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CORPORATE ENTREPRENEURSHIP INVESTMENT DECISIONS UNDER UNCERTAINTY (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**CORPORATE ENTREPRENEURSHIP INVESTMENT
DECISIONS UNDER UNCERTAINTY**

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Principal Topic

The rejuvenation of a company's core competences may occur through organic growth or by expansion via spin-offs. Indeed, corporate entrepreneurship often entails opportunity-seeking and advantage-seeking activities, which lead to supra-normal profits in the long run. Usually, the strategic decision to strengthen corporate core competencies either internally or externally must be reached under uncertain investment conditions. However, little is known of the process by which such company-unique competences are deployed from the parent company to the spin-off venture. We examine this unexplored issue by drawing upon effectuation and real option theories and to gain a better understanding of how parent companies create and develop spin-offs under uncertain investment conditions in order to build up organizational core competences (Narayanan et al., 2009). We believe that the foundations of both domains, effectuation and real option theories, are useful to explain whether parent companies show a "pro-active and deterministic" investment behavior or a "re-active and flexible" investment behavior at the time of launching and developing spin-offs (McGrath, 1997; Sarasvathy, 2001;).

Method

We have conducted a (qualitative) study on a multinational corporation involved in the creation and development of several spin-off ventures. This methodology is appropriate for analyzing complex and underexplored topics (Corbett and Neck, 2010; Biniari, 2011). The data were collected from multiple semi-structured interviews with key strategic decision makers involved in the corporate entrepreneurship process, and internal documents/reports. The data were analyzed using a comprehensive inductive approach, which allowed us to enhance the validity and reliability of our study (Eisenhardt, 1989).

Results and Implications

Our findings can be useful for decision makers of a parent company who are considering the reinforcement of corporate core competences either internally (organic growth) or externally (via spin-offs). Thus, intrapreneurs can gain a better understanding on how parent companies support the spin-off process within uncertain conditions. These insights can be provided for policy makers as they generate better design policies to foster the intrapreneurial activity of a region. Finally, our study can serve as a good starting point to further explore this subject using other methods in different contexts.

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