AGENCY AND STRATEGIC CHOICE PERSPECTIVES ON THE NEW VENTURE BOARDS INVOLVEMENT IN BREAKTHROUGH INNOVATION STRATEGY (INTERACTIVE PAPER)

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Corporate entrepreneurship (CE) remains an integral mechanism large, multi-divisional firms use to renew their capabilities through innovation. However, as years of research has shown CE remains difficult when firms are confronted with innovation that is of a breakthrough nature; where research suggests traditional business practices are often problematic. In particular, the governance of breakthrough innovation (BI) projects becomes increasingly difficult due to the high levels of uncertainty and ambiguity that characterizes BI. It is precisely because of this reason many companies have created New Venture Boards (NVB’s) internal to the organization where the NVB is responsible for actively managing BI strategy. We take inspiration from the board and strategy literature and use Agency-theory (AT) and Strategic-choice (SC) perspectives to investigate the role NVB’s may play in BI strategy either through control or guidance.

Methods

We employ an inductive, extended case-study methodology. Our data came from twelve industry-leading companies that have a strategic mandate in place to pursue BI strategy. A multidisciplinary research team conducted over 200 interviews with BI participants, many of which were NVB directors, that gives us unique access to the actual process of how NVB’s manage the development and execution of BI strategy.

Results and Implications

Analysis of data revealed several limitations of using AT and SC perspectives on board involvement in strategy when applied to the BI context. We find directors of NVB’s play a ‘decision management’ function attributed to SC by taking an active role in the BI strategy process. Also, they play an effective ‘decision-control’ role attributed to AT by monitoring high-risk projects. However, the results revealed both theories have to be substantially modified to provide a viable conceptual framework for BI. NVB’s often find it difficult to balance both guidance and control roles when governing BI strategy. For example, while NVB directors remain actively engaged with BI strategy through selection of projects, they often find it difficult monitor high-risk projects in the fuzzy-front end.

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