6-11-2011

CORPORATE VENTURING IN SMES:
PLANNED OR IMPROVISED ACTIVITIES?
(SUMMARY)

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Recommended Citation
Evald, Majbritt Rostgaard and Senderovitz, Martin (2011) "CORPORATE VENTURING IN SMES: PLANNED OR IMPROVISED ACTIVITIES? (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 31 : Iss. 17 , Article 10. Available at: https://digitalknowledge.babson.edu/fer/vol31/iss17/10

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SUMMARY

CORPORATE VENTURING IN SMES: PLANNED OR IMPROVISED ACTIVITIES?

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Principal Topic

This study investigates how small and medium-sized enterprises (SMEs) engage in business development through innovative corporate venturing (CV) activities on a sample of Danish SMEs.

Traditionally, innovative business development through CV activities has been connected to firms’ purposeful and pre-planned attempts to leverage entrepreneurial opportunities (Ireland, Covin and Kuratko, 2009). Furthermore, especially large firms have been the point of departure in this tradition (Burgelman, 1983; Guth and Ginsberg, 1990; Hornsby, Naffziger, Kuratko and Montagno, 1993): A focus which might have been caused by the CV literature’s close link to the strategy field. An explanation to why the extant CV literature is somewhat normative.

Method

We argue that this scholarly “tradition” resembles the goal-oriented strategic planning perspective. For instance, Scholhammer (1982) refers to CV as formalized entrepreneurial activities receiving explicit organisational sanction and resource commitment by firms. Covin and Miles (2002) describe CV activities as a supplement to existing business strategies with explicit strategic purpose. Furthermore, Birkinshaw, Batenburg and Murray (2002) state that CV can be used as a diversification strategy by large firms.

Little is known, however, as to how smaller firms (SMEs) engage in CV. In this study, we aim to uncover the gap that exists in the CV literature concerning how SMEs conduct CV activities answering the overall research question of: How do SMEs engage in CV activities?

Our study employs two datasets: First, a survey of 45 Danish SMEs all involved in CV activities is used as an exploratory investigation for uncovering general trends in CV activities. Second, a multiple case dataset with three Danish SMEs containing in-depth descriptions of work processes is applied in order to make a more detailed analysis of how the CV activities is initiated and developed.

Results and Implications

Based on these analyses, we argue that CV in SMEs is organised in a predominant ad-hoc manner where unforeseen new business opportunities are created in an emergent iterative trial-and-error based process. The process often takes place without predetermined goals and without pre-planned strategies. CV investments are often made step-by-step in order to reduce risks and in order to stay open and flexible. The SMEs seem to develop their businesses into prosperous and economically healthy businesses in a step-by-step improvised manner - a process, which we argue, resembles effectuation logic (Sarasvathy 2001, 2008, Dew et al. 2009).

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