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ENHANCING SELECTIVE CAPACITY THROUGH VENTURE BASES

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ABSTRACT

Corporate venturing managers have the rule of thumb that only approximately one out of ten investments really pay off in financial measures. These low odds for success, of course, put extremely high expectations to the profit yielded from the few investments that become successful. In other words, the few successful investments carry the costs of many more investment decisions. It would obviously be attractive to improve the ability to “pick the winners”. In this paper, we develop a conceptual framework for understanding how firms’ involvement in establishing and nurturing the venture base (the idea creation phase) enhances their ability to select ventures.

Keywords: Corporate venturing, venture base, selection, network.

1 INTRODUCTION

Since the early 1990s, corporate venturing has become a significant method for business development (Block & MacMillan, 1993; Burgelman, 1983 and 1985; Gompers & Lerner, 1999). The popularity is mainly due to the ability of corporate venturing to embrace high-level innovation and to access cutting-edge technological development. To some companies, corporate venturing has become a core concept in their strategic planning (Burgelman, 1983).

Over a broad industry spectrum, corporate venturing has proven to be a successful business development strategy for many organizations with e.g. 3M and The Raychem Corporation as notable success stories (Block & MacMillan, 1993). Corporate venturing is predominantly seen as a mean for large, well-established companies to become innovative and flexible (Greene and Brush, 1999). It is, however, not the only motivation - in fact, there are a number of related motives for setting up a corporate venture unit. Among those motives are securing growth and responding to competitive pressure (Block & MacMillan, 1993), improving corporate profitability (Zahra, 1996), generating strategic renewal (Wielemaker, Elfring, & Volberda, 2000, 2001; Guth & Ginsberg, 1990), fostering innovation and gaining knowledge that may be parlayed into future revenue streams (Venkataraman, MacMillan & McGrath, 1994). Even though, corporate venture activities potentially give way to various benefits, they all build on the presumption that the corporate company has made investments in ventures that will help these positive inputs. These ventures are the key resources for developing businesses. New organizational forms, market conditions and strategies are, however, essential for the implementation process (Wielemaker, Elfring, & Volberda, 2000).

One of the most challenging tasks of corporate venture organizations is to decide which ventures to invest in. If the selection is not accomplished rigorously, the corporate venture is left with inappropriate companies that do not fit the corporate venture company's strategy or portfolio. Managing these companies requires time and valuable resources that could have been spent better elsewhere. On the other hand, a too restrictive investment policy is often said to lead to loss of opportunities, as these companies will hardly recognize the golden opportunity when it appears. In both cases, companies will be forced to reconsider the way of selecting ventures. A major difficulty in selecting ventures is related to the difficulties in assessing the potential current and future revenues from the venture in combination with difficulties in assessing the investments needed for realizing

the estimated potential. Because the corporate venture firm often lacks sufficient technological and market competence, the assessment of risk and the underlying technical advancement are associated with great difficulties for the venture company (Gompers & Lerner, 1999). Similar to other decision-making processes in organizations, selection of ventures relies, among other factors, on access to relevant knowledge and the ability to process it. This article argues that corporate venture firms that take a more active part in the creation of the early phases of the venture development (i.e. the venture base) will develop a selective capacity which enables them to select the more profitable ventures and at the same time avoid selecting away promising ventures. In order to understand how corporate venture companies can increase their ability to select the most promising ventures, we apply a network perspective on the selection routines activated by corporate ventures for finding relevant knowledge.

2 SELECTION OF CORPORATE VENTURES

Corporate venturing has received considerable attention in the academic literature (McNally, 1997). Much of this attention, however, has been focused on the later stages of the venturing processes, such as the organizational setup of the corporate venture activity (Block, 1982; Block & MacMillan, 1993), the criteria for developing a portfolio of ventures into a winning entity (Macmillan & Day, 1987), the development and growth of a venture (Simon, Houghton & Gurney, 1999) and possible exit strategies (Gompers & Lerner, 2001). Selecting ventures carries several complications, which have been hard to solve both in theory and in practice. When selecting ventures, firms face the risk of either wrongly promoting a malign venture or wrongly rejecting a beneficial one (Elfring and Foss, 2000). Wrongly chosen projects are not only costly but also prevent the venture organization from using its (most likely limited) resources on other projects, and possibly even result in hurting the corporate image of the parent company and the venturing organization. At the same time, the competition for the good venture projects is fierce and a corporate venture organization needs to be able to attract the right projects. Due to the investments in terms of money, time and other resources, the capability to make the right decision on the right foundation is thus critical.

A central feature of corporate venturing activities is the expectation of and need for above average returns on the successful investments (Gompers & Lerner, 1999). Therefore, the venture idea should also reflect the possibility of receiving an above average return on the

investment. This naturally includes a high level of risk in the investment. Venture capital investments are by definition characterized by a high level of uncertainty about success of the respective products and services. This risk is often caused by the relatively early stage that investors are brought in to fund the project (Block & MacMillan, 1993). Additionally, many of the ventures operate with high-technology products. In many cases, the investor (and sometimes also the entrepreneur) only has limited knowledge regarding the feasibility and possibilities of the product and service. They have even less knowledge about such factors as customer segmentation, market size, future revenue streams etc.

A significant part of the corporate venturing literature suggests to base selection on a normative list of criteria statements (Block, 1982; Block & MacMillan, 1993)¹. This literature recommends that in order to select the “best” ventures corporate venture companies should develop and define both (1) general criteria (i.e. those which may best reflect potential ventures' fit with the overriding strategy of the corporate venturing initiative) and (2) specific criteria which stem from encompassing various aspects of the general criteria (i.e. criteria relating to the specification of "products, markets or technologies). The general criteria should reflect both the specific goals for the venturing activity and the corporate strategic goals of the parent company. The more specific criteria encompass evidence of consumer needs, capability to satisfy these, competitive advantage, and various financial criteria (Block and Macmillan, 1993).

In an effort to validate the selection criteria's correlation with venture performance, Block et al. (1989) found: (1) Better performing companies, in terms of higher ROI and profit contribution from all entering as well as percentage of profitable ventures in a companies complete portfolio, gave the highest ratings to risk/reward ratio and potential sales as criteria for selecting ventures. (2) Poorer performing companies rated the presence of a venture champion as most important. (3) No correlation existed between performance and the 'closeness to existing products' and 'closeness to existing technology' criteria (Block & MacMillan, 1993). If one investigates 'closeness to existing products' and 'closeness to existing technology' as measures of strategic fit, the authors' third finding may offer an

¹ In a study of the criteria employed by a sample of U.S. and Japanese companies, Block & Subbanarasimha (1989) found that the most commonly employed selection criteria by U.S. corporate venture companies (in order of decreasing importance) were: Strategic fit, competitive advantage, potential ROI, existence of market, potential sales, risk/ reward ratio, presence of an executive protector, opportunity to create a new market, closeness to present products, closeness to present products, closeness to present technology, and patentability. The Japanese counterparts of the study assigned roughly the same overall value to the selection criteria. This could be an indicator of cross-cultural generalizability of the selection criteria employed.

interesting insight. What such a finding implies to us is that corporate venture companies employ criteria seeking strategic fit to their selection models.

In corporate venturing, it is important that the selection criteria also cover issues such as operational relatedness in terms of the degree to which proposals are related to the core capabilities of the mother organization and expected strategic importance for corporate development (Burgelman, 1984). Clearly, for internal corporate venturing, the strategic considerations dominate the discussion. According to a survey conducted by McNally (1997), the importance that external corporate venture organizations place on particular factors in the selection of ventures is a function of corporate objectives. Companies with strategic motives put greater emphasis on characteristics associated with products and markets since they typically invest in order to obtain windows on specific markets and technologies. Conversely, corporations with primarily financial objectives tend to evaluate potential ventures in terms of entrepreneurial talent, financial, and product and market characteristics (McNally, 1997).

Inexperienced venture managers often use the same criteria as experienced managers (MacMillan & Day 1987). Rather than introducing new models for selecting ventures or introducing new criteria, inexperienced venture managers often have a strong preference for already developed selection criteria. The fact that inexperienced practitioners devise models that employ the same selection criteria as the experienced ones could imply that: 1) inexperienced practitioners sought to employ the tried and trusted, or have “crystallized”, selection criteria preferences of experienced managers, and/or 2) that the choice of criteria to employ are rational and simplistic. Either case may be an indicator as to why literature in this field is scant.

In a survey conducted by Siegel, Siegel & MacMillan (1988), nearly half of the corporate venture capitalists had their deals funded on an ad hoc basis, and formal approval was needed from corporate management (Block & MacMillan, 1993). Corporations’ stand-alone venture capital fund subsidiaries, which are often oriented towards financial gain, tend to have more autonomy than departments making ad hoc investments (McNally, 1997). Holt (1992) states that internal proposals made to the team may be little more than draft sketches and notes, just enough to indicate to the management that there is a feasible idea that should be given a reasonable level of support, and that this idea is continuously evaluated.

A venture analysis team evaluating proposals and producing recommendations for selection, and reporting to a senior corporate executive is needed (Block 1982). The team should contain people with market, technical and financial skills combined with empathy and understanding of the venturing process, and outside people should be used as critics and resources (Block, 1982). When the needed capabilities are not found within the venture activity team or in the parent organization, external experts are hired on an ad hoc basis. Evidently, the corporate venture team has an important responsibility in making sure that the portfolio contains successful ventures contributing to reaching the strategic goals of the organization. As previously argued, it is apparent that the motives of a company for undertaking corporate venturing not only help to determine the form of investment and internal organization used (Keil, 2000), but also influence the types of fund managers, and which portfolio company to target (McNally, 1997).

According to studies conducted by Block and MacMillan (1993), managers of most successful ventures often take the approach of a limited number of initial criteria and then disseminate these criteria throughout the organization in order to achieve a greater organizational sense of purpose and direction. The organization is said to gain a greater understanding of the interesting ventures as well as a certain amount of “self-screening”, which ultimately saves the venture organization a potentially large amount of time and resources in unnecessary planning and execution (Block & MacMillan, 1993).

In sum, there is some confusion in the literature whether venture organizations can influence their profitability by paying a lot of attention to the criteria they apply for selecting their investments. Some research points in the direction that the selection criteria are more or less identical across the venture industry and national borders (Zutshi, 1999). It is even difficult to observe any differences in selection criteria between high performing and low performing venture-companies.

The present debate on criteria for selecting and the selection process as such, is both interesting and relevant. Projects on the one hand need to be genuine innovative and hence associated with a high level of risk in order to hold promises of yielding Schumpeterian rents. On the other hand, a too high level of risk may obstruct the selection by preventing any reliable prediction and hence the meaningful use of any of the criteria put forward. Adding to the difficulties of selecting, venture managers only in rare cases hold the needed competence for assessing the quality of the underlying technology and the related product features. Each of these central elements lead to the belief that what is missing is the

underlying knowledge, which can create a foundation for decision-making. The missing stepping stone in preparing for the selection process is access to relevant knowledge that will improve the decision-making process. The complexity imbedded in the venture can only be understood by combining people with different areas of expertise. Further preparation for the selection process will be supported by additional knowledge gained by participating in the early process of the idea development.

3 SELECTION STARTS AT THE VENTURE BASE

The venture base constitutes activities and resources that can lead to the generation of a steady flow of original and dynamic ideas. When corporate venturing is undertaken as a link in a firm's innovation strategy, venture success becomes especially dependent on the ability to generate a continuous flow of innovative and inimitable venture ideas i.e. the first stage of the innovation process. During this particular part of the process, valuable knowledge is also created that encompass the process of idea generation. The knowledge created during this phase will be of extreme value in preparing the selection process.

Corporate venture firms have to stimulate the flow of ideas by participating actively in the process of developing and shaping ideas (Husted & Vintergaard, 2002). This means that corporate venturing firms should work systematically with their venture base where new ideas for venture grow. In the literature on corporate venturing, the flow of ideas is often viewed as rich and generous but it is not treaded explicitly. We argue that methods and instruments used to encourage innovation also will carry significant knowledge to the decision-making process in the selection phase. The venture base is defined as opportunity-creating activities of a firm and its environment, which can serve as major resources for starting a new venture (Block 1982).

When working with the venture base, we are aware that the firm changes from a well-defined entity consisting of fixed structures of managing systems into an entanglement of network systems with indistinct boundaries (Seufert, von Krogh & Bach, 1999). The focus has shifted from products and firms as units of analysis to people, organizations and the social process that binds them together in ongoing relationships. Most firms are now realizing that a key factor in obtaining a lasting competitive advantage is not the ability to administer existing knowledge, but the capability to constantly generate new knowledge. The network perspective is essential in understanding the process of idea generation. The

locus of innovation has shifted from individual firms to networks of inter-organizational relationships where participation and invitation of knowledge exchange is the essential (Powell, Koput & Smith-Doerr, 1996). A network can serve as the locus of innovation in many high-tech fields "because it provides timely access to knowledge and resources that are otherwise unavailable, while also testing internal expertise and learning capabilities" (Powell et al, 1996:231). As a result, organizations are slowly evolving from "well-structured and manageable systems into interwoven network systems with blurred boundaries" (Seufert et al., 1999: 180). This trend will presumably continue thus making the process of idea creation and transfer of new knowledge into network structures and not the work of one individual i.e. blurring the borders of internal and external innovations.

Consequently, corporate venturing firms operating in technology-driven business environments cannot rely solely on in-house R&D activities neither in order to generate new venture ideas nor to assess the qualities and potential of ideas from in- and outside the organization. Instead, they tend to rely on collaboration with their external networks. The external network of a corporate venturing firm spans organizational boundaries and includes actors such as the firm's venture portfolio companies, customers, suppliers, competitors, private research institutions, universities, governmental organizations etc. Within these networks knowledge can be presented and tested in a set of interaction between actors from various disciplines making the research results more socially robust (Nowotny, Gibbons & Scott, 2001). In order to foster innovation by the venture base, it is important to realize that innovation is not created in the single firm or in between firms of homogenous character, but in the interfaces and overlaps between the different industries and disciplines.

We will now address the issue of how collaboration with the external network can benefit not only development of the venture base but also enhance the selection capacity. By working systematically with the venture base, corporate venture companies will also be better prepared to make selections. Especially two features of the venture base are essentially influencing the selective capacity of the corporate venture company: the potential of venture base to shape and to attract innovative ideas by spanning over organizational boundaries and the ability of the venture base in contextualizing the knowledge production underlying the innovations.

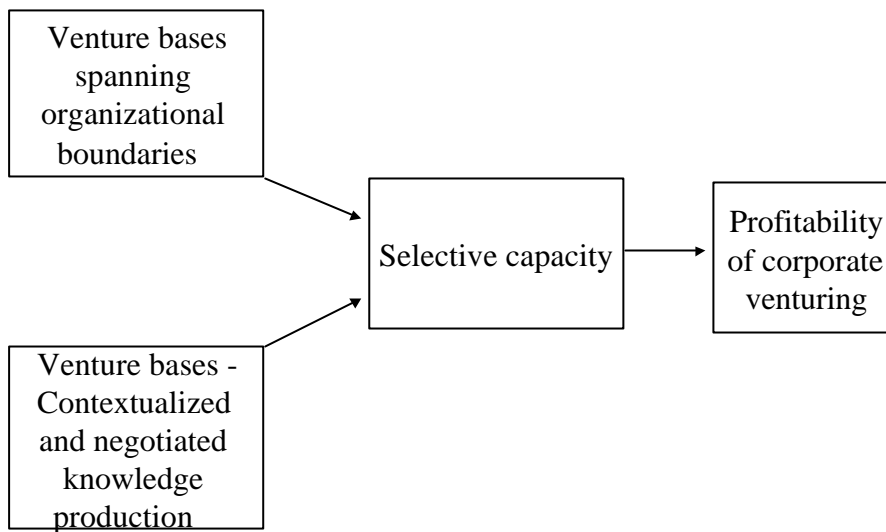


Figure 1:

It has proved valuable to analyze knowledge creation as a social activity embedded in a dense web of social, economical, contractual and administrative relationships. Since sources of innovation are more commonly found in the interstices between organizations with various perspectives, 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 et al, 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.

Participating in this kind of 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, Scott, Nowotny, Limoges, Schwartzmann & Trow (1994) suggest a model for knowledge production referred to as Mode 2 (as opposed to Mode 1). In Mode 2, knowledge is carried out in a context of application: it is characterized by trans-disciplinarity 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)”.

Below, we will outline four propositions of how specific features of the venture base are associated with the selective capacity of the corporate venture company.

Access to knowledge. Powell et al. (1996: 117) take the point that in high-tech sectors, "no single firm has all the internal capabilities necessary for success". The locus of innovation in high-tech sectors is, therefore, to be found in networks of learning rather than in individual firms, since the knowledge pool is characterized as both complex and expanding, and the expertise is widely dispersed. Cooperation with the network, therefore, becomes vital since it provides the venturing firm with access to resources, skills and competences from a broad range of firms, universities etc. and thus provides the venturing firm with complementary knowledge. Collaborative research and development functions as an eye opener for accessing ideas and knowledge from a variety of sources, in order to exploit already achieved research results in a commercial context. Transfer and knowledge diffusion are promoted by informal collaboration (Powell, 1998); "Building routines for regular contact without formalization allows for the possibility that participants not only contribute ideas, they will take lessons learned and spread them in unexpected and unobvious ways" (Powell, 1998:237). This can be very important for idea generation and later in selection, as it is difficult to determine to whom and at what point in time specific knowledge is most valuable. In relation to the organization of knowledge diffusion and transfer, Kreiner and Schultz (1993) see networking as an intensification of information and knowledge sharing with the purpose of discovering and generating new ideas.

Gaining access to a network and benefits from networking requires networking to be pursued as a deliberate strategic choice. Clear objectives and a strategic direction should be determined and communicated, first, to underline the strategic importance of networking activities in generating venture ideas, secondly, to guide efforts towards collaboration with relevant or appropriate network actors or guide them in a specific technological direction, and finally to establish guidelines for informal, interpersonal networking.

Once a firm begins collaborating, it develops experience in cooperation and a reputation as a partner. Experience will over time help the corporate venturing firm to be more effective in exploiting collaborations. Reputation, on the other hand, proves a fertile ground for both formal partnerships and an expanding array of informal "relationships". This is very important, as a broad range of collaborative efforts provides central connectedness in the network and help generate visibility and over time access to resources. Network location

is, therefore, central to the corporate venturing firms' competitiveness. Firms more centrally located should have more timely access to promising ventures, and companies with collaborative experience should be better at selecting and exploiting them.

Proposition 1: Corporate venturing firms with strong involvement in developing and maintaining their venture base have prepared access to knowledge, which can enhance their selective capacity.

The importance of participation.

Social capital more than structural holes

The value of firms' participation in research networks is related to participation more than absorption. Knowledge creation is increasingly carried out in a context of application and 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 short, we are experiencing a shift from Mode 1 science, which is expert, discipline-bound and self-referential, to Mode 2 knowledge production. As a consequence of the change toward mode 2 production of knowledge, research agendas and new knowledge are negotiated and shaped in interaction with external stakeholders. Following this perspective new knowledge is not primarily tested against inter disciplinary scientific criteria but confronted and tested in different contexts and through public debate. In other words new knowledge is socially robust (Nowotny et al., 2001). Since ideas are shaped and contested in the public space it is important for corporate venture companies to take part in this dialogue and negotiation in order to assess how new ideas are embedded in and able to address needs in the society. Moreover, knowledge does not reside in ready form in these institutions but merely exists in the form of a potential for generating the needed knowledge. In the modern knowledge-based network society, the main purpose for firm participation in knowledge networks is not simply to access existing knowledge, but rather to be involved in the production of new knowledge that is dispersed over disciplines, institutions and national boundaries. This change in corporate justification for engaging in knowledge networks also calls for

refocusing attention towards knowledge creating processes. The main challenge for each of the participants in the network is not to identify the potential of new knowledge outside the organization, assimilate and apply to your own ends (Cohen & Levinthal 1990), but to participate in and influence the ongoing knowledge production in a fashion that increases the likelihood of creating advantage for the individual participant without harming the participation in the network. Instead of discussing firms' absorptive capacity (Cohen & Levinthal 1990), the relation between search costs and transfer of knowledge (Hansen 1999), the value of informal networks for knowledge transfer (Kreiner & Schultz 1993), and similar issues related to accessing external knowledge, the focus should be on issues related to understanding how firms can manage their participation in creating and utilizing knowledge networks.

Proposition 2: Corporate venture firms need to take active part in the development process in order to develop a selective capacity to evaluate proposals

Escaping dominant logic and exploiting the strength of diversified resources. In connection with innovative processes, it is important to realize the systemic complexity in both knowledge production and utilization. This has to be seen in the light that no firms hold all relevant knowledge and expertise in order to facilitate these processes up to par of the market. These facts are closely related to some of the main reasons for networking: Risk sharing, access to new markets/technologies, speeding up bringing products to markets and pooling complementary skills. The networks also provide insights about other research activities undertaken elsewhere and therefore decrease the resources spend on searching for new and profitable areas of investments.

Kreiner and Schultz (1993: 202) emphasize the relevance of having access to up-to-date information, since in turbulent and fast developing fields, traditional sources such as journals etc. are not sufficient, since they might give a hint of where the technology frontier was some time ago, but not where it is now. If firms are to react to "windows of opportunities", they have to be participants of the network (Powell et al., 1996; Kreiner and Schultz, 1993).

Interaction with the external network can help managers avoid getting caught up in their own dominant logic, i.e. using the same set of heuristic rules, norms and beliefs to guide their actions. This dominant logic filters out ideas and behaviors that do not match the managers' understanding of their business and makes it hard for new ideas to survive. This form of "determined selection process" at the very start of the idea generation process can be connected to Block's (1982) argument of why venture ideas, which are developed within the organization, are likely to be fairly limiting. In this connection, it is important to focus on the orchestration of the network as it is deemed necessary to take place within a broader audience - one that is heterogeneous and trans-disciplinary (Gibbons et al, 1994). Firm specific resources can be thought of as the strengths and weaknesses of particular companies, and can be of both tangible and intangible nature (Wernerfelt 1984). When companies form a network, it is exactly these strengths and weaknesses they seek to combine, to create a resource synergy. Generally, it can be argued that corporate venturing firms should try to gain access to heterogeneous resources and capabilities, in order to have access to a wider array of opportunities and knowledge. Combining supplementary and slightly related knowledge bases is however considered to be particularly valuable in creative and innovative idea processing (Powell et al., 1998). Collaboration with firms assessing complementary resources could provide an opportunity for the corporate venturing firm to compensate for weaknesses in their existing resources, and accordingly allow the corporate venturing firm to combine the network partners' resources with their own resource sets, thereby creating a resource base that enhance the selective capacity of the firm. Consequently, corporate venturing firms should typically seek to identify and gain access to potential network partners who have supplementary but related technology bases, since they ceteris paribus are the most optimal partners for idea generation. It can, therefore, be expected that combined use of diversified resources for idea generation can have positive spillovers to the selection process.

Proposition 3: Using perspectives from various actors with different backgrounds will hinder venture managers getting caught up in their own dominant logic.

4 CONTRIBUTIONS, CHALLENGES AND FUTURE RESEARCH

This paper focuses on the process of preparing the decision-making process for selecting the most promising ventures in corporate venturing. Previous research within the field has predominantly been centered around static and general criteria's for selection. Problems of applying these has to be found in the risk and technical advancement that characterize venture capital investments and therefore the often limited grounded knowledge available to base the selection. What is often missing in the selection process is the underlying knowledge, which can create a foundation for decision-making. In this article we provide several contributions to the general understanding of selection of investments objects in corporate venturing. We propose a framework for understanding not only how corporate venturing can develop knowledge for the selecting the most promising venture but also reveals a new perspective on when and how to break with common perceptions. We argue that the fundamental conditions for selecting are shaped by participation in the very early stages of the venturing process and especially in the underlying knowledge production. Although we identify the basic relevance of connecting to the underlying knowledge production by working with the firm's venture base, we acknowledge that this is not an exhaustive investigation, and we expect future research to identify the specific linkages between participation in the knowledge production, the ability to select and finally the performance of the corporate venture activities.

A crucial challenge is to define participation in venture bases. The purpose of venture bases is to organize the knowledge production and dissemination in such a fashion that distributed resources are concentrated on especially potent areas and activated in a coordinated manner. Hereby, venture base assimilates other network-based organizations and also suffers from some of the same lack of clarity regarding how to define network participation.

Previous corporate venturing literature is founded in simple and static measurements of the individual venture proposals (e.g. Hanan 1976, Block & MacMillan, 1993). As mentioned earlier, static measures are not always fit for the economical trends that we are currently experiencing (Grant, 2000). As mentioned earlier, the very nature of the selecting process is a matter of building a frame from which the selecting process can take place i.e. "structure the unknown" (Weick, 1995). The process of making sense of what is essential to the venture proposal is not to complete the picture of the investments, but to patch

together information in creation of maps for direction. The selection criteria mentioned in business cases and in the corporate venturing literature, are like old maps. They animate and orient the venture managers. Once the venture managers begin to act, they generate tangible outcomes in some context, and this helps them discover the content of the idea, what needs to be explained, and what should be done next (Weick, 2001). What is important also for venture managers is that there is a need of direction (e.g. a map), but without action the plan for direction holds no value. Most venture managers are aware that the static guidelines are given by Block & MacMillan et al. (1993) and other fellow academics are not the correct maps. The directions are incomplete and will never reflect the truth about the selection process. These venture managers are aware that the criteria, they are faced with, are not sufficient on their own. What is realized is that the criteria are the foundation from which some general movements can be made, while closely observing what happens (Weick, 2001). This creates a picture of where the venture managers have been, where they are, and what they want to accomplish. As the process progresses, venture managers get better at making the evaluations.

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