultural integration.

Finally this study proposes an alternative perception of internal ventures as **organizational teenagers**. The ventures were observed to rely on their parent companies' support, but at the same time they create their own identity and require autonomy as opposed to children, which need constant supervision. The study further suggests that an internal venture could be a loyal teenager that identifies closely with its parent, or a rebellious teenager, which tries to differentiate itself from its parent.

## 8.2 Theoretical Implications

The study contributes to existing theory by investigating the management activities in internal ventures and by identifying the most important dimensions and issues that drive managerial decisions.

It advances the research on both ambidexterity and internal venturing. Research has previously focused on the role of the parent company in managing the ventures and focused less on the ventures themselves (e.g. Jansen et al., 2005). By using O'Reilly and Tushman's (2004) framework the thesis identifies which of the presented seven factors are used most actively in internal ventures. It is furthermore shown how the factors are linked and in some cases interdependent. The limitations of the existing framework, which fails to address several key issues for the venture management teams, are pointed out. This thesis therefore lays the groundwork for the development of a more holistic framework that incorporates the main managerial issues in explorative units.

In addition, the management of the relationship between internal ventures and their parent companies is pointed out as critical. Literature already emphasizes the importance for parent companies to manage the relationship (e.g. Simsek, 2009), which this study supports and complements by showing that it is also a main focus area of the venture management teams.

## 8.3 Managerial Implications

The study provides several key insights for internal ventures and their parent companies as to how they are managed and what major issues for the venture management teams are.

### 8.3.1 Internal ventures

The literature review presents the motivation for parent companies to create internal ventures. The framework by O'Reilly and Tushman (2004) shows how parent companies should set up the explorative units and properly represents the initial expectations that they have of the internal ventures that they create. Consequently, the conclusions of this study help the internal ventures and their management teams to understand where their expectations and their parents' differ.

It furthermore points out managerial issues that can be observed among the four cases. Knowledge of these issues can help the ventures to actively address them already in an initial stage.

### **8.3.2 Parent companies**

The study helps parent companies to understand, which issues drive management decisions, or are major concerns in the internal ventures. It furthermore shows that the ventures are not children, but organizational teenagers that will develop loyal or rebellious identities, without it necessarily impacting their explorative contributions.

Additionally, the study also shows that several of the managerial issues are concerned with the ventures' relationships with the parent companies. The parent companies should thus engage in open communication with the ventures to allow the relationship to be established.

## **8.4 Limitations**

### **8.4.1 Generalizability of the findings**

Even though patterns and commonalities are identified in the management of the different factors as well as the managerial issues, all four cases showed different approaches to management. A higher number of cases would be needed to validate the patterns that were identified.

### **8.4.2 Data bias**

The study relies on qualitative data and is focused on the interviewees' perspective of the venture management. The management could not be observed first-handedly; instead the study relies on the authenticity of the answers we received. The highly contextual interview setting also gives room to a biased interpretation of the data, which is influenced by past research and personal convictions.

## **8.5 Further research**

Based on the analysis and the identified limitations, several opportunities for future research arise.

Future research can further attempt to validate the findings this study presents. It should also address the managerial issues identified in this study by making concrete suggestions how they should be managed. For example, researchers can build on previous work by Raisch & Birkinshaw (2008) and the findings of this study to further analyze how the integration between internal ventures and their parent companies impacts ambidexterity and the ventures' performance.

Moreover, the presented perspective of internal ventures as organizational teenagers should be explored. It should be analyzed how the choice of one of the two identities affects managerial issues, such as the integration with the parent company, and how it affects the ventures' performance and organizational ambidexterity in the long run.

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## Appendices

### Appendix I: Interview guide

*The interview guide as described below involves two approaches. Since we are interested in the context around the managerial issues we used a story telling approach. In order to keep focus we used a second approach and developed follow up questions according to topical areas that our theoretical framework suggested as important.*

#### **Introduction/Story Mode**

Can you briefly tell us your background and how you came to join the internal venture?

Please describe the venture's situation when you came into the company.

Please tell us how the venture was created and the reason for it.

Please tell us how the venture has developed from the founding.

*In general the following questions were used:*

What happened next?

What was the reason for this?

Who was involved?

#### **The venture purpose**

What was the trigger to start an initiative focused on internal venturing?

What was the purpose of the venture?

Who initiated it?

What directions did the top management team and the parent give?

Did the people initiating and founding the venture continue with the venture?

How will it develop as it grows?

#### **Business model/strategy**

Who developed the business model?

How was the strategy and business model/plan developed?

What are your organizational goals?

In the beginning was there any time pressure for when you or the ventures need to "perform"?

Do you have to be self-sustaining, or are you getting vetted

Would you go into other industries, completely other products?

#### **Venture Managing directors**

What are your/their roles in ensuring innovation and exploration?

In what ways do you ensure that you explore and innovate?

What directives do you get from the management?

Who are you reporting to? Who is your superior reporting to?

What directions do you get?

What's the venture management team's role?

What goals do you have to achieve?

Can you describe what the venture management team does?

#### **People**

What are the roles of the people working in the venture (researchers, developers, sales, etc.)?

Where are the venture employees recruited from? Externally/internally/geographically/industries?

How do you push developers to deliver at their best and go that extra mile, to find new ideas? how do you hope that they are doing a good job?

Do you have any HR yourself? How do you work with administrative tasks?

When you look for new people, what do you look for?

### **Innovation and development**

Can you describe how new ideas come up?

Who initiates new ideas?

Can you describe the product development process?

Where do you look for inspiration, geographically, inside/outside firm, industries?

Do you take proven concepts or do you research yourself?

In what way are you different from the parent company/competitors/industry?

To what extent are you trying to create radical innovation? Have you considered focusing more on that?

Are you exploring any other business areas that are new to the company? Would you go into other industries, completely other products?

When you try to develop new radical products, what directions do you give/get?

How can you work to remain explorative and innovative as you grow?

### **Culture**

Can you describe your culture?

Do you have values and mission/vision?

How did you create this culture?

In what way is the culture similar, and in what way is the culture different from the parent company's?

How would you describe it compared to the parent company?

Do you work for [parent company] or [venture]?

### **Parent company relationship**

How do you interact with the parent company? With whom?

How often do you interact?

What is the general focus of the interaction? Reporting, controlling or collaboration?

When is the parent company most involved?

In what way do the VMT's ideas and beliefs differ from the VMT's regarding the venture?

Have there ever been any strong differences? Have you ever felt threatened?

Can you explain what happened? What did you do?

Has the parent company put any restrictions to what you can do?

What benefits do you get from being owned by the parent company?

### **Evaluation**

How are you evaluated, what are your evaluation criteria?

What does the parent company see as success?

Does that differ from your opinion?

Were you active in deciding on this?

How much is the parent company involved in everyday management?

When you deliver results, what happens then?

How does the parent company follow up?

**Appendix II: List of interviews**

<b>Interviewee</b>	<b>Role</b>	<b>Date of interview</b>
<b>IVA</b>		
IVA_VMT	Member of VMT	March 27 <sup>th</sup> 2014
IVA_DEV	Business Developer	March 27 <sup>th</sup> 2014
IVA_CORE	Analyst	March 27 <sup>th</sup> 2014
IVA_HR	HR Manager	March 27 <sup>th</sup> 2014
IVA_MGMT	Member of VMT	March 28 <sup>th</sup> 2014
<b>IVB</b>		
IVB_DEV	Developer	April 1 <sup>st</sup> 2014
IVB_HR	HR Manager	April 3 <sup>rd</sup> 2014
IVB_CORE	Creative Staff	April 3 <sup>rd</sup> 2014
IVB_VMT	Member of VMT	April 4 <sup>th</sup> , 2014
IVB_MGMT	CTO	April 8 <sup>th</sup> 2014
<b>IVC</b>		
IVC_VMT	Member of VMT	April 3 <sup>rd</sup> 2014
IVC_DEV	Business Developer	April 9 <sup>th</sup> 2014
IVC_CORE	Creative Developer	April 11 <sup>th</sup> 2014
IVC_MGMT	Member of VMT	April 15 <sup>th</sup> 2014
<b>IVD</b>		
IVD_VMT	Member of VMT	April 23 <sup>rd</sup> 2014
IVD_MGMT	CTO	April 23 <sup>rd</sup> 2014
IVD_DEV	Developer	April 24 <sup>th</sup> 2014
IVD_CORE	PR	April 29 <sup>th</sup> 2014

**Appendix III: List of codes**

<b>Codes</b>	<b>Coding</b>	<b>Type</b>
1. Strategic intent 2. Critical tasks 3. Competencies 4. Structure 5. Control and rewards 6. Culture 7. Leadership roles	<b>Fixed coding</b>	Ambidexterity factors
8. Venture management team 9. People 10. Parent	<b>Open coding</b>	Actors
11. Recruiting 12. Integrating 13. Leveraging 14. Identifying	<b>Open coding</b>	Activities
15. Capital 16. Functions 17. Brand 18. Business channels 19. Resources	<b>Open coding</b>	Assets