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Upgrading Digital Units: Why Incumbent Firms Engage in Digital Venture Building

Completed Research Full Paper

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Abstract

To drive digital innovation and navigate the challenges of digital transformation, incumbent firms have increasingly launched digital units (DUs). While research in the field of IS has primarily focused on internally oriented DUs (i.e., innovation labs), there are first signs of a shift towards more externally oriented variants (i.e., digital venture builders) in theory and practice. Based on an interview study with 13 experts from different industries, we highlight four intentions (i.e., new growth potential, extension of the knowledge base, opportunity to renew employees' perception, and hybrid ambidexterity) why established companies transform their internally oriented DUs into digital venture builders. We make this transition more comprehensible by linking the intentions to the main reasons for the failure of internally orientated DUs. By doing so, we contribute to the existing IS literature on DUs, especially the recent development regarding the phenomenon's evolution.

Keywords

Digital units, digital venture building, digital innovation.

Introduction

To drive digital innovation and navigate the challenges of digital transformation, incumbent firms, i.e., established pre-digital organizations that belong to traditional industries such as automotive or manufacturing (Keller et al. 2022), have increasingly launched digital units (DUs) (Deist et al. 2023). These are separate organizational units “entrusted with the exploration of new digital technology and the development of digital products, services, and business models” (Hund et al. 2019, p. 2). The term covers a range of different vehicles that deal with innovation activities either within (e.g., innovation labs) or outside the core organization (e.g., accelerator) (Raabe et al. 2020a). The IS literature has dealt with the more internally orientated version of the phenomenon in detail and made important contributions, e.g., regarding its organizational design (Holotiuk 2020), various forms (Raabe et al. 2020a), and value in terms of knowledge management (Hund et al. 2019) and recombination (Hund et al. 2021a). Consequently, DUs are recognized as critical initiatives in the digital transformation efforts of incumbents expected to drive the progress of digital innovation through the use of digital technologies (Lorson et al. 2022).

Besides these somewhat positive findings, research and managerial practice have also shown that such units often fail. For instance, Deist et al. (2023) point out three main reasons for that: (1) ineffective management of the interfaces with the core organization, (2) reluctance to allocate and provide necessary resources to the DU (such as financial and human resources), and (3) an overemphasis on formalization by top management, restricting degrees of freedom. A recent practitioner report has further revealed that DUs suffer from strategic misalignment, unclear goals, and a lack of commercialization of digital innovations (Lau et al. 2021). These issues may be rooted in the fact that such units are set up with a “primary internal focus to change existing processes and products inside the main organization” (Raabe et al. 2020a, p. 847). Yet, value creation, especially in digital contexts, usually occurs through the interplay of multiple and often externally located actors (Prügl and Spitzley 2021). In addition, innovative solutions are often associated with

new ventures dealing with topics beyond the core business of the incumbent firm (Keller et al. 2022). “Accordingly, and especially true for the digital age, transformation means an increasing focus on activities outside firm boundaries [...]” (Prügl and Spitzley 2021, p. 136).

In fact, a growing number of more externally oriented DUs are currently emerging in practice. One such initiative is called *digital venture building*. Digital venture builders (DVBs) are independent DUs (i.e., stand-alone organizations) that actively build new digital startups from scratch in a factory-like manner (Köhler and Baumann 2015; Tkalich et al. 2021). Therefore, in contrast to DUs, the innovation activity in the context of DVBs takes place outside the core organization and aims to offer digital innovation directly to the market (Raabe et al. 2020a). According to the practitioner literature, ventures initiated by DVBs surpass traditional startups (those not being incubated) in speed to funding and success rate (Zasowski 2020). Initial scientific studies further reveal their value in realizing digital innovation from AI (May et al. 2020), scaling deep-tech ventures (Romme et al. 2023), and economizing on transaction costs in the venture creation process (Patel and Chan 2023). Other scholars identify them as a promising strategic tool for incumbents to tackle the challenges of digitalization (Fernandez-Vidal et al. 2022; Kreusel et al. 2018). As a result, more and more incumbents are building DVBs for their digital innovation endeavors (Zasowski 2020). However, despite these initial insights, we do not fully understand the intentions behind incumbents' switch from internally orientated (innovation labs) to somewhat more externally orientated DUs (DVBs). It is unclear which challenges incumbents try to address and what benefits they hope to gain when opting for DVBs. Consequently, we ask: *Why do incumbent firms engage in digital venture building?*

To answer this question, we conduct an inductive qualitative interview study (Myers 2019) with 13 representatives of firms from various industries. The structure of the paper is as follows: In the next section, we briefly outline the challenges of DUs, the transition to DVBs, and the current knowledge on digital venture building. The third part addresses the methodology used. Finally, we present and discuss our findings regarding the intentions to engage in digital venture building in the light of DUs' challenges.

Theoretical Background

Digital Units and Their Challenges

Digital innovation, i.e., “the creation or adoption, and exploitation of an inherently unbounded, value-adding novelty (e.g., product, service, process, or business model) through the incorporation of digital technology” (Hund et al. 2021b, p. 2), has received much research efforts in the last decade (e.g., Svahn et al. 2017). It is perceived as a necessary and challenging task for most incumbents. Digital innovation is essential to avoid losing customers, market shares, and reputation to born-digital firms entering the industry (Schumm et al. 2022). It is also challenging as it requires novel innovation and entrepreneurial capabilities that enable incumbents to use digital technologies for innovation (Hund et al. 2021b; Keller et al. 2022). One of the most promising approaches to building these capabilities is the development of DUs. While sometimes locally separated, these entities belong to the core organization (Deist et al. 2023), are led by corporate employees (Fernandez-Vidal et al. 2022), and are encouraged to explore digital innovations related to the core business (Raabe et al. 2020a). IS scholars researched the phenomenon from different perspectives, such as ambidexterity (Holotiuk 2020) or knowledge (Hund et al. 2021a), and highlighted its value in overcoming the challenges of digital innovation (cf. Svahn et al. 2017).

However, the scientific literature points to several challenges DUs face that can be summarized in five problem areas. First, regarding ***motivation & vision***, several authors report the issue of unclear objectives (e.g., Lau et al. 2021; Raabe et al. 2020b). Indeed, looking at the relevant literature, there are somewhat vague, very broad formulations of objectives, such as the “exploration of the digital business landscape [to] develop new digital innovations” (Holotiuk 2020, p. 1031). Second, DUs often lack specific skills (i.e., ***human resources***). Scholars highlight difficulties regarding the identification and re-integration of digital experts (Deist et al. 2023) and a lack of technical, communication, cooperation (Raabe et al. 2020b), and entrepreneurial skills (Keller et al. 2022) necessary to integrate and commercialize digital innovations. Thus, DUs are often “dismissed as toys for CDOs that burn more money than they bring in” (Lau et al. 2021, p. 1). Third, due to their clear internal focus, DUs are exposed to considerable resistance from the core workforce (Svahn et al. 2017) and risk conflicting with the existing organizational identity (Keller et al. 2022) relating to ***cultural issues***. This is reinforced by the fact that DUs are often used as a trigger for

cultural change in the context of digital transformation and, therefore, often adopt the “attitude of knowing everything better” (Raabe et al. 2020b, p. 6). Fourth, DUs face **governance** challenges. For instance, they suffer from inappropriate resource allocation (Raabe et al. 2020a), fast-switching leadership (Lau et al. 2021), and reduced degrees of freedom due to over-formalization by the top management (Smith and Beretta 2021). Finally, choosing the most suitable **organizational design** to enable ambidexterity, i.e., the simultaneous exploration of new opportunities and the exploitation of existing competencies and activities (Smith and Beretta 2021), also poses a challenge (Jöhnk et al. 2022). Currently, the literature offers three types of ambidextrous designs, i.e., structural, contextual, and hybrid. Structural ambidexterity is achieved by developing separate units responsible for either exploitation or exploration (O'Reilly and Tushman 2013). In a contextual ambidextrous setting, corporate employees within the same unit can switch between those activities (Smith and Beretta 2021). Some firms flexibly combine the structural and contextual approaches to achieve what Ossenbrink et al. (2019) called hybrid ambidexterity. This is the case with a startup incubator, where existing competencies are leveraged in a separate unit. According to the authors, this makes sense when the opportunities are perceived as uncertain and require a different organizational culture and skills. Most studies on internally orientated DUs report a structural ambidextrous setting, where the unit is separated but linked to the core organization (e.g., Holotiuk 2020). Research has shown that DUs face the issue of separation vs. integration. Overemphasizing one over the other can lead to isolation and unused synergy effects (in the case of pure separation) or difficulties in reconciling competing goals and perceptions (in the case of contextual ambidexterity) (Smith and Beretta 2021).

As a result, recent publications address the adaptability and evolution of DUs. For instance, Lorson et al. (2022) report on a DU from the manufacturing industry that has morphed into a DVB. Changes to the mandate, governance, team, and process accompanied this evolution. Thus, the new version of the unit was meant to create entirely new digital ventures rather than support internal digital innovation projects. It became the owner of the innovation process, was empowered to hire external experts in building independent businesses, and extended its innovation process. Fascinated by these observations, we were eager to learn more about venture building in the context of digitalization and why incumbent firms adopt this model.

Status Quo in Digital Venture Building Research

We used the dimensions proposed by Whetten (1989) to analyze previous literature on digital venture building. Thus, we asked questions regarding the nature of the model (what), its mechanisms & effects (how), the reasons for its adoption (why), and contextual factors setting the boundaries of generalizability (where, when, who). Since our focus is on the use of DVBs by established pre-digital organizations (i.e., incumbents), but the phenomenon originates from the startup world, we were particularly interested in the distribution of papers in these two areas (i.e., who) regarding contextual factors rather than temporal or geographical aspects (i.e., where & when). We realized that most current IS scholars mention the term solely to distinguish it from other forms of DUs (e.g., Raabe et al. 2020a). Thus, only a few papers from our IS discipline directly address digital venture building as a central phenomenon (e.g., Mittermeier et al. 2022).

Consequently, we extended our literature review to related disciplines like innovation, entrepreneurship, and management. Figure 1 shows the results, whereas the dotted space highlights the research focus of this present paper. Unfortunately, 13 publications do not have a clear digital focus (Back et al. 2019; Baumann et al. 2018; Blank 2022; Brun 2019; de Alvarenga et al. 2019; Gutmann 2019; Köhler and Baumann 2015; Kullik et al. 2018; Lang et al. 2021; Patel and Chan 2023; Rathgeber et al. 2017; Schmidt et al. 2019; Spigel et al. 2023). Thus, only seven papers deal with venture building in a digital context (papers with a black circle). Three of these seven analyzed the phenomenon in the context of incumbents (#6, #13, and #16), and two from the perspective of independent startups (#12 and #20). Papers #5 and #17 cover both perspectives in their research. Most research so far has focused on the nature of the phenomenon (what), less on the mechanisms (how), and not at all on the reasons for its adoption (why) in the context of incumbents. Solely Lang et al. (2021) (#14) gave implications on the reasons for adoption by analyzing the goal-setting differences between four types of corporate entrepreneurship programs (internal incubator, venture builder, startup engagement, and startup investing). They found that venture building has the highest goal specificity and a relatively diverse goal origin, implicating a high degree of freedom when developing and executing new ideas. Unfortunately, the paper has no digital focus and does not provide evidence on why incumbent firms switch from DUs to external-oriented DVBs. We address this gap by applying an inductive qualitative research design to unravel the reasons for incumbents' engagement in digital venture building.

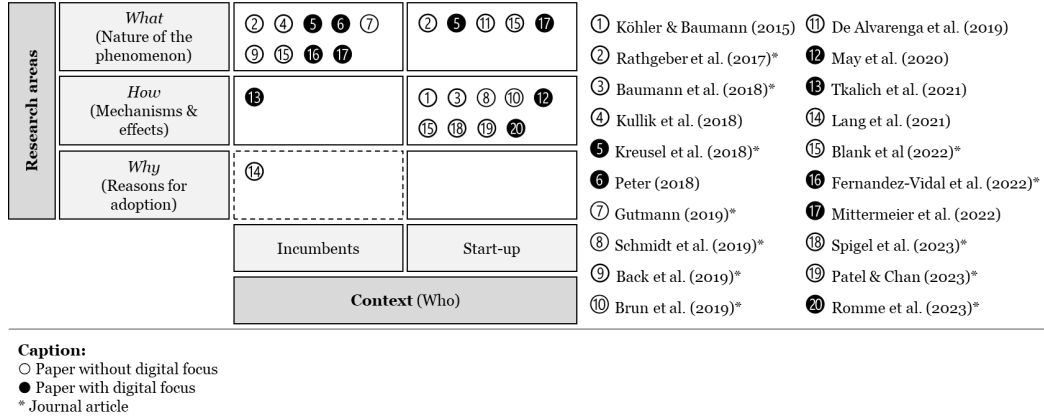


Figure 1. Literature on (Digital) Venture Building

Methodology

Our primary interest is understanding *why* incumbent firms engage in digital venture building. A qualitative approach is best suited to answer *how* and *why* questions regarding a current and rather unexplored phenomenon, such as digital venture building (Myers 2019). We followed Myers and Newman (2007), collecting data primarily through semi-structured expert interviews. Expert interviews represent a method from empirical social research used to reconstruct social situations and processes. Experts have special knowledge and sometimes occupy an exclusive position in the social context, so they are a suitable medium for generating knowledge regarding how and why things happen (Gläser and Laudel 2010). We initially used an opportunistic sampling approach, including experts from various industries, to avoid overlooking potentially interesting strategic intentions for engaging in DVBs. However, we only included key informants relevant to our research setting (i.e., corporate employees involved in initiating or commissioning DVBs). Table 1 gives an overview of the 13 interviewed experts.

Entity description	ID	Role	Length
Privately-held financial service provider	FinCorp, I01	Former Chief Strategy Officer	40 min
Privately held retailer of pet supplies goods	RetailCorp, I02	VP New Business & Innovation	27 min
Privately held leasing company	LeasingCorp, I03	Head of DVB and Former Head of Digital Innovation Unit	42 min
Family-owned company, intralogistics systems	LogCorp, I04	Managing Director of DVB	23 min
Publicly traded company, industrial manufacturing sector	IndustryCorp, I05	Former Chief Technology Officer	37 min
Publicly traded company, energy sector	EnergyCorp, I06	Investment & Finance Mgr. of DVB	31 min
Publicly traded company, chemicals sector	ChemCorp, I07	Incubation Operations Manager	29 min
Publicly traded company, automotive sector	AutoCorp, I08	CFO of the Innovation Unit	48 min
Publicly traded financial service provider, automotive sector	FinAutoCorp, I09	Former Managing Director of a newly founded venture	32 min
Publicly traded producer of chemicals and consumer goods	ConCorp, I10	Head of Open Innovation & Incubation	37 min
Publicly traded manufacturer, aerospace sector	AeroCorp, I11	Head of Disruptive Technology	28 min
Publicly traded company, insurance, and financial services sector	InsurCorp, I12	Former Chief Executive Officer of DVB	31 min
Family-owned company, machinery industry	MachineCorp, I13	Managing Director of DVB	37 min

Table 1. Interviewees and Their Roles Within Their Respective Entity

For the interview guideline, we used the structure recommended by Myers and Newman (2007). Thus, the interviews started with introducing the research team and explaining the interview procedure. In the second step, we asked for general information regarding the interviewee and the structure and demographics of the incumbent. We further asked for the strategic intentions for investing in DVBs and the perceived outcomes of this innovation endeavor. We used the last section of the interviews to allow the representatives to add further information concerning the topic. After having conducted the interviews and transcribed the recordings, we followed Myers' (2019) inductive approach for data analysis, thereby iterating between the data and existing theory:

Step 1. We first engaged in open coding, highlighting exciting excerpts regarding the intentions for and the perceived outcomes of the engagement in digital venture building. After repeatedly reading the interview transcripts, we used descriptive coding by labeling the excerpts. Doing so, a set of initial concepts emerged, representing the interviewee's perspective. For instance, we marked the following quote with '*diversifying revenue streams*': "The overarching objective was to build new businesses and create profitable returns".

Step 2. The second step of the analysis was to develop theoretical interpretations for the concepts identified in Step 1. Through iterative comparison and contrast, we could identify similarities and differences between the concepts, which facilitated the grouping of similar ones to reveal interpretive codes that clarified the patterns in the data. Thus, we grouped the concept from the example above (i.e., '*diversifying revenue streams*') with concepts such as '*diversifying value streams*' and labeled them with the interpretive code '*achieving diversification*' (see Table 2 for a coding and grouping example).

Step 3. As the interpretive codes emerged and we gained a more precise understanding of the incumbents' intentions to engage in digital venture building, we distilled the codes into main categories. Doing so, we discovered that the interpretive codes could be further categorized into 4 main categories, which provide the structure for the following results section.

Excerpts and descriptive codes	Interpretive codes	Category
<i>Diversifying value streams.</i> "The third leg of our strategy was to incubate new companies that could [...] probably generate disproportionate value."	Achieving diversification	New growth potential
<i>Diversifying revenue streams.</i> "The overarching objective was to build new businesses and create profitable returns."		
<i>Focus on building novel digital business models.</i> "We're not a unit that takes care of the digitization process. [...] but the DVB is per se a unit that develops core business-related, but also disruptive or digital business models that stand alongside the core business."	Digitalization in terms of new value creation	

Table 2. Coding Scheme Example.

Findings

In our conversations with experts, we were keen to determine their intentions about establishing DVBs. Four main strategic intentions emerged from the data: 1) new growth potential, 2) extension of the knowledge base, 3) opportunity to renew employees' perception, and 4) hybrid ambidexterity.

New Growth Potential

All 13 interviewees agreed on the importance of digital venture building to tap into new growth potential. Thus, in contrast to internally orientated DUs, DVBs have the concrete goal of **achieving diversification** in terms of revenue and value streams through digital business models in the form of new ventures: "90% of our revenue comes from one product, 10% from another. We wanted to diversify revenue streams" (FinCorp, I01). To do so, RetailCorp (I02), for instance, seeks to become a service ecosystem: "We are currently a retailer for food and non-food. With that, we won't achieve our target to become an ecosystem. Therefore, our objective within building ventures is to add solution services beyond retail, for example, health services, tracking services, or training services". Other strategies include cooperation and the development of digital platforms and respective digital business models. The respondent from FinAutoCorp, for instance, explained that they built a platform business model for used vehicles with a DVB, which they also

offered to the other car brands in the market: “*This new venture has a wide variety of shareholders. [...] We wanted a digital platform operated by authorized brand dealers. So we don’t want any car dealers here, [...], it is a quality platform. So, we also offered this to other brands and asked: do you want to get involved?*” However, it became clear throughout the interviews that the DVBs also pursue innovations that are still related to the core. By going along with the innovation ambition matrix, all incumbents emphasize the importance of building solutions adjacent to the core business: “*Venture building comes into the game when you’re tapping areas that, of course, have a strategic link to the core business, but are clearly beyond the core business*” (ConCorp, I10). Thus, the main goal is to **sustain the current business** through diversification in the context of pervasive digital disruption by incorporating external agencies.

Importantly, there is a **specific focus on digitalization**. Hence, the representatives clearly distinguished the efforts from digitization: “*So our concern wasn’t about digitization of our core business [...]. It was about how we can get new revenue.*” (FinCorp, I01). Thus, incumbents use DVBs to **generate a portfolio of strategic options** that allows calculated risks without committing to significant investments. Or, as I11 (AeroCorp) puts it: “*You could keep it [the new digital venture] as an organization within the organization, and then once it’s growing, you could bring it back to the business units [...]. If it’s a completely new business that does not fit the core, you can choose whether to pursue it or not. Or you spin it off and give it a chance to grow*”. According to I01, building new ventures with their own identities and flexibility regarding the implementation or spin-off avoids cultural conflicts with the core organization.

Extension of the Knowledge Base

Our interviews with the experts further reveal that, through DVBs, incumbents seek to extend and diversify their knowledge base by incorporating corporate employees, external digital talent, and entrepreneurs from the DVBs. As DVBs mostly build solutions adjacent to the core business, seven of our experts highlight the value of **continuously involving corporate employees**. They perceive DVBs as safe spaces where employees are “*enabled to work differently*” (LeasingCorp, I03) and encouraged to come up and pursue new digital opportunities: “*Many clever people in the core organization know the customer problems much better than we do. [...] However, for reasons of time, cost, or priority, they did not have the opportunity to simply say: ‘Give me half a year or a year. I am convinced that I can realize my ideas.’ That’s the entry point [for DVBs]*” (MachineCorp, I13). AutoCorp actively motivates its employees to pursue their ideas with the DVB and offers them the guarantee of returning to their initial position. In this vein, I08 reports that two employees are still working on a new venture and do not plan to come back to their prior jobs. Thus, unlike DUs, where employees are temporarily transferred, DVBs try to integrate them continuously.

While, for instance, interviewee I03 states that DVBs can only succeed with the incorporation of corporate employees, all experts agree that such an initiative also requires competencies that an incumbent does not have internally at the beginning. Those include “*entrepreneurial thinking*” (EnergyCorp, I06), “*experience in founding*” (RetailCorp, I02), ideation-related skills (e.g., ConCorp, I10), or knowledge regarding novel technologies: “*So in the sense of Schumpeter’s innovations dilemma, we should not expect that our experts of existing technologies would identify the credential trends of disruptive new technologies. Rather, let us talk to people with fresh minds who may have ideas that precede our traditional business. [...] but not in the sense of how to defend our own business, but rather, how can we sustain the firm while technologies are changing*” (IndustryCorp, I05). Initially, these entrepreneurial and scanning competencies are covered by externally acquired DVBs. In the long term, however, the aim is to build these competencies internally. In general, the incumbents seek to “*manage the approach to the venturing in a much more agile way*” (FinCorp, I01), “*incorporate customer-centric thinking*” (AeroCorp, I11), and gather the “*execution power*” (LeasingCorp, I03) to create new digital ventures. Thus, there is a focus on **learning from external DVBs**: “*It provides a learning opportunity for our staff. Putting them in a startup context is a different experience compared to working in an internal innovation incubator model, which is much more heavily governed, typically much slower, typically much more sequential rather than nonlinear*” (FinCorp, I01).

As underscored by eight experts, working with or establishing DVBs should also help **attract new talent** in the long run. Thus, I01 continues to add that it “*should give us opportunities to attract and recruit new talent who might add capability to us because so you then get a more of a virtuous circle going, that the capability working on in innovation can help sustain the innovation cycle itself*” (FinCorp, I01).

Opportunity to Renew Employees' Perception

Besides the diversity of skills and experiences, the interviewees further believe that DVBs affect managers' knowledge and understanding of current events and predictions about future developments that underlie their decisions. For instance, while most of the incumbents in our sample just started establishing DVBs, three interviewees (I03, I09, and I10) report that digital venture building has already led to successful results quickly (during 12 months). **Collecting initial success stories fast** in terms of concrete startup solutions, newly acquired customers, or cooperation projects effectively influences the culture of incumbent firms. These quick and early successes are perceived as *"visible digitization results, which are important in the context of a transformation"* (LeasingCorp, I03). I06 (EnergyCorp) further argues that solely going through the venturing process already *"brought a change of mindset."* In particular, eight interviewees report that the management is currently **reflecting on the current business**. Digital venture building opened up their eyes regarding the value of cooptation (I03, I09, I10, and I11), digital innovation through venturing (I02, I03, I06, I08, and I10), ecosystems (I09), and the short-lived nature of their businesses: *"It made some people from the establishment wake up. [...] It motivated some people with good ideas, whereas the traditionalists had to accept 'Ouch. If we don't move in that direction, it's precarious for how we do our business'"* (IndustryCorp, I05). However, according to the experts, learning from DVBs also affects the employees' perception of how they should set up and govern innovation units. Thus, incorporating the model allowed them to design their DVBs in a way that promotes hybrid ambidexterity.

Hybrid Ambidexterity

Most respondents mentioned two main factors related to ambidexterity. The structural separation from the core (i.e., **ensuring structural ambidexterity**) seems to be the most critical and indispensable prerequisite for DVBs. As interviewee I03 from LeasingCorp directly pointed out: *"The venture builder was founded with the goal of greater independence from the corporate structures, to become more involved in the actual implementation."* Various reasons for this strict separation were mentioned across the different interviews. For instance, the representative of FinCorp highlights the incompatibility of KPIs. Thus, while traditional businesses focus on increased revenue, profitability, and customer lifetime value, DVBs aim to validate hypotheses in new business areas as quickly as possible. Interviewee I03 from LeasingCorp cited the regulatory and procedural narrowness of the prior digital innovation unit as reasons for its failure and as a motivation for morphing it into a DVB. In line with this, several interviewees agreed upon the importance of freedom regarding governance and process structures, allowing them to act independently: *"If you want to move more quickly, you need to take much more calculated risks. The DVB model allowed us to move in a different governance model at different paces. It allowed us to share ownership with other parties, which meant we could have some if we needed strategic partners or investors. It was easier to get them in without them contributing to the broader performance of our business"* (FinCorp, I01). Fear of brand damage was also emphasized as a reason for this structural separation, as the following quote from respondent I12 (InsurCorp) exemplifies: *"Their goal was to build up potentially disruptive business models that they wouldn't be able or willing to do under their brand and governance. So de-risking, trying without damaging the brand, without bringing too much political turbulences into the setup [...]"* The second dimension addresses the ambidextrous orientation *within* the DVBs (i.e., **allowing the DVBs to act ambidextrous**). Thus, the incumbents want the DVBs to leverage existing technologies and explore new digital resources to pursue novel opportunities. Or, how I11 (AeroCorp) puts it: *"We take the existing technology and develop a new business model for it [...] The existing technology has been modified slightly but is being applied in a new direction. [...] Another example that's more on the side of architectural change, where we're developing new technology and a new business model, is urban air mobility"*. In other words, when the venture-building model was introduced, incumbent executives knew from the outset that they needed to free up core resources: *"If I want to do it right from the start, I have to provide certain competencies"* (LeasingCorp, I03), because *"what is the USP of a DVB? [...] As a corporate DVB, we can draw on certain competencies in the core organization that are simply available"* (MachineCorp, I13).

Discussion & Conclusion

This study sheds light on incumbents' intentions to engage in digital venture building. In particular, four main strategic intentions emerged from the data: 1) new growth potential, 2) extension of the knowledge base, 3) opportunity to renew employees' perception, and 4) hybrid ambidexterity. Returning to our initial

argument, we can observe that these intentions can be linked to the problem areas of internally orientated DUs, making the transition towards DVBs sensible (see Table 3). First, unlike DUs, which suffer from unclear goals (e.g., Lau et al. 2021), DVBs set concrete and measurable goals. Second, DUs lack entrepreneurial skills to commercialize digital innovations and have problems identifying digital experts (e.g., Deist et al. 2023). DVBs consist of serial entrepreneurs (Schmidt et al. 2019) with experience in founding digital startups (Tkalich et al. 2021). Commercialization can, therefore, be outsourced to them until the skills are developed internally. Furthermore, the results reveal that DVBs can attract digital talents. Third, due to their concrete goal of digital value creation, DVBs can avoid resistance emerging due to cultural changes. They do not interfere with the existing identity but build new ones in the newly emerging ventures separated from the core. Fourth, due to their setup, DVBs enable hybrid ambidexterity and, thus, help overcome issues related to governance and organizational design (Smith and Beretta 2021). The availability of resources is agreed upon in advance. Depending on a specific situation, DVBs can consider whether exploiting existing resources or exploring new approaches makes more sense. This is in line with Ossenbrink et al. (2019), who argue that the top management owns an ambivalent role in hybrid ambidextrous initiatives: On the one hand, protecting and supporting them to ensure sufficient resources, and on the other hand, giving them considerable autonomy over which technologies, products, or business models to explore.

Metamorphosis			Problem Domains
From...	...to...	...to address issues related to...	
<i>...broad objectives...</i> → Exploration of the digital business landscape to develop new digital innovations	<i>...concrete objectives</i> → Development of new growth potential through the incorporation of digital businesses	Motivation & vision	
<i>...leveraging two knowledge sources...</i> → Involvement of corporate employees (temporal) and digital experts	<i>...leveraging and bundling three knowledge sources</i> → Involvement of corporate employees (continuously), external digital experts, and entrepreneurs	Human resources	
<i>...focus on digital transformation...</i> → Initiation of a cultural change resulting in identity conflicts	<i>...focus on digital value creation</i> → Creation of new digital ventures with own identity	Cultural issues	
<i>...dependence...</i> → Inappropriate resource allocation and regulatory and procedural narrowness	<i>...independence</i> → Pre-defined resource commitments and autonomy regarding governance and processes	Governance	
<i>...structural ambidexterity...</i> → Separated and dedicated unit for exploration but linked to remaining part (exploitation)	<i>...hybrid ambidexterity</i> → Separated unit with an embedded contextual ambidexterity design (exploration & exploitation)	Organizational design	
DUs	DVBs		
Type of Unit			

Table 3. Incumbents' Intentions to Engage in Digital Venture Building

To summarize, we contribute to the existing IS literature on DUs (e.g., Hund et al. 2021a), especially to the recent development regarding the phenomenon's evolution (e.g., Lorson et al. 2022), in two ways. First, we summarized the challenges DUs face in specific problem domains. Second, we analyzed incumbents' intentions to engage in a novel, 'upgraded' version of DU, namely digital venture building. We found four intentions and linked them to the problem domains of DUs. Doing so gives a more precise understanding of why DUs must be adapted or morphed into more externally oriented units with more operational freedom and hybrid ambidextrous organizational designs. However, our contributions must be considered in light of the following limitations. First, by involving stakeholders from different firms, we have gained a broader overview of the phenomenon and why incumbents engage in it. However, a lack of depth exists to examine and validate the results in detail. Future research should address this issue by applying a single in-depth case study. Second, we only elaborated on one aspect of DVBs. As outlined in the background section, there are many other open questions, for instance, regarding how DVBs work. To avoid remaining too broad, shallow, and descriptive, we need to address these questions in future studies. Finally, we linked the intentions for

engaging DVBs to the problem domains of internal DUs. While this argument emerged from the data, we believe there are also reasons other than solely compensating for the failures of prior innovation attempts. As both DU approaches have different objectives, there is perhaps no 'either-or'. Maybe we need both (or even more types) for various topics in the context of incumbents' digital innovation. If this is the case, how can these different innovation vehicles coexist, and what ambidextrous design do we need? Future research can use our findings and other works in this field (e.g., Jöhnk et al. 2022) as a starting point.

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