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## **SPIN-OFFS AS CORE VEHICLES FOR BUSINESS MODEL INNOVATION: AN ATTENTION-BASED VIEW**

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### **Abstract**

This study explores corporate spin-offs as core vehicles for business model innovation at incumbent firms. Business model innovation includes the discovery of entirely new ways of creating and capturing value and requires firms to look beyond their industry boundaries. Following the attention-based view of the firm, a favorable organizational set-up has to be established in order to seize and act upon the exploration of such novel opportunities. Therefore, we first study the organizational structures of four spin-offs, how these affected the regulation of attention and, in turn, influenced the spin-off initiative in achieving business model innovation. Based on an in-depth study of four cases, we contribute to literature on business model innovation, spin-offs and the attention-based view.

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## **1 INTRODUCTION**

Business model innovation has received great significance in theory and practice as it may positively affect firm performance (Amit & Zott, 2001; Casadesus-Masanell & Zhu, 2010, 2013; Kim & Min, 2015; Zott & Amit, 2007, 2008). Accordingly, research on business model innovation has attracted increasing attention in various domains of research, such as strategic and innovation management (Demil, Lecoq, Ricart, & Zott, 2015), following either a cognitive (Baden-Fuller & Morgan, 2010), realistic (Zott & Amit, 2010) or evolutionary stance (Martins, Rindova, & Greenbaum, 2015; McGrath, 2010). The significance of business model innovation is widely accepted, which is shown by various special issues in *Long Range Planning*, *Strategic Entrepreneurship Journal* or *R&D Management* (Baden-Fuller, Demil, Lecoq, & MacMillan, 2010; Demil et al., 2015; Robins, 2013; Spieth, Schneckenberg, & Ricart, 2014) as well as several special tracks and panels at *Strategic Management Society* or *Academy of Management* conferences.

Whilst it is beneficial for firms to innovate their business model, novel business models are not self-propelled. They require managers to look beyond the existing boundaries of their firm and their industry (Casadesus-Masanell & Zhu, 2013; Zott & Amit, 2007) and to discover fundamentally new ways of doing business (Amit & Zott, 2001; Casadesus-Masanell & Zhu, 2013; C. Markides, 2006). However, individuals can only identify and act upon novel opportunities if they focus their attention on them (Barnett, 2008a; Cho & Hambrick, 2006), since they are unlikely to act on things that do not catch their attention (Ocasio, 1997; Simon, 1947). However, individuals tend to focus their attention on things that are related to existing activities, experiences, and solutions, which typically leads to a neglect of novel information and opportunities that are outside their usual attention focus (Cyert & March, 1963; Monteiro, Arvidsson, & Birkinshaw, 2008). The shift of attention from prevailing solutions and activities to these novel opportunities, therefore, is a mandatory prerequisite to their exploration (Barnett, 2008a; Cho & Hambrick, 2006; Cyert & March, 1963; Monteiro et al., 2008).

Shifting managers' attentional focus requires a change of organizational structures because attention is strongly influenced by the organizational structures managers find

themselves in (Bouquet & Birkinshaw, 2008a; Cho & Hambrick, 2006; Dutton & Ashford, 1993; Hansen & Haas, 2001; Nadkarni & Herrmann, 2010). Such a particularly strong change of organizational structures can be achieved by pursuing spin-offs (Chesbrough, 2003; Fryges & Wright, 2014). As a consequence, spin-offs are widely accepted as core vehicles for explorative activities (Bruneel, Van de Velde, & Clarysse, 2013; Chesbrough, 2003; Moschieri & Mair, 2011; Osiyevskyy & Dewald, 2015; Parhankangas & Arenius, 2003), which raises the question of how firms can employ spin-offs to achieving business model innovation and, more specifically, how they can shape the organizational structures of spin-offs accordingly.

This question is not only of great significance for management research and practice, it leads to a new and highly relevant field of investigations at the intersection of business model innovation, spin-offs, and the attention-based view of the firm. Recently published work has called for exploring the implementation of business model innovations in incumbents (Demil et al., 2015), but this topic has seldom been investigated in connection with corporate spin-offs (Chesbrough & Rosenbloom, 2002; Osiyevskyy & Dewald, 2015). From an attention-based view, research at the intersection of this theory and business model innovations has evolved only recently and proves the great significance of attention in this context (Martins et al., 2015; Micheli, Berchicci, Ocasio, & Jansen, 2015). However, these works have not addressed spin-offs, despite their major influence in the context of explorative activities (Chesbrough, 2003; Moschieri & Mair, 2011; Osiyevskyy & Dewald, 2015). Also, whilst few works have studied antecedents of managerial attention in general (Bouquet & Birkinshaw, 2008b; Cho & Hambrick, 2006; Dutton & Ashford, 1993; Hansen & Haas, 2001; Palmié, Lingens, & Gassmann, 2015), spin-offs have been almost entirely neglected as an antecedent of attention.

In an attempt to address the research gaps mentioned above, we apply a qualitative multi-case study based on four original cases of spin-offs having led to successful business model innovations. Thus grounded, we develop several propositions and provide practitioners with recommendations for using spin-offs as a vehicle to achieve business model innovation. More specifically, we contribute to research on the attention-based view by examining the organizational structures of spin-offs as an antecedent for attention. Consequently, we show why and how this governance mode is beneficial for initiating and implementing business model innovation at incumbents. By this, we ultimately contribute to the scarce literature that interlinks the attention-based view with business model innovation.

## 2 THEORETICAL BACKGROUND

### **Business model innovation**

A business model describes the logic of a firm, the way it operates and how it achieves the central goals of creating and capturing value for its stakeholders (Baden-Fuller et al., 2008; Afuah & Tucci, 2001; Amit & Zott, 2001; Chesbrough, 2010; Teece, 2010). Some authors also stress that the business model formulates the competitive strategy through which the innovating firm gains and holds advantage over rivals (Chesbrough & Rosenbloom, 2002; Sandulli & Chesbrough, 2009).

With regard to novel business models, the locus of innovation is expanded from products or processes. It considers all business model dimensions, namely the value proposition, value chain and revenue model and the reconfiguration of these elements in an entirely new business architecture (Amit & Zott, 2001; Zott, Amit, & Massa, 2011; Zott & Amit, 2015). It is thus defined as a “search for new logics of the firm, new ways to create and capture value for its stakeholders, and new ways to generate revenues and to define value propositions for customers, suppliers, and partners” (Casadesus-Masanell & Zhu, 2013; p. 464). Ultimately it leads to the discovery and implementation of a fundamentally new way of competing in an industry (Frankenberger, Weiblen, & Gassmann, 2014; Magretta, 2002; Markides, 2006; Nidumolu, Prahalad, & Rangaswami, 2009).

As a result, innovating on a business model basis implies significant changes in a firm's architecture, altering the overall gestalt and logic of how activities are performed and interlinked (Amit & Zott, 2015; Zott & Amit, 2010). Research thus acknowledged the importance of organizational change for business model innovation, particularly the question of how incumbents may initiate and implement business model innovation (Demil et al., 2015; Foss & Saebi, 2015; Spector, Santos, & Heyden, 2009; Velu & Stiles, 2013).

### **Spin-offs**

Corporate spin-offs have been recognized as an organizational mechanism that lays a vital ground to achieve business model innovation (Osiyevskyy & Dewald, 2015), but represent an under-researched unit of analysis (Narayanan, Yang, & Zahra, 2009). A spin-off may either be started by the *incumbent firms* themselves or by *single employees* (Bruneel et al., 2013; Fryges & Wright, 2014). Moreover, the event triggering the creation of a spin-off can either be an *adverse development* or an *opportunity* (Bruneel et al., 2013; Hitt, Hoskisson, Johnson, & Moesel, 1996; Hoskisson, Johnson, & Moesel, 1994; Markides, 1992). This study focuses on

opportunity spin-offs, started and backed by incumbents. This type has been predominantly explored with regard to new technological and product innovations (Bruneel et al., 2013; Chesbrough, 2003; Parhankangas & Arenius, 2003; Sapienza, Parhankangas, & Autio, 2004; Siggelkow & Levinthal, 2003). They allow to exploit new opportunities (Hitt, Nixon, & Hoskisson, 1999) and to develop new competences that are not compatible with the organizational structure of the corporate parent (Keil, Autio, & George, 2008). Consequently, they may become an efficient governance mode for innovations (Chesbrough, 2003; Ito, 1995), avoiding internal innovation barriers and safeguard explorative activities towards future growth of the company (Burgelman, 1983b; Hill & Birkinshaw, 2014; Narayanan, Yang, & Zahra, 2009).

Most research has focused on how organizational structures affect post spin-off growth (Bruneel et al., 2013). This covers aspects such as the degree of integration, ownership structure or the degree of post spin-off collaboration (Parhankangas & Arenius, 2003). Moreover, organizational set-ups have been described according to the elements of shared resources (Sapienza et al., 2004) or relatedness and autonomy (Keil, Maula, Schildt, & Zahra, 2008; Sapienza et al., 2004). In a similar stream, research has focused how the starting condition, for instance, financial or knowledge endowments, affect growth (Bruneel et al., 2013; Clarysse, Wright, & Van de Velde, 2011; Sapienza et al., 2004). In this vein, Knockaert, Ucbasaran, Wright, & Clarysse (2011) have identified that spin-offs which build on scientific knowledge endowments tend to focus on technical aspects of innovation and thus neglect the importance of commercial knowledge and alertness to external market cues. Consequently, these spin-offs should actively enforce their market-oriented search activities (Knockaert et al., 2011).

### **The attention-based view of the firm**

Ocasio (1997) has introduced the attention-based view of firms by building on earlier works of Cohen, March, & Olsen (1972), Cyert & March (1963), March & Simon (1958) such as Simon (1947). The attention-based view has been applied in many areas, such as intra-organizational changes, search for innovations (Barnett, 2008b; Li, Maggitti, Smith, Tesluk, & Katila, 2010; Yu, Engleman, & Ven, 2005) or to strategic groups (Surroca, Prior, & Giné, 2016).

From an attention-based view, organizations are systems of structurally distributed attention (Ocasio, 1997), comprehending attention as “the noticing, encoding, interpreting, and focussing of time and effort” on issues and answers (p.189). In this vein, the theory claims that

attention determines the actions of decision-makers and shapes subsequent organisational moves (Ocasio, 1997). Yet, the amount of attention a decision-maker can focus on is finite (Simon, 1947). Managers may only attend to a narrow set of issues and answers and only these will influence decisions and ultimately result in organizational moves (Ocasio, 1997; Simon, 1947). Accordingly, attention becomes one of the most critical and important resources in organizations (Ambos & Birkinshaw, 2010; Martine R Haas & Hansen, 2001). The scarceness of attention implies that managers are confronted with more problems than actually possible and in consequence become selective (Cyert & March, 1963). On the one hand, selective attention ensures that people focus only on a specific set of issues and answers, enhancing speed and accuracy in organizations (Ocasio, 1997) while on the other hand others are blocked out (Fiol & O'Connor, 2003; Starbuck & Milliken, 1988) which may lead to a neglect of relevant information, knowledge, decision alternatives and options, on the downside (Barnett, 2008a; McNamarra & Bromiley, 1999; Yates, Jagacinski, & Faber, 1978).

### 3 RESEARCH METHOD

Since we intend to introduce a fresh perspective on spin-offs by applying the attention-based view of the firm (Ocasio, 1997) and aspects of business model innovation, we consider case study research (Punch, 2013; Yin, 2014) a suitable methodology. This approach is ideal if a new perspective on an already researched topic is needed (Eisenhardt, 1989). A multi-case study is particularly desirable to grounding our research on rich and comparative qualitative data (Eisenhardt, 1991). All of the four cases are based on research carried out between 2014 and 2016.

Our research has been conducted over four stages, with mutual adjustments between empirical insights and theoretical development. In the first stage, we collected background information about spin-offs as well as business model innovations based on spin-offs in order to gain an initial understanding of this matter. This initial research was supplemented with theoretical studies in these subjects. The initial results pointed to the attention-based view of the firm as a possible theoretical underpinning of our research endeavor.

On this ground, in stage two, we delved deeper into the aspect of how firms use spin-offs as a vehicle for business model innovation and how they steer managers' attention in this regard. For this, we conducted several interviews with executives having been in charge of achieving a business model innovation by pursuing spin-offs, experts on divestitures and leaders of

corporate ventures. Additionally, we arranged a one-day workshop/roundtable with seven senior executives from five multinational firms on the topic. We triangulated these information with presentations, websites, press releases and newspaper articles. An initial coding revealed the significance of organizational structures and the attentional foci for the question of how spin-offs achieve business model innovation.

Thus grounded, in the third stage, we followed Yin's (2014) recommendation and built a theoretical framework and patterns of expected results based on the attention-based view of the firm and existing literature on business model innovation and spin-offs. This approach is beneficial as it "will enable the complete research design to provide surprisingly strong guidance in determining the data to collect and the strategies for analysing the data" (Yin, 2014; p. 38). Another "benefit is a stronger design and heightened ability to interpret your eventual data" (Yin, 2014; p. 38). By doing so we, also, follow Ocasio's (1997) call for an enrichment and further elaboration of the attention-based view and its application on novel subjects by using case studies. According to Yin (2014), we tried to build a comprehensive attention-based framework – 'as complex as possible' (Yin, 2014), which provided us with an initial understanding of how and why spin-offs can be used by firms to achieving business model innovation. Our framework put a particular emphasis on attention and its possible antecedents in the context of our research, as identified in the previous research stage.

Informed and guided by our framework and the patterns of expected results from the previous stage, we collected data for our case study in the fourth stage (Yin, 2014). To follow the theoretical background of our study we selected companies that searched novel ways for competing in their industries. All firms represented by the cases included multinational, mature corporations of different industries based in Germany that founded a spin-off. All spin-offs were 100% owned by the corporate parent and anchored in a high-tech environment. Ultimately, all spin-offs led to an implemented business model innovation new to the industry:

- **SupplierSpin:** A multinational spin-off offering software-based solutions and engineering services for various sectors (e.g. automotive, aviation, offshore, agriculture, etc.).
- **PhotoSpin:** A spin-off entirely dedicated for the digital market of photofinishing.
- **ServiceSpin:** Spin-off incorporated by a multi-technology company to tap the market of service solutions, employing an open business model.
- **MobilitySpin:** Multinational spin-off in the mobility sector providing hardware and an extensive service ecosystem.

In choosing these firms, we set a clear demarcation from research on university spin-offs “as the processes of creating new ventures based on a university or a corporate spin-off are often different” (Zahra & Wright, 2012; p. 71). We focused on so-called corporate, assisted (Zahra, Van de Velde, & Larrañeta, 2007) or incumbent-backed spin-offs (Bruneel et al., 2013), which were initiated by the top management of the corporate parent.

**- Insert Table 1 around here -**

Each firm provided us with extensive documentations and allowed us to conduct interviews with the managers having been in key positions of the respective spin-offs. The documents studied as well as the interview respondents are listed in table 1. With each firm, we conducted 4-5 interviews, each lasting on average 90 minutes. A first interview for each case assisted us in structuring the data collection, defining most knowledgeable managers and important decision makers for further interviews over the course of the spin-off (e.g. former CEOs). The conduction of the interviews as well as the collection of additional data was guided by our theoretical framework and the patterns of expected results as developed in stage three (Yin, 2014). As such, we particularly asked for specifications and characteristics of organizational structures and their influence on attention distribution and business model innovation.

With regard to the organizational structures of a spin-off, we adopted a multilevel perspective, and asked for different structural features on various management levels. We focused on several important structural dimensions such as formalization (Caruana, Morris, & Vella, 1998), collaboration with the corporate parent (Sapienza et al., 2004), strategic/operational autonomy (Moschieri & Mair, 2011), degree of integration (Parhankangas & Arenius, 2003), geographic distance (Narayanan et al., 2009a) or important communication channels and partnerships among others.

We gathered insights on how attention was distributed by interviewing the top management of the spin-off. We primarily targeted CEOs who possess the most inclusive knowledge about an organization’s processes, history and performance (Carter, Stearns, Reynolds & Miller, 1994). Inspired by works such as, Barnett (2008), Palmie et al. (2015), (Rerup, 2009) and (Jospeh & Ocasio, 2012) we firstly explored aspects such as how much time and effort the top management team dedicated to certain issues and answers, what they perceived as particularly relevant or by investigating rare events. Moreover, all of the four case firms provided us with extensive internal documentations and externally oriented documents. Based on this, we triangulated our findings. In line with the research question, we ultimately interlinked our

findings on the attentional focus with three dimensions that, according to Li et al (2013; p. 902), are most relevant to understanding attention distribution in the context of innovation and the search for novel opportunities: (1) Familiarity refers to the extent to which the top management shows a search behavior and dedicate their attentional focus on unfamiliar information. ('Information they have never been exposed before, Information that is different from other information used in the past'). (2) Distance refers to the extent to which the top management shows a search behavior and dedicate their attentional focus outside or inside their organization (inside (within an organization), intraindustry and extraindustry). (3) Breadth refers to the range of sources the top management uses for obtaining novel information (Top management team (TMT) members, managers not part of TMT, non-managers, consultants, suppliers, customers, alliance partners, competitors, government, university, investors and other sources outside the industry).

The third central element to our case study is to explore the spin-off's business model innovations. We opted for an activity-system perspective based on Zott & Amit (2010), which is a widely accepted framework in research as the description of a business model is consistent with how the concept is applied in practice (Zott & Amit, 2015). An activity system consists of several interdependent activities such as the firm's choice of products and service, its value chain activities, or its choice of customer groups (Markides, 2013). According to these authors, we regard the business model as consisting of three central components: the value proposition, the value chain activities and the revenue model.

The initial coding schemes of these three overarching themes, namely organizational structures, attention of top management, and the business model were used as a starting point for our semi-structured interviews. As noted, we additionally asked open questions that allowed the respondents to speak freely and provide further information. We did not mention any element of our emergent theoretical insights to interviewees to control for potential respondent bias. The questionnaire as well as the theoretical framework were constantly improved with new insights gained from the interviews. This iterative development of our semi-structured interviews gradually refined our initial coding scheme for each case separately.

The interviews were recorded on tape whenever possible and transcribed immediately thereafter (Mayring, 2013). The data gained were independently coded by the researchers. To diminish recall and rationalization bias and to enhance the consistency of our results, we triangulated our collected interview data with other data sources gained in the previous research stages (Davis & Eisenhardt, 2011; Yin, 2014). Also, we discussed our empirical insights with

the theoretical framework and the patterns of expected results grounding the research (Yin, 2014). This discussion was done in an iterative fashion, moving back and forth between theoretical assumptions and empirical findings (Yin, 2014).

Finally, we summarized our results in case studies, which we discussed with our respondents. We challenged our insights by discussing its application to other empirical cases, especially the cases used in the prior stages of our research (Gibbert, Ruigrok, & Wicki, 2008).

## 4 FINDINGS

In the following, we provide a brief description of the four spin-offs and how they evolved over time.

### *PhotoSpin:*

The corporate parent of PhotoSpin is a leading photofinishing company in the European photographic market. The success of the company is based on high-tech production labs, operating with state-of-the-art technology and constant R&D investments for newer, faster and more efficient technologies. With the strong belief that the digitalization could be a chance for future business, a spin-off with a special focus on digital products was founded in 1997. This decision is mainly due to the radical, high-risk mission which would not fit the myopic and productive operating business.

The mission of the spin-off was to actively seek to cannibalize the current business and the whole spin-off was driven by this spirit. The idea was to search and develop solutions for the upcoming digital era, wherefore the spin-off was equipped with mainly new employees. Highly motivated experts with specific R&D knowledge in the digital field were sourced, instead of merely transferring workforce from the corporate parent. The spin-off was essentially a specialized taskforce, whose main objectives were the rapid transformation and implementation of ideas in the market and the active pursuit of high-risk trial-and-error approaches, exploring new modes in R&D or Marketing&Sales. In addition, and due to its very high strategic and operational autonomy, it had flexible possibilities to enter alliances with external partners.

The spin-off developed a strong culture of market proximity and constant testing in how to best integrate technologies into a viable business model. It successfully implemented an innovative business model for the digital age and rapidly reached a considerable size. However,

by 2004, the management of the corporate parent could clearly grasp that the income through its own core business was experiencing a freefall. Therefore, it has been decided to undergo a major restructuring phase. The groundbreaking move was to integrate PhotoSpin into the corporate parent as this business has continually gained momentum. The spin-off was to be dissolved and all assets including personnel and knowledge were to be integrated into the corporate parent. Committing to integrate was a daunting task, since the alignment with the corporate parent got increasingly difficult, as the success of the spin-off grew. In the end, it turned out to be a complex merger of two clashing cultures. Both entities, the corporate parent and the spin-off now shared the customer bases, partners and accumulated assets.

### ***ServiceSpin:***

In order to differentiate and grow in new fields of business, the corporate parent of ServiceSpin decided to enforce service-oriented activities. The organizational structures of the company were, however, highly product-oriented and divisional which hindered a thorough focus on service innovations. Hence, ServiceSpin was launched as a separate venture, incorporated to explore novel service opportunities.

The spin-off has been given great freedom and autonomy to design a new business model for the venture and the team soon experimented with different forms of business models. Despite top management support, the corporate parent set no directives for the business units to partner with the spin-off. Hence, the spin-off had to attract business units of the corporate parent itself to collaborate in service initiatives. On the other hand, there was no directive for the spin-off to necessarily collaborate with the corporate parent in the creation of new solutions.

The spin-off independently implemented a business model that comprised a high degree of openness as it focused on collaborations with external strategic partners to deliver the innovative services on the one hand. On the other hand, the spin-off worked closely with the corporate parent's business units in developing solutions. The spin-off, thus, adopted an open business model where it identifies opportunities of joint value creation with the corporate parent and external partners. A simple example is the application of customized films to cars. ServiceSpin offers a solution comprising the product, individual design, application, services or consulting to customers at a single point of contact. The spin-off takes full responsibility for the entire solution by working closely with service partners who are hand-picked. Thus, the delivery is enabled by first, coordinating a partner network consisting of a broad basis of

certified suppliers which are subcontracted and second, the corporate parent who supplies the hardware.

In having overcome initial orientation challenges in the business model configuration, the team increasingly directed attention on follow-up projects. Consequently, the spin-off built on the established core base of partners, the corporate parent as well as certified service providers. A focus on longer lasting partnerships continually enabled a strong collaboration and increased customer insights in these collaborations.

### ***SupplierSpin:***

The corporate parent of SupplierSpin is a Germany-based multinational engineering and electronics company. Yet, the company was unable to serve the market of small-scale customers in its industry comprehensively. It produced in large series and sold hardware and software to bigger manufacturers with a pricing model that split engineering service costs on large quantities. To explore this opportunity and meet requirements of small-scale customers, the corporate parent founded a legally and economically separate spin-off. SupplierSpin incorporated a business model focused on adaptations of extant hardware solutions of the parent and adapting them to special needs. It also offered a range of additional services (e.g. consulting) and targeted new markets in the industry by directing efforts on new fields of activities. For instance, the spin-off started to search for entirely new opportunities, and sold solutions with a function-based revenue model or sold software as a service to customers.

However, the corporate parent was increasingly diversifying and also tapped into the market for specialized niche solutions itself. Core competences of spin-off and corporate parent started to overlap. Conversely, SupplierSpin grew in size and could handle larger projects. A better structural separation had to be targeted to focus on differing areas of activities. To pursue this, business fields of the corporate parent such as the predevelopment of fuel cells were carved out from the corporate parent and integrated in the spin-off. Moreover, the spin-off grew inorganically as it acquired new enterprises in new business fields.

### ***MobilitySpin:***

The corporate parent of MobilitySpin is a multinational enterprise in the automotive sector. The rising awareness of technological upheavals in the industry forced the top management of the corporate parent to search for new opportunities. To pursue this, the spin-off MobilitySpin was founded.

The spin-off was provided a very high strategic and operational autonomy. It explored futuristic business model concepts to identify new ways of competing in the industry. The launch of a scalable business model was then a significant milestone as the initiative had developed a completely new brand of high visibility in the industry. Innovative approaches in production, dealer and the marketing organization have been ideated from scratch and implemented. For instance, engineering teams of suppliers were requested to join the development process on-site at MobilitySpin to increase involvement, integration and external knowledge exchange beyond the innovation and development process. This commitment was for instance achieved by requesting financial investments from suppliers in the spin-off's infrastructure (e.g. production sites or sales channels). The number of innovative elements in the new business model was extremely high. Thus, there was a growing necessity to guide the spin-off towards consolidation activities. Accordingly, the structures of the spin-off were changed by integrating the spin-off into a business unit of the corporate parent.

In the wake of integration, corporate functions and business units were disconnected from each other. The spin-off ultimately consisted of a loosely coupled network of separated activities dispersed among the corporate parent. The autonomy of the spin-off gradually decreased. A shared vision and attention to the strategy of the spin-off lacked. The focus of the spin-off was rather directed on adapting to the corporate parent. By the end of 2009, sales had stagnated and only few ideas to develop the spin-off in the future existed. There was a growing awareness of the spin-off to reconsider its structural set-up. Several strategic thrusts were analyzed and ultimately the corporate parent and spin-off committed to carve out the spin-off once again. A new CEO was appointed, who actively redesigned the structural embeddedness of the spin-off. The spin-off was carefully detached which paved the way to redirect the focus of the spin-off on its original business idea. For instance, first corporate events specific to the spin-off's employees, separate from the corporate parent were organized personally by the top management of the spin-off. Passing through the several phases of separated spin-off, integrated venture and carved- out spin-off, the initiative increasingly developed toward a strategic asset. In the current phase, MobilitySpin forms a central part in the corporate strategy of the corporate parent as many solution-oriented business models are interlinked to the spin-off.

A short overview on the cases is given in Table 2.

**- Insert Table 2 around here -**

## 5 DISCUSSION

### 5.1 Why and how do firms employ spin-offs to achieve business model innovation? *The 'explorative BMI spin-off' (1)*

The corporate parents of MobilitySpin and PhotoSpin faced high competitive and technological pressures in their industries. Consequently, they strived to find entirely new ways of competing in market and technological terms, seeking to enter unknown territories which have not been explored before. As noted in the literature review, entering new territories in an industry includes the discovery of a fundamentally new business model. This requires an attentional engagement, which in case of the two spin-offs can be characterized as unfamiliar, in terms of focusing on knowledge that has never been used in the past by the employees; distant, in terms setting a focus external to the industry; and broad, in terms of the range of sources used for cooperation and knowledge sourcing. Such a focus leads toward the identification of new information and opportunities (Li et al., 2013) and consequently enables the discovery of new ways to combine novel knowledge which in turn leads decision-makers to new interactions, behaviours, and strategies (Li et al., 2013). Following (Katila, 2002) a focus on distant and unfamiliar search terrains is even beneficial for radical undertakings, such as business model innovations, as it leads to a fast market introduction of innovations, which leads to gaining early market share or increasing the likelihood of survival (Schoonhoven, Eisenhardt, & Lyman, 1990).

Both cases exemplarily demonstrate how the unfamiliar, distant, and broad attentional focus opened up access to several information/knowledge bases. Combining the distant and various external sources like suppliers from unrelated industries paved the way to develop and execute an innovative business model new to the industry. The business models entailed a high degree of innovative elements in terms of combining new revenue models, unconventional value chain configurations and value propositions.

*Proposition 1a: If firms want to achieve business model innovation and enter unknown territories which have not been explored by the corporate parent, they adopt spin-offs which are characterized by an unfamiliar, distant, and broad attentional focus. We term this archetype 'explorative BMI spin-off'.*

Although MobilitySpin and PhotoSpin featured an attentional focus away from the corporate parent, they received significant support, for instance financial endowments. Such starting conditions are essential for spin-offs as they act as levers for future growth (Bruneel et al., 2013). For sub-firm entities, such as spin-offs, to receive these resources, the attention of the corporate parent's headquarters is needed (Bouquet & Birkinshaw, 2008). However, the top management of the headquarter will only act upon issues and answers if this catches their attention (Ocasio, 1997; Simon, 1947). Moreover, the attention of executives at corporate headquarters is generally recognized to be a scarce and critical resource (Cyert & March, 1963; Simon, 1947). Therefore, the spin-off had to actively attract and gain attention from the top management of the corporate parent.

*Proposition 1b: If explorative BMI spin-offs seek beneficial endowments (e.g. financially), they must actively ensure top management attention from the corporate parent's headquarter to the spin-off.*

To achieve the unfamiliar, distant, and broad attentional focus as highlighted in proposition 1a, MobilitySpin and PhotoSpin featured similar organizational structures. MobilitySpin and PhotoSpin were both given great autonomy in terms of setting an own operative and strategic agenda, making day-to-day and long-term decisions on their own. The organizations have been decoupled to a high degree from the corporate parent and showed a high degree of discretion.

More specifically, first, no pre-existing structures were adapted from the corporate parent. Also, mainly new employees were hired for the spin-off. By this, no transfer of assets such as customers, strategic suppliers or shared resources occurred. Second, both spin-offs featured a complete separation of activities on middle and lower management levels. In the case of MobilitySpin and PhotoSpin, these organizational structures impeded exchange of information and prior related knowledge effectively and therefore facilitated the distant attentional focus as noted above. This instance was further extended by hiring mainly new employees from various disciplines. According to prior works on attention, people who do not possess any prior related knowledge and expertise, are more likely to focus their attention on issues and answers located outside the usual field of activity, for instance outside the industry environment (Cho & Hambrick, 2006; W. M. Cohen & Levinthal, 1990; S. A. Zahra & George, 2002).

In stark contrast to the separation on the middle and lower management, strong ties such as frequent meetings and informal communication relations at the top managements of corporate parent and spin-off have been pronounced. By this, the required support and a protection of the

spin-off has been achieved. The exchange at the top management, as highlighted by proposition 1b, however, did not impede the overall unfamiliar, distant, and broad attentional focus of the spin-off's employees. This is mainly due to the fact that the actual search activities and the acquisition of novel external knowledge is typically carried out at lower firm levels (M R Haas, 2010; Hansen, 1999), such as the middle or lower management. On these grounds we state the following:

*Proposition 1c: If firms strive to achieve business model innovation in explorative BMI spin-offs, sourcing mainly new employees is desirable.*

*Proposition 1d: If firms strive to achieve business model innovation in explorative BMI spin-offs, strong ties, such as frequent board meetings and informal personal relationships between the top management of the spin-off and the corporate parent is beneficial.*

*Proposition 1e: If firms strive to achieve business model innovation in explorative BMI spin-offs, a complete isolation of the spin-off from the corporate parent on every other management level beside the top management is beneficial.*

## 5.2 Why and how do firms employ spin-offs to achieve business model innovation? *The 'recombining BMI spin-off' (2)*

ServiceSpin and SupplierSpin exploited extant technical knowledge of the corporate parent but intended to commercialize it in entirely new ways compared to the industry logic. Accordingly, the spin-off pursued knowledge and information collaboration with the corporate parent in technical terms, but exploration and development of a novel business model toward the market. This archetype thus differs from explorative BMI spin-offs in terms of having a same technical base as the corporate parent.

In the same line of reasoning as noted above, the exploration in market-oriented domains towards a novel business model required an attentional focus that was unfamiliar, distant, and broad (for market-oriented search). Conversely, the spin-off exploited existing knowledge of the corporate parent. It sourced entire technical solutions from the corporate parent. In the case of SupplierSpin, for example, hardware components. Thus, it conducted technical search in the corporate parent's technological portfolio. Additionally, it collaborated with the corporate parent, performing joint technical-oriented search activities to identify novel issues and answers

together. This approach seems reasonable as prior related knowledge facilitates the focussing of attention on novel information in a respective field, close to an existing set of prevalent issues and answers (Cho & Hambrick, 2006; Cohen & Levinthal, 1990; Gavetti, Greve, Levinthal, & Ocasio, 2012). This goes in line with prior theorizing about selective focus of attention arguing that employees will focus attention on novel issues and answers within their field of activity if information is particularly salient, vivid and new, standing out relative to its immediate context (Lavie, 1995; Li, Magitti, Smith, Tesluk, & Katila, 2013; Ocasio, 1997). As such information departs from expectations (Crocker & McGraw., 1984; McArthur & Post, 1977), it will affect succeeding actions (Daft & Weick, 1984; Sullivan, 2010). Consequently, both spin-offs engaged in a more directed, narrower attentional focus in technical areas. According to Li et al. (2013) this focus leads to a search for intra-industry information or acquiring information from a less diverse range of sources, in our case drawing on knowledge from the corporate parent. The downside of this familiar, near and narrow attentional focus are the rather local and ‘simple-minded’ search activities for additional and radically novel information (Moore, Oesch, & Zietsma, 2007) as prior related knowledge and expertise in a particular field may possibly lead to neglect relevant information (Cho & Hambrick, 2006; Cohen & Levinthal, 1990; Zahra & George, 2002).

The instance that both spin-offs achieved a business model innovation despite a familiar, near and narrow attentional focus in the technical fields is due to the fact that the attentional focus in the technical domains has been combined with an unfamiliar, distant, and broad attention towards the market. Knockaert, Ucbasaran, Wright, & Clarysse (2011) have explored the role of these two poles in the context of research-based spin-offs (spin-offs of research institutions). The authors highlight that spin-offs which have been founded based on technical knowledge endowments must actively search and acquire commercial knowledge to ensure that the venture is alerted to external cues and opportunities. In case of SupplierSpin and ServiceSpin, this has been achieved by adopting an unfamiliar, distant, and broad attentional focus in market-oriented domains such as marketing, design or sales. Consequently, externally sourced knowledge was assimilated with the knowledge base of the corporate parent which is beneficial for fast growth of a spin-off (Sapienza et al., 2004) and achieving business model innovation in general (Enkel & Gassmann, 2010). On this ground we state the following:

*Proposition 2a: If firms want to achieve business model innovation by using an existing technical knowledge base, the attentional focus for technical solutions should be directed towards the corporate parent, being familiar, near, and narrow; whilst the attentional focus*

*towards the market should be directed away from the corporate parent, being unfamiliar, distant, and broad. We term this archetype 'recombining BMI spin-off'.*

In the case of SupplierSpin and ServiceSpin, the top management of spin-off and corporate parent featured a regular communication relation through board meetings. Compared to explorative BMI spin-offs, the relationship on the top management level was less pronounced and not recalled as a decisive success factor for the implementation of an innovative business model by the spin-off. In line with literature, a venture that is more related, for instance, in terms of a similar technological base is better understood by the corporate parent's top management. Thus, it is likely to enjoy attention of the management anyhow, which is correlated with support (Kuratko & Audretsch, 2009; Sorrentino & Williams, 1995). On these grounds we state the following:

*Proposition 2b: If firms strive to achieve business model innovation in recombining BMI spin-offs, strong ties such as regular board meetings and frequent reporting channels between the top management of the spin-off and the corporate parent is a sufficient condition.*

To achieve a familiar, near and narrow attentional focus but combining this with an unfamiliar, distant, and broad focus towards the market, ServiceSpin and SupplierSpin show similar structural characteristics. Both spin-offs entailed a high degree of operational freedom but less strategic autonomy than the previously described explorative BMI spin-off. Rather than fully decoupling the spin-off, they showed a higher degree of collaboration with the corporate parent.

More specifically, the structural settings have been twofold. Intensive linkages with the corporate parent were established to enable joint activities and collaboration in technical oriented domains. Collaboration was achieved in the form of a high geographical closeness and frequent reporting channels. This also included the complete delegation of work packages and activities to the corporate parent. As noted, this setting of information flows and frequent knowledge exchanges, especially at lower and middle management levels between spin-off and corporate parent allowed to source prior related industry knowledge.

While these organizational structures facilitated the focussing of attention on novel information close to the prevalent (technical) issues and answers (Cho & Hambrick, 2006; W. M. Cohen & Levinthal, 1990; Gavetti et al., 2012), the spin-offs compensated with an unfamiliar, distant, and broad focus in market-oriented domains to spur business model innovation. Domains such as product design, marketing or sales were thus completely

decoupled. For instance, by equipping these domains with mainly new employees, the use of prior related knowledge was prevented effectively as these teams did not possess any access or informal relationships towards the corporate parent. Additional organizational mechanisms, similar to the explorative BMI spin-off, such as the sourcing of new employees, facilitated an unfamiliar, distant, and broad attentional focus on issues and answers located outside the usual industry focus in market-oriented domains.

*Proposition 2c: If firms strive to achieve an unfamiliar, distant, and broad focus in market-oriented domains together with a familiar, near and narrow focus in technical oriented domains, enabling collaboration with the corporate parent in technical-oriented domains on all management levels and separating all other, particularly market-oriented domains is beneficial.*

### 5.3 Why and how do spin-offs evolve over time to achieve business model innovation?

#### *Evolution of the spin-offs in early stages:*

MobilitySpin and PhotoSpin started off as explorative BMI spin-offs, not modifying this initial set-up in the first years. Thus, the top management of the spin-off did not purposefully change the organizational structures. Accordingly, both maintained the unfamiliar, distant, and broad attentional focus and retained a mode of intensifying knowledge collaborations with external partners and continually exploring across all business model dimensions. Following the attention-based view (Ocasio, 1997), this evolution is reasonable in two respects. First, the theory suggests that organizational structures will impact the attentional focus. Thus, if organizational structures remain the same, so will the attentional focus. Second, given the different knowledge base of the employees in the spin-offs, it is likely that these individuals were focusing their attention on information and business opportunities, which are not related to the parent firm. This, in turn, leads to the acquisition of information and knowledge not related to the corporate parent firm as well – a path dependency of attention distant from the corporate parent emerges (Cohen & Levinthal, 1990, Zahra & George, 2002). Accordingly, we state the following:

*Proposition 4a: If organizational structures remain the same, explorative BMI spin-offs keep an unfamiliar, distant, and broad focus and will continue to focus on exploration.*

In contrast, ServiceSpin and SupplierSpin, both recombining BMI spin-offs, continually narrowed down the attentional focus of the market-oriented domains in spite of unchanged organizational structures. For instance, ServiceSpin started to focus on a narrower set of new projects and relied on the successful collaborative projects with the corporate parent. This unintended narrowing down of the attentional focus is reasonable from an attention-based view.

The two spin-offs featured a divided attentional focus. The market-oriented domains maintained an unfamiliar, distant, and broad focus. The technical-oriented domain on the other hand kept a familiar, near and narrow focus. Accordingly, existing collaborations with the corporate parent were intensified in technical terms, as postulated by the path dependency of attention (Ocasio, 1997). Consequently, this attentional focus of the spin-off was aligned to the corporate parent. Following the attention-based view, issues and answers that are already provided, are more valued and legitimate than novel answers. Ocasio (1997) terms this, attentional and resource constraints, which “bias the firm in the direction of continuing exploitation and development of existing resources and routines, rather than in the development of new ones” (p.199). Following this assertion, the exploitative force in the technical domain seems to overrule the unfamiliar, distant, and broad attentional focus in the market-oriented domains. Both spin-offs increasingly focused on efficiency-centered goals related to incremental improvements of the business model innovation.

In a different vein, this phenomenon can also be explained starting from an exploration vs. exploitation reasoning. Both spin-offs were started to explore novel market opportunities based on existing technological knowledge of the parent firm. In reality, such explorative activities are not meant to continue forever, since exploration is a resource-consuming process without direct value – rather, the spin-offs will search until an interesting set of novel opportunities will have been found. This is according to prior works on attention and search, claiming that individuals search as long as an aspired level of success has been reached (Cyert & March, 1963; Greve, 2008). Afterwards, the spin-offs will focus their attention on the exploitation of the opportunities having been discovered, since this focus of attention increases speed and efficiency of action (Ocasio, 1997). This reasoning leads to the following proposition:

*Proposition 4b: If organizational structures remain the same, recombining BMI spin-offs keep a familiar, near and narrow attentional focus in the technical field; whilst also narrowing down its attentional focus in market-oriented domains and will ultimately focus on exploitation in all business model domains.*

*Purposeful changes of organizational structures - Spin-in and spin-out processes in mature spin-offs:*

It was assumed for the entirely explorative BMI spin-offs, MobilitySpin and PhotoSpin that their performance, such as sales growth, could be enhanced by implementing a stronger relation with the corporate parent, for instance by using a joint resource base in sales. Thus, both spin-offs have been entirely integrated into the corporate parent's structures. Subsequently, the business model of the spin-offs also got adapted to the corporate parent.

The attention-based view holds that different organizational structures ultimately lead to differing attentional foci (Ocasio, 1997). Having integrated the spin-offs, MobilitySpin and PhotoSpin adapted to the structures of the corporate parent and followed the corporate parent mode. In both cases, this featured a familiar, near and narrow attentional focus in line with the corporate parent. Ultimately and in line with theory (Li et al., 2013), the spin-offs made use of prior related knowledge where decision-makers are inclined to search in the neighborhood of the problem symptom and of previous alternatives (Moore et al., 2007), inter alia drawing on issues and answers the corporate parent would offer. For instance, by integrating MobilitySpin, the spin-off directed their originally innovative production system towards more conventional industry solutions and standards. In the end incremental adaptations of the business model innovation prevailed; a development which is in line with findings of (Monteiro et al., 2008).

However, the integration of the two spin-offs has not been planned during the foundation. Additionally, the integration did not dissolve the business models that have been developed by the spin-offs. As noted, novel knowledge has been built up and the innovative business model have been implemented. After the two spin-offs, were integrated into the corporate parent structures, the corporate parent started to develop their own novel business models in several business units building on the integrated spin-off. For instance the introduction of an e-mobility fleet at the corporate parent of MobilitySpin was based on the knowledge and opportunities seized in the course of the spin-off. Apparently, there has been a reverse knowledge transfer from the spin-off towards the corporate parent. This led to a strategic adaptation of the corporate parent. On this ground, we state the following:

*Proposition 5a: Integrated spin-offs assimilate the attentional focus to the corporate parent and adapt their business model to the corporate parent accordingly.*

*Proposition 5b: Integrated spin-offs lead to a strategic adaptation of the corporate parent, provided that it has implemented a business model innovation and sourced novel knowledge before.*

As proposition 5a suggests, there may occur a purposeful change of organizational structures when spin-offs are integrated in the corporate parent. As noted, this ultimately results in an attentional focus of employees towards the corporate parent. Moreover, employees reside in the same organizational structures as the corporate parent and will ultimately adopt an attentional focus similar to the corporate parent. This development has been observed at MobilitySpin and PhotoSpin.

As proposition 4b suggests, recombining BMI spin-offs will narrow down their attentional focus without any change in organizational structures. The attentional focus will adapt to the corporate parent, a development that has been observed at ServiceSpin and SupplierSpin.

Thus, at one point in time, all spin-offs indicated an attentional focus similar to the corporate parent – familiar, in terms of focusing on information that has already been used in the past; near, in terms of focusing on issues in the organization and within the industry; and narrow, in terms of cooperating and sourcing knowledge from a reduced set of partners.

For SupplierSpin, this ended in a situation in which corporate parent and spin-off disputed for same customers as both competed in similar ways. MobilitySpin's innovation pipeline shrunk to a minimum during the integrated phase. Both were in need to detect novel opportunities just like in the beginning. On these grounds, the corporate parent of SupplierSpin and MobilitySpin, decided to purposefully change its organizational structures. MobilitySpin was carved out in the majority of the business model domains (marketing, sales, design, production, R&D). In this way, a new organization chart was established, particularly cutting the apron strings in market-oriented domains. For instance, the entire senior management of MobilitySpin was pulled out into a new separated headquarter and reporting structures were disentangled from the corporate parent. SupplierSpin, in a different vein, underwent several M&A processes to broaden its business scope. By such drastic measures, both spin-offs returned to a setting of an unfamiliar, distant, and broader focus outside their prevalent field of activity.

As noted throughout this study, manipulating organizational structures is likely to be key if managers want to set their attentional focus on novel opportunities. For spin-offs in mature stages, this change occurred by setting drastically new organizational structures such as M&A

processes or carving out a business model into a self-standing entity again. In line with Ocasio (1997), the attentional focus in the spin-offs ultimately changed.

## 6 IMPLICATIONS, FUTURE RESEARCH AND CONCLUSION

To achieve business model innovation in incumbent firms, literature increasingly acknowledges first, the role of cognitive influences (Baden-Fuller & Morgan, 2010; Doz & Kosonen, 2010; George & Bock, 2011) such as a manager's attentional focus (Martins et al., 2015; Micheli et al., 2015) and second, the role of favorable organizational structures during business model innovation (Demil et al., 2015; C. Markides, 2013). Previous research in the field of business model innovation missed to integrate these two topics adequately. This is among the first studies to interlink a structural and a cognitive perspective on the achievement of business model innovation based on the attention-based view. We come to see that spin-offs, a specific organizational mechanism, are core vehicles to achieve business model innovation as these may direct the attentional focus in an organization on new strategic elements.

Spin-offs have not been analyzed in the light of business model innovation. Yet, business model innovation reveals an important unit of analysis as it represents a distinct form of innovation as it extends the focus of radical product or process innovations (C. Markides, 2006). Extant research on spin-offs and typologies in the field such as Parhankangas & Arenius (2003) or Narayanan et al. (2009) have missed to include business model innovations in their findings.

Following up on this, we introduced two spin-off archetypes. An incumbent may achieve business model innovation and enter entirely unknown territories by adopting the 'explorative BMI spin-off'. On the other hand, firms may also achieve business model innovation by employing the 'recombining BMI spin-off' which features knowledge endowments of the corporate parent. Our study builds the ground for a deeper understanding of underlying processes and actions that are employed for the two archetypes to achieve business model innovation. More specifically, we focus on the organizational structures of the spin-offs and explored how these affected the attentional focus of employees (Ocasio, 1997). As a result, we assert a mediating effect of the attentional focus on the achievement of business model innovation in the spin-offs.

A primary finding in this regard is how the spin-off's relationship with the corporate parent across multiple management levels and across market- and technically oriented domains was managed. Additionally, we applied a dynamic perspective on this matter and analyzed how the

spin-offs' organizational structures changed over time. To ensure the survival of the business model innovation, for instance, all spin-offs narrowed down their attentional focus, concentrating on exploitation at one point in time. This has either been an unintentional process or been triggered by a purposeful change of organizational structures. In the wake of narrowing down the attentional focus of spin-offs, some of the spin-offs have been integrated into the corporate parent's structures which, conversely, led to a strategic adaptation of the corporate parent in these cases.

Starting from this, the contribution to literature is threefold. First, by studying organizational structures of spin-offs, we contribute to the attention-based view since only few studies have addressed the influence structures exert on attention. Second, we are among the very first papers to conceptualize attentional structures for spin-offs which aim at business model innovation. In this regard, we contribute to the burgeoning literature stream that tackles the organizational dimension of business model innovation. The joint analysis of attention, business model innovation and organizational structures employed in this study is a promising path for future research. For instance, studies could examine other organizational settings such as internal corporate ventures in this context. Future research may also address the limitations of our research, which mainly results from the qualitative case study approach we adopted. While this has been a privileged research setting to study the underlying mechanisms in-depth and different levels of analysis in an emerging research field, the results have a limited generalizability and external validity. Thus, our study gives way for future quantitative research on the topic.

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## 8 APPENDIX

**Table 1:**

Case	No. of employees	Number and role of People interviewed	Number of interviews	Number (and role) of people double-checking the cases	Corporate Parent Data	Description of case and founding year of spin-off
Supplier Spin	≈ 2,000	3 <ul style="list-style-type: none"> <li>• Managing Director</li> <li>• Engineering</li> </ul>	4 semi-structured 1 explorative	1 <ul style="list-style-type: none"> <li>• Managing Director</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive Supplier</li> <li>• 300'000 employees</li> <li>• ≈ 70,6 Bio. Euro</li> <li>• Founded in 1886</li> </ul>	To target niche markets and software-based adaptations and solutions, a completely new, legally and economically spin-off was founded in 1999
Photo Spin	≈ 100 (before integration)	2 <ul style="list-style-type: none"> <li>• CEO</li> <li>• Managing Director Marketing</li> </ul>	4 semi-structured 1 explorative	1 <ul style="list-style-type: none"> <li>• former CEO until 2004, now CTO of corporate parent</li> </ul>	<ul style="list-style-type: none"> <li>• Photofinishing</li> <li>• 3'800 employees in 2004 (time of reintegration)</li> <li>• 428 Mio. Euro</li> <li>• Founded in 1961</li> </ul>	The corporate parent is a leading photofinishing service partner for the premium trademarks in the European photographic market that decided to create an entrepreneurial spin-off entirely dedicated for the digital market in 1997.
Mobility Spin	≈ 6,000	3 <ul style="list-style-type: none"> <li>• CEOs</li> <li>• Managing Director Marketing</li> </ul>	4 semi-structured 1 explorative	1 <ul style="list-style-type: none"> <li>• current CEO</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility Sector</li> <li>• 129'000 employees</li> <li>• 73,5 Bio. Euro</li> <li>• Founded in 1883</li> </ul>	To combine the development of an innovative product with the development of a novel business model, the corporate parent decided to spin-off an initiative in 1994.
Service-Spin	≈ 12	3 <ul style="list-style-type: none"> <li>• CEO/Managing Director</li> <li>• Business Development Manager</li> </ul>	3 semi-structured 1 explorative	1 <ul style="list-style-type: none"> <li>• Business Development Manager</li> </ul>	<ul style="list-style-type: none"> <li>• Chemicals, Conglomerate</li> <li>• 6'200 employees</li> <li>• 2,5 Bio. Euro</li> <li>• Founded 1902</li> </ul>	ServiceSpin is a spin-off of a multi-technology company incorporated to tap the market of service solutions in 2010. The spin-off kept a rather small number of employees by employing an open business model, working extensively with external partners.

**Table 2:**

	<i>Phase 1</i>	<i>Phase 2</i>	<i>Phase 3</i>
<i>Photo Spin</i>	<ul style="list-style-type: none"> <li>• Mission to cannibalize the extant business model of the corporate parent by “digitalizing” the photofinishing industry.</li> <li>• Complete separation of the spin-off from the corporate parent.</li> <li>• Growth phase and ongoing distancing of the spin-off from the corporate parent.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete integration of spin-off for knowledge sourcing through the corporate parent.</li> <li>• Triggering a corporate mode for the integrated spin-off and intensify alignment for increased use of accumulated assets and resources.</li> </ul>	
<i>Service Spin</i>	<ul style="list-style-type: none"> <li>• Freedom to generate novel service solutions around extant products of the corporate parent and search for entirely novel service-driven opportunities.</li> <li>• The spin-off established a wide network of external partners to develop and deliver service solutions in an open business model.</li> </ul>	<ul style="list-style-type: none"> <li>• Spin-off narrowed down its portfolio and began to focus on a few success models.</li> <li>• Most importantly, the relationships and the collaborations with the corporate parent were intensified.</li> </ul>	
<i>Supplier Spin</i>	<ul style="list-style-type: none"> <li>• The corporate parent was not able to deliver several specific niche markets with their business model.</li> <li>• The spin-off targeted this new market mainly building on an existing, internal technology portfolio of the corporate parent.</li> </ul>	<ul style="list-style-type: none"> <li>• Growth phase of the spin-off, overlaps with corporate parent in competing for customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification, M&amp;A and the development of new business areas in the spin-off.</li> </ul>
<i>Mobility Spin</i>	<ul style="list-style-type: none"> <li>• High strategic and operational autonomy for developing a business model innovation in the automotive sector.</li> <li>• The separated spin-off developed new technologies and created an entirely new market in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of the spin-off into the core business unit of the corporate parent.</li> <li>• Alignment and search for efficiency potentials through collaboration of corporate parent and spin-off.</li> </ul>	<ul style="list-style-type: none"> <li>• Carve-out of spin-off to explore new opportunities once again.</li> <li>• Strategic change of the business model towards higher integration of external partners (e.g. platform, cooperation with production partners).</li> </ul>