Achieving strategic intent through corporate venturing

The role of strategic relationships and market orientation

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Abstract: *This principally conceptual paper explores how, in conjunction with its market orientation, a firm's internal and external strategic relationships may be used in implementing corporate venturing to achieve its strategic intent. Conceptually, the paper begins by exploring work on strategic corporate venturing. Building on this analysis, a dichotomy between internally sustained and externally partnered strategic relationships is discussed, as is the role of market orientation. From this discussion, a conceptual framework is developed and applied to an examination of three longitudinal case studies of multinational organizations. In light of these cases, the paper explores how strategic relationships may be used in corporate ventures to counter adverse market forces or to exploit market opportunities. The paper concludes by showing how organizational strategic intent, realized through market orientation and strategic relationships, may develop dynamically in response to external and internal influences.*

Keywords: *corporate venturing; strategic intent; strategic relationships; market orientation; open innovation; intrapreneurship*

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Corporate venturing can increase an organization's exposure to innovative ideas, giving them improved access to new markets and increasing their financial returns (Meyer and Heppard, 2000). In this sense, corporate venturing is viewed as a way of encouraging innovative talent to stay within the company in order to create value, rather than leaving to create separate independent businesses, which may become competitors (Chesbrough, 2006). It has been argued that both strategy and the environment have an impact on corporate venturing performance (Tsai *et al*, 1991), and within the context of this special edition, the paper seeks to understand and explore the role of strategic relationships and market orientation in attempting to achieve a firm's strategic intent through corporate venturing. By addressing this question, the paper aims to answer the call for further research on the challenges of using corporate venturing effectively for strategic purposes (Covin and Miles, 2007) and will develop a conceptual framework focused on this.

The paper starts by exploring the literature on corporate venturing for strategic purposes. Research on the internal and external strategic relationships that develop through corporate venturing is explored. This is followed by a consideration of the market orientation of firms that engage in corporate venturing activity and whether these can be described as either aggressive or defensive. A conceptual framework is then developed illustrating the various options open to firms, in the context of strategic intent when they are developing corporate venturing strategically. The paper explores evidence in longitudinal case studies of three multinational organizations between 2000 and 2008 and analyses the case study data in the context of the conceptual framework. Finally, key discussion points and conclusions are identified, including the usefulness of the framework for analysing approaches to corporate venturing and the relevance of the conceptual framework for developing a dynamic perspective of corporate venturing.

Strategic corporate venturing in context

According to Zahra (2005), there is general agreement amongst scholars of the subject that corporate venturing (CV) is one of the key dimensions of corporate entrepreneurship. Corporate entrepreneurship is often viewed as the pursuit of entrepreneurship within existing firms, which also includes organizational innovation that results in new product development, as well as covering strategic renewal through the re-imagination of an entire organization (Guth and Ginsberg, 1990). While traditionally viewed as an internal process, researchers have more recently identified that CV may be external or internal in focus (Miles and Covin, 2002; Keil, 2004; Hill and Birkinshaw, 2008). In its internal context, CV has been described as new business development within an existing firm (Block and MacMillan, 1993) with the potential for the creation of corporate start-up businesses developed and potentially spun out of the corporate parent by internal employees (MacMillan *et al*, 1986), who are frequently referred to as ‘intrapreneurs’ (Antoncic and Hisrich, 2003; Pinchot, 1985). In its external context, CV has been described as the process of corporate investment in minority equity stakes in smaller unquoted companies for financial and strategic gain (McNally, 1995). Corporations undertaking external venturing have often been seen to use ‘corporate venture capital’ (CVC) (Siegel *et al*, 1988; Sykes, 1990; McNally, 1995; Dushnitksy and Lenox, 2006). Research in this context is largely focused on the sources and uses of financial investment in external firms as a form of venture capital. In addition, Chesbrough (2006) and Miles and Covin (2002) identify that investment relationships in external ventures may develop into spin-in opportunities where these are perceived as mutually beneficial for strategic reasons.

While interest amongst researchers in CV has developed over 30 years, it has been acknowledged that practice amongst corporations in the USA in this area has mirrored the history of the US venture capital industry, going through three specific ‘boom-and-bust’ cycles: 1965–74, 1979–87 and 1994–2002 (Gompers, 2002; Allen and Hevert, 2007). During these cycles, numbers of corporations engaging in CV and total investment have ‘spiked’ (Gompers, 2002) and subsequently reduced in intensity. It has also been noted that activity has significantly increased from one cycle to the next. As an example, following the end of the flurry of activity during investment in the most recent cycle (the Internet or ‘dot-com’ bubble), numbers of corporations taking part in CV reached the highest recorded levels at the height of the boom, but significantly decreased at the end (Birkinshaw *et al*, 2002). Despite cyclical investment, it is also noted that some corporations have continued to invest in those CV programmes considered to be successful even in ‘bust’ periods, as these are seen as a key element of the organization’s approach to research and development (R&D) (Campbell *et al*, 2003).

Early research suggested that corporations’ initial interest in CV was related to financial and strategic goals, such as fostering innovation, generating strategic renewal and obtaining windows on technology and markets (Sykes, 1990; Thornhill and Amit, 2000). More recent work argues that CV has increasingly been utilized as one of a range of externally focused alternatives to innovation through internal corporate R&D. These new alternatives are thought to include joint ventures and acquisitions of SMEs; university-based collaboration; the harnessing of underutilized internal R&D and ‘spillover’ technologies; and the commercialization of intellectual property through external routes to market rather than through internal sources (Gompers, 2002; Chesborough, 2006). In addition to a more externalized exit route for innovation projects, it has been observed that some firms have begun to adopt alternative management approaches, such as using venture capital techniques for both internal and external ventures (Miles and Covin, 2002; Campbell *et al*, 2003; Chesbrough, 2006).

Given the diversity of approaches being employed by organizations in pursuing CV, it is useful to consider how these may relate to a firm’s strategy. Covin and Miles (2007) have indicated that organizations may take different approaches to the utilization of CV in relation to business strategy, and that CV may either be utilized as part of a business strategy (strategic CV) or not (non-strategic CV). In addition, they argue that those firms that engage in CV for strategic reasons do so because they realize that innovation is the only way to meet their long-term goals. These goals are embedded in their strategic intent, which Hamel and Prahalad (1989) define as envisioning a desired leadership position and establishing how the organization will chart its progress.

Ireland *et al* (2009) argue that firms that exhibit the strategic intent of continuously and deliberately leveraging entrepreneurial opportunities for growth and advantage-seeking purposes are pursuing a corporate entrepreneurship strategy (CES), and that CV may be part of the strategic vision, entrepreneurial architecture, processes and behaviour that firms utilize. While CV may have an important role in supporting a firm's CES, however, Covin and Miles (2007) do not explicitly argue that a firm's business strategy has to be entrepreneurial in order to pursue strategic CV. Indeed, Tidd and Taurins (1999) indicate that there may be a range of motives for CV: these include market-based motives; growth and diversification; combating cyclical demands of main-stream activities; and organizational learning.

The next part of the paper will explore how these varying forms of and purposes for strategic CV activity may be realized in the strategic relationships formed by organizations with their stakeholders and other organizations.

Strategic relationships in corporate venturing

Although organizations that wish to encourage innovation could be content to create an environment in which employees freely experiment with ideas, the theories of intrapreneurship can be utilized to a more far-reaching extent. Macrae (1976) suggested that something akin to free market entrepreneurship within the corporate organization would be the preferred route to effective innovation within a firm. In effect, the principle was that individuals or groups, known as 'intrapreneurial teams', within the business became autonomous from the organization and could become businesses in their own right, thus forming looser relationships with the parent company and becoming a 'business within a business'. Macrae (1976, 1982) and Pinchot (1978) took this concept one step further by suggesting that rather than being officially generated by the organization, internal businesses could be initiated and run by employees without instruction from the organization; intrapreneurial teams would become intrapreneurial organizations.

Research on CV relationships has traditionally been focused internally within the firm and has considered the relationship between the organization and existing employees engaged in creating new value (Amit *et al*, 2000). This focus can be described as concentrating on the 'employee as entrepreneur'. There has also been a move towards the organization acting as a venture capitalist bringing external entrepreneurs into the organization, either as individuals or as whole teams (Morck and Yeung, 1999; Miles and Covin, 2002; Morris and Kuratko, 2002), effectively bringing in 'entrepreneurs as employees'. Furthermore, organizations may venture entirely externally by funding a network of ventures that remain outside the company, but in which the organization takes a financial stake, in a similar capacity to that of a traditional venture capitalist (McNally, 1997).

The idea of utilizing relationships external to the firm, such as inter-firm relationships (Lorenzoni and Lipparini, 1999), can be extended from a role in venture creation and sponsorship to support for the parent organization's approach to managing the CV process. Miles and Covin (2002) highlighted the fact that some organizations, rather than having direct interventions, used external venture capital firms to support their internal or external venturing by assisting with the identification of ideas and providing seed funding. While engaging venture capitalists (VCs) in this way may provide enhanced financial returns for companies and decrease risk, such an approach does not fully grasp the potential that organizations and ventures can gain from bringing in external support for internal ventures (Morris and Kuratko, 2002). Venture capitalists and other outside corporate venture support firms can play a crucial role when supporting the ventures of established organizations (Durman, 2001) as it can be difficult for intrapreneurs to find support for their ideas in the political context of an established company (Block and MacMillan, 1993; Pinchot and Pellman, 1999). Venture capitalists, for example, have the experience to identify viable ventures and can work in partnership with organizations by acting as a first port of call, or mentor, for new ideas. Historical examples of movement towards these approaches could include the work of Coller Capital and Lucent Technologies/Bell Labs in creating a hybrid venture division.

The mixture of internal and external relationships gives the organization several options either to respond passively to new ideas developed inside the organization or actively to seek new ideas from external entrepreneurs. Previous researchers have explained these relationships by using a typology of venture creation approaches and involvement (McNally, 1997): some

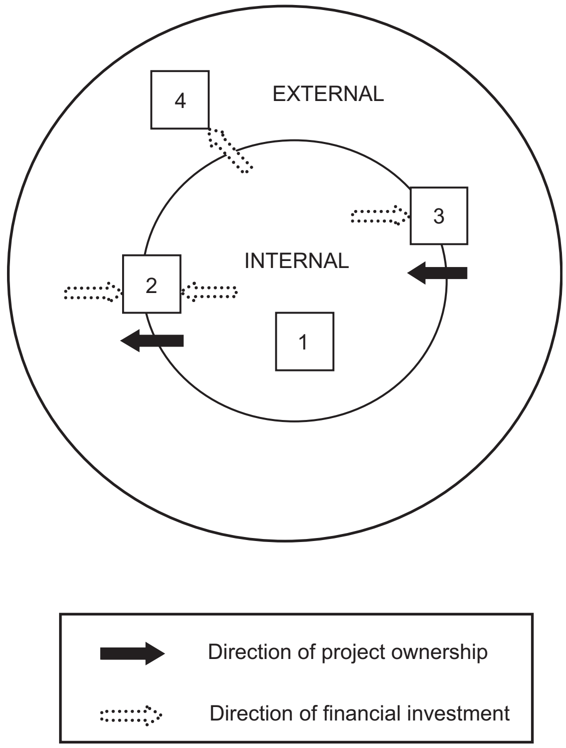

Figure 1. Spectrum of strategic relationships in corporate venturing.

have described them as a range of investment types (Hill and Birkinshaw, 2008); others as a range of focuses and investment intermediation sources (Miles and Covin, 2002); and finally, others have seen them as part of a range of strategic approaches (Campbell *et al*, 2003). The full spectrum of strategic relationship opportunities is illustrated in Figure 1, and includes:

(1) passively responding to the generation of internal ideas from employees; allowing subsequent internal funding and ultimately ownership of the new venture by the organization (employees as entrepreneurs) – internal strategic relationships;
(2) actively seeking new ideas from existing employees, with new ventures still owned, if only in part, and controlled by the parent organization, but with external strategic or financial involvement (employees as entrepreneurs) – internal/external strategic relationships;
(3) actively seeking new ideas from outside the organization to spin into the organization with complete internal financial control (entrepreneurs as employees) – external/internal strategic relationships; and
(4) actively and strategically seeking outside entrepreneurs and new ideas and funding them, but only taking a partial financial interest in the new ventures – external strategic relationships.

Having considered the range of forms of strategic relationships that an organization may choose to engage in, one may now consider the reasons why these relationships may develop as part of the firm's overall strategic intent, by considering the market orientation that the organization may adopt.

Market orientation

The nature of the strategic relationships adopted by the firm in pursuing corporate venturing as outlined in the previous part of the paper, it is posited here, will be influenced somewhat by the firm's market orientation in the context of the strategic intent that guides it to engage in CV. Narver and Slater (1990) define market orientation as encompassing the three tenets of customer orientation, competitive orientation and inter-functional coordination, while Morgan *et al* (2009) argue that it provides firms with a competitive advantage. A number of researchers, however, have suggested that market orientation in isolation leads to the firm primarily focusing on existing markets and the expressed needs of customers. This can leave the firm open to loss of market share to entrepreneurial firms entering the market with new technologies and offerings (Slater and Narver, 1995; Matsuno *et al*, 2002). Slater and Narver (1995) argue that one solution to this problem is to combine market orientation with an entrepreneurial orientation in seeking and exploiting new products and markets. It has further been suggested that there is a link between market orientation and corporate entrepreneurship in that these effectively provide a trade-off, particularly in dynamic environments, whereby firms may identify opportunities (Barrett and Weinstein, 1998; Matsuno *et al*, 2002; Simmons *et al*, 2009) or be subject to environmental hostility (Zahra and Garvis, 2000).

Despite these attempts to link corporate entrepreneurship and market orientation, no consideration has been given to the relevance of market orientation to CV. Morgan *et al* (2009), however, argue that firms need complementary organizational capabilities in order to deploy a market orientation, and Attuahene-Gima and Ko (2001) contend that realizing a market orientation in tandem with an entrepreneurial orientation is a strategic and operational issue, which requires an attempt by senior managers to engender the right environment – something that CV may provide (Simon *et al*, 1999).

Traditional competitive theory suggests that an organization's market position and corporate success are derived from the possession of competitive advantage through critical success factors (Kay, 1993), which Kay suggests are architecture (that is, the organization's relationships with customers and suppliers), innovation, brand and corporate reputation. Miles and Covin (2002) argue that a key desired strategic outcome from becoming an entrepreneurial organization is to gain competitive advantage. Some firms may consider CV to be a way of maximizing the potential of core assets, and to this extent these organizations may seek to promote their critical success factors and to appropriate greater value from their core competencies through CV (Covin and Miles, 2007). Conversely, when considering the strength of competition in the markets in which a firm operates (Porter, 1980), firms may develop a CV strategy in response to a perceived or actual increase in competition in traditional markets.

In this paper, we propose that firms may adopt one of two forms of market orientation in competitive environments. For some, CV may be a way of defending market position against perceived threats, such as environmental hostility, and as a means of entering new markets as a hedge against significant loss of market share (Covin and Miles, 2007). These firms engage in 'surface' entrepreneurship as they consider it an important strategic goal, which, while not a part of the organization's shared values, should be promoted and encouraged for strategic reasons (Sathe, 1988), and in this sense they have a *defensive market orientation*.

Conversely, some firms may spin out self-sufficient firms, which are supported by the parent's existing critical success factors and at least initially do not appear to offer anything back in return. In this case, CV becomes a vital part of the growth strategies of these firms; it becomes a fifth critical success factor and, in effect, business strategy becomes driven by CV as the 'way we do business' (Covin and Miles, 2007). In this case, the organization is engaging in 'deep' entrepreneurship as it is seen as an important shared value (Sathe, 1988) and its approach may be part of a wider corporate entrepreneurship strategy (Ireland *et al*, 2009). When considering these firms and their approach to markets, the purpose of implementing strategic CV may not be to defend existing markets, but rather to penetrate diverse new markets as the main way of pursuing business growth. In relation to Porter's (1980) 'five forces' model of competition, market penetration may be enacted through either investing in innovations in order to create a substitute for products that are in existing markets or by seeking to enter a new market. CV, for these firms, acts as a way of entering aggressively new and/or existing markets that are new to the firm, and in so doing they create growth. We propose that these firms can be described as having an *aggressive market orientation*. In the next section, the paper explores how these market orientations, in conjunction with strategic relationships, may be utilized in attempting to achieve a firm's strategic intent when considering approaches to CV.

Options available in strategy formulation for corporate venturing

When considering the options available to firms in deciding upon an entrepreneurial strategy, it is important to take into account both the organization's purpose or goals – 'the what and the why' and the policies or plans for achieving those goals (Andrews, 1971), 'the how and who' of CV. The key issues we have identified in reviewing the literature are the aggressive or defensive market orientation of an organization (the what and why) and the role of internal and external strategic relationships (the how and who) in utilizing strategic CV to achieve an organization's strategic intent.

This can be expressed as a conceptual framework in the form of a matrix (Figure 2) that shows the organization's strategic intent in relation to its development of strategic relationships, either internally or externally, along with its market orientation, which may be either aggressive or defensive. By using these alternative strategic intentions, the conceptual framework can be used to see in which quadrant a particular organization's approach lies. This shows the diversity of market orientation and strategic relationships (indicated by each quadrant of the matrix) and also the potential interaction between quadrants of the matrix. The next section of the paper introduces the methodology and explores how the conceptualization can be used to understand the CV practices of multinational organizations.

Methodology of the case study research

Approaches to research on CV have utilized a mixture of quantitative and qualitative methods. Quantitative surveys have tended to be developed through interviews, existing literature and responses from corporate CEOs and CV unit managers. Another quantitative approach has been to undertake an analysis of financial investments and returns using annual reports and venture capital databases. Qualitative research has generally been conducted in the form of case studies of individual CV programmes and has used interviews with CV managers and CEOs as well as publicly available documents. Qualitative research has allowed for more in-depth explorative study, and more recent studies have tended to adopt a multi-case approach.

In order to explore internal and external relationships in CV, a case study approach was used and the results from the research are reported in this paper. The approach involved extensive examination of the phenomenon of CV in the organizations studied. The approach used is an example of a phenomenological methodology (Tellis, 1997). In this approach to case study research, the context of the research is of paramount importance. Data for the case studies were

Strategic intent ⇨ ⇩	Internal strategic relationships	External strategic relationships
Aggressive market orientation	CV is seen as a critical success factor – the strategic intent of the organization is met through creating new ventures in new markets and is seen as a key element of corporate growth. Relationships may consist of various combinations ranging from a review of ideas from existing employees through to group control of new ventures. The emphasis of relationships is internal to the organization and does not include organizations or people external to the organization in the formulation or management of the ideas or new ventures.	CV is seen as a critical success factor – the strategic intent of the organization is met through creating new ventures in new markets and is seen as a key element of corporate growth. Relationships may consist of various combinations ranging from: a review of ideas from external applicants (individuals or existing SMEs); new venturing in partnership with other firms; and the spin-out of a venture as an autonomous firm.
Defensive market orientation	CV is seen as a form of security (hedging) – a way of meeting the firm's strategic intent through experimenting with and entering new markets in the event of loss of share in existing markets. Relationships may consist of various combinations ranging from a review of ideas from existing employees through to group control of new ventures. The emphasis of the relationships is internal to the organization and does not include organizations or people external to the organization in the formulation or management of the ideas or new ventures.	CV is seen as a form of security (hedging) – a way of meeting the firm's strategic intent through experimenting with and entering new markets in the event of loss of share in existing markets. Relationships may consist of various combinations ranging from: a review of ideas from external applicants (individuals or existing SMEs); new venturing in partnership with other firms; and the spin-out of a venture as an autonomous firm.

Figure 2. The Corporate Venturing Strategic Intent Framework.

obtained from interviews with people in the organizations investigated. The data from the interviews have been combined with secondary data from internal and external sources relating to the organizations engaged in the research, so as to validate the opinions presented in interview data. The case studies offer a methodology through observation, reconstruction and analysis that provides a thorough investigation to contribute to the research (Tellis, 1997). It is also argued by Aaker *et al* (1998) that case studies are often a logical method of analysis in a complex situation.

The use of the case study approach has allowed the findings of this paper to be intrinsically linked. This has permitted the results to be interpreted ideographically in terms of the case particulars. Information has not been interpreted nomothetically, thus ensuring that there are no law-like generalizations inferred. Since case studies are exploratory in nature and are used in areas where insufficient knowledge exists (Hussey and Hussey, 1997), they are appropriate to the case studies researched in this paper. According to Bryman (1989), case studies are important in terms of offering researchers the opportunity to test theories. In terms of this paper, the particular theories to be tested are the relative importance of internal and external strategic relationships in conjunction with market orientation in determining strategic intent in CV.

In accordance with Yin (1994), the case study approach used for this work possesses the following characteristics:

(1) The research was aimed at understanding and exploring the role of strategic relationships and market orientation in attempting to achieve a firm's strategic intent through CV.
(2) The research did not necessarily commence with a set of preconceived questions and ideas with regard to the organizations to be studied.
(3) The research used multiple methods to collect the relevant information from the case study sources and used the relevant literature on CV.

The main stages of the case study were followed in accordance with the accepted approach of (a) selecting the cases, (b) preliminary investigations, (c) information gathering, (d) the analysis stage, and (e) the report stage. Also, the research followed the approach of phenomenological studies in that a diagram was developed as an aide-mémoire to explain the patterns emerging from the study (Hussey and Hussey, 1997).

The three cases chosen for this study were selected from an original convenience sample of 12 multinational firms, due to the length of time that the businesses had been involved with CV (at least 10 years), the location of their head offices (the UK) and access to key informants. Preliminary investigations regarding the organizations were carried out through personal contacts made in business and academic networks that were deliberately selected in 2000 and through appraisal of information in the business press. Data were subsequently collected from 2000–2008 through a mixture of face-to-face and telephone interviews with at least two senior managers at each organization, who were, or had been, responsible for venture projects or the overall venture division, depending on the circumstances at the time. Initial interviews took place in the period 2000–2002, with subsequent interviews in 2007–2008 and informal contact throughout the eight-year period. These interviews were supported by secondary sources such as newspaper and business press articles, Website information and investor reports throughout the eight-year period. In the following part of the paper, we explore the case studies and discuss the conceptual issues highlighted earlier, explaining how the data collected can enhance our understanding of strategic CV.

The case studies

Each of the three organizations included in this paper is described in relation to its CV activities and then considered in relation to its strategic relationships and market orientation in pursuing strategic CV.

Company A

The first business, based in the engineering industry, sells mainly to national public bodies and commercial organizations in over 100 countries. It has an annual turnover of over £18 billion, with more than 100,000 employees based in a number of countries, and claims to produce over 100 inventions a year. The business set up a CV division to exploit potential sources of revenue from its innovations in alternative commercial markets. By 2003, the company was making between £1 million and £2 million per annum from its R&D and intellectual property. It was able to utilize this income to subsidize research for its core operations.

The organization's venture unit attracted young dynamic people who had felt stifled by the culture of the established company. These people, however, had to be accepted into the community of the engineering organization as a whole, which was fairly traditional – meaning that there was little acceptance of 'mavericks'. The potential intrapreneurs in the venture division had to be able to show that they balanced dynamism with acceptability. Intrapreneurs came from both inside and outside the organization, even though the group itself was not laden with entrepreneurs and venture capitalists. The core team was formed from portfolio managers from within the wider organization and from its spin-out companies. People who created ventures with the company were the type of people who would not normally take the risk of going outside the company to create their own ventures and had often been with the company for a number of years. The venture division rewarded its intrapreneurs by offering them a share of the value created, and the firm aimed to engender a culture that supported innovation by challenging staff to innovate. Intrapreneurs were also forced to commit to the venture, as they were not automatically granted the right to return to their previous positions if their venture project failed, and had to earn the benefits they normally received in the parent company, the general idea being, according to the head of the ventures division, that he wanted them '…to kill to make it work'.

The venture division had a venture creation tool, which facilitated seeking the best teams for a venture and also systematically trawling for good ideas. The company sometimes received help from external financial venture partners, who knew the commercial market that the organization was trying to move into, and who could give outside validation from their experience of that wider market. If a venture became successful, the parent organization would allow it to be released as a firm in its own right. The parent would often retain an interest in the new venture as a stakeholder, or would buy out the venture managers and incorporate them back into the wider organization as a commercial division.

By 2005, the head of the ventures division had resigned to become CEO of another firm. While the organization retained its interest in alternative commercial markets for its technology, the organization began to shift attention away from the development of ventures to a focus on financial gains from intellectual property, as this was perceived as giving more reliable opportunities for a shorter-term financial gain, against what the new venture division manager termed the 'risks and long term nature of [internal spin-out] investing'. While existing venture projects continued to develop in the division, the focus for the new managers of the division switched to identifying intellectual property and transferring this to external independent businesses and venture capitalists in return for finance, as well as forging strategic alliances with small and large external organizations. These external organizations would provide their own teams of venture managers, rather than developing existing employees, unless a strong case was made against this approach.

Company B

Based within the fast-moving consumer goods (FMCG) industry, this business has an annual turnover of over £40 billion, employs over 170,000 people in 100 countries and invests over £800 million in R&D. In 2000, this organization did not have an official ventures division like Company A. By 2008, however, the company had experienced an explosion in CV, driven by its new strategic objectives. During the intervening eight years, the organization had noticeably changed direction in terms of relationship development, moving from a purely internal focus to a joined-up internal and external focus as part of an emphasis on exploiting new channels and moving closer to consumers. Some of these early ventures developed a service side to a traditionally product-focused company. Another goal in venturing was to realize the potential of its core product brands to leverage new ventures and build the brands at the same time.

The intrapreneurs who ran initial ventures were mainly managers from within established businesses who had expressed an interest in the concept following an internal campaign, championed by the CEO of the overall organization. Managers were encouraged to venture in this way to show others that they could stay within the company and be an entrepreneur, rather than leaving to pursue their ideas. To launch a new venture, staff developed a business plan to show the feasibility of their ideas. Venture ideas could come from any part of the organization, but as one senior manager explained, '…grassroots employees would need the support of a manager to write a feasibility plan'. The organization had a range of successes and failures in its initial venturing programme; some of their initial successes were closed down or scaled back, while at least one venture was successfully sold as a going concern. If intrapreneurs' ventures failed, the company would try to redeploy staff, as they were still considered to be a part of the organization.

More recent developments (since 2005) have seen the organization move towards capitalizing on existing brands, infrastructure and technology to create value through investing in new venture divisions, whereby the opportunity to submit business plans and take part in venture activities has been extended to external individuals, as well as external small or medium-sized firms. Rather than passively waiting for ideas to be submitted, the organization also developed technology 'scouts' who research relevant external businesses that are looking for venture funding and, according to one such scout interviewed, 'to ensure the relationship I put in place is right for these companies'. The strategy the organization has taken has shifted over the past four years from one of nurturing from within, with little or no involvement from outsiders (except for market research from customers), to expanding its focus to external ideas and organizations, while still maintaining opportunities for developing internal spin-outs, which the head of the venturing division argued had turned his management role into '…much more one of negotiation than it is in a normal job'.

Company C

Company C is based in a diverse range of consumer service industries, with seven key sectors. It is slightly smaller that Companies A and B, with an annual turnover of over £10 billion, more than 50,000 employees and operations in 29 countries. Unlike the examples of dependent relationships between organization and venture at Companies A and B, all of the businesses within Company C are given an autonomous status. They have their own budgets and responsibility for their own services provision, including marketing and human resources. Each individual company is run by different senior management teams, and is frequently run in partnership with experienced outside organizations, which could explain why this organization tends to be successful when entering diverse markets. Furthermore, the organization will divest itself of businesses that it sees as no longer relevant to the organization's portfolio, and frequently sells its stake in businesses to allow it to invest in new opportunities.

The organization does not have a head office as such, but what group decisions there are, are made by a holding company that has 40 members of staff, some of whom sit on the boards of the 200 individual companies that are part of the group. This holding company also looks after the legal and brand protection for the group, as well as supporting new ventures. The holding company's only other involvement occurs when ventures are doing exceedingly well or badly and are either likely to be sold or need assistance.

Ventures can originate internally, and at least one of its recent ventures originated from an operational employee in another venture, who submitted a business plan. There is no active encouragement for ideas from employees, though a senior manager in corporate development mentioned in an interview that 'our culture means that staff feel comfortable approaching the company with ideas'. The organization receives around 250 business proposals a day, mainly from people outside the organization, with ideas for ventures. No matter where they originate, the organization always carefully considers the resources at its disposal, and whether the idea lies in a direction that supports the organization's strategic goals, and successful businesses have been developed from proposals submitted by both internal operational staff and external individuals and organizations. The organization also supports outside firms through two of its companies, which invest in music and technology businesses as an extension of the organization's other activities in these industries.

In the next section, each of these cases will be explored according to the perceived market orientation and the type of strategic relationships they developed, in relation to the conceptual framework that was illustrated in Figure 2, resulting in the mapping of the case studies against the conceptual framework (Figure 3).

Relating case studies to market orientation and relationships

Despite their varied industries, there are some striking similarities between these organizations. All of them mention that the main goal of venturing is to maximize the value of their intellectual property, be this in the guise of inventions and concepts or in existing brands. Both Company A and Company B said that their initial venture programmes were perceived to have assisted in encouraging talented individuals to stay with or join the organization. There was also evidence in the case studies of the importance of a range of strategic relationships with outsiders to the organization. This could be from developing venture programmes, from individuals or organizations proposing 'spin-ins' or investment opportunities, or from organizations providing consultancy or financial investment. The main division of opinion appears to lie in the ways in which venturing is encouraged, developed and managed. The different organizations have used a variety of strategic approaches, with varying degrees of success. Some are still struggling with certain facets of a venturing programme. The following section of the paper will attempt to illustrate how these similarities and differences may be mapped against the conceptual framework, in an attempt to understand them better.

Applying the corporate venturing strategic intent matrix

The case studies show varied market orientations and use of strategic relationships and can be analysed as follows:

Company A. Initially, this organization had a defensive market orientation, with mainly internal relationships. This took the form of encouraging existing staff to produce commercial ideas and new ventures, but also involved keeping control of the eventual new ideas and ventures produced. The company did, however, encourage outside entrepreneurs to approach it with ideas that it would support, occasionally utilizing the advice of outside venture capitalists, and subsequently developed routes to market that relied heavily on external partnerships through licensing. In all cases, the main focus remained on finding additional sources of revenue from existing research and development as a way of defending the firm from potential shortfalls in traditional sources of revenue. As illustrated in Figure 3, the organization is seen to straddle both internal and external/defensive quadrants. Initially, strategic relationships pertinent to corporate ventures were mainly internal, but became increasingly external, while consistency was maintained in the focus on using a defensive market orientation.

Company B. This organization initially showed a defensive market orientation with an internal focus. In terms of the internal focus, venture creation centred on its main brands in an effort to safeguard against perceived threats from a competitive market. Its relationship strategy was 'in-house' and was designed to encourage existing employees to come up with new ideas. Also, the new ventures were a part of the organization rather than distinct spin-outs operating within a separate structure. In terms of the later developed external focus through its new venture divisions, this emphasis encouraged internal and external applicants to present ideas, which, through incubator support, could be spun out by the organization. The aim was to explore new market openings for the organization, to diversify its portfolio and to raise revenue through spin-outs and share options as venturing became an increasingly important part of the businesses core strategy for developing and commercializing new products. This appears to illustrate an approach to venturing that was increasingly aggressive in market orientation. The

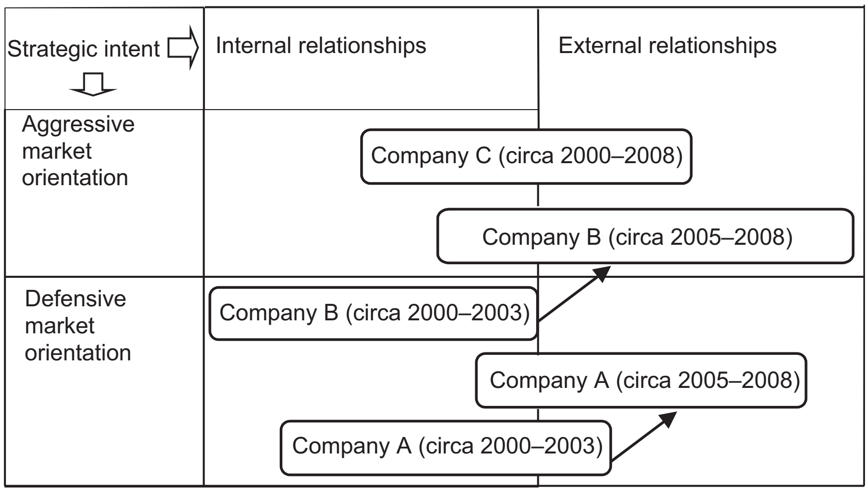

Figure 3. Relating case studies to the Corporate Venturing Strategic Intent Framework.

organization was plotted within the defensive/internal quadrant at first, but subsequently within internal and external/aggressive quadrants (Figure 3).

Company C. This organization showed strong aggressive market orientation as venturing appeared to be the key strategic approach to developing new markets. The relationship focus allowed entrepreneurs from both inside the organization and from outside to approach it with new ideas, as well as facilitating an emphasis on developing external strategic relationships with other organizations. The structure of this organization and the relationships it developed with these new ventures indicated an approach that allowed more autonomy for new ventures than was observed in internal venturing conducted by the previous cases. As a consequence, Company C has been plotted in the internal and external/aggressive quadrants (Figure 3).

Discussion and implications

Most previous models of CV that have been developed to understand the forms that this activity may take have largely focused on types of relationships (McNally, 1997; Miles and Covin, 2002; Hill and Birkinshaw, 2008) and the intended strategies and approaches that the organization has adopted (Campbell *et al*, 2003; Covin and Miles, 2007). The framework provided by this paper builds on these models by including market orientation, which can drive the strategic choices adopted from the range of approaches available, and furthermore by illustrating the possible interaction between market orientation and strategic relationships in CV with regard to a firm's strategic intent.

As a result, this framework can be used to analyse CV strategies and help develop understanding of practice in the development of strategic relationships with regard to a firm's market orientation. Further in-depth case studies comparing activities, successes and failures in each quadrant would further expand on this work. By further analysis in this area, examples of best practice could be established and used to help managers formulate strategies on corporate venturing and explore the strategic directions and relationships necessary for success.

Finally, while previous matrices and typologies have detailed various approaches to CV, they have tended to suggest that there might be ideal types that an organization could select. The application of this matrix in analysing the three case studies discussed in this paper, however, highlights the dynamic nature of the practice of strategic CV. In particular, the matrix allows that environmental influences may affect the organization's market orientation and the extent to which the organization may choose, or is able to choose, to utilize internal or external strategic relationships. In developing a dynamic perspective of CV, the paper allows an analyst or researcher to observe when a firm chooses single or multiple approaches to CV, and in conjunction with previous work on the interaction between corporate entrepreneurship and the environment (Tsai *et al*, 1991; Zahra and Garvis, 2000) and work on corporate venturing, market orientation and organizational learning (Slater and Narver, 1995; Tidd and Taurins, 1999), this could allow one to consider further how a firm's approach to CV can change and develop over time.

Further research into these areas could explore how changes in the external environment, such as disruptive technological change or economic recession, may result in a firm developing a defensive or aggressive market orientation, leading to the changing behaviour of key actors involved in developing internal and external strategic relationships in attempting to achieve the organization's strategic intent.

Conclusions

Through the use of the matrix to appraise market orientation and strategic relationships, it may be possible to consider whether firms with similar market orientations adopt similar forms of strategic relationships. The use of internal and external strategic relationships in tandem can be seen more clearly in the case of organizations that have chosen an aggressive market orientation. Conversely, in the case of those organizations that have chosen a defensive market orientation, it appears that they may tend to focus on only one type of strategic relationship. This monogamous use of one type of relationship seems to change over time, especially as organizations take on a less reactionary role in the formulation of new ideas and possible venture creations. It is concluded that those organizations that are aggressively market-orientated may be more likely to use both internal and external strategic relationships. If an organization's aim is to create a 'deep' entrepreneurial organization, then the use of both types of strategic relationships would seem appropriate for managers to consider, using approaches such as open innovation (Chesbrough, 2006). In the case of adopting a defensive market orientation, it may be that the use of a single-aspect relationship strategy is likely. More evidence will be needed to enable a conclusive concept to be made in relation to organizations that follow this strategy.

It also seems that time and the maturity of strategic CV in an organization play a part in the options that should be used to help succeed in achieving a firm's strategic intent. It may be helpful for managers to include this criterion in their strategic analysis to help them make the right decisions about the use of relationships that are required, depending on the market orientation deemed most appropriate, given the circumstances in which the organization finds itself. For researchers too, further exploration of the issues raised in this paper may yield more insights into the complexity of responses that organizations may exhibit in pursuing corporate venturing.

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