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WHICH IRON CAGE? ENDO- AND EXOISOMORPHISM IN CORPORATE VENTURE CAPITAL PROGRAMS

VANGELIS SOUITARIS
STEFANIA ZERBINATI
City University London

GRACE LIU
The Nielsen Company

Through an inductive study of six corporate venture capital programs, we unravel how new organizational units resolve competing forces from two different institutional environments. The data suggest that the organizational structure of units that enter a new environment depends on whether they "focus their isomorphism" internally toward the parent ("endoisomorphism") or externally toward the industry ("exoisomorphism"). The focus of isomorphism depends on whom the units seek legitimacy with and on the professionalization of their top management teams. We discuss implications of the findings for institutional theory, corporate venture capital, and corporate venturing more generally.

> From the very beginning, we wanted to inculcate the sense that although we operate under this brand [the corporate brand], we are very much in effect a private equity fund. We didn't want to feel constrained by the brand, and let it affect our judgment; so we were very insistent from the beginning that the way we are organized should be almost in antithesis to how [the parent corporation] is organized. (investment partner in a corporate venture capital program)

> We were careful to adopt as much of [the parent's] culture as possible. For instance, we practice the same role culture and communication structure. . . . Even our offices have the same layout. (head of a different corporate venture capital program)

It is a common phenomenon that new organizational subunits are simultaneously part of two "worlds"—alternative institutional environments[1] with different norms. Prominent examples include corporate ventures that target new markets or enter new industries, spin-offs, multinational subsidiaries, and franchised units entering new regions. Such subunits are important because they often contribute to the evolution of a firm's strategy (Ireland, Hitt, Camp, & Sexton, 2001), build new capabilities, enable change, and ultimately enhance profits (Narayanan, Yang, & Zahra, 2009). Despite their importance, new organizational subunits are problematic because they often have to resolve competing institutional forces coming from their parent and their industry or market of entry. Institutional theory has yet to explain how organizations deal with this problem (Narayanan et al., 2009; Scott, 2005).

Traditionally, institutional theory has focused on organizational similarity. However, its core concept of "isomorphism" (resemblance of units in the same institutional environment) has been criticized for failing to explain practice variation (Greenwood, Oliver, Sahlin, & Suddaby, 2008). Recently, attention has been shifting toward accepting environmental heterogeneity (Dacin, Goodstein, & Scott, 2002; Scott, 2005) and explaining organizational variation and change (Marquis & Lounsbury, 2007). An emerging literature has suggested that competing "logics" (points of view) often emerge within one environment and cause practice variation (Durand, Rao, & Monin, 2007; Pache & Santos, 2010; Reay & Hinings, 2009). This contestation is perceived as temporary and ends when a new dominant logic is established (Lounsbury, 2007, 2001; Marquis & Lounsbury, 2007).

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[1] An institutional environment (or institutional field) is "a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field" (Scott, 1995: 56).

This approach to competing logics is important for many types of organizations, but it cannot explain the actions of new organizational subunits seeking to operate long term in two different environments. Because the two environments are uncoordinated and so will not converge naturally to a single logic, such subunits often face permanent contestation, which does not move toward resolution. Researchers do not know yet how new organizational subunits in two different environments respond to competing forces and design their practices. Our study aims to fill this knowledge gap.

We conducted an inductive study of corporate venture capital (CVC) programs, wherein corporations make minority investments in entrepreneurial firms to extract strategic and financial returns (Dushnitsky, 2006; Maula, 2007). CVC programs were an appropriate research context because they represent organizational subunits of corporations created to enter an environment with different norms, namely the venture capital (VC) industry. We collected data in a two-phase iterative process. In phase 1, we aimed to document the organizing practices of CVC programs, and in phase 2, we aimed to explain these practices.

Our study helps both to develop institutional theory and to explain how CVC programs are organized. We contribute to institutional theory by identifying new forms of isomorphism, *endoisomorphism* (alignment with an internal environment) and *exoisomorphism* (alignment with an external environment). They derive from our novel concept of "focus of isomorphism," which enables institutional theory to incorporate multiple environments. We also build theory on how new organizational subunits resolve competing forces from two different environments. We theorize that subunits choose to align with one of their two environments. This theory then explains the conditions that affect this choice and its consequences for designing a system of organizing practices.

Further, we adopt an institutional theory perspective to offer insights on how CVC programs are organized. We provide evidence that different foci of isomorphism exist in the CVC industry and explain a dichotomy in the organizational structure of programs. Our study also has broader implications for other literatures on new subunits in dual environments, such as corporate venturing, spin-offs, international management, and franchising. Such subunits also face competing institutional forces from two different environments. Consequently, our new concepts and theory are applicable to, and can lead to new or improved explanations of, observed variation in their actions.

THEORETICAL OVERVIEW

This is an inductive, qualitative study that started as an investigation of CVC practices. Our theory emerged out of an iterative process of going between data and literature. To orient readers, we begin by providing a brief overview of concepts and literatures that were eventually used to inform our study (see Pratt, 2008; Suddaby, 2006). However, we note that most of the literature presented here came into the picture after the study began. We explain in detail how the study evolved in the Methods section.

Institutional Isomorphism and Legitimacy

DiMaggio and Powell defined isomorphism as a "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (1983: 149). They proposed three "mechanisms" of isomorphism. *Coercive isomorphism* occurs when organizations are motivated to avoid sanctions from parties on which they are dependent (Greenwood et al., 2008: 7). *Mimetic isomorphism* occurs under uncertainty, when organizations model themselves after other organizations in their field that are perceived to be legitimate or successful. Finally, *normative isomorphism* refers to conformity pressures arising from professionalization, defined as "the collective struggle of members of an occupation to define the conditions and methods of their work" (DiMaggio & Powell, 1983: 152). The literature has suggested that isomorphism provides legitimacy (Deephouse, 1996; Deephouse & Suchman, 2008), which is a general perception that the actions of an entity are desirable (Suchman, 1995).

A criticism of the concept of isomorphism is that it precludes institutional theory from explaining practice variation (Greenwood et al., 2008; Thornton & Ocasio, 2008). Although the purpose of Powell and DiMaggio's thesis was to explain why organizations look similar, and their core concept of isomorphism has often been literally interpreted to mean "homogeneity" (e.g., Heugens & Lander, 2009), complete homogeneity is not always observed in practice (Greve, 1996). The inability of isomorphism as a concept to explain practice variation is a theoretical problem that we tackle in this study.

Competing Institutional Logics

Recently, institutional theorists have acknowledged heterogeneity in institutional environments (Dacin et al., 2002; Scott, 2005; Kostova, Roth, &

Dacin, 2008) and studied competing logics that exist simultaneously in one institutional environment (Durand et al., 2007; Lounsbury, 2001, 2007; Marquis & Lounsbury, 2007; Pache & Santos, 2010; Reay & Hinings, 2009; Thornton, 2002). These scholars have argued that competing logics cause contestation in an environment and variation in the adoption of a practice until a new dominant logic emerges.

However, contestation does not always exist in a single institutional environment. For example, the venture capital industry is not a contested environment with two competing logics that apply to all firms. Instead, competing forces apply only to specific players—CVCs—and come from another environment (their parent corporations). Since the CVCs belong simultaneously to two uncoordinated environments (their parent and the venture capital [VC] industry), the competing forces are unlikely to eventually resolve with the emergence of a new dominant logic. Under these circumstances, we do not know how the subunits resolve the conflict. For instance, a perception of which environment is more important for early survival might influence the choice of practice, more than would a prediction of which logic will eventually dominate. The example of corporate venture capital suggests that extant literature on competing logics does not explain how new organizational subunits resolve competing forces from two different environments—our research question.

To date the competing logics literature has studied the diffusion of discrete practices viewed in isolation rather than the design of a "system" (a set) of practices (Burns & Stalker, 1961; Suchman, 1995). Scholarship currently lacks in-depth studies of how new organizational subunits design a system of practices and of how isomorphism plays a role in their managers' choices. For example, researchers do not know yet whether subunits under competing forces create a consistent system of practices aligned with one environment or whether they create a compromising mix of practices (see D'Aunno, Sutton, & Price, 1991).

Organizational Structure: The Organic versus Mechanistic Typology

We focus on organizational structure as a suitable conceptualization of systems of practices to identify how competing institutional environments are resolved in the CVC context. An organization's structure is defined as "the sum total of ways in which it divides its labor into distinct tasks and then achieves coordination among them" (Mintzberg, 1979: 2). Following scholars such as Burns and Stalker (1961) and Grandori and Furnari (2008), we empirically observe structure as a system of practices for organizing activities.

The literature has introduced multiple dimensions of structure (Pugh, Hickson, Hinings, & Turner, 1968). *Specialization* captures how labor is divided into distinct tasks. *Centralization* (concentration of authority), *standardization* (existence of procedures for recurring activities), *formalization* (the extent to which procedures are written down), and form of *communication* captures coordination mechanisms. These dimensions offer a means for a seminal distinction between "organic" and "mechanistic" structures (Burns & Stalker, 1961; Donaldson, 2001; Hatch, 1997). A *mechanistic structure* is characterized by division of labor into specific tasks (specialization is high), and coordination is achieved via concentrated decision making (centralization is high), fixed and written procedures (standardization and formalization are high), and command-like communication. An *organic structure* is characterized by overlapping responsibilities (specialization is low), and coordination is achieved via distributed decision making (centralization is low), flexible and unwritten procedures (standardization and formalization are low), and consultative communication (Burns & Stalker, 1961; Courtright, Fairhurst, & Rogers, 1989; Hatch, 1997; Joshi, Dencker, Franz, & Martocchio, 2010).

A potential limitation of the organic versus mechanistic typology is that it might be overly simple (Donaldson, 2001). Subsequent literature introduced structural "configurations" that are more complex (Meyer, Tsui, & Hinings, 1993). Nevertheless, the organic versus mechanistic typology is still "the most prevalent distinction for describing fundamental differences in organizational structure" (Ambrose & Schminke, 2003: 295). It has proven robust in various settings (Courtright et al., 1989; Covin & Slevin, 1989), is managerially relevant (Donaldson, 2001), and remains the focus of recent work (e.g., Joshi et al., 2010; Sine, Mitsuhashi, & Kirsch, 2006). The typology proved useful for our purposes, because it fitted our data pattern, as we will explain later.

Corporate Venture Capital

CVC programs have attracted vibrant research on their origins, actions, and performance (e.g., Dushnitsky & Lenox, 2005; Dushnitsky & Shapira, 2010; Hill, Maula, Birkinshaw, & Murray, 2009; Keil, Autio, & George, 2008; Maula, 2007). The fast-growing CVC literature is primarily based on archival data and would benefit from a case-based, "careful documentation of CVC practices" (Dushnitsky, 2006:

425). In particular, "the organizational design of CVC programs, has received relatively little attention, which is probably due to difficulty of getting information concerning the organization of programs" (Maula, 2007: 380).

The organizational structure of CVC programs refers to the way such a unit is set up within the structure of a parent corporation (McNally, 1997). Dushnitsky (2006) distinguished four structural forms: Direct investments (a business unit manages a CVC program); wholly owned subsidiaries (a subsidiary of the parent corporation handles the CVC investments); dedicated funds (the parent and a VC comanage the CVC program); and CVC as limited partner (a corporation allocates capital to a VC fund). Thus, it is known how CVC programs can be set up as part of corporate structures, but understanding of the organizing practices within the CVC units is absent—that is, understanding of how people inside them are organized to handle the investments they are devised to make (Maula, 2007).

METHODS

General Context and Sample

This study began as an investigation of CVC organizing practices. We were motivated by the fact that CVCs (i.e., CVC programs) are important organizational subunits, yet the literature lacks detailed accounts of their practices. The first phase of our data collection addressed the following question: How do CVCs organize their investment activities? We let the informants describe their organizing practices in detail: How investment tasks are divided, how responsibility is allocated, how investment decisions are made, and who talks to whom and about what aspects of a deal.

In examining the data, we noticed that the informants' descriptions of organizing practices could be categorized as dimensions of organizational structure (Pugh et al., 1968). Subsequently, it emerged that CVC programs were clustered into two distinct structural types based on their scores on six structural dimensions. The two types corresponded with Burns and Stalker's (1961) model of organic versus mechanistic structure.

We note that our process was inductive. We did not enter the field intending to measure dimensions of organizational structure or to test Burns and Stalker's model. We collected data on organizing practices and later we found that the dimensions of structure and the Burns and Stalker model were ultimately appropriate for framing our data (see Graebner [2009] for a similar logic).

Because we found the structural dichotomy of CVCs (organic vs. mechanistic) intriguing, we began a second phase of data collection, seeking to address a subsequently emerging empirical question: What conditions explain the variance in the organizational structures of CVC units? The second phase pointed to an institutional explanation. At this point we recognized that CVC programs are examples of subunits simultaneously existing in two different institutional environments, a phenomenon that institutional theorists have overlooked. The data suggested probing a broader, theory-driven question: How do new organizational subunits resolve competing forces from different institutional environments?

CVCs offered a good context for answering this question. These programs are corporate subunits created to enter an environment with different norms. We know from the VC literature that, in contrast to bureaucratic and hierarchical corporations, VC firms are typically run by "flat" teams of investment professionals who make decisions quickly and together (Gompers & Lerner, 2004; Wright & Robbie, 1998). The cyclical nature of CVC activity, which has emerged in several historical phases (Dushnitsky, 2006), allowed us to study comparable units created in a single period. In 2002, we had the opportunity to study six new units, all part of the "third wave" of CVC activity that emerged in the late 1990s (Dushnitsky, 2006).

CVCs represent an "extreme case" (Eisenhardt, 1989; Pratt, Rockmann, & Kaufmann, 2006) of organizational subunits in dual environments. This is because the difference in norms between the industry of the parent of a CVC unit (e.g., energy or electronics) and the venture capital industry is likely to be relatively large. Extreme cases facilitate theory building, as the issues being examined tend to be more visible than in other contexts (Eisenhardt, 1989; Pratt et al., 2006).

All six cases in our sample were new programs (less than three years old) from prestigious parents and converged on three elements. First, they invested in high-technology firms; second, they pursued both financial objectives (return on investment) and strategic objectives (learning about new technologies); third, they were formed as fully owned subsidiaries with preallocated funds (see Dushnitsky, 2006). Programs with the above characteristics were typical during the third wave of CVC activity (Maula, 2007), and they constituted our population. Table 1 outlines the characteristics of the six cases.

To increase generalizability, we adopted purposive sampling, which required us to think about the parameters of our population and choose represen-

TABLE 1
CVC Programs' Characteristics[a]

CVC Program Characteristics	Exchange	Sceptre	Force	Torch	Cyclone	Satellite
Location	London	London	London	U.S. and The Netherlands	Paris	London
Industry of parent	Investment banking	Higher education	Energy	Oil	Raw materials	Consumer electronics
Year of establishment	2000	2000	2000	2000	1999	1999
Fund size	£80M	£6M	£200M	£264M (US$500M)	£27M (€40M)	£136M (€200M)
TMT size	2	2	4	6	5	5
Team size	25	26	10	9	8	8
Investment preference	£3–£15M	< £250k	£1–£5M	£300k–2M	€0.5–€5M	€0.5–€5M
Stage of investment	Mid–late	Preseed and seed	Early–mid	Seed–early	Early–mid	Early–mid
Industry preference	High technology	High technology	High technology	High technology	High technology	High technology
Geographic preference	Global	U.K.	U.S. and Europe	U.S. and Europe	Europe	U.S., Europe, and Israel
Principal informants	Global head (E1)	Fund manager (SCE1)	Senior vice-president (F1)	Senior investment manager (T1)	Senior investment manager (C1)	CEO (SAT1)
Number of interviews with each informant	Four interviews	Two interviews Director (SCE2) Three interviews Technology executive (SCE3) One interview	Three interviews Vice-President (F2) Two interviews	Three interviews Investment Partner (T2) Two interviews	Two interviews Managing partner (C2) Three interviews	Three interviews Investment manager (SAT2) Three interviews
Archival data						
Internal sources	1,300 pages	850 pages	1,400 pages	1,300 pages	1,500 pages	1,200 pages
External sources	700 pages	600 pages	750 pages	800 pages	750 pages	900 pages
Confirming internal informants (written communication via e-mail)	Both members of the TMT: 1. Global head 2. Chief operating officer Two functional executives outside the TMT	Both members of the TMT: 1. Fund manager 2. Director Three functional executives outside the TMT	All four TMT members: 1. Senior vice-president 2. Vice-president 3. Director 4. Chief investment officer	All six members of the TMT: 1. Senior investment manager 2. Director of investment 3. Senior fund manager 4. Investment partner 5. Investment partner 6. CEO	All five members of the TMT: 1. Managing partner 2. Vice-president 3. Senior investment manager 4. Investment manager 5. Investment manager	All five members of the TMT: 1. CEO 2. Investment manager 3. Investment manager 4. Investment manager 5. Investment manager
External informant	Industry expert	Industry expert	Industry expert	Industry expert	Industry expert	Industry expert

[a] The letter-number codes (in parentheses) identify individuals by firm (abbreviated pseudonym) and an assigned number.

tative cases of different types (Silverman, 2006). To access insider knowledge about how CVC programs differ, we secured an independent expert (a former senior corporate venture capitalist) as a practice-based advisor. Our expert informant had two decades of experience in finance, including five years as the head of the CVC program of a global investment bank. On the basis of discussions with him, we selected cases that varied on three practically relevant differentiating parameters: industry of the parent, fund size, and preferred deal size and stage of investment (see Table 1).

Data

Our data collection took place in 2002, extending for a year. We adopted multiple sources of evidence, primarily interviews supplemented with archival data, written communication, and expert validation to encourage convergent lines of inquiry.

Semistructured interviews with principal informants. Our principal informants were 12 top executives (ten men and two women) within the six programs. We had two informants per program, with only one exception (Exchange). This is a reasonable set of principal informants given the small size of the CVCs' top management teams (TMTs; mean = 4; see Table 1). During the data collection, it became clear that the participating organizations would not allow us to interview everybody at will, as people's time was considered a scarce resource. We agreed to interview two principal informants per program (to minimize single-informant bias) and then to access the rest of its TMT via e-mail to confirm our findings. Since we were seeking strategic-level insights, we selected the top managers as principal informants. They were fully knowledgeable about all aspects of their programs' processes and activities. Our interview data are particularly valuable, given the well-documented difficulty of accessing equity investors (Birley & Muzyka, 1995; Fried, Bruton, & Hisrich, 1998).

We interviewed the 12 principal informants multiple times throughout the study. In all, we conducted 30 interviews, interviewing each principal informant on average 2.5 times. Each interview lasted 2–3 hours (the average duration was 2.4 hours). The use of probes allowed the informants to build on their responses and added depth to the data (Saunders, Lewis, & Thornhill, 2000). Following the 24-hour rule (Eisenhardt, 1989; Miles & Huberman, 1994), we wrote up full case notes within 24 hours of each interview. The study entailed 72 hours of interviews, resulting in 1,423 pages of text transcribed verbatim (Yin, 1994).

Archival data. We collected media clippings, press releases, program brochures, operating manuals, guidelines, "deal log" files, investment criteria checklists, investee assessment files, internal memos, employee profiles, and e-mail correspondence. The press coverage and website information assisted with preinterview preparation. After the interviews, we used the documents to "triangulate" the interview data and to identify further avenues worthy of exploration.

E-mail communication with "confirming" informants. To corroborate the findings, we established e-mail communication with all 24 members of the six TMTs. In the two cases of small TMTs (Exchange and Sceptre),[2] we negotiated e-mail access to two more functional CVC executives outside the TMT. To these confirming informants, we posed a set of questions to test the reliability of our findings. For example, when it emerged that the programs differed in terms of six structural dimensions, we developed short descriptions of each program's approach to each dimension. We asked informants whether they agreed with our description of their program and prompted them to elaborate. We acted similarly to test further results (e.g., our finding that the focus of isomorphism leads to the choice of structure). The confirming informants often offered additional information, allowing our findings to integrate various viewpoints.

Independent expert validation. As we mentioned before, we also enlisted an independent expert informant. He was knowledgeable about all six cases through personal contacts inside the programs and about how the industry works in general. He spent 20 hours (on six different occasions) with us, commenting on the emerging findings for each case individually as well as collectively. This gave us confidence that our results had face validity and intuitively "rang true" to an experienced practitioner.[3]

We also sought complementary researcher roles. One of the authors collected the data through extensive engagement in the field. Another author took an advisory role and was involved (from a distance) in every aspect of the evolving data collection. A third author joined the project after the data were collected and played a critical, devil's advocate role during postcollection data analysis.

[2] Two of the six CVCs studied; names are pseudonyms.

[3] Confidentiality was not an issue as our expert informant had resigned from heading the CVC unit to join a business school just before we contacted him. His involvement with the research did not stop informants from talking to us.

Data Analysis

We explored the data in an iterative fashion, going back and forth between the qualitative data and an emerging structure of theoretical arguments (Locke, 2001; Miles & Huberman, 1994; Strauss & Corbin, 1998). We coded the data according to common themes (as described below), and to assess the reliability of the coding we involved an outside coder with considerable qualitative research experience. He received training and looked at all the collected data (transcripts and archival data). Comparison of coding showed high intercoder agreement ($k = .87$; Cohen, 1960). Disagreements were resolved through extensive discussions between the authors and the additional coder.

Data exploration involved three steps based on established techniques illustrated by Pratt and his colleagues (Pratt, 2000, 2008; Pratt et al., 2006) and adopted in recent studies (e.g., Andriopoulos & Lewis, 2009; Corley & Gioia, 2004). We illustrate the investigative process in Figure 1.

In the first step of the data exploration, we began with open coding to better understand how the actors we were studying saw the world (Locke, 2001). Common statements formed provisional categories and first-order concepts. For example, we identified several data segments related to "responsibility," "roles," "contributions," and "job titles." After identifying first-order concepts, we reviewed the data again to see which data segments fit each category. When the revisited data did not fit well, a category was revised or abandoned. Examples of early, eventually abandoned, categories include "corporate pressure" and "honor code." This application of the constant comparative method (Silverman, 2006) refined our first-order concepts.

In the second step of the exploration, we consolidated the categories, which became more theoretical and more abstract. By doing so, we moved from open to axial coding (Locke, 2001; Strauss & Corbin, 1998). For example, we discovered the second-order (theoretical) theme of "specialization" to consolidate issues about responsibility, roles, and job titles. These second-order themes comprised constructs that exist in the literature (dimensions of organizational structure).

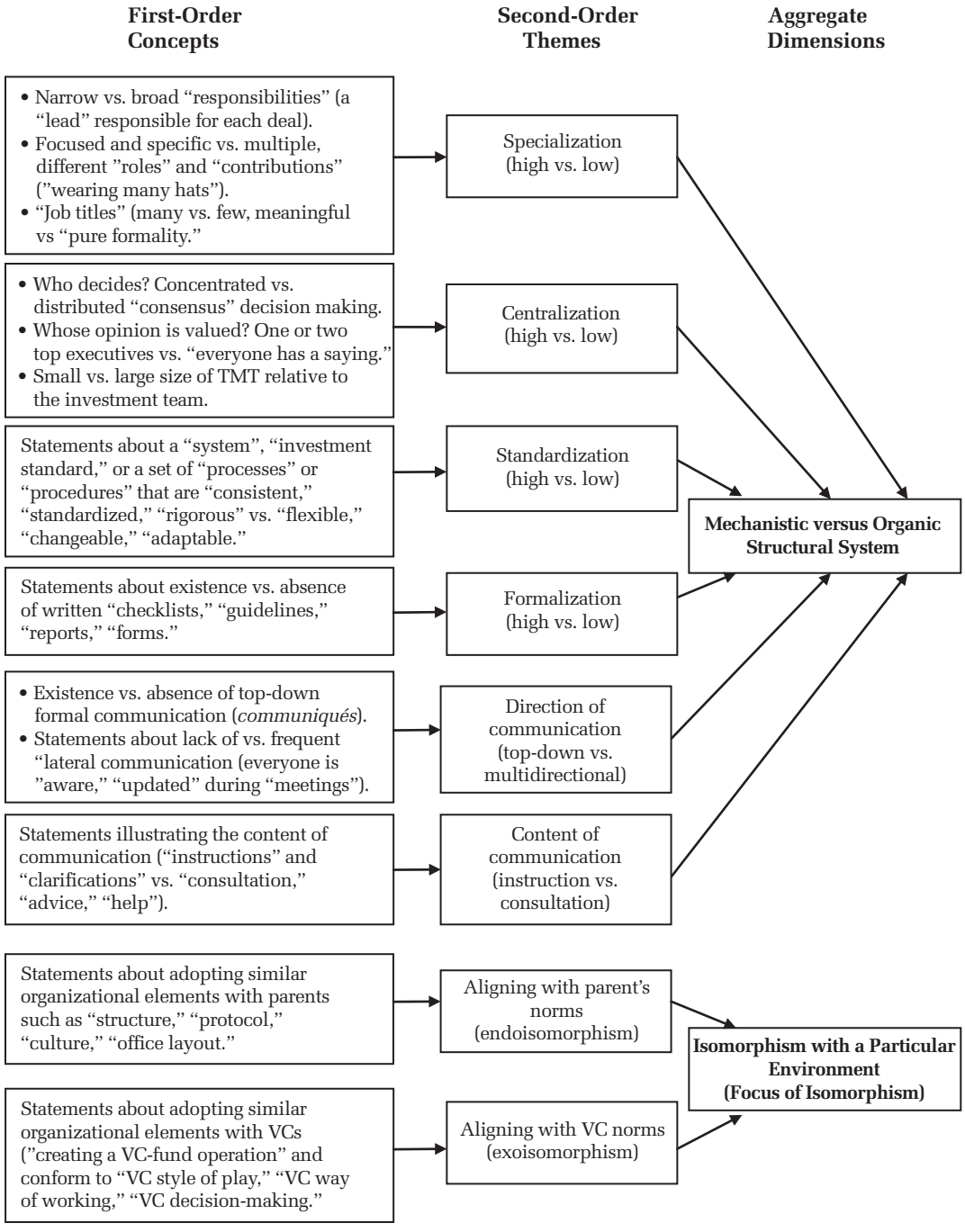
In the third step, we identified dimensions underlying our theoretical categories. We noted that when the cases were ordered according to the degree to which each second-order theme was present (e.g., high vs. low specialization), they clustered into two groups. Comparing the results with the extant literature, we noticed that Burns and Stalker's organic versus mechanistic structure could serve as an aggregate dimension underlying all our second-order themes. Burns and Stalker's theoretical types fit the combination of characteristics of our two CVC groups. We found additional evidence of this through a subsequent comparison of our data with their model (applying the constant comparative method).

We used the same three-step method to explore the second-phase data and understand structure variation (see Figure 1). In the first step (open coding), we noticed common data segments concerning imitating parents (e.g., "structure," "protocol," "culture") or VCs (e.g., "a VC style of play," "a VC way of working"). In the second step, the data suggested that first-order concepts reflecting how informants interpreted reality could be consolidated into two second-order themes, "aligning with parent's norms" and "aligning with VC norms." In the third step, we introduced the aggregate dimension of "isomorphism to a particular environment," which underlies the two second-order themes.

Moreover, in the third step of the data exploration, we examined how the dimensions might relate to each other. For example, we observed that the theoretical categories of "aligning with parent's norms" and "aligning with VC norms" were related to the type of structure (organic or mechanistic). We developed a conceptual framework to show how the categories fitted together in a coherent picture, which was the product of extensive brainstorming and iteration. Once we agreed on a provisional framework, we went back to the data (applying the constant comparative method) to confirm that they fit with our emergent theory (Glaser & Strauss, 1967; Locke, 2001). Deviant cases were sought out, and the model was refined until it could apply to all the data (Silverman, 2006). For example, we initially thought that team size was also a driver of type of structure. After reexamining the data, we found that this relationship did not hold; we noticed that the type of structure was decided before the investment team was recruited. Therefore, team size was dropped from the model.

Drawing on prior studies (e.g., Andriopoulos & Lewis, 2009; Elsbach, 2003) we developed a scale measuring the strength of evidence. We designated evidence as "strong" when all principal informants repeatedly indicated the existence of an attribute of a CVC unit or a relationship between constructs and all confirming informants explicitly agreed that it was present. "Moderate" evidence means that principal informants indicated the presence of an attribute or a relationship more than once and the majority of confirming informants explicitly agreed with it was present. "Weak" evidence means

FIGURE 1
Data Structure

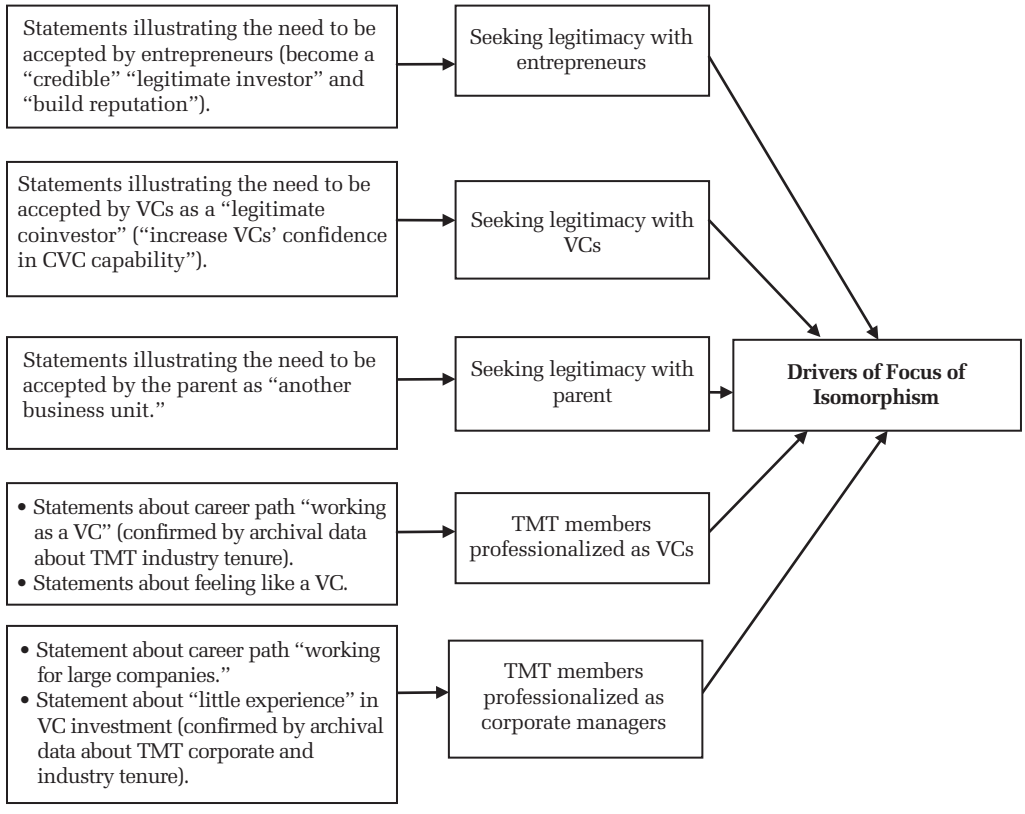


that one principal informant mentioned an attribute or a relationship once and less than half of the confirming informants agreed it was present. We did not actually face a weak evidence situation in the reported results. As a final tactic, we showed the model we induced to the principal informants and our independent expert to ascertain the plausibility and sturdiness of our explanation (Miles & Huberman, 1994).

FINDINGS

We begin by presenting organizing practices of CVC programs, framed as dimensions of organizational structure. We establish the existence of a structural dichotomy, which is the first step toward our theory. Subsequently, we explore how the type of adopted structure is related to competing forces from two different environments. Following Pratt's

FIGURE 1
(Continued)



(2008, 2009) suggestions on how to present qualitative results, we strove to illustrate our findings in a way that is vivid (using "power quotes" in the text) and demonstrates prevalence (using "proof quotes" in comparative tables).[4]

Variation in the Organizational Structure of CVC Programs

In conducting cross-case comparisons, we observed that the CVC units tended to cluster into two groups. Exchange and Sceptre consistently showed the same organizing practices, and we labeled them as group A. Meanwhile, Force, Torch, Cyclone, and Satellite were clustered as group B. The groups differed along six interrelated structural dimensions: specialization, standardization, formalization, centralization, and direction and content of communication.

Table 2 presents data on the dimensions of structure in all six cases. We label each data segment with its respective first-order concept (in italics), to illustrate our interpretation of the data. Occasionally, we offer additional interpretation underneath a quote to explain in more detail how it reflects its first-order concept. First-order concepts are then grouped under dimensions of structure (the table's columns). We merged standardization with formalization and content with direction of communication because they are related and the respective data segments were often intermingled.

Specialization. Specialization is concerned with the division of labor in an organization (Pugh et al., 1968). It emerged from the data that group A exhibited extensive specialization. This was evidenced by the staff's specific roles and contributions and by their narrow scopes of responsibility. The latter means that each professional was responsible for a specific aspect of the deal, instead of "everyone going off doing their own deals" (E1, Exchange).[5] The following quote illustrates:

[4] The comparative tables provide additional cross-case evidence (proof quotes) to bolster points already made in the text (illustrated by power quotes). Although we often point to the tables for extra evidence, the reader should be able to proceed without constantly referring to them (Pratt, 2009).

[5] The letter-number combinations identify individual informants.

TABLE 2
Comparison of Dimensions of Organizational Structure[a]

CVC Program and Structure Type	Specialization	Standardization and Formalization	Centralization	Direction and Content of Communication
Exchange: Mechanistic	High *Specific roles*: "We felt that allocating specific duties . . . was the to best way forward." (E1) *Narrow scope of responsibility*: "I don't think we are ready for everyone to go off doing their own deals just about yet. In fact, I'd say we are a long way off from doing that." (E1) *Interpretation*: Each person is responsible for specific aspects of a deal, rather than for the whole deal. This indicates narrow scope of responsibility. *Numerous job titles*: Twelve, from organization charts.	High *Consistent system*: "The aim here is also to develop a consistent investment standard." (E1) *Checklists and guidelines*: "The checklists and guidelines help to clarify the key issues they need to be aware of by highlighting what's important, like say deal-breakers, and what we can be more flexible on." (E1) *Lengthy application forms*: "Business plans sent to (Exchange) should contain . . . ideally be as detailed as possible." (excerpt from website)	High *Decision making concentrated at the top*: "We are the ones reporting to (a board-level executive at the parent company), and we are responsible for getting things right. Essentially, it's the two of us making the call, well most of it anyway. So it is financially irresponsible if we do not keep tight reins, and personally oversee everything." (E1) *Small TMT*: A relatively large investment team (n = 25) with a small TMT (n = 2).	Top-down instruction *Memorialized communication*: Evidence of formal communication documents such as memos, manuals, internal circulars and instructions (archival data). *Absence of lateral communication*: "Lateral communication is minimal." (E1) *Infrequent upward communication*. "Yes I did say that they [staff] approach me for clarification but if that happens too often, I'll be compelled to look at the checklist to examine why it's not doing what it's supposed to." (E1)
Evidence	Strong	Strong	Strong	Moderate
Sceptre: Mechanistic	High *Narrow scope of responsibility*: "We decided that they simply weren't ready for this level of responsibility just yet (to lead a whole deal). Maybe in future, but not right now." (SCE1) *Interpretation*: Each person is responsible for specific aspects of a deal, rather than for the whole deal. This indicates narrow scope of responsibility. *Specific contributions*: "We have four teams, each one specializing in one particular type of technology." (from internal report) *Numerous job titles*: Nine, from organization charts	High *Standardized system*: "So we are careful that everything is done following standard operating procedure." (SCE1) *Checklists and guidelines*: "The four teams are given packs that contain various checklists and evaluation sheets they need to fill out . . . all teams use the same packs. And [the MD] and I check through all the forms thoroughly just to be on the safe side." (SCE1) *Lengthy application forms*: "Some [inventors] have joked that when they've included all the required information, the form ends up looking more like a dissertation!" (SCE1)	High *Decision making concentrated at the top*: "Only the fund manager and myself are authorized to make the important decisions." (SCE2) *Small TMT*: A relatively large investment team (n = 26) with a small TMT (n = 2).	Top-down instruction *Memorialized communication*: Evidence of formal communication documents such as memos, manuals, internal circulars, and instructions (archival data). *Absence of lateral communication*: "The process is quite straightforward. Basically, I work independently until I present the case to [the fund manager] . . . no, I think I have already mentioned that there is not much need to consult other case execs." (SCE3)
Evidence	Strong	Strong	Moderate	Strong

TABLE 2
Continued

CVC Program and Structure Type	Specialization	Standardization and Formalization	Centralization	Direction and Content of Communication
Force: Organic	Low *Multiple roles and contributions*: "We aren't snobbish on which deal aspect we work on. I log deals whenever I'm free even though I'm the most senior here. . . . You can see our work culture by the way our office is set up. There aren't any partitions and "hot-desking" is common." (F1) *Broad scope of responsibility*: "The point of the lead manager is that he should know more about the deal than me or anyone else." (F1). *Interpretation*: A lead manager has *broad scope of responsibility* for all aspects of a deal. *Few job titles*: Five, from organization charts.	Low *Flexible system*: "We don't have a rigid system going on." (F1) *Flexible system*: "Why should we bind ourselves so tightly? So long as each opportunity is put through rigorous evaluation, and we properly observe the relationship with the corporate side and advisory board, I don't really care if steps are swapped around." (F2) *Absence of written rules*: "We emphasize the importance of an open, flat organization rather than the importance of written rules." (F2)	Low *Consensus decision making*: "It's no different for me. So even when it's me who leads a deal, I still have to justify the case." (F1) *Interpretation*: The senior vice-president stresses that even he cannot decide on his own. *Everyone's opinion is valued*: "Everyone's opinion is valued here, and everything, every deal adds to the teams' learning curve." (F2) *TMT* (n = 4): Large relative to the size of the total investment team (n = 10).	Multidirectional consultation *Frequent lateral communication for updating*: "Everything is transparent. Everyone knows what is going on with each other's deals." (F2) *Frequent lateral communication for consultation*: "We have the weekly bulletin and team meeting but we don't wait for that if we need help. We email or sometimes just talk it over lunch." (F2)
Evidence	Strong	Strong	Strong	Strong
Torch: Organic	Low *Multiple contributions*: "We pitch in on other deals when we can as the job can get pretty demanding when you consider that most of us lead multiple deals at any single one time. So, I can be doing site visits for one deal and on the plane back, I can be working on the term sheet for a different case." (T1) *Few job titles*: Five, from organization charts.	Low *Flexible system*: "Our CEO has always emphasized that as users of these systems, it is our responsibility to ensure that they are the most appropriate and best ones for us . . . we may now and then inject our own style into it . . . it [the investment process] works . . . when it doesn't, we'll just adopt a different approach . . . create a new system." (T1) *Low formalization*: "Formalization is a little too much . . . unnecessary in my opinion." (T2)	Low *Distributed decision making*: "We [the lead managers] are pretty much given a free rein by the CEO." (T1) *Everyone's opinion is valued*: "It is vital that everyone has a voice. It's the culture we have built up." (T1) *TMT* (n = 6): Large, relative to the size of the total team (n = 9).	Multidirectional consultation *Frequent lateral communication via meetings*: "We consider ourselves a virtual group. All of us make the effort to get involved in our meetings." (T1) *Frequent lateral communication for consultation*: "It is common practice that we consult each other before making any major decisions." (T1)
Evidence	Strong	Strong	Strong	Strong

TABLE 2
Continued

CVC Program and Structure Type	Specialization	Standardization and Formalization	Centralization	Direction and Content of Communication
Cyclone: Organic	Low *Broad scope of responsibility*: "We use a lead manager system here where the lead generates the deal, evaluates it and acts as its champion. He then sells the investment idea to the rest of the team at the partner meeting . . . to gain the opinions of the rest of the team." (C1) *Multiple roles and contributions*: "Most of the time we will be busy with some detail but whenever there's any letup, you'll find that we go around seeing what needs to be done or how we can help out." (C2) *Few job titles*: Two, from organizational chart.	Low *Flexible system*: "As my mentor used to say Investing is both science and art. The science—our investing system, the art—keeping it adaptable." (C1) *Absence of written reports*: "There is no real need for reports, except when it is for [the parent] or when it concerns the portfolio companies . . . and that is as formal as it gets." (C1) *Absence of written process*: "No, I don't think that it is necessary to put this kind of thing [i.e., Cyclone's investment procedures] in writing." (C2)	Low *Consensus decision making*: "The team will vote on the best course of action." (C2) *Everyone's opinion is valued*: "This partnership means that everyone gets an equal say in things, whether it's regarding a deal, or whether it's about our ops-strategy. It's an equal partnership here, with the emphasis on the word equal." (C1) *TMT* (n = 5): Large, relative to the size of the total team (n = 8).	Multidirectional consultation *Frequent lateral communication for updating*: "I mean from the partner meetings everyone is already kept updated on exactly what is going on if they don't know already. . . . As I said, we talk to each other a lot." (C1) *Frequent lateral communication for consultation*: "From the beginning, we agreed that it was important for us to be cohesive as a unit. And for that to work, everything must be transparent, we must communicate our thoughts and decisions upfront, and we must seek one another's opinion on important issues. We go into every investment as a team." (C2)
Evidence	Strong	Strong	Strong	Strong
Satellite: Organic	Low *Multiple roles*: "Everyone plays an equally valuable role and you certainly won't find any stars here. We all wear many hats . . . and are often part of many project teams concurrently, playing different roles. Like right now, I'm the lead on a couple of projects and the deputy on two others. And my work with these projects are all different." (SAT1) *Few job titles*: Two, from organizational chart.	Low *Flexible system*: "I will only say that this is our process as it stands right now. Yes we haven't had the need to modify it so far, but I won't go so far as to say that this is (Satellite's) investment process full stop because it may not be the case when markets change. . . . We don't have a fixed process that is convenient but inefficient. . . . Timing is vital in what we do so we try to avoid all the unnecessary structures and formalities that can hinder the process." (SAT1)	Low *Consensus decision making*: "Team consensus is treated seriously here. Even the CEO has demonstrated that he will not go ahead on anything without our involvement." (SAT2) *Everyone's opinion is valued*: "Everyone's opinion carries the same weight." (SAT1) *TMT* (n = 5): Large, relative to the size of the total investment team (n = 8).	Multidirectional consultation *Frequent lateral communication for consultation*: "We get together many times before the term sheet gets drafted and each meeting is there to solicit the advice of the team." (SAT2) *Frequent lateral communication to create consensus*: "There is a strong culture here of initiative taking and independence which we couple with teamwork and a consensus approach such as the Monday discussions and take-off meetings." (SAT1)
Evidence	Strong	Moderate	Strong	Strong

[a] Second-order themes are presented as columns. Within each column, first-order concepts are presented in *italic* as labels for specific data segments. Occasionally, we offer additional interpretation underneath a quote to explain in more detail how it reflects a concept. In the "Evidence" rows we present the strength of evidence for each attribute. Strong evidence means that an attribute was *repeatedly* indicated by all principal informants and that *all* confirming informants explicitly agreed with it. Moderate evidence means that an attribute was indicated more than once by principal respondents and that the majority of confirming informants explicitly agreed with it. Table 1 identifies the individuals designated with the letter-number codes.

> The best strategy is to assign different responsibilities according to skill-set and experience. . . . It's all about teamwork. Everyone's task, when done well, feeds positively into the next persons' and these directly impact on the efficiency of the process and the quality of our investments. (E1, Exchange)

In group A, the high specialization was also reflected in numerous formal job titles (see cross-case evidence from archival data in Table 2). Conversely, in group B responsibility was assigned differently:

> The lead investment manager, that is whoever generated the deal, assumes primary responsibility for it and will see successful deals right up through the venture assistance stage. (T1, Torch)

The quote indicates that people had a broad scope of responsibility to deal with a wide range of investment activities. They also had multiple roles and contributions. The following quote is illustrative:

> [The vice president] answers the phone if she's near it when it rings . . . responding to basic queries . . . just like a junior admin staff at other places would. We don't even have our own private offices . . . and that's great! We are all investment professionals here and we are happy to do whichever job needs doing . . . so long as it is related to some aspect of the deal. (F1, Force)

This pattern of low specialization was evident in all four cases in group B and was also reflected in fewer differentiated job titles. As one manager put it: "The job titles are pure formality" (C2, Cyclone).

Standardization and formalization. Standardization reflects the consistency of rules and procedures. Formalization is the extent to which rules, procedures, and communications are written (Pugh et al., 1968). It surfaced from the data that the programs in group A aimed to develop a standardized and consistent system to guide their investments (evidence of high standardization). The following quote illustrates:

> The fundamental importance here is that when everyone is working here or working with us knows upfront what to expect, respects the system. . . . and follows it through. And if you add to that consistency . . . meaning our processes don't change from month to month . . . you get a sort of quality control going on. And that's what we're aiming for. (E1, Exchange)

For additional evidence, see the quotations under "Standardization and Formalization" in Table 2.

The standardized system was implemented in practice via the widespread use of written checklists, guidelines, and applications forms. A manager commented:

> [The other member of the TMT] decided that we'd start with lists, you know the lists where there are 10–12 items to tick off, and so on and take it from there . . . the checklists and guidelines help to clarify the key issues they need to be aware of by highlighting what's important . . . it's more efficient this way. (E1, Exchange)

The checklists, guidelines and forms were evidence of high formalization in group A. In contrast, the four programs in group B demonstrated a flexible system of investment activities (evidence of low standardization), and absence of written guidelines and reports (evidence of low formalization). As a Force manager put it:

> There is just absolutely no sense in standardization. The agility we want in our operations will be sacrificed if we ever did that. (F1, Force)

As the investment process was not formally written, staff could deviate from the norm whenever appropriate:

> Sometimes you just have to use your judgment . . . the process is there only as a guide. There is absolutely no need to be pedantic about following procedure if a quick dirty test is sufficient for the job. Likewise if you've previously encountered that, say X, carries a minefield of problems, you would logically kill off any other deal with problem X straightaway. Why would anyone want to spend any more time on it just for the sake of procedure . . . doesn't make sense to me. (T2, Torch)

Centralization. Centralization has to do with the locus of authority to make decisions affecting an organization (Pugh et al., 1968). The following quote illustrates decision making in group A:

> They [the teams] are not responsible for reporting to the sponsors. [The managing director (MD)] and I are. So overall, it is in the best interest of Sceptre and our sponsors that [the MD] and I remain the main decision makers. We decided that they simply weren't ready for this level of responsibility just yet. (SCE1, Sceptre)

CVC units in group A exhibited high centralization, as evidenced by the fact that decision making was concentrated at the top. Only two executives had authority to decide on deal-related matters. The top executives attempted to control decision making, as illustrated below:

> There is an inside joke about our control issues. Control freak or not, I just want to submit my yearly report and be confident that I did my personal best to ensure the best performance possible. (SCE1, Sceptre)

The high centralization in group A was also reflected in the small size of their TMTs relative to

the whole investment team (see archival data evidence on team size on Table 2).

In contrast, it emerged from the data that programs in group B exhibited low centralization. This was evident by a distributed decision-making approach, based on consensus, and where everyone's opinion was valued. As a Cyclone manager put it:

> Any decision that is made, is done with the full knowledge and support of the entire team. (C2)

This consensus approach was attributed to complementary skills:

> Each of us . . . we have skills that complement each other. So it makes sense that our combined experience should be applied to all our decisions. (T2, Torch)

The low centralization in group B was also evidenced by the large size of their TMTs relative to the whole investment team.

Direction and content of communication. In Group A, the main initiators of communication were the top executives. We found ample archival evidence of memorialized communication; directives traveled downwards via formal documents, such as memos, manuals, internal circulars, and instructions. Aside from routine reporting, upward communication was infrequent, since formal guidelines were designed to be comprehensive. As a Sceptre manager described:

> We'll only have a discussion with the case executive when we review the application he's supporting. . . . Well, before this point the evaluation worksheets and application forms are sufficient for us to get a feel for the project so there isn't a real need for meetings before then. (SCE1, Sceptre)

Lateral communication was also absent, given the practice of task specialization ("I'd say that lateral communication is minimal" [E1, Exchange]). Therefore, it emerged from the data that group A exhibited a "top-down instruction" communication style.

In contrast, communication in group B was frequent, informal (verbal and electronic via e-mail) and traveled multidirectionally. This was in line with the flat team structure, in which each member would support a deal up to the final stage. We observed frequent lateral communication in the form of updates (e.g., learn about each other's deals) and consultation (e.g., advice about the potential of a market segment). Communication also traveled upwards in the form of opinions, challenges, and feedback, especially during meetings. The following quote illustrates:

> Meeting is a pretty good way for all of us to be concurrently aware of the projects our people are working on . . . which then improves efficiency as all relevant concerns are basically raised in that one session. You cannot afford to have the team running in circles due to internal inconsistencies and lack of communication. That's just self-defeating and unprofessional. (F1, Force)

From the above, we concluded that group B exhibited a "multidirectional consultation" communication style (see Table 2 for cross-case managerial quotes on communication).

Organic versus mechanistic CVC structure. Mechanistic organizations are characterized by specialized differentiation of jobs, highly standardized and formalized operations, command-like communication, and an emphasis on hierarchy (Burns & Stalker, 1961; Courtright et al., 1989; Joshi et al., 2010). This theoretical description matched our CVC group A. Instead, organic organizations are characterized by overlapping responsibilities, distributed decision making, flexible and unwritten procedures, and consultative communication. This description matched our CVC group B.

We found the emergent dichotomy between organic and mechanistic CVC programs intriguing. At the outset, we expected to observe a typical pattern of how CVC programs organize their activities (given that there is a typical pattern of how VC firms are organized). Moreover, the results could not be explained by contingency theory (Burns & Stalker, 1961; Donaldson, 2001), according to which organic structures occur in uncertain environments, whereas mechanistic structures occur in certain ones. Venture capital is a highly uncertain environment, but we found that both types of structures coexisted.

Consequently, we went back to the field to explore the conditions explaining the structural dichotomy. In Table 3, we present cross-case evidence from the second phase of the study. Data segments are grouped in three columns, and each column represents a finding. We illustrate our interpretation of each data segment with a label (in italics). Often, we offer additional interpretation underneath a quote to explain in more detail how it reflects a specific concept or relationship.

Choosing between Institutional Environments

> So from the outset, we were conscious to reproduce [the parent's] style of doing things . . . including things like decision structures, our organizational structure. (E1, Exchange)

> As strange as this may sound to you, I truly believe that [the parent] and our other sponsors would be very uncomfortable if we did not have similar kinds

TABLE 3
Comparison of Isomorphism, Legitimacy, and Professionalization[a]

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Exchange: Mechanistic	*Aligning with the parent (endoisomorphism) determines the structure*: "We were careful to adopt as much of (the parent's) culture as possible. For instance, we practice the same role culture and communication structure . . . even our offices have the same layout." (E1) *Aligning with the parent (endoisomorphism) determines the structure*: "Symbiosis. That's how I would characterize the relationship [with the parent] . . . and that drives our choices." (E1)	*Seeking legitimacy with the parent*: "The director of [a business unit] came to us and said: 'Hey, we've been talking to this company for the past few months. . . . We think they could really benefit from some growth capital.' So basically, asking if we can invest. Now, deals like that are always given top priority [smiles]." (E1) *Interpretation*: Deals that business units refer get top priority. This reflects the importance for the CVC unit to be perceived as legitimate by the parent. *Seeking legitimacy with the parent drives endoisomorphism*: "When I first accepted the assignment, I knew that it wasn't going to be easy. First, there's the politics. There was some resistance and resentment from other divisions. Then, it's the stark fact that with radical projects such as this, unless you deliver results, that's it. And after that, you can't just ask for your old job back. Because we are taking a risk . . . ok yes, a very calculated risk . . . investments are all about risk, right? . . . We need key individuals from the parent to be on board regarding our structure. If we are successful, which we are by the way, everyone is happy and our critics are kept at bay. But if the company fails to deliver what we say it will, tongues will wag and finger pointing will be rife. We need to control for things like this [getting criticized for our structure] we have enough skeptics as it is." (E1) *Interpretation*: The CVC unit is seen as illegitimate. There is pressure to conform to the parent's norms (*coercive mechanism* of isomorphism). Seeking legitimacy with the parent is important and drives the structural alignment.	*Professionalization drives endoisomorphism*: "I don't think that a free-flow style would suit our competencies right now. It calls for the whole team to have a fair amount of VC experience and, as you know, is not exactly the case here." (E1) *Interpretation*: Professional norms (doing what they know) drive the structural alignment with the parent. This reflects a *normative mechanism of isomorphism*.
Evidence	Strong	Moderate	Strong

TABLE 3
(Continued)

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Sceptre: Mechanistic	*Aligning with the parent (endoisomorphism) determines the structure*: "You have to understand that we are based in an academic environment, dealing with academics who are only now starting to warm up to the notion of being "entrepreneurial" with their ideas. They are so used to working with fixed routines and departmental rules that if we do not introduce some sense of structure into this, they [laughs] may not know how to proceed.." (SCE1) *Interpretation*: The mechanistic CVC structure was modeled on the structure of the university.	*Seeking legitimacy with the parent*: "Not only do we trust their [parent] judgment, we want to maintain their involvement and trust . . . this will be tricky if we go against their judgments." (SCE1 comments regarding the investment panel's recommendation [a stage of the investment process when a formal corporate panel "signs off" on the deal]) *Seeking legitimacy with the parent drives endoisomorphism*: "I think it [our structure] reassures them that we have control measures in place and that we are careful with their money. This is very important if [Sceptre] is to have a long-term future . . . so yes . . . this was a conscious decision that we made when we decided to launch [Sceptre]." (SCE1) *Interpretation*: The unit faces pressure to conform to guarantee resources (*coercive mechanism of isomorphism*). Seeking legitimate with the parent is important and drives the structural alignment.	*Professionalization as a corporate manager drives endoisomorphism (normative mechanism of isomorphism)*: "I have worked for large companies, and now a large institution, for a long time now. I am aware that there have been criticisms that . . . large companies are bureaucratic, paper-pushing and so on. I think that that's unfair. In fact, I believe that the systems that are in place are necessary to ensure smooth operations. . . . That's also one of the reasons why I have tried to incorporate the appropriate aspects of such a system into our approval process." (SCE2)
Evidence	Strong	Strong	Strong

TABLE 3
(Continued)

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Force: Organic	*Aligning with the VCs (exoisomorphism)*: "No pressure from business units . . . no pressure from the head honchos on how to do my job. I made that very clear from the beginning. I wasn't being difficult or anything like that. I just wanted the appropriate climate to do the job they are hiring me to do . . . to build a VC operation." (F1) *Aligning with the VCs (exoisomorphism) determines the structure*: "Yup, that [i.e., conforming to the VCs] appears to have been an important consideration for us CVCs because when we were out marketing ourselves in the early days . . . they would say "Well your money is as good as anybody's and you've convinced us that you can deliver the parent. But how do you invest? Will your processes be problematic for us?"" (F1)	*Seeking legitimacy with VCs (a legitimate coinvestor)* "After the first few deals, word has spread that [Force] is one of the most professional corporate VCs and delivers one of the best value added in the investment industry . . . which means we now get invited to co-invest more than ever before!" (F1) "As part of a strategy not to lead deals, we actively promoted ourselves to the VC industry stressing that we wanted to become active members of their syndicate, not dumb money where they just tell us when to send the check. We would go in behind the leader and say to them: 'We don't compete with you for money since it's our own money, we don't compete with you for deals . . . we don't want to lead them. We can add value . . . so wouldn't you rather have us than the $n + 1$ VCs?' So that is our best source of deals . . . from marketing ourselves to other VCs.' (F1) *Interpretation*: The statements indicate that unit is trying to be *accepted by the VCs as legitimate coinvestor*. *Seeking legitimacy with the VCs drives exoisomorphism* (*mimetic mechanism of isomorphism*): "Legitimacy is indeed a serious issue for us corporate investors! The more we show we're similar to VCs, the more credibility we'll get . . . which means more opportunities for good deals." (F2) "VC partnerships emphasize teamwork and consensus informed decisions. And the reason why we've been successful in making money is because the system works." (F1) *Interpretation*: VCs are perceived as successful. Seeking legitimacy with them drives the structural alignment (mimetic mechanism of isomorphism).	*Professionalization as a VC*: "Legitimacy is indeed a serious issue for us corporate investors!" (F2) *Interpretation*: The team identifies professionally with the investment community (they feel like investors). *Professionalization as a VC drives exoisomorphism (normative mechanism of isomorphism)*: "Well you just fall back on what you know." (F2)
Evidence	Strong	Strong	Moderate

TABLE 3
(Continued)

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Torch: Organic	*Aligning with the VCs* (*exoisomorphism*): "You'll find that this step-by-step approach of evaluating an investment is representative of what others in the industry are doing." (T1) *Aligning with the VCs (exoisomorphism) determines the structure*: "From the very beginning, we wanted to inculcate the sense that although we operate under this brand [the corporate brand], we are very much in effect a private equity fund. We didn't want to feel constrained by the brand, and let it affect our judgment . . . so we were very insistent from the beginning that the way we are organized should be almost in antithesis to how [the parent corporation] is organized."(T2)	*Seeking legitimacy with entrepreneurs (a legitimate investor) drives exoisomorphism*: "Why do we explicitly state that we use a VC approach on the website? . . . It gives credence to our approach, and us as investors I suppose. And hopefully, it will dispel any myth that we are arbitrary in our approach and that all we are interested in is to acquire companies that approach us. I think this is an important message to send out to companies."(T1) *Seeking legitimacy with VCs (a legitimate coinvestor) drives exoisomorphism*: "I think we decided from the start that we need a firm foundation to build our reputation on. We believed we could arrive there quicker if we transplant the VC model, and make it transparent that we are doing so." (T2) *Interpretation*: VCs are perceived as successful. Seeking legitimacy with them drives the structural alignment (mimetic mechanism of isomorphism).	*Professionalization as a VC drives exoisomorphism (normative mechanism of isomorphism)*: "When you have been in the business for as long as I have, getting a feel for the investment becomes more of an art . . . use softer measures. You use hard analysis to back up what years and years of experience tell you. That should be enough. No need to painstakingly follow textbook and dive into every little thing or apply all the recommended tools and techniques just because they are available to you. Be selective." (T2) "I am so used to this style of working that it will be very restrictive if I have to start following some static procedure. . . . No, no rubber-stamping for me." (T1)
Evidence	Strong	Strong	Strong

TABLE 3
(Continued)

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Cyclone: Organic	*Aligning with the VCs (exoisomorphism) determines the structure*: "We decided that corporate VCs are not getting enough visibility and that entrepreneurs may be hesitant to approach us given how little they know about how we operate, our motives, whether we'll steal their ideas, so on. So our strategy from the beginning was to go out to these companies and state very clearly that we operate exactly like a regular VC, employ the same principles, use the same valuation techniques, and the same decision process." (C1) "We decided that we would co-invest considerably with VCs, and thought that a key element to sustaining good working relationships and mutual respect is to have similar processes and emphasize similar issues like teamwork, efficiency and consensus." (C2)	*Seeking legitimacy with entrepreneurs and VCs*: "A lot of work has gone into raising our profile. We actively market ourselves at conferences, trade events. . . . Yes, you can definitely say that it's paid off, especially when you consider that more than half of our current portfolio came to us through endorsed introductions." (C1) *Seeking legitimacy with entrepreneurs* (as a legitimate investor) *drives exoisomorphism*: "The primary difference [between us and the VCs] is where we get our money from. . . . I think entrepreneurs appreciate this and we become more credible, legitimate investors in their eyes." (C1) *Interpretation*: To acquire legitimacy with entrepreneurs the CVC unit aligns with VCs. *Seeking legitimacy with entrepreneurs and VCs drives exoisomorphism*: "For example, you can't claim legitimacy as a private equity investor if you start acquiring your portfolio. First, that's just bad investment strategy, since [acquisitions] are a different ball-game altogether. Besides, that's not the kind of thing you want for your reputation as an investor." (C2) *Interpretation*: To acquire legitimacy, the CVC unit aligns with the successful VC model (a *mimetic mechanism of isomorphism*).	*Professionalization as a VC drives exoisomorphism (normative mechanism of isomorphism)*: "Our plan from the get go was to have a process that that will enable us to achieve the best results and at the same time reflect the dynamics of the team and how we work." (C2) *Interpretation*: An organic structure was adopted to reflect the team's VC background. "Everyone is here because of their backgrounds and performance track record. I am sure that the team is where we are today due to the skills that we have built up over the years. . . . If it works, why change it?" (C2) *Interpretation*: Successful VC experience led to the adoption of a "tried and tested" organic structure.
Evidence	Strong	Strong	Moderate

TABLE 3
(Continued)

CVC Program and Structure Type	Focus of Isomorphism Determines the Organizational Structure	Seeking Legitimacy Drives the Focus of Isomorphism (via Coercive or Mimetic Mechanism)	Professionalization Drives the Focus of Isomorphism (via Normative Mechanism)
Satellite: Organic	*Aligning with the VCs (exoisomorphism) determines the structure*: "We always knew from those early days that as best as possible, we wanted to simulate the conditions of a real VC operation." (SAT1)	*Seeking legitimacy with VCs (a legitimate coinvestor)*: "As new players, we are more compelled to cultivate an extensive origination network with top-tier VCs whose reputations alone attract the best types of deals." (SAT2) *Seeking legitimacy with entrepreneurs* (as a legitimate investor) *drives exoisomorphism*: "They have been around for a long time, the VCs, and companies are more or less familiar with how they operate. So we decided that by modeling exactly the VC model with some minor additions, we would increase their [entrepreneurs'] confidence in our capabilities." (SAT1) *Mimetic mechanism of isomorphism*: "It [the VC model] is standard practice—a kind of benchmark to follow. I can't conceive of any other way, and besides why should I? It's got us this far." (SAT2) *Interpretation*: VCs are perceived as successful. Seeking legitimacy with them drives the structural alignment.	*Professionalization as a VC drives exoisomorphism (normative mechanism of isomorphism)*: "We've got a fantastic team here with diverse investing experience. It'd be a waste if we don't use that to our advantage." (SAT1) "I was trained in this approach [VC-style organic structure], a fairly standard approach . . . so this style of working is what we are all used to. . . . All we did therefore is say, 'Let's transfer the same principles into a process we can use here.'" (SAT2)
Evidence	Strong	Strong	Strong

[a] The statements are responses to the question: "Why are you organized in this way?" Data segments are labeled in italics to illustrate what they reflect. Often, we offer additional interpretation underneath a quotation. In the "Evidence" rows we present the strength of evidence of our findings showing that the focus of isomorphism determines structure (column 1), legitimacy drives the focus of isomorphism (column 2), and professionalization drives the focus of isomorphism (column 3).

Strong evidence: Relationship was repeatedly indicated by all principal informants and all confirming informants explicitly agreed with it. *Moderate* evidence: Relationship was indicated more than once by principal respondents and the majority of confirming informants explicitly agreed with it. *Weak* evidence: Relationship was mentioned only once by one principal informant and less than half of the confirming informants agreed with it (we did not face a weak evidence situation).

> of protocol and structures that we have in place. (SCE1, Sceptre)

The above quotes illustrate that the programs in group A designed their organizational structures to align with their parent. Both Exchange and Sceptre characterized their parent corporations as "large" (E1, Exchange) and "conservative" (SCE2, Sceptre), placing emphasis on formal structures, specialization of tasks, and centralized decision making. Isomorphism with the parent drove the mechanistic structure.

Conversely, Force, Torch, Cyclone, and Satellite aligned with the VC model and adopted aspects of the structure, work style, and culture of the VCs. Torch's website stated that "Torch manages [the parent's] portfolio of investments in accordance with normal venture capital practices." A manager from Force illustrated the relationship between isomorphism to VCs and the choice of organizational structure:

> My job from the very beginning was to . . . create a VC fund operation within the parent company. So that means aside from strategic relevance, everything else conforms with the VC style of play, from the investment decision-making process right down to the simple things like how team meetings ought to be organized. (F1, Force)

Overall, we found that the CVC programs became isomorphic with one of their two environments (their parent company or the VC world), and this choice affected their adopted structure (mechanistic or organic). Table 3 presents manager quotes from the various cases to illustrate the above findings (in the column labeled "Focus of Isomorphism Determines Structure").

Drawing on the above, we extend the conceptual apparatus of institutional theory by introducing three new concepts that apply to subunits in dual environments. *Focus of isomorphism* specifies with which environment a focal unit becomes isomorphic. This could be either the internal corporate environment (in the case of *endoisomorphism*) or the external industry environment (in the case of *exoisomorphism*). More formally defined, endoisomorphism is alignment with parties located inside a focal organization. Exoisomorphism is alignment with parties located outside the focal organization. In view of our findings and on the new concepts, we propose:

> *Proposition 1. An organizational subunit's focus of isomorphism determines the type of structure it adopts.*

Drivers of the Focus of Isomorphism

Seeking legitimacy. We then explored what leads CVC programs to become isomorphic with their parents or with VCs and the underlying mechanisms at play. Exchange and Sceptre emphasized the need to be accepted by their parents as legitimate business units, as the following quote illustrates:

> As I've mentioned before, what we are doing is considered fairly radical so it's no surprise that [Exchange] has its fair share of critics and cynics. Also, [Exchange] was set up to work closely with the business units so it was important that we are taken seriously. [Another colleague] and I knew right away that it was important to signal that we are just like any other business unit at [the parent]. (E1, Exchange)

The informants in group A perceived pressure from the parent, associated with a threat of withholding resources (coercive mechanism of isomorphism). To mitigate coercive pressure, the CVC programs sought legitimacy with the parent, which led to imitation of the corporate structure. The following quote illustrates:

> I know how conservative they are [laughs] . . . it's no secret. So I am aware of the stakes and the need for us to do well and to show some result. Otherwise whatever support we have right now will quickly cease. . . . That's why we are so scientific or even mechanical with our approval process. (SCE2, Sceptre)

Conversely, the informants in group B emphasized another type of legitimacy:

> Legitimacy is indeed a serious issue for us corporate investors! The more we show we're similar to VCs, the more credibility we'll get . . . which means more opportunities for good deals. (F2, Force)

The quote illustrates that establishing legitimacy in the eyes of the private equity community was a superseding priority for programs in group B. They believed that referrals from and syndication with VCs represented "the best chances for accessing quality deals" (C2, Cyclone).

Although Force focused mainly on the acceptance by the VCs, Torch, Cyclone, and Satellite added that establishing legitimacy among entrepreneurs was equally important. Entrepreneurs viewed CVCs with certain wariness, especially when their technology represented a threat to the core business of the parent. As stated below:

> Why do we explicitly state that we use a VC approach on the website? . . . It gives credence to our approach, and to us as investors I suppose. And hopefully, it will dispel any myth that we are arbi-

> trary in our approach and that all we are interested in is to acquire companies that approach us. I think this is an important message to send out to companies. (T1, Torch)

Overall, it emerged that prioritizing legitimacy with VCs (as "legitimate coinvestors") and with entrepreneurs (as "legitimate investors") led the four programs in group B to conform to the structure and work style of VCs. Since VCs were perceived as successful in this field, imitation of VC structure was seen by CVC programs as a good strategy, given their "liability of newness" and market uncertainty (demonstrating the mimetic mechanism of isomorphism). The following comment illustrates:

> The term dumb-money is going to stick until we prove time and time again that corporates can be just as good investors as the VCs. I should know, I used to be one. . . . It's going to take time but if we want to be in this game for the foreseeable future, we must take active measures to show that we are no different from VCs. This means that right down to the investment methods, it's best that we mirror them as far as possible. (C1, Cyclone)

Table 3 presents quotations from the managers serving as informants in the different cases; these illustrate that seeking legitimacy with a parent corporation or with VCs drives the focus of isomorphism (see the table's third column). On the basis of the above findings, we propose:

> *Proposition 2. The constituencies with which an organizational subunit prioritizes legitimacy drive its focus of isomorphism.*

Professionalization. Exchange and Sceptre also attributed isomorphism to their parents to the professionalization of their leaders as corporate managers (a normative mechanism of isomorphism). It surfaced from the data that the TMT members of the two programs in group A lacked extensive private equity experience. Evidence is provided in Table 4, which presents individual-level data on the private equity experience of all TMT members.

The managers were aware of the issue: "As I mentioned, not all of the team has had extensive investment experience" (E1, Exchange). A Sceptre manager illustrated the relationship between the lack of experience and the choice of structure:

> At this point, I think it's fair to say that we are still fairly new to the game. Even though [the managing director] has vast experience in making investments, she herself admits that equity investments are quite another matter. So we are careful that everything is done following standard operating procedure. (SCE1, Sceptre)

Moreover, because they were pursuing career paths in large organizations, the CVC leaders in the programs in group A were accustomed to, and could see the benefits of, bureaucratic norms of organization. As one manager observed:

> I feel more comfortable when there is some sense of structure, where everything has been thought of beforehand, and with just one or two central decision makers. . . . I don't know . . . perhaps working at [names of other corporations] had really drummed in the need for discipline. (E1, Exchange)

Conversely, TMTs in group B had higher average private equity experience than TMTs in group A (see Table 4). The data indicated that successful prior VC experience triggered the alignment with the VC model. The following two remarks illustrate the effect of prior experience on the choice of isomorphism and structure:

> It is over ten years that I have been in private equity and it has been almost the same everywhere . . . just go on auto pilot. (SAT1, Satellite)
>
> I've experienced the VC system firsthand, and can't fathom why anyone wouldn't want to follow a tried and true formula. (F1, Force)

Because of their tenure in private equity, the leaders of the four funds in group B also identified professionally with the VC community (i.e., "felt like VCs"). A Cyclone manager illustrated the point: "Personally, I think that you will find a highly competent VC in each of us" (C1, Cyclone).

TABLE 4
Private Equity Experience of TMT Members[a]

CVC Program	TMT Member 1	TMT Member 2	TMT Member 3	TMT Member 4	TMT Member 5	TMT Member 6	Mean
Exchange	4	2					3
Sceptre	4	3					3.5
Force	20	6	10	7			10.75
Torch	5	13	4	7	9	11	8.17
Cyclone	16	3	8	6	7		8
Satellite	11	7	6	15	14		10.6

[a] Values are years. These data were obtained from e-mail communication with all TMT members.

The fourth column of Table 3 presents managers' quotes across cases, illustrating that professionalization of TMT members as corporate managers or as VCs is a driver of the focus of isomorphism, via a normative mechanism. Given the above findings we propose:

Proposition 3. The professionalization of an organizational subunit's TMT members drives its focus of isomorphism.

Toward a Model of Resolving Competing Forces from Two Institutional Environments

The new concepts and the three formal propositions constitute our inductively emerged theory of how organizational subunits resolve competing pressures from dual environments. The data suggested a conceptual model, shown in Figure 2, linking the concepts and their relationships and helps to illustrate our findings. Institutional pressures from two different environments create variation in the system of practices that new organizational subunits adopt. In the context of CVCs, we observed a dichotomy between organic and mechanistic structures. The data suggested that the environment with which the subunits align determines the adopted system of practices. Specifically in our context, CVC units that aligned with their parent (exhibiting endoisomorphism) were more likely to adopt a mechanistic structure. Instead, units that aligned with VCs (exhibiting exoisomorphism) were more likely to adopt an organic structure.

We then considered the drivers of the focus of isomorphism in new organizational subunits and the underlying mechanisms. The focus of isomorphism (endo vs. exo) depends on two factors—the prioritization of the constituencies that the new subunits seek legitimacy with, and the professionalization of TMT members. Specifically, endoisomorphism is more likely to be observed when a new subunit prioritizes legitimacy with the parent, seeking to sustain its support and resources (demonstrating the coercive mechanism of isomorphism). Moreover, endoisomorphism is more likely to be evident when TMT members are professionalized as corporate managers and follow familiar corporate norms (a normative mechanism of isomorphism is the driver). In contrast, exoisomorphism is more likely to be observed when the new subunit prioritizes legitimacy with its new market (entrepreneurs) and/or industry (VC) (a mimetic mechanism of isomorphism is the driver). Moreover, exoisomorphism is more likely to occur when TMT members are professionalized in the new industry (VC) and follow familiar industry norms (demonstrating the normative mechanism of isomorphism).

Interestingly, the new forms of exo- and endoisomorphism do not exclude or contradict the coercive, mimetic, and normative forms of isomor-

FIGURE 2
A Model of How CVC Units Resolve Competing Pressures from Dual Institutional Environments

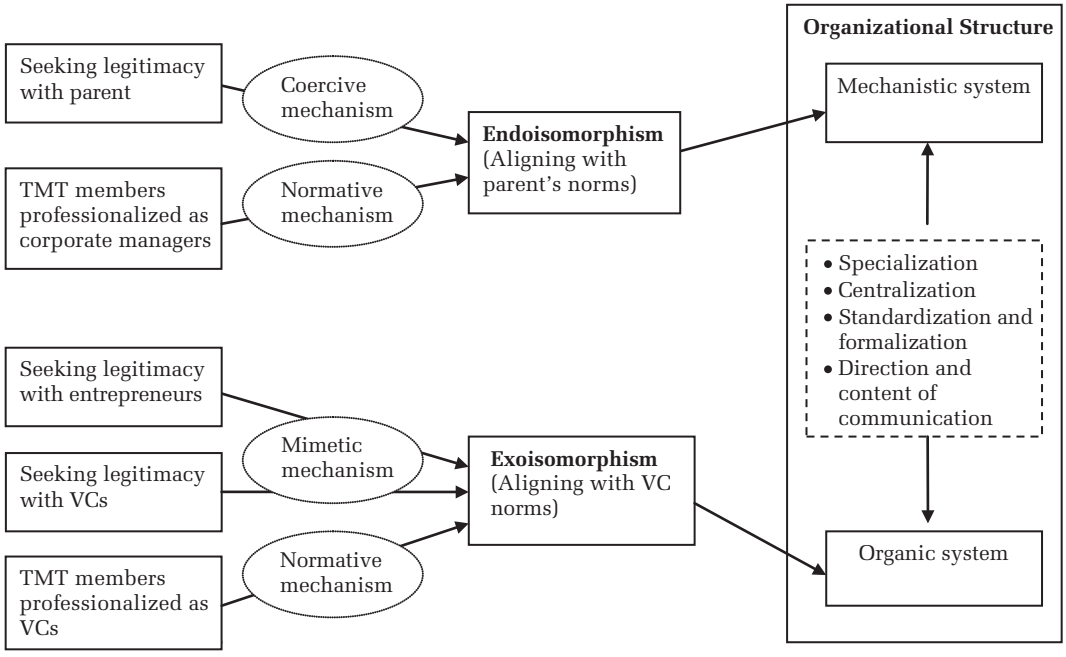


FIGURE 3
A Bidimensional Model of Isomorphism's Focus and Mechanisms in Corporate Venture Capital

		Focus of Isomorphism	
		Exo	*Endo*
Mechanisms of Isomorphism	*Mimetic*	Successful VC firms	
	Normative	VC professionals	Corporate managers
	Coercive		Parent directives

phism proposed by DiMaggio and Powell (1983). Instead, they complement them by introducing a new dimension of isomorphism to a bidimensional typology (see Figure 3). Di Maggio and Powell's types represent the dimension of *mechanisms* of isomorphism (the type of pressures applied). Endo- and exoisomorphism add a second dimension, the *focus* of isomorphism (which environment a unit aligns with).

DISCUSSION

We explored how new organizational units resolve competing forces from different institutional environments, addressing a knowledge gap in institutional theory (Kostova et al., 2008; Scott, 2005). The results are interesting and may appear counterintuitive, as they challenge the argument that "organizations in search of external support and stability incorporate all sorts of incompatible structural elements" (Meyer & Rowan, 1977: 356). The cases did not converge to a noncoherent mix of practices acceptable to both worlds (as also suggested by D'Aunno et al. [1991]). Instead, they diverged and clustered around two distinct but coherent structural systems, according to the environment with which they became isomorphic.

At a broader level, our results are in accordance with the recent literature on competing logics within one environment (e.g., Durand et al., 2007; Lounsbury, 2001, 2007). We found practice variation occurred because of different sources of institutional pressures. More specifically, we extended this literature by introducing novel conditions affecting the choice of logic. The few current empirical studies proposed context-specific, "situational" conditions influencing the choice of logic, such as type of mutual fund (Lounsbury, 2007) or market concentration (Marquis & Lounsbury, 2007). Our data suggested a new explanation, anchored in institutional theory and more generalizable across contexts. In essence, prioritizing which environment a new unit cares more about leads to alignment of practice.

Our theory of how new organizational subunits resolve competing forces from different environments is timely. Conceptual work has recognized the issue of organizations in multiple environments (Kostova et al., 2008; Scott, 2005). Scott noted that "a single organization is now more likely to operate simultaneously in numerous institutional environments" and called for empirical research: "what body of ideas or research is better constituted to confront these types of problems than institutional theory?" (2005: 474). Our study answers this call.

We considered possible alternative explanations for the choice of CVC structure. First, the large size of the investment teams in Exchange and Sceptre might have caused their mechanistic structure. This argument did not fit the data, as the respondents explained that the structure was designed by top managers from the very beginning, rather than emerging later, after the specialists had been recruited. Second, it might be that all six programs aligned with their parents, with some parents being mechanistic and some others organic. This explanation did not fit the data either, as the CVC managers perceived all six parents as bureaucratic (mechanistic). Third, mechanistic structures could be attributed to "unusual" parents (i.e., a university or an investment bank). The argument that the "organizational type matters" is plausible and consistent with our model. The type of parent could affect prioritizing legitimacy to one environment. For example, the fact that a university is interested in funding internal technologies could lead a CVC unit to prioritize legitimacy with the parent. This scenario is consistent with our prediction that prioritizing legitimacy subsequently drives focus of isomorphism and ultimately structure. The type of parent could also influence practice via its effect on TMT professionalization. For example, in an investment bank there might be a belief that bankers can also make good venture capitalists. This could drive recruitment of "internals," which leads to endoisomorphism, as our model predicts.[6]

[6] With our research design, we could not isolate generic characteristics of the organizational type (not specific to a university or to a bank) that affect the focus of isomorphism. The effect of the type of parent could extend our model and should be tested with large samples from multiple industries.

The study contributes simultaneously to institutional theory and to the CVC literature. In addition, our results have broader implications for the management literature and for practice.

Contribution to Institutional Theory

We contribute to institutional theory in two related ways. First, we identified new forms of isomorphism—endo- and exoisomorphism. They derive from our novel concept of focus of isomorphism, which enables institutional theory to incorporate multiple environments. In a conceptual piece, Kostova and colleagues (2008) argued that dual institutional environments are a difficult terrain for the conceptual apparatus of institutional theory. It is difficult to define environment and to conceptualize isomorphism. Our study tackled this theoretical blind spot by extending the concept of isomorphism. Focus of isomorphism specifies the environment with which units align and is orthogonal with the dimension of mechanisms of isomorphism. Consequently, we increased the specificity and applicability of isomorphism as a concept (see Vaughan [1992] on concept elaboration via case studies).

Second, by applying the new concepts, we built theory on how new organizational subunits resolve competing institutional forces from dual environments. Our theory states that subunits choose to focus their isomorphism on either one or the other environment. This choice leads to a dichotomy in the adopted system of practices. Where subunits focus their isomorphism depends on two factors: (1) which environment is more important for them to gain legitimacy in and (2) the professional background of their TMT members.

Contribution to the CVC Literature

We contribute to the CVC literature in three ways. First, we described how CVCs are organized. By doing this, we responded to a literature call for a careful documentation of CVCs' practices (Dushnitsky, 2006) and in particular, their organizing practices (Maula, 2007).

Second, we utilized institutional theory to explain the pattern of CVC organizing practices; we provided empirical evidence that different foci of isomorphism exist in the CVC industry, which affect whether programs adopt an organic or a mechanistic structure. Previous research has attributed specific CVC practices to parent objectives (Hill & Birkinshaw, 2008), parent knowledge base and capabilities (Benson & Ziedonis, 2009; Keil et al., 2008), and the incentives for CVC managers (Dushnitsky & Shapira, 2010). We expand this literature by utilizing a different theoretical angle to specifically explain organizing practices. CVC organizing practices can be explained by competing institutional forces from their two environments.

Third, we extended recent work on the drivers and consequences of transferring VC practices to corporate investors. Studies have focused on "tangible," discrete VC practices, such as financial incentives and investment syndication and staging (Dushnitsky& Shapira, 2010; Gaba & Meyer, 2008; Hill et al., 2009) but did not address "some of the more intangible behavioral norms and values of VC organization and activity" (Hill et al., 2009: 23). We added that organic structure (an aspect of VC practice that is more intangible) can also transfer to CVCs. We specified that this occurs when CVC units prioritize legitimacy with the VC world and hire VCs for their TMTs.

Broader Implications

Our new concepts and theory have implications for other literatures on organizational subunits in dual environments, including corporate venturing (Narayanan et al., 2009), multinational subsidiaries (Kostova et al., 2008; Kostova & Roth, 2002), spinoffs (Corley & Gioia, 2004), and franchised units (Combs, Michael, & Castrogiovanni, 2009). For example, research has suggested significant variation in the technical and marketing practices of corporate ventures (Narayanan et al., 2009) and international subsidiaries (Kostova et al., 2008), owing to different technology-related factors, demand conditions, and other contextual variables (Narayanan et al., 2009). Our study proposes the existence of different foci of isomorphism (endo- vs. exo-) among subunits of the same type. This insight could lead to new or improved explanations of the observed practice variation. The focus of isomorphism can also be extended as a concept to multiple (more than two) environments. For example, a joint venture entering a new industry faces pressures from three environments; two internal (the two parents) and one external (the market or industry of entry).

Moreover, our study has implications for the literature on organic and mechanistic organizations (Ambrose & Schminke, 2003; Joshi et al., 2010; Sine et al., 2006). Although we confirmed the validity of the typology itself, our results did not match the structural contingency argument that environmental uncertainty drives the types (Burns & Stalker, 1961; Donaldson, 2001). Instead, we offered an institutional explanation of the existence of organic and mechanistic structures based on which environment they align with.

Practical Implications

The key designers of CVC programs are either corporate managers who decide to introduce CVC and become involved in program design and/or founding leaders who are appointed to champion the CVC operation. Regardless of where the decision makers sit, if they have a preference about how the program should run (an organic VC-style operation or a mechanistic corporate division), they can influence its structure in two ways. First, by regulating the amount of coercive pressure from the corporation to the unit and second, by recruiting an appropriate TMT with members professionalized as VCs or corporate managers.

Future Directions

The following questions comprise interesting topics for further research: Are there hybrid structural forms? Maybe our two distinct groups were the two extremes of a structural continuum, with organic structure at one end and mechanistic at the other. Maybe there are hybrid forms in between, aligning selectively with specific elements of the two environments.

Another interesting empirical issue is whether the choice of structure goes back to the parent corporations here; a parent might have influenced the decision indirectly by recruiting "appropriate" TMTs to establish a VC- or a corporate-style CVC operation. Our data suggested that the views of champions who either fought politically from inside corporations to start CVC programs or were hired externally shaped the profile of the programs. Those champions recruited the TMTs and therefore affected the resulting structures. We cannot assert how much the decision makers within the parents based the appointment of the champions on structural preferences without interviewing them. Hence, we echo Dushnitsky's (2006) call for further work on the process and key decisions during the founding stage of CVC programs, especially within their parent corporations.

Another interesting theme for further research would be to relate CVC organizational structure with performance. At the time of the interviews, our six programs were very young, and hence we looked at their performance at the end of 2009. In the absence of direct data on the returns the funds achieved, we used the best available archival data, namely, survival (Hill et al., 2009) and "exit rates" (the fraction of portfolio companies that had successfully exited via an going public or merger/acquisition [Dushnitsky & Shapira, 2010]). The results did not indicate clear trends. All programs but one (Cyclone) survived, and the sample size was too small to permit us draw statistically robust conclusions. Survey data would be required in the future to establish a link between organic versus mechanistic structure and CVC performance.

Conclusions

We explored how CVC units resolve competing pressures from two different institutional environments. We observed a structural duality (organic and mechanistic systems) in response to institutional duality (VC vs. corporate norms). We introduced the concept of focus of isomorphism (distinguishing between endo- and exoisomorphism) to explain the coexistence of organic and mechanistic structures. Moreover, we found that seeking legitimacy with different constituencies and professionalization of TMT members drive the focus of isomorphism. The crux of our theoretical contribution is the identification of new forms of isomorphism, serving to unravel how new organizational subunits resolve competing forces from dual institutional environments.

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Vangelis Souitaris (v.souitaris@city.ac.uk) is a professor of entrepreneurship at Cass Business School, City University London. He received his Ph.D. in management from Bradford University. He studies technology entrepreneurship. His current research interests include corporate venture capital, academic entrepreneurship, and temporal aspects of strategic decision making.

Stefania Zerbinati (stefania.zerbinati@city.ac.uk) is a senior lecturer in entrepreneurship at Cass Business School, City University London. She received her Ph.D. in political science from the University of Portsmouth. Her current research focuses on public entrepreneurship and corporate venture capital.

Grace Liu (Grace.Liu@nielsen.com) is the head of consumer research at the Singapore office the Nielsen Company. She received her Ph.D. in economics (entrepreneurship) from Imperial College, London, focusing on corporate venture capital.