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REVISITING CORPORATE VENTURING: OPENING UP THE INNOVATION CHAIN (SUMMARY)

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SUMMARY

REVISITING CORPORATE VENTURING: OPENING UP THE INNOVATION CHAIN

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Principal Topic

How corporate ventures should be managed inside an organization is an intriguing question that has kept many researchers and practitioners occupied. The most basic idea is that raising ventures is different from mainstream activities and should therefore be organized in autonomous New Venture Divisions (Burgelman, 1985; Block and MacMillan, 1993). Notwithstanding the benefits of this approach, performance of most venture units is still mediocre at best. We deviate from accepted knowledge in the venturing literature by arguing for an open innovation approach towards the venturing process. That is, companies should have several units that are each responsible for one single phase in the venturing process instead of the traditional view of one unit being responsible for all phases in the venturing process. The key question this study addresses is what are the consequences of managing the venturing process through different units?

Method

We investigated the venturing processes within three Fortune 500 companies: IBM, Royal Dutch Shell and Nokia. The data are based on extensive interviews and a variety of internal and external company documents.

Results and Implications

Based on the case studies we developed a conceptual framework that provides novel insights into how firms can break up their venturing process. Due to the focus of each unit it is better able to build specific skills concerning that phase. It also creates flexibility in the venturing process, as ventures can move in and out of the company after each phase, when it transfers to another unit. Firms could even choose to specialize in one phase, and let other parties handle other phases. We believe this paper makes two significant contributions. First, we extend prior venturing literature by investigating a more open innovation approach towards venturing that manages each phase in the venturing process through a separate unit. Second, this practice-centered framework delivers insight in how to manage such an approach towards venturing to increase the likelihood of success of venturing programs.

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