

**Innovation and Business Growth through  
Corporate Venturing in Latin America: Analysis of Strategic Fit**

(Keywords: Internal and external fit, finance and investment, business performance,  
economic and relational factors, venture autonomy)

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## **Abstract**

Corporate venturing as a strategy for international business development has become significant in view of the process of globalization resulting into the free trade and business development opportunities for multinational companies. This study is based on empirical investigation through semi-structured interviews administered to the managers of multinational companies operating in Mexico. The success of the corporate ventures in Mexico has been evaluated from the perspectives of economic and relational attributes. The results of the study showed that the degree of fit between a corporate parent and venture affects the success of the venture. The success is associated with high levels of commitment, competitive skills and dynamics in functional management of the venture. In the study the variables of economic and relational dimensions of external and internal fit have greater association with venture success. It has also been found that ventures opt for greater autonomy and less economic dependency with their parent ventures for leading success and this finding make an intuitive sense.

The corporate venturing strategy has regained its strength with the booming concept of globalization, virtual business and rising demand for high value products. The concept of corporate venturing has become a significant method for business development (Block & MacMillan, 1993; Burgelman, 1983, 1985; Gompers & Lerner, 1999). The principle reason behind popularity of this strategy may be counted on the presumed ability of corporate venturing to facilitate continuous growth by embracing high-level innovation and accessing cutting-edge technological development. Some companies have conceived the corporate venturing as a core concept in their strategic planning (Burgelman, 1983). Firms become multinational companies (MNCs) by setting up manufacturing or marketing subsidiaries overseas. Some researchers argue that internationalization is a process of transferring an MNC's knowledge, which embodies its advantage, from one country to another (Kogut and Zander, 1993). That is, knowledge flows from headquarters to overseas subsidiaries. Venturing is serious business, requiring skill, patience, and entrepreneurial flair. Most new ventures involve entering unfamiliar markets, employing unfamiliar technology, and implementing an unfamiliar organizational structure. An approach of particular promise is the new-style joint venture, in which a small company with vigor, flexibility, and advanced technology joins forces with a large company with capital, marketing strength, and distribution channels. The most intensive corporate involvement occurs in the internal venture, in which a company sets up a separate entity within itself in order to enter new markets or to develop entirely new products (Roberts, 1980).

## **Review of Literature**

The discussion on the issues of corporate venturing has received considerable attention in academic literature in the recent past (McNally, 1997) with focus on the later stages of the venturing process (Block, 1982; Block & MacMillan, 1993), such as the organizational designs for carrying out the corporate venture activity (Block & MacMillan, 1993), the criteria for developing a portfolio of ventures into a winning entity (Day, 1994), the development and growth of a venture (Simon, Houghton, & Gurney, 1999), and possible exit strategies (Gompers & Lerner, 2001). It has been found that the research studies also laid strong applied focus on the later stages of the venture process. The process of globalization resulting into the free trade and business development opportunities for multinational companies has further strengthened the corporate venturing as a strategy for international business development. It involves investment in high-risk activities that generate new businesses within or closely related to the activities of the parent corporation. Hence, this may be described as a business development strategy, which seeks to generate new businesses for the corporation in which it resides (Von Hippel, 1977). Corporate venturing is used strategically to encourage corporate renewal in the parent organization (Elfring & Nicolai, 1997), as a growth driver by investing in ventures with high growth potential, or to diversify the core business of the parent by investing in ventures in diverse industries (Block & MacMillan, 1993). The ideas for new businesses can originate either inside the organization or externally. Activities hosted by the corporate venturing unit will often be new to the organization and require the parent company to extend their resources by acquiring new equipment, people or knowledge (Biggadyke, 1979). The corporate venturing activities possess

significantly higher risk or failure rate and greater uncertainty (Block & MacMillan, 1993). Such attributes of corporate venturing appear to distinguish this strategy from other business development strategies such as takeovers, corporate R&D, traditional venture capital financing, and joint ventures (Albrinck, Hornery, Kletter, & Neilson, 2001).

The knowledge may also flow in the opposite direction; in the process of establishing and running its overseas operations. An MNC learns, intentionally or unintentionally, from the process the multinational firms build new capabilities to adapt to changing environments through the corporate venturing as a core of strategic business management. However, contemporary research has addressed this question only recently. How do the firms develop a capability to create and develop ventures through corporate venture capital, alliances, and acquisitions has been addressed in an integrated model (Kiel, 2004). The model is based on two longitudinal case studies of large corporations operating in the information and communication technology sector in Europe. The model envisages learning processes, which enable the firm to build up an external corporate venturing capability, by utilizing learning strategies both within and outside venturing relationships. The study finds that the firms engage in acquisitive learning, in order to build this new capability and adapt to the firm specific context through experiential learning mechanisms. Corporate venture firms often rely heavily 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.

#### *Internal and External Fit*

Firms with growth aspirations have several ways of reaching their goals. Mergers, acquisitions, and joint ventures are a few of the better-known approaches to firm growth. Another route, which is of interest to both managers and researchers, is corporate venturing-growing a business from the inside out. The motives for launching a corporate venture include improving corporate profitability, (Zahra 1996), generating strategic renewal (Guth and Ginsberg 1990), fostering innovation (Baden-Fuller 1995) and gaining knowledge that may be parlayed into future revenue streams (McGrath, Venkataraman, and MacMillan 1994). The corporate venturing has been identified as a vehicle for firm growth (Arrow 1982; Burgelman 1983) and has addressed several issues unique to this growth mechanism. The previous studies address the performance implications of corporate ventures, the relationship between CV performance and environmental context (Covin and Slevin 1994; Tsai, MacMillan, and Low 1991; Zahra 1993), the role of compensation practices within corporate ventures (Block and Ornati 1987), and the influence of corporate venture champions (Day 1994).

The relationship between a corporate parent and its corporate venture has also been studied (Miller, Spann, and Lerner 1991; Sorrentino and Williams 1995), however, to empirically test whether the connection, or fit, between parent and venture influences performance of corporate venture, not substantial literature is available. Although some authors have argued that high levels of relatedness between corporate parent and corporate ventures are desirable (Dougherty 1995; MacMillan, Block, and Narasimlia

1986) while other researchers have contended that tight coupling is negating to venture success (Burgelman 1983; Ginsberg and Hay 1994; Sykes and Block 1989). However numerous studies have argued that corporate venturing is a dynamic process, that is, one in which the relationship between parent and venture evolves as the venture matures (Burgelman 1983; Garud and Van de Ven 1992; Schrader and Simon 1997; Sykes 1986). The degree of fit may be thought of as a continuum, anchored at one end by what Sykes (1986) refers to as total congruence (Sykes 1986). At the other end of the continuum is an independent entrepreneurial enterprise (Miller et al. 1991; Schrader and Simon 1997). The debate revolves around which point on this spectrum is optimal for corporate venture performance.

It is generally agreed that corporate venturing has a positive effect on firm performance (Biggadike 1979; Zahra 1991, 1993; Zahra and Covin 1995), although such benefits are not guaranteed and ventures may take several years to become profitable. The corporate ventures go through a series of stages as they mature (Garud and Van de Ven 1992; McGrath et al. 1994; Schrader and Simon 1997). However, there is general agreement that the nature of corporate ventures is dynamic, not static. Effective corporate venturing has been described as a balancing act with needs for creativity and change on one side and demands for cohesiveness and complementarities on the other (LengnickHall 1992; Tushman and Nadler 1986).

#### *Financial and Investment Venturing*

On the financial upfront corporate venturing induces the prospecting entrepreneur to exert an effort that is higher than within the corporation, but lower than the traditional venture capital financing framework. The competition from venture capitalists increases corporate venturing activity, the salaries of potential entrepreneurs, and total economic output. The study reveals consistent results with the observed pro-cyclicality of corporate venture capital activity (Gills and Jean Etienne, 2003). Factors affecting corporate venture success may be broadly classified as intrinsic and extrinsic. Intrinsic factors are those inherent to the venture itself, and are subdivided into two categories: product related and managerial. Extrinsic or environmental factors are those determined by the characteristics of the investment sponsor *e.g.*, corporation or venture capital fund. Extrinsic factors are also subdivided into two categories - structural, which are determined by the organizational and functional relationship to the investment sponsor and procedural, related to managerial processes to be imposed by the investment sponsor (Sykes, 1986). Large companies have long sensed the potential value of investing in external start-ups, but more often than not, they fail to get it right. Remember the dash to invest in new ventures in the post- 1990s globalization drive and the hasty retreat when the economy turned? The framework describes four types of capital investments for the corporate venture, each defined by its primary goal-strategic and financial, and by the degree of operational linkage between the start-up and the investing company (Chesbrough, 2002). Driving investments are characterized by a strong strategic rationale and tight operational links. Enabling investments are also made primarily for strategic reasons, but the operational links are loose. Emergent investments, which are characterized by tight operational links, have little current-but significant potential-

strategic value. Passive investments, offering few potential strategic benefits and only loose operational links, are made primarily for financial reasons. The passive investments in corporate venture capital dry up in a recessionary economy, but may enable gains and drive investments, usually for those which are sustainable in the market.

### *Technology and Innovation*

In view of globalization the media and academics have frequently maligned corporate investments in venture capital and have highlighted visible failures. The best ideas have languished in many corporations, either because of internal resistance or an inability to execute on the initial insight. In other cases, more nimble companies, often venture-backed start-ups, have turned innovative ideas of corporations into commercial successes (Gompers, 2002). The origin of Unilever's home pregnancy test - Clearblue, which was launched in 1985, has been used as a case study to examine the viability of one version of this strategy. Unilever was able to translate its extensive knowledge base in immunology into a successful branded product in medical diagnostics by creating a separate corporate entity as *Unipath* with a distinctive culture, shielded from the mainstream of the organization. However, this product could be able to make impact on marketing and financial resources through its corporate abilities. However, the very distinctiveness of *Unipath* orphaned it within Unilever, and the business was divested in 2001 (Jones and Kraft, 2004). Such downsides emerge in high technology business ventures as large established corporations face many challenges to develop and sustain dynamic capabilities in innovation and the creation of new businesses because of constraints arising from technological and resource lock-ins, and routine and cultural rigidities. The number of firms using alliances as part of their corporate venturing or market entry strategies has surged over the past decade. Three common reasons found for pursuing alliances are technology convergence, market access and alliance partners' complementary resources (Ghandour *et.al.*, 2004). Theoretical and empirical evidences suggest that highly related ventures benefit from existing resources, exploiting corporate know-how, and sharing experience effects. High-relatedness implies high levels of resource sharing that should decrease the incremental costs needed to launch the venture. Thus high-related ventures have greater amounts of resources to be used for aggressive entry strategies than low-related ventures. However, the top management cannot decide a priority whether or not a new corporate venture should be highly related to the parent firm; high image firms should only venture in highly related businesses. Building image at the corporate level pays if various high-related ventures are present (Sorrentino and Williams, 1995).

Corporate venturing can be an important source of technological innovation for corporations by providing a window on emerging technologies, market opportunities, new business models, and distribution channels,. However, effective implementation requires a clear view of the objectives, dedication to understanding the process, and discipline. There are two major tactics for external investing: invest in a venture capital fund, or invest directly in a start-up company, and the strategy a company chooses should be tied to its objectives (Markham *et.al.*, 2005) . One of the most challenging aspects of corporate venturing is finding the right people, and corporations must be willing to

devote significant time and resources to working closely with their portfolio companies if they wish to gain satisfactory value from their external investments. A study examines the variety of corporate venturing activities in the pharmaceutical and life sciences sectors, identifies the range of initiators, motives and structures, and evaluates the potential opportunities for professional venture capital firms (Tidd and Barnes, 2000). It is discussed in the study that on one hand, pharmaceutical companies need to maintain the new product pipeline that has increased the demand for technology acquisition and on the other, mergers and rationalization within the sector have resulted in a significant growth in technology divestment. Both trends have boosted corporate venturing activity. The study finds that while there is a wide range of venturing options, there is considerable confusion in the industry over ends and means. Specifically, many firms have failed to differentiate sufficiently between strategic, financial and operational goals, and have therefore created inappropriate forms of corporate venture.

Another study conducted with a small number of corporate executives having line experience in corporate venturing showed that joint ventures appear to be a highly useful way of starting off in venturing activity at the same time reducing the initial risk (MacMillan *et.al.*, 1986). The study indicated that experience of executives at venturing resulted in improvement in venturing performance, but only after several venture attempts. It has been observed that many executives take for granted that the first company in a new product category gets an unbeatable head start and reaps long-lasting benefits. However, much depends on the pace at which the category's technology is changing and the speed at which the market is evolving. By analyzing these two factors, companies can improve their odds of succeeding as first movers with the resources they possess (Suarez and Lanzolla, 2005). Gradual evolution in both the technology and market provides a first mover with the best conditions for creating a dominant position that is long lasting (Hoover in the vacuum cleaner industry is a good example). In such calm waters, a company can defend its advantages even without exceptional skills or extensive financial resources. When the market is changing rapidly and the product is not, the first entrant with extensive resources can obtain a long-lasting advantage (as Sony did with its Walkman); a company with only limited resources probably must settle for a short-term benefit (Suarez and Lanzolla, 2005).

### *Corporate Venturing in Latin America*

Ecotourism has been heralded as a potential economic and environmental savior in much of Latin America, though explosive foreign investment in ecotourism ventures raises questions about the validity of ecotourism as a tool of sustainable local development. A research using three case studies from coastal Belize and the Bay Islands of Honduras to illustrate the challenges that local communities face while attempting to derive ecotourism benefits, finds that there is marked cultural shift toward planning and politicization of corporate venturing in Latin America and Caribbean (Moreno, 2005). Another study discusses the impact of culture on relationships of authority, trust and performance in U.S.- Mexican business alliance negotiations using a sample of fifty-five Mexican firms with experience in alliances with U.S. counterparts in terms of governance structure (authority) and relationships (trust) in the alliance. The study finds that Mexican

managers view authority balance as a positive contributor to alliance performance, while authority advantage to the benefit of the Mexican partner at the expense of the U.S. partner is viewed as having a negative impact on performance of the corporate ventures. Besides, the trust also plays an important role in achieving the alliance performance (Teegen and Doh, 2002)

Market-oriented structural reforms were implemented in Latin America under the expectation that the transition from an *inward-oriented, state-led* growth strategy to a more *market-led* and *outward-oriented* one was going to be rewarded by a sustainable long-term improvement in the region's rate of economic expansion and productivity growth (Katz, 2004). The corporate venturing has been found encouraging since the economic activities in the Latin American and Caribbean (LAC) countries following the debt crisis of the early to mid-1980s have created opportunities for U.S. firms to expand their business presence in the region. The study provides evidence on the shareholders' wealth effects of expansion by U.S. firms into the LAC region. Three hundred twenty-two announcements of expansion to the LAC countries by U.S. firms during 1980-1996 are analyzed using event study methodology (Gleason *et.al.*, 1999). The study discusses the mode of expansion and shows that announcements of both FDI and non-FDI forms of expansion produce positive significant excess returns and significant positive reactions are observed for expansion to Brazil. However, the competitive discipline imposed by a more open and deregulated economic regime was expected to induce faster innovation and technological modernization efforts from firms and individuals and, thereafter, a gradual but steady *convergence* to world-wide income and productivity standards. A global look at the region's performance throughout the 1980s and 1990s tells us that such an expectation was far from realistic in the Latin American region (Katz, 2004). Over some general observations, one of the studies investigates the effect of the North American Free Trade Agreement (NAFTA), a prime example of this new regionalism, on foreign direct investment in Mexico (Walckirch, 2003). The study revealed that NAFTA has raised investment from the partner countries, the United States and Canada, but not from the rest of the world. The increasing use of outsourcing and a commitment effect conveyed by the agreement are candid explanations for a change in investors' sensitivity to the determinants of foreign direct investment.

Contemporary trends in the organization of multinational enterprises (MNEs), developments in regional economic integration, and evidence pertaining to the globalization of innovative activities are suggestive of the need to revisit the question of the contribution of overseas MNE affiliates to the technological capacity of developing countries. The contribution in development of technology by the MNEs of the European Union in Mexico has been studied using a small-scale survey (Laura and Phelps, 2003). The study shows that Mexico appears to have been enhanced with regional economic integration, and the anecdotal evidence from company case studies hints at possibilities for the future generation of technological know-why. Another study discusses two relevant aspects of innovation- localization and effectiveness of innovation. The former refers to the use of the notion of systems of innovation in environments characterized by relatively poor domestic innovation processes and relatively high levels of diversity. The latter relates to the analysis of the empirical results of an on-going research (involving a

network of researchers in Brazil, Argentina and Uruguay) investigating how the macroeconomic transformations of the 1990s have affected the evolutionary trajectory of local productive arrangements, especially in what refers to their capacity to generate, absorb and diffuse innovations (Cassiolato and Lastres, 2000).

## **The Study Design**

### *Sample Distribution*

The study is based on 79 semi-structured interviews conducted at 21 multinational companies operating in Mexico. The reference period of the study is 2002-2005. The firms covered under this study are of USA, Europe and United Kingdom operating in Mexico in real estate, telecommunication, automobiles and pharmaceuticals business ventures. All these companies had corporate venturing departments, though with some variations in their level of experience. At one end of the scale, one of the firms had more than 20 years of experience in corporate venturing in Mexico while other companies included in the study had between six to nine years of experience in corporate venturing activities. None of the firms selected for the study had exits. All interviewees had held positions in corporate venturing at top and middle management level for at least two years. This was an important criterion for their selection as study participants. Each interview lasted between 2 and 3 hr. The interviews played an important role in drawing attention to barriers faced by corporate venturing units in the early stages of the venturing process, especially in terms of ensuring a sufficient inflow of genuinely innovative ideas from which selection could take place. The interview phase of the study was supported by an extensive review of literature on the corporate venturing and strategic management, which served as the foundation for a detailed survey of practices and processes. Of the 21 firms selected for the study one firm was eliminated for the reason of being very old of 40 years of age and another due to non response. The firm of old age was felt inappropriate to be included in a group of relatively young corporate ventures.

//Table 1 about here//

The mean values for assets and revenues of firms in reference to the number of employees, the initial response set, and the final sample, do not differ significantly when compared by *t-values*. Thus, the sample of ventures selected for the study appears to be representative for size and revenue characteristics. In all 84 interviews were administered and 79 were considered for the study. Of all, 5 interviews were kept out of bounds of the data analysis due to paucity of information.

### *Hypotheses*

The success of the corporate ventures in Mexico has been evaluated from the perspectives of economic, operational and managerial efficiency. The economic relationship concerns the degree of congruence between the practices of a parent company and its venture in reference to the issues of target scheduling and achievement,

market share, returns on investment and profitability eventually. Hence it has been hypothesized that:

**H1:** The corporate venturing in the Latin American region is decided on the basis of economic variables such as cost of R&D, rate of return, market share and profit etc.

**H2:** Venture success is associated with the financial targets and achievements thereof.

The operational commitments have been viewed from the perspectives of commitments in the form of large, specialized, recoverable investments. These factors are largely associated with the success of corporate venturing strategies. It has been observed that financial controls are among the more common causes of corporate venture failure (Block and MacMillan, 1993). The arguments were found stronger towards the firms, which evaluate their ventures on the basis of financial targets, to be successful more often than the firms that eschew financial benchmarks. Also, the extent of investments on innovation, R&D and product specialization targeted in the corporate venturing strategy send signals to the venture team and external stakeholders such as clients, competitors, and suppliers about the level of commitment of the parent (Ghemawat, 1991). Accordingly, the following hypotheses have been framed:

**H3:** Large and specialized investments of capital by the parent company stimulate the success of corporate ventures.

**H4:** Quick, positive financial achievements and good office practices in the new venture are the key factors associated with the success of corporate ventures.

The managerial dimension influences the operational efficiency of internal fit of the corporate ventures. The study addresses some of the questions such as: Are venture managers compensated differently than the managers of the parent company? Are training budgets larger? Is the budgeting process more flexible?

## **Results and Discussion**

Measuring the performance of corporate ventures shares many of the difficulties associated with evaluation of the performance of small, entrepreneurial firms. The issue of subjective performance measures of small-firm performance over more objective, hard numerical data has been addressed in a few studies (Covin and Slevin, 1989). The subjective measurement has been justified in view of the inability and/or unwillingness of firms to provide financial data (Fiorito and LaForge 1986), the difficulty of interpretation and comparison of data due to differing firm objectives (Cooper 1979), and the influence of industry effects (Miller and Toulouse 1986). The responses were categorized on a scale of 1 to 5 (1 = strongly disagree, 5 = strongly agree) towards their opinion on reaching the predetermined goals of their ventures in Mexico within the given operational limits. About half of the ventures (54%) relied primarily on measures of profitability such as ROI and ROA. The milestones were typically established with input from both the parent company and the venture. Many of the respondents indicated that they used

multiple milestones, including both financial and non-financial measures of performance. As such, control measures for the specific type of milestone(s) used could not be strictly applied. The relational measures included one single-stage question whether the parent would withdraw support if the venture were to experience adverse conditions.

//Table 2 about here//

The variables in reference to the relational measures included the importance of venture culture, sense of autonomy and the role of managers in decision making. The mean score of the survey for the high and low performers in reference to the variables encompassing economic and relational dimensions has been exhibited in Table 2. The hypotheses have been evaluated with the help of multi-stage mean scores. The  $p$ -values for the difference between the high and low mean score shows that among the variables of economic dimensions, venture leading to optimum returns ( $V_1$ ), specialized investment ( $V_4$ ), profit as decisive factor for innovation ( $V_7$ ) has been  $<0.05$  while the  $p$ -values for rest of variables  $V_2$ ,  $V_3$ ,  $V_5$ ,  $V_6$  and  $V_8$  has been found  $<0.01$ . The  $p$ -values for the variables in the relational dimensions such as high sense of autonomy ( $V_{10}$ ) and importance of the cultural values associated with the venture ( $V_{11}$ ) has been  $<0.05$  while the  $p$ -value for the variable decision taken by the teams within organizations appeared at  $<0.01$  level of significance. The difference between the high and low performers has been found significant towards the rate of returns associated with the venture ( $V_1$ -H1), profit governed innovation process in the venture ( $V_7$ -H1,H4), diversion of funds ( $V_8$ -H2) and delegating decision making powers to the venture managers ( $V_9$ -H3,H4). The logistic regression analysis for variables is exhibited in Table 3.

//Table 3 about here//

It has been found that while working out the logistic regression, the value of the constant was found 1.63 and the  $p$ -value obtained for the same was  $<0.01$  and the Chi-square for the data has been 3.84. The logistic regression also established all hypotheses H1 to H4. However analysis of the survey results showed that the higher performers relied more on the optimum rate of returns and considered profit as a major factor for stimulating innovation at the venture level and diversification of funds has not been considered as prime factor governing the success of the corporate ventures in Mexico. The relative difference between the low and high performers has been compared through the null hypotheses as the rate of change among the low and high performers was equal.

//Table 4 about here//

The hypotheses developed for this study address the effect of the economic and relational dimensions of the corporate venture in Mexico in reference to the internal and external fit on venture performance. The Table 4 exhibits the summary of the hypotheses and results. The hypotheses have been clustered into three general categories allowing some functional overlapping. Hypotheses H1, H3 pertain to competitive attribute, H2, H3 reveal the functional dynamics attributes and H4 encompasses the commitment attribute. The results of data analysis established all the hypotheses framed for the study.

## **Conclusion**

From these findings it may be concluded that the degree of fit between a corporate parent and venture affects the success of the venture. The success is associated with high levels of commitment, competitive skills and dynamics in functional management of the venture. In the study the variables of economic and relational dimensions of external and internal fit have shown greater association with venture success. It has also been found that ventures opt for greater autonomy and less economic dependency on their parent ventures for leading success and this finding makes an intuitive sense. It was observed during the study that the parent-venture relationship does not differ between the high and low performers. It appears from the analysis that though economic dependency on parent decreases with the ageing of the venture, managerial accountability increases in the organization. The level of economic change across the phases of venture maturity has not been significantly different between high and low performers. The study is of empirical nature with limitation of data collection as the data was taken on the self-reported formats from the corporate executives. However, interactive discussion sessions were held to support the reported data. There still exists the need for more longitudinal research studies in the area of corporate venturing with focus on parent-venture, strategic fit between external and internal factors and analytical frameworks of venture performance indices in reference to the developing countries.

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Table 1: Sample Firms and Respondents Attributes

Sample distribution of firms	Final Sample	Initial Respondents	Active Respondents
# of sample firms	19	84	79
Real Estate	2	9	7
Telecommunication	6	27	25
Automobiles	5	32	31
Pharmaceuticals	6	16	16

Table 2 Mean Scores of the variables on economic dimensions

Performance Dimensions	Variables	Hypothesis	Mean scores		
			High	Low	Difference
Economic	Venture offered optimum rate of returns ( $V_1$ )	H1	4.16	2.77	1.39*
	Venture should meet the financial targets ( $V_2$ )	H2	3.43	3.86	-0.43
	Optimum level of investment in venture ( $V_3$ )	H2, H3	4.31	3.97	0.34**
	Specialized investments in the venture ( $V_4$ )	H3	4.28	4.66	-0.38*
	Importance of parent organization's resources in the venture ( $V_5$ )	H3	3.92	4.13	-0.21
	Venture should have quick, positive financial achievements and good office practices ( $V_6$ )	H4	4.22	3.42	0.80
	Profit should be taken as a major factor to decide on innovation and improvements ( $V_7$ )	H1, H4	4.77	2.65	2.12*
	Funds are not diverted and used fully with in the venture ( $V_8$ )	H2	4.13	2.94	1.19**
Relational	Decisions are taken within the venture by the management teams/executives ( $V_9$ )	H3, H4	4.62	3.23	1.39**
	Venture should have high sense of autonomy ( $V_{10}$ )	H4	4.61	4.36	0.25*
	Importance of cultural values associated with the venture ( $V_{11}$ )	H2, H4	4.83	3.97	0.86*

Superscripts indicate  $p$  values for 1-tailed  $t$ -tests \* <0.05 and \*\*<0.01.

Table 3 Descriptive statistics and Logistic Regression for Variable Scores

Hypotheses	Var <sup>a</sup>	F-Test <sup>b</sup>	Probability <sup>c</sup>	R
H1: Optimum rate of returns, profit as a major factor for R&D	2	1.83	0.02	1.02*
H2: Meeting financial targets, optimum level of investment, diversification and utilization of corporate funds	4	1.65	0.09	-0.36**
H3: Specialized investment, decision process, importance of parent organization's resources	4	1.94	0.04	-0.57**
H4: Good office practices, sense of autonomy, importance of cultural values	5	2.51	0.02	0.82**

<sup>a</sup> Indicates number of interactive variables used to evaluate hypotheses ( e.g. H2 evaluates alternate venturing, sources of investment, risk factors in investments, sunk funds, diversion of funds etc.)

<sup>b</sup> F-test is derived from Hotelling's T-square formula  $F = \left[ \left( \frac{N - p - 1}{N - 2} \right) pt^2 \right]$  wherein,  $N = n_1 + n_2$  represents total number of observations,  $p$  indicates the total number of variables being analyzed.

<sup>c</sup> Probabilities are based on the null hypotheses which explains that the mean vectors of the high and low performers are equal.  $H_0 : Hi = Lo$

Superscripts indicate  $p$ -value \* <0.05 and \*\* <0.01

Table 4 Summary of Results

Attributes	Hypotheses	Cluster	Logical expression of results
Optimum rate of returns, profit as a major factor for R&D	H1,H3	Competitive	Established
Meeting financial targets, optimum level of investment, diversification and utilization of corporate funds	H2	Functional Dynamics	Established
Specialized investment, decision process, importance of parent organization's resources	H3,H2		Established
Good office practices, sense of autonomy, importance of cultural values	H4	Commitment	Established