Managing Innovation: Motives and Success Factors Behind Corporate Spin-offs in Stockholm, Sweden

Featuring Case Studies of Local Spin-offs

ADAM NILSSON
Managing Innovation: Motives and Success Factors Behind Corporate Spin-offs in Stockholm, Sweden
Featuring Case Studies of Local Spin-offs

Adam Nilsson

Master of Science Thesis INDEK 2017:49
KTH Industrial Engineering and Management
Industrial Management
SE-100 44 STOCKHOLM
Abstract:

Corporate spin-offs have been on the rise in recent years and this trend has captured the interest from corporations worldwide who are looking to manage change and innovation in a new and exciting way.

This research includes primary data from case studies conducted through semi-structured interviews and secondary data from previous research around the subject area. Prior research has highlighted the financial aspect of spin-offs as well as university driven spin-offs while this research features learnings from two Stockholm based spin-offs and their views on organizational success and the relationship between the parent company and the spin-off. This research highlights the motives behind introducing a spin-off and how technological advancements has impacted the success of the spin-off.

The findings of this research are underlined by the spin-offs ability to make use of the parent company’s expertise and highly focused business departments which helps the spin-off focus on its core competencies. In addition, the findings suggest that the motives behind introducing a corporate spin-off in 2017 are related to improving the customer experience while making modifications correlated to the cost structure, which most often attracts a new customer segment.

Throughout the research, it was evident that spin-offs often collaborate with external partners hired by the parent company. Because of this, this research provides insights from third party vendors with significant experience in technology startups, operational strategies and spin-off processes.

This research contributes to the field of industrial management by demonstrating local developments in innovation management techniques while also showcasing how consumer trends influences business decisions.

Key-words: corporate spin-offs, entrepreneurship, intrapreneurship, innovation, research and development, business models, technology
# Table of Contents

Abstract and Key-words  
Definitions of Terms  
List of Abbreviations  
List of Figures  

1. INTRODUCTION  
   1.1 Background  
   1.2 Research Problem  
   1.3 Purpose and Research Questions  
   1.4 Delimitations  

2. LITERATURE REVIEW  
   2.1 Corporate spin-offs; motives and success factors  
   2.2 Exponential Organizations  
   2.3 Evolution of corporate innovation  

3. THEORETICAL FRAMEWORK  
   3.1 Tidd & Bessant’s process model of innovation  
   3.2 Osterwalder & Pigneur’s Business Model Canvas  

4. METHODOLOGY  
   4.1 Research Paradigm  
   4.2 Research Method  
   4.3 Data Collection  
   4.4 Sustainability and Ethical Issues  

5. CASE STUDIES  
   5.1 Case 1 – Telecommunications Spin-off  
   5.2 Case 2 – Insurance Spin-off  

6. DISCUSSIONS AND CONCLUSIONS  
   6.1 Discussions  
   6.2 Conclusions  
   6.3 Limitations  
   6.4 Recommendations for Future Research  

REFERENCES
Definitions of Terms

**Pivot:** a fundamental change most often related to technology products. A pivot is usually a new strategic hypothesis that will require a new product to be built.

**Lean startup:** the lean startup methodology encourages corporations to build products that consumers have already demonstrated a desire for, which implies that a market already exists as soon as the product launches.

**Entrepreneur:** an individual who sets up a business with financial risk in hopes of profit.

**Intrapreneur:** an intrapreneur is an inside entrepreneur at a firm who finds opportunities and exploits them like an entrepreneur would.

**Exit:** an exit is when a company either gets sold or enlists on a stock exchange.

List of Abbreviations

- **SME** – Small and Medium Sized Enterprises
- **CSO** – Corporate Spin-off
- **MVP** – Minimum Viable Product
- **VC** – Venture Capital
- **R&D** – Research and Development
- **M&A** – Mergers and Acquisitions
List of Figures

1. Figure 1: Commercialization channels p. 9
2. Figure 2: Success of the spin-off p. 10
3. Figure 3: Importance for the spin-off decision p. 11
4. Figure 4: Traditional thinking vs. Lean startup p. 13
5. Figure 5: Agile product development & Minimum viable product p. 13
6. Figure 6: Trends driving new capabilities p. 14
7. Figure 7: Evolution of corporate innovation p. 15
8. Figure 8: R&D spending by region p. 15
9. Figure 9: Tidd & Bessant’s Innovation Framework p. 18
10. Figure 10: Business model canvas p. 19
11. Figure 11: Positivism vs. interpretivism p. 20
12. Figure 12: Business model canvas, telecommunications spin-off p. 26
13. Figure 13: Business model canvas, insurance spin-off p. 29
CHAPTER 1
INTRODUCTION

1.1 Background

The rate of innovation and technology adoption is increasing at an immense pace and this has put corporations worldwide on high alert (McGrath, 2013). For businesses, this means re-evaluating the operational strategy and evaluate how you stay competitive with competition coming from not only the industry you currently operate within, but from all angles. Salim Ismail writes in his book ‘Exponential Organizations’ that “competition is no longer the multinational corporation overseas, it’s now the young man or woman in Silicon Valley or in a Mumbai garage using the latest online tools to design and cloud print their latest innovation” (Ismail et al, 2014, p. 10).

With this trend, we have seen significant impact on industrial and organizational change and the increased rate of innovation and technology adoption has driven more and more corporations to focus on innovation management (Tidd & Bessant, 2009). Innovation and entrepreneurship are two buzzwords that most companies today list as their most important areas that they need to succeed in to stay competitive in the future.

There are endless ways of managing innovation as a corporation and while most business executives are familiar of M&A’s (mergers and acquisitions), they lack the insight into the upside of introducing a corporate spin-off. Usually, “mergers and acquisitions are perceived as a positive strategic opportunity while spin-offs are often confronted with prejudices” (Dranikoff et al, 2002, p. 77). A corporate spin-off (CSO) refers to “the division of an existing company into one parent company and one or more independent spin-off(s), which implies that the new product is in some way separated from the parent organization and a new economic activity is created around it” (Tübke, 2014, p. 3).

Even though spin-offs aren't as prominent as M&A’s, the European Commission has backed up the importance of supporting both corporate and institutional spin-offs due to their rising importance within corporate strategy and their high benefits for competitiveness and employment (COM, 2002).

Sweden has in recent years held one of the highest rankings as a country when it comes to global innovation (WiPO, 2016). According to The Swedish Trade and Investment Council, businesses are attracted by Sweden because of its growing population, early adoption of new technology while also having a large corporate customer base (Business Sweden, 2017).

As Swedish businesses has thrived in recent years, it has set a large presence in Europe’s business landscape since Sweden took in 15% of all foreign investment in the European technology sector in 2014 (Mitzner, 2016). Comparing the Nordic countries, Sweden accounted for 50% of the exits in the Nordic region and analyst have reported that a total of 22,000 technology companies exists only in Stockholm, with about 18% of the city’s workforce being employed in technology related roles (Mitzner, 2016).

In 2015, JP Morgan, the American investment bank stated that corporate spin-offs are coming and that a stronger corporate focus is “in” (Zenner et al, 2015). Even though JP Morgan’s focus tilts towards the economic aspect of corporate spin-offs, the financial sector has set the tone and without a doubt had a significant impact on the growth of corporate spin-offs.
1.2 Research Problem
In previous research regarding spin-offs and its impact on industrial growth and change, it has been argued that “sponsored spin-offs represent an organizational and institutional mechanism that may allow established industrial structures to adapt and change to reap the economic rewards and share the risks posed by the emergence of new technologies” (Wallin & Dahlstrand, 2006, p. 611). Prior research related to spin-offs have been heavily focused on academic spin-offs as well as the economic impact when it comes to corporate spin-offs. Instead of looking at spin-offs from an educational or financial standpoint, this research will instead tackle a current research gap which relates to the motives behind introducing a corporate spin-off and its underlying success factors in Stockholm, Sweden. In addition to this, an academic research gap has been identified related to the impact technological advancements has had on corporate spin-offs.

In this research, a local consulting company - Mobiento/Deloitte Digital - has been of assistance to the researcher for its deep insights into Stockholm’s business landscape and the business connections the company has compiled during its years in operation. On several occasions, Mobiento/Deloitte Digital has assisted international and national SME’s (Small and Medium Sized Enterprises) as well as large corporations with spin-off processes.

1.3 Purpose and Research questions
This research aims to highlight knowledge related to the motives and success factors behind corporate spin-offs in Stockholm, Sweden and the innovation management strategies which helped the corporations featured make the decision to launch a spin-off organization.

There are several angles one could dig deep into within the topic of innovation management. Focus will be put on the recent spin-off trends to see if spin-offs have become a more attractive way of managing innovation since emerging technologies has made it simpler to run and grow a business (Ismail et al, 2014). With new advancements in technology and its scalability, we have seen a wide range of technology companies tackle what we previously thought was ‘safe’ industries that beforehand had not experienced tough challenges from companies outside their own sector. This has changed drastically with technology companies challenging most industries from the outside. Companies such as Airbnb and Uber have dramatically changed the way the hotel and taxi industry operate today by introducing new value propositions and business models.

Based on the previous statements, this study will investigate the following research questions:

- What are the motives behind introducing a corporate spin-off in Stockholm, Sweden?
- What behavioral and business processes are used between the parent company and the spin-off to achieve success?
- Have technological advancements helped fuel spin-off success?
1.4 Delimitations

“Delimitations are self-imposed boundaries set by the researcher on the purpose and scope of the study and often represents circumstances of time, location, population and environment” (Lunenburg & Irby, 2007, p. 134).

Because of the researcher’s limited scope in time of conducting the research, a small sample of two local spin-off organizations have been interviewed for their expertise on the subject matter. The interviewees were selected because of their deep operational involvement and are here limited to the Head of a telecommunications spin-off and the main Lawyer for one insurance spin-off. The two interviewees have different job titles which could make their experiences related to spin-offs differ greatly.

Lastly, the case study interviews did not include participants from more than two industries and are here limited to telecommunications and insurance.
CHAPTER TWO
LITERATURE REVIEW

The sections below explore topics related to corporate spin-offs, operational strategies and research and development trends and will provide an overview of previous research to gain better understanding of the direction of this research.

2.1 Corporate spin-offs; motives and success factors
To gain a broad understanding of spin-offs and previous research on the subject, Alexander Tübke’s book labeled ‘Success Factors of Corporate Spin-Offs’ offers an expansive view into the research topic. Tübke’s research provides insight into corporate spin-offs and its impact on economics and new firm formation in the European Union. His research accumulated insights from 211 spin-offs, mainly focused on key-factors when it comes to success, competitiveness and growth (Tübke, 2004).

Prior research shows that corporate spin-offs represent a significant part of new firm formation in the EU and in 1999, it accumulated into 12.9% (Moncada et al, 1999, p. 110). In Sweden, there are no official numbers related to the number of spin-offs who are currently active (Gamerov, 2017). Previous research has also shown that CSO’s have lower failure rates that are about one third, compared to “normal” startups which makes them extremely attractive to corporations looking for drastic change and innovation (Moncada et al, 1999).

Spin-off organizations are either initiated by the parent company or by an intrapreneur currently employed by the parent company. Intrapreneurs are “the highly valuable executives and team members who will perhaps never become a company founder, but who have learned to apply the essential principles of entrepreneurship to the roles they fill within a company” (Williams, 2013). To define the two internal drivers of a spin-off, the researcher has borrowed Tübke’s definitions:

- **Restructuring-driven Spin-offs** “are initiated by the parent company. They are often undertaken as a consequence of restructuring or refocusing activity. The parent company gives active support and encouragement to the spin-off entrepreneur. Restructuring-driven spin-offs are also called divestment-type spin-offs, push spin-offs, passive or defensive spin-offs, or spin-offs on the spot.”

- **Entrepreneurial Spin-offs** are driven by one or more individuals, spin-off entrepreneurs, who want to exploit an unused potential based on their key experience acquired within the parent company. In this case, the spin-off entrepreneur does not necessarily receive help from the parent organization and might even have to face resistance against his or her intention. Entrepreneurial spin-offs are also called pull spin-offs, or active offensive, or spontaneous spin-offs. A sub-type of entrepreneurial spin-offs are research-based spin-offs, which are formed for the commercial exploitation of research results” (Tübke, 2004, p. 10).

The relationship between a spin-off and a parent company is of high importance when it comes to achieving success (Halai, 2015). Even though many spin-offs are ‘entrepreneurial’ and thus often coming with skepticism or resistance from the parent company, most spin-offs have a tight collaboration together with their parent company. Arguing for a corporate spin-off, research has shown that “corporate spin-offs seem not only to be a frequent, but also
relatively successful way of starting a new business. They draw their competitive advantage from the experience acquired within the parent company in combination with the exploitation of entrepreneurial opportunities” (Moncada et al, 1999, p. 3). Adding to this thought, Martin Wallin and Åsa Lindholm-Dahlstrand (2006) titled their research “sponsored spin-offs, industrial growth and change” while focusing on the Swedish market and concluded that established companies might also commercialize their technology by spinning-off parts of the company and enable these business units to operate as independent new ventures. This is often the case when the innovations developed at the parent organization do not fit the current business strategy of the company (Wallin & Lindholm-Dahlstrand, 2006). Wallin and Lindholm-Dahlstrand argue that spin-offs are “born with a head start in a competitive race, since they can profit from previous experiences and relations built up while still being part of the parent organization” (2006, p. 3). Furthermore, it has also been argued that Swedish corporate spin-offs show a higher “growth rate than other new technology-based firms and produces a higher number of innovations” (Moncada et al, 1999, p. 49) while also being characterized by higher survival rates (Wallin & Dahlstrand, 2006).

Continuing the search for success as a spin-off, research conducted by Markus Kirchberger and Larissa Pohl (2016) observed technology commercialization and its success factors across different contexts. In Figure 1 below, row ‘H’ represents “established companies who might commercialize their technology by spinning-off parts of the company and enable these business units to operate as independent new ventures” (Kirchberger & Pohl, 2016, p. 1092). Likewise, Kirchberger and Pohl mention and agrees with Wallin and Lindholm-Dahlstrand’s research that spin-off decisions are often taken when the innovation developed doesn’t fit the current business strategy of the parent company.

In row H, the highest scores represent the main success indicators for corporate spin-offs and here relates to ‘innovation culture’, ‘management techniques’ and ‘technology transfer’. Along these findings, minor indicators such as ‘networking activities’, ‘property rights’ and ‘technology application value’ also impacts the success of these spin-offs (Kirchberger & Pohl, 2016, p. 1093).

![Figure 1](Kirchberger & Pohl, 2016, p. 1092)
Definitions of the three main success indicators are highlighted below (Kirchberger & Pohl, 2016, p. 1093):

*Management techniques* relates to the “capability to create product concepts, human capital, incentive structure, integrated roadmaps, management of external licensing, market research, organization design, priority on technology market matching, reward structure”

*Innovation culture* relates to “innovation models, roles of champions, strategy for disruptive innovation”

*Technology transfer strategy* relates to “early stage impediments, experimenting with technology in value networks, choice of strategy, innovation strategy, overcoming bottlenecks, project management of the transfer”

When comparing Kirchberger and Pohl’s research with Tübke’s, it is noticeable that the success factors overlap by looking at Figure 2. In the figure, *management techniques* are mentioned in the ‘Organization’ box, stating that “organizational design according to technology and market” is one of the success factors. *Innovation culture* is mentioned in the ‘Business’ box to the right, explaining that one success factor is related to ‘spin-off innovativeness’ while *technology transfer strategy* is mentioned in the ‘Transfer’ box in the lower right corner where Tübke concludes that “intensive transfer or specific knowledge” enhances the chance of a successful spin-off corporation (Tübke, 2004, p. 79)

As an important note, Tübke’s research is highly focused on the economic aspects of a CSO and his findings related to the main motives to introduce a CSO were for strategic restructuring purposes while also seeing decisions made because of the company’s current business environment. Tübke findings also showcased that spin-offs usually happened together with customers that previously belonged to the parent company, often needing a specific product or service that the parent company didn’t offer (Tübke, 2004). More findings can be found in Figure 3 below:
Previous research findings by Moncada (1999) explains the negative aspects of introducing a spin-off by stating that “many parent companies do not actively support the creation of spin-offs. Fears that the best employees will leave, possible temporary turmoil and disorganization, the nurturing of a possible competitor, and difficulties to re-integrate the former employee in case of failure are the most frequent arguments against spin-off support (Moncada et al, 1999, p. 36).

An additional negative aspect identified in Moncada’s research is that “in France, Germany, Sweden, and the United Kingdom, the negative influence of culture regarding an entrepreneurial failure as a personal failure has been highlighted” (Moncada et al, 1999, p. 50).

A questionable statement was made in Moncada’s research where the researcher stated that “parent companies are often seen by analysts as a more focused, leaner company, while spin-off companies are seen as having a good track record in terms of performance” (Moncada, 1999, p.10). Throughout this research, this quote will be evaluated and measured through case studies with local companies in Stockholm, Sweden to see if they agree or disagree with the statement. What we have seen in recent years is that operational efficiencies have been in focus, especially for startup organizations, to become more “lean”, with a suggested definition from the researcher being to ‘make use of tools and business tactics to maximize efficiency with as few means as possible’.
2.2 Exponential Organizations

Much has changed in recent years when it comes to operational efficiency in a business context. In the book ‘Exponential Organizations’, written by Salim Ismail together with Michael Malone and Yuri Van Geest (2014, p. 176) the authors confirm that startup companies have become leaner “thanks to strong viral and social network effects that allow startups to scale rapidly, it is now easier than ever before to start new companies and disrupt industries”.

The proposed definition of an exponential organization is “an organization whose impact or output is disproportionately large, at least 10x larger compared to its peers because of the use of new organizational techniques that leverage accelerating technologies” (Ismail et al 2014, p. 18). Even though his book isn’t strictly focused on spin-off organizations, it is highly relevant for this research since the changes currently happening in the business landscape and especially within operational efficiencies have significant impact on spin-off organizations in Sweden. As an example of why businesses will need to adapt, Ismail showcases data that explains that we had five hundred million internet connected devices ten years ago but by 2020, the estimate is that we will have fifty billion internet connected devices (Ismail et al, 2014, p. 31).

There are three major learnings from his book that relates to recent business research within the area of operational efficiency:

1. **Approaches to innovation (traditional vs. lean startup)**

The concept of ‘The Lean Startup’ was initiated by Eric Ries, an American author, blogger and business expert and his business tactics have become adopted by corporations of all sizes worldwide. His recommendations about how to create a lean organization are very different from the traditional corporation and its thinking which is highlighted in Figure 4 below.

Instead of using a traditional approach, Ries *lean* strategy instead focuses on validated learning, build-measure-learn and innovation accounting. Validation learning focuses on running frequent experiments that allow entrepreneurs to test each element of their vision (Ries, 2011). These validated experiments are often conducted in the ‘build-measure-learn’ phase which make ideas into products, measures how customers react, and then learn whether to pivot or keep doing what you are doing. In other words, you need to get close to your customers and listen to their feedback to continually improve your product (Ries, 2011).

Salim Ismail believes in this thinking and recommends all entrepreneurs and business leaders to kill the 5-year-plan while making smaller bets more often and to always test them rigorously. Another important aspect of his view for a successful startup organization is also to keep costs down by renting assets instead of owning them (Ismail, 2014).
2. Waterfall vs. Agile product development

Traditionally, the way of creating a product was heavily dependent on the ‘waterfall’ technique which emphasized a strategy where a product was developed without constant feedback from the consumer. What Eric Ries and other business leaders now have moved on to is a system where you use recent technology and strategies to build a minimum viable product (MVP) with as few means and dollars involved as possible, receive feedback and then take another step forward in the process (Ries, 2011). The waterfall procedure was previously successful when customers knew exactly what they wanted and could communicate that to whoever was building the product. With the internet, a more global focus evolved since corporations couldn’t understand everyone’s needs and wants and the ‘agile’ product development structure was born. It works much better for a user base that constantly wants new features and changes to a product, and organizations using this approach continuously iterate and change their offering, especially software companies. By using this approach, organizations are closer than ever to their user base and can quickly adapt to outside competition or industry regulations (Ismail et al, 2014; Ries, 2011).
3. New technological capabilities

The main argument in the book previously mentioned, ‘Exponential Organizations’, is that each organization needs to make much better use of new technological capabilities. Algorithms, new cloud technologies and machine learning are in focus because you can automate several aspects of a business to focus on what really matters (Ismail, 2014). The introduction of Amazon Web Services accelerated the scalability of applications worldwide and you can rarely find a new startup in 2017 who isn’t using their service. Another part which relates to this is Eric Ries and his focus on innovation accounting. Ries argues that it’s not enough for corporations today to only focus on sales numbers. Ries (2011) continues to explain that “to improve entrepreneurial outcomes and hold innovators accountable, we need to focus on the boring stuff: how to progress, how to set up milestones and how to prioritize work”. With analytics taking a big step forward in the last few years, it is easier than ever to understand your business and how it is doing. It requires effort and skills but it has never been easier to get access to the right numbers. Deloitte and its global consulting unit has conducted research that overlaps with Ismail and Ries where emphasis lies on finding technologies that are driving change. The trends and technologies that are underlined are related to blockchain, payments, peer to peer (p2p), artificial intelligence, digital and the internet of things. These technologies are what will be most important for business to understand in the future to stay ahead of the competition (Deloitte, 2015).

These trends are driving new capabilities

Blockchain  Payments  P2P  AI  Digital  IoT

Figure 6. (Deloitte, 2015)
2.3 Evolution of corporate innovation

2.3.1 The R&D approach

It is not uncommon to relate the word innovation back to research and development (R&D), which usually and historically has consisted of large and heavy staffed departments at well-established global corporations looking at the competitive landscape while at the same time implementing and creating new product features and product improvements. In Figure 7 below, we can see the R&D evolution between 1870-2010 (Blank, 2015).

Continuing this visual journey, PwC’s “The Global Innovation 1000: Comparison of R&D Spending by Regions and Industries’ (PwC, 2014) report tackles R&D spending by region. In Figure 8 below, North America leads the spending on R&D (top right corner). US spending has increased continuously on an annual basis between the years 2005-2014 and in comparison, there was a non-existing increase in spending in Europe between the years 2012-2014. Japan’s R&D spending decreased between the same years.

Moreover, it has become natural for companies to shift R&D spending on physical products and instead put focus on software and services. PwC states that “companies who allocate more of their R&D budgets to software offerings reported significantly faster revenue growth” – building a strong case for new R&D approaches (PwC, 2016). This has a
significant impact on industrial dynamics because of the change of social and economic aspects since companies now must switch their focus from mechanical engineers to data and software engineers to keep up with rapidly changing technology advancements. The switch isn’t only for jobs, but also in thinking and process form where organizations need to either develop or hire the expertise needed to adapt quickly.

Barry Jaruzelski, innovation and R&D expert for Strategy& and principal at PwC US confirms that this is the case by mentioning that “an increase in software and services, even in more traditional industries has created a shift towards hiring talent that can develop software and provide platforms to collect and analyze product-related data. The shift is already changing the way business schools think about their course offerings, and will have profound effects both on education and, more generally, on the future of employment” (PwC, 2016). Jaruzelski further explains that “the shift is also being driven by the supercharged pace of improvement in what software can do, including the increasing use of embedded software and sensors in products, the ability to reliably and inexpensively connect products, customers and manufacturers via the Internet of Things (IoT), and the availability of cloud-based data storage” (PwC, 2016).

2.3.2 The corporate venture arm

As competition from outside industries creep up on most corporations, companies needed another way to capture innovation. The answer: venture capital ‘arms’, which consists of a fund corporations use to invest in outside companies. These funds have skyrocketed in popularity and is a big part of the venture capital (VC) industry today. In the first quarter of 2015, venture capital funds funded and operated by corporations accounted for nearly 17% of total venture capital dollars invested, more than double its share five years ago (Caldbeck, 2015). Most notably is Google Ventures, having invested in more than 300 (!) startups since its inception (Caldbeck, 2015).

A great use of a corporate venture fund is to acquire technology or skills that is needed to enter a new vertical. As an example, it can be extremely costly and time consuming for a large corporation to develop virtual reality technology around its product and time consuming to hire the right people. Instead, companies skip the part and instead invest in companies with interesting technology portfolios that can accelerate their own products or help them develop new ones that fits their user base. This makes great sense for most companies and is the main reason why corporations start their own venture funds. Most often, these funds are funded by the profits of the organization (Caldbeck, 2015).

2.3.3 Corporate spin-offs

Corporate spin-offs have become a hot trend in the last five years. Timothy Sykes (2013) writes in his research that “spin-offs involve talking a part of a company, usually a contained business unit with its own management structure, and creating a completely new company that contains only that part. This relationship does not always last forever and spun off companies can become impressive in their own right”. This innovation search has become more and more prominent and represents a new take on intrapreneurship in the corporate environment. Harvard Business Review contributor Andrew Campbell (2014) has significant experience related to the topic and raises three important aspects that each spin-off must achieve before being labeled as successful:

1. Bring value to customers or enable the creation of something that is valuable to them
2. Being rare, meaning that is not possessed by most competitors; and
3. Hard to copy or substitute, so that competitors cannot easily build or match the same resource.

From prior research leading up to this, it is noticeable that corporations believe that spin-offs could help tackle a new vertical or market faster than the parent company could change its internal processes and succeed in the opportunity the spin-off is tackling (Tübke, 2004). Another great viewpoint and insight from the case interviews featured in chapter five is that organizations can pick out employees that have entrepreneurial tendencies and put them into a new and exciting part of the business. If they had not gotten this opportunity, these employees might have left the organization in the long run. These types of insights from parent companies have also helped see the value of creating spin-offs, not just the potential shareholder value increase.
CHAPTER THREE
THEORETICAL FRAMEWORK

This chapter consists of the two analytical and theoretical frameworks that are used in this research. The frameworks are carefully selected and used in this study since they differ greatly from one another. Tidd and Bessant’s innovation framework highlights the internal components of innovation and Osterwalder and Pigneur’s highlights the external factors of innovation and how it relates to an organization’s business model.

3.1 Tidd & Bessant’s process model of innovation

Innovation management is an extremely tough task for all business leaders, and focusing on the right aspect of the innovation process can be challenging. Evaluating the innovation process through Tidd and Bessant’s framework will enhance the understanding of the internal process that took place at the interviewed spin-off corporation and is used in this research to see why certain decisions were made. The process management framework includes four parts:

1. Search - this first phase of the process involves “detecting signals in the environment about potential for change” (Tidd & Bessant, 2009, p. 79) and can also be an intense and highly focused search process if competition threatens the core business of a corporation.

2. Select - Risk management is the main focus during the selection process. There is also a need to evaluate potential opportunities to see how they fit into the current business landscape. The company in question should ask themselves if they could develop this in-house or if a spin-off organization could tackle a specific opportunity better. This is where the strategic component comes in to see how and where an opportunity fits within a business.

3. Implement - Once the strategic decision is made, this stage is where a business put the pieces together into a real concept or product. It could also be a change in a business process or business model and the uncertainty could still be high. Using different methods to test and implement your idea to understand how to best “make it happen” while also accessing research to back up your innovation is highly recommended (Tidd & Bessant, 2009).

4. Capture - How is your organization going to capture benefits with this innovation? Tidd and Bessant (2009) highlights the “willingness to learn from completed projects” but also underlines that the most common capturing aspects are related to commercial success, changing the world for the better, gaining market share, cost reduction or getting a patent.

Figure 9. (Tidd & Bessant, 2009, p. 80)
3.2 Osterwalder & Pigneur’s Business Model Canvas; the nine components

While Tidd and Bessant’s framework looks at the internal aspects of an organization’s innovation management techniques, Osterwalder and Pigneur’s (2013) business model canvas helps identify the nine building blocks of a business model and has been widely accepted and adopted by startups and businesses all over the world as a strategic management tool. The big advantage of creating a business model canvas for your business is to get your entire business explained in visual form on one piece of paper (Osterwalder & Pigneur, 2013).

Prior to the mass adoption of the business model canvas, the business plan was what most entrepreneurs focused on. Today, the focus shifts away from the business plan and instead looks at a more agile way of presenting a business (Matthews, 2014), preferably explained through a business model canvas to easily convey the business and its advantages (Osterwalder & Pigneur, 2013).

The business model canvas will be used to look at what external factors that influenced the organizations who initiated a spin-off decision to see what learnings that can yield for this research.

The nine building blocks consists of:
1) Customer Segments (2) Value propositions (3) Channels (4) Customer Relationships (5) Revenue Streams (6) Cost structure (7) Key resources (8) Key activities (9) Key partnerships

Figure 10. (Strategyzer, 2017)
CHAPTER FOUR
METHODOLOGY

The fourth chapter includes the research paradigm selected by the researcher and the reason behind the selection. It is meant to further educate the reader on why the specific cases were selected and how they relate to the research. Ethical issues as well as data collection methods are mentioned to give insight into the thought and execution process of the researcher. The methodology explained in this chapter is meant to give insight into how the researcher views the world while it also helps answer the research questions in an optimal way. The research questions were answered by using the methodology explained in chapter four and the theoretical frameworks described in chapter three.

4.1 Research Paradigm
The two main research paradigms - interpretivism and positivism - greatly impacts how scientific research is structured and how the researcher views the world. In Figure 11 below, a simplified explanation of the thought processes behind each paradigm is showcased to help readers understand the main differences between the two.

<table>
<thead>
<tr>
<th></th>
<th>Interpretivism</th>
<th>Positivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative</td>
<td>Qualitative</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Objective</td>
<td>Subjective</td>
<td>Objective</td>
</tr>
<tr>
<td>Scientific</td>
<td>Humanist</td>
<td>Scientific</td>
</tr>
<tr>
<td>Traditionalist</td>
<td>Phenomenological</td>
<td>Traditionalist</td>
</tr>
</tbody>
</table>

Figure 11. (Collis & Hussey, 2013, p. 46)

The interpretivist paradigm is used in this research since it “seeks to describe, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1983, p. 9). When further comparing the two paradigms, the interpretivist paradigm better fits this research since interpretivism tends to “use small samples, have a natural location, and produce rich, subjective qualitative data” while positivism tends to “use large samples, have an artificial location and produce precise, objective and quantitative data” (Collis & Hussey, 2013, p. 50).

4.2 Research Method
The research method used is the case study methodology which most often is “used to explore a single phenomenon (the case) in a natural setting using a variety of methods to obtain in-depth knowledge” (Collis & Hussey, 2013, p. 68). The case study method helps researchers understand and investigate real-life concepts when the context isn’t clearly obvious while depending on multiple sources of evidence (Collis & Hussey, 2013).

In this research, there are two cases featuring spin-off organizations and their experiences. The first one is a telecommunications spin-off, with the second one being an insurance spin-off. Both spin-offs are located in Stockholm, Sweden.

Using the case study approach is highly efficient when the focus lies on collecting in-depth data from reliable sources (Yin, 2009). The semi-structured interviews conducted with the featured spin-offs emphasizes on collecting qualitative data and the results gathered will be evaluated with caution since only a small sample of spin-off organizations are evaluated.
4.3 Data Collection

The data collection consists of in-depth semi-structured interviews with the featured corporate spin-offs. Prior to the interviews, secondary data was collected to gain a better understanding of the business operations and the specific industry the corporation is active in. Semi-structured interviews are used to get insights into the interviewee's view of the world to make sure that they could speak freely about the subject.

The data collected will be used to answer the research questions in a clear and efficient manner.

4.3.1 Primary and Secondary Data

This research includes both primary and secondary data. Primary data is data collected through semi-structured interviews with a representative from each spin-off while the secondary data is collected from prior research found online and in textbooks (Corti & Bishop, 2005).

When collecting the primary data, the participating spin-offs were given a brief introduction of the research and its goals and had the opportunity to ask questions for clarification. The researcher gathered general information related to the spinoff to gain a better understanding of the industry they operate in. The interviews lasted 45 minutes each and were recorded with the approval of the interviewee.

4.3.2 Case Selection

The spin-offs selected were a mix of personal connections the researcher had prior established as well as connections made through the partner organization in this research, Mobiento/Deloitte Digital. The spin-offs included in the research were carefully selected in collaboration between Mobiento/Deloitte Digital and the researcher. Both spin-offs included in the research had no information available online about their spin-off process which made the interviews of high importance to gather the primary data.

The spin-offs and interviewees selected are of high relevancy and represents credibility since they operate within Stockholm, Sweden and have local experiences and thoughts about the Swedish business environment (Rubin, 2005).

4.3.3 Primary Data Analyses

The primary data is collected from the case study interviews. When analyzing the qualitative data, the researcher used a descriptive framework along with pattern recognition matching based on Yin’s (2013) research labeled ‘Case Study Research, Design and Methods’. The descriptive framework focused on the in-depth case interviews to help analyze the data and answer the research questions. The selection of the framework was made since this research and interview structure matches Yin’s (2013, p. 4) descriptive case study definition which emphasizes “interpersonal events over time, describes a subculture that had rarely been the topic of previous study and discovers key phenomena”.

Additionally, the data is analyzed through Collis and Hussey’s (2013) ‘Data Reduction Analysis’ framework where a researcher in an interpretivist study selects, discards, simplifies and summarizes the qualitative research data while using a three-step process;

1. Data Analysis & Reduction
2. Data Displays
3. Conclusions and Verification

The data gathered was analyzed and reduced to focus on the important insights provided by the spin-offs. In chapter five, the data is reduced and displayed to showcase the findings related back to the research questions so anyone can “draw valid conclusions and take needed action” (Miles & Huberman, 1994, p. 91).

4.4 Sustainability and Ethical Issues

During the research, the researcher followed Collis & Hussey’s (2013) ethical guidelines, especially during the primary data collection (semi-structured interviews) and the secondary data gathering. Emphasis have been put on correct citations while also conducting honest interviews to make sure that the interviewees were comfortable and non-biased. Prior to the start of each interview, the interviewee granted access to the researcher to record the interview to ensure that no critical highlights were missed in the conversation.

In terms of sustainability, one of the interviewed spin-offs focuses heavily on sustainability by donating part of their income after each year to charitable causes that pushes the Swedish society forward. The partner company Mobiento/Deloitte Digital emphasizes an inclusive and open workplace where their culture is centered around ‘building for a better tomorrow’.
The two case studies featured in this research are highlighted for their experience with corporate spin-off procedures and both organizations interviewed are the actual spin-off company and not the parent company. The goal with these case studies is to gather information related to the research questions as well as gaining valuable insights of their overall experience, especially the relationship with their parent company.

The first case study is conducted with a company who spun off from one of the largest telecommunications companies in Sweden which also has operations in other Nordic countries. The spin-off featured is active in the same industry as the parent company and is 100% online-based.

The second case study is conducted with a company who spun off from a large international insurance company that decided to tackle the Swedish market and therefore launched the spin-off in Stockholm. The spin-off featured is active in the same industry as the parent company.

5.1 Case 1 - Telecommunications spin-off

The first interviewed spin-off has continued to operate in the same industry as their parent company but has made drastic changes to their business model. A standout aspect of their business is that they have completely left out the retail component which is normal for a telecommunications corporation and are instead strictly doing all business online.

The parent company has tens of thousands of employees and owns several other brands in related industries such as internet connectivity and television. The corporation has been active for over 150 years and is listed on the stock exchange.

The parent company spun off the interviewed spin-off corporation in 2014 which currently employs 12 individuals. More detailed information about the spin-offs operation can be found in the interview below.

**Interview Findings**
**Interviewee:** The interviewee was conducted with the individual who is Head of the spin-off and prior held a Managerial position with the parent company.
**Interview setting:** Telephone interview. The text below is not a complete transcript of the interview but instead serves as a summary of the most important topics and answers related to the research.
**Interview length:** 44 minutes, 13 seconds
**Interview date:** April 26, 2017
What problem was your parent company trying to solve with the introduction of this spin-off?
Our parent company had a strong focus on corporate customers and was doing great with that customer segment, customers felt safe and were happy with the offering we provided. Our parent company understood that our older customer group was not the only customer segment that was going to be very relevant and profitable in the long run, and estimated that the growth of the younger and individual customer segment was going to grow, with outside competition growing from web-based services. The average consumer was now also more willing to pay with their credit card online which was interesting to look at for our parent company. Customer behavior was changing drastically and they wanted a spin-off to tackle this market segment while being 100% online based.

Could you explain the search, select and implement process for this spin-off and how your parent company pictured getting benefits out of it?

| Search | We (the parent company) saw a growing online presence in the younger generation as well as a change in customer behavior when it came to online purchases. Once we understood that a large portion of telecommunications customers wanted more ownership of their service and especially payments, we knew that we could build something attractive for that customer group. From a target group perspective, we defined our target customer and realized that the younger and low cost customer group was too far away from our parent company’s target customer. We understood that we weren’t going to be able to build credibility with our new target group if we targeted them through our parent company’s brand. |
| Select | Our belief was that we needed to spin out the company since high-earning departments would always get the attention from the parent company. We needed to stand on our own feet. Me and one other individual who was then also working for our parent company got the opportunity to pitch this to our leadership group who agreed that a spin-off would be a great idea. |
| Implement | We didn’t want to depend too much on our parent company and their technical vendors which made us branch out to build what we could ourselves. The implementation of the spin-off happened together with two senior members from our parent company and an external partner. |
| Benefits | The benefits our parent company is trying to capture from this spin-off is a growing customer segment that greatly differs from the original target group while also learning how to run a telecommunications company completely online. |

Could you expand on the individuals that were involved from your parent company and the external partner?
From our parent company, we had the Head of Mobile Business for our private clients along with our Brand Manager. They were the ones who initiated the project and gave it to me. I was told to make a case for why we should initiate the spin-off and took about 10 hours a week to research it. At the time, I was working as a Business Manager for our parent company.
This project was intrapreneurial, with everyone involved being employed by the parent company. We also had assistance from an external partner who helped us create an initial questionnaire to evaluate the preferences our new target group had when it comes to telecommunication preferences. In addition to this, we had assistance from a branding company who helped us select the best name for our brand.

What we quickly understood from the research with our target group was that they wanted a better customer experience and more ownership of their service. Corporate clients are fine with paying for a monthly subscription while the younger generation wanted more ownership, especially over payments. We then decided to bet big on customer experience and make it possible to opt out and in of some of the services we provide, which is very different from how our competitors do business.

We also had great insights from previous failures in the industry with similar types of offerings as we had in mind for our spin-off. We were lucky to be on the sidelines for the first few corporations that tried to tackle this customer segment and saw how they failed to deliver what they had communicated. With these learnings in mind, we took our time to launch the spin-off we now have in place and were lucky to have the financial backing from our parent company.

**How does the collaboration between the spin-off and the parent company look today?**

We have been very clear from the start that we want to stand on our own and be as independent as possible. This is because we do business in such a different way than our parent company. We are currently in the same office building as our parent company but on separate floors which helps, but we are actively trying to move further away to be even more independent.

Our parent company is mainly involved in setting the budget. We have creative freedom to do what we think is best for the business and the relationship can best be described as an investor relationship. Our parent company feels like an active investor that has significant experience in the telecommunications industry which often helps with strategic decisions.

The biggest benefit is that our parent company lets us work on what we are best at. As an example, we make great use of their legal department on contract negotiations since we do not have expertise in that area.

**Has your organization made use of technological improvements such as advanced analytics, cloud services and software-as-a-service (SaaS) to help your business thrive?**

Yes, our business makes great use of some of the technologies you mentioned. Today, we have deep insights on our customers and can see exactly what corporation they switch from when they sign up for our services. The growth of social media marketing has also helped us define our target market and run different marketing experiences to see what works best for us. We can much easier justify our numbers for our parent company and help them with online strategies since that is an expertise of ours.

As a corporation, we can be much more self-reliant when it comes to marketing and with the growth of SaaS, we can price our services in a completely different way than what was possible before.
As an example, we do most of our marketing that focuses on conversions (sign-ups) online since you can’t sign up for our services from a TV commercial. A TV commercial is still highly effective, but we instead focus on brand awareness when it comes to TV commercials. Technological improvements have made us make better decisions while also allowing us to be more self-reliant, something we appreciate and value.

**Are there any specific aspects to Sweden that helped your spin-off succeed?**

I believe that Swedish citizens are progressive and interested in trying new experiences. With Sweden being a country with high smartphone adoption, we were in great standing to launch an online brand. Adding that to fact that we have high internet penetration and digital awareness, we knew that Sweden would be a great test market.

**How is your business model different compared to your parent company? Which three aspects of the business model canvas would you highlight?**

![Figure 12. (Strategyzer, 2017)](image)

#1. Customer Relationships - Customers appreciate self-service, which is something we have focused heavily on. We have a big community that uses our self-service forum for all their telecommunications related questions.

#2. Cost Structure - Early on we understood that customers wanted to pay for what they use and not unnecessary features. Therefore, we have implemented several pricing options and a referral program which lowers your monthly bill if you sign up your friends.

#3. Customer Segments - Targeting the low-cost customer segment completely online is very different from what our parent company prioritizes.
5.2 Case 2 - Insurance spin-off

The second interviewed spin-off has a similar story to the telecommunications company highlighted in Case 1 since the spin-off also has focused on creating a new and innovative business model and are also operating in the same industry as their parent company. The parent corporation has a much larger focus on business in Europe, especially in Germany and France, and haven’t had a large presence in Sweden prior to the introduction of the spin-off. The parent company has over 5,000 employees in 50 countries and is a global insurance player with revenues in the billions (€). The parent company makes most of its money through credit insurance, this means that they help insure other corporations’ incoming invoices.

The parent company spun-off the interviewed spin-off in January 2017 which currently employs 6 individuals but are in the process of hiring 4-6 additional employees. More details about the spin-offs operation can be found in the interview below.

**Interviewee:** The interviewee was conducted with the individual who is the main Lawyer for the spin-off and prior held a position with the parent company for six years.

**Interview setting:** In-person interview. The text below is not a complete transcript of the interview but instead serves as a summary of the most important topics and answers related to the research.

**Interview length:** 41 minutes, 43 seconds

**Interview date:** May 3, 2017

**What problem was your parent company trying to solve with the introduction of this spin-off?**

*There were several issues that kick-started the spin-out process for us. Mainly, our parent company is in a highly-regulated industry which impacts decision making in a negative way with most decisions taking weeks before they are approved. Our legacy systems are cluttered and sometimes one insurance claim needs to be look at in 6-8 different programs to be evaluated correctly. Internally, there was an evident digitalization need for our business. Externally, we understood that something needed to be done regarding our pricing model. Now, our parent company insures other corporations incoming invoices and this is what is called credit insurance. The issue with our parent company’s business model is that when a corporation approaches them to insure their incoming invoices, our parent company will only do business with another organization if they insure all their invoices. This is not attractive to a large portion of potential customers since they might have had business relationships which goes back 20 years in time - and you know that some of your customers are reliant with their payments. There was a big need for a credit insurance company to tackle one-off instances for smaller corporations who didn’t want to ensure all incoming invoices.***

**Could you explain the search, select and implement process for this spin-off and how your parent company pictured getting benefits out of it?**

<table>
<thead>
<tr>
<th>Search</th>
<th>Our parent company understood that we needed a digital product with a different business model. After conducting interviews with about 50 corporations, it was evident that there was a market for a product we could develop through a spin-off.</th>
</tr>
</thead>
</table>
Select

We decided that we would create a digital product together with an external partner. Mobiento/Deloitte Digital was selected since they know everything about the Swedish market and that they have a strong digital focus. Furthermore, Sweden is a small market which is favorable if the spin-off would be a failure. It is less of a brand risk launching it in Sweden versus Germany or France.

Implement

The implementation was made through three employees from the parent company and the external partner. We were sent to Sweden and currently have consultants educating us on the Swedish market while also helping us improve and develop the product.

Benefits

Our parent company hopes to acquire more SME (small and medium enterprises) as customers with this new offering while also becoming more of a digital corporation. If successful, the learnings we acquire could be applied to our parent company’s organization to improve efficiency and increase revenues globally.

Could you expand on the individuals that were involved from your parent company and the external partner?

We have three senior members from our parent company who are involved in the spin-off process on a weekly basis. In our spin-off, we currently have a project leader who handles most the communication with our parent company. He was hired externally since he has a successful entrepreneurial background which fits perfectly with this project. Our parent company is giving us creative freedom and helped us locate the digital consulting agency Mobiento/Deloitte Digital which we are currently working closely with to improve our product. The partnership with Mobiento/Deloitte Digital is ongoing where we have help from experienced consultants with expertise in innovative business models, software engineering and product management.

How does the collaboration between the spin-off and the parent company look today?

We want to be as independent as possible since our parent company’s processes are extremely bureaucratic. Since we are in a regulated business, we currently rely on our parent company to sell. Without their insurance license, we cannot sell anything. We are currently in the process of applying for our own license, but it can take up to a year to be approved.

Has your organization made use of technological improvements such as advanced analytics, cloud services and software-as-a-service (SaaS) to help your business thrive?

The main thing I can think of is related to analytics. We saw that we had a low penetration on the Swedish market compared to other Nordic countries which was something our parent company wanted to change.

Are there any specific aspects to Sweden that helped your spin-off succeed?

We knew that Sweden was a digital country where our service could thrive. Traditionally, credit insurance hasn’t been as popular in Sweden when compared to other countries since Swedish corporations normally pay their bills on time. The main reason why we launched this spin-off in Sweden is because it is a smaller market which makes the brand risk smaller for our parent company if this would fail. This is one of the reasons why we are trying not use our parent company’s name when doing business.
How is your business model different compared to your parent company? Which three aspects of the business model canvas would you highlight?

![Business Model Canvas](image)

**Figure 13.** (Strategyzer, 2017)

**#1. Cost Structure** - The main success factor for our spin-off is that we offer clients the option to insure one-off instances and small portions of their client base instead of the entire client base.

**#2. Value proposition** - With a significant cost structure change, we hope to be able to communicate this value and capture clients who are worried about a small part of their business and offer them insurance deals that others can't. This will hopefully increase customer satisfaction and word-of-mouth.

**#3. Customer Segments** - Targeting SME’s is very different from what our parent company does. Hopefully, we can achieve success in this customer segment and help our parent company expand their products and increase revenues.
CHAPTER SIX
DISCUSSION AND CONCLUSIONS

In the sixth and final chapter, the case studies are analyzed through the theoretical frameworks while also being compared to prior research related to corporate spin-offs. The chapter begins with discussions around the most important findings followed up by conclusions, limitations and recommendations for future research.

6.1 Discussions

6.1.1 Spin-offs efficiently help the parent company target new customer segments
An important innovation driver for corporate spin-offs is related to the customer segmentation portion of the business model canvas (Osterwalder & Pigneur, 2013). From the case interviews, it was clear that both parent corporations saw a need for a new product that could tackle a different customer segment.

In the telecommunication case, branding issues were highlighted where the parent company believed that the introduction of a corporate spin-off would convince the average low-cost customer that the new brand would help them save money and provide a better customer experience, something a large corporation focusing on corporate clients would have a tough time doing. In addition to this, both corporations mentioned the need to move away from the parent company's way of doing business. Both interviewees highlighted that they didn’t want to depend too much on the parent company's legacy systems and bureaucracy processes which has made them actively trying to stand more on their own feet.

Interview findings from the insurance case highlighted the wants from the parent company to introduce a spin-off that could tackle a new market in Sweden that specifically would fit a digital spin-off with a new product offering. Data did back up their hypothesis that Sweden had many SME’s that would fit their new product offering and that the competition lacked a credit insurance product.

Linking these findings back to prior research and the first research question, the findings suggests that the main motives for introducing a corporate spin-off in Stockholm, Sweden is related to improving the customer experience while making modifications correlated to the cost structure, which most often attracts a new customer segment. It is noticeable that these factors were not the top reasons for introducing a corporate spin-off in prior research. Tübke (2004) found through his research that the number one reason for introducing a spin-off was to organize a strategic restructure of the workforce.

6.1.2 Sweden is a great country to be in when introducing a corporate spin-off
Sweden has been labeled as the country that best puts the internet to use (Sutter, 2012). Corporations worldwide has taken notice and this makes Sweden a great market to do business in, especially when introducing digital products with innovative business models.

An interesting interview finding from the insurance case was that the parent company wanted to tackle the Swedish market because it was small, where the interviewee stated that “Sweden was of interest because if we fail there, it would be a much smaller failure than if we would fail in Germany or France”. Both interviewees mention that the digital awareness along with the technical adoption from Swedish citizens impacts why corporations would be interested in doing business in Sweden.
6.1.3 Technological advancements make it easier than ever to run a business
Salim Ismail (2014) stated that “thanks to strong viral and social network effects that allow startups to scale rapidly, it is now easier than ever before to start new companies and disrupt industries”. The interview findings confirm this statement and the head of the telecommunication spin-off mentioned that “the growth of social media marketing has also helped us define our target market and run different marketing experiences to see what works best for us”.

A key resource is the analytical component of businesses that has significantly improved in recent years. Social media marketing and cloud services has integrated enhanced analytics that help business leaders make better decisions. This has helped the featured spin-off organizations grow and succeed with their new offerings and earlier research provided by Deloitte (2015) and Salim Ismail (2014) supports these findings while also answering the third research question which highlights that technological advancements in areas such as cloud computing, artificial intelligence and enhanced analytics has fueled spin-off success. The improvements in technology and the growth of social media has increased the number of selling points while at the same time making it possible for companies to provide different content on a wide variety of platforms which consumers can then locate at the platform that is most relevant to them.

6.1.4 Corporate spin-offs are usually executed in a partnership with an external party
Throughout the two case interviews, both interviewees explained that external partners helped the spin-off with several business aspects which helped the spin-off achieve success. In the telecommunications case, the external partner helped the spin-off conduct interviews with potential customers to understand their needs and wants from a new telecommunications provider. Moreover, the spin-off also had assistance from a branding firm to select the name for the company which was based on significant research done in Sweden.

Both corporations started off their innovation search process through corporate intraprenurship which helps stimulate talent inside an organization (Tidd & Bessant, 2009). The two spin-offs also utilized external partners to fine-tune their branding efforts while the insurance spin-off worked even closer with their external partner to improve their innovation funnel, which can be described as the roadmap which “helps review decisions about resource commitment” (Tidd & Bessant, 2009, p. 312) while also helping with user testing and product related interviews before launching.

Findings from both interviewees also emphasize that recruiting efforts improve with introducing a corporate spin-off. To cite the Lawyer for the insurance spin-off, she concluded that “introducing this spin-off has helped us recruit more talented individuals while also making sure that our external partners and consultants are excited to work with us, I’m not sure they would have been as excited if they were assigned to work for our parent company”.

Relating back to previous research and the second research question, it is extremely beneficial to have a parent company that provides financial backing and industry expertise when launching a spin-off. Throughout the interviews, it was clear that the spin-offs had the parent company’s support which helped exploit entrepreneurial opportunities while at the same time providing strategic advice (Moncada et al, 1999).
6.1.5 Changes related to customer experience and cost structures through business model innovation is helping spin-offs thrive

A common theme across the two case studies was the change the spin-offs have experienced when it comes to the business model. In a world where corporations are more vulnerable than ever to receive negative reviews with the rise of the internet, customer experience is more prone to be of high focus for corporations (Halpin, 2016). Both interviewees confirmed that the customer experience was important to achieve success and a main driver of introducing the spin-off.

From the research findings, we could also conclude that both corporations wanted to change their cost structure to target another customer segment, which both have done. This business model adaptation has helped both spin-offs tackle new customer segments while improving the customer experience. These findings relate back to the first research question which focused on what the motives are for introducing a corporate spin-off in Stockholm, Sweden.

The featured spin-offs recognize the need for their parent company to adopt some of the learnings from the spin-off, while none of them have a formal knowledge sharing platform in place (Tidd & Bessant, 2009). The capturing of the benefits that the spin-offs have produced are best showcased through growth in customers, rising productivity and value per employee while marketing efforts have significantly improved over time.

6.2 Conclusions

The research featured was conducted to help increase the awareness of the positive aspects of introducing a corporate spin-off in Sweden in the year of 2017. The research focused on the relationship between the spin-off and the parent company to understand what is being done properly and what aspects that could be improved.

The research findings are clear that corporate spin-offs benefit greatly from being associated with the parent company. This is most evident when it comes to funding since these smaller spin-offs have access to the departments of the parent company while also having access to external partners and consultant, something that the parent company usually funds.

To bring even more clarity to the second research question relating to how a parent company and spin-off relationship should look like to achieve success, the researcher interviewed Mattias Nyström, Co-Founder and Partner at a Stockholm based consulting firm named Great Works. Mr. Nyström confirms the research finding that spin-offs benefit greatly from a relationship with the parent company since “those involved from the parent company are aware of the internal processes and understands how the corporation operates”, which is important to understand as a spin-off. Once the spin-off understands the internal processes of the parent company, it is much easier to convey your ambitions and shape your work so you can get the most out of your partnership with the parent company. Nyström’s main experience with spin-off and parent company relations stems from launching a spin-off in the alcoholic beverage industry together with one of the largest players in the industry.

Additionally, one main benefit and success factor for the spin-off and parent company relationship is that the parent company and its business departments can help the spin-off with some of the administrative and legal aspects of a business to have the spin-off focus on what they are best at. This helps spin-off corporations move faster and be more efficient. This has also been argued in previous research by Wallin and Lindholm-Dahlstrand (2006) where they stated that “spin-offs are born with a head start in a competitive race, since they can profit
from previous experiences and relations build up while still being part of the parent organization”.

The biggest motivator for the spin-offs was to tackle a new customer segment, improve customer experience while innovating on the parent company’s business model.

The big challenge for the parent company is how to incorporate some of the learnings and business processes that have accumulated through the spin-off. Codifying knowledge wasn’t something that the interviewed spin-offs and their parent company focused on and is one area that could be improved in the collaboration between the parent company and the spin-off.

In conclusion, it becomes more and more obvious that operational strategies related to efficiency and collaboration becomes more important every day that goes by. Corporations are constantly looking for ways to improve their operation and the learnings from introducing a spin-off to working with external experts and consultants help the parent company understand how these new operational strategies can help them excel in business.

Lastly, this research was meant to contribute to the field of industrial management by showcasing local developments in innovation management techniques while also showcasing how consumer trends influences business decisions.

6.3 Limitations
The study is limited in its scope because of the time constraint set by the academic program as well as it relates to the case studies conducted. The researcher has had limited exposure to corporate spin-offs in Sweden which has limited the research.

The research was conducted during a 10-week duration and featured relevant organizations who could provide their personal view of their progress so far. By using the interpretivist paradigm, it is understood that personal biases can be included in the results showcased and that the results of this research could differ if repeated (Collis & Hussey, 2013). Reviewers of the literature will need to recognize that bias might occur and always be critical of research findings (Pannucci & Wilkins, 2010).

6.4 Recommendations for Future Research
Since the research was conducted with a small number of spin-offs, future research could expand on the number of research participants. With the fast growth of technological capabilities, future research could dive deep into its impact on spin-off success and highlight how successful corporations are exploiting technology to achieve success.

As mentioned previously in this research, spin-offs have the luxury of being backed by the parent company which often hires an external partner to help in the process. Further research could consider those relationships to see what value an external partner brings in different areas of the world, since expertise can differ on a local basis.

Furthermore, both interviewees mentioned that no spin-off ‘model’ was followed, which could imply that there is a gap in the market for a spin-off model which future spin-offs could make great use of.
REFERENCES


Commission of The European Communities.. (COM) (2002). More Research for Europe Towards 3% of GDP. Available at: ec.europa.eu


Ries, E. (2011). Eric Ries on 'The Lean Startup' - Knowledge@Wharton. Available at: http://knowledge.wharton.upenn.edu/article/eric-ries-on-the-lean-startup/


