The Future of Corporate Venturing

Companies undertake venturing for a variety of reasons. To be successful, they must be clear about their objectives and disciplined in executing the one of four business models most appropriate to achieving them.

Andrew Campbell, Julian Birkinshaw, Andy Morrison and Robert van Basten Batenburg

During the height of the dot-com boom, many large firms turned to corporate venturing as a way of promoting innovation, creating a window on new technologies, retaining entrepreneurially minded employees and spurring growth. Taking their cue from the venture capital industry, firms as different as Nokia, Cargill, Roche and Marks & Spencer created “venturing units” and charged them with the job of investing in a portfolio of new ventures.¹

Now, four years later, corporate venture investment levels have fallen by 75%. Many venturing units including those of Diageo, Marks & Spencer and Ericsson have closed down, and others are struggling to justify their continued existence. Only a relatively small number, including those of Intel, Johnson & Johnson and Nokia, are continuing undeterred with a good track record and proven business models.

What went wrong? Our research indicates that the biggest mistake companies made was setting up venturing units with mixed objectives and mixed-up business models.² However, companies that pursued a single objective with an appropriately designed venturing model — and avoided the strategy’s common pitfalls — were more successful.

Our analysis of nearly 100 venturing units (see “About the Research,” p. 32) identified five main objectives that drive the decision to set up a venturing unit. Although one common objective — the creation of substantial new businesses and growth by incubating a portfolio of promising new ventures — was found to have no successful business model,³ the other four objectives and their associated business models demonstrated reasonable to high degrees of success (see “Success Rates for Different Types of Venture Unit,” p. 33). Ecosystem venturing supports and encourages a company’s network of customers, suppliers and complementary businesses; innovation venturing improves the effectiveness of some of a company’s existing activity; harvest venturing increases a company’s cash resources by harvesting its spare intellectual property or other assets; private equity venturing diversifies a company’s business into the venture capital industry. These four models constitute the future of corporate venturing. (See “Key Elements of the Four Corporate Venturing Business Models,” p. 35.)

Ecosystem Venturing

Some companies depend on the vibrancy of a community of connected businesses for their success. The community may comprise suppliers, agents, distributors, franchisees,

Andrew Campbell is director of Ashridge Strategic Management Centre and a visiting professor at Cass Business School, City University, London. Julian Birkinshaw is an associate professor at the London Business School and a senior fellow of the Advanced Institute of Management. Andy Morrison is a research associate at Ashridge Strategic Management Centre and Henley Management College. Robert van Basten Batenburg is an executive with BT Group. Contact the authors at andrew.campbell@ashridge.org.uk, JBirkinshaw@london.edu, andym@henley-incubator.com and rob@bequadra.com.
technology entrepreneurs or makers of complementary products. Often this community does not need support from the company other than through normal trading relationships. Sometimes, however, a company can improve the vibrancy of its ecosystem by providing venture-capital support to its entrepreneurs.

Consider the case of Intel Capital. Its development has tracked that of the microprocessor industry. In the early days, and until 1995, Intel Capital, a division of the Intel Corp., invested mainly in suppliers, often to guarantee availability of components. As the industry matured and venture capital became available for small businesses, Intel turned its attention to investing in fellow travelers in order to promote the use of Intel technology and to act as a window on new technologies. By March 2001, Intel Capital had over $3 billion under management and was viewed by Intel managers as having contributed significantly to the success of the company as well as delivering a healthy return on invested capital. Despite the unsavory market conditions, Intel Capital continues making investments.

Another example is Johnson & Johnson Development Corporation (JJDC), which was founded in 1973 as a stand-alone unit to make strategic investments in the health care sector. JJDC makes minority investments in a broad range of startup companies, in areas of technological interest to Johnson & Johnson. Very occasionally, these investments lead to acquisitions. But in the vast majority of cases, the value is in helping to establish new technology areas and in providing the existing businesses with a window on new technologies. And like Intel, JJDC is one of the few clear-cut success stories in corporate venturing — it has been around for 30 years, and it delivers returns comparable to a top second-tier venture capital firm.

Ecosystem venturing is appropriate when an existing business depends on the vibrancy of a community of complementary businesses and the entrepreneurs in the community do not have sufficient support from existing suppliers of venture capital. This normally occurs when an area is so new that the venture capital industry has yet to focus on it.

If the community is already well supported, the company with an ecosystem venturing unit will struggle to gain benefits in its existing businesses. Moreover it will have to compete with existing suppliers of capital for the attention of entrepreneurs. Intel Capital, for example, shifted its focus away from suppliers and onto software companies as the support for and strength of suppliers improved.

The Loss of Focus Pitfall  The major pitfall in ecosystem venturing is the temptation to lose focus and begin to invest in a wider deal stream and seek greater autonomy than that which justified the creation of the unit. This is an understandable temptation. Many interesting prospects cross the managers’ desks, and, once a hot investment prospect has been identified, it is easy to get caught up in “doing the deal” rather than analyzing the benefits for an existing business. But focus is absolutely central to making this form of corporate venturing work because it is only in a narrow range of technologies that the company has something to offer over and above the independent VC firm. As a partner in Siemens AG’s highly successful Mustang Ventures unit explained, “The hardest part of my job, the saddest moments, are when we find a great company to invest in, but we cannot find the alignment to our business units, so we have to drop it.”

To avoid a loss of focus, the venture unit needs to have clear objectives, in terms of both the sectors in which it is investing and the relative balance between financial and strategic returns. Financial returns are necessary because the venture unit has to justify its existence to skeptical colleagues, but the unit’s real raison d’être is to benefit the existing businesses.

Focus can be maintained through performance measures. If the unit is assessed against its impact on existing businesses, using a ratio such as “value of benefits for existing businesses divided by invested capital,” managers are encouraged to focus on the impact benefits and discouraged from staying with an investment through the second, third and fourth rounds of financing. Focus can also be reinforced by giving existing businesses a significant level of influence over the unit, as occurs at Intel and JJDC where existing business units must agree before any investment is put forward for approval. Managers from current
businesses can be used to help with due diligence as is done at JIDC, and managers from the ecosystem venturing unit can be located in each division, as is the case at Intel Capital.

Innovation Venturing

Innovation venturing employs the methods of the venture capital industry to undertake traditional functional activities such as research and development. Typically, managers set up a separate unit alongside the existing function. The unit rewards people for value created, invests in many projects to spread risk, uses joint ventures and links with the venture capital industry, and sets stage-gate targets to help assess progress.

Royal Dutch/Shell Group’s GameChanger program is one example. GameChanger was established in 1996 to increase innovation in the technical function of Shell’s exploration business. The idea was to take 10% of the technical budget and spend it in a “venturing” way. Ideas were identified and screened. Initial financing was provided for promising ideas, and additional financing was available on a structured basis if ideas progressed through further screening hurdles. In the following four years this new approach to innovation was taken up by the technical functions of other divisions in Shell and is viewed as having produced a substantial change in some areas.

That’s not to say that everything has gone well. A number of high-profile “step-out” projects sponsored at the corporate-level GameChanger failed to generate support. But GameChanger projects in support of the core businesses have been notably successful. By mid-2002, 400 ideas had been screened by GameChanger with 32 new technologies commercialized and three new businesses established. GameChanger appears to provide a purpose and outcome for the sort of hunch-based research that scientists demand, but which hard-pressed business sponsors are loath to underwrite.

Innovation venturing is appropriate when an existing function is underperforming because there is insufficient energy directed toward commercially oriented innovation and creativity. There must also be some belief that the entrepreneurial energy is latent inside the company and can be fostered by stimulating “intrapreneurs” or by tapping into external entrepreneurs.

The belief is that, by providing the right conditions, internal or external managers with entrepreneurial instincts will take more risks and invest more energy in developing new technologies or new ways of working. This involves an acceptance of entrepreneurial behavior, financial support for entrepreneurial projects and rewards for their successes.

The Culture Change Pitfall

The key pitfall in innovation venturing is to view the unit as a way of addressing a general concern about lack of entrepreneurial spirit in the company rather than to improve the effectiveness of a specific function. During the late 1990s there were countless examples of companies making this mistake — in industries as diverse as investment banking, media, consumer goods and information technology — typically under the banner of embracing the free-market principles of Silicon Valley and creating an internal market for ideas, people and capital.

To avoid this pitfall the innovation-venturing unit should report to, and be governed by, the function of which it is a part — the R&D function in the case of Shell’s GameChanger. It should be managed by a small, senior-level team with its own operating budget. Of course, the unit also needs sufficient separation so that the team running it can make its own investment decisions and avoid the gravitational pull of the existing function. For innovation venturing to work, it has to balance on a knife-edge — if it is too far from the core function, it is likely to succumb to the culture change pitfall, and if it is too close to the core function, it will struggle to carve out a distinctive role.

Harvest Venturing

Harvest venturing is a process of converting existing corporate resources into commercial ventures and then into cash. Harvest venturing can therefore be seen as part of a broader function within large companies whose objective is to generate cash from selling or licensing corporate resources (for example, technology,
found the harvest venturing model increasingly difficult to execute, primarily because it was relying on external venture capital funding for its spin-offs, and the market for such investments had dried up. In January 2003, BT sold a 60% stake in Brightstar, also to Coller Capital (now known as NVP Brightstar), as its only means of gaining funding for its pipeline of start-up ventures.

A harvest venturing unit is an appropriate vehicle under three conditions. First, management must believe that the company has some resources — intellectual property, brands, assets — that are not being fully exploited. Second, exploiting the full value of these resources must require the establishment of a new business. Otherwise, venturing techniques are not necessary — the company can sell or license the resource. Finally, the resources are not needed either by the existing businesses or as new growth platforms. If they are needed for a nonharvesting purpose one of the other venturing business models may be more suitable.

**The New Legs Pitfall** Lucent and BT are examples of good practice in harvest venturing, but our research suggests that, even when set up in the right conditions, harvest venturing units are frequently unsuccessful because they often attempt to turn spare resources into significant new revenue streams. The unit may be set up for harvesting reasons but is given or develops the additional objective of delivering new growth opportunities — “new legs” — for the parent company.

This pitfall is understandable. If venturing units that were launched with the mandate to commercialize existing assets also create additional growth or add to a company’s portfolio, so much the better, the thinking goes. Even if managers are not explicitly asked to look for new growth opportunities, they are likely to want to. If they find a major new growth platform, they will be contributing much more to the success of their company.

But this approach has two problems. First, the capabilities and networks needed to develop new lines of business are very different from those required for harvesting existing resources, and they typically need to be managed separately. Second, new leg venturing appears to be a flawed objective (as explained later in this article). For example, in one company, managers in the harvest venturing unit aligned themselves with a promising telecom project that had new leg potential, in the hope of building their careers as this business grew. They invested their energy in growing the business, rather than looking for ways of harvesting it through a trade sale or IPO. When the parent company’s growth ambitions abated in 2001, the window for spinning off the business had closed, leaving the unit with no successes and heavy costs.

This pitfall makes it necessary for harvest venturing teams to stick closely to their business model. A harvest venturing unit should be cash-driven: turning its new ventures into cash

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**Success Rates for Different Types of Venture Unit**

The venture units studied were categorized by objective — the percentages that fell into each category are indicated below. Each unit was deemed successful or not on the basis of its financial performance, strategic achievements, the comments of the managers interviewed and the judgments of the research team.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Unsuccessful</th>
<th>Successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecosystem</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Innovation</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Harvest</td>
<td>8%</td>
<td>25%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>8%</td>
<td>25%</td>
</tr>
<tr>
<td>New Leg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed</td>
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**VENTURE UNIT OBJECTIVE**
The main pitfall in private equity venturing is hubris. Managers enter the business misjudging both the timing and the skills that are needed to make it work.

as quickly as possible. The unit should be funded only for its operating budget and should be measured on cash returns against total funds spent. New ventures that could become part of the parent company’s portfolio should be “sold” back to the parent. Assets that are being harvested should be transferred to the venturing unit so it will be free to realize their potential cash value, or, at the very least, there should be a clear, delineated agreement between the venturing unit and division that owns these assets. For example, the corporate venture unit of Koninklijke Philips Electronics NV (Philips) requires the division holding the asset to transfer control to the venture unit before any work is done.

Private Equity Venturing

A private equity unit invests in startup businesses as if it were an independent venture capitalist. The goal is financial: There is no requirement that the unit will assist existing businesses or find a new growth platform to add to the portfolio. The company is doing little more than diversifying into private equity.

GE Equity is one of the best-known examples of private equity venturing, and one of the most successful. Set up in 1996 by the General Electric Co., GE Equity grew from a zero base to a fund of $4 billion invested in 300 companies. By 2000, GE Equity employed a staff of more than 200. Nokia Venture Partners (NVP) is another example. Established in 1998, NVP makes significant minority investments in wireless Internet startups and, in all respects, it operates as a venture capital firm (for example, in terms of fund structures, sequenced investments, carried interest for partners). Its success is measured in financial returns, rather than in terms of any particular benefits to Nokia Corp. As one of the partners explained, “We do not do strategic investments (for Nokia), but the reason we exist is strategic for Nokia.”

Some research suggests that new ventures supported by corporate investments do better, on average, than ones that are not, perhaps because investment by a major corporation appears to lend credibility to the new venture. On the basis of this logic, almost any large company with a good corporate brand could justify getting into private equity. In truth, however, private equity venturing is appropriate only under rather limited circumstances.

Having something of value to new businesses, such as a well-regarded corporate reputation or even access to a market, is insufficient reason to enter the private equity business because that value can usually be traded, either directly with these new businesses or with an independent private equity company, without incurring the risks and learning costs involved in getting into the private equity business.

In order to justify setting up a private equity unit, a company needs to believe that it has better access to a flow of deals than do independent, private equity companies. This is likely only in rather rare circumstances when a company can leverage its position in the marketplace or a proprietary technology. For example, GE Equity started off with a number of advantages that equipped it for success. GE Capital Corp., its parent organization, had been doing deals for a number of years and had access to a promising external deal flow. In addition, GE Equity only invested in projects that could benefit from links with existing GE divisions and attracted these divisions with a policy of co-investing.

In addition to “privileged access” to deals, managers also need to believe they are tapping into a deal flow in the early stages of an upswing. All new venture activity appears to go in cycles. First, some technical advance or change in law or in consumer tastes creates a new opportunity; then entrepreneurs begin to exploit the opportunity. Soon the new opportunity is heavily over-exploited, like a gold seam at the peak of a gold rush. Failures start to increase and greatly outnumber successes as the winners begin to emerge and dominate. Over the following years the winners gradually squeeze out the weaker companies and new entrants fall to a trickle.

To make money in this cycle of boom and bust, investors must invest early and exit before the shakeout, even if they have invested in winners. The shakeout period is one of low profitability and high growth — not usually one that is comfortable for the corporate investor. Indeed, the high percentage of success in this category (65%) may have as much or more to do with the benign environment during the time frame studied as with unique access possessed by individual companies.

The Anyone-Can-Do-This Pitfall  The main pitfall in private equity venturing is hubris. Attracted to a sector where others are having success, managers enter the business misjudging both the timing and the skills that are needed to make it work. Not only do they invest too late in the cycle, often putting together a second rate team to compete in a booming sector, but they multiply their errors by overpaying for poor projects, losing sight of their
### Key Elements of the Four Corporate Venturing Business Models

Corporate venturing takes many forms, each explicitly different from the others in its business and operating model. Successful companies are those that clearly identify which form meets their objectives and pursue the associated business model in a disciplined way.

<table>
<thead>
<tr>
<th>Ecosystem Venturing</th>
<th>Innovation Venturing</th>
<th>Harvest Venturing</th>
<th>Private Equity Venturing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus</strong></td>
<td>Take minority stakes in suppliers, customers and/or complementors to improve prospects of existing businesses. Generate value through commercial links with investee firms.</td>
<td>Use venturing techniques as a more effective means of performing (part of) an existing functional activity. Often, but not exclusively, this applies to R&amp;D.</td>
<td>Generate cash from harvesting spare resources, and eschew support to existing businesses and &quot;new leg&quot; ideas.</td>
</tr>
<tr>
<td><strong>Main Pitfall</strong></td>
<td>The Loss of Focus Pitfall: Investing too widely and seeking too much autonomy.</td>
<td>The Culture Change Pitfall: Aiming for a broad impact on culture change rather than focusing on improving part of a function.</td>
<td>The New Legs Pitfall: Seeking to develop new growth platforms in addition to harvesting.</td>
</tr>
<tr>
<td><strong>Source of Ideas</strong></td>
<td>Mainly external. Venture capitalists and direct approaches from potential ventures. Ideas linked to existing businesses.</td>
<td>Mainly internal, but also external venture capitalists and other companies.</td>
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</tr>
<tr>
<td><strong>Degree of Autonomy</strong></td>
<td>Separate financial unit reporting to investment board including top management of the existing businesses. Close links to existing businesses through staff overlaps. Each investment should be sponsored by an existing business.</td>
<td>Separate financial unit is not essential; more of a separate process than a unit. Reports to investment board led by functional director and advisors external to the function.</td>
<td>Clearly separate financial unit; unit has separate ownership of resources or is an &quot;agent&quot; for primary owner. Reports to top management level, often finance. No special governance required, but a board can be a useful way to involve outsiders.</td>
</tr>
<tr>
<td><strong>Required Skills</strong></td>
<td>Requires a small senior-level team of investors, some with strong credibility in the existing businesses and some with strong credibility in the venture capital industry. Team must be comfortable collaborating with existing businesses.</td>
<td>Requires a small team of nurturers, some with strong credibility in the existing businesses and some with good knowledge of the venture capital industry and the process of new business creation. Joint venture skills needed.</td>
<td>Requires a mix of managers: some who understand the resources and some who can sell/do deals. Good knowledge of venture capital industry and process of new business creation. Joint venture skills needed.</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>Operating budgets; investment funds ring-fenced in operating plan but subject to project-by-project sanction.</td>
<td>Operating budgets; budget of replaced activity reduced accordingly; investment funds ring-fenced in operating plan, subject to stage-gate sanction by investment board.</td>
<td>Operating budgets; some limited investment funds; project-by-project funding for significant projects.</td>
</tr>
<tr>
<td><strong>Performance Measures and Incentives</strong></td>
<td>Significant cash bonus scheme based on impact on existing businesses and portfolio performance; no carried interest.</td>
<td>Performance benchmarked against rest of function; financial interest given to entrepreneurs, not to nurturers.</td>
<td>Cash performance against allocated assets; large bonuses paid against performance targets; no carried interest.</td>
</tr>
</tbody>
</table>
The venture was doomed because it never figured out its business model — it migrated from "new leg" venturing to innovation venturing to ecosystem venturing, all within three years.

unique contribution (if they had one) and holding on to investments for spurious strategy reasons.

The best way to avoid this pitfall is simply to avoid getting into the private equity business unless the company's internal logic is undeniable. There are also some key elements to the business model that should be borne in mind. First, the unit should be fully separated from the company and have its own closed-end fund with a short investment period chosen in light of the current private equity cycle, but of not more than five years. Second, it should be staffed with seasoned managers from the private equity industry. Third, the managers should be evaluated and rewarded as they would be in the private equity world — on the basis of return on investment and through carried interest in their portfolio companies.

Why New Leg Venturing Fails

Many companies have core businesses that are growing only slowly or declining. In their search for new growth opportunities, managers realize that the pickings adjacent to their existing businesses are limited. They therefore start searching more widely and latching onto corporate venturing as a low-cost way of experimenting and trying out new businesses.12

Unfortunately, of the units we studied that were set up to develop significant new businesses, none were successful. Whether the focus was external, using a business model similar to private equity venturing, or internal, using a business model similar to innovation venturing, no new legs were created, and most units have been closed down with large losses. Our success criterion for new leg venturing units was demanding. We were looking for a unit that had spawned at least one significant business for the parent company (20% of sales or $1 billion in value). BG's Corporate Development Division came close. It screened 24 ideas and launched 11 ventures. Within 18 months one of the ventures — in telecommunications — seemed about to be a success: It was thought to have had a value of $1 billion. However, the telecom bust caused a re-evaluation when the company closed the project with a write-off of £350 million.

The reason for this repeated failure rate is less clear. The logic behind using a corporate venturing approach to explore new avenues for growth seems sound, but in practice it is flawed. First, managers only feel the need to use a corporate venturing approach if the obvious growth paths in adjacent businesses are blocked, hence the unit is focused on low-probability projects in the first place. Second, because the new ventures are developed within a separated unit, they attract little attention or commitment from the core of the company. Third, the length of time it takes to develop a successful new division is longer than most business cycles, causing managers to draw back from the effort before enough resources have been committed.13 Fourth, if one of the ventures begins to show promise, it starts to compete for funds with the core. As a result the new initiative gets shortchanged. Finally, early-stage venturing is a tough environment even for professional, independent, venture capital companies. On average the activity of these venture capital experts probably earns less than its cost of capital, even after including the few big successes. Companies that enter this tough environment without some advantage cannot expect to beat the odds.

The Danger of Mixed Messages

Although each model is subject to its own pitfalls, the greatest cause of corporate venturing failure is companies' inability to define which model their venture unit is supposed to be following. As a result, the strategic and/or financial objectives are ambiguous, the structure and staffing decisions are out of alignment, and the unit's managers find themselves being pushed in several directions at once.

The case of one U.K. financial services company is illustrative. Its venture unit was established in 1999 to create new businesses and to establish a process for innovative thinking and renewal. In the first year, the venture unit manager spent £30 million launching the group, and generating and developing internal ideas. But without any immediate successes from this effort and without the skills to develop really big new projects, he switched to focusing on ideas from outside the company. The manager toured VC firms and investment banks looking for investment opportunities, and he received several hundred business plans. But again, without a clear focus on which ones to invest in, the seed funding was not well spent and only one significant business took root. In late 2001 a new chief operating officer took control of the company and began to focus once again on the core business. The venture unit then attempted to rethink itself as an internal consultancy, but it was closed down and the few remaining activities were folded into the strategic planning group. This venture unit was essentially doomed from the start because it never figured out its own busi-
ness model — it migrated from new leg venturing to innovation venturing to ecosystem venturing, all within three years.

Compare this to Nokia Ventures Organization (NVO), which has been highly successful in generating new businesses and strong financial returns for its parent company. Rather than create a single unit with multiple or changing goals, NVO has created multiple units, each with its own highly specific goals and its own dedicated team of employees. New Growth Business is an innovation venturing unit whose objective is to complement the existing R&D activities of the businesses. Nokia Venture Partners is a private equity venturing unit dedicated to providing a financial return by investing in wireless Internet startups. In addition, there is the Nokia Early Stage Technology unit, a harvest venturing operation that invests in promising technologies most of which will end up being spun out of the company. This highlights the key message that corporate venturing takes many different forms, and the biggest difference between the companies that succeed at it and those that fail is the ability to recognize — and utilize — the differences.

REFERENCES

1. A corporate venturing unit uses techniques and processes that have been developed within the venture capital industry, including separation from mainstream business operations, the stimulation and processing of a number of entrepreneurial projects or investments and formalized processes to nurture, assess, develop, fund and cur projects. It is these common features that cause many writers to refer to corporate venturing generically and to distinguish venturing activities from the management processes used to run the core businesses. For further detail on the venture capital industry model, see H. Chesbrough, “Designing Corporate Ventures in the Shadow of Private Venture Capital,” California Management Review 42, no. 3 (spring 2000): 31-49; and P. Gompers and J. Lerner, “The Venture Capital Cycle” (Cambridge, Massachusetts: MIT Press, 1999).

2. Our work builds explicitly on a number of earlier studies of the different types of corporate venturing units. However, our article breaks new ground in two important respects. First, we give more attention to the objectives that lie behind the decision to set up a venturing unit and link these objectives with the appropriate business model. Most previous categorizations have only distinguished between financial objectives and strategic objectives. Second, we use this understanding to explain why corporate venturing units fail to spawn significant new businesses. Earlier studies include H. Chesbrough, “Making Sense of Corporate Venture Capital,” Harvard Business Review 80 (March 2002): 90-99; R.A. Burgelman, “Designs for Corporate Entrepreneurship in Established Firms,” California Management Review 26, no. 3 (spring 1984): 154-166; R.A. Burgelman, “Strategy Is Destiny: How Strategy-Making Shapes a Company’s Future” (New York: Free Press, 2002); R. Moss Kanter, “Evolve!: Succeeding in the Digital Culture of Tomorrow” (Boston: Harvard Business School Press, 2001); and R. Moss Kanter, “When Giants Learn To Dance: Mastering the Challenges of Strategy Management and Careers in the 1990s” (New York: Simon & Schuster, 1989).


4. More specifically, Intel Capital makes four different types of investments: “ecosystem investments,” to increase demand for the microprocessor; “market development” investments, such as Ariba Online, to help accelerate technology adoption in a foreign country; “gap fillers,” which are investments intended to fill a gap in a growing market; and “eyes and ears” investments that are targeted toward new disruptive technologies that Intel might otherwise miss.


7. The foremost proponents of this idea were Rosabeth Moss Kanter and Gary Hamel but many other consultants and academics made similar arguments. See Kanter, “When Giants Learn To Dance”; Hamel, “Leading the Revolution”; and Foster and Kaplan, “Creative Destruction.”

8. It is worth noting that the statistical evidence collected in the London Business School questionnaire showed that innovation venturing often fails because of excessive autonomy. That is, there was a strong, statistically significant correlation between venture unit performance and operating autonomy, and between venture unit performance and operating autonomy.


10. Coller Capital focused on the secondary market in which entire portfolios of investments are traded, typically at a substantial discount. Lucent retained a minority stake when it sold NVG to Coller.


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