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**Abstract**

One gained competitive advantage is not everlasting without continuous innovation. Consequently, the origins of this master's thesis lay on the case company's need to look for innovative solutions to gain and sustain corporate competitiveness and to ensure survival in current and future markets. All in all, internal corporate venturing (ICV) has been recognized as a viable tool for achieving corporate competitiveness. This thesis' perspective in ICV research area is pragmatic. It utilizes the earlier research to study ICV as a way to structure the case company's new business creation. This thesis aims to study how new business creation is currently arranged at the case company, what issues they should consider if starting ICV and finally how the case company could benefit from ICV.

The research is conducted by qualitative single case study, utilizing an exploratory approach. The analysis is based mainly on interview data but complemented by field notes and quantitative data from employee survey conducted annually within the case company. Based on earlier research, a three-part framework was formed to study the enablers of successful ICV. This framework was utilized to study what issues the case company should if starting ICV.

The research found four themes describing the challenges of the case company in new business creation. Those were decreased ability to act on new ideas, lack of organizational support, internal communication and external challenges. As a result of this study, it is suggested that effectual internal communication could be inserted to the framework of enablers of ICV, since ineffective internal communication was recognized causing challenges in new business creation within the case company. However, this subject needs a further research. Additionally, this thesis provided a four-part framework describing the issues the case company needs to address if starting ICV. This framework consists of shaping venturing-like environment, forming venturing team and venturing unit and tackling the other internal challenges which came up during this research within the case company. Finally, this thesis found that the main benefit from ICV for the case company could be increased ability to act on new ideas.

Key words	Internal corporate venturing, new business creation
Further information	





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#### Tiivistelmä

Kerran saavutettu kilpailuetu ei ole ikuista ilman jatkuvaa innovaatiota. Tämä pro gradu –tutkielma perustuukin case-yrityksen tarpeeseen etsiä innovatiivisia ratkaisuja kilpailuedun saavuttamiseksi ja säilyttämiseksi, jotta selviytyminen nykyisillä ja tulevilla makkinoilla varmistuisi. Kaiken kaikkiaan internal corporate venturing (ICV) on tunnistettu välttämättömäksi työkaluksi saavuttaa kilpailukyky. Tämän pro gradun näkökanta ICV -tutkimusalueeseen on pragmaattinen. Se hyödyntää aiempaa tutkimusta tutkiakseen ICV:että tapana järjestää case-yrityksen uuden liiketoiminnan luominen. Tämän tutkielman tavoitteena on selvittää, kuinka uutta liiketoimintaa luodaan tällä hetkellä case-yrityksessä, mitä asioita case-yrityksen tulisi ottaa huomioon, jos se aikoo aloittaa ICV:een ja lopuksi kuinka case-yritys voisi hyötyä ICV:estä.

Tämä tutkielma on suoritettu tapaustutkimuksena eksploratiivista lähestymistapaa käyttäen. Empiirinen analyysi perustuu ensi sijassa haastatteluista kerättyyn dataan, mutta sitä on täydennetty sekä muistiinpanoilla etnografisista havainnoista, että määrällisellä datalla case-yrityksessä vuosittain järjestettävästä kyselytutkimuksesta. Tässä tutkielmassa muodostettiin kolmeosainen viitekehys ICV -mahdollistajista aiemman tutkimuksen perusteella. Tätä viitekehystä hyödynnettiin arvioimaan, mitä asioita case-yrityksen tulisi ottaa huomioon, jos se aikoo aloittaa ICV:een.

Tutkielma paljasti neljä teemaa case-yrityksen haasteista uuden liiketoiminnan luomisessa. Nämä ovat laskenut valmius toimia uusien ideoiden toteuttamiseksi, puuttuva organisaation tuki, tehottomuus sisäisessä viestinnässä, sekä ulkoiset haasteet. Tämän tutkimuksen perusteella ehdotetaan, että organisaation sisäinen kommunikaatio voitaisiin lisätä ICV –mahdollistajien viitekehukseen. Tämä aihe vaatii kuitenkin jatkotutkimusta. Lisäksi, tämä tutkielma muodosti neljäosaisen viitekehysten kuvailemaan asioita, joita case yrityksen tulee käsitellä, jotta se voisi aloittaa ICV:een. Tämä viitekehys koostuu ICV:että tukevan ilmapiirin, venturing-tiimin ja venturing-yksikön muodostamisesta, sekä muiden uuden liiketoiminnan luomiseen vaikuttavien sisäisten haasteiden käsittelystä. Lopuksi, tämä tutkielma havaitsi, että mahdollinen suurin etu ICV:estä case-yritykselle olisi kasvanut valmius toimia uusien ideoiden toteuttamiseksi.

Asiasanat	Internal corporate venturing, uuden liiketoiminnan luominen
Muita tietoja	





**UNIVERSITY  
OF TURKU**

Turku School of  
Economics

# **TOWARDS INTERNAL CORPORATE VEN- TURING IN A MATURE MANUFACTURING FIRM**

**Case: MacGregor**

Master's Thesis  
in Entrepreneurship

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The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

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# 1 INTRODUCTION

## 1.1 Background

On its basis, organization's survival depends on its ability to grow and capability to respond to competition. Yet, once gained competitive advantage is not everlasting without innovation and new business creation. The more mature the market where the company is operating, more challenging it gets to defend the already gained market share and to expand it further. If the market familiar to the company is in decline, the company may find itself in a situation where it must consider of selling out the old business or to buy or to develop new businesses. (Block and MacMillan 1993, 20-21; O'Reilly and Tushman 2008, 189.) For a young company, acting agile in laying uncertainty highly connected with the birth of new businesses (Kanter 1985, 47) may be more or less customary. However, similar operating may be more challenging for a mature organization, since they have to simultaneously invest on defending its already established foothold in markets and on managing its current business. (Block and MacMillan 1993, 20-21; O'Reilly and Tushman 2008, 189.) (Block and MacMillan 1993, 20-21). Consequently, being innovative is not enough in mature organizations. They need the skill to operate ambidextrously; effectively managing the exiting business and simultaneously creating new ones (Raisch and Birkinshaw 2008, 375) ergo to exploit old certainties and to explore new possibilities (March 1991, 71).

The origins of this master's thesis lay on MacGregor's need to look for innovative solutions to gain and sustain viable corporate competitiveness and to ensure survival in current and future markets. Operating in highly competed engineering business in marine and offshore industries where the MacGregor has found itself in a challenging situation of declining business in a declining industry; the annual growth of world fleet has decreased from approximately ten percent to almost three percent (United Nations Conference on Trade and Development 2017). The numbers speak for themselves: both MacGregor's operating profit and sales have decreased tremendously from what they used to be few years back (Figure 1)



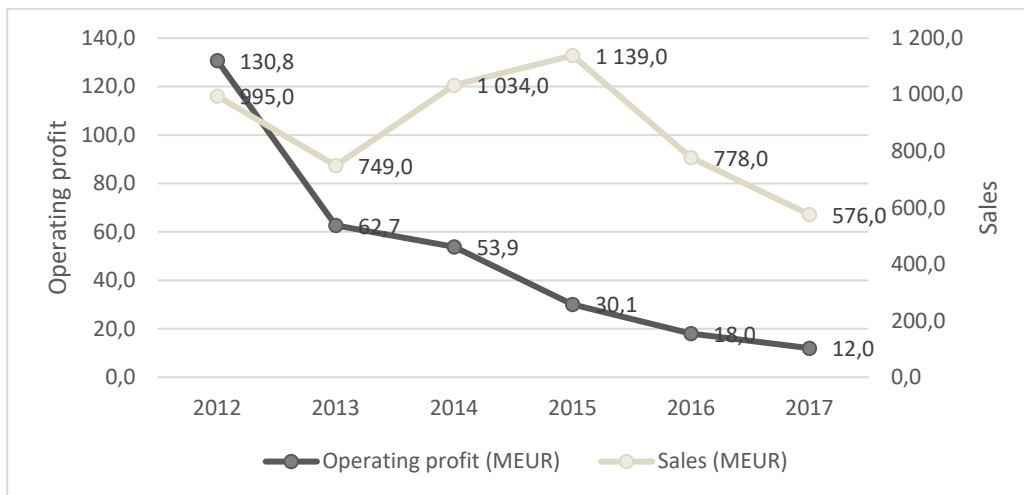


Figure 1. MacGregor's operating profit and sales from 2012 to 2017a (Cargotec Oyj 2013; 2014; 2015; 2016; 2017; 2018a, 6, 8).

MacGregor is a company holding its roots in being innovative at the markets, but nowadays their sales care decreasing despite of acquisitions (Cargotec Oyj 2015; 2016; 2017a; 2018a, 6, 8). Their current structure has struggled to provide an effective platform for the creation of new solutions. For once innovative market leaders, it is not truly uncommon to face a point of stagnation. For example, the world-known telecommunications company Nokia's journey highlights this. They managed to lift themselves up to one of the most prosperous enterprises of the era and also to extinguish their success story by letting the past's glory blind them. Company, which once embraced new ideas and experimentation, faced huge success, which finally led to risk aversion and becoming less innovative (Doz, 2017); their market share of mobile phones experienced a vast collapse from 50% (2007) into less than 3% (2013) (Statista 2018).

Even though innovation, defined as development of new products and markets, is essential for organization's success (Block and MacMillan 1993, 21), the debate on how to structure the innovation attempts is still open (Davila, Foster and Oyon 2009, 287). Companies can follow the blue ocean strategy (Kim and Mauborgne 2005), conduct traditional research and development activities or to acquire desired capabilities (Hassett et al. 2011, 28). However, corporate entrepreneurship activities, such as formation of internal corporate ventures, have been recognized as a viable tool for achieving corporate competitiveness (Covin and Miles 1999, 47). The research area is growing in importance throughout the years, especially now when the new disruptive solutions to future managers' challenges depend on the results of corporate entrepreneurship research (Kuratko 2017, 476). This thesis' original perspective in this research area is pragmatic. It utilizes the earlier research to study ICV as a way to structure the case company MacGregor's new business creation in order to ease their current challenge of unsatisfactory new business creation.

## 1.2 Case firm presentation

MacGregor is a business area of Cargotec Corporation which offers cargo handling solutions and services. MacGregor itself was founded in the 1920's when the brothers of MacGregor develop the first hatch covers made from steel (MacGregor 2017). However, Cargotec Corporation was established in 2005 when KONE demerged into two separate businesses. (Cargotec 2018c). Cargotec is a large corporation with sales of 3.2 billion EUR (2017) and over 11 000 employees. It operates in more than 100 countries and its Class B shares are quoted on the Nasdaq Helsinki Ltd. Cargotec is divided into three business areas: Kalmar, Hiab and MacGregor (Figure 2). Kalmar's solutions are emphasized on cargo handling solutions in ports and terminals and Hiab's on on-road load handling equipment. MacGregor itself provides solutions for sea vessels. Its equipment is carried by every other ship in the world. MacGregor's business area's sales were 571 million EUR (2017) and it employees 1 850 professionals globally. (Cargotec 2018c.)

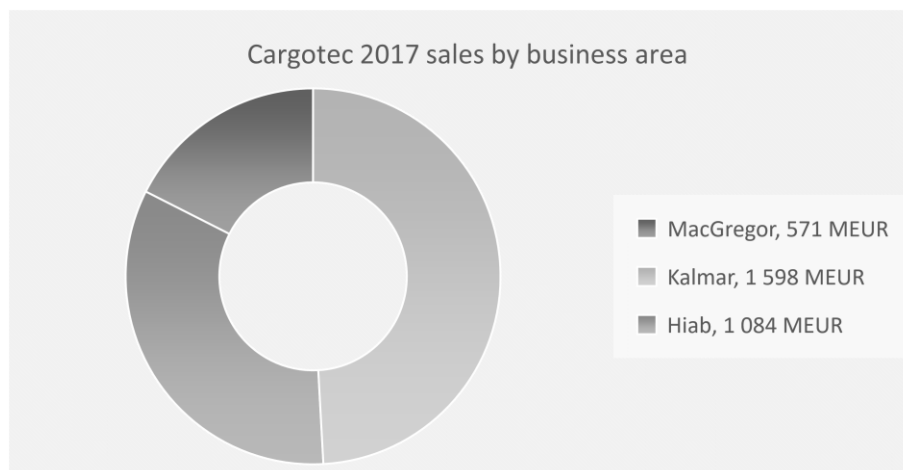


Figure 2. Cargotec 2017 sales (in MEUR) by business area

MacGregor is divided into four divisions: Cargo Handling Division (CHD), RoRo division (RoRo), Advanced Offshore Solutions (AOS) and to Global Lifecycle Support (GLS). CHD's offerings consist of cranes, self-unloaders, hatch covers, lashing systems and other products used in the merchant marine industry and software, services and training related to them. RoRo on the other hand provides RoRo cargo and passenger access equipment, conversion of RoRo equipment, Port solutions for ship-to-shore access in addition to mooring and auto-mooring solutions. AOS again comprises four Business Units; Offshore mooring and loading systems, Load Handling Solutions, Deck Handling Solutions and Fishery and Research solutions. Finally, GLS is the service sector of MacGregor and provides offerings such as spare parts and logistics, maintenance and repair and modernizations and upgrades of vessels.

### **1.3 Research questions**

Even though MacGregor holds a wide product portfolio and has established a seemingly solid position in cargo handling within the seas, once gained competitive advantage is not everlasting without innovation and new business creation (Block and MacMillan 1993, 21). As described in chapter 1.1 there are various ways to create new business. In fact, it is likely that there are as many ways to create new business as there are fresh entrepreneurs and existing organizations creating those. Therefore, the first aim of this thesis is to gain an understanding of how new business creation is currently organized in this case company. This thesis research is limited to include only the organic growth activities of the case company. Additionally, since enhancing innovation through internal corporate venturing is suggested as the way to structure the new business creation at the case company, the second aim of this thesis is to study what issues the case company should consider moving towards internal corporate venturing. The final aim of this thesis is to conclude how the case company could benefit from this kind of activity.

The research questions are:

1. How new business creation is currently arranged at the case company?
2. What issues the case company should consider if starting internal corporate venturing?
3. How the case company could benefit from internal corporate venturing?

### **1.4 Thesis structure**

The thesis continues as follows: the beginning of chapter 2 presents an overview of the framework around internal corporate venturing and aims to form clear perception of the central concepts in this thesis research. The chapter continues to represent the literature review of this thesis, presenting benchmarks from previous internal corporate venturing attempts, discussing about the drivers and benefits of the activity and finally by representing the enablers of internal corporate venturing. Chapter 3 illustrates the methodological choice of this thesis including description of both data collection and informants, data-analysis and finally evaluation of the research methodology. Fourth chapter focuses on the empirical part of this thesis by describing the first part of the findings and answering to the research question #1. Chapter 5 moves to the second part of the findings, and illustrates the answers to research questions #2 and 3#. Finally, chapter 6 concludes the thesis research illustrating both theoretical contributions and managerial implications and finally end the thesis with limitations and future research suggestions.

## 2 INTERNAL CORPORATE VENTURING

This chapter illustrates the literature review of this thesis. It begins of describing the conceptual framework by defining the key terms around internal corporate venturing (e.g. Kuratko 2017). Next, the chapter shows previous examples about successful and unsuccessful internal venturing attempts (e.g. Roberts 1980). From this, the chapter will continue to discuss about the drivers that get companies pursue internal corporate venturing (e.g. Covin and Miles 2007) and about the benefits that companies can gain from ICV (e.g. McGrath et al. 1994). Finally, the literature review will end to illustrating enablers of internal corporate venturing; venturing-like environment, venturing team, and venturing unit form (e.g. Hisrich and Peters 1986; Block and MacMillan 1993; Abrell and Karjalainen 2017).

### 2.1 Conceptual framework

Drawing on existing research of internal corporate venturing, the theoretical framework is presented by defining key terms related to the phenomena: corporate entrepreneurship, strategic renewal, corporate venturing, internal corporate venturing and external corporate venturing (Figure 3).

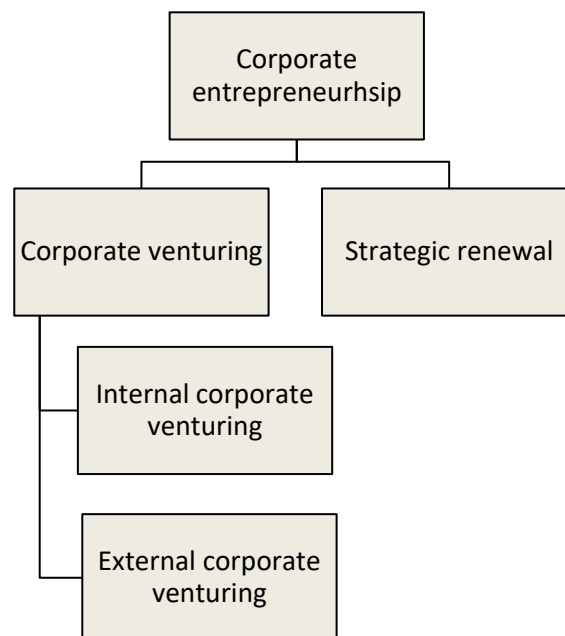


Figure 3. Conceptual framework

*Corporate entrepreneurship* (CE) is entrepreneurship within established organizations. The knowledge about CE has been evolving slowly but achieving greater importance through last forty-five years and it has formed to both valid and an effective research area Kuratko. (2017, 442.) On overall, entrepreneurial activities happening in established companies can be described such as creating something that is new by its value. This can be conducted by reshaping a company's current services, by developing new markets and by establishing new rather autonomous units of firms. (Sumathi 2010, 52-58.) According to Guth and Ginsberg (1990, 5-6), corporate entrepreneurship can be divided into two appearances: birth of new businesses within existing organizations and organizations' transformation through *strategic renewal*, which includes the creation of new wealth through new resource combinations by making major changes in the company for example through reshaping operations, marketing, distribution, product development and making acquisitions.

*Corporate venturing* itself was earliest addressed in the 1970's when the separate field of corporate venturing arose. It is the earliest branch of corporate venturing where has been attention. (Kuratko 2017, 446-447, 454.) Corporate venturing is an activity where the corporation aims to generate new businesses through internal or external venturing (von Hippel 1977, 163-174). *External corporate venturing* refers to innovations, which have been created outside of the firm. (Kuratko 2017, 456) It considers businesses which are established outside of the firm and are invested in or acquired later by the firm. (Kuratko 2017, 456.) It involves activities which are leading into foundation or growth of external businesses. Likewise, joint venturing is a form of external corporate venturing. In this type of venturing the parent firm co-invests with another already established organization to create a new business. (Covin and Miles 2007, 183.)

Then what exactly is *internal corporate venturing*? There have been many definitions of internal corporate ventures (ICV) since its rise in the 70's: Table 1 illustrates the evolution of the definitions of ICV.

Table 1. The evolution of ICV definitions

Author(s)	Publication	Definition
vonHippel, E. (1977)	Successful and failing internal corporate ventures: An empirical analysis. <i>Industrial Marketing Management</i> . Vol. 6 (3), 163-174.	“An individual or a group within the corporation which has taken on responsibility for all aspects of the task of: developing a new product; bringing it to market; carrying it through at least its initial phases of marketplace activity.”
Roberts, E. B. (1980)	New ventures for corporate Growth. <i>Harvard Business Review</i> . Vol. 58 (4), 134-142.	“Situations in which a company sets up a separate entity within itself- an entirely separate division our group- for the purpose of entering different markets or developing radically different products”
Simon, M., Houghton, S. M. & Gurney, J. (1999)	Succeeding at internal corporate venturing: Roles needed to balance autonomy and control. <i>Journal of Applied Management Studies</i> . Vol. 8 (2), 145-159.	“Semi-autonomous structures to enter new emerging areas where they cannot apply the company's typical procedures for introducing products”
Keil, T., McGrath, R. G., & Tukiainen, T. (2009)	Gems from the ashes: Capability creation and transformation in internal corporate venturing. <i>Organization Science</i> . Vol. 20 (3), 601-620.	“Internally staffed new business development projects. These might include commercializing technology developed in an R&D context or leveraging customer relationships to broaden the array of services a company can offer. They usually include a mandate to develop new capabilities for the parent firm.”
Abrell, T. & Karjalainen, T.-M. (2017)	The early stage of internal corporate venturing: entrepreneurial activities in a large manufacturing company. <i>Journal of Enterprising Culture</i> . Vol 25 (1), 1-30.	“The organizational function of generating and managing innovation projects that aim to create new businesses for the corporation”

As the Table 1 illustrates, the definitions around ICV are rather scattered. Once it is a group, project or entire independent division, or even just one individual. In this thesis, ICV is defined as any group, project or division inside of an established organization, which is set apart from the operative business and provided the needed autonomy and organizational support to nurture a new business idea from its development phase into market entry. These ventures can be described as internal start-ups within an established company. They are typically owned by the company and exist within the current corporate structure. (Kuratko 2017, 456) but are managed separately at least some period of time during its lifecycle (Block and MacMillan 1993, 14).

The purpose of an internal corporate venture is to create new activities or businesses within an existing company or it is established for the purpose of sales or profit increase, productivity or quality. (Kuratko 2017, 456.) It is a project that involves new activity to the organization and it involves a significantly higher uncertainty, risk of failure or larger losses than the organization's base business (Block and MacMillan 1993, 14). Furthermore, it obliges the company to develop new skills, knowledge, or processes which however aren't far away from the company's original core competencies (Merlin-Brogniart 2013, 254): Each entrepreneurial venture is a mutation of currently existing corporate resources (Sumathi 2010, 57).

Although ICVs are somewhat like start-ups inside established organizations, they are not entities similar to start-ups created by independent entrepreneurs. This is due to the fact that internal corporate venture managers have to rely on their corporate parents in support and resourcing. Internal venture managers don't decide on whether they want or do not want to continue to manage their venture, since their corporate managers have the power to pull the plug on the ICV project. (Garrett, and Neubaum 2013, 911.) On the other hand, ICVs are not just any typical R&D projects within the corporate structure. When traditional R&D projects aims to exploit technological and market competencies, the aim of an ICV is to learn new competencies (Tidd, Bessant and Pavitt, 2005, 427). Throughout this thesis the terms of internal corporate venturing, internal venturing, corporate venturing and venturing are used to describe this same phenomenon.

## 2.2 Points of reference

Even though integrating an agile small business culture into corporate giant is challenging, some large companies have succeeded in being entrepreneurial and fostered their competitiveness (Ginsberg and Hay 1994, 384). According to Ghoshal and Bartlett (1995, 145) entrepreneurial organization is not just a multidivisional company with less organizational layers and scattered skunkworks and incentives for innovators. Neither it dictates that there is a bunch of entrepreneurs, funded by top management working together. To

be entrepreneurial, there must be a strong entrepreneurial process, which drives everything and every individual in the organization. However, the debate on how to structure radical innovation attempts is still open (Davila et al. 2009, 287). Accordingly, companies have had different customs in organizing themselves to entrepreneurial style:

- **3M:** Every product development department responsible of developing ventures. (Roberts 1980)
- **a large American computer company:** Several small units searching for new opportunities. (Ghoshal and Bartlett 1995)
- **RohonePoulenc Rorer:** Small entrepreneurial ventures, which emphasize creativity. (Simon et al. 1999)
- **ABB and Johnson & Johnson:** Restriction of each unit's size to maintain entrepreneurial spirit. (Ghoshal and Bartlett 1995)
- **Matsushita:** Establishing a new business unit for a product as soon as it comes out from an existing unit. (Ghoshal and Bartlett 1995)

3M is a company that has based its' steady growth on new businesses development through venturing over decades. Company's each product development department is responsible of developing new ventures, without product line or business area constraints. Additionally, they have a corporate New Business Development Division, which has the responsibility to evolve, nurture and maintain diverse business activities during their development stages. The company supports a philosophy of "We would rather have one of our new products competing with an existing product line of 3M rather than have a competitor's new product competing." They consider that this kind of conflict and the competition it creates can be even beneficial the company. (Roberts 1980, 136, 139.)

Then again, a study of a large American computer company shows how it reorganized itself and its management processes when facing the constraints of a traditional matrix organization and rapidly changing customer demands. Their objective was to transform themselves to a more entrepreneurial organization. So, the company structured itself into a several small units headed by a person officially appointed as an entrepreneur whose key challenge was to search for new opportunities. (Ghoshal and Bartlett 1995, 145.)

The case of RohonePoulenc Rorer has again highlighted creative organizational culture by forming many small entrepreneurial ventures, which emphasize creativity (Simon et al. 1999, 149). The results in the chemical company were absolute: the company's sales doubled in seven years and it became one of the 10 largest international chemical companies in the world. (Simon et al. 1999, 149.) Also, ABB and Johnson & Johnson have chosen to restrict their units' sizes to remain the entrepreneurial spirit among the companies. Matsushita on the other hand has a practice of creating a new business unit for a product as soon as it comes out from exiting product line. (Ghoshal and Bartlett 1995, 147.)



Nonetheless, let us take a closer look of the practices in 3M since it has made such a long and successful track record regarding internal ventures (the company's ROI has been growing approximately 16% compounded annually). One of the most notable aspects are that new business creation activities enjoy a high support from top management. The company also has a strong commitment to continuously innovate and bring new products to market; "Thou shalt not kill a new product idea." is the company's philosophy. The support towards new venture attempts manifests itself for example in terms of career and monetary support for the employees participating in new internal ventures. The company supports the people who are recruited to the venturing teams by providing a job security at the same level of job they used to have. This is even if the venture is a failure. Additionally, they provide incentives to the people involved in new ventures and for those managers who are able to create new ventures or departments. Moreover, 3M provides various funding sources for the ventures. Each product line department is allowed to provide funding for new ideas regardless of what market area they are aimed at. This means that employees are able to go to seek for funding from various different departments. Finally, 3M sets certain typical performance measurements for its new ventures, such as ROI, profit margin and sales growth margin. However, they set the sales growth forecasts only after they have entered the market. Furthermore, they do not set requirements such as the idea must generate certain amount of money in sales per year. (Roberts 1980, 139-141.) The summary of venturing practices within 3M are described in Table 2.

Table 2. Venturing practices in 3M

<b>3M</b>
<ul style="list-style-type: none"> <li>• Tagline: "Thou shalt not kill a new product idea."</li> <li>• Backup commitment job for people who participate in ventures</li> <li>• Incentives for people who participate in ventures</li> <li>• Various sources of venture funding.</li> <li>• Sales growth forecast only after market entry</li> <li>• Typical performance measurements such as ROI, profit margin and sales growth (Roberts 1980)</li> </ul>

In addition to the successful ones, there are indeed quite a few internal venturing attempts, which were not so prosperous. Let us take a look of the reasons why venturing efforts failed in Kodak, Neste Chemicals of Finland and a one machinery company:

**Kodak**

- Impatient profit expectations
- Restricting the autonomy of venture managers (Simon et al. 1999)

**Neste Chemicals of Finland**

- Lack of long-term commitment (Simon et al. 1999)

**A machinery company**

- Excessive protection of mainstream operations. (Burgelman 1983 in Simon et al. 1999)

Even though the venturing itself did not succeed in Kodak, their venturing program managed to inspire its personnel to innovative thinking. Regardless that the company did not allow its employees to work on their ideas during office hours, the employees submitted over 4000 proposals for starting new internal ventures. Kodak ended up accepting 14 of these. However, when these ventures got ongoing, they had to provide almost immediate profit to avoid elimination. The investment time horizon was rather hasty. Furthermore, Kodak started decreasing the autonomy of venture managers, which caused the road to turn into a difficult direction. (Simon et al. 1999, 145-146.) Some of Kodak managers were starting to feel like trapped in the evolving corporate structure (Kanter et al., 1991, 74). At the end, Kodak ended up ending the program when fronting financial difficulties in its core business (Ginsberg & Hay 1994, 384).

Additionally, Neste Chemicals of Finland had a similar kind of fruitless experience. The company had a long history of profitability but once they encountered a point where the company's sales began to decrease. To save themselves from this situation, the company established a venturing program involved with multiple internal corporate ventures to seek out new opportunities. However, the sales continued to decrease even more. Thus, the company abandoned all its ventures because they lacked of funds and the ventures were not close enough to the company's core business (Alperowicz, 1993, 19). While focusing on a core business may be an acceptable strategy, it may not be that advisable to venture into new areas in order to diversify risk only to end the venture when the core business faces challenges. (Simon et al. 1999, 151). Consequently, in addition to patient money, the venturing company should be ready to make long-term commitment for nurturing its ventures.

Finally, resistance from the corporation can be cause less successful attempts to become more entrepreneurial. Often renewing and reorganizing encounters resistance in organizations. This is resistance to change and may even be executed by the entity that paradoxically is supposed to provide support to it. Burgelman (1983) offers an example: A machinery company that wanted to start ventures ordered a taskforce collected of upper-level managers. The taskforce was supposed to oversee the venturing program by

allocating funds for the most promising venture proposals. However, the managers in the taskforce feared that the ventures would disrupt mainstream operations. Therefore, they hindered the venturing program by always requesting more and more information from potential venture managers before permitting actions. The taskforce was not able to provide a single venture within a full year. Ultimately, the venturing program failed. (Simon et al. 1999, 149-150.)

To conclude, the internal corporate venturing success stories of companies like 3M can be studied, but their blueprints for venture success cannot be entirely imitated. Consequently, if attempting venturing, there must be a distinctive corporate strategy, where the company's needs and strengths are taken into account and the strategy is tailored according to the situation. (Hisrich and Peters 1986, 318.)

### 2.3 Drivers

Many companies have tried their luck with ICV during decades, but what exactly drives these organizations to pursue such activity? According to Block and MacMillan (1993, 20) companies venture to grow and to respond to competition. When a company is trying to defend its foothold in a mature market, increasing the market share becomes more and more difficult and expensive. Therefore, innovation and the development of new products and markets becomes essential. Thus, main reasons for corporate venturing are strategic necessity and maturity of the already established business. (Block and Macmillan 1993, 20-21, 25.) FedEx for example established Zap Mail venture in a fear that a new technology of the time, fax, would conquer its market. (Simon et al. 1999, 145).

According to Simon et al. (1999, 145, 149) the formation of new ventures is often related to the wish of corporate-wide entrepreneurship. Many companies form ventures because their current culture makes it difficult to encourage this kind of entrepreneurial activity. This happened for example in General Motors. Since the company had a heavy character, huge size, and bureaucratic policies, it became difficult to compete in an increasingly hostile environment. To answer to this problem, they formed Saturn venture to promote creativity, communication, and participation. Also, Kodak established an internal venturing program when they realized that their current organizational structure would not be able to service new markets effectively when trying to increase their sagging revenues through entering to new markets.

Tidd and Taurins (1999, 123-125) on the other hand highlight that first driver for ICV is a company's desire to leverage its existing competencies in new markets or technologies, and the second one is a desire to learn new competencies. Leveraging can appear for example by building a new business around corporate knowledge and capabilities that

have value in markets that the firm doesn't currently operate. It also includes firm exploiting its underutilized resources and building the new business around these capabilities. The second driver, learning, can happen by learning about the venturing process itself, by developing new competencies and to develop managers.

Concluding, companies seem to enter venturing when facing the pressure from competition and new technologies, realizing that their current corporate structure isn't efficient for creating new businesses and providing entrepreneurial culture or in a desire to learn and leverage their competencies in new markets or technologies.

## 2.4 Benefits

It is true, that the results of corporate venturing vary enormously: from the \$600 million loss from ZapMail venture to annual \$1 billion of sales of new products from the high-tech company The Raychem Corporation (Block and MacMillan 1993, 23, 26). However, Keil, McGrath, and Tukiainen (2009, 601) argue that evaluation of ICV's success by growth and financial performance might be misguided. Also, Garvin (2002) represents that traditional financial metrics are not much of a use when evaluating the performance of any corporate venture (Garrett and Neubaum 2013, 904). Then again focusing on the indirect advantages gives a wider understanding of the benefits of ICV. In those indirect benefits of venturing, the emphasis is on capability building and learning outcomes. (Keil, McGrath, and Tukiainen 2009, 601.) Furthermore, corporate venturing practices can enable companies to achieve greater value by leveraging their core competencies (Burgelman and Doz, 2001, 33) and developing new competencies that can help the firm to reach opportunities that were previously outside of the firm's operational range (Kanter 1989, 45).

McGrath, Venkataraman and Macmillan (1994, 354) on the other hand emphasize new resource combinations as the benefit of venturing. According to them, the most essential result of ICV is the generation of valuable new resource combinations, which the firm alone is capable to exploit. This enables a firm to gain insights and access to firm-specific resources with potential competitive value (Barney 1991, 112). Venturing allows a company to make enhanced investments and allocations of resources, since the other actors are not so well-informed about the future value of those investments. In addition, firms can establish "flows" of resources that can lead to "stocks" of specific assets others will find impossible to replicate quickly. (McGrath et al. 1994, 354.)

New ventures can also enhance the core business even if the ventures will not become stand-alone businesses (McGrath et al. 2006, 51). Venturing can benefit the firm through new knowledge obtaining: it provides the possibility to learn from new technologies, systems, practices and management styles (Ambad and Wahab, 2016, 274). Furthermore,

few companies have had the same customer set through their whole existence. It is preferable not only to know who your customer is today, but also to envision who it is tomorrow. The new knowledge can speed and stimulate generation of new idea creation and help visualize the future customer's preferences (Ambad and Wahab, 2016, 274).

Finally, increase of sales is one of the quantitatively measurable outcomes of internal corporate venturing. Hisrich and Peters (1986) studied firms with and without new business venture units and found out that the level of sales generated from newly announced products were higher in those firms with new business venture unit than those without. The utilization of venturing has been recognized to increase significantly sales of products introduced within last three years (Hisrich and Peters 1986, 319).

Summarizing, previous literature shows that the benefits from ICV can be:

- new resource combinations (McGrath et al. 1994, 354)
- capability and competence building (Keil et al. 2009, 601, Kanter 1989, 45)
- leveraging core competencies (Burgelman and Doz, 2001, 33)
- knowledge obtaining (McGrath et al. 2006, 51)
- visualizing future customers preferences (Ambad and Wahab 2016, 247)
- growth (Hisrich and Peters 1986, 319)

## 2.5 Enablers

I chose to utilize a three-part framework to illustrate the enablers of ICV (Figure 4). I limited the investigation of ICV enablers to these three themes since are by their nature the kind that they be addressed and evaluated before the ICV has wholly begun. This framework is derived mostly from studies assessing what makes internal corporate ventures successful. Firstly, since forming a favorable environment to the parent company is one of the key aspects for venturing to succeed (Hisrich and Peters 1898, 320) the first part of the framework is venturing-like environment (e.g. Roberts 1980; Hisrich and Peters 1989; Abrell and Karjalainen 2017), Additionally, since personnel related issues are one of the most cited issues leading to the venture failure, it is crucial to fill the venturing team with right individuals. Thus, the second part of the framework is a venturing team. (e.g. Hill and Hlavacek 1972; Hisrich and Peters 1986.) Finally, since the venturing unit must be set apart in an adequate degree from the corporate structure to ensure its success (Hisrich and Peters 1989, 318) the third part of the framework is venturing unit form (e.g. Block and MacMillan 1993; Garrett and Neubaum 2013).

Enablers of internal corporate venturing		
Venturing-like environment	Venturing team	Venturing unit form

Figure 4. Framework of enablers of ICV

### 2.5.1 Entrepreneurial management

To base the three-part framework illustrating ICV enablers, the thesis continues to describe the balance between administrative and entrepreneurial management that a venturing organization needs to obtain.

Entrepreneurial activities are usually calling for different kind of management than the typical operative business. However, there is underlying paradox related to these activities, since established organization are built to administer, sustain and to protect the status quo. New ventures on the other hand, aim to create and foster something that hasn't existed before. (Ginsberg and Hay 1994, 384.) They require a special kind of management since they are obtained by characteristics of laying uncertainty; characteristic of great number of decisions that have vital financial consequences including decisions about exploiting new technological and market opportunities. (Alvarez and Barney 2005, 782.), knowledge-intensity, competition between alternative courses of action and frequently occurring boundary crossing (Kanter 1985, 47-48) If you add start-ups into an existing organization, they cannot be managed with a similar traditional technique than the traditional business (Ries 2017, 9). Consequently, companies need the skill to simultaneously manage continuing activities and to create new ones. (Kanter 1985, 47-48.) So, there is a need for both administrative and entrepreneurial management (Figure 5).

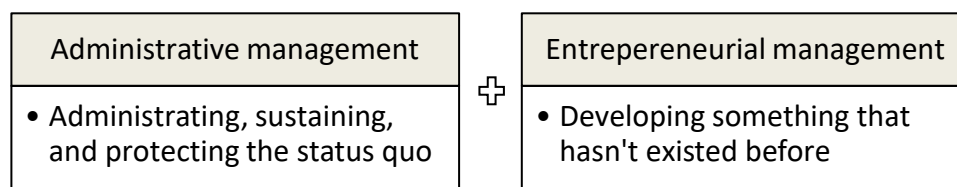


Figure 5. Administrative and entrepreneurial management

However, according to Ries (2017, 9) most organizations are missing the core discipline to manage these internal start-ups. The missing function is entrepreneurship, which is as important and the traditional disciplines, such as marketing and finance, for their future success. Furthermore, according to Kanter (1985, 47) an imbalance between administrative and entrepreneurial management may cause problems to venture development when administrative management is emphasized too much, and innovation is not valued enough. For example, reporting requirements may disrupt project activities. (Kanter 1985, 50). However, ventures do need some kind of monitoring, since learning through experimentation can come with a relatively big price tag (Simon et al. 1999, 146). Furthermore, control systems can also advance the innovation process. Intelligence gathering, idea recognition and idea selection and moving idea to a project do need a set of controls. (Davila, et al. 2009, 286-287) Consequently, the management style where the only formal control mechanism is fund or not to fund innovation projects is limited to straightforward research activities. (Carlson 2007 in Davila et al. 2009, 286).

### ***2.5.2 Venturing-like environment***

The first entity of the ICV enablers is venturing-like environment. Historically, have not put much emphasis to encouraging creativity or an entrepreneurial spirit (Hisrich and Peters 1986, 308). A "don't rock-the-boat" philosophy exists in many large corporations (Hill and Hlavacek 1972, 45). However, increasing number of companies are realizing the importance of creating an environment where innovation and creativity occur. (Hisrich and Peters 1986, 308). Internal ventures rarely succeed in any kind of milieu. An adequate environment is discovered to be the distinctive feature of successful internal corporate venture (Hisrich and Peters 1989, 320). Thus, it is essential to create favorable, "venturing-like", environment. Even though factors ensuring ICV success are not so well understood, it seems that the key to the success comes from corporate management's willingness to ensure that their internal ventures have the needed support. This means both managerial support and providing strategic assets and relevant knowledge. (Garrett and Neubaum 2013, 896, 911)

When reviewing corporate venturing literature, I was able to find five themes which describe a venturing-like environment. It appears that this kind of environment is created by supporting the venturing efforts, allocating needed resources and setting priorities towards new business creation and by empowering new ideas. In addition, for venturing to succeed, there must be needed knowledge of technology and customers and markets (Table 3).

Table 3. Characteristics of venturing-like environment

<b>Support</b>
<ul style="list-style-type: none"> <li>• Top management support is strongly present (von Hippel 1977, Block and MacMillan 1993, Hisrich and Peters 1986; Fast 1979; Abrell and Karjalainen 2017)</li> <li>• There is no turf protection or initial opportunity parameters (Hisrich and Peters 1986; Roberts 1980)</li> </ul>
<b>Resourcing</b>
<ul style="list-style-type: none"> <li>• Company's resources are available (Hisrich and Peters 1986; Amabile 1998; Fast 1979)</li> <li>• Multiple sources of venture capital (Roberts 1980)</li> </ul>
<b>Time horizon</b>
<ul style="list-style-type: none"> <li>• Planning flexibility (Hisrich and Peters 1986; Kanter 1985)</li> <li>• Company has a long investment time horizon (Hisrich and Peters 1986; Kanter 1985; Zahra and Covin 1995)</li> </ul>
<b>Empowerment of new ideas</b>
<ul style="list-style-type: none"> <li>• Company encourages new ideas (Hisrich and Peters 1986; Roberts 1980)</li> <li>• Company encourages experimentation (Hisrich and Peters 1986; Roberts 1980)</li> <li>• Board performance goals and reward system (Hisrich and Peters 1986)</li> </ul>
<b>Knowhow</b>
<ul style="list-style-type: none"> <li>• Company operates on frontiers of technology (Hisrich and Peters 1986)</li> <li>• In depth knowledge of markets and customers (Block and MacMillan 1993)</li> </ul>

First essential aspect of venturing-like environment is support. Several authors agree that to achieve successful practice of ICV, there is a need for constant, visible and long-term support for both ICVs and venture managers (von Hippel 1977, 164; Hisrich and Peters 1986, 320). Corporate resistance, manifesting itself in incomplete financial support, or too much disturbance is the key reason to ventures' poor performance (MacMillan & George, 1985, 39). It is equally important that the support is both formal and informal (Block and Macmillan 1993, 137). There are several ways how top management can support venturing: by supporting the proposals coming from venture department and by ensuring it has enough resources, supporting the venture in conflicts that may arise (Fast 1979, 266) and by confirming that the venture gets support for example from the engineer



department (Hisrich and Peters 1986, 320). There might be also a need for methodical support for the venture (Abrell and Karjalainen 2017, 24-23): a corporate entrepreneur who has a technology background may need a business modelling support and employees generally may need support to obtain new means of innovation and capabilities. The leaders within the venturing company should commit their personal time and promote new business development with a long-term persistence, since it takes time to create a major change in organizational environment. One way of showing personal commitment is to assign the top-notch people of the organization to every new venture (Block and MacMillan 1993, 39-41.)

Additionally, the venture managers must be empowered in the way that they feel free to act on the business ideas instead of restricting and controlling them tremendously. However, it is not rare that new ideas are not met with open minds. Instead, the new ideas may go through time-consuming layers of evaluation and criticism. Senior managers may take even weeks to respond to the suggestions about new product ideas. They may rather look for reasons not to use a new idea than motives to explore it further. If there is no appropriate recognition for creativity, people may end up feeling greatly underappreciated. (Amabile 1998, 83).

Moreover, it is important that every manager within the company becomes knowledgeable about entrepreneurial management, even the managers who are not directly working with the internal start-ups. This is because they need to know why some employees are working in a different way, hold them responsible to new standards, and to detect when their own traditional gatekeeper functions (e.g. HR, IT, legal and compliance) are in a way. Ries (2017, 10)

The venturing company should assure that there are no initial opportunity parameters blocking creative problem solving. For example, in a company which had several divisions, one venturing unit eventually failed when their proposal of product was ruled out since it was in the domain of another division. (Hisrich and Peters 1986, 319.) As described in chapter 2.2, the corporate venturing champion 3M acts as opposite: they have no product line or business area constraint (Roberts 1980, 140).

The second and third crucial matter for venturing are resourcing and a long time-horizon. Often insufficient amount of resources is provided to the task of creating something new. However, intrapreneurs need to have both the monetary and human resources if they are asked to make even career-risky acts to establish a new venture. (Hisrich and Peters 1986, 319.) The search of new ideas and markets does not offer that certain outcomes, it happens in longer time horizon and it has more diffuse effects than the development of existing products, ideas and markets (March 1991, 73) and it may take years to the venture be a cash generator (Hisrich and Peters 1986, 319). Flexibility is also essential for ICV success. Intrapreneur has to be also able to alter the plans to establish new objectives and

directions (Hisrich and Peters 1986, 319-320), since innovation and new ventures are obtained by alternative courses of action: the emerging reality often differs from the original concept (Kanter 1985, 47, 49). Thus, managers should aim to momentum building rather than expecting quick results. (Block and MacMillan 1993, 42-46). The positive impacts of corporate entrepreneurship on the financial measures of company's performance efforts tend to be modest first, yet they increase during the time. (Zahra and Covin 1995, 44). Consequently, in terms of Kanter (1985, 49), there must be "patient money".

Additionally, Roberts (1980, 140) argues that there should be multiple sources of venture capital within the company that's venturing. The funding can be provided for example by corporate groups or product line department (as in the corporate venturing expert 3M). Starting several new initiatives simultaneously may be more advisable than putting all resources to one big project. Also, a progressive diversification of activities is found to be more effective.

Moreover, deciding how much money, and time to allocate is a sophisticated judgement call that can either enable or kill creativity. If managers keep the resources tight, this might push people to channel their creativity into finding other resources, not creating new. The managers who do not allow time for exploration are slowing the creative process. (Amabile 1998, 82.)

The fourth crucial matter is that the company empowers new ideas by encouraging to experimentation and learning. Yet, firms which require swift return on investment and high sales conversely often discourage new ideas. (Hisrich and Peters 1986, 319.) If a company wants to create an intrapreneurial environment, mistakes must be allowed, otherwise there is not much possibilities for venturing unit to succeed. There should also be risk taking ability. According to Simon et al. (1999, 150) venturing is inherently risky if the corporation mentality is conservative and preferring to bet on sure projects. Senior executives may feel that they have to step in and get the venture running the way they see is right. (Simon et al. 1999, 150.)

Additionally, according to Hisrich and Peters (1986, 320) there should be broad performance goals that are used as a guidance when rewarding the intrapreneur in the venturing unit. Though, Block and MacMillan (1993, 38) argue that there is no necessary a need for special kind of reward system. If the entire organization is aiming towards new business creation and development: it is already part of the job.

The final theme of venturing-like environment is technology-, market- and customer-related. The venturing company should operate on the frontiers of technology of its industry (Hisrich and Peters 1986, 319). In addition, an in-depth knowledge of customers and markets is essential, since a solid understanding of customer needs can generate several business ideas (Block and MacMillan 1993, 42).

### 2.5.3 *Venturing team*

The second part of the ICV enablers is a venturing team. Venturing team's first definition derives from the 70's when Hill and Hlavacek (1972, 46) framed it to be "an organizational innovation designed to fit structure to the task of new product development". It is built to "the need to develop sub environments within [the corporation] that will speed the enthusiasm and entrepreneurial spirit of the small firm which has fewer bureaucratic controls and obstacles to overcome" (Hill and Hlavacek 1972, 46).

Corporate ventures and their teams may come in many forms, but the purpose is not to fill the venturing team just with individuals from any job functions. It appears that the filling of the venture team with the right individuals is an extremely crucial task. A study made by Hlavacek (1974) found that the second most cited problems leading into ventures' failures were related to personnel. Top management cited that one problem leading to failure was wrong venture manager. In contrast, venture managers reported that problems which caused failure were related to conflicts with divisional managers and impatient top management. (von Hippel 1977, 165.).

Then what kind of team makes a venture successful? First, the venture team should be multidisciplinary (Hisrich and Peters 1986; Abrell and Karjalainen 2017; Amabile 1998). There is a need for an open approach to teamwork where needed individuals are participating regardless of their job area (Hisrich and Peters 1986, 319). Thoroughly homogeneous teams tend to kill creativity. Although they might reach solutions quicker and obtain higher morale, they do little to enhance expertise and creative mindset. When every player comes to the table with same kind of mind-set they also tend to leave with the same. (Amabile 1998, 83.) People who think alike may have better dynamics but when their thoughts circulate only on the same level, after a while it may become more difficult to brake the patter and invent something completely new. Abrell and Karjalainen (2017, 24) suggest that team building, and multidisciplinary team work should be reinforced with a special training format. In addition, it might be useful to provide training also for other employees in terms of general openness to innovation. This would increase the employee's commitment to ICV and the acceptance by the colleagues of entrepreneurs. (Abrell and Karjalainen 2017, 25.) Secondly, according to Hisrich and Peters (1986, 318) the size of each intrapreneurial group should be approximately of ten people. Thirdly, there are some specific roles that should be filled in a venturing team. Common practice is to name this team of qualified specialists without a clear entrepreneurial leader, to avoid this typical stumbling block, Block and Macmillan (1993, 115) listed five roles which should be filled in every venturing team:

- **technical innovator:** the person who has made the technical innovation

- **product ambassador:** the person who supports and promotes the venture idea until approved
- **venture manager:** the person (internal entrepreneur) who is responsible for the overall progress of the project
- **venture godparent:** high level person in the parent company who runs interference for the company and helps the venture obtain needed resources. Simon et al. (1999, 150) argue that it is not unusual that even the vice president of the company acts as a venture godparent, or as executive champion as Block and Macmillan framed it. This kind of championing worked as a key to drive IBM to PC market when Philip Estridge needed to persuade resistant IBM's upper management to invest in the PC market when it was only at its infancy.
- **chief executive of the innovative organization:** the individual in charge of the venture and allocation of the resources

Von Hippel (1977) emphasizes that there is strong evidence that in the venturing team there should also be

- **individual with experience with the customer set of which the venture is going to operate with**

In addition to these, venture team must contain individuals with the required functional qualifications such as a marketing person and a finance person and so on. (Block and MacMillan 1993, 115-116). Furthermore, it is advisable to include an individual equipped with experience with the customer set of which the venture is going to operate with, since von Hippel (1997) discovered that it matters whether the venture operates with the same class of customers than the parent organization has, or with some new set of customers. Ventures, which deal with the class of customers with which the parent organization has previously operated with have a high profitability of success. Vice versa, ventures, which are dealing with new customers inevitably fail. If there is a person in the venture team (either from the parent organization or recruited from the outside) who has experience of that class of customers which the venture is dealing with, there is a correlation with venture success. (von Hippel 1977, 168.).

When the venture team is gathered together from the most qualified persons fulfilling all of the needed roles, the team must also get to work efficiently. McGrath et al. (1994, 354) argue that there must occur a causal understanding in the venture team. Causal understanding means the team's understanding about relationships among antecedents and consequences which are concerning the venture. Most critical is the understanding among inputs, combinations, and the expected results from the deployment of production factors. (McGrath et al. 1994, 354) Stability within the venture team is also important, since the

innovation process is highly knowledge-intensive and the efforts are vulnerable to turnover because of the loss of the knowledge and experience (Kanter 1985, 47-60). Abrell and Karjalainen (2017, 24) argue that also teambuilding, such as networking support for partner and relevant stakeholder pursuing for projects has a central role in venture progress. However, according to the authors this kind of meaningful networking requires an effectively working infrastructure and internal communication processes with corporate mindset that encourages to this these kind of activities in an open-minded environment.

According to Block and Macmillan (1993, 136-137) incentives and recognition of achievements seems to be the key to effective team work. The authors argue that the incentives should be provided to all key people, not to just senior venture managers and to distribute evenly among the venture team. One of the success factors what Block and Macmillan (1993, 135) list, is recognizing and adapting to reality. This means that when incentive payments should be made according to venture's absolute results, not according to how closely it is meeting the plan.

So, briefly, to create a strongly performing venturing unit, building of the venturing team is extremely important. There must be a robust organizational support and management has to ensure that the venturing teams are multidisciplinary and filled with right roles with people who possess certain experience. For venturing's effective performance, motivation of the venturing team is essential. Finally, to motivate the venturing team, incentives may play an important role.

#### **2.5.4 *Venturing unit form***

It is now clear that the support of top management and availability of resources is crucial for venture success. So, as a final entity of the ICV enablers I will illustrate matters related to venturing unit form. Hisrich and Peters (1986, 318) argue that the success of the new venture unit depends on not only on the entrepreneurial behavior but setting apart from the corporate structure. However, it is less certain on which extent and in which aspects the venture should be apart from its parent (Garrett and Neubaum 2013, 897). The venturing unit can be positioned in a several ways in the organization: from implanting the venture fully to the company's ongoing operation to creating entirely separate division reporting to the top level of the company (Block and MacMillan 1993, 149). Block and MacMillan (1993, 84-85) list different options for positioning and structuring the venturing unit:

- Division or unit which is responsible for venturing within the firm. It is a part of corporate business development or planning function or it is reporting directly to the company's COO or CEO.

- New-venture activities managed by an operating unit or as a distinct venture. There is a corporate staff unit which is responsible for facilitating, inspiring and supporting the venturing activities.
- A line or staff function which is operating in a division, subsidiary, or department.
- Ventures not as a part of any specific unit and do not have any special structural arrangement. Business unit management recruits and operates ventures as an ongoing part of the existing units' responsibilities.

The form of the venturing unit should depend on the organization's experience in venturing, the scale and urgency of venturing, size (of the firm or unit), organizational culture, parent organization's commitment to venturing and the nature and size of the intended ventures. (Block and MacMillan 1993, 85.) If the company does not have much experience of venturing, and a big urgency to start venturing, there might be a need for establishing a corporate unit to head the venturing process. In this sort of situation, the corporate venturing unit serves as a catalyst. The venturing should be executed in collaboration with the operating units and each venture should be returned to a suitable operating unit once established. Once the operating unit gets familiar with the venturing process, the corporate level venturing unit should undertake a role of an advisor. (Block and MacMillan 1993, 86.) Additionally, if the company is experienced in venturing, has a solid commitment to it and favorable corporate culture among with diverse ventures, then it is advisable to have a venturing unit in each operating unit. The operating unit's responsibility would be to support the ventures until they can operate on their own. (Block and MacMillan 1993, 85-86.)

Nonetheless, the separation of the venturing unit from the parent organization has high impact on the venture's evolution (Block and MacMillan 1993, 149). A study conducted by Garrett and Neubaum (2013) found that when top management's support to the venture increase, the endowment of initial strategic assets increases as well, and this follows the performance of the venture to increase. However, the study didn't support that venture's autonomy would be positively associated with venture performance. This might be because venture's endowment of strategic assets decreases when the venture is more independent. However, according to Block and MacMillan (1993, 149) when the venturing is more integrated to the parent organization, there is a higher risk of not gaining much focus of attention and not being top prioritized in resource allocation since the venture has to compete with other likely much more profitable subunits in the organization. This differing view related to the findings of Garrett and Neubaum (2013) could perhaps be result on that the ventures in Garrett and Neubaum's research were strategically highly prioritized in the parent organization, since they gained a lot of assets when being highly embedded to the organization. Block and MacMillan (1993, 150) on the other hand found a downside in being highly separated from the parent organization. They argue that when

the venture is more separated, it has less chance to get the needed resources which would be needed to adapt with the venture's growth. They explain this by reasoning that when the venture is more integrated, the needed resources, such required systems, facilities and employees are already there (though they are not necessarily available, but there is no need to come up with resources that do not exist yet at all). In completely independent venture the resources must be created or recruited.

Finally, last notable issue is the study by Garrett and Neubaum (1993) found also that performance benefit of initial strategic assets is weaker if the products of parent organization and the venture are more similar. Large similarity increases inner conflicts. When relying on the assets and resources of a parent organization while scoping new opportunities too closely to the parent, it may drive venture managers away from the road to disruptive innovation because they are trying to maintain the support of parent organization. According to the authors disruptive, innovations seem the best path to venture success. Thus, they suggest that ventures that are dependent from their parent organization's resources might benefit scoping market opportunities outside of those of the parent organization's. (Garrett and Neubaum 1993, 909-910)

## 2.6 Synthesis

The chapter 2 illustrated the literature review of this thesis and set the base for the upcoming analysis of empirical observations (Figure 6). Based on the definitions of previous research around this topic, ICV was defined as any group, project or division inside of an established organization, which is set apart from the operative business and provided needed autonomy and organizational support to nurture a new business idea from its development phase into a market entry. The literature review found that one of the corporate venturing pioneer's 3M's one key aspect to successful venturing is the support from top management (Roberts 1980 139-141). Vice versa impatient profit expectations in Kodak led to venture failure (Simon et al. 1999, 145-146). Moreover, companies venture for example in the wish for new innovations (Block and MacMillan 1993, 20-21) and for corporate-wide entrepreneurship (Simon et al. 1999, 149). In addition, the benefits from internal corporate venturing are related to learning outcomes (Keil et al. 2006, 601) and new resource combinations (McGrath et al. 1994, 354). Finally, the enablers of internal corporate venturing are venturing-like environment filled with top management support (von Hippel 1977, Block and MacMillan 1993, Hisrich and Peters 1986; Fast 1979; Abrell and Karjalainen 2017), suitable venturing team filled with roles from venture manager to venture god parent (Block and MacMillan 1993, 115) and forming the venturing unit according to the support and autonomy it needs (Garrett and Neubaum 2013, 897).

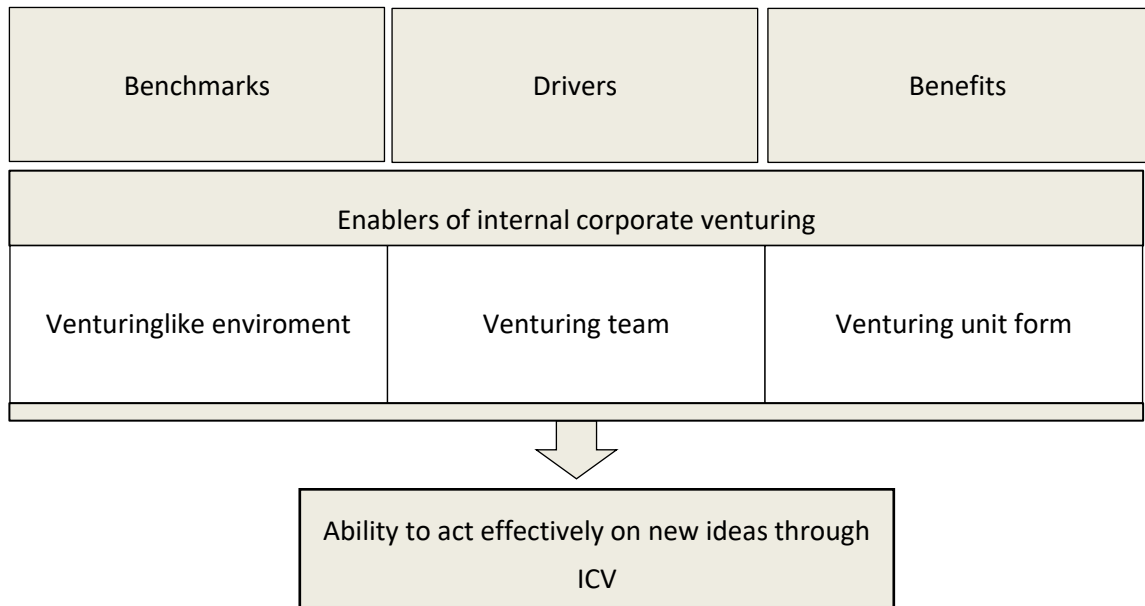


Figure 6. Summary of the literature review

From now, the thesis continues to the third chapter of this research. It contains introducing the research method, including research approach, data collection, analysis and finally to evaluation of truth value and consistency of this research.



### **3 RESEARCH METHOD**

#### **3.1 Research approach**

This thesis' aims to find comprehensive information about a unique incidence of the case company MacGregor. Accordingly, this thesis research is conducted by qualitative single-case study and complemented with insights about new business creation in Aller Media Ltd. Single case study investigates a group, an institution or a community aiming to answer exact research questions and utilizes multiple sources of evidence (Gillham 2000, 1-2). Qualitative research enables constructing thoughtful and robust theory about the studied phenomena (Anderson and Jack 2015, 15). Its main purpose is to study the object as holistic as possible and the goal is more about revealing facts, than arguing already existing thesis. (Hirsjärvi et al. 2000, 152.)

This thesis research is exploratory by its nature. This type of research is usually conducted to study problems that may not be clearly defined yet and set the base for further research. (Dudovskiy 2018.) In this thesis research, the identification of relevant research problems and setting reasonable scope to the research required were challenging. Accordingly, the empirical research was started by investigating the case firm and pre-evaluating its possible challenges and matters that were the worthiest of studying more comprehensively. This pre-evaluation sought to find issues in the case company that could be used to evaluate does the case company have enablers for starting ICV. Consequently, this led to shaping the interview questions to address the organizational environment related to creating new, and to discuss possible challenges and accelerators in new business creation at the case company. Finally, in order to gain better understanding of how mature established firms organize their new business creation, the case study in MacGregor was supported by conducting an interview with external representative from Aller Media Finland. This implies that this is not truly just only a single case study but utilized insights from multiple cases.

#### **3.2 Data collection**

I utilize empirical data from three different sources: qualitative data from interviews, field notes from ethnographical observations and finally quantitative data from employee engagement survey. I collected the empirical data for this thesis research while working at the case company for the period from May 2018 to August 2018. This made possible to utilize also the ethnographic research strategy, acting as an observing insider at the case

firm. Ethnographic research is used for describing, explaining and for forming interpretations of human actions within the context of a social environment (Jyväskylän yliopisto 2015), at this case the organizational environment at the case firm. Ethnographic research does not involve only observations about the studied people, but also interaction with them (Silverman 2009, 168). When making notes about interactions and discussions, the emphasis was put on the employee's thoughts and feelings related to creating new at the case firm. The purpose in ethnographic research is to make the observations from multiple standpoints. However, since my working time at the case company was only four months, we must acknowledge that a longer time span within the company would probably had provided more exact observations about the social environment in MacGregor. These employees of whom informal discussions I use in citations, are simply referred as informants or employees

In addition to the interviews and ethnographical observations, I utilize quantitative data from Compass 2017 employee survey conducted in Cargotec (Cargotec 2017b). The survey is executed annually at the company. Business area managers arrange feedback sessions and create an operating plan according to the results. 2017's survey's dimensions were for example leadership behaviors, employee engagement, team climate and service mindset. The survey got answers from 1587 employees from MacGregor.

Since Cargotec Oyj holds 11 000 employees and multiple business areas of which each hold multiple divisions where organizational charts and job functions aren't in line with each other, finding the right individuals to interview showed up as a challenging task. So, I chose the potential interviewees by utilizing the snowball, or chain-referral, sampling technique. Snowball sampling is a non-random sampling method which is popular in business studies which focus on a specific company. (Research Methodology 2018) The sampling technique utilizes the networks of already recognized respondents (Atkinson and Flint 2011): I asked from each interviewee who they would recommend being interviewed regarding this matter of new business creation in MacGregor. At this thesis research, I use a mix of exponential non-discriminative and exponential discriminative snowball sampling. This means, in this case, that the first recruited person to the sample may give multiple referrals which of some were chosen and some not chosen, according to the aim and objectives of the study.

The ability of recruiting hidden populations in short duration of time without the need of much planning can be described as on the advantages of snowball technique. However, one of the disadvantages is a possible bias, which is caused by oversampling a particular network of peers. (Research Methodology 2018.) The oversampling of a particular network of peers was aimed to reduce by interviewing personnel from every organizational level and from multiple job task areas. In addition to various organizational levels, the effect of this bias is believed to be decreased by interviewing personnel from various business divisions, which are operating geographically rather far away from each other.

I conducted each of the interviews in semi-structured form. The complete interview framework is illustrated in appendix 1. The interview questions were built around to the research around venturing-like environment presented in chapter 2.5.1 (e.g. Hisrich and Peters 1986) and included also case -specific questions. I altered the specific content of the interview themes based on the informants' job area and position in the organization and possibly expanded when faced new information which was relevant to look deeper into. Each interview lasted approximately from one to one and a half hour and were conducted face to face, by video conferencing or by phone. Interviews were conducted either in Finnish or English, depending whether the informant was Finnish speaker or not. The quotations from interviews in Finnish are adapted to English. All of the quotations are in *italics* within the text. The interviewee was informed about the recording, of which recordings were destroyed after the research was finished. Interviews were conducted with following informants presented in Table 4.

Table 4. Interview informants

<b>Case company interviewees</b>				
<b>Informant</b>	<b>Organization</b>	<b>Type</b>	<b>Language</b>	<b>Date</b>
Lifetime Performance Manager	CHD	Face to face	Finnish	7.6.2018
Director of Customer Innovation	RoRo	Google Hangouts	English	13.6.2018
VP of Digital Transformation	Cargotec	Google Hangouts	Finnish	25.6.2018
Director of Customer Solutions	CHD	Face to face	Finnish	3.7.2018
Senior Project Manager	AOS	Google Hangouts	English	5.7.2018
President of MacGregor	MacGregor	Google Hangouts	English	6.7.2018
Director of Customer Innovation	CHD	Face to face	Finnish	12.7.2018
VP of Global R&D	Bromma	Google Hangouts	English	6.8.2018
VP of CHD and RoRo	CHD/RoRo	Google Hangouts	English	17.8.2018
<b>External interviewees</b>				
<b>Informant</b>	<b>Job function and organization</b>	<b>Type</b>	<b>Language</b>	<b>Date</b>
CEO	Aller Media Finland	Phone	Finnish	3.8.2018

*VP of Digital Transformation* acts as catalyst for new business creation, concentrating on digital transformation. He's function is to accelerate the scoping and researching of emerging business opportunities. He also directs Emerging Business Accelerator (EBA) program, where business ideas are polished and evaluated as more ready concepts and furthermore pushed back to the divisions for further development and market entry. *The president of MacGregor* is responsible of the whole business area and furthermore reports to the CEO of Cargotec. The *VP of CHD and RoRo* acts as a Vice President for the both divisions. Previously headed only RoRo division but until recently He took also the responsibility of CHD. CHD's *Director of Customer Innovation* was recently appointed to this role. He's specific responsibility is New Business. *Director of Customer Solutions* acts as a Director of Sales and is responsible of Customer Solutions where also the division's *Lifetime Performance Manager* works. The team concentrates to find solution in collaboration with customers. With a recent organization change the team will belong to the Customer Innovation organization. RoRo's *Director of Customer Solutions* works with similar tasks than the one in the CHD division. The *Senior Project Manager* in Advanced Offshore Division and participated to Emerging Business Accelerator program as a concept owner. *Vice President of Global R&D* works in Bromma, which is a part of the Kalmar business area. Until recently he used to work as a R&D manager in MacGregor. In the findings, the interview respondents will be addressed according to their titles.

Finally, the only informant who does not belong to the case company is the *CEO of Aller Media Finland*. Aller Media Finland is media and marketing company which belongs to Nordic Aller publishing house. Aller Media has gone through a large transformation within the media industry faced digital disruption. The company has successfully turned itself from traditional printing house to a modern data-driven media and marketing company and a forerunner of digital and data business (Aller Media Oy 2018).

### 3.3 Analysis

In this thesis, I analyze qualitative data to form a clear and reliable analysis through analytical processing. One purpose of qualitative analysis is to find patterns and to generate explanations. The explanation logics in qualitative research are induction and deduction. The explanation is inductive, when the purpose is to generate new theory and explanations through accumulations of many specific, but similar circumstances. However, often the explanation logic is about checking assumptions; deducing specific explanations from general theories and seeing whether they match with the phenomena observed. A hypothesis is drawn from a general law and then tested against reality. (Gibbs 2007, 2, 5-6.)

For the analysis, I utilize previous literature and data from interviews. Additionally, I used data from field notes made during working in the case company and Compass 2017 employee- survey to support the findings from the interviews (Figure 7).

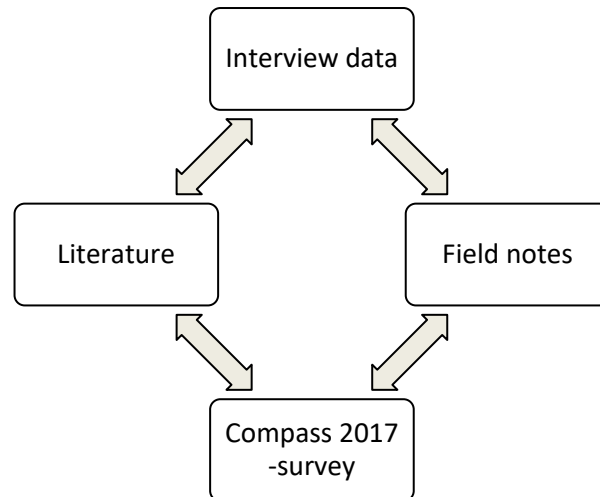


Figure 7. Data-analysis

First, I analyze the data by each interview, concentrating on finding information by mirroring the relevant points to the previous literature. In this sense, the data explanation was conducted with deductive logic. In this part, I focus mainly to the enablers of internal corporate venturing (See chapter 2.4). I scope the interview data also by searching for similarities between the comments of the informants. I execute this part to check whether there is something new to find, something that wasn't necessarily crossed before in the literature review. In this sense, the explanation was inductive. I conduct this part of the analysis by highlighting themes which came up repeatedly in in the interviews. Finally, I complement, and cross check the essential observations from the interview data with the field notes from the ethnographical observations and the Compass 2017 -survey.

### 3.4 Truth value and consistency

In many studies, the reader must rely on the researcher's description about the phenomena, which may provoke judgment about the research validity and reliability (Silverman, 2009, 286). Validity and reliability are sometimes called as "*truth value*" and "*consistency*" "in qualitative research. *Truth value* recognizes that multiple realities exist; the researchers' outline personal experiences and viewpoints that may have resulted in methodological bias; clearly and accurately presents participants' perspectives". (Noble and Smith 2015, 34). According to Silverman (2009, 275), although qualitative researchers

don't have any "golden key" to research validity (truth value), there is a risk that findings depend on few well-chosen examples, not to critical evaluation of all research data. I aim to avoid this possible bias with comprehensive investigations of the whole data setting. *Consistency*, on the other hand, refers "to the 'trustworthiness' by which the methods have been undertaken and is dependent on the researcher maintaining a 'decision-trail'; the researcher's decisions are clear and transparent." In the end, independent researcher should be able to reach at similar or comparable findings. Finally, the results should be *applicable* to some point, in sense that "findings can be applied to other contexts, settings, or groups". (Noble and Smith 2015, 34.)

This thesis discusses about the issues in the whole case company MacGregor. However, my working period in CHD has put the main emphasis on this specific division. Yet, working in CHD also provided deeper understanding of the company's ways, about the organization and the state of mind of the employees by observing the organizational environment. Moreover, it provided a possibility to have several informal discussions with the employees, which was beneficial compared to a situation where there would not be an access to the case company. To what extent the organizational atmosphere is completely alike between divisions, may remain unclear under the circumstances of this study. However, since the divisions are working under the same corporate umbrella, it can be assumed that there are many similarities within the divisions. In addition, I conducted the interviews with representatives of several divisions.

Since this thesis contained also ethnographical characteristics, evaluation about the ethical setting of the research becomes even more relevant to conduct. Ethnographic research strategy awakes questions about how to inform the research subjects without letting it to affect to them. However, each of the individuals of whose informal discussions I use to support the observations about the phenomenon, are left unnamed for the sake of protection of their privacy.

## 4 RESULTS

The results are presented as follows: First, I present the material from interviews and describe characteristics of new business creation within the case company describing the roles within the company, illustrating the goals related to new business creation, discussing about the culture of experimenting and failure and describing tools, methods and programs that MacGregor uses related to new business creation. Finally, I illustrate the internal and external challenges that MacGregor is facing in its new business creation. This chapter provides the material for answering to research question #1.

### 4.1 New business creation in MacGregor

To revise, there are four business divisions in MacGregor, CHD, RoRo, AOS and GLS. Each of them has the responsibility of certain product and service offering. The practices of new business creation vary slightly within those divisions. In RoRo and CHD, there is a Customer Innovation organization which has the main responsibility of new business creation activities within the divisions. To CHD, the organization was established in May 2018, and it's not fully structured yet during this thesis research. In RoRo the division was established a year earlier than to CHD. In CHD the new business creation was earlier mostly the responsibility of Solution Sales team. Each division is mostly concentrating on their own product and service offering, but there is some collaboration between the divisions. Nonetheless, the new business creation is meant to be conducted by resolving customers' pain points and future visions in collaboration with the customer:

*We choose our customers basically by interviewing our customers, talking to them about their business, not talking about our products, not talking about solutions in any shape of form. We talk about their business, pain points, we talk to various stakeholders. We get a picture how their business looks so we can find a solution that fits them-- we have a whole bunch of questions and those questions can be about environment and safety, business in general, how they see their future, what the future trends are. A whole bunch of questions we believe that will give the insights about the business-- and basically what we come up with is new business ideas, new business opportunities. (Director of Customer Innovation, RoRo 13.6.2018)*

However, creating new business opportunities by solving customer problems has not always been customary in MacGregor. Previously, the company's R&D functions have had a sort of a practice of developing solutions that they thought that the customer would need. In addition, the Compass 2017 survey shows that 79 % of employees evaluate that

the members of their team work hard to understand the needs of their customer. Furthermore, MacGregor's research and development organizations seem to concentrate more on product development, on improving already existing things according to several informants.

The corporation of Cargotec's role in the new business creation appears to be emphasized on increasing digitalized offering of the business areas. They aim to advance research, searching and experimentation about new possibilities and how the business could be reinvented in business areas (VP of Digital Transformation, Cargotec 25.6.2018). Cargotec also facilitates an accelerator program, called Emerging Business Accelerator (EBA) in exploring and validating new business ideas to generate validated business concepts. President of MacGregor (6.7.2018) describes that Cargotec has a role of a vision provider, being an effort coordinator and finally taking one step further from coordinating and providing an active department (referring to EBA program).

#### **4.1.1 Goals**

According to the president of MacGregor, (6.7.2018) the company has multiple goals related to new business creation and explains one of them to be to simply have a wider product offering in the sense of wider value proposition offering. However, most of the interviewed respondents were not aware of any specific goals related to new business creation. VP of Digital Transformation, Cargotec (25.6.2018) describes the whole organization to be built around products and product development. There are no specific goals targeted especially for new business creation at the time when the interview was conducted. However, Cargotec has a strategic goal of increasing the amount of services and software, which presumably implies that there should be created also something new to get to that goal. Also, there are goals of how much revenue there should be collected from emerging businesses to this year and how much there is budgeted to the year following (VP of Digital Transformation, Cargotec 25.6.2018). Furthermore, Lifetime Performance Manager, CHD (7.6.2018) describes that there is no at least written down any specific goals related to new business creation what he would know about. In their own circles, they have discussed that there should be developed something new, since this existing doesn't carry too far. The only plan is that how much money they should gather next year from this business, and it is only budgeting. However, the VP or RoRo and CHD describes in his interview 17.8.2018 that in the next strategy round they will set financial goals of 20 million euros of new business until 2021.



#### 4.1.2 Time horizon

The investment time span related to new business creation might be rather short in MacGregor in some cases. It seems that the results might be expected somewhat fast from the new opportunities.

*If you want to put something to market in here, you have to make a budget. Your budget is what you go with. --- And that's a shame because... if it doesn't make that money within that year, what they [the management executive team] are going to do? Are they going to dump it? Or are they going to go with it? (Director of Customer Innovation, RoRo 13.6.2018)*

As Hisrich and Peters (1986, 319), Kanter (1985, 49) and Zahra and Covin (1995, 44), described venturing attempts should be supported by long investment time span. The expectation of immediate cash generation can possibly kill the new businesses. It also seems that the new business creation is subsidiary compared to maintaining current business what becomes to budgeting.

*If we are trying to think a little further and budget in advance an amount of money which can be used when some idea comes, where do you think they are going to cut first if the budget needs cutting? Because the money does not generate any profit to that budgeting period, it generates profit only to the next year, or the year after next year. It is the budgeting period that defines how much the division has got to utilize. (Lifetime Performance Manager, CHD 7.6.2018)*

Also, the performance metrics should be the kind that are suitable for new businesses. According to The VP of Digital Transformation, Cargotec (25.6.2018), the company's management system is built to control the existing business. The organization relies on rather traditional year-to-year metrics which support the maintaining of the current business. It seems that the current metrics also might be somewhat inconvenient for the company's vision to turn itself more towards to service business.

*All of the metrics are very much based on the old product selling. If you are going to be evaluated by them, of course you are going to do those things... (Director of Customer Solutions, CHD 3.7.2018)*

### 4.1.3 Culture of experimentation and failure

*Without failing you can never succeed.* (VP Global R&D, Bromma 6.8.2018)

To address the atmosphere related to new business creation in MacGregor, I chose to study the themes of experimenting and failing. I chose these themes, since failure is central part of exploratory learning and in the core of innovation process (Khanna et al. 2016, 436) and encouragement of new ideas is one of the enablers of a good environment for venturing unit (Hisrich and Peters 1986, 319).

It seems that at least in MacGregor's product development, failing is already included in the budget and the state of mind is that failing leads to learning and to further development of the product. However, especially the interview respondents who struggle of the creation of completely new businesses felt that the culture of failing has not been so much present.

*I think definitely we have not been good at that [in failing and experimenting culture] in the past.* (VP, CHD and RoRo 17.8.2018)

Even though the culture of failing is important for new business creation, the reality is that established corporations are often risk-averse and incremental due to long memories, jockeying for positions and decision-making by consensus. As an outcome, the innovation funnel has become a tunnel, and only projects that get to the stage gate process (see Cooper 1995, 108) are the ones that are guaranteed to make it out from the other end of the tunnel. (Raynor 2011, 18). Furthermore, it seems that there is not much of agility in grasping new business opportunities.

*When something is invented, guess what the next phase is. Well, we are waiting. We are waiting a long time --- It goes with the fail slow principle* (Lifetime performance manager, CHD 7.6.2018)

According to Amabile (1998, 83) it is not unusual that new ideas are met with time-consuming layers of evaluation. When something new is suggested, managers may take weeks to respond. Instead of considering why to explore the ideas further, managers may rather try to scope reason not to use the new idea. This kind of block was encountered also in a machinery company (chapter 2.2) that wanted to start ventures: the upper-level managers stopped the program by always requesting more information from potential venture managers before permitting actions. This led to failing to provide a single venture within a year and ultimately to the failure of the whole venturing program. (Simon et al. 1999, 149-150.)

*If the world becomes faster our management system cannot change slower.* (Director of Customer Innovation, CHD 12.7.2018)

However, there has been some discussion whether the failing fast actually does a favor for innovation or not. Raynor (2011, 19-20) suggest that instead of the “fail fast” –mantra, corporations should adopt “learn fast” ideology. He argues that the “fail fast” causes huge disservice for innovation, since the slogan gives a picture that innovation necessarily implies failure. Especially in established companies, failure is something that you want to avoid, since people invest much more than only money to ventures. They may invest political and social capital and possibly even their careers and reputations. Yet, as Hisrich and Peters (1986, 319) argued, if a company wants to create an intrapreneurial environment, mistakes must be allowed; otherwise there is not much possibilities for venturing unit to succeed. The level of anxiety about losing your career and reputation could possibly be decreased like in 3M: If the effort is a failure, the company provides a backup commitment of job security at the same level of job they left (Roberts 1980, 140-141). Other way to decrease the negative echo in relationship of innovation and failing would be creating a culture where failing is seen as a positive matter. According to Khanna, Guler and Nerkar (2016, 436) IDEO, a design firm known as one of the most innovative in the world, empowers a state of mind where failing often is seen to lead to succeeding sooner.

When it comes to the encouraging the employees to be innovative, it is no clear if MacGregor puts a lot of emphasis on it. I studied whether the employees are encouraged by monetary incentives (even though there are contradictory opinions whether incentives are essential cf. Block and MacMillan 1993 to Hisrich and Peters 1986) or empowered in other ways. Through the Greip innovation tool (described more thoroughly in chapter 4.1.4), the employees have a possibility to earn some monetary rewards depending on whether idea they sent is patentable or whether it can be protected as trade secret. However, Greip is not so widely used tool within the company. Then whether the employees are encouraged towards innovation in other ways, awoke different thought among the respondents:

*I think we have an environment here anyway free thinking and innovation is put quite high up and promote that in a way which highlights the importance of innovative thinking. --- We ran a workshop for engineers based on certain pain points we wanted to solve for customer, so we are promoting... Promoting as much as possible innovation within our organization.* (Director of Customer Innovation, RoRo 13.6.2018)

*Of course, we envision that our roots are in being innovative in markets, and it has been completely true in a technology sense, we have brought all kinds of nice things, but it is another matter whether the market has had a need for them. I would say that on average we have quite innovative people here. But how well the atmosphere is supporting it, then it's maybe more depending on the individual here. --- but if we are talking about business innovations, we have been a little bit... maybe not so good at. (Director of Customer Solutions, CHD 3.7.2018)*

*In speeches people are [encouraged to be innovative], but then, how is it showing, that's another matter. (Director of Customer Solutions, CHD 3.7.2018)*

According to these results it seems that the people within the case company are quite innovative, but the organization has not maybe put so much emphasis on spreading the enthusiasm towards innovations and new ideas on a systematic way within the organization. The Compass 2017 survey results support this assumption, since 73% of the survey's respondents felt that their manager encourages the team members to express ideas/suggestions.

#### **4.1.4 Methods**

One aim of my empirical research was to find whether the case company has any specific methods or tools that target to find new business opportunities and bring new innovations to markets. I found a few examples of these kind of methods. The company has an idea collection tool, it has arranged business innovation camps with universities and one hackathon. In addition, the corporation of Cargotec facilitates an accelerator program for new business concepts.

First, the idea collection tool Greip, is designed for collecting novel ideas from employees. It is intended for innovations considering products or technologies. By sending an idea to Greip, the employee has a possibility to be awarded by monetary incentives, depending on for example whether the idea is patentable or whether it can be protected as trade secret. After sending the idea to Greip, company's IP-coordinator is evaluating them and possibly presents the idea to a board room that will decide about the further actions. However, one employee describes that typically only product development ideas will get through, not radical innovations. In addition, I got the impression that not many in CHD are very familiar with the tool.

*Greip is a tool which we put in place and everybody ignores. We realized the potential of it, but nobody knows about it. --- So basically, from last year we started educating*

*and training people how to use Greip and the tool. So, every idea which comes in, yeah nice idea, put it on Greip.* (Director of Customer Innovation, RoRo 13.6.2018)

*I think that Greip is just a storage --- it's like a bureaucratic tool. --- What I would have like to seen in MacGregor was some kind of you know a patent agency within MacGregor.* (VP of Global R&D, Bromma 6.8.2018)

In addition, it seems that the information about Greip does not really flow between the business divisions and the corporate level of the company.

*I think that the whole Cargotec is using this Greip tool* (Director of Customer Innovation, RoRo 13.6.2018)

*I'm not familiar with Greip* (VP of Digital Transformation, Cargotec 25.6.2018)

Furthermore, the problem with idea collection tools in established companies is that the ideas collected may not have that much a flesh around them. This is result to the issue that after their daily tasks employees may have any extra time for innovation efforts. By not dedicating extra resources for the innovation process keeps the company's costs down, but it results to ideas taking a form of "wouldn't it be neat if..." At the end, overwhelmed by the amount of low-quality suggestions, these kind of selection tools do not often give birth to anything really potential. This again results the participants to feel ignored or rejected (cf. Amabile 1998, 83). What was supposed to steam up innovation, ends up convincing innovation skeptics. (Raynor 2011, 16-17.)

Secondly, the case company also collaborates with universities. There has been for example Innovation Camps with universities in Finland, Sweden and Singapore. Either from these events there was not much information available, except from those employees who had participated in these Innovation Camps.

A third example of the case company's innovation methods is a hackathon. MacGregor arranged "Hack the sea" in November 2016. The participants came up with 10 different outcomes of challenge related to safety, efficiency and environment. The best achievement was awarded by 10 000 euros. I wasn't available to reach to any additional information about how MacGregor continued with the achievements.

Finally, the corporation of Cargotec provides Emerging Business Accelerator program for exploring and validating of new business ideas with the target outcome of validated business concept as described in chapter 4.1. This far the program has been executed twice during the year 2017. MacGregor has had two concepts in the program. On the

overall, the EBA program has been experienced as a sufficient facilitator to validate business ideas and shape them utilizing customer needs into more for more mature business concepts.

*The EBA for us was really inspiring, and all the processes and the tools, we instantly saw the value of it. (Senior Project Manager, AOS 5.7.2018)*

All business areas of Cargotec are welcomed to participate to EBA. The aim is to radically reduce the time from idea-to-concept-to-cash. It is a nine-week program where business ideas are validated using the practices of design thinking, lean startup and agile development. The outcome is validated business concept, its value proposition including business model and clear next steps to reach a Minimum Viable Product. After the program the validated concepts are up to funding by business areas and Cargotec. However, from the interviews data and according to my ethnographical observations it seems that many employees of the case company are not that familiar either with this innovation program.

*If you are going to ask from 100 people, 99 are going to say that they don't know anything about it. (Director of Customer Solutions, CHD 3.7.2018)*

However, the VP of digital transformation, Cargotec (25.6.2018) explains that the program has been promoted by sending several articles to the company's intranet, by sharing videos and discussing in collaboration tool, which is mostly utilized by people who are involved with digitalization. It seems though that the communication doesn't flow that efficiently within the organization.

*We have very poor internal communication channels. --- It is a recognized problem but not comprehensively solved. (VP of digital transformation, Cargotec 25.6.2018)*

To summarize the chapter 4.1, the main findings from this chapter are presented in Table 5.

Table 5. New business creation in MacGregor

<b>New business creation in MacGregor</b>	<ul style="list-style-type: none"> <li>• New business opportunities found by interacting with customer</li> <li>• Slightly different practices in divisions</li> <li>• Cargotec's role as a vision provider, effort coordinator and facilitator</li> </ul>
<b>Goals</b>	<ul style="list-style-type: none"> <li>• 20 MEUR of new business by 2021</li> <li>• Goal of increasing amount of services and software</li> <li>• Profit from new businesses expected rather fast</li> </ul>
<b>Culture of experimenting and failure</b>	<ul style="list-style-type: none"> <li>• Present in R&amp;D</li> <li>• Risk aversion when investing in completely new businesses</li> <li>• "Fail slow principle"</li> </ul>
<b>Tools/Methods</b>	<ul style="list-style-type: none"> <li>• Emerging Business Accelerator Program (in continuous use)</li> <li>• Greip innovation tool (in continuous use)</li> <li>• Collaboration with universities (continuous)</li> <li>• Hackathon (Arranged once in 2011)</li> </ul>

## 4.2 Challenges

In this chapter I describe the challenges in new business creation within the case company. First, I will first briefly present all of the challenges and then move on to more thorough description of each challenge.

Resourcing was the most frequently cited as a challenge in new business creation along with organizational support. These two expressions are logical and convergent, since resource allocation is after all a manifestation of top management support (Robert et al. 2013, 898). So, the first theme of challenges in new business creation is a lack of organizational support, which shows mainly as a lack of resources. Second theme is a lack of ability to act on new ideas, since many interviewees were describing things such as risk-taking ability, ideas falling between chairs, long decision-making time and a missing entrepreneurial culture itself as a challenge in new business creation. These themes could also be found from the literature in aspects that create a venturing-like environment.

Thirdly, the interviewees described unclearness in some responsibility areas. Additionally, during the interviewees I was able to recognize a repeating theme related to inefficient communication. I consider that this also effects negatively to new business creation for two reasons. If the company's strategy is not communicated clearly to those who seek new business opportunities, it may not be easy to see which kind of business opportunities to chase. Secondly, communication of innovations programs could awake more entrepreneurial culture within the company. Finally, the third theme is external challenges. External challenges were pointed out to be the most significant challenges in new business creation mainly by those individuals who were at a higher organizational level and not directly involved with new business creation. The challenges in new business creation within the case company are described in Table 6.

Table 6. The most significant challenges in new business creation in MacGregor

<b>Internal challenges</b>	<b>Lack of organizational support</b>	Resourcing
		Conflict in resourcing and goals between the existing business and new business
	<b>Decreased ability to act on new ideas</b>	Willingness and ability to take risks
		Ideas falling between chairs
		Lead time in decision making
		Missing entrepreneurial culture
		Restrictions between the divisions
	<b>Other internal challenges</b>	Unclear responsibility areas
		Inefficient communication
	<b>External challenges</b>	<b>Customer- and market related</b>
Understanding the customer's needs		
Finding fixable customer problems and gain access to these customers		



### 4.2.1 *Organizational support*

Amabile et al. (1996, 1154) argue that a successful implementation of new programs, new product introductions, or new services depends on a person or a team having a good idea. Yet, the lack of ideas is not the problem in MacGregor. Innovation may stem from good ideas, but the ideas do not implement themselves. Innovation needs enough support from the organizations and necessary tools for the idea execution. It needs a set of controls to move from an idea to actual project, formal tools that enable the execution process (Davila et al. 2009, 286-287). A research conducted by Young and Jordan (2008) shows that top management support is not just one of the critical factors of project success, but also the most important one.

*So, we have a lot of aspirations to go places to have new business opportunities, but we don't have, I believe, the support to make it. That is what's missing. --- "We are really good, we got the brightest of people, fantastic ideas, but to bring them out to market, we don't have the organizations support to help us with that.--- If we are not managing to get new ideas to market, you might say it's our organization isn't performing, but to be honest I think it's the MET team is not giving us the right tools or right support to push these new ideas through. (Director of Customer Innovation, RoRo 13.6.2018)*

Among the interviewees there has been experiences of challenges to get support from the organization. When you come from a different line in organization, your request is smaller than the one from the director. And if you try to approach the situation through official channels, the process gets too slow.

*If the customer calls on Monday and asks to do research on something and to have the answer by Friday. Well, on Friday we know that who could start executing it if we go through the organizational routes. It just doesn't work.*

(Lifetime Performance Manager, CHD 7.6.2018)

### 4.2.2 *Resourcing*

Many interviewees felt that the organization failed to provide enough time, personnel or funds for new business creation. The interviewees of MacGregor described that since everybody is already filled with job tasks and there is not any leftover time after their day

to day affairs, there simply is not enough time allocated for activities related to new business creation. During the interviews, this lack of resources seemed sometimes to cause a little bit frustration among the interviewees.

*...and then we noticed that oh, of course all of the individuals have already job tasks, they don't have any extra time. So, their comments about the [EBA] program were that it was really good, we worked a lot, but their own managers and others didn't really understand how much they had to use time and in addition that, they got their old tasks on top of that. --- There is no extra time, how do we resolve this conflict that we would research new and at the same time execute the old. (VP of Digital Transformation, Cargotec 25.6.2018)*

It's possible to see the scope of the challenges that the lack of the resources is causing. Even when the EBA program gives a support for the concepts for a few weeks, there still might be a conflict between employees' already existing tasks and the new tasks coming from the program. If the managers do not realize the amount of effort there must be invested in creating new, do the business concepts actually have the possibility to become flourishing? The lack of extra time also causes troubles to get the support from the organization. People from multiple job areas should participate in new business creation to make venturing attempts successful (Hisrich and Peters 1986, 319; Abrell & Karjalainen 2017, 24). So, when all the employees are fully booked with existing tasks, it awakes a question whether there should be recruited more people. However, it seems that recruiting more people has been experienced as a rather difficult task.

*Like I said, you have to assume that the people who are working now are working full time. How do you bring it in? You know when you talk about headcount and this sort of thing the MET [Management Executive Team] team will say no more people. And that kills ideas. (Director of Customer Innovation, RoRo 13.6.2018)*

*We can frame the problem as that we have now a business opportunity and in two three years the revenue is going to twenty million euros. So, now we have a team of three to four people. To run a business of twenty million euros we need approximately two hundred people. Then how are we going to get from the three four persons to a two hundred? This is the problem. They are not recruiting people. Recruiting is experienced really hard in established business--- you are not hiring unless someone leaves from the organization. The aim of an established business is to maintain good profitability. Every cost is investigated thoroughly. But in new business creation, you have to invest money before. It doesn't happen*

*for example in a way that you hire the people only after you have the revenue of twenty million euros. You have to hire them before that.*

(VP of Digital Transformation, Cargotec 25.6.2018)

In a situation where a business is in decline, companies are usually even more concentrated to keeping the costs as low as possible and they are rather firing than hiring people. However, as Ghoshal and Bartlett (1995, 144) represented, cost reduction programs give only temporal aid for business performance, and they are not able to revitalize companies. Since maintaining competitive advantage requires innovation and new business creation (Block and MacMillan 1993, 20-21), there should be continuous investment also to new business creation. The investment could be thought as an insurance fee for the corporation's future:

*Could we think that for example 1-1, 5% of the money would be the kind of there is no payback expected for, it would be rather an insurance for revitalization for this business. (Director of Customer Innovation, CHD 12.7.2018)*

What comes to the monetary resources, it seems that interviewees have had a different experience in getting funds from the organization. Some of the informants describe that it is rather difficult to get funding for new ideas but some of the respondents didn't mention these kinds of problems. For those ones the experience was fairly the opposite, getting funds was experienced rather easy, even too easy. It is true that it may be fatal to keep the money streams open without any restrictions when investing to new business cf. ZapMail venture's loss of \$600 million (Block and MacMillan 1993, 26), but if you do not provide any flours, there is not going to be a cake at all.

*Everybody agrees that yes, a great idea, but when you should get resources or money or something then nothing is happening.*

(Director of Customer Solutions, CHD 3.7.2018)

*It [getting funding for new ideas] is quite easy actually. Because everyone has got high expectations around digitalization. --- if you are passionate about something you can sell it to anyone. Like selling fridges to Eskimos sort of thing. And it's probably too easy to sell in ideas. That's not the problem.*

(Director of Customer Innovation, RoRo 13.6.2018)

So, what actually is the cause that leads to the amount of support given to new business creation and resource allocation towards the nurturing and development of new ideas? It all comes down the priorities of the organization.

*There are a lot of ideas and possibilities, but it is about prioritizing. --- what I have been trying to resolve, related to this renewal, is that all the time and effort goes to the existing business. (VP of Digital Transformation, Cargotec 25.6.2018)*

#### **4.2.3 Decreased ability to act on new ideas**

The second theme affecting to new business creation found from the interview data was decreased ability to act on new. Challenges which describe this decreased ability are low willingness risk taking willingness, long decision-making time and a sort of stiffness caused for example by the restrictions and arrangements between business lines in addition to missing entrepreneurial culture and finally, there is challenges in acting on new ideas especially when they do not clearly belong to any existing product line.

*There are many things... First of all, from where we can find that kind of entrepreneurship. Everybody has day-to-day tasks, so where you are going to get the time and enthusiasm towards it. ---The thing that you dare to start moving, dare to present it to customer, dare to try it and on the top of that that our management system would support this kind of thing. (Director of Customer Innovation, CHD 12.7.2018)*

However, risk taking ability was yet again among the matters of which the interviewees had varying perceptions.

*Our own risk-taking ability and willingness [is the most significant challenge in new business creation]. Maybe mostly willingness. Traditionally only success stories are wanted, if you are going to start developing something new, most likely some of them are going to fail. Nobody wants to show something that will fail. (Director of Customer Solutions, CHD 3.7.2018)*

*We are pretty used to taking big risks. (Director of Customer Innovation, RoRo 13.6.2018).*

Also, long decision-making time seems to cause inefficiencies within the case company.

*Decision-making should be brought closer to the developing organization, so we wouldn't have to ask everything from all the way from the upper level. Because when*

*we invent something, guess what the next phase is. Well we are waiting. We are waiting a really long time---*. (Lifetime Performance Manager, CHD 7.6.2018)

According to Amabile (1998, 83) this kind of behavior is not anything unusual. When somebody comes up with a new idea, managers may take even weeks to respond and the suggestions are met with consuming evaluation layers. The managers may even controversially look reasons to not to utilize a new idea than reasons to investigate it further.

As described in chapter 4.1, there is some collaboration between the divisions, However, doing the agreements between divisions and product lines seem to cause inefficiencies to new business creation. The question of which of the business line should own the new ideas seemed to be the challenge. In addition, the allocation of profit and costs may cause some conflicts if product lines are collaborating together when developing something new. In some cases, the challenge is that the new ideas do not clearly belong to any business line.

*It's one of the challenges to agree who sells and who gets the money.* (Lifetime Performance Manager, CHD 7.6.2018)

*So where does that product land on? Is it landing on service? I mean a software is a service, should service own it, should RoRo new built own it, should RoRo GLS own it? Who should own it? There is no clear picture* (Director of Customer Innovation, RoRo 13.6.2018)

Finally, MacGregor lacks the ability to grasp on ideas which does not already have an established product or service line in which they could be nurtured. The case company doesn't have the structures to build around a business idea which doesn't have a clear ownership of some organization.

*Some of the new business possibilities are not owned by any product line or service organization, they drop somewhere in between them. When they don't have a box to drop them to, they languish.* (VP of Digital Transformation, Cargotec 25.6.2018)

#### **4.2.4 Unclear responsibility areas**

One of quoted themes in the interviews was confusedness in roles and responsibility areas. Three of the informants discussed about the challenges related to unclearness in roles and the lack of guidelines of who to approach when wanting to start acting on new ideas.

*It [new business creation] belongs a little bit to everyone but not really to anybody. --  
- The roles should be clarified. (Director of Customer Solutions, CHD (3.7.2018)*

*When it comes to internet and starting a new software, who do I talk to? There are hundreds of people working in IM [Information Management] and now Cargotec is involved with the cloud service you have IM in MacGregor. You got to do these- when you bring something new you have a lot of rules and regulations which I don't have a clue about. I've been through that and for me it was enough to put me off bringing any new ideas. (Director of Customer Innovation, RoRo 16.6.2018)*

*It is unclear who makes the decisions that are we going to somewhere or are we not. (Lifetime Performance Manager, CHD 7.6.2018)*

When studying the enablers of successful venturing (in chapter 2.5), the clarity of roles was not something that came up from previous literature. However, this thesis research suggests that when confusion in responsibility areas avert the examination of new business possibilities. If you have an idea, instead that you would have a clear conception of who to approach considering it, there will be a lot of energy and time wasted in finding a person that would take care of the idea. The worst thing that will happen that there is no one that would take a grasp of the idea and thus the idea will die or at least gets buried.

#### **4.2.5 Communication**

Another repeating theme in the interviews was inefficient internal communication within the organization. A poor internal communication can affect negatively to multiple aspects in organization and also to new business creation. If the company's strategy is not communicated clearly to those who seek new business opportunities, it may not be easy to see which kind of business opportunities to chase. Additionally, communicating about innovation programs which are held at the case could awake more entrepreneurial culture within the firm.

*When we have had these internal projects, I have noticed that this message delivery isn't efficient. It does not really work. When you send a message to somebody, it goes to some black hole, so it does not necessarily get back ever. (Director of Customer Innovation, CHD 12.7.2018)*

Effective communication is critical for a firm to succeed. Reinsch (2001, 173-174) frames this issue to a form "communication significantly determines the outcomes of

business activities”. According to the author the communication policies of a company, team and the CEO are all linked to business performance. Additionally, according to Bhardwaj, Sushil and Momayma (2011, 202) communication is a critical matter of managing team effectively.

#### 4.2.6 *External challenges*

The final theme found from the challenges was external challenges. The challenges were related to the current market situation, to finding and understanding actual customer problems which can be solved getting business out of those and gaining access to these customers. It was also interesting to notice, that those who were not in direct responsibility on new business creation, found that the external matters were the most significant.

*Finding the real problem, I would say. That is the trickiest thing.* (VP of Global R&D, Bromma (6.8.2018)

*Problems for customers which can be fixed, and also to gain access to these customers because they may be different customers that the ones you had before. And the risk is that you have a little bit that you have a solution looking for a problem.* (President of MacGregor 6.7.2018)

Even though the case company has multiple challenges in creating new businesses, the interviewees also saw many positive aspects within the company that advance the process. First off all, many interviewees saw that the atmosphere in the company had shifted to a positive direction. Also, the knowhow of the organization and the Emerging Business Accelerator program was seen to affect positively to the new business creation. The interviewees also brought up specific individuals who they saw that were affecting positively. Finally, also the customer centric approach in the company’s strategy was experienced as a positive matter.

*I think that one enabler is that we are realizing that others are going much faster than we are.* (Director of Customer Solutions, CHD 3.7.2018)

*I think that there is possible mentality, at least in the teams, I would say Roni and he’s team, Phillip and he’s team, they are really enthusiastic of these new roles. And I think they feel that they are creating the road for the future for new things.* (VP of RoRo and CHD 17.8.2018)

To conclude the chapter 4.2, there are several challenges within the case company related to new business creation. The challenges can be divided into internal and external challenges. The internal challenges can be furthermore divided to three themes. Firstly, to lack of organizational support, secondly to decreased ability to act on new ideas and finally, to other internal challenges, which could not be categorized into the themes found from the literature review. Lastly, the external challenges are market and customer related. Finally, the chapter 4 presented the empirical findings from the case company and the content for answering to research question #1. From now, these findings are utilized to illustrate the content to answering to research questions #2 and #3 in the next chapter 5.



## 5 TOWARDS INTERNAL CORPORATE VENTURING IN MACGREGOR

In this chapter, I firstly analyze what issues the case company should address if it is aiming to start ICV and to answer to research question #2 by utilizing the frameworks of venturing-like environment, venturing team (presented in chapter 2.5.3) and the venture unit form (presented in chapter 2.5.4) in addition to addressing the firm-specific challenges which came up during the empirical research. Secondly, I describe how the case firm could benefit from internal corporate venturing and to answer to research question #3 by utilizing the framework of benefits of internal corporate venturing and analyzing the firm specific issues.

### 5.1 Making MacGregor venturing-like

#### 5.1.1 *Shaping venturing-like environment*

The themes that describe venturing-like environment comprise:

- Support
- Resourcing
- Time horizon
- Empowerment of new ideas
- Knowhow

Next, I reflect on how these themes are currently showing at the case company. The most crucial aspect of creating venturing-like environment is the support from top management. The priorities of the company should favor new business creation sufficiently. Now it seems that the emphasis is very much on the maintenance of the existing business, to some extent at the cost of new business.

*A long-term commitment to innovating work would be important. It is work. They say that it strikes like a lightning from a clear sky, but if you don't expose yourself under the tree, it will never strike. (Lifetime Performance Manager, CHD 7.6.2018)*

*We don't see anything in Macgregor or in Cargotec, or how the way you want to look at it, what would support in an efficient way. (Director of Customer Innovation, RoRo 13.6.2018)*

In addition, MacGregor should consider whether the limits between divisions cause unnecessary restrictions in new business creation, since some of the interviewees had faced challenges if they have had to “step on other’s toes”. It might be advisable not to can ideas just because they are in the domain of somebody else. In comparison, the CEO of Aller media (3.8.2018) describes that their new solutions can cannibalize the old ones in other divisions.

Available resources are one of the outcomes of realizing top management support and extremely important part of environment suitable for venturing. It is crucial that there is appropriate amount of resources allocated for new business creation. This might be one of the most fundamental matters that MacGregor should put attention to since it was cited most often as a challenge in new business creation. The employees in charge of new business creation felt that the lack of resourcing was using great challenges. Some of the respondents had undergo troubles in getting monetary resources, but all of them had experienced lack of resources when it comes to having the needed employees for a needed amount of time. The company could also consider what would be their sources of venture capital and whether they should provide them from multiple sources as Roberts (1980) suggested.

In addition to support and resource allocation, it is important to remember that new businesses take time to form properly.

*Things take more time than you realize.* (Director of customer innovation, RoRo 13.6.2018)

[When asked what made Data Refinery, which evolved an internal start-up unit inside the company, a successful concept] *First, we gave it time. --- It takes time to find its place...* (CEO of Aller Media 3.8.2018)

The goals shouldn’t be strict but flexible, since the reality may often be apart from the original plan. Consequently, the investment time horizon should be long term. However, it appears that the case company doesn’t necessarily have had that kind of “patient money”. The results from new products or services might be expected to be seen rather fast. The case company could for example utilize similar performance measurements as in 3M, such as ROI, profit margin and sales growth margin and they set the sales growth forecasts only after they have entered the market. Furthermore, in 3M, they do not set requirements such as the idea must generate certain amount of money in sales per year (Roberts 1980, 141) and set goals according to them.

It seems that the employees in MacGregor do have a lot of new ideas. They feel themselves as quite innovative. But whether the company encourages the creation of completely new business ideas, is a little bit unclear. When discussing with the employees

during my working period in MacGregor, one of the employees described that ‘It feels that there is not really coming anything new’. There could be a bit more emphasis on empowerment of new ideas, since some of the interviewees felt that the encouragement wasn’t really showing. However, the Compass 2017 survey showed that 73 % of the respondents felt that their manager encouraged the team members to express their ideas or suggestions in general.

*You should never close a door on the guy’s face that says something. Also, a slightly bad idea can create a great idea when more people are looking at. (VP of Global R&D, Bromma 6.8.2018)*

In R&D, there seems to be a culture of experimenting and failing. This kind of culture should also be present regarding the creation of completely new businesses, not just in product development. One of the interviewees felt that risk aversion was one of the most significant challenges in new business creation in MacGregor. This doesn’t go well with the venture’s requirement of environment where experimenting and failing is allowed. As Hisrich and Peters (1986, 319) argued, mistakes must be allowed if company wants to succeed in internal corporate venturing. The level of anxiety about losing your career and reputation could possibly be decreased like in 3M (see chapter 2.2) or to create an environment where failing is seen as a positive matter (Khanna et al. 2016, 463).

MacGregor doesn’t seem to have long term performance goals related to new business creation. There is, however, a reward system. Though, the reward system is within the Greip innovation tool, which does not seem to be in that much use. However, like Block and MacMillan (1993, 83) argued, if the entire organization is aiming towards new business creation, there is not a necessary need for specific kind of reward system. Furthermore, there should be broad performance goals within the company.

Finally, the case company’s ventures should operate in area where it has expertise in technology and experience with the customer- and market setting they are operating with. MacGregor has indeed the needed expertise and experience gained during operating decades in the cargo handling industry when it comes to its current businesses, but whether they have these in their future businesses, is an another thing. It might be possible that the case company should acquire more talent from the service side of business.

*Know-how is still a challenge along with the old burden from the product business (Director of Customer Solutions, CHD 3.7.2018)*

Lastly, Table 7 concludes which actions MacGregor should consider to form their organization’s environment more venturing-like.

Table 7. Venturing-like environment to MacGregor

<b>Support</b>
<ul style="list-style-type: none"> <li>• Top management should support new business creation more</li> <li>• The management should see that divisions are not restricting new business creation</li> </ul>
<b>Resourcing</b>
<ul style="list-style-type: none"> <li>• The case company should make needed resources more available</li> <li>• The case company should consider whether they should provide venture capital from multiple sources</li> </ul>
<b>Time horizon</b>
<ul style="list-style-type: none"> <li>• Company should consider making their profit expectation horizon longer with emerging businesses</li> </ul>
<b>Empowerment of new ideas</b>
<ul style="list-style-type: none"> <li>• The company could communicate more strongly the encouragement towards expressing new ideas</li> <li>• The culture of experimenting and failing should be spread from R&amp;D to new business ideas</li> <li>• The company could consider setting board performance goals and reward system in favor of new business creation</li> </ul>
<b>Knowhow</b>
<ul style="list-style-type: none"> <li>• The company should consider how to acquire knowledge about the technologies and business models utilized in their future business</li> <li>• The company should consider how they are going to acquire the knowledge about the future customers and markets</li> </ul>

### 5.1.2 *Forming venturing teams*

One of the essential aspects of successful venturing is a venturing team, which performs strongly in new business creation and simultaneously manages to protect the venture's right to exist. The characteristics of a suitable venturing team were presented in chapter 2.4.3, but to revise, the essential aspects of a successful venturing team are

- multidisciplinary teamwork (Hisrich and Peters 1986; Abrell and Karjalainen 2017; Amabile 1998)
- restricting the team's size
- filling required roles within the venturing team.

As Abrell and Karjalainen (2017, 25) proposed, it might be useful to provide training for employees in terms of general openness to innovation and multidisciplinary teamwork. Likely Block and MacMillan (1993, 43-46) discussed that a corporate entrepreneur who has a technology background may need business modelling support and employees generally may need methodical support to obtain new means of innovation and capabilities. Similar thoughts about trainings related to business modelling have been circulating also in the case company's personnel's minds:

*We would go though it [the EBA program], we would learn it and then we could facilitate here with the same methodology and then spread it. (Director, Customer Innovation, CHD 12.7.2018)*

*We don't know how to facilitate the innovation process, we are technical experts. We need help for that. (Informant)*

When it comes to the venturing team, a suitable size for it is approximately 10 people (Hisrich and Peters 1986, 318) with following roles:

- **technical innovator:** the person who has made the technical/business model innovation
- **product ambassador:** the person who supports and promotes the venture idea until approved
- **venture manager:** the person (internal entrepreneur) who is responsible for the overall progress of the project
- **venture godparent:** high level person in the parent company who runs interference for the company and helps the venture obtain needed resources (Block and MacMillan 1993, 115)

- **chief executive of the innovative organization:** the individual in charge of the venture and allocation of the resources
- **Individuals with required functional qualifications**
- **Individuals with experience with the customer set of which the venture is going to operate with** (von Hippel 1977, 168)

Some of these roles can possibly be found already within the case company, but not necessarily working in this sense with new business creation. The technical innovator could be any engineer who comes up with a new idea. This same person could perhaps work as a product ambassador as well, if he or she has the capability to promote the idea in a way that is gets approved. The venture manager could be somebody that has the needed visionary and management skills and who is both flexible and persistent and encourages multidisciplinary team work (Hisrich and Peters 1986, 320). It is also relevant to assure that there are also roles filled related to the protection of the venture, such as the venture godparent. As Simon et al. (1999, 150) suggested, even the vice president of the company could act as a venture godparent. In MacGregor it could possibly mean also for example the vice president of the division. The chief executive would be the one who is in charge of the resource allocation for the venture. Moreover, the individuals with the functional qualifications can most likely to be found from the case company's organization. However, the case company should assure that there is provided enough resources also for the venture's marketing and financing. In addition, solutions which are only in their development phase, need different kind of sales and marketing than the already mature portfolio products. According to CEO of Aller Media (3.8.2018), if the new solutions are placed to the parent organization's existing portfolio, there might become a conflict between selling and marketing the already existing solutions and the new ones with a much lower profitability. Thus, the new solutions should have their own sales and marketing organization. Cf. the machinery company presented in chapter 2.2, which hindered its ventures by the fear of the venturing disrupting the mainstream operations (Simon et al. 1999, 149-150). Finally, MacGregor should consider where and how to acquire the needed knowledge about the future markers, customers and technologies they are going to operate with.

### ***5.1.3 Forming venturing unit***

Since the case company already has the Customer Innovation Organization, which responsibility now is new business creation, the case company could possibly consider taking this organization one step further and reshape it as their venturing unit. Furthermore, it is true that the venturing unit should be set apart from the mainstream business. The

isolation of it is crucial especially in its early stages (Ginsberg and Hay 1994, 386). Isolating the venture assures that the people assigned to the job of creating new businesses have the peace to dedicate their input to creating new without being unnecessarily disrupted, since it takes time to evolve and learn when creating new.

*The evolving and learning is crisis and you will run out of money and you will lose your nerve and there will be a lot of conflicts. We had to give a peace to it [Data Refinery]. It was isolated from others, so it would not have to continuously defend its existence... (CEO of Aller Media 3.8.2018)*

However, it is not fully clear how independent the venturing unit should be. Thus, the case company should consider the degree of independency that they need to provide to form the most effective venturing unit. As described in chapter 2.4.4, there is a quite a few options to structure and position the venturing unit. Most importantly the case company should consider that they do not have experience from ICV. In this kind of situation, Block and MacMillan (1993, 86) argued that it could be beneficial that there would be a corporate unit, which acts as a catalyst and works in collaboration with the operating units and heads the venturing process. In this particular case, it would most likely mean that the corporation of Cargotec, or a corporate level of MacGregor, would have a corporate unit heading the venturing and collaborating with the divisions. The corporation of Cargotec has already its catalyzing program, for new business concepts, EBA. So, what they could do, is to form a corporate unit which would manage the venturing program and utilize the already existing EBA program.

After the venture would have gained a suitable form with the help of the corporate unit, it would be returned to a divisional level. Now the corporate unit would take a role of an advisor. In fact, this is something that is already happening in MacGregor in some form with the EBA program. However, the interviewees described that problem has been that the accelerator program does not help if there is not a suitable “box” to put the ideas to after the program. Also, even if there has been this kind of suitable box, meaning product or service line, there might not have been enough support from the line organization to nurture these ideas.

After the case company would have gained experience from venturing, formatted a strong commitment to venturing and built a favorable venturing-like organizational culture, the form of structure Block and MacMillan (1993, 85-86) suggest is that each operating unit, in this case e.g. a division, would have a venturing unit of their own. This structure is similar to the arrangement in 3M (every product development department responsible of developing ventures. (Roberts 1980) and a large American computer company (several small units searching for new opportunities. (Ghoshal and Bartlett 1995,

145)). In this kind of structure, the division's responsibility would be to support the venture until it can operate on its own (Block and MacMillan 1993, 86).

Concluding, it might be beneficial for the case company to start their venturing not by jumping straightforwardly to a fully independent internal start up, but with a support from corporate unit venturing function. Once gained more experience from the venturing process possibly with help of trainings about facilitating innovations, MacGregor could shift more responsibility to its operating units and finally start forming ventures within the divisions.

Finally, the case company should consider to which extend they should separate the venturing unit from the parent organization, since it has a significant influence on the venture's evolution (Block and MacMillan 1993, 149). Since the research evidence of how venture's autonomy influences its performance is rather scattered, MacGregor should assure that the ventures are prioritized high enough in the organization so strategic assets would be endowed adequately. This would help the venture to succeed no matter to which extend the venturing unit is independent from the parent organization. Nevertheless, it is clear that the venturing unit needs a separation from the parent organization, since the internal startups need to be protected from the possible disturbance of the mainstream business.

#### ***5.1.4 Tackling the other internal challenges***

The interviewees illustrated several challenges that might affect directly or indirectly to new business creation. These challenges were described in chapter 4.2. Most of the challenges were related to venture formation and were described in the previous chapter, but some of these challenges were not among the ICV enablers framework which emerged from the literature. Those challenges are:

- decreased ability to act on new ideas
- inefficient communication
- unclear responsibility areas

First, the case company seems to have a challenge in acting on ideas which do not belong clearly in any business line. When idea comes, regardless of how good or bad it is, it will deteriorate if it doesn't have operating unit, to place it.

*And in particularly if you look in the CHD who has now a function organization, there is sales and marketing, there is design, contract management, procurement and it's very easy that things fall between the chairs. (VP of RoRo and CHD 17.8.2018)*



This challenge is not uncommon in existing companies. According to (Ries 2017, 43) the absence of systems for acting on new ideas is an enormous challenge for corporations. The case company has established the customer innovation organization to prevent this problem and to go through all of the functions and get the commitment and resources from there, according to VP of RoRo and CHD (17.8.2018). However, resourcing was the main challenges according to several interviewees. So, it is essential that MacGregor resolves the conflict in resourcing between the existing business and new business. If the plan is not to recruit more people, it naturally means that the resources must be taken from the nurturing of the existing business.

Second challenge that was not within the framework which emerged from literature, was communication. If the employees feel that the company's direction is communicated poorly, it might be difficult to know in which areas they should seek new business opportunities. Cargotec's Compass 2017 survey showed that only 58 % respondents felt that their manager communicates the company's strategy clearly to the team. Likely, 59 % answered favorably that their manager encourages the team to put the strategy into practice. In addition, communication seems to be inefficient in general. For example, as represented in chapter 4.1.4., people are not really aware of the innovation tools or methods and programs which are held at the company. However, communicating about innovation tools, methods or programs which are held at the case could awake more entrepreneurial culture within MacGregor. When a company has many hierarchical levels, the information flow must go through many steps to reach its destinations. This makes the information flow slow and causes also a risk that the information will not reach its final recipient at all. (Falkenheimer and Heide 2018, 93). As declared, communication was not something that came up in ICV literature during the literature review. However, communication is a critical matter of managing team effectively. A study made by Bhardwaj, Sushil and Momayma (2011) highlights that a lack of capability to design an effective structure for proper communication and interaction between departments caused major challenges in a case company of their study (Bhardwaj et al. 2011, 202.). However, an effective internal communication is out of the scope of this research, but yet this is something that MacGregor should address.

Another issue which seemed to cause some inefficiencies, was an unclearness of some roles within the case company. Some of the interviewees had experienced unclearness in who to approach to advance their ideas in some cases. To reduce this, it might be beneficial that the case company should provide clear lines about who are responsible of nurturing which kind of ideas.

Finally, the MacGregor should also plan how to continue with the new internal ventures if they succeed. It is true, that most attempts to create new business fail, but what it they do not, where in the organization the new venture will be placed? Will it be merged

into an existing division or will there be an entire new division built for it, like in Matsushita (Ghoshal and Bartlett 1995) (Ries 2017, 46.).

To conclude chapter 5.1, and to make MacGregor venturing-like, the company should address several issues. Firstly, they should make the environment within the company venturing-like. They should do this by assuring needed organizational support and resources, with long time horizon. They should also empower new ideas and assure that they obtain required technology, customer and market related knowhow. Secondly, MacGregor should fill a venturing team with required individuals with needed knowledge. Thirdly, the company should provide needed autonomy and isolation for the venturing unit. Lastly, MacGregor should address their other internal challenges of, lack of ability to act on new ideas, inefficient communication and unclear responsibility areas.

## **5.2 Becoming more efficient in new business creation**

In this chapter I will reflect on how MacGregor would benefit from ICV in the light of general benefits of the activity (discussed in chapter 2.4), and also by assessing if ICV could decrease the challenges specific to MacGregor (presented in chapter 4.2) or how it could benefit MacGregor otherwise. Since the general benefits were illustrated more detailed in chapter 2.4 the main focus of this chapter is on discussing about the case company specific benefits of ICV. To revise and summarize the general benefits from ICV are:

- new resource combinations
- capability and competence building
- achieving greater value form core competencies
- knowledge obtaining
- visualizing future customers' preferences
- growth

MacGregor's challenges in new business creation (by theme) are:

- lack of organizational support
- lack of ability to act on new ideas
- other internal challenges
- customer and market related

When considering MacGregor's challenging situation in highly competed markets with declining business, it could benefit from ICV in many ways. If the enablers of ICV are met, new business creation would enjoy a high support in the MacGregor and it would increase MacGregor's ability to act on new ideas. The kay benefit of ICV could be that

in an ideal situation, it would enable MacGregor to transform itself into a company, which has a capability to facilitate a continuous innovation process which results to testing new ideas efficiently and pushing them out to market successfully. According to Ries (2017, 9) to create cycles of continuous innovation and to find new sources of growth, companies need teams, in a form of internal start-ups that are structured to the task of experimentation. Since MacGregor is in a situation where its business is in decline and the demand for its products struggles to compete with the competitors', continuing innovation process becomes essential. Finding an entrepreneurial function to test new business ideas effectively, without wasting tremendous amounts of resources to developing and polishing something that after all might not be the "next big thing", would be important to assure the company's organic growth. If there would be a structure, an internal corporate venture, to conduct the task of experimentation in entrepreneurial way, it might also increase the corporations risk taking willingness and lead time in decision making. Forming these internal start-ups and pointing people to these in a way that they can dedicate their full attention and passion to the task of creating new, without being disrupted with other tasks.

One of the other internal challenges was unclearness in some responsibility areas. Ries (2017, 42) points out that is a typical shortcoming in existing organizations, that nobody in the company is responsible of grappling with uncertainty, finding unexpected forms of growth and impact and harnessing the power of disruption. Moreover, if there is this somebody, the company still lacks a system to act on new business ideas. There seems to be a little bit of these both challenges in MacGregor. Not a fully clear picture of the responsibilities related to new business creation, and a lack of efficiently functioning organizational structure to actually make these new business visions to come true.

*It [new business creation] belongs little bit to everybody but not really to anybody—it is the problem when it is a little bit everywhere it is not really anywhere. (Director of Customer Solutions, CHD 3.7.2018)*

*We don't see anything in Macgregor or Cargotec, or how the way you want to look at it, what would support in an efficient way. (Director of Customer Innovation, RoRo 13.6.2018)*

One additional benefit from internal corporate venturing for the case company could be benefits from increased teamwork. Since internal corporate ventures need multidisciplinary teams with members from different organizational levels, these kinds of teams could possibly have a chance to help improve the communication flow within the MacGregor. After all, it is not typical that small startups have difficulties to get messages across the company. Eventually, these teamwork methods from ICV could be spread

across the organization and in a long term, help the whole organization to be more efficient in communicating. Corresponding, they have thoughts on spreading the methods coming from the EBA program (described in chapter 5.1.2). Additionally, is the case company would start ICV and thus placing new business creation higher to the organization's priorities, it could be possible that also communication at least about issues related to new business creation would become more efficient.

Then how could ICV help MacGregor with the external challenges in new business creation? Internal ventures do not surely provide straightforwardly the keys to the kingdom of profitable innovations. However, these internal start-ups might give an access to test business ideas with the customer in an effective manner, which can again lead to innovative solutions which can eventually result to profitable new businesses. Additionally, experimenting leads to learning and knowledge obtaining, which is one of the key benefits on internal venturing. Furthermore, knowledge obtaining can help with visualizing future customers' preferences, since new knowledge can speed and stimulate generation of new idea creation (Ambad and Wahab, 2016, 274). All in all, visualizing the future customers' preferences can be assumed to be extremely relevant for the case company now when their industry is in decline and new applications of technologies are shaping business models and bringing new possibilities to markets. Furthermore, this could provide a road to capability building (Keil et al. 2009, 601), new resource combinations, leveraging their core competencies (Burgelman and Doz, 2001, 33) and building new competencies that can help MacGregor to reach opportunities that were previously outside of range of its operations (Kanter 1989, 45). Accordingly, ICV can also benefit MacGregor to explore new potential business areas (Covin and Miles 2007, 183) and when succeeding, a company growth and increase of sales are possible.

Finally, what is the key benefit from ICV to MacGregor when they already have the EBA program and customer innovation organization? First properly arranged venturing would ensure that the employees chasing and nurturing new business opportunities do have the required resources to actually execute this in an efficient way. The isolation of the venturing unit would give these employees peace to actually get to their aim of bringing new businesses when not disturbed with administrative tasks. Accordingly, internal start-ups would take the already existing components in the company one step further and help the company with the execution part of the new ideas, by providing the needed support. The result is finally that the company can act efficiently on new ideas. They could start shaping the ideas perhaps with their already existing tools and test them efficiently in the markets with the customer. This applies also to those kinds of opportunities that do not have an existing business line. In ideal state, thing would not drop between the chairs anymore and the employees do not have to do a guesswork about to whom they should approach regarding new ideas, such as software. The company would have a risk-taking

willingness and opportunistic approach to new ideas and the courage to fail often in order to succeed sooner.

## 6 CONCLUSIONS

### 6.1 Contributions and managerial implications

This master's thesis is based on the desire of the case company MacGregor to find solutions to maintain its competitive advantage. Since a long-term growth requires methods to make repeated breakthroughs (Ries 2017, 9), this thesis research suggested continuous innovation, in a form of ICV as a solution for maintaining the case company's competitive advantage. The first purpose of the research was to gain an understanding of how new business creation is currently organized at the case company. The second purpose of this thesis was to study what issues the case company should consider if starting internal corporate venturing. Finally, the third purpose of this thesis was to assess how the case company could benefit from internal corporate venturing.

In this thesis, I formed a three-part framework of enablers of ICV based on several studies about what makes internal corporate ventures successful (e.g. Hisrich and Peters 1989; Block and MacMillan 1993; Garrett and Neubaum 2013). This framework consists of venturing-like environment, venturing team and venturing unit form. In addition, this thesis found evidence that inefficient internal communication causes inefficiencies also to new business creation activities. In this research, the ineffectiveness could be seen in two ways. Firstly, in unclearness in the company's vision. Due this, it might get challenging for the employees to know in which areas they should seek new business opportunities. Secondly, it could be seen in people are not really aware of the innovation tools or methods and programs which are held at the company. Moreover, communicating about innovation programs, tools and methods could awake more entrepreneurial culture within the firm. Thus, this thesis research suggests that organization's effective internal communication could be part of enablers of ICV. Therefore, this thesis suggests that the framework of enablers of ICV could be extended to include effective internal communication (Figure 8).

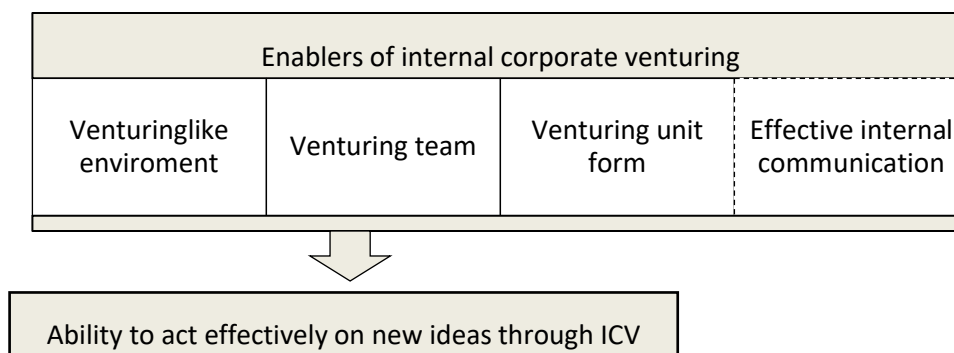


Figure 8. Extended framework of enablers if ICV

In addition to the theoretical contributions, this thesis provides multiple managerial implications to MacGregor. Summarizing, this thesis found that the divisions within MacGregor have slight differences in new business creation, but the new opportunities are mainly found by interacting with customers. Results from these new businesses are expected rather fast. Furthermore, the corporation of Cargotec acts as a vision provider, effort coordinator or facilitator. The company's goal is to increase the amount of services and software, and to gain 20 MEUR of new business by 2021. Moreover, in R&D there is a culture of experimenting and failing, but there seems to be some risk aversion regarding completely new business opportunities. Finally, MacGregor has utilized several methods in new business creation, such as EBA, Greip, Hackathon and collaboration with universities. However, there are several challenges within the practices of new business creation in MacGregor. From these challenges, I concluded three main themes describing essential internal challenges affecting to new business creation. The challenges should be address within the case company. MacGregor should acknowledge their challenges in decreased ability to act on new ideas, lack of organizational support and communication and unclerness of responsibility areas (Figure 9).

<b>Decreased ability to act on new ideas</b>	<b>Lack of organizational support</b>	<b>Communication and unclerness of responsibility areas</b>
<ul style="list-style-type: none"> <li>• New ideas die if they do not belong to any existing business line</li> <li>• Risk-awareness outside of R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>• Manifests mainly as a lack of resources: not enough allocated to the search and nurture of new business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Causes inefficiencies to the organization when personnel are not on the same line in new business creation regarding goals, visions and methods and are unaware of responsibility areas</li> </ul>

Figure 9. Then main internal challenges in new business creation in MacGregor

Furthermore, I formed a framework about the issues that the case company should address to start ICV. Firstly, based on the framework of enablers of ICV derived from earlier research, and secondly from the internal challenges within MacGregor. Summarizing, MacGregor should make the environment within the company more venturing-like, form an effective venturing team, set the venturing unit apart and utilize a corporate

level unit as a coach and finally address their other internal challenges, such as communication (Figure 10).

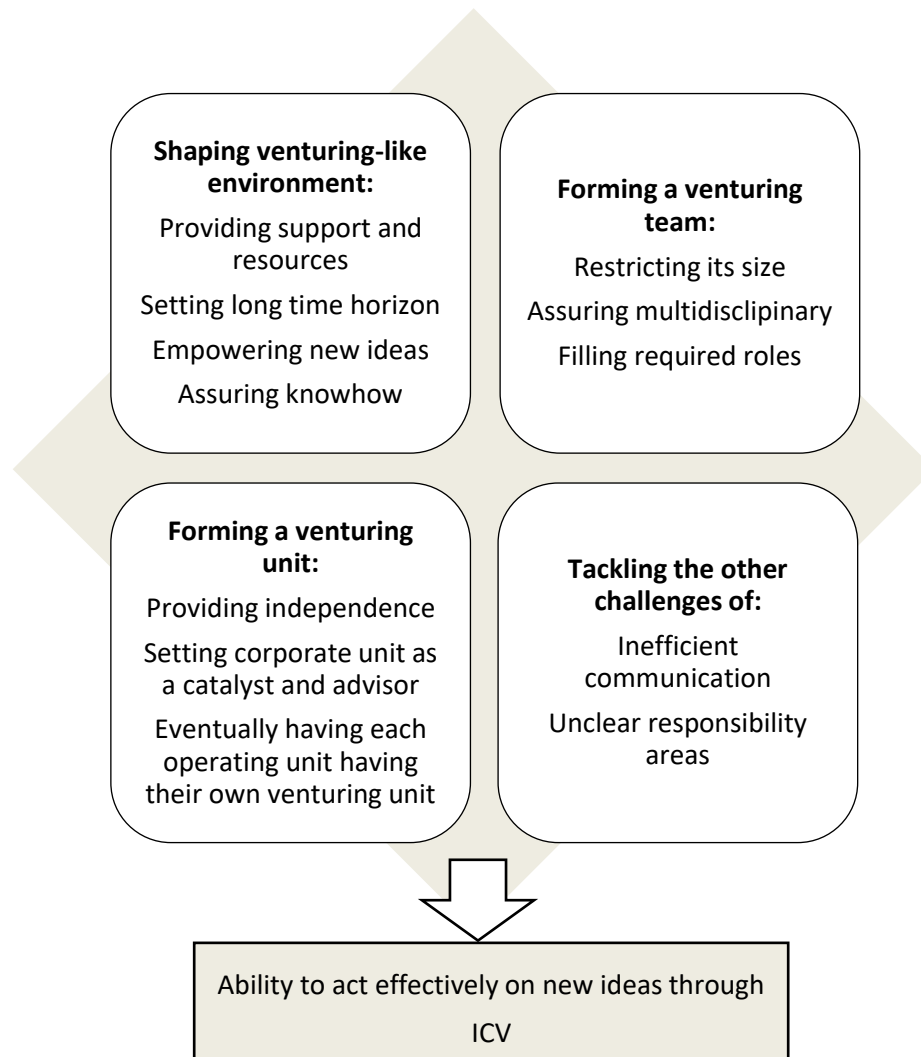


Figure 10. Towards internal corporate venturing in MacGregor

Concluding, to move towards internal corporate venturing, MacGregor should firstly shape a venturing-like environment to the company by seeing that top management supports new business creation strongly. Additionally, there shouldn't be too high restrictions between divisions. Correspondingly, managers should make both monetary and human resources more available to the use of new business creation. The time horizon related to emerging businesses should be long. Moreover, MacGregor should empower new ideas through strong encouragement towards expressing new ideas. In addition, managers should establish culture of experimenting and failure and consider setting board performance goals and reward system in favor of new business creation. Secondly, MacGregor should establish a venturing team and restrict its size to approximately ten people. The



team should be multidisciplinary and contain roles of technical innovator, product ambassador, venture manager, venture godparent, chief executive of the innovative organization, and individuals with required functional qualifications and individuals with experience with the customer set of which the venture is going to operate with. Thirdly, MacGregor should form a venturing unit and isolating it from the parent organization and provide needed independency to it. The company should set a corporate unit as a catalyst and advisor and eventually when gained enough experience from ICV, have each operating unit having their own venturing unit. Finally, the case company should address their challenges in unclear responsibility areas and inefficient communication.

The last contribution and implication of this theses is illustrating the benefits of ICV for MacGregor. Previous literature exemplified that main benefits from ICV can be new resource combinations (McGrath et al. 1994, 354), capability and competence building (Keil et al. 2009, 601, Kanter 1989, 45), leveraging core competencies (Burgelman and Doz, 2001, 33), knowledge obtaining (McGrath et al. 2006, 51), visualizing future customers preferences (Ambad and Wahab 2016, 247) and growth (Hisrich and Peters 1986, 319). However, main benefit from ICV for MacGregor would perhaps be that properly arranged ICV could enable MacGregor to act effectively on new ideas, meaning tackling the first of their key internal challenges in new business creation. Therefore, the benefits of ICV could be extended to include ability to act effectively on new ideas (Table 8).

Table 8. Benefits from internal corporate venturing

Benefits from ICV
<ul style="list-style-type: none"> <li>• Ability to act effectively on new ideas</li> <li>• Gain new resource combinations (Burgelman &amp; Doz 2001, 33)</li> <li>• Capability and competence building (Keil et al. 2009, 601, Kanter 1989, 45)</li> <li>• Leverage core competencies (Burgelman &amp; Doz 2001, 33)</li> <li>• Knowledge obtaining (Ambad and Wahab, 2016, 274)</li> <li>• Visualizing future customer benefits (Ambad and Wahab, 2016, 274)</li> <li>• Growth (Kanter 1989, 45)</li> </ul>

Accordingly, practicing ICV could help to form a continuous innovation process and ability to test new ideas effectively and capability to push them out to the market. Internal start-ups would take the already existing components in MacGregor one step further and help the company with the execution part of the new ideas by providing the needed support. MacGregor could start shaping the ideas perhaps with their already existing tools and test them efficiently in the markets with the customer. This applies also to those kinds of opportunities that do not have already an existing business line. In an ideal state, ideas

would not drop between the chairs anymore and the employees would not have to do a guesswork about to whom they should approach regarding new ideas. Since ICV requires forming a team with a clear purpose of finding new business opportunities, this could possible benefit the company also by clearing some of the responsibility areas within the company. The company would have a risk-taking willingness and enthusiastic approach to new ideas and the courage to fail often to succeed sooner. Internal corporate venturing could also help MacGregor with its external challenges in new business creation, since this would perhaps speed the process of “finding real and fixable problems to solve” and perhaps in understanding the customer needs, since ICV can help with knowledge obtaining and visualizing future customers’ preferences. Additionally, ICV could help to build capabilities (Keil et al. 2009, 601), gain new resource combinations, leverage core competencies (Burgelman & Doz 2001, 33) and reach new opportunities that have been earlier outside of its operations (Kanter 1989, 45).

Concluding, ICV is a research area that has been studied through decades (Kuratko 2017, 447). However, this thesis research provided evidence that inefficient internal communication in organization is affecting negatively to new business creation. Accordingly, effective internal communication could perhaps be included to the enablers of ICV. Additionally, this thesis provided several managerial implications to MacGregor regarding what issues they should consider if starting ICV. Finally, this thesis found that the main benefit from ICV could be that the activity can enable a company to act effectively on new business ideas through agile internal startup structure.

## **6.2 Limitations and future research suggestions**

This thesis concentrated on studying issues in a single mature manufacturing firm. Thus, there should be caution in application of these results to a wider sense. Furthermore, it must be kept in mind that this thesis research was not studying comprehensively the entire case company MacGregor, but it was mostly emphasized on a one division. Although, the interviewees were chosen from several divisions and organizational layers aiming to form a perspective which reflects the matters wholly in the case company. If there would have been a chance to form as deep investigation as in CHD also in the other divisions of MacGregor, this would have provided more thorough and wider conception about new business creation within the whole case company. To what extend the organizational atmosphere is similar at other divisions, remained slightly unclear under the circumstances of this study. However, since all of the divisions are working under the same corporate umbrella, it can be assumed the there are some similarities. In addition, interviews were conducted with representatives of several divisions. Nevertheless, working in CHD pro-

vided a way to deeper knowledge of the company's ways and the organization by observing the organizational environment and having also the possibility to have several informal discussions with the employees.

Moreover, there has been a lot of research assessing matters that make internal corporate ventures successful. (e.g. Hisrich and Peters 1989; Block and MacMillan 1993; Garrett and Neubaum 2013) and this thesis utilized a three-part framework derived from these studies to assess enablers of ICV (venturing-like environment, venturing team and venturing unit form). However, this framework is not any widely accepted outline that companies should address before pursuing ICV. Furthermore, this thesis delimited the issues related to the management of ICV process out of the research area. Accordingly, it is likely that this not a wholly comprehensive discussion about the issues that this case company, or any other company, should consider if starting ICV. Consequently, it would be beneficial to study further what exactly are the issues that companies should consider if starting internal corporate venturing

Furthermore, this thesis assessed how the case company could benefit from ICV. Even though it was possible to evaluate some of the expected benefits of ICV, the true benefits of the activity could be revealed only after starting ICV. Additionally, it is likely that these benefits would not be possible to be seen immediately but only after a reasonable amount of time (e.g. Zahra and Covington 1995, 44).

Finally, since this thesis research was able to find some evidence that inefficient internal communication is unfavorable for new business creation at this case company and communication in this sense didn't come up strongly in previous internal corporate venturing literature, it would be advisable to study this further. It might be beneficial to investigate internal communication in ICV enabler context regarding these specific areas which caused challenges within the case company; knowledge about the tools and methods related to new business creation and communication about the company's vision. This topic could be investigated further for example by studying the correlation between effective internal communication and ICV performance.

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## **List of interviews**

Lifetime Performance Manager (CHD), MacGregor. Interview 7.6.2018.

Director of Customer Innovation (RoRo), MacGregor, Interview 13.6.2018.

VP of Digital Transformation, Cargotec. Interview 25.6.2018.

Director of Customer Solutions (CHD), MacGregor. Interview 3.7.2018.

Senior Project Manager (AOS), MacGregor. Interview 5.7.2018.

President, MacGregor. Interview 6.7.2018.

Director of Customer Innovation (CHD), MacGregor. Interview 12.7.2018.

CEO, Aller Media Finland. Interview 3.8.2018.

VP of Global R&D (Bromma), Kalmar. Interview 6.8.2018.

VP of CHD and RoRo, MacGregor. Interview 17.8.2018.

## APPENDIX 1 INTERVIEW FRAMEWORK

<b>Interview question</b>	<b>Possible theoretical counterpart</b>
<b>How new business creation is currently conducted in the case company?</b>	
Who are participating in new business creation? Have you participated in new business creation?	Case company specific issue
What is Cargotec's role in new business creation?	Case company specific issue
What are roles of different divisions in new business creation? Is it possible to innovate in other division's or business area's domain?	e.g. Roberts 1980, Hisrich and Peters 1989,
What is the role of customer in new business creation?	Case company specific issue
What kind of goals there are related to new business creation? What is the time span of those goals?	e.g. Kanter 1985, Zahra and Covin 1995
How funding is arranged for new business opportunities? How the allocation of other resources is arranged? Do you consider that there's enough resources allocated?	e.g. Fast 1979, Hisrich and Peters 1986
What tools or methods are used in creating new or innovating?	Case company specific issue
<b>Atmosphere related to creating new</b>	
How experimentation is dealt with?	e.g. Roberts 1980, Hisrich and Peters 1986
How the possibility of failure is dealt with? Is failing allowed?	e.g. Hisrich and Peters 1986
How employees are encouraged in new business creation and to innovate?	e.g Roberts 1980, Hisrich and Peters 1986
Is multidisciplinary team work encouraged? How?	e.g. Abrell and Karjalainen 2017
<b>MacGregor's current capability to create new business</b>	
How do you experience MacGregor's capability to create new business?	Case company specific issue
What are the most significant challenges in new business creation in MacGregor? Why? <ul style="list-style-type: none"> <li>• How these challenges could be decreased?</li> </ul>	Case company specific issue
What are the most significant issues that advance new business creation in MacGegor? Why? <ul style="list-style-type: none"> <li>• How these issues could be advanced even more?</li> </ul>	Case company specific issue
<b>Is there anything else you consider to be important related to these issues we just discussed?</b>	Case company specific issue
<b>Who would you recommend to be interviewed next?</b>	Case company specific issue