2024
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Technical University of Munich

Managing the culture clash between internal corporate ventures and their parent firms

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Entrepreneurship is often viewed as a universal solution for innovation. In response, firms are founding their own internal corporate ventures to disrupt markets and secure a competitive advantage. These internal corporate ventures often embody an entrepreneurial culture which not only includes risk-taking behavior and iterative work but also an entrepreneurial look—such as ping-pong tables and casual dress codes—with intrapreneurs using an entrepreneurial lingo from 'bootstrapping the venture' to 'pitching our MVP'. This entrepreneurial culture is intentionally designed to foster innovation within the internal corporate ventures. At the same time, it clashes with the often conservative culture of their parent firms, which value stability, risk avoidance, and established rules and routines. This culture clash can be seen, for example, when internal corporate venture employees speak in their entrepreneurial lingo to parent firm employees, leading to confusion and miscommunication, or when internal corporate venture employees enjoy flexible work hours and work in cafés, which parent firm employees might perceive as lazy or unprofessional. The culture clash creates negative consequences such as gossip, misunderstandings, and distrust, dividing internal corporate ventures and their parent firms into two worlds and hindering smooth collaboration.

However, to succeed, internal corporate ventures heavily depend on the resources of their parent firms, especially human resources, which provide critical feedback and deep market knowledge. So, how can internal corporate ventures and their parent firms collaborate despite their culture clash?

Promoting collaboration in the midst of culture clash

One might argue that parent firms need to develop an overall entrepreneurial environment, i.e., the whole parent firm should become more entrepreneurial. However, we want to challenge this assumption and believe that this shortcut oversimplifies the culture clash. Both the entrepreneurial culture of internal corporate ventures and the conservatism of their parent firms each serve important functions. There are good reasons why conservative parent firms have established rules and routines that have led to long-term profit and stability. Similarly, there are good reasons why internal corporate ventures challenge their parent firms' approach to fostering disruption. One might argue that the internal corporate ventures and their parent firms should be structurally separate, but successful internal corporate ventures leverage the connection with their parent firms, especially through the exchange of human resources. Hence, instead of seeking to homogenize the internal corporate ventures and their parent firms, we should enable the exchange of human resources despite the culture clash.

Strategies for successful collaboration

The exchange of human resources between internal corporate ventures and their parent firms does not have to be conflictual. Based on a qualitative multiple case study of nine firms, we found that internal corporate ventures and their parent firms need to overcome three main challenges:

- Challenge 1. Internal corporate ventures as a black box: Limited interaction between internal corporate ventures and their parent firms leads to a lack of information sharing.
- Challenge 2. Environment of unappreciation: Misperceptions and rumors contribute to a lack of mutual respect and ingroup-outgroup dynamics.
- Challenge 3. Rigid perceptions of success and failure: Internal corporate ventures are often judged by the same traditional definitions of success and failure as their parent firms, which may not align with innovation projects.

To overcome these challenges and exchange human resources despite the culture clash, another qualitative multiple case study of two firms revealed that internal corporate ventures and their parent firms can adopt these practical principles:

- Principle 1. **Increase internal corporate venture transparency**: Share project details of internal corporate ventures and do not withhold information.
- Principle 2. **Disprove rumors of the entrepreneurial culture**: Proactively address rumors and clarify misunderstandings.
- Principle 3. **Ensure smooth communication**: Adopt a common lingo when communicating between internal corporate ventures and parent firms.
- Principle 4. **Encourage mutual appreciation**: Value the work of all employees equally and address feelings of inequity.
- Principle 5. **Create a common understanding of success for internal corporate ventures**: Establish and communicate clear success criteria for internal corporate ventures that reflect shared values and goals, and recognize the high risk of failure.
- Principle 6. **Celebrate success equally**: Recognize achievements in internal corporate ventures and their parent firms equally.
- Principle 7. **Ensure a nuanced view of failure**: Encourage learning from failure rather than punishing it; share and learn from failure.

From culture clash to market disruption

By adopting these practical principles, internal corporate ventures and their parent firms can collaborate despite their culture clash. For example, internal corporate ventures implemented 'ask me anything' formats and opened their project planning tools for parent firms to increase transparency; and they invited parent firm employees to participate in their activities to demonstrate their professionalism and disprove rumors. Following the provided principles will help firms stay ahead and disrupt their markets through internal corporate venturing.

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