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FACILITATING THE CORPORATE VENTURE BASE BY DESIGNING AND NURTURING KNOWLEDGE NETWORKS

by

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ABSTRACT

Corporate venturing is often associated with strategic renewal, fostering innovation, and gaining knowledge that may lead to future revenue streams. The process of established companies seeking new ways to be innovative and flexible through the strategy of corporate venturing has over the years been most frequently associated with the benefits of interfirm structures, strategies, and the necessary processes that can ensure success in a portfolio of small venture firms. A common error is that corporate venture firms pay little if any attention to the venture base. The venture base constitutes activities and resources that can lead to the generation of genuinely original and dynamic ideas. This paper takes up this initial process of corporate venturing and explores how a venture base can accommodate significant innovation for the firm. It is argued that it is important to focus on a viable venture base as this relates to and significantly influences the further development of the corporate venture organization. The paper is mainly conceptual in nature but draws on 22 interviews with managers of corporate venturing departments in six multinational Danish firms in the high technology sector and pharmaceutical industry.

Keywords: Corporate venturing, venture base, venture capital, innovation, network structures, new organizational forms.

1 INTRODUCTION

Since the early 1990s, corporate venturing has become a significant method for business development (e.g. Block & MacMillan, 1993; Gompers & Lerner, 2000; Burgelman, 1993, 1985). The popularity is mainly due to the ability of corporate venturing to embrace high-level innovation and to access cutting-edge technological development (e.g. Block & MacMillan, 1993; Baron et al., 2001). To some companies, corporate venturing has become a core concept in their strategic planning (Burgelman, 1983).

Corporate venturing is a relatively new approach to business development in the Scandinavian countries, while firms in the US have experimented with this strategy since the 1960s and 1970s (Gompers & Lerner, 2000; Hanan, 1976; Burgelman, 1993; Hutchinson, 1976). Corporate venturing has also received considerable attention in academic literature (McNally, 1997). Much of this attention has been focused on the later stages of the venturing processes (Block, 1982; Block & MacMillan, 1993), such as the organizational setup of the corporate venture activity (e.g. Block & MacMillan, 1993; Kanter 1982, 1983; Vesper, 1984), the criteria for developing a portfolio of ventures into a winning entity (Macmillan & Day, 1987), the development and growth of a venture (e.g. Simon, 1999), and possible exit strategies (e.g. Cumming, 2002; Gompers & Lerner, 2001).

Also in practice we find a strong focus on the later stages of the venture process. Corporate venture firms often rely too much on their ability to develop firms around “winning” ideas and too little on how they can promote the development of a continuous flow of high quality ideas.

This paper suggests that one of the most crucial aspects of a corporate venturing strategy is the ability to secure a steady flow of genuinely innovative ideas. It further argues that corporate venture firms need to stimulate the flow of ideas by participating actively in the process of developing and shaping new ideas. In other words, corporate venture firms must work systematically with their *venture base* from where new ideas for ventures emerge. The development of genuine high technology innovations (from the venture base) demands a combination of scientific skills and intellectual capacity that exceeds the capabilities of an individual corporation (e.g. Bach, Seufert & Krogh, 1999; Powell et al., 1996). In particular, when learning and knowledge for innovation is dispersed, learning about new opportunities depends on participation in a network of knowledge-generating relations (Powell, 1998; Cohen & Levinthal, 1990; Brown & Duguid, 1998). Since the venture base transcends organizational boundaries, we will apply a network perspective on the very complex process of shaping the venture base. The paper also draws on the insight of the new production of scientific knowledge as taking place in close interaction between knowledge-creating institutions with various norms, values, and justification criteria. As a consequence of this Mode 2 production of knowledge, ideas will not only be conceived and shaped in an individual institution, but also in the interplay between a number of network-organized players. Finally, the paper will provide arguments for how corporate venture companies can influence the venture base in order to increase the quality and flow

of original ideas. The paper is mainly conceptual in nature but draws on 22 interviews with managers of corporate venturing departments in six multinational Danish firms in the high technology sector and pharmaceutical industry.

2 CORPORATE VENTURING

Corporate venturing is a strategy for business development. It involves investment in high-risk activities that generate new businesses within or closely related to the activities of the parent corporation (Block & MacMillan, 1993; Maula & Murray, 2000; Burgelman, 1983, 1985). Based on the specificities of corporate venturing as a strategy for business development, the following section discusses the extent to which corporate venturing is dependent on a stable flow of genuine and innovative ideas.

2.1 *THE EXPECTATIONS OF CORPORATE VENTURING*

In their corporate venture activities, firms can have either a strategic (Burgelman et al., 2001) or a financial aim (Gompers & Lerner, 2001), or both. A corporate venture relationship is commonly based on resource exchanges between a parent company and a portfolio of small ventures. The parent company is expected to contribute both financial resources and knowledge resources in management, marketing, production etc. — all resources that small ventures seldom have access to. Well-established technology and knowledge-based companies in particular find corporate venturing useful to increase their speed and levels of innovation, while maintaining many of the advantages of large resource pools. The relevance of choosing corporate venturing as a business development strategy also relates to the characteristics of the business environment. The following characteristics are particularly conducive to establishing corporate venturing activities (e.g. Gompers & Lerner, 2000; McNally, 1997):

- The industry is subject to changes on many fronts resulting from small firms.
- The firm is under threat from new entrants to the market with new technologies that undermine its current capabilities.
- Future business will depend on new capabilities that are not currently central to the organization.
- Retention of key staff in technical departments has become a challenge.
- The corporation is being approached with numerous investment proposals by both internal and external sources.

Companies with a strong technology base are often more inclined to participate in corporate venturing. Such companies often see an additional advantage in the contribution to technological intelligence by corporate venturing. Through evaluating and cooperating with small ventures with another understanding and perspective on technology, the parent company creates a “window on technology.” This window is expected to accelerate

product development, the ability to recognize new market developments, and the development of new technologies — all crucial competences in volatile and uncertain environments (Maila & Murray, 2000). Corporate venturing is predominantly seen as a way for large, established companies to transform their organizations through a process of strategic renewal based on the acquisition of new capabilities (Guth & Ginsberg, 1990; Zahra, 1996). The strategy is a transformation of large corporations often operating in mature or stagnant business areas (Ginsberg & Hay, 1994). At the same time, it is a strategy to seek new ways to be innovative and flexible and to gain knowledge that may be parlayed into future revenue streams (Greene, Brush & Hart, 1999).

Corporate venturing differs from traditional business development practices such as takeovers, corporate R&D, traditional venture capital financing, joint ventures etc. The following characteristics seem to distinguish corporate venturing from other business development strategies (Albrinck et al., 2000):

Firstly, a corporate venture involves significantly *higher risk* of failure or large losses than the core business of the organization and is therefore often characterized by *greater uncertainty* than the core business. The ventures that are undertaken typically involve greater risk and are subject to less strict management of internal costs than typical research and development activities (Block & MacMillan, 1993). A corporate venture should involve an activity *new* to the organization — the adoption of new activities, defined broadly as new products, processes, and technologies, which can contribute to the organization.

Secondly, in a corporate venturing setup the returns on the investments are partly financial and partly strategic (McNally, 1997). The aim is that the ventures will be managed separately at some time in the future. The venture is a semiautonomous entity optimally controlled by one manager. While returns on pure venture capital investments are based solely on financial measures, corporate venturing investments are also strategic in the sense that they aim to develop the base business of the corporation (Burgelman, 2001). The reason for undertaking a venture is to increase and/or improve the *resource base* of a company and/or its *competitive situation* in the marketplace while at the same time having the potential of a financial gain.

Thirdly, corporate venturing often operates in a longer time frame than traditional business development. Compared to the traditional business development process, the aim is to manage developments that extend beyond the development time for current activities. Many of the technologies and services are projected so far into the future that the organization has only a vague idea of the actual outcome. The consequence of long time frames is also reflected in the measures of new venture success (Albrinck et al., 2000), which should emphasize value creation and long-term returns, such as capitalized ROI at the time of exit. In the early stages, measures tend to focus on reaching specific milestones. Funding is provided based on these well-defined achievements, sometimes by outside investors in order to provide the new venture target with an external validation (Gompers & Lerner, 2000).

Fourthly, corporate ventures are expected to yield above average returns. The return is tightly linked to the risk associated with the investment. Investors believe that they can gain an above average return by seeking and discovering market inefficiencies.

Many of the characteristics discussed above could not be developed and exploited by other types of business development strategies, but need the structure and strategy that this concept brings. The arguments above emphasize this specific type of business development strategy, but also stress the often most necessary input in a corporate venture, namely original ideas.

3 IDEAS – THE RAW MATERIAL

Corporate venture firms need access to a significant flow of high quality ideas from which the selection can take place (e.g. Burgelman, 1983). If the corporate venture does not have access to a sufficient number of unique ideas, the venture unit will not be able to create a sufficient number of profitable ventures and will eventually cease (Block & MacMillan, 1993:94). This must be seen in the light of the associated learning process, which takes place in the course of developing the ventures. Additionally, it is important to realize that aiming for one viable business idea often leads to positive spillovers to other potential projects (e.g. Haddad & Harrison, 1993). Therefore, the process of development should also be of a certain size and frequency in order to learn from the process and utilize excess resources.

Further to the argument that corporate ventures need a population of ideas of a certain size, corporate venturing also places certain requirements on the quality and innovativeness of the ideas. One of the features of corporate venturing activities is, as outlined above, the expectation of above average returns on the successful investments. Therefore, the venture idea should also reflect the possibility of receiving an above average return on the investment. Taking an Schumpeterian view (Schumpeter, 1934, 1950), one could argue that successful entrepreneurial development of new combinations of resources is a kind of rent for a significant period of time. In the Schumpeterian view, even if a resource does not yield rents in the long run, as long as the process of adjustment to the zero-rent state is slow, substantial quasi-rents may still be earned in the middle run. This type of competition is not the traditional one based on price but rather the continuous and universal search for substitutes to replace the less desirable.

Current corporate venturing literature has recognized these elements, but has paid only limited attention to this initial stage of the venturing process. In most of the literature on corporate venturing, the flow of ideas is often viewed as rich and generous or is not treated explicitly at all. However, it may not be so straightforward. The characteristics of corporate venturing as a business development strategy as outlined above emphasize that corporate venturing requires innovative ideas away from the core business in order to fulfill expectations. Only a very small proportion of incoming proposals receive capital from investors (Gompers & Lerner, 2000). This may indicate a lack of highly innovative and

viable proposals that meet the criteria for corporate venturing activities. That good ideas are a scarce resource is also known from many technology and research-based companies. The most significant impediment for many companies to creating renewal and growth is too few and too traditional, mainstream ideas (Block & MacMillan, 1993; Tidd et al., 2001).

Block and Macmillan's (1993) analysis of how to influence the idea population focuses on explaining under what conditions the internal and external environments are good sources of new ideas. Their starting point is that corporate venture firms should be receptive to ideas generated both inside and outside the organization. However, they do not consider whether firms should take more active steps to encourage the development of innovative and viable ideas, nor do they discuss in any detail how corporate ventures should ensure access to ideas.

A common feature of all the discussed characteristics of corporate venturing as business development is the need for genuine and viable business ideas. Gompers and Lerner (2001:150) argue that many organizations, particularly research-based organizations, establish corporate venturing activities because they have a surplus of ideas that they cannot utilize or capture value from within their mainstream activities.

Despite this starting point, we also see that the creativity and ability in these organizations to generate new and innovative ideas wanes as the most innovative people become involved in established ventures. Three venture managers articulated the shortage of innovative ideas as follows:

"The greatest challenge for our corporation at present is to gain access to the ideas that are in the market. Filling the idea pipeline is the foundation for the success of our corporate venture department." (Venture manager, high technology industry)

"... there are no restrictions in the venture department — the only restriction is within the individual employee, though they are restricted by not being entrepreneurial enough." (Top venture manager, high technology industry)

"There are enough ideas. However, many of the good ideas go to others." (Top venture management, high technology industry)

"The lack of unique ideas is the most serious obstacle to further growth in the number of ventures." (Venture manager, high technology industry)

This observation also finds support in another survey by one of the authors of the present paper. The survey identifies and ranks the growth-improving factors (on macro, governmental-legislative, and micro levels) for venture capital firms in the Danish market. The survey indicated that the most important factor was the size of the population of genuinely new business proposals (this include: entrepreneurial culture and qualifications, quality of business plans, and government-funded research). The following statements from venture managers support the results of the survey:

“I see the greatest obstacles to development in the venture market to be associated with competencies — of the entrepreneurs and the venture capital companies — these are greater than the structural and the legislative constraints.” (Venture capitalist, middle manager)

The survey also addressed corporate venture firms more specifically. Common impressions were:

“A key problem in our area is to attract a sufficient number of investment proposals that are based on research at an international [high] level.” (Venture capitalist, middle manager)

“The government should provide students with a high-level basic education and develop fundamental research at the universities. There are too many unambitious researchers at the universities who are not given the proper incentives [to provide ideas].” (Venture capitalist, middle manager)

This further illustrates the importance of focusing on the main input to the corporate venture process, namely ideas that can later be turned into ventures. When analyzing the elements that are central to the concept, it seems obvious that a central activity to corporate venturing should be those processes that facilitate the generation and shaping of new venture ideas.

We have argued that the main challenge in corporate venturing is to ensure a steady supply of original ideas. In the next section, we will discuss the features of the venture base of a firm. It will also be argued that an additional benefit in allocating managerial attention to designing an appropriate venture base is that the underlying knowledge will become socially robust knowledge. Particularly for systemic innovations, this can lead to faster acceptance in the market and coordinated action in the value chain. This challenge can be addressed by studying the *venture base* of the firms.

4 INSIGHTS INTO THE VENTURE BASE

Corporate venture literature has observed that ideas for venturing activities spring from the venturing bases of firms (Hanan, 1976; Block & MacMillan, 1993). The venture base refers to the opportunity-creating activities that can foster new ideas for ventures. These activities are embedded in knowledge-creating actions that will lead to innovation. However, surprisingly little attention has been paid to developing an understanding of how these venture bases function and under what conditions they can systematically generate ideas leading to breakthroughs. A venture base is made up of the opportunity-creating activities of a firm and its environment, which can serve as major resources for starting new ventures (Block, 1982). It is argued in this paper that the primary goals of the venture base are to shape and to attract. The venture base is capable of shaping the innovative conditions that will result subsequently in further idea generation. In terms of attracting, the venture base functions as a tool for gaining access to the right resources and capabilities, which will ensure a steady flow of high quality ideas.

4.1 THE VENTURE BASE SPANS ORGANIZATIONAL BOUNDARIES

Block and MacMillan (1993) is one of the few works to touch on the importance of ensuring the full commitment of the overall organization to the venture bases. The arguments concerning the venture base provided by Block and MacMillan (1993) are, however, primarily from an internal perspective and address only the importance of building a venture base on the basis of current competencies.

It was earlier believed that a single person or a small group of individuals was sufficient to create new and innovative ideas that could change current paradigms (Gibbons, 2001; Wilks, 2000; Newell & Swan, 2000). Today, it seems more likely that cooperation between a number of participants increases the chances of new and innovative developments.

Arora and Gambarella (1990) and Powell et al. (1996) argue that the locus of innovation should be thought of as a network of interorganizational relations (e.g. Bach, Seufert & Krogh, 1999; Newell & Swan, 2000). It has proved to be valuable to analyze knowledge creation when embedded in a dense web of social, economical, contractual, and administrative relationships (e.g. Bach, Seufert & Krogh, 1999; Badaracco, 1991). The aim of long-term competitive advantage can no longer be found in the administration of existing knowledge, but in the ability to create new knowledge and implement it in new products and services (Krogh & Venzin, 1996).

Radical new knowledge creation is not likely to occur within the boundaries of a formal organization with its restricting rigidities and bureaucracies. Sources of innovation are more commonly found in the interstices between organizations with various perspectives (Powell, 1996, 1990). Learning occurs within the context of participation and invitation to a community and may require various kinds of organizations and organizational practices to access that community (Powell, 1996). It has even been stressed that competition should no longer be regarded as a game with a zero-sum outcome (Thurow, 1980), but rather as a positive-sum relationship in which new competencies and resources develop, in tandem with advances in knowledge (Powell, 1996).

Interorganizational learning in networks is viewed as conducive to innovation because the dynamics of knowledge creation are endogenous to a particular network of actors (e.g. Powell et al., 1996; Dyer & Singh, 1998; Lane & Lubatkin, 1998). The building and the harvesting of a venture base demand capabilities that greatly exceed those of an individual person or single firm. Knowledge creation occurs in the context of a network community, one that is fluid and evolving rather than tightly bound or static (Powell et al., 1996). Thus knowledge creation is an ongoing social construction process, which is linked to the conditions and context under which learning takes place (Choo, 1996). In this way, the venture base becomes transorganizational, relying on activities in networks between firms, universities, consultants, customers, suppliers, national laboratories, and media. The venture base is also an external phenomenon, even though only limited attention has been paid to this in current corporate venturing literature (Keil, 2000). The external ventures are generally based on current macroeconomic developments and the environmental

predictions of future developments (Block & MacMillan, 1993). Ignoring or overlooking the importance of the venture base implies too few and too traditional ideas, which cannot support corporate venturing as it was intended.

Some authors state that the most significant source of venturing is the environment around us (e.g. Block, 1982). These sources are seen in market trend, new customer needs, and other incentives that create a foundation for idea generation. As already stressed in this paper, knowledge creation for learning is not likely to occur in formal organizations, which are bounded by rigidities and bureaucracies.

Similar empirical cases support the need for cooperation between various players in order to develop the venture base:

“We are aware of our increasing dependence on universities such as University of Southern Denmark - we are initiating many activities to ensure that we can establish our brand as a venture company. It’s a new situation for us.” (Venture manager, high technology industry)

“We have located our business on [a science park] to benefit from the creative research environment — we know that we must build relationships with scientists and universities to gain access to ideas.” (Venture manager, pharmaceutical industry)

“Even though we have come quite far in the establishment of a corporate venture department here at our company, we are constantly faced with the problem of finding internal ideas with great potential ...” (Venture manager, high technology industry)

Learning occurs in relationships in which new competencies and resources develop, in tandem with advances in knowledge (Powell, 1996). Within these networks, corporate venture firms need to learn how to transfer knowledge across partnerships to enable them to keep pace with the most promising scientific or technological developments and through these actions develop a more genuine and unique venture base (Powell, 1996). Similarly, venture managers state that a central requirement for corporate venture firms is to generate venture ideas in collaboration with their environment:

“Idea generation is a process where one has to draw inspiration from outside while remembering what competencies one possesses oneself.” (Venture manager, high technology industry)

“We are dependent on the research results developed at technical universities. So far, we have been very dependent on the ideas that were created at the Technical University of Denmark [DTU]. To be as close as possible to the innovative environment, NKT Innovation is located at DTU.” (Venture manager, high technology industry)

The corporate venture firms with access to a more diverse set of competencies and activities and those with more experience in collaborating stand a better chance of developing opportunity-creating activities in information-rich positions (Powell, 1996).

4.2 CONTEXTUALIZED KNOWLEDGE PRODUCTION

Gibbons et al. suggest a model for knowledge production, referred to as Mode 2 (as opposed to Mode 1). Gibbons et al. (2001, 1994) see changes in practice, not only in natural sciences, but also in social sciences and the humanities. In Mode 2, knowledge is carried out in a context of application: it is characterized by transdisciplinarity and heterogeneity and is more plentiful and transient. “*Mode 2 is more socially accountable and reflexive. It includes a wider, more temporary and heterogeneous set of practitioners, collaborating on a problem defined in a specific and localized context*” (Gibbons et al., 1994:3). In contrast, Mode 1 is organized hierarchically and tends to preserve its form. Mode 1 is most often identical to what is meant by “science.” In short, we are experiencing a shift from Mode 1 science, which is expert, discipline-bound and self-referential, to Mode 2 knowledge production (Gibbons et al., 2001, 1994).

In terms of production and development, the venture base “context” is of crucial importance. However, not simply context in the sense that greater attention must be paid to the end uses of science — not even in the sense that context helps to define scientific problems and to select appropriate methodologies — but in the more fundamental sense as a result of its contextualization into reliable knowledge. This kind of knowledge is being progressively redefined — or superseded by — knowledge that is socially robust (Gibbons et al., 2001). In this connection, the venture base is developed and shaped during the process of contextualization in order to generate opportunity-creating activities that are socially robust.

Late modern innovative developments are increasingly characterized by interdisciplinary collaboration in contexts of application resulting in the hybridization of knowledge production (see Gibbons et al., 1994). Participatory procedures involving scientists, stakeholders, active citizens, and users of knowledge are needed to transform knowledge claims into trustworthy, socially-robust, usable knowledge about the realities that matter in social and environmental changes and in the transition to sustainability (Gibbons et al., 2001). Following the line of thought expressed by Gibbons et al. (2001), the aim is to further ground and test the developments to socially robust knowledge as this would: (1) become valid not only to the corporate venture company but also outside the organization, (2) gain validity through involvement of an extended group of experts, and (3) include “society” as in the genesis (Gibbons et al., 2001). In order for this to happen, a space needs to be created where the transdisciplinary can meet and where problems are formulated and negotiated, i.e. an agora. During this process, a better understanding of the content of the venture base will emerge, and interested parties will have the opportunity to reply in a public space or network formation, i.e. agora (Gibbons et al., 2001).

As it has been realized, no venture company is capable of covering all possibilities. And many corporate venture firms work with a number of preferred partners at a local level and maintain working relationships with a number of international players in the venture capital market. Participating in this kind broad network also ensures that it creates a high

level of socially robust knowledge, which can prove useful in new venture generation in the next stage (Gibbons et al., 2001).

4.3 THE KEY TO THE VENTURE BASE

To understand the venture base, we have drawn on insights from network theory and new perspectives on the production of (particularly scientific) knowledge. The first line of argument leads us to see that the venture base constitutes knowledge production processes, which take place between various actors in a network formation. Secondly, the venture base consists of activities that ensure that the knowledge production process takes place in the process of contextualization into socially robust knowledge.

Even though these are two separate elements of the venture base, there seem to be common areas of functionality and some strong commonalities. This has led us a step closer in describing the prime characteristics of the venture base and how it functions:

- Opportunity-creating activities and major resources for the development of genuinely original ideas.
- A community of interaction, which continually tests and reshapes resources for the development of genuinely original ideas.
- It represents participation and invitation of exchange in network formation for new knowledge production.
- Knowledge pools across transdisciplinary intersections, which greatly exceed those of an individual.
- It embodies both an internal and an external phenomenon and often occurs in the overlaps between the two.

The characteristics and functions of the venture base also stress specific demands. Some of the most important demands on the venture base are that it should:

- Provide the foundation for specific ventures for corporate venturing.
- Constitute knowledge production processes between transdisciplinary actors at an above zero-sum level.
- Represent knowledge shaped and reshaped as a result of continuous processes of contextualization for new venture development.

5 NURSING THE BASE

This paper argues that initiatives should focus on venture stages early on in the processes. These processes are relevant even before what Burgelman (1983) describes as:

“... conceptualization and pre-venture stages of the development process. As the definition process takes shape, an idea for a new business opportunity evolves into a concrete new product, process or system around which a pre-venture team of people is formed. As a result of the successful technical and market development efforts of this pre-venture team, it grows into an embryonic business organization. These stages take place in the context of the corporate R&D department.”

In the current paper it is argued that the venture base demands special attention because of its significance. In the section below, concrete actions will be proposed to promote and improve the ability of the venture base to generate original ideas. There are at least six areas that managers need to consider in relation to their venture base:

Take responsibility. It is often taken for granted (both in the academic and the business community) that the bases and thereby venture ideas appear from nowhere or by accident in the external environment and that no initiatives are necessary to facilitate them. However, companies cannot be passive, but need to take active part in creating the bases from which ideas can spring. These actions should be focused both on encouragement of employees and on engagement in sources of innovation outside the organization. Therefore, parent companies need to take responsibility for knowledge production in networks and in the process of conceptualizing knowledge.

Secure access. In order for a corporate venture company to engage in network formation, it must also have something to offer in terms of its own level of knowledge production, reputation etc. Companies will not become part of a value-creating network unless they can contribute something that is not already present in the network. Powell et al. (1996) argue that a partnering decision depends on each partner's size and position in the “value-chain” and the level of technological sophistication. They further argue that to remain current in a rapidly moving field an organization must be involved in the research process. Passive recipients of new knowledge are less likely to appreciate or be able to respond rapidly. In industries where knowledge is crucial, companies must be experts in both in-house research and in cooperative research with external partners, such as university scientists, research hospitals, and skilled competitors.

Network capabilities. Companies need to learn to interact and create networks in order to be able to manage the venture base (Powell, 1996). Seufert, Krogh and Bach (1999) argue that individuals in an organization should be able to recognize personally relevant knowledge within the organization which can be exploited in the organization. The ability to create and participate in a network and to contextualize one's knowledge has to be seen as something that can be learned, but also something that often depends on personal traits.

Competencies in how to influence the vision and agendas in knowledge-creating networks. An important part of managing the venture base is to take an active part in influencing agendas in the network. Doing this will enhance the content of the venture base as resource allocation and focus are shifted in a desirable direction. In order to achieve such a position, the corporate venture must nevertheless learn where and how to access or structure a

network formation and a community for contextualization. Huxham and Vangen (2000) argue that:

“Structures thus play an important leadership role because they determine such key factors as who has an influence on shaping a partnership agenda, who has power to act, and what resources are tapped.”

They further argue that when the structure of collaboration is part of a system of multiple overlapping partnerships, the influence on the agenda may be even more significant (Huxham & Vangen, 2000). By taking active part in influencing the agendas in the network, corporations will also have a greater chance of gaining a central position in the network.

Contextualization. In order to shape the venture base during the process of contextualization, there are strong demands on the company to disseminate and negotiate new knowledge to a wide range of stakeholders. These types of stakeholder must hold central positions and originate from a transdisciplinary background. The dissemination and negotiation can occur both through formal and informal processes and events, such as committees, workshops, seminars and telephone, fax, and e-mail, through which the communications of collaboration take place (Huxham & Vangen, 2000). It is argued by Huxham and Vangen (2000) that processes may take many forms and may be important for a number of reasons. The way in which and the frequency with which members communicate, for example, are obvious components of processes. Similarly, some processes obviously encourage members to share information and develop a common understanding of issues, whereas others hinder active communication (Huxham & Vangen, 2000).

Invite to discussion at an early stage. A common error in the phases of building a venture base is that the process of contextualization occurs too late in the development. As a consequence, the final business proposal will receive a lower evaluation due to both a lack of quality and a lack of appropriateness. Therefore, corporations must overcome the traditional paradigm of “knowledge hoarding” and create new methods and incentives for knowledge sharing. Even though knowledge sharing is a necessity for the venture base to develop, knowledge-sharing hostility both at individual and organizational levels hampers such development (Husted & Michailova, 2002).

6 CONCLUSION

A frequent mistake is that academe and corporate venture firms pay little if any attention to this phase of the corporate venturing process. Based on analysis of the characteristics and corporate expectations of corporate venturing as a business development strategy, we conclude that the underlying generation and shaping of ideas should be of central concern to corporate venture managers. This paper elaborates on this initial process of corporate venturing and explores how combining network perspectives and Mode 2 knowledge creation can offer new insights into how to design and benefit from setting up a venture base. The venture base constitutes activities and resources that can lead to the generation of a steady flow of original and dynamic ideas.

The building and the harvesting of a venture base demand capabilities that greatly exceed those of an individual person or single firm. Interorganizational learning in networks is viewed as conducive to innovation because the dynamics of knowledge creation are endogenous to a particular network of actors. In order to foster innovation from the venture base, it is important to realize that innovation is not created in an individual firm or between firms of homogenous character, but in the interfaces and overlaps between various industries and disciplines. Corporate venturing is a potentially significant way to explore how innovation is taking place across the helixes and in trans- and multidisciplinary organizations. In this connection, the venture base is developed and shaped during the process of contextualization in order to generate opportunity-creating activities that are socially robust.

The following concrete actions are proposed in order to promote and improve the functionality of the venture base: take responsibility, secure access, acquire network capabilities, gain competencies in how to influence the vision and agendas in knowledge-creating networks, contextualization, and invite to discussion at an early stage. These actions are important elements in influencing the quantity and quality of venture ideas.

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