

Innovation at the Edge in the Established Firm

An Exploratory Study of two Edge Initiatives

Lea Riefle

Supervisor: Professor Inger G. Stensaker

Master Thesis

M.Sc. Economics and Business Administration

Major in Strategy and Management

NORWEGIAN SCHOOL OF ECONOMICS

This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.

Executive Summary

This thesis explores how innovation at the edge can take place in established firms. This qualitative interview study is conducted in the setting of a large Norwegian insurance company and looks at two of its innovation initiatives perceived at the edge. The inductive findings of this research are then set into the context of the limited existing literature on innovation at the edge and existing theory on ambidexterity, as well as of a prescriptive consulting framework.

First, this research explores the origins of innovation initiatives at the edge and finds that strategic projects can be a suitable method to generate innovation initiatives at the edge as well as acquisitions.

Furthermore, this study identifies six features of innovation initiatives at the edge suitable not only to differentiate approaches, but also to explore how the extent of each feature affects the evolution of the innovation initiative. These six features are the distance to the core, the drivers, the focus of the collaboration, the top management support, the development processes and progress measurements, and the perceptions of uninvolved employees from the core. The findings show how these features not only affect each other, such as a far distance to the core potentially improving the perception of employees from the core, or the drivers of the initiative influencing the progress measurements used. It also shows how the features influence the challenges for the initiative and its trajectory over time.

In addition, this research extends the existing literature on innovation at the edge comparing the characteristics to ambidexterity as well as the consulting framework. It shows key differences and similarities to ambidexterity as well as to the consulting framework to innovation at the edge.

Furthermore, the relationship of top management support and top management interference and its effect on innovation at the edge is explored. This research then presents a matrix suitable to categorize innovation initiatives.

Additionally, besides the six features, this research develops a suitable tool to evaluate innovation initiatives assessing the initiative's attribution to the edge.

Further research is necessary to extend the limited research-based knowledge on innovation at the edge.

Preface

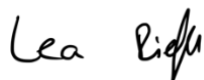
This thesis is written as a part of the Master of Science in Economics and Business Administration at the Norwegian School of Economics (NHH) where I am pursuing a specialization in Strategy and Management.

The thesis is conducted as part of the research program RaCE (Radical Technology-driven Change in Established firms) which is aimed at developing research-based insights, theories, and models, facilitating collaboration between academia and practitioners, and producing knowledge relevant for practice.

First, I want to thank my supervisor, Professor Inger G. Stensaker, for her support and guidance throughout this thesis process. Her valuable and also constructive feedback and encouragement have been essential to the completion of this thesis. I would also like to thank the PhD student Justin Harlan for his insights and support with framing the findings.

I would also like to thank the interview participants, who took valuable time out of their busy schedules and were willing to answer my questions and share their insights on their firm and their work. Without their willingness to participate this research would not have been possible.

Last but not least, I want to thank my sister Lara for her support and encouragement throughout the whole thesis writing process.



Lea Riefle

Berlin, June 1st, 2022

Contents

EXECUTIVE SUMMARY.....	2
PREFACE	3
CONTENTS	4
LIST OF FIGURES.....	7
LIST OF TABLES.....	8
LIST OF ABBREVIATIONS	9
1. INTRODUCTION.....	10
2. THEORY AND FOUNDATIONS	12
2.1 INNOVATION IN ESTABLISHED FIRMS	12
2.1.1 THREE DETERMINING FACTORS.....	12
2.1.2 SUSTAINING VERSUS DISRUPTIVE INNOVATION.....	13
2.1.3 CHALLENGES FOR INNOVATION IN ESTABLISHED FIRMS	14
2.2 INNOVATION BY AMBIDEXTERITY	16
2.3 SCALING THE EDGE.....	17
2.4 THE EDGE ACCORDING TO THE INNOVATION-AMBITION MATRIX	20
3. METHODOLOGY	22
3.1 RESEARCH DESIGN	22
3.1.1 RESEARCH APPROACH	22
3.1.2 RESEARCH OBJECTIVE AND STRATEGY	23
3.2 DATA COLLECTION	23
3.2.1 DATA SOURCES	23
3.2.2 SAMPLE	24
3.2.3 QUALITATIVE SEMI-STRUCTURED INTERVIEWS.....	25
3.2.4 INTERVIEW SCHEDULE AND INTERVIEW PROCESS	25
3.3 DATA ANALYSIS.....	26
3.3.1 TRANSCRIPTION.....	26
3.3.2 CODING	26
3.4 RESEARCH QUALITY.....	27
3.4.1 CREDIBILITY	28
3.4.2 TRANSFERABILITY.....	28
3.4.3 DEPENDABILITY	29
3.4.4 CONFIRMABILITY	29
3.4.5 ETHICAL CONSIDERATIONS	29

4.	CASE DESCRIPTION	31
4.1	THE INDUSTRY CHARACTERISTICS	31
4.2	THE INSURANCE COMPANY <i>INSURANCECORP</i>	31
4.3	THE INNOVATION INITIATIVES PERCEIVED AT THE EDGE.....	32
5.	ANALYSIS AND FINDINGS	34
5.1	THE INDUSTRY AFFECTING INNOVATION AT THE EDGE	34
5.2	THE FEATURES USED TO DESCRIBE THE INITIATIVES	35
5.3	<i>SUBSCRIPTIONPROJECT</i>	36
5.3.1	DISTANCE OF <i>SUBSCRIPTIONPROJECT</i> TO THE CORE.....	36
5.3.2	ORIGIN AND DRIVERS OF <i>SUBSCRIPTIONPROJECT</i>	38
5.3.3	COLLABORATION IN <i>SUBSCRIPTIONPROJECT</i>	38
5.3.4	TOP MANAGEMENT SUPPORT FOR <i>SUBSCRIPTIONPROJECT</i>	39
5.3.5	DEVELOPMENT AND PROGRESS MEASUREMENTS OF <i>SUBSCRIPTIONPROJECT</i>	40
5.3.6	PERCEPTION OF <i>SUBSCRIPTIONPROJECT</i> OF UNINVOLVED EMPLOYEES FROM THE CORE	41
5.4	<i>RSACORP</i>	41
5.4.1	DISTANCE OF <i>RSACORP</i> TO THE CORE.....	42
5.4.2	ORIGIN AND DRIVERS OF <i>RSACORP</i>	43
5.4.3	COLLABORATION IN <i>RSACORP</i>	44
5.4.4	TOP MANAGEMENT SUPPORT FOR <i>RSACORP</i>	45
5.4.5	DEVELOPMENT AND PROGRESS MEASUREMENTS OF <i>RSACORP</i>	45
5.4.6	PERCEPTION OF <i>RSACORP</i> OF UNINVOLVED EMPLOYEES FROM THE CORE	46
5.5	THE COMPARISON OF <i>SUBSCRIPTIONPROJECT</i> AND <i>RSACORP</i>	47
5.5.1	DISTANCE TO THE CORE.....	47
5.5.2	ORIGIN AND DRIVERS.....	49
5.5.3	COLLABORATION	50
5.5.4	TOP MANAGEMENT SUPPORT	51
5.5.5	DEVELOPMENT AND PROGRESS MEASUREMENTS	53
5.5.6	PERCEPTION OF UNINVOLVED EMPLOYEES FROM THE CORE	54
6.	DISCUSSION.....	56
6.1	THE DIFFERENCES BETWEEN THE INITIATIVES AND THEIR REASONS	56
6.2	THE EVOLUTION OF INNOVATION INITIATIVES	59
6.3	THE EXTENSION OF THE CURRENT STATE OF KNOWLEDGE	61
7.	CONCLUSION.....	65
7.1	SUMMARY	65
7.2	JUDGEMENT ON SCIENTIFIC CONTRIBUTION AND LIMITATIONS	65
7.3	FURTHER RESEARCH	66
7.4	MANAGERIAL IMPLICATIONS.....	66
	REFERENCES.....	67
	APPENDIX	69

A. CONSENT FORM.....69
B. ANONYMIZED INTERVIEW GUIDE.....70

List of Figures

Figure 1: The Edge based on the Innovation-Ambition-Matrix by Nagji & Tuff (2012)	21
Figure 2: The Timeline of the Initiatives.....	33
Figure 3: The Features of the Initiatives.....	35
Figure 4: The Features of SubscriptionProject.....	36
Figure 5: SubscriptionProject in the Innovation-Ambition-Matrix.....	37
Figure 6: The Features of RSAcorp	42
Figure 7: RSAcorp in the Innovation-Ambition-Matrix	42
Figure 8: The Features of both Initiatives	47
Figure 9: Both Initiatives in the Innovation-Ambition-Matrix	48
Figure 10: The Distance to the Core for both Initiatives.....	48
Figure 11: Innovation born out of Strategic Projects	49
Figure 12: The Drivers of the Initiatives	50
Figure 13: The Collaboration of the Initiatives	51
Figure 14: Support and Autonomy for both Initiatives	52
Figure 15: Top Management Support in the Initiatives	53
Figure 16: Reactions to the Initiatives.....	54
Figure 17: The Differences between the Initiatives and their Reasons	57
Figure 18: The Potential Development of RSAcorp	59
Figure 19: The Top Management-Support-Interference Matrix	60
Figure 20: The Understanding of Innovation at the Edge	62

List of Tables

Table 1: Types of Innovation according to O'Reilly & Tushman (2004)	16
Table 2: The Key Concept of the Scaling the Edge Framework.....	18
Table 3: Overview of the Interviewees	24
Table 4: Visualization of the Coding	27
Table 5: Explanation of the Features.....	35

List of Abbreviations

etc.	etcetera
i.e.	for example
<i>IMG</i>	<i>InsuranceCorp Mobility Group</i>
SP	Strategic Project
vs.	versus

1. Introduction

Only 52 companies that are currently on the Fortune500 have been on the list uninterruptedly from 1955 to 2019 (American Enterprise Institute, 2019). This turnover can be seen as an indicator of the dynamic consumer-oriented market economy characterized by innovation and speeding up in the more and more globalized world (American Enterprise Institute, 2019). Company demises, such as the case of Kodak, serve as examples of why companies need to not only innovate in small steps but need to aim at groundbreaking innovation (O'Reilly & Tushman, 2004). An example of this philosophy put into business practice is Eric Smith, saying Google's approach to innovation in 2005: "We spend 70 percent of our time on core search and ads. We spend 20 percent on adjacent businesses: Google News, Google Earth, and Google Local. And then 10 percent of our time should be on things that are truly new." (Medium.com, 2015). But how can established firms innovate?

Companies trying to innovate are faced with challenges they need to overcome. The conflict between exploiting and exploring that states that established firms need to exploit the existing market while also exploring new opportunities (Birkinshaw, Zimmermann, & Raisch, 2016) can be quite difficult for established companies. Furthermore, the culture necessary for innovation is different from the culture necessary for innovation (Balogun, 2001).

One way to address the conflicting demands of exploitation and exploration is ambidexterity, where the company can, for instance, structurally separate units for exploitation and create a unit for exploration (Birkinshaw, Zimmermann, & Raisch, 2016). Companies can also open themselves up for innovation besides solely internal development and aim for open innovation (Altmann et al., 2021), create a spinout (Christensen & Overdorf, 2000) or many other options. These approaches to exploration and innovation are predominately focused on incremental innovation or exploring businesses, markets, and customers adjacent to their core business. But, as mentioned by Eric Smith, it is also important to look at "things that are truly new". In this research, this innovation far from the core and mostly unrelated to the core business is called the edge. There has only been a limited amount of research done on the edge, how to approach it and how innovation at the edge develops over time. Thus, the question this research aims to answer is:

"How can innovation at the edge take place in established firms?"

This exploratory interview study focuses on two innovation initiatives perceived at the edge of a Norwegian insurance company. The information this research is based on is gathered in qualitative semi-structured interviews. The research is aimed at providing insights about different ways innovation at the edge can take place in established firms and how distinct features affect the evolution and success of the different approaches to innovation at the edge.

In the overview of the relevant theory and foundations, the factors determining a company's capabilities are presented before explaining the different types of innovation and describing the challenges established firms face when innovating. Additionally, ambidexterity as a way to innovate is presented before explaining Scaling the Edge, a framework developed by consultant on how to innovate at the edge. To conclude the relevant theory and foundations section, a working definition of the edge is presented to use in this research. After a description of the methodology used in this research, the case and research setting is presented. The information gathered in the interviews is analysed in the next section and findings for each of the initiatives are developed. These findings of the two initiatives are then compared including their development over time providing potential reasons. To end the discussion, the understanding of innovation at the edge based on this research is presented and differentiated to ambidexterity and the consulting framework Scaling the Edge. The aim here is to discuss how the empirical analysis and findings in this thesis can extend and further develop the understanding of innovation at the edge. To conclude this thesis, the scientific contribution is presented, before describing the limitations and where further research might be done. Lastly, managerial implications are described.

2. Theory and Foundations

In this section, the theory and foundation relevant for this research is presented. First, innovation in established firms is presented focusing on what affects innovation in established firms, the types of innovation, and the challenges established firms face when innovating. Afterwards, ambidexterity as a way to innovate is presented. Lastly, an understanding of the edge is developed using first the Innovation-Ambition-Matrix and then Scaling the Edge by Hagel, Brown & Kulasoorya (2019).

2.1 Innovation in Established Firms

For the understanding of innovation in established firms, first, this section introduces three factors determining a company's capabilities, then two categories of innovation, and lastly describes the challenges firms face when innovating.

2.1.1 Three Determining Factors

There are three factors determining what a company is capable of: its resources, its processes, and its values (Christensen & Overdorf, 2000). When looking at resources, it is important to not only consider the tangible ones, but also at the intangible ones (Christensen & Overdorf, 2000). Regarding processes, meaning “the patterns of interaction, coordination, communication, and decision-making employees use to transform resources into products and services of greater worth” (Christensen & Overdorf, 2000), it is crucial to understand that processes are meant not to change to ensure consistency, thus, if used for a different task, they might not be as suitable or useful (Christensen & Overdorf, 2000). This is relevant for this research as the processes used to ensure consistency might not be suitable to encourage innovation.

Values are defined as “the standards by which employees set priorities that enable them to judge whether an order is attractive or unattractive, whether a customer is more important or less important, whether an idea for a new product is attractive or marginal, and so on” (Christensen & Overdorf, 2000). It is fundamental to understand how values help align decisions along the hierarchy, and how changes to these values need to be adopted at all levels (Christensen & Overdorf, 2000).

At the beginning of an organization, its success strongly relies on resources. As the company grows and repeats tasks over-and-over again, processes develop and these processes lead to the creation of values within the company. If a company successfully develops processes and values, employees start to assume that the processes and priorities they usually use are often the right choice and, thus, employees follow these processes and priorities by assumption instead of by conscious decision to do so. This is how these two factors turn into the organization's culture (Christensen & Overdorf, 2000).

For this research about innovation, these three determining factors are important. First, the intangible resources, such as capabilities, are important as they define what a company is able to do. Second, the processes within the company might be suitable for innovation or hinder innovation. And third, the values determine whether innovation has a high priority for a company.

2.1.2 Sustaining versus Disruptive Innovation

Sustaining innovations are evolutionary changes in the market a company is operating in. These sustaining technologies regard improvements in aspects of products or services that the market already values (Christensen & Overdorf, 2000).

Disruptive innovations on the other side introduce a new kind of product or service that introduces an entirely new market. This new product or service might, at the beginning, seem inferior measuring it according to the mainstream customer values in the current market (Christensen & Overdorf, 2000).

In Christensen et al. (2015) disruption is defined as “a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses. Specifically, as incumbents focus on improving their products and services for their most demanding (and usually most profitable) customers, they exceed the needs of some segments and ignore the needs of others.” (Christensen et al., 2015). Disruptive innovations are characterized by their origin in low-end or new market footholds (Christensen et al., 2015) and disruptive companies create their business model distinct from the incumbent's business model (Christensen et al., 2015). In addition, disruptive innovation targets low-end customers and only arrives in the mainstream customer segment once the quality reaches the standard of these consumers (Christensen et al., 2015). Disruption has taken place when mainstream

customers have started to adopt the product of service of the emerging company in volume (Christensen et al., 2015). Furthermore, disruption is a process that takes place over time. This is the reason why disruptive innovation are often overlooked by incumbents (Christensen et al., 2015). Still, not all disruptive innovations are successful and success is not a determining factor of a disruptive innovation (Christensen et al., 2015).

Since this research is about innovation in established firms, not in emergent firms, per definition, these firms cannot generate disruptive innovation. Still, the general idea to differentiate between sustaining innovation and non-sustaining innovation is important to keep in mind when discussing innovation at the edge and will be further discussed in 2.2 Innovation by ambidexterity.

2.1.3 Challenges for Innovation in established Firms

Established industry leaders usually introduce, or at least cope well, with sustaining innovations but struggle with disruptive innovations. This can be explained with the resources-processes-values framework. Their organizations are designed for sustaining innovations, not disruptive innovations. Furthermore, since disruptive innovations emerge rarely, organizations do not have a routine in place to deal with them and their values usually disregard the innovation as offering margins too low. Thus, it is usually small startups thriving among disruptive innovations as their values and cost structure allow them to compete with small margins (Christensen & Overdorf, 2000).

Established firms rarely generate disruptive innovations. Incumbent firms focus on their existing customers and, thus, focus on sustaining innovation (Christensen et al., 2015). This focus on sustaining innovations created processes that even managers have difficulty to overthrow to focus investments on disruptive innovations (Christensen et al., 2015).

Since processes are more difficult to change than resources, and values are even more rigid, managers need to create a space for new capabilities to be developed instead of changing the culture of the organization within. This can be done in three ways (Christensen & Overdorf, 2000).

First, managers can create a new organizational structure within the boundaries of the organization in which new processes can develop, a so-called “heavyweight team”

(Wheelwright & Clark, 1992). The newly created team is entirely focused on solving the emerging task and is personally responsible for its success (Christensen & Overdorf, 2000).

Second, managers can spin out a new, independent organization from within the existing organization in which new processes and values can be developed. A spinout is usually suitable if the organization cannot allocate the funds needed for the new market because the mainstream organization's values would prevent this allocation of resources. Further requirements that make a spinout appropriate is when the disruptive innovation requires a different cost structure or when the current size of the opportunity does not match the relative growth needs of the organization. Crucial for a spinout to work is that it is overseen by the CEO to ensure that it receives the necessary resources and can create processes and values appropriate for the new task independently (Christensen & Overdorf, 2000).

Third, managers can acquire an organization that already possesses the processes and values needed to fulfill the requirements of the new task. The decision whether the acquired company should be assimilated into the mainstream organization largely depends on where the desired capabilities lie. If they are embedded within the acquired company's processes and values, then integrating into the organization would destroy the capabilities targeted. Instead, it is suitable to let the business stand alone and support it with the resources necessary. Otherwise, if the reason of the success is within the resources, the parent company should integrate the acquired company into the mainstream organization to leverage the parent's existing capabilities (Christensen & Overdorf, 2000).

As a general guideline, managers should not overreact to the emergence of a disruptive innovation. The rule to disrupt or be disrupted is misleading. They should not dismantle the traditional business while it is profitable. Instead, they should invest in sustaining innovation and, potentially, create a new unit focusing on the opportunities created by the disruptive innovation (Christensen et al., 2015).

After this description of the challenges established companies face when innovating, what determines how extensive these difficulties are, and what kind of innovation established firms face, the following section presents ambidexterity as an approach to innovation within an established firm.

2.2 Innovation by Ambidexterity

Ambidextrous organizations are companies that separate their traditional, exploitative units from their new, explorative units while keeping their senior executive level closely linked. They manage to execute incremental improvements on their incumbent business while also seeking disruptive change in their innovative units (O'Reilly & Tushman, 2004).

In the long run, successful companies need to exploit their current business with so called incremental innovation in the products and services they offer. This consists of small improvement in the products and service they currently offer. Furthermore, they need to integrate architectural innovations, meaning applying advances in technology or processes that deeply change a component or element of their business. In addition, companies need to develop discontinuous innovation that fundamentally alter the competitive basis in their industry. The Map of Innovation helps setting the type of innovation in context of the customers they are targeting (O'Reilly & Tushman, 2004). A reconstruction of the Map on Innovation is shown in Table 1, focusing on the types of innovation a company should work on. Each of these innovations should be aimed at existing or new customers (O'Reilly & Tushman, 2004).

Type of Innovation	Definition
Incremental Innovation	Small improvements in existing products
Architectural Innovation	Technological or process advances to fundamentally change a component or element of the business
Discontinuous Innovation	Radical advances that may profoundly alter the basis for competition in the industry

Table 1: Types of Innovation according to O'Reilly & Tushman (2004)

One of the four basic ways companies aiming for innovation can structure their organization, and the one that is relevant to this research, is to set up an ambidextrous organization. This ambidextrous organization consists of an innovation unit with independent structures, processes, and cultures while being integrated into the senior management of the company (O'Reilly & Tushman, 2004).

A big advantage of the ambidextrous solution is that the incumbent unit can keep their performance in the existing business steady without being negatively influenced by the exploration of the innovation unit. This is also theoretically explained by the fact that an

ambidextrous organization allows for cross-fertilization while avoiding cross-contamination. This is thanks to the tight linking of the managerial level enabling resource sharing and the separation of the operational level ensuring independent processes, structures, and cultures. In addition, the traditional business unit can continue to serve the existing customers and markets without being distracted by the innovation of the new unit (O'Reilly & Tushman, 2004).

First and foremost, ambidextrous organizations need ambidextrous senior teams and managers. These are executives who understand the specific needs of different businesses while being cost-cutting managers and creative innovators at the same time. Additionally, the whole senior team must be committed to work ambidextrously even though not all units are ambidextrous themselves. This is important for resource sharing. Furthermore, it is crucial to have a unifying vision that engages all units of the company, the exploration units as well as the exploitation units. This vision must be communicated by the whole senior management in unity (O'Reilly & Tushman, 2004).

There are three different approaches for how to adopt ambidexterity: Structural Separation, Behavioral Integration, and Sequential Alternation. For this research only Structural Separation is relevant. Structural Separation means that exploitation and exploration are assigned to different organizational units and necessitates resource-linking capabilities to connect the different units (Birkinshaw, Zimmermann, & Raisch, 2016).

For this research it is relevant to understand that established firms need to exploit and explore at the same time. Also, they cannot only focus on incremental innovation but need to also work on discontinuous innovation. One way to do so is by creating structural ambidexterity.

These first sections presented the theory on innovation in established firms, its types, its defining features, its challenges, and how established firms can innovate using ambidexterity. While this shows how research has examined innovation in established firms, consultants from Deloitte have coined the term “Scaling the Edge” focusing on innovation at the edge. In the following, this framework will be presented including its definition of the edge.

2.3 Scaling the Edge

“Scaling the edge” is a framework for innovation at the edge in established firms developed by a consultancy. While Deloitte’s Center for the Edge has been publishing articles mentioning

the concept of “Edge” for around ten years now, such as an article called “Lessons from the edge: What companies can learn from a tribe in the Amazon”, the following description of “Scaling the Edge” is based on an article by Hagel, Brown & Kulasooriya (2019). “Scaling the Edge” is a framework described as supporting companies is finding the edge and providing key design principles to scale this edge to transform the core of the company. In the following, the twelve key design principles as used by Hagel, Brown & Kulasooriya (2019) are summarized into seven key concepts as also shown in Table 2

No.	Key Concept	Explanation
1	The Edge	<ul style="list-style-type: none"> - Low initial investment - No cannibalization of the core - Alignment of the edge with the defining market shift - Ability to grow and scale the edge
2	External Focus	<ul style="list-style-type: none"> - Orientation toward external partners - Avoid falling back on internal resources
3	Top Management Support	<ul style="list-style-type: none"> - “Change Agent” Sponsor
4	Recruiting for Passion	<ul style="list-style-type: none"> - Recruiting based on passion, network, and ability to handle ambiguity - Recruiting might not be done in a traditional way
5	Starving the Edge	<ul style="list-style-type: none"> - Providing only minimal resources and funding - Incentive to be self-sufficient and to look for resources externally
6	Performance Measurements	<ul style="list-style-type: none"> - Performance Measurements should incorporate ambiguity - Include long-term as well as short-term goals - Should also measure the performance of the surrounding ecosystem
7	Under the Radar	<ul style="list-style-type: none"> - At the beginning, Scaling the Edge teams work unnoticed by employees from the core - When the edge gains momentum, the team will lose the anonymity when scaling

Table 2: The Key Concept of the Scaling the Edge Framework

First, a definition of what constitutes an edge and how to find an Edge is provided. The edge differs from other market opportunities in four characteristics in the short run and long run. In the short-term an edge can be indicated, first, by the requirement of a low initial investment since high investments can lead to internal resistance. Second, the edge should not cannibalize on the existing business of the company and instead grow the pie. In the long-term, an edge is, third, aligned with the Big Shift (a disruptive shift). Fourth, an edge is able to grow and be scalable until it can not only transform the core but become the new core of the business

(Hagel, Brown & Kulasooriya, 2019). This approach to finding an edge responds to the risk of an unsure return on the investment which can be minimized by a thought-through selection of the edge (Hagel, Brown & Kulasooriya, 2019). To find and define an Edge, a company should look internally at existing initiatives that fulfill the above mentioned four characteristics. In addition, the company should also look in the broader marketplace. However, large acquisitions should be avoided (Hagel, Brown & Kulasooriya, 2019).

Second, Scaling the Edge mandates an external orientation, especially for resources (Hagel, Brown & Kulasooriya, 2019). This is different from ambidexterity where the team draws on resources from the established firm (O'Reilly & Tushman, 2004).

Third, Scaling the Edge necessitates top management support (Hagel, Brown & Kulasooriya, 2019). This is a similarity to ambidexterity that also includes top management support as a requirement (O'Reilly & Tushman, 2004).

Fourth, Scaling the Edge recruit their teams based on passion, their ability to handle ambiguity and their network (Hagel, Brown & Kulasooriya, 2019). While ambidextrous teams are also required to be able to handle ambiguity, they are recruited based on skills and capabilities (O'Reilly & Tushman, 2004).

Fifth, the established firm starves Scaling the Edge teams regarding resources (Hagel, Brown & Kulasooriya, 2019). This starvation is meant to encourage the external orientation and self-sufficiency. Starving the edge is a crucial difference to ambidexterity where the teams are provided with ample resources from the established firm (O'Reilly & Tushman, 2004).

Sixth, regarding performance measurements, Scaling the Edge teams should be measured using metrics considering the ambiguity of the environment. Additionally, these metrics should include short-term as well as long-term goals and also measure the performance of the ecosystem created or supported by the Scaling the Edge team (Hagel, Brown & Kulasooriya, 2019). To evaluate the success of ambidextrous units O'Reilly & Tushman (2004) use two dimensions. They assess whether the team succeeds in developing the desired innovation (commercial results or application of learnings about the market or technologies) and they looked at the performance of the established firm to ensure that the exploitation does not suffer because of ambidexterity (O'Reilly & Tushman, 2004).

Seventh, and last, concept is that Scaling the Edge teams stay under the radar of employees from the core until they gain momentum and scale up (Hagel, Brown & Kulasooriya, 2019). This is different for ambidextrous teams that do not operate unnoticed (O'Reilly & Tushman, 2004). This characteristic of Scaling the Edge could be confused with a skunkwork group but while both approaches start out under the radar, the edge aims to gain momentum and over time take over the core whereas a skunkwork group works to develop ideas and initiatives that ultimately are integrated into the core (Hagel, Brown & Kulasooriya, 2019). Scaling the Edge teams are not visible on the organizational chart (Hagel, Brown & Kulasooriya, 2019) whereas ambidextrous units are usually sub-unit within the established firm (O'Reilly & Tushman, 2004).

The current state of the Scaling the Edge framework should not be seen as research-based peer-reviewed theory but as a guide developed by consultants for how established firms can innovate and scale the edge of their business. There is limited research-based knowledge and evidence on whether and if so, how Scaling the Edge works and the processes used to implement it.

After this section described the key concepts of the Scaling the Edge framework developed by consultants, the next section will define what constitutes the edge in this research.

2.4 The Edge according to the Innovation-Ambition Matrix

The definition of the edge by Hagel, Brown & Kulasooriya (2019) is too restrictive for the purpose of this research and there is no clear peer-reviewed scientific definition of the edge as of now. Thus, his research uses its own definition suitable for the case based on the Innovation-Ambition-Matrix by Nagji and Tuff (2012). In the Innovation-Ambition-Matrix with the edge as used in this research (pink field) is shown in *Figure 1*.

In the Innovation-Ambition-Matrix, the vertical axis describes the customer markets and the horizontal axis describes the product offering. The core of a company is targeting existing markets and customer with existing products and assets. The adjacent initiatives are targeting adjacent markets and customers by offering incremental products and assets. And transformational initiatives target new markets and new customer needs offering new products and assets.

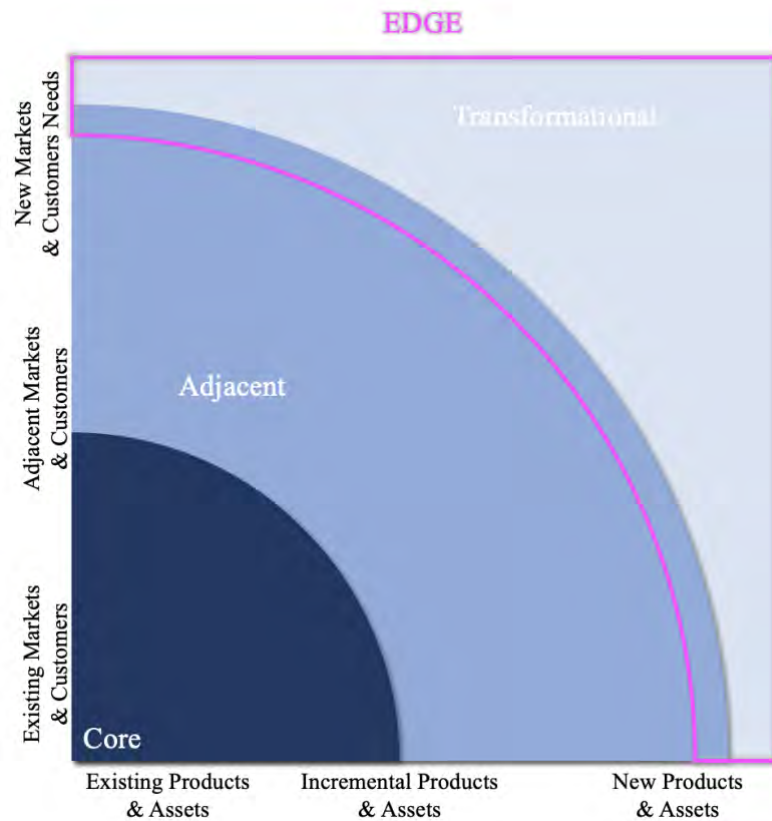


Figure 1: The Edge based on the Innovation-Ambition-Matrix by Nagji & Tuff (2012)

For this research, new markets and customer needs are understood in relation to the market the case company is active in and the customer needs they fulfill with as of now. The same understanding is used for the product offering where new products and assets are new to the company.

As a definition of the edge for this research, the edge is understood as the transformational segment of the Innovation-Ambition-Matrix adding the border area of the adjacent segment, meaning the small part of the border from the adjacent segment to the transformational segment. This border is included in the edge, as this research recognizes how the exact border between adjacent and transformational is blurry and to give some leniency in defining what constitutes an innovation initiative at the edge. This leniency is meant to encourage to not discard any initiatives that have potential to develop further into the edge with a few strategic decisions.

3. Methodology

This chapter describes the Methods used in this research. First, the research design is described followed by the data collection and the data analysis. Lastly, the research quality is evaluated.

3.1 Research Design

The research design provides the guidelines for how the research question is answered and how the study is structured (Saunders, Lewin, & Thornhill, 2016). Since only a limited amount of research has been done on how innovation at the edge can take place in established firms, this research uses a qualitative exploratory design to collect insights into the features of innovation initiatives at the edge of established firms. The goal of researcher when engaging in exploratory studies is to observe, gather information, and develop explanations (Ghauri & Grønhaug, 2005). The goal of an exploratory design is to enable a broad view and a flexible focus of the research that can be adapted as insights develop. It is a suitable approach to generate an initial understanding of a phenomenon and to specify current understandings (Saunders, Lewin, & Thornhill, 2016).

This thesis is a case study of how innovation at the edge can take place in established firms. Case studies are useful for exploring the causes of a phenomenon in its context and support the analysis of questions asking ‘what’, ‘why’, or ‘how’. This corresponds with the research question of this thesis (Saunders, Lewin, & Thornhill, 2016).

3.1.1 Research Approach

Both inductive and deductive approaches are applied in this study. While a deductive approach is used to test existing theories and develop them, an inductive approach is suitable for understanding a researched phenomenon by analyzing the gathered data enabling the discovery of unexpected results that contribute to research (Saunders, Lewin, & Thornhill, 2016). The setting of an established firm was chosen deductively within the context of the edge while the data gathered in interviews was approached inductively. The deductive approach to the selection of the case was appropriate to ensure the relevant circumstances for the evaluation of known theories, such as ambidexterity and Scaling the Edge. The data was approached inductively to allow for new insights and to not limit potential explanations. The

findings based on the results were then matched with existing models and frameworks where possible to increase the validity of the research (Bourgeois & Eisenhardt, 1988; Yin, 1984).

3.1.2 Research Objective and Strategy

The objective of this study is to provide insights for researchers and practitioners about different ways innovation at the edge can take place in established firms and how distinct features affect the evolution and success of the different approaches to innovation at the edge.

This research is a qualitative study using non-numerical data gathered in interviews. This qualitative method is appropriate for this type of research since the objective is to provide new insights (Saunders, Lewin, & Thornhill, 2016). To best explore the different approaches to innovation at the edge the opinions, perceptions, and insights from several employees involved in the two examined innovation initiatives perceived at the edge are collected and analyzed.

This interview study examines one established firm and two innovation initiatives in this firm that are perceived at the edge. The examined initiatives are appropriate as Mobility is assumed to show potential for insurance companies to innovate at the edge. The examined case is unique as *InsuranceCorp* is one of the first insurance companies in Norway to venture into Mobility ecosystems.

3.2 Data Collection

This research was done in the context of the RaCE program at NHH in cooperation with the Norwegian insurance company *InsuranceCorp*. In the following, this chapter describes the type of data used in this research and how it was collected.

3.2.1 Data Sources

This research uses solely primary non-numerical data gathered in in-person and virtual interviews.

The primary data used for this case study was collected in semi-structured interviews (Saunders, Lewin, & Thornhill, 2016) with employees from different management and operational levels of the case company involved in several aspects of the initiatives or innovation within the established firm (see Table 3 below). Semi-structured interviews are an

appropriate method when the objective of the research is to understand the reasons for decisions or perceptions of participants (Saunders, Lewin, & Thornhill, 2016). The use of secondary data was limited to the company website and annual reports for lack of availability.

3.2.2 Sample

For this research the sampling technique is purposive, non-probability sampling and can be assigned to theoretical sampling (Saunders, Lewin, & Thornhill, 2016). The interview partners were chosen strategically knowing only where to sample not what to sample for initially, and as theory advances theoretical saturation was reached, meaning that the researcher has a sufficient overview and additional interviews will not provide further insights (Saunders, Lewin, & Thornhill, 2016).

To be able to gather meaningful data, researchers need to gain access to appropriate sources (Saunders, Lewin, & Thornhill, 2016). The supervisor for this thesis, Professor Inger Stensaker, had a contact within *InsuranceCorp* who recommended a list of potential interview partners following an initial virtual meeting.

All interview partners are involved either in one of the innovation initiatives at the edge or in innovation within the established firm and interacted with the initiatives.

The focus of the interviews was predominantly on the two innovation initiatives perceived at the edge, *RSAcorp* and *SubscriptionProject*, with the exception of one interview also providing insights into the innovation procedures used at *InsuranceCorp*. An overview of the interviews is provided in Table 3.

No.	Interview Partner	Project	Focus	Duration
1	Peter	<i>RSAcorp</i>	Innovation in <i>InsuranceCorp</i>	70 min
2	Thomas	<i>RSAcorp</i>	Strategic Project 2030	60 min
3	Jacob	<i>RSAcorp</i>	M&A Processes	60 min
4	Robert	<i>RSAcorp</i>	<i>InsuranceCorp</i> Mobility	80 min
5	Scott	<i>SubscriptionProject</i>	Strategic Planning	50 min
6	Andrew	<i>SubscriptionProject</i>	Execution	60 min

Table 3: Overview of the Interviewees

3.2.3 Qualitative Semi-structured Interviews

The data was gathered in semi-structured interviews (Saunders, Lewin, & Thornhill, 2016). These interviews were conducted using an interview guide prepared beforehand with key questions relating to the themes developed using the existent theory (Saunders, Lewin, & Thornhill, 2016). The questions were developed based on guidelines from Rubin & Rubin (2012). Still, to allow unprecedented insights, the order and omission of questions as well as a focus on a theme was applied as seen suitable for the interview. Because of geographical and pandemic reasons, only one interview was conducted in person, the other five were conducted using a video-call on teams to increase the trust between the interviewer and interviewees and to encourage open communication (Saunders, Lewin, & Thornhill, 2016).

3.2.4 Interview Schedule and Interview Process

Interviewees were informed by the company contact and then contacted by the interviewer. An interview was scheduled and the interviewees were sent the consent form (Appendix A Consent Form) which was also explained in the beginning of the interview. One interview was conducted in person in the office of *InsuranceCorp* with additional two interviews planned in person but on short notice switched to virtual because of the pandemic. All interviews lasted between 50 to 80 minutes and were recorded.

The consent form that was sent in advance and discussed at the beginning of the interview included information on the RaCE program, as well as information on how the data was used and processed ensuring the anonymity of interviewees.

The interviews were started with a short introduction of the research topic leaving out constructs as to not influence the responses of the interviewees. After an initial warm-up question regarding their current position and their current projects they are working on, the questions on topics of the interview guide were asked in differing order, with omissions and focus depending on the flow of the interview to allow for unexpected insights and an open communication style.

The interview guide (Appendix B) included questions on the innovation initiative itself, the top management support and funding, the perception of employees of the core of *InsuranceCorp*, internal and external collaboration, the development processes of the initiative, the progress measurement, recruiting and team composition, and ended with the

future plans of the initiative before a cool down. Where necessary, follow up questions were asked partly taken from the ones prepared in the interview guide and partly coming up in the course of the interview. After the completion of all topics in the interview guide, the interviewees were asked if they wanted to add any other insights to ensure that no relevant insights were omitted or if they had questions.

The semi-structured interview allowed to discuss topics that were deemed appropriate based on the existing theory as well as the flexibility to follow up on topics arising in the interviews themselves. The open-ended questions ensured that the interviewees were not incentivized to answer a certain way.

Following the interviews, the interview recordings were transcribed closely to the spoken word in the interview to preserve the original content of the interviews.

3.3 Data Analysis

In the following, this section describes how the data was transcribed and coded before evaluating the research quality.

3.3.1 Transcription

The interview recordings were transcribed using the commercial software otter.ai. After this initial automated transcription, every interview recording and transcription were verified by listening to the recording while reading the transcript. After corrections where necessary, the transcriptions were anonymized using aliases for the company, the interviewees, the projects, and other companies mentioned to ensure anonymity.

The transcribed insights gathered were inserted in the interview guide. Afterwards, an adapted version of the Template Analysis was applied (Saunders, Lewin, & Thornhill, 2016).

3.3.2 Coding

The coding of this research is based on Template Analysis (Saunders, Lewin, & Thornhill, 2016). After a deep familiarization with the transcription, an initial template was created using a priori codes from the literature on the edge by Hagel (Hagel, Brown & Kulasooriya, 2019). This template was developed further as the data collection and coding progresses. The

structure of the final version of the template is shown in Table 4. This template was useful as features were developed to compare the two initiatives and these features developed over time as the topics of the coding process.

Topic	Summary / Finding	Quotes
Topic 1	Finding A	“Quote” - Interviewee
Topic 2	Finding B	“Quote” - Interviewee
	Finding C	“Quote” - Interviewee
Topic 3	Finding D	“Quote” - Interviewee

Table 4: Visualization of the Coding

3.4 Research Quality

This section evaluates the trustworthiness of the data and the strengths and weaknesses of the methods used providing an assessment of the overall quality of the research methods. The most common criteria used to assess the quality of research are validity and reliability (Saunders, Lewin, & Thornhill, 2016).

Reliability refers to how replicable and consistent the research is. A way to test reliability is to evaluate whether another researcher would achieve the same results when replicating the research design (Saunders, Thornhill, & Lewis, 2019).

Validity refers to the accuracy of the research. There are three aspects of validity namely construct validity, internal validity, and external validity.

Construct validity refers to whether the variable that is measured is the one intended meaning whether the research actually measures what it is aimed to (Saunders, Thornhill, & Lewis, 2019). Internal validity refers to whether the research demonstrates a causal relationship (Saunders, Thornhill, & Lewis, 2019). External validity refers to how generalizable the findings of the research are (Saunders, Thornhill, & Lewis, 2019).

However, the terms reliability and validity are most suitable for quantitative research. Thus, this research evaluates the trustworthiness of the research methods by using the alternative concepts of credibility, dependability, transferability, and conformability instead (Lincoln and Guba, 1985).

Lincoln and Guba (1985) discuss these criteria and draw comparisons to reliability and validity where possible. Internal validity is replaced by credibility. External validity is replaced by transferability. Reliability is replaced by dependability assessing whether the same results are likely to occur at other times. Additionally, conformability is a criterion that evaluates whether the views of the researchers have affected the results.

3.4.1 Credibility

Credibility evaluates the extent to which the researchers' account of the study matches what the interviewees intended. Ways to increase credibility are triangulation and member validation.

Triangulation means that the researchers use more than one source of data and method of data collection (Saunders, Thornhill, & Lewis, 2019). As in this research, there was no secondary data available, only primary data gathered in interviews is used. The several interview partners, however, provided a variety of perspectives as they are from different management levels and working on different aspects and providing a different focus on innovation.

Member validation means sending data or findings back to the participants to confirm the accuracy (Saunders, Thornhill, & Lewis, 2019). For this research, the findings were sent back to the company contact to validate the interpretations. Also, the open-ended questions and the flexibility of the semi-structured interviews allowed to clarify uncertainties in the interviews and avoid misunderstandings.

Dialogue with the thesis supervisor throughout the research as well as a presentation to professors and faculty members at a RaCE program event were used for peer debriefing. The feedback was used to adapt the research where necessary.

It could be considered a weakness that the limited number of interviewees caused by the limited number of employees involved in the innovation initiatives made triangulation more difficult.

3.4.2 Transferability

The research was inductive and exploratory with theoretical sampling. This means that the objective was to generate a broad spectrum of insights instead of providing a representative or

typical study. Generalizations of a qualitative case study are tied to the research setting (Guba, 1981). The research setting is thus presented in the case description to provide as much context as possible to support other researcher in identifying other potential contexts to which the findings could be transferred.

3.4.3 Dependability

The support the dependability of a study, researcher should establish a trail of evidence to enable the reader to follow the process of data collection and data analysis leading to the interpretation (Guba, 1981). This research provides explanations of the research process. Additionally, the feedback from the thesis supervisor and the presentation at a RaCE event were considered in the research.

3.4.4 Confirmability

Confirmability was supported the researcher's conscious attention on avoiding the interference of personal values. The establishment of a structured research approach and research design also supported to neutrality of the researcher. The usage of the interview guide ensured consistency in the interview process and regular meetings with the thesis supervisor aided with the transparency and comprehensiveness of the research. Additionally, the research findings are supported by direct quotes from the participants and the member validation confirmed the appropriate interpretation.

There is the possibility of interviewees withholding information if there was a lack of trust in the interviewer. However, all interviewees signed the consent form (Appendix A) from the RaCE program that ensured the anonymity of their responses.

3.4.5 Ethical Considerations

Throughout the research process the ethical implications were considered as they potentially affect the research quality (Saunders, Thornhill, & Lewis, 2019). The interviewees were provided with information on the research in advance and were given the opportunity to discuss the consent form (Appendix A) at the beginning of the interview explaining the possibility to withdraw from the participation any time. To protect the interviewees in this research, all gathered data has been anonymized and pseudonyms were used to replace personal names, companies, and projects. Additionally, numbers were approximated as to

limit the possibility to draw conclusions on interviewees or the company. The researcher has taken precautions to protect the data gathered and all stored data will be deleted after the submission of the thesis.

4. Case Description

This case study is looking at a reputable Norwegian insurance company called InsuranceCorp. The focus of this explanation of the insurance industry is car insurance. The insurance industry is highly regulated and the Norwegian insurance industry especially, since restrictions on acquisitions deemed too far from the insurance core are imposed. The insurance industry being highly restrictive and the loss of bargaining power of insurance companies in the car insurance sector led to the increased importance of Mobility ecosystems. The Mobility sector shows potential for innovation at the edge for insurance companies. The case context of InsuranceCorp is of particular interest for this thesis as it is an established company with innovation initiatives in the Mobility sector that are perceived as at the edge. The first initiative is SubscriptionProject, a car subscription service offered in Sweden, and the second is RSAcorp, the acquisition of a roadside assistance.

4.1 The Industry Characteristics

Norwegian authorities limit insurances to their core business regarding what kind of company they can acquire. This interferes with the competitiveness of Norwegian insurances that perceive it as feeling like “all your hands and feet are tied” (Peter) since other European countries do not impose these restrictions. Another important trend in the insurance industry is the change in the power dynamic between insurances and car manufacturers and insurances.

Insurances are pushed back in the value chain and this is perceived as “a threat” (Peter) as insurances lose customer contact which is important not only for the premium but also because the customer contact is crucial to price products correctly. Another rising trend affecting the car insurance industry is Mobility. This trend affects the car insurance sector and customers tend to switch the provider of all their insurance when they switch car insurances. Mobility is understood as an ecosystem where insurances are one part of the network.

4.2 The Insurance Company *InsuranceCorp*

The Norwegian insurance company that this case study is based on, *InsuranceCorp*, is an established firm founded over 100 years ago and is active in several Nordic countries. *InsuranceCorp* offers a range of insurance products, such as life insurance, car insurance,

health insurance, and property insurance. Their main business area is car insurance, making up over one third of their gross earned premiums in 2021, followed by property and health insurance.

InsuranceCorp is quite a traditional insurance company but they now want to work “not just the core value proposition, but away from the core” (Peter) too. They understand the engagement in ecosystems around Mobility also as a signal to future potential partners showcasing their capabilities to react to being pushed back in the value chain and venturing beyond their core. Within the company, there is a “sense of urgency and almost sense of desperation” (Robert) to react to the Mobility trend.

InsuranceCorp ventured into the Mobility sector with two initiatives that are perceived as at the edge in 2021, namely *RSACorp*, and *SubscriptionProject*. *RSACorp* involves the acquisition of a large-scale Roadside assistance (RSA) company active in several Scandinavian countries. *SubscriptionProject* involves the development of a car subscription business in Sweden in a joint venture with a car dealership and a start-up.

4.3 The Innovation Initiatives perceived at the Edge

There are two innovation initiatives perceived at the edge for *InsuranceCorp*, namely *SubscriptionProject* and *RSACorp*. *SubscriptionProject* was originated in a strategic project to increase *InsuranceCorp*'s low market share in Sweden. After the initiation of *SubscriptionProject*, part of the team involved was also working on a strategic project for the *InsuranceCorp* group with the mandate to recommend actions to be taken to prepare *InsuranceCorp* for the changes to the car insurance industry in 2030 and to strengthen *InsuranceCorp*'s position in the Mobility sector. This Strategic Project 2030 then influenced the acquisition of *RSACorp* as well as the foundation of the *InsuranceCorp Mobility Group*. The timeline of these two initiatives is shown in Figure 2.

SubscriptionProject is a joint venture with a car dealership and a Mobility start-up offering car subscriptions in Sweden.

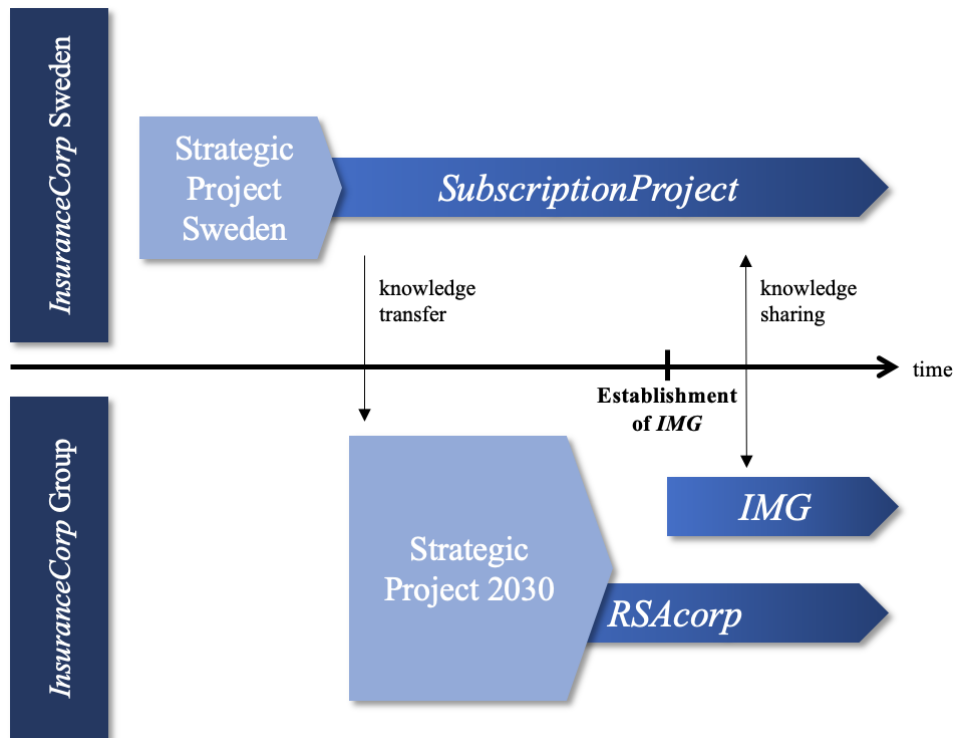


Figure 2: The Timeline of the Initiatives

RSAcorp is an acquisition of a roadside assistance active in several Scandinavian countries. The decision to acquire the company was partly influenced by the Strategic Project 2030 and partly a reaction to trends and the actions of competitors. A competitor had already made this strategic decision to acquire a roadside assistance and *InsuranceCorp* wanted to follow suit. Additionally, the possibility of another competitor buying *RSAcorp* was seen as a threat. In the acquisition project of *RSAcorp*, they also considered realizable synergies with the core of *InsuranceCorp*, such as generating new customers and sharing a customer service department.

IMG, which stands for *InsuranceCorp Mobility Group* is a fully-owned daughter company of *InsuranceCorp* that *RSAcorp* belongs to now. A selected group of board members of *InsuranceCorp* is overseeing these Mobility efforts within *IMG*.

5. Analysis and Findings

This section presents the analysis and findings of the research. First, while the industry is not directly relevant for the research question, the industry characteristics strongly influence the approach to innovation at the edge and are, thus, shortly included in the findings. Then, after a short explanation of the relevant features of innovation approaches, the findings of SubscriptionProject, followed by the findings of RSAcorp are presented. Lastly, the findings of SubscriptionProject and RSAcorp are compared along the same features.

5.1 The Industry affecting Innovation at the Edge

The characteristics of the Norwegian insurance industry affect the ability of Norwegian insurance companies to innovate at the edge.

First, the regulations and bureaucratic requirements hinder innovation processes (Peter). The company is old-fashioned and not suitable for creative, flexible, and dynamic innovation processes. Innovation processes need independence from the traditional culture within insurance companies to enable innovation at the edge unrestrained from processes focused on accuracy and traceability (Robert). A way to avoid these limitations posed by the company culture, and the way *InsuranceCorp* approached the issue, is to apply an ambidextrous solution and establish a separate unit focusing on innovation at the edge. This ambidextrous unit then needs the independence to develop freely and disregard established processes from the core (Thomas, Robert).

Second, the restrictions on acquisitions having to be within the core of insurance companies limit insurances to innovate only within the known core business. This, per definition, means that they cannot do innovation at the edge of the core by acquisition or it at least makes it difficult. Since non-Norwegian insurances, such as other European insurance companies, do not have these restrictions, this poses a competitive disadvantage for Norwegian companies (Peter). One solution for this is to go into dialogue with lawmakers to loosen the restrictions for acquisitions. This, however, is a slow process (Peter). Another solution is, instead of acquiring companies that are on the edge for *InsuranceCorp*, to develop them internally, as they have done with *SubscriptionProject*, or with joint ventures (Peter).

With the establishment of the *InsuranceCorp Mobility Group* and the start of another mobility project within *IMG*, it can be assumed that *InsuranceCorp* is following the second solution and is focusing on internal development.

5.2 The Features used to describe the Initiatives

During the coding process, six features along which the initiatives were similar or different emerged. These features are shown in Figure 3.



Figure 3: The Features of the Initiatives

To compare the two innovation initiatives and to allow explanations of what influences the approach to innovation at the edge later on, this research uses these features throughout the analysis. In Table 5, a short explanation of each feature is provided.

Feature	Explanation
Distance to the Core	The closeness to the core of the business regarding the initiative
Origin and Drivers	The way that initiative started and the reasoning for its existence.
Collaboration	The orientation of the initiative toward the core or towards the external environment.
Top Management Support	The aid of the high-level management of the company
Development and Progress Measurements	The style of how the initiative is worked on and how its advancement is monitored
Perceptions from Uninvolved Employees from the Core	The reactions of employees working at the core business towards the innovation initiative

Table 5: Explanation of the Features

5.3 SubscriptionProject

An overview of *SubscriptionProject* along the features presented above is shown in Figure 4. The initiative is quite far from the core, it originated in a strategic project and is mostly driven by learning effects, it is strongly focusing on external collaboration, it has a high level of top management support, the development is mostly unstructured and the perception of employees from the core is overall strongly positive.

In the following, each of these features for *SubscriptionProject* is analyzed more in detail.

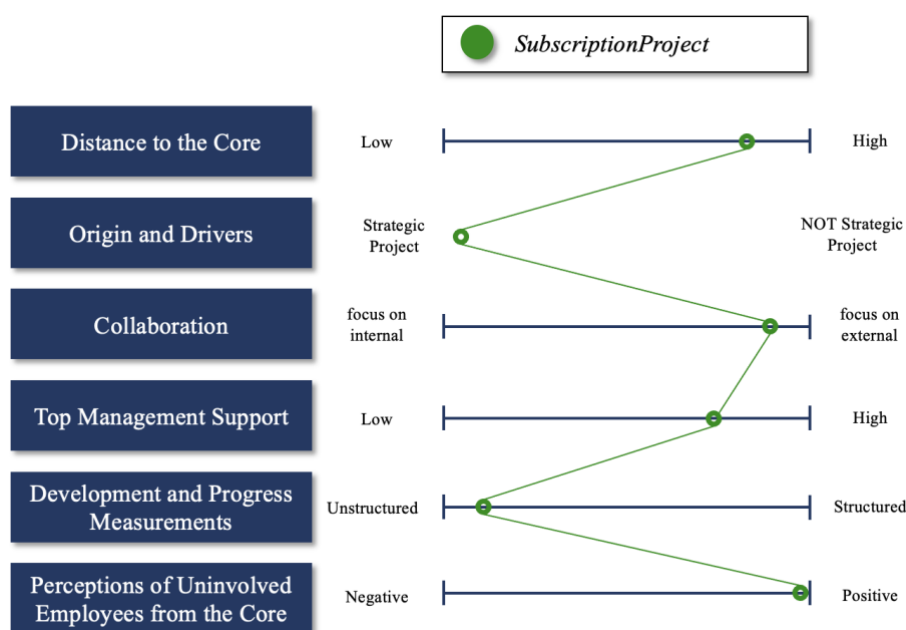


Figure 4: The Features of *SubscriptionProject*

5.3.1 Distance of *SubscriptionProject* to the Core

The distance of *SubscriptionProject* to the core of *InsuranceCorp* is evaluated using the Innovation-Ambition-Matrix. The position of *SubscriptionProject* is shown in Figure 5.

Regarding *SubscriptionProject*, the market is new. *InsuranceCorp* has not been active in the car subscription market yet and especially not in a role that is not solely contributing the suitable insurance products. The customer needs they fulfill with *SubscriptionProject* are

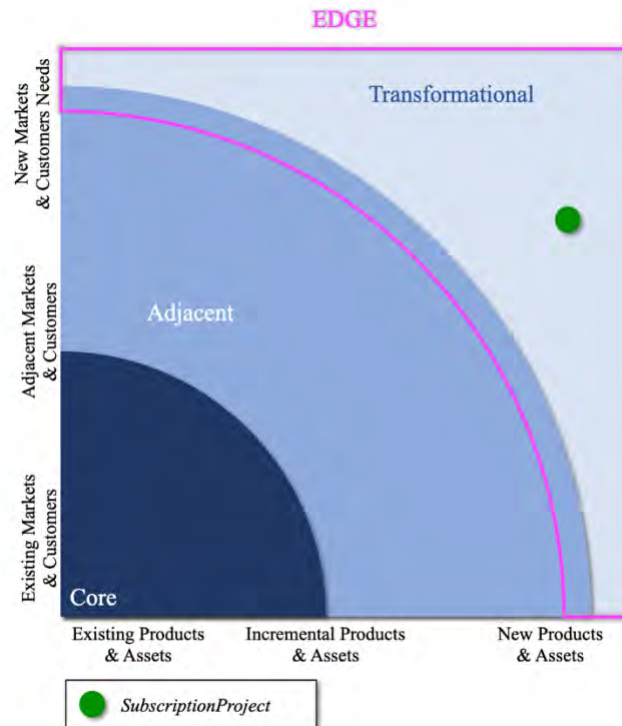


Figure 5: *SubscriptionProject* in the Innovation-Ambition-Matrix

completely different than the ones they fulfill with *InsuranceCorp*'s insurance products. The car subscription does provide a mode of transportation instead of solely providing insurance for the vehicle. This leads to the understanding that *SubscriptionProject* is a new market and fulfills new customer needs not only for the car industry, but also for the insurance industry and *InsuranceCorp*.

“I mean, this is very new for the car industry. The way of working with subscriptions. And when we started, it was really new in Sweden. I mean, we were among the first.”

- Scott

The products and assets offered by *SubscriptionProject* are completely different to the insurance products they offered before. *InsuranceCorp* offered insurance coverage for cars, whereas *SubscriptionProject* provides a vehicle for a limited amount of time with insurance coverage being only one of the services included in the product. Thus, *SubscriptionProject* is in the transformational segment of the matrix serving a new market and new customer needs as well as providing a product and is, thus, at the edge.

SubscriptionProject is not expected to transform the core of *InsuranceCorp* and that is not wanted either (Andrew). *SubscriptionProject* is aimed at supporting the changes necessary for

the future and to possibly apply what *SubscriptionProject* learned to some areas of *InsuranceCorp* (Andrew).

5.3.2 Origin and Drivers of *SubscriptionProject*

SubscriptionProject was one of the strategic recommendations out of a strategic project *InsuranceCorp* Sweden started with the mandate of finding ways to grow the low market share of *InsuranceCorp* in Sweden (Scott). *InsuranceCorp* needed to find a creative way to efficiently distribute to grow in the Swedish market (Scott).

There are several reasons for the development of *SubscriptionProject*. Besides the fact that *InsuranceCorp* has only a small market share in the Swedish Market with strong peers (Scott) and wanted to increase their market share, *InsuranceCorp* saw the trends of shared ownership and Mobility as an opportunity to grow (Scott, Andrew). In addition, offering car subscriptions with *SubscriptionProject* is a new way of engaging with the customer and their needs while also incorporating increasingly important dynamic data (Scott). While *SubscriptionProject* is described as a proactive approach (Andrew), *InsuranceCorp* Sweden was also interested in adapting to the trends towards ecosystems, especially because the Swedish market is highly digital (Scott). Additionally, *SubscriptionProject* provided an opportunity to be an early

“So, it's, you know, learning of the change of the market, learning about new Mobility solutions, but also the input learning we can do for the insurance business, but also gain market share on the Swedish market, I would say they are the four things we focused on.”

- Andrew

adopter of the car subscription model. The four main reasons for *SubscriptionProject*, according to the interview partner involved in the launch, are learning about the changes in the market, learning about Mobility, learning how that affects the insurance business, and gaining market share in Sweden (Andrew).

5.3.3 Collaboration in *SubscriptionProject*

Regarding collaboration with external parties, the alliance of *InsuranceCorp* with CarCorp and MobilityStartup is not fully seen as a joint venture (Andrew) as the responsibility for

development and funding is strongly on *InsuranceCorp* without the same involvement from the alliance partners.

"So, SubscriptionProject has been developed, and also financed by InsuranceCorp fully. So that is the case. So, it's not really a joint venture in that perspective. "

- Andrew

Still, the collaboration with the alliance partners is described as explorative based on the perceived newness of the car subscription industry (Scott).

There are several factors to be considered regarding the collaboration with internal parties from *InsuranceCorp*. The *SubscriptionProject* team was largely allowed independence from the core and was able to develop freely (Scott). The top management was closely involved in the project (Scott), but the core was not involved as much and the team working on *SubscriptionProject* was not dependent on the core and worked independently (Scott). Still, they worked with departments from the core when developing suitable insurance product for the car subscription and the partner department (Andrew). The separation and independence from the core of *InsuranceCorp* regarding the development of *SubscriptionProject* is at least partly credited for the fast development of the idea (Andrew, Scott).

"So, it was a very much close connection with the CEO and COO, as well. And that was one of the reasons we could launch within six months, because they were closely connected to the project."

- Andrew

Additionally, there has been internal collaboration not for the sake of *SubscriptionProject* but to share learnings from *SubscriptionProject* with of *InsuranceCorp* Sweden and with the Strategic Project 2030 and there is more knowledge sharing planned with *IMG* (Andrew).

5.3.4 Top Management Support for *SubscriptionProject*

The top management of *InsuranceCorp* Sweden was highly involved in the development of the strategic storyline for *SubscriptionProject* (Scott, Andrew). This close support is credited as enabling its fast development (Andrew).

All top managers of the *InsuranceCorp* group knew about the *SubscriptionProject* and were interested but were not involved in or affected by the project (Scott). This enabled *SubscriptionProject* to develop without resistance and develop freely (Scott).

“Both CEO and COO of Sweden were closely part of the project So, I mean, therefore, you could say that we had the core with us, but we didn't have to take any precautions, or we were allowed to work really freely within the project.”

- Scott

So, for *SubscriptionProject*, the top management was highly supportive but did not interfere with the development. While top management was interested in the initiative, they were not restricting its development.

5.3.5 Development and Progress Measurements of *SubscriptionProject*

The development of *SubscriptionProject* was facilitated by the independence from the core culture, processes, and IT (Scott). The development was done in sprints with feedback from potential alliance partners in between (Scott). Clear criteria were used to narrow down the list of potential partners (Scott). The work itself was described to be similar to a startup and quite action oriented (Andrew).

"So, (...) it's been a startup thinking, and a lot of focus on how to deliver the different stuff. And it's been a very much an action-oriented project"

- Andrew

The team working on *SubscriptionProject* is quite small with only two people on the operational level (Scott). This is credited with helping the development as well as it provided clear responsibility (Andrew).

The progress of the *SubscriptionProject* was monitored by the top management of *InsuranceCorp* Sweden (Scott). The criteria for measuring progress were clearly defined and the progress had to be proven not only regarding learning effects, but also regarding quantifiable aspects such as a business case (Scott). The methods used to measure progress evolved and improved over time incorporating what the team had learned along the way

(Andrew). Still, there was no expectation of immediate profitability or a clear definition of what constitutes a success (Andrew) as the focus was on learning.

“Well, there's one very important difference and that within the core you expect profitability this month. There is a very different way of measuring potential in my innovation project.”

- Scott

For the *SubscriptionProject*, the progress was “continuously” (Scott) monitored by the top management including the CEO and CFO of *InsuranceCorp* Sweden.

5.3.6 Perception of *SubscriptionProject* of Uninvolved Employees from the Core

There were presentations and information on the internet on *SubscriptionProject* (Scott). The reaction of employees was very positive overall (Andrew). Employees of *InsuranceCorp* find the project quite exciting and the idea to be innovative and to pioneer the car subscription services in the Mobility efforts (Andrew) .

" They think it's a bit cool, if I can use that term, when it comes to being, you know, developing something new, and a bit of innovation, as well, and being an early adopter. So, we, no, I think it's been very positive reactions overall"

- Andrew

After this presentation of the findings regarding *SubscriptionProject*, now the findings of *RSACorp* are presented along the same features.

5.4 *RSACorp*

An overview of *RSACorp* along the features presented above is shown in Figure 6. The initiative is relatively close to the core, it originated partly in a strategic project and has several drivers, it is collaborating with internal departments while also being connected to external partners, it has a high level of top management support, the development is predominately structured and the perception of employees from the core is mixed.

In the following, each of these features for *RSAcorp* is analyzed more in detail.

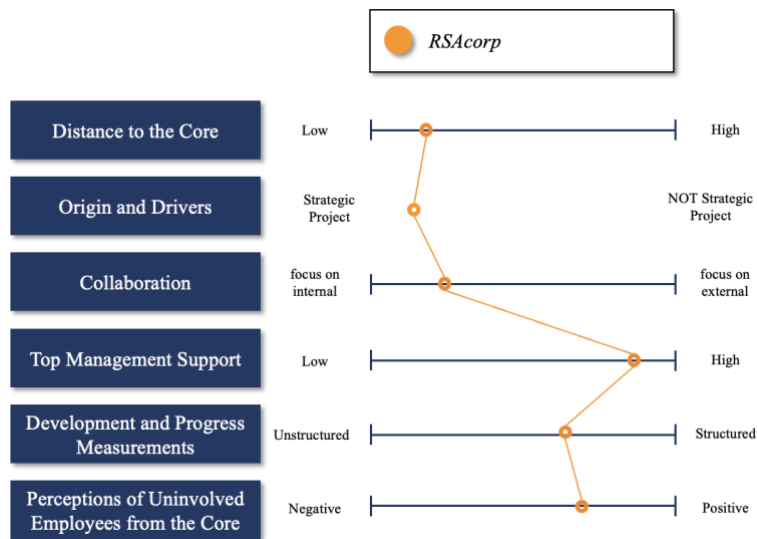


Figure 6: The Features of *RSAcorp*

5.4.1 Distance of *RSAcorp* to the Core

The distance of *RSAcorp* to the core of *InsuranceCorp* is evaluated using the Innovation-Ambition-Matrix. The position of *RSAcorp* is shown in Figure 7.

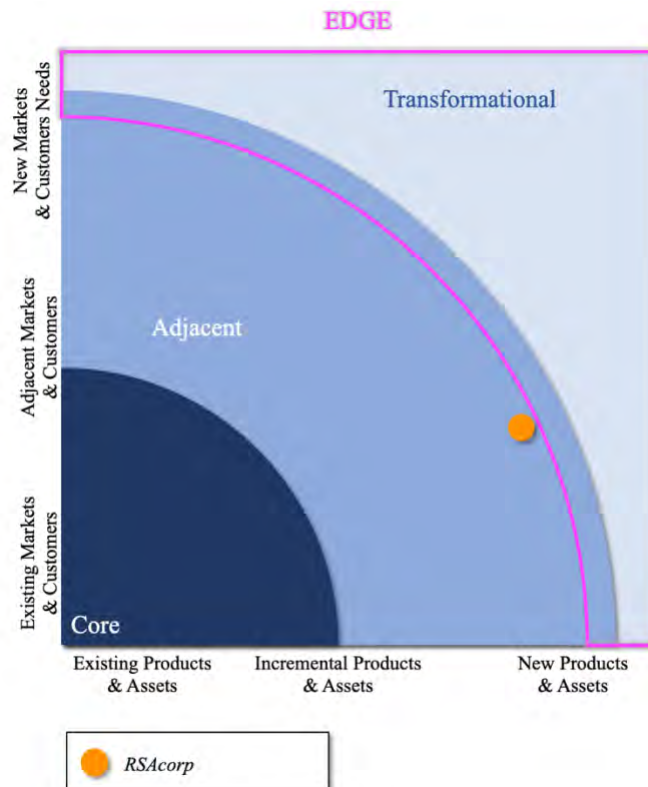


Figure 7: *RSAcorp* in the Innovation-Ambition-Matrix

Regarding *RSACorp* the market is adjacent. There is already contact between roadside assistance companies and insurance companies as the claims caused by the accidents are documented by the roadside assistance. Thus, it is not a huge leap to acquire a roadside assistance company like *RSACorp*. Furthermore, another competitor insurance has already acquired a roadside assistance company as well, which supports the understanding that it is not a completely new market. The customer needs that are fulfilled by *RSACorp* are at least partly already covered by the products of *InsuranceCorp* as roadside assistance is about convenient support in case of an accident. This is at least partly the same need satisfied with the insurance coverage provided by *InsuranceCorp*. This leads to the understanding that the acquisition of *RSACorp* does not regard new customer needs but includes needs adjacent to the insurance services offered by *InsuranceCorp*.

“And that is what we're looking to do. I mean, finding all of these types of services and other businesses that are part of the whole kind of Mobility issue, like everything that has to do with you owning a car and using a car, but not kind of part of the main core businesses of these new Mobility companies. But, so, then we can send and offer a broad range of different services together.”

- Thomas”

The products and assets offered by *RSACorp*, however, are different to the insurance products they offer in the core of *InsuranceCorp*. *InsuranceCorp* offers insurance coverage for cars, whereas the acquisition of *RSACorp* enables them to offer roadside assistance, which is different product. Thus, *RSACorp* is in the adjacent segment of the matrix with adjacent markets and customer but new products and assets and, as of now, is not seen as at the edge completely.

5.4.2 Origin and Drivers of *RSACorp*

InsuranceCorp group's Mobility efforts, in general, are mostly born out of the Strategic Project 2030 that was started after the initiation of the *SubscriptionProject*. The acquisition of *RSACorp* was also strongly influenced by the recommendations born out of this Strategic Project 2030 (Thomas).

The reasoning for the acquisition of *RSACorp* was multifaceted and included not only learning ambitions in the Mobility sector, but also quantifiable synergies with the core of

InsuranceCorp (Jacob). *RSAcorp* is a reaction to the strategic decision of a competitor to acquire a roadside assistance (Jacob), it is meant to strengthen the position in the Mobility space (Peter), to widen *InsuranceCorp*'s value proposition (Peter), to have a signaling effect for car manufacturers, to showcase *InsuranceCorp*'s capabilities in the Mobility sector (Jacob) and to strengthen *InsuranceCorp*'s bargaining power (Thomas).

"We see synergies on the contact center, they have a contact center that are trained in handling those kinds of situations when the car breaks down, and what do I do now and so on. So, they are overlapping with competencies that we also have in our contact center for claims. So, that's a possibility to get more economies of scale in that part of the business."

- Jacob

Besides these drivers behind *RSAcorp*, the synergies they considered in the acquisition are new customer segments (Jacob), access to the customer earlier in the customer journey (Jacob), information on potential improvements on the claims process (Jacob), and synergies in regard to the customer service capabilities the insurance had already (Jacob).

5.4.3 Collaboration in *RSAcorp*

Regarding the collaboration in connection to *RSAcorp* it can be said that the focus is mostly on internal collaboration, especially because of the acquisition process. In the development of the innovative aspects of *RSAcorp*, this thesis takes reference to the processes described regarding *IMG*, as *RSAcorp* is now part of *IMG* and developed further within *IMG*. *IMG* collaborates with internal entities within *InsuranceCorp* as well as with external parties (Robert).

The goal for the future is to be less dependent on the resources and expertise of the core of *InsuranceCorp* and have a whole network of external partners (Robert). The goal for *IMG* is to have a network of partners (Robert) and *InsuranceCorp* might, in the future, only be seen as one of the partners in the ecosystem (Robert).

"We will have a lot of partners around together with us. And we're building this amazing thing together with them. And one of the parties or companies around us will be an insurance company. "

- Robert

However, while theoretically *InsuranceCorp* could be replaced with another insurance, this is not likely in actuality since *IMG* is fully owned by *InsuranceCorp* (Robert).

5.4.4 Top Management Support for *RSACorp*

For *RSACorp* top management support was crucial as it was an expensive acquisition (Jacob).

While the project was driven by one of the divisions of *InsuranceCorp*, the whole board came to a joint decision (Jacob). If the pressure from the stakeholder and the board becomes too strong and there is the need to see fast returns, it is assumed that “the pressure will take you back to core” (Robert) and back to improving efficiency of the roadside assistance.

“So, if you get too much pressure from management, we need to see some returns, the focus will then go back to okay, how can we make this an even better RSA company rescuing cars. But that's not the rationale for why we bought it. You see the difference? So, I think the pressure will take you back to core. ”

- Robert

However, for now, the board of *InsuranceCorp* is seen as supportive and patient (Robert).

“ We definitely have top management support in this, but the question is for how long will we have it? When will they feel the pressure from the market, from the board and start demanding results. ”

- Robert

5.4.5 Development and Progress Measurements of *RSACorp*

As of now, the acquisition is completed but the integration and the innovative aspects expected to arise within *IMG* are still in process. Still, there are clear decisions about who was included in the process and the reasons for them being included (Jacob). *RSACorp* does not work distinctly differently than the core of *InsuranceCorp* yet (Robert). However, it is expected to adapt the processes and measurements taken from the core in the future (Robert).

"I think not yet, not yet. Now we're taking the measurement system, the performance management system from the insurance company and we developed it a little bit, evolved it a little. So, we think it might fit better to this new way of business, new way of building things. But I'm sure that's a journey. So, we haven't reached our destination there yet. So, we need to learn how to do it the best way because it's very different selling insurance and building ecosystems, two different very different things. "

- Robert

However, regarding *RSAcorp*, *IMG* does not follow solely the innovation procedure as *RSAcorp* is also a running roadside assistance company and needs to service the existing customers while innovating (Peter).

5.4.6 Perception of *RSAcorp* of Uninvolved Employees from the Core

The acquisition itself of *RSAcorp* was, because of regulations, highly confidential. After closing, internal and external communications, such as public disclosures and statements, led to mixed reactions since not all units within the core of *InsuranceCorp* are affected equally.

" How they react depends on which business unit they are part of. If they are insurance salesman, they do not care that much. But if they work in the partner relationship department here in the private market, they are strongly engaged"

- Peter

The reaction of the employees of *InsuranceCorp* to *RSAcorp* depended on which department the employee of the core belonged to as not all departments are affected by the acquisition equally (Peter).

After this presentation of the findings regarding *RSAcorp*, the next section compares the findings of *SubscriptionProject* and *RSAcorp* along the features.

5.5 The Comparison of *SubscriptionProject* and *RSACorp*

To start this comparison, in Figure 8 the features of both initiatives as presented above are shown. In the following sections, the differences and similarities are described and analyzed.

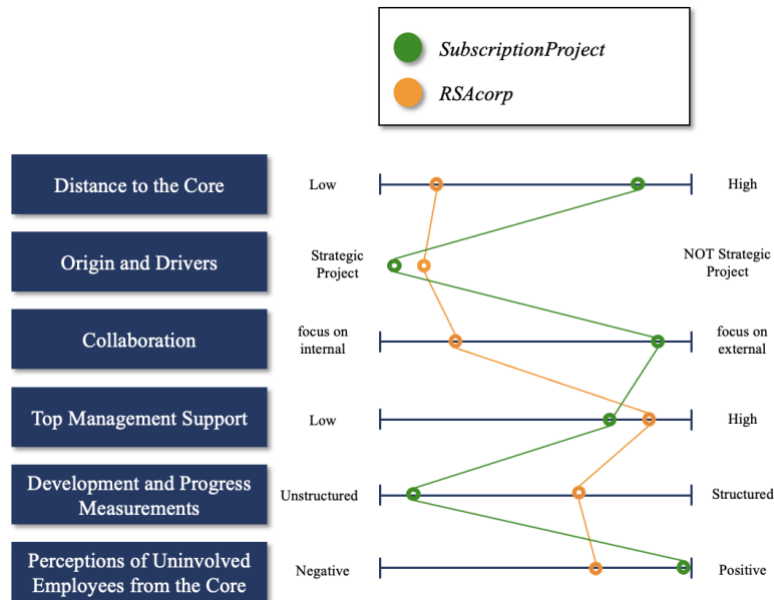


Figure 8: The Features of both Initiatives

5.5.1 Distance to the Core

Comparing the positioning of *SubscriptionProject* and *RSACorp* in the Innovation-Ambition-Matrix (Figure 9) shows that *SubscriptionProject* is in the transformational segment and thus deemed more at the edge than *RSACorp*. For *RSACorp* to fully move into the transformational segment, it needs to either move further away from the existing markets and customers or develop new products and assets instead of relying on the considerable amount the incremental innovations as it currently does.

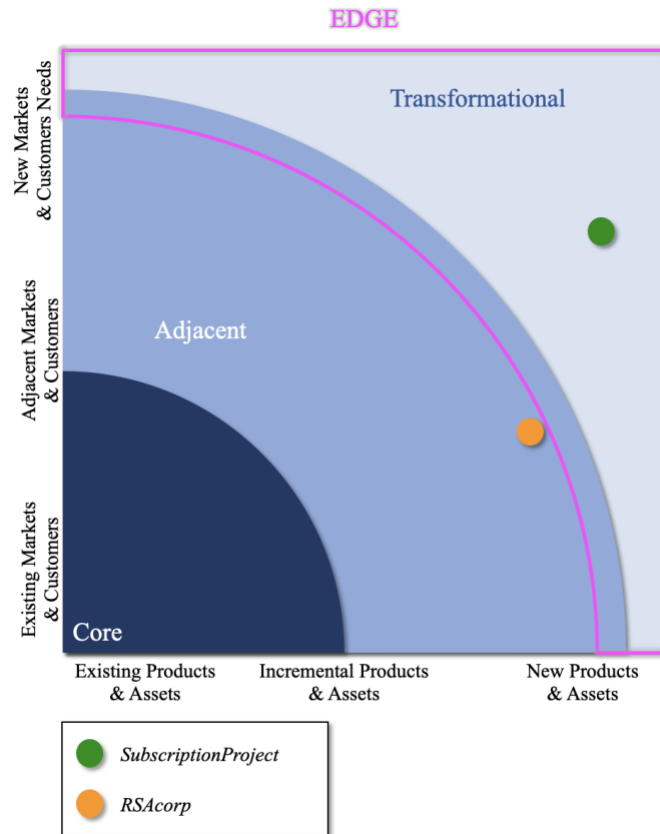


Figure 9: Both Initiatives in the Innovation-Ambition-Matrix

Showing the development of the distance to the core of *SubscriptionProject* and *RSACorp* in Figure 10, the difference between the two initiatives and the effect of the foundation of *IMG* is quite noticeable.

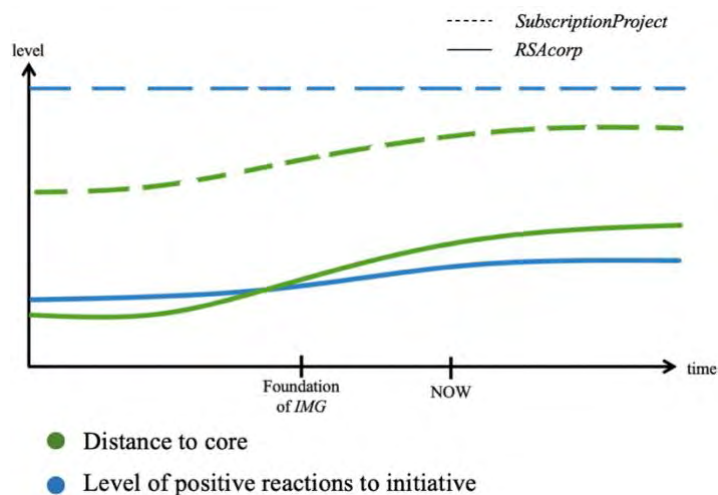


Figure 10: The Distance to the Core for both Initiatives

Comparing the distance to the core of *InsuranceCorp* of *RSAcorp* and *SubscriptionProject*, it can be seen that *RSAcorp* is closer. This is based on the fact that *InsuranceCorp* wants to realize synergies within the core and *RSAcorp* is expected to generate customers for the car insurance department of *InsuranceCorp*.

For *SubscriptionProject*, there is only collaboration for expertise which is not as close after the insurance products have been developed in collaboration with the departments in the core.

The ambidextrous solution of *IMG* was beneficial for *RSAcorp* as it helps with the creation of distance and independence of *RSAcorp*. While the realization of synergies always requires *RSAcorp* to be closer to the core than *SubscriptionProject*, the establishment of *IMG* supported the independence of *RSAcorp* substantially.

5.5.2 Origin and Drivers

Comparing the origin and drivers of *SubscriptionProject* and *RSAcorp*, there are similarities and differences. Both initiatives started out of strategic projects. The Strategic Project 2030 was inspired by the success of the strategic project in Sweden that led to *SubscriptionProject*. This shows that strategic projects are an appropriate method to develop innovation initiatives at the edge (Figure 11).



Figure 11: Innovation born out of Strategic Projects

It is important to note, however, that not all innovation initiatives born out of strategic project are at the edge and some are better categorized as incremental innovation.

Regarding the drivers of both innovations, an overview is provided in Figure 12.

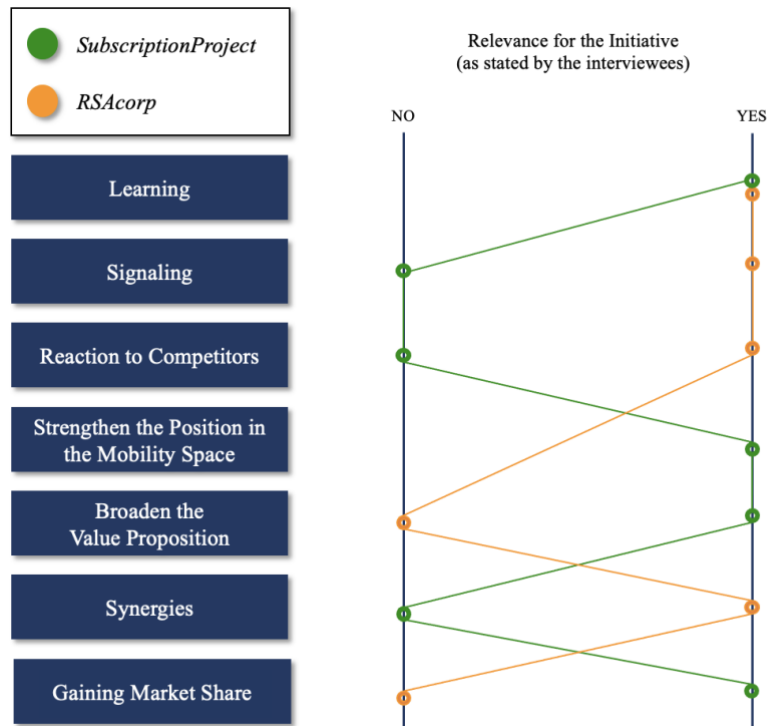


Figure 12: The Drivers of the Initiatives

SubscriptionProject aims for learning, broadening the capabilities and strengthening the position in the Mobility space while originally solely looking for a way to gain market share in Sweden. *RSACorp*, being a costly acquisition, besides learning aspirations and signaling effects, also has to show potential synergies that translate into monetary benefits early on. In addition, *RSACorp* was reactive to actions by competitors. This indicates that internal development is a more appropriate method to develop innovation at the edge compared to acquisitions as there is less pressure for immediate profitability.

5.5.3 Collaboration

Looking at the levels of collaboration with internal and external parties (Figure 13), the development over time of *RSACorp* and *SubscriptionProject* has been mostly parallel.

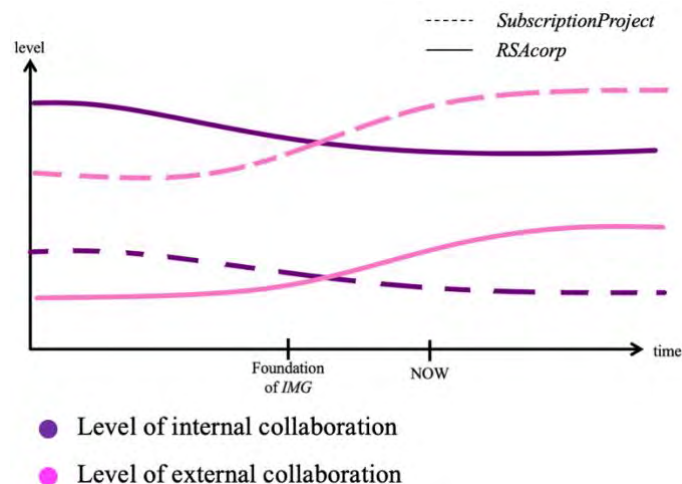


Figure 13: The Collaboration of the Initiatives

Regarding the collaboration with internal departments of *InsuranceCorp*, *RSACorp* has a closer relationship than *SubscriptionProject*. *RSACorp* is collaborating with the core of *InsuranceCorp* to realize the synergies expected in the acquisition evaluation. Additionally, as already said explaining the closer distance to the core above, *RSACorp* is generating customers for the core. *SubscriptionProject* does not have as much of a collaboration and is forecasting to limit the collaboration to the same level as all other future partners involved.

Regarding the level of external collaboration, *RSACorp* is expected to increase their relationship to external entities along their learning curve. However, the level of external collaboration of *SubscriptionProject* is higher as they aim at building a network of external partners including external funding.

5.5.4 Top Management Support

The understanding that top management is important for innovation initiatives is already established, for instance in the context of ambidexterity (O'Reilly & Tushman, 2004). However, the extent of the support of top management as well as the interference of top management in the initiatives is interesting to note for *SubscriptionProject* and *RSACorp*, as well as for *IMG* that is now responsible for *RSACorp*.

Regarding the Mobility efforts of *InsuranceCorp* in general, the top management is supportive for now (Robert). This is crucial because the board of directors cannot expect immediate monetary results when it comes to large investments in the Mobility sector (Robert) because *InsuranceCorp* first needs to learn how to run Mobility projects, how to develop them, and

how to align them with the insurance business (Robert). It is a concern how long the top management can be supportive considering the pressure from the market and the board to show profitability (Robert).

One of the reasons to establish *InsuranceCorp Mobility Group* was to find the right distance from the core of the company to have enough attention from top management but not too much (Robert). Before this ambidextrous solution, the support of top management was given, but there was also a high level of interference that caused the Mobility efforts in *IMG* to come to a halt because the expectations and ideas for *IMG* had to be aligned (Robert).

The top management of *InsuranceCorp* is incredibly supportive of the Mobility efforts whether *SubscriptionProject*, *RSAcorp*, or *IMG*. However, this support can also come with a high level of interference that can slow down the progress of projects such as the developments within *IMG*. The extent of top management support and top management interference are shown in Figure 14.

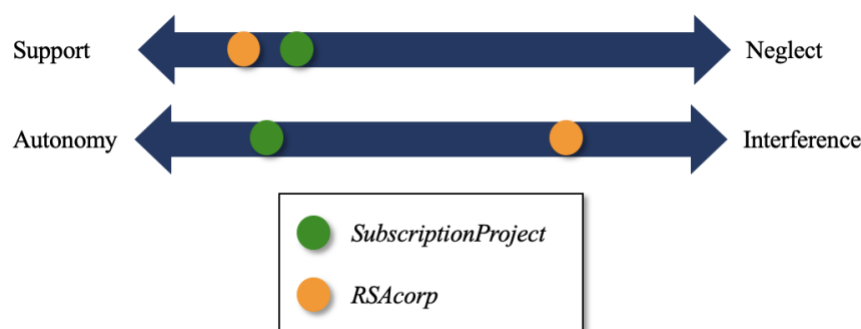


Figure 14: Support and Autonomy for both Initiatives

The solution to overcome this challenge was for *InsuranceCorp* to establish *IMG* as an ambidextrous solution to ensure attention from a selected group of the board (Thomas) but prevent interference of too many top managers.

Looking at the top management support over time (Figure 15) of *RSAcorp*, the level has been really high over time. This support is necessary for a costly acquisition such as *RSAcorp*. However, the top management interference has decreased after the establishment of *IMG*, as now the separate entity and the limited number of board members of *InsuranceCorp* involved helped limit the involvement. For *SubscriptionProject* the support of top management has been high while the interference has been limited to the nearly operational support from the CEO and COO of *InsuranceCorp* Sweden.

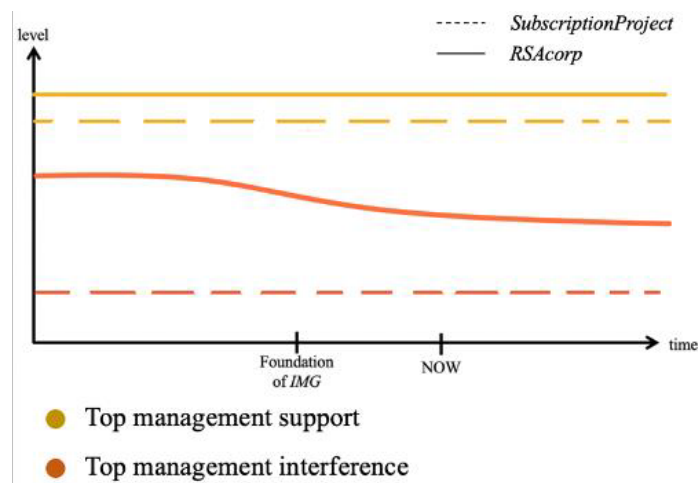


Figure 15: Top Management Support in the Initiatives

As already mentioned above, the ambidextrous solution of *IMG* was beneficial for *RSACorp* as it helps with the creation of distance and independence of *RSACorp*. This helped not only in creating distance to the core, but also to decrease the interference of top management as the reporting is now limited to a small group of board members.

5.5.5 Development and Progress Measurements

Regarding how the two innovation initiatives are developed, there are several differences.

RSACorp partly follows the processes used in the core to ensure that the roadside assistance runs smoothly since it is a running business and the customer needs must be met. *RSACorp* also uses an adapted version of the processes used in the innovation department of *InsuranceCorp*. These processes are expected to evolve, however, as the initiative advances to better fit the needs of the initiative.

The *SubscriptionProject*, on the other side, does not have any defined processes or structures in how they develop the initiative. Instead, they use a list of tasks necessary for the launch and now the next steps. These lists are solely focused on the actions that need to be taken and there is no other process developed yet.

Considering the circumstances of both initiatives, it seems logical that there are more structured processes necessary for *RSACorp* as the successful day-to-day business had to be

ensured. For *SubscriptionProject*, since it is an internally developed pilot with less departments involved, there is less pressure to standardize the processes.

5.5.6 Perception of Uninvolved Employees from the Core

As can be seen in Figure 16, the reactions to *RSAcorp* are different from the reactions to *SubscriptionProject*.

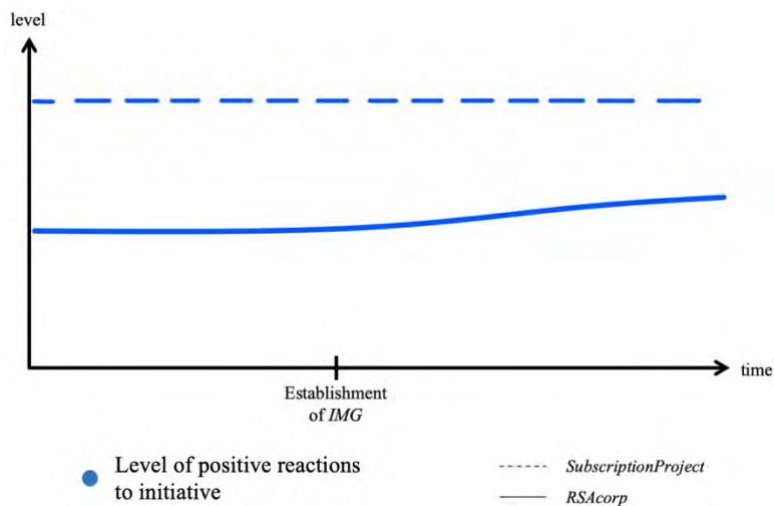


Figure 16: Reactions to the Initiatives

Regarding *RSAcorp*, there were official statements regarding the acquisition communicated internally and externally. The reactions to the initiative were mixed. Depending on which department they belonged to, some employees felt threatened while others did not. For *SubscriptionProject*, the team did roadshows to inform and present the initiative to employees from the core of *InsuranceCorp*. The responses were really positive overall with employees being excited about *InsuranceCorp* being a pioneer in the sector.

Since *RSAcorp* is a costly acquisition, it is expected that employees from the core of *InsuranceCorp* are worried about being in competition for resources compared to the internal development and joint venture *SubscriptionProject*, which is now even looking for external funding. Furthermore, since *RSAcorp* is closer to the core of *InsuranceCorp* and, thus, affects it more, it is logical that employees from the core are more wary of it. Additionally, since *SubscriptionProject* does not mandate official stock exchange disclosures it was able to stay under the radar of employees of the core of *InsuranceCorp* if the team wanted to but also influence the perception by communicating it in staff meetings or doing roadshows.

Comparing the level of positive reactions to the initiative in Figure 16, the perception of *RSAcorp* by employees of the core is less positive than for *SubscriptionProject*. This is because employees perceive *RSAcorp* as more of a threat to how they work and feel more in competition for resources. For *SubscriptionProject*, the reactions have been really positive overall.

6. Discussion

First, the differences between the two initiatives are discussed focusing on the reason for these differences. Then, the evolution of the initiatives is discussed not only showing how they develop but also the reasons for the development. Afterwards, the matrix of support and interference of top management is presented to insert the initiatives in the matrix and show the effect of the ambidextrous solution of the position of RSACorp in the matrix. Lastly, innovation at the edge is discussed also including the differences between the research-based knowledge in this research and theory such as ambidexterity and the innovation-ambition-matrix as well as the Scaling the Edge framework. The focus is on how the empirical analysis and findings in this thesis can extend and further develop our understanding of innovation at the edge.

6.1 The Differences between the Initiatives and their Reasons

As already analyzed in the previous chapter, there are several differences between *SubscriptionProject* and *RSACorp*. Figure 17 shows an overview of the features for both initiatives and potential reasons for the differences.

For the first feature, the distance to the core, there is a significant difference between the two initiatives. The far distance for *SubscriptionProject* can be partly explained by the fact that there are no synergies to the core expected and the initiative is allowed to develop freely. *RSACorp*, on the other hand, has to deliver synergies that are expected and calculated for in the acquisition process. This forces the initiative to have a closer contact to divisions at the core since it has to generate customers for traditional divisions of *InsuranceCorp*. With the establishment of *IMG InsuranceCorp* is aiming to create more independence and move *RSACorp* further away from the core. The fact that *RSACorp* is closer to the core than *SubscriptionProject* shows that internally developed initiatives do not have to be close to the core and not closer than acquisitions. However, the limitations on acquisitions could keep defining the distance of initiatives started in acquisitions in the future.

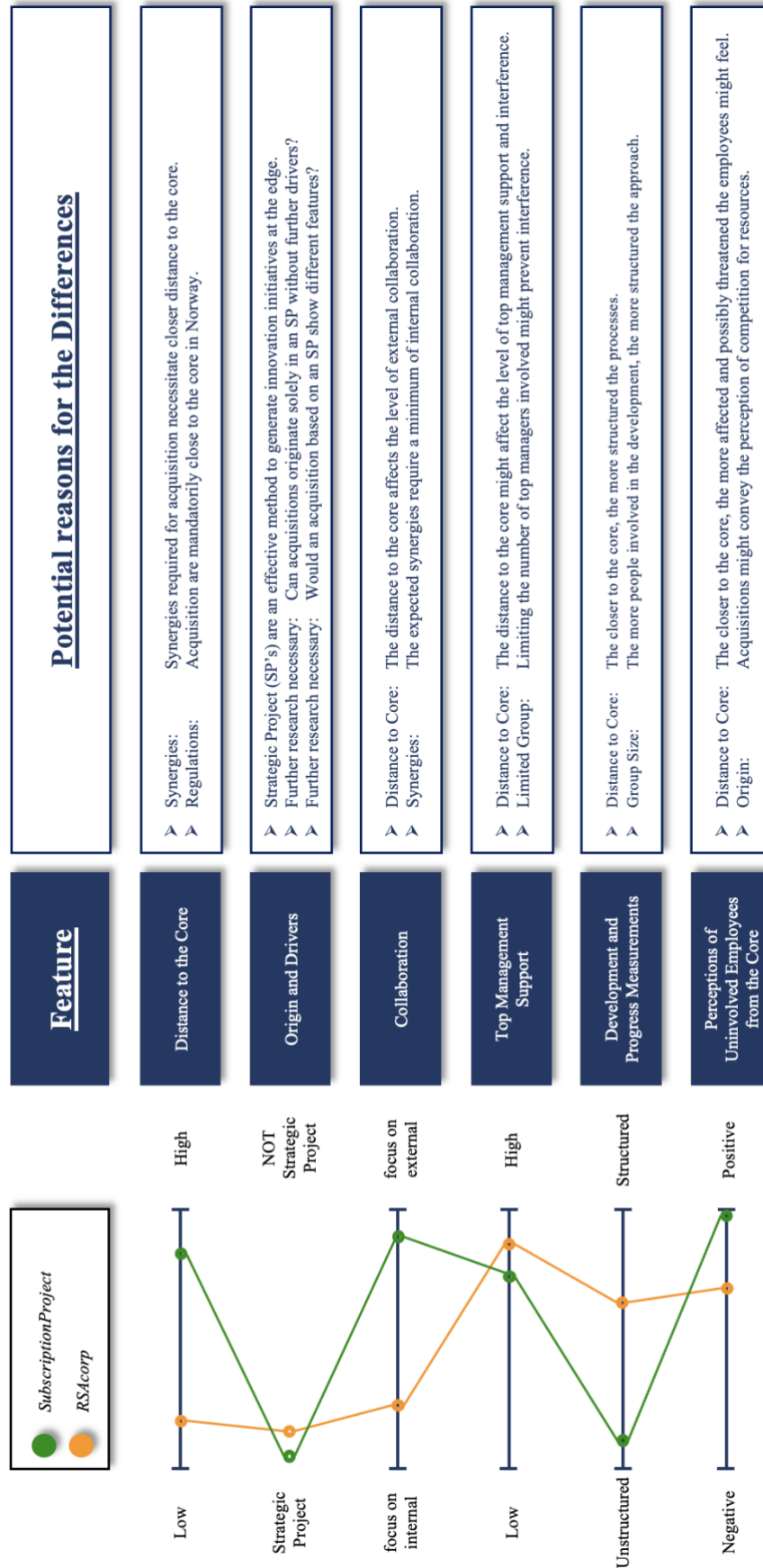


Figure 17: The Differences between the Initiatives and their Reasons

For the second feature, the origin of the initiative, both *SubscriptionProject* and *RSACorp* originate at least partly in a strategic project. As already mentioned earlier, strategic projects seem to be an effective method to generate innovation initiatives at the edge. However, *RSACorp* was also influenced by the actions of competitors. This poses the question whether an acquisition can also originate solely in a strategic project without other causes and how this would affect other features, such as the distance to the core. In this research, there is not enough evidence to answer this question and further research into innovation at the edge in established firms is necessary.

For the third feature, the collaboration, and its focus, there is a clear difference between *SubscriptionProject* and *RSACorp* as of now. *SubscriptionProject* has a stronger external orientation than *RSACorp* which can at least be partly explained by the further distance to the core and the lack of required synergies. However, it is important to note that *RSACorp* within *IMG* is aiming to increase the external collaboration as well. Still, the question remains whether *RSACorp* will reach the same level of external collaboration *SubscriptionProject* is aiming for since there will always be a higher level of internal contact necessary to realize the expected synergies. This might potentially limit the innovative capabilities of *RSACorp* compared to *SubscriptionProject*.

For the fourth feature, the top management support, both initiatives have a high level of support. For *RSACorp* the support is even more extensive, to the point of leading to interference from top management. This could be explained by the support needed for a huge acquisition as well as *RSACorp* being closer to the core and thus being closer to the interests of top managers not involved in innovation at the edge. Top management was also really supportive of *SubscriptionProject*; however, this support did not lead to interference. One possible reason might be the group size since only a limited group of top management was involved in the development and this prevented interference from top management.

For the fifth feature, the development and progress measurement, *RSACorp* has a more structured approach than *SubscriptionProject*. Since *RSACorp* has to work with the core and is closer to the core, the processes in its development are more similar to the ones within the core. In addition, since more people were involved in the development of *RSACorp*, a huge acquisition, than in the development of *SubscriptionProject*, a small internally-developed initiative, the processes had to be more structured. Thus, for *SubscriptionProject* action-oriented lists were sufficient to structure the tasks. For the small team there was no

standardized way of working necessary and they simply listed tasks they had to fulfill before the launch to check them off once they were completed.

For the sixth, and last, feature, the perception of uninvolved employees from the core, the reactions to the initiatives are quite different for *SubscriptionProject* and *RSAcorp*. While for *SubscriptionProject* the reactions were positive all-over and employees were excited about being a pioneer, the reactions were mixed for *RSAcorp*. This can be explained by the short distance to the core that conveys the perception to employees of the core that *RSAcorp* might affect how they work and they might feel threatened. Furthermore, *RSAcorp* being a large-scale acquisition might increase the perceived competition for resources between the core and the innovation initiative and might lead to resistance. Since *SubscriptionProject* is a small initiative far from the core, this threat was not perceived by employees from the core.

6.2 The Evolution of Innovation Initiatives

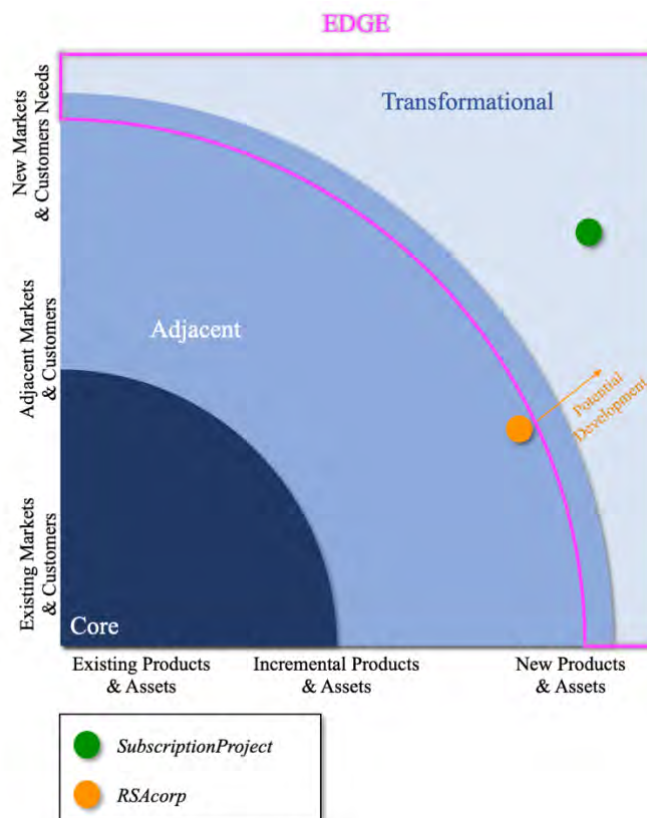


Figure 18: The Potential Development of *RSAcorp*

While the trajectories of the initiatives of each feature over time have been described in section 5.5, this section discusses the evolution of the innovation initiatives overall over time. In Figure 18 the initiatives *SubscriptionProject* and *RSAcorp* are shown in the Innovation-Ambition-Matrix presented in 2.4. An important addition to Figure 9 is the potential trajectory of *RSAcorp* if the challenges it faces are resolved. As *RSAcorp* is closer to the core and struggles with top management interference, the establishment of *IMG* has the ability to potentially create enough independence from the core to move *RSAcorp* from the lower end of the edge fully into the edge territory. This trajectory is further supported by the intent to increase the collaboration with external parties and to limit the contact to internal departments.

Besides the trajectory for the evolution of *RSAcorp* in the Innovation-Ambition-Matrix, it is also interesting to discuss the effect the establishment of *IMG* and the resulting decrease in top management interference have on *RSAcorp*.

For this purpose, this research developed a matrix, the Top Management-Support-Interference Matrix (Figure 19).

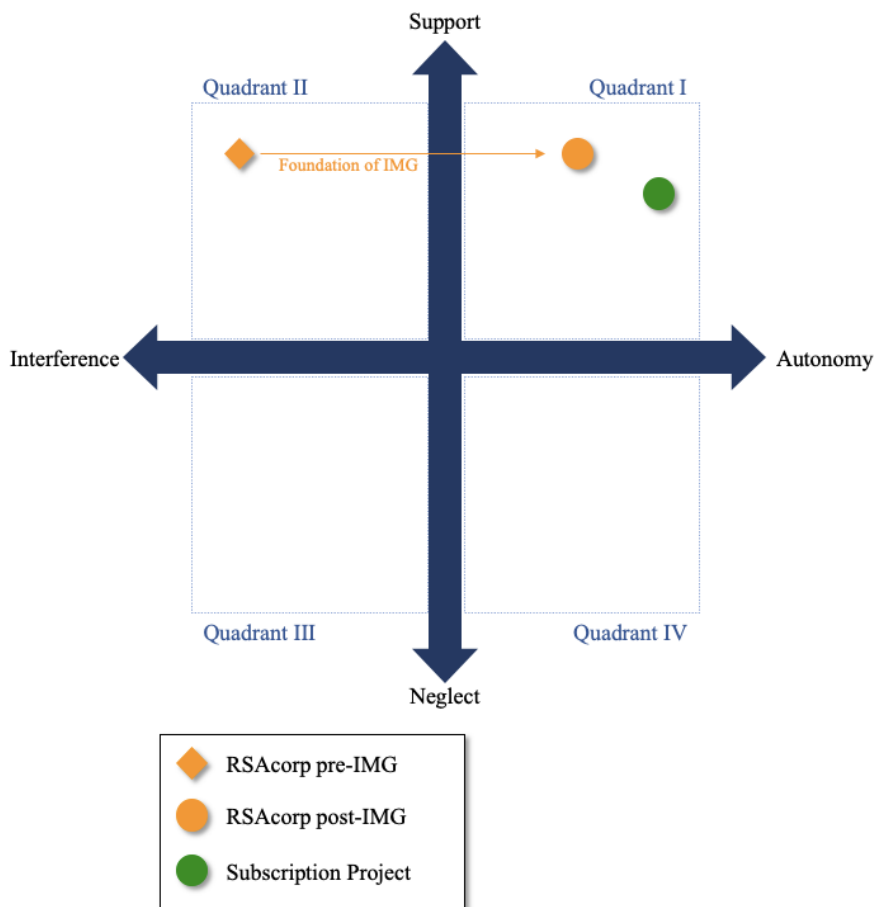


Figure 19: The Top Management-Support-Interference Matrix

The matrix has two axes relating to top management. The horizontal axis shows the interference of top management on the left end and top management granting autonomy on the right end. The vertical axis shows top management support on top and top management neglecting the initiative on the bottom. The result is a matrix with four quadrants.

Quadrant I has a supporting top management that also allows autonomy for the initiative. This quadrant can be described as “A+ Parenting” and is the target quadrant.

Quadrant II has a supportive top management that, however, interferes with the initiative. This quadrant is described as “Helicopter Parents”.

In Quadrant III top management is neglecting the initiative while also interfering. This quadrant is described as “Child Actor Parents”.

In Quadrant IV, top management is neglecting the initiative while also giving autonomy. This quadrant is described as “Fend for yourself”.

For *SubscriptionProject* top management is supportive while also providing autonomy. It is thus in Quadrant I. For *RSACorp*, however, while top management is highly supportive, it is also interfering which puts the initiative in Quadrant II. However, the establishment of *IMG* reduces the interference which moves *RSACorp* into Quadrant I.

For innovation initiatives at the Edge, it is important to stay in Quadrant I. Having the support from top management while also having autonomy is crucial to keep the innovation at the edge and not be pushed back into the core. The establishment of an ambidextrous company was a suitable solution for *InsuranceCorp*. While *SubscriptionProject* shows that an ambidextrous unit is not always necessary, it is interesting to observe future research in the context of this Top Management-Support-Interference Matrix.

6.3 The Extension of the Current State of Knowledge

The current state of research-based knowledge on Innovation at the edge in established firms is limited. Thus, this research provides a contribution to the understanding of how established

firms can innovate at the edge. In Figure 20, the understanding of Innovation at the edge based on this research is summarized.

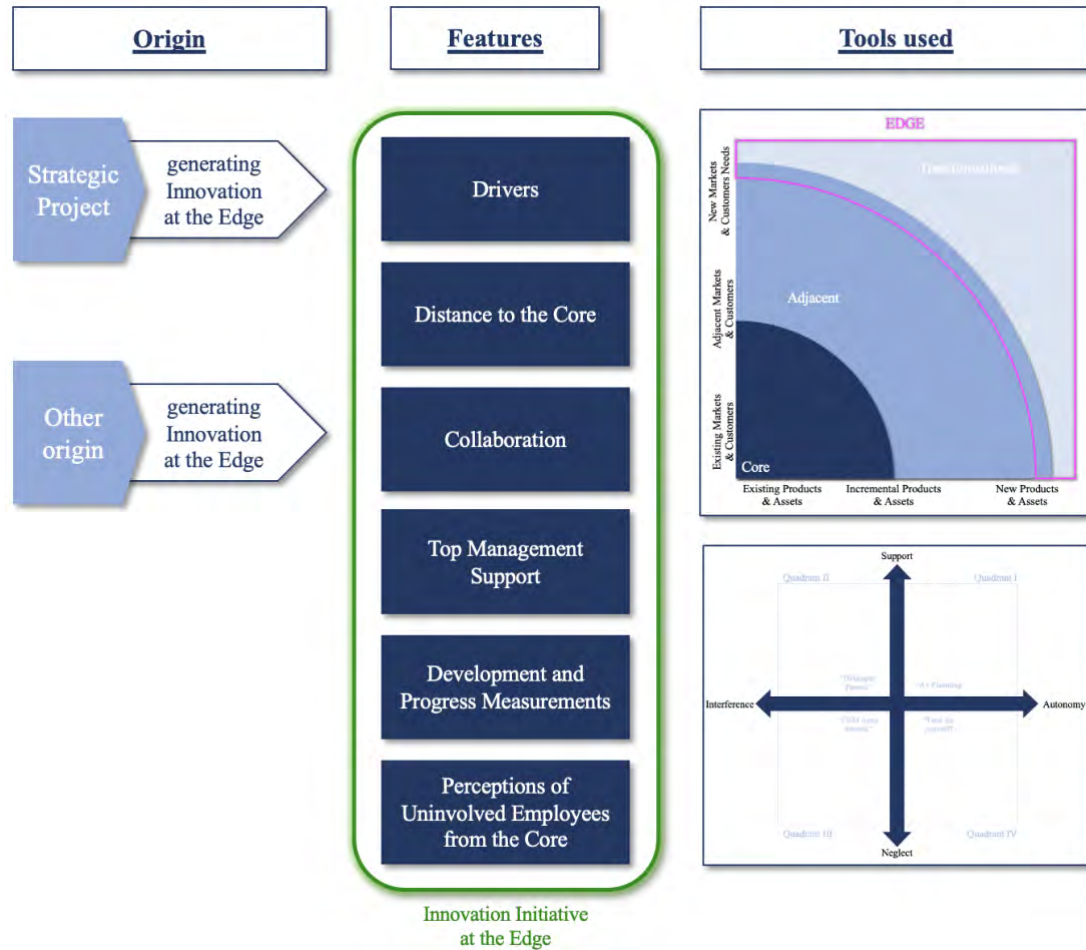


Figure 20: The Understanding of Innovation at the Edge

Based on the findings of this research, Innovation at the edge can successfully originate in strategic projects. However, future research should explore if there are other possible origins of innovation initiatives besides strategic projects.

The features of innovation initiatives at the edge found in this research are the drivers, the distance to the core, the focus of the collaboration (internal vs. external), the top management support (also considering potential interference), the development and progress measurements, and lastly the perceptions of uninvolved employees from the core. These features came up in the analysis of *SubscriptionProject* and *RSAcorp* but this does not mean that there are no other features to be discovered in further research.

This research contributes to the understanding of innovation at the edge not only by developing the different options how innovation at the edge can originate and the features of approaches to innovation at the edge, but also by creating two different tools to assess approaches to innovation at the edge, meaning the adapted Innovation-Ambition-Matrix and the Top Management Support-Interference Matrix. These tools are suitable to evaluate not only the distance to the core and the involvement of top management, but also to show the trajectories and evolution of initiatives and the effect of, for instance, the establishment and benefits of ambidextrous solutions.

This contribution to the understanding of innovation at the edge based on the research on *InsuranceCorp* shows similarities to ambidexterity and also to the consulting framework *Scaling the Edge* (Hagel, Brown & Kulasooriya, 2019).

Within the theory of ambidexterity, creating an ambidextrous unit is described as creating the necessary distance to the core or the incumbent company. This required distance is also important in the understanding of innovation at the edge developed in this research. The collaboration within ambidexterity is solely focusing on sharing resources with internal departments whereas innovation at the edge in this research has a strong emphasis on external collaboration. The understanding of innovation at the edge based on this research emphasizes the importance of top management similar to ambidexterity. However, the concept of top management interference is not mentioned in the context of a matrix. Development and progress measurements within ambidextrous units are not focused on by O'Reilly & Tushman (2004) whereas the understanding of innovation at the edge in this research allows more structured and less structured development processes and focuses on progress measurements also allowing a focus on learning. In the theory on ambidexterity (O'Reilly & Tushman, 2004), the knowledge about the existence of ambidextrous units is seen as a given; this is not the case for the understanding of innovation at the edge based on *InsuranceCorp* as not being on the radar of employees from the core is seen as an advantage to avoid resistance from the core.

Comparing the contribution to the understanding of innovation at the edge in this research to the framework of *Scaling the Edge*, there are distinct differences. In general, *Scaling the Edge* is more restrictive than the understanding of innovation at the edge developed in this research.

First of all, innovation at the edge allows initiatives to originate in acquisitions, whereas Hagel, Brown & Kulasooriya (2019) exclude this origin. The distance to the core in *Scaling the Edge*

is not defined clearly but the edge itself is defined with four criteria. These criteria, however, are not clear-cut, such as the ability to transform the core. *Scaling the Edge* focuses solely on external collaboration and the creation of an external network and ecosystem whereas the understanding of innovation at the edge based on this research allows a level of internal collaboration. Top management support is important both for the understanding of innovation at the edge based on *InsuranceCorp* and *Scaling the edge* whereas interference is solely emphasized in this research. The development and progress measurements are described more in detail in *Scaling the Edge* than in the understanding of innovation at the edge based on this research. Since the understanding of innovation at the edge discussed here is based on research, compared to *Scaling the Edge*, which is more idealistic, this understanding provides more room for realistic metrics and less defined goals and targets. Lastly, the perception of uninvolved employees from the core is clearly to be “under the radar” within *Scaling the Edge*, whereas the understanding of innovation at the edge in this research allows for the awareness of the initiatives based on the research on *InsuranceCorp*.

Overall, *Scaling the Edge* is more restrictive than the understanding of innovation at the edge in this research since the framework by consultants is more a prescriptive guideline of an ideal situation whereas the understanding of innovation at the edge based on research is grounded in findings.

7. Conclusion

In this final section, the findings of this research are summarized including their relationship to the existing literature on innovation at the edge. Then, the scientific contribution of this research is evaluated before discussing its limitations. Afterwards, recommendations for future research are provided. Lastly, implications for practitioners are presented.

7.1 Summary

The objective of this study was to answer the research question of how innovation at the edge can take place in established firm. To provide an answer, four innovation initiatives at the edge of an established firm were examined. Qualitative semi-structured interviews with interviewees from different management levels and working on different aspects of the initiatives provided information that was then analysed. The findings from this analysis show that strategic projects are an appropriate method to originate innovation at the edge. Furthermore, the findings provide distinct features along which innovation initiatives at the edge can not only be compared and differentiated, but which can be used to explore how characteristics of initiatives affect the progress and success of innovation initiatives at the edge. These features are the drivers, the distance to the core, the focus of the collaboration, the top management support, the development processes and progress measurements, and the perception of the uninvolved employees from the core. Furthermore, the analysis showed how besides top management support, also the level of top management interference is crucially affecting the trajectory of an initiative. In addition, these findings were used to extend the current state of research-based knowledge on innovation at the edge differentiating it to the characteristics of ambidexterity as well as to the consulting framework to approach and scale the edge of established firms.

7.2 Judgement on Scientific Contribution and Limitations

Several contributions to the current state of research of innovation at the edge can be found in this research. The research-based knowledge on innovation at the edge in established firms was extended. This includes the features suitable to compare innovation initiatives at the edge and the exploration of their effects on the development and success of the initiatives.

Additionally, this research explored the effects not only of top management support but also of top management interference.

There are limitations in this research. First of all, the information gathered in the interviews is based solely on Norway and on the insurance industry. It is unclear how the findings translate into other countries and industries. Also, it is important to consider that this research is based on a limited number of interviews and on a limited number of initiatives at the edge and that additional interviews and information on additional initiatives might add insights. Furthermore, since the initiatives have only been started a short while ago, the trajectories are based on information for a limited amount of time and are not strongly longitudinal.

7.3 Further Research

The limitations mentioned in 7.2 lead to several recommendations for future research. Research is possible on innovation initiatives in a different country and/or a different industry. Furthermore, research on initiatives that provide the possibility of a stronger longitudinal approach allow a more in-depth exploration of the evolution over time and a deeper understanding of the development process. Moreover, the findings on the effects of top management support also including top management interference as a factor reveal potential future research.

7.4 Managerial Implications

The practical implications of this research for managers are to consider the features developed in this study in their approach to innovation initiatives at the edge. It can be beneficial to consider the distance to the core, the drivers, the focus of collaboration, the extent of top management support as well the extent of top management interference, and the development processes and progress measurements when deciding on how to approach innovation at the edge. Moreover, the consideration of the effects of each feature can be beneficial to successful innovation at the edge. This can translate into practice for instance as adapting the performance measurements to include the potential and learning more explicitly or to not only allow but to incentivize collaboration with external partners. In addition, acknowledging the substantial effects of the extent of top management interference can support the awareness of managers regarding their own interference.

References

- Altman, E. J., Nagle, F., & Tushman, M. L.** (2021). *The Translucent Hand of Managed Ecosystems: Engaging Communities for Value Creation and Capture*. Academy of Management Annals. Published.
- Balogun, J.** (2001). *Strategic change*. Management quarterly, 10(1), 2-11.
- Birkinshaw, J., Zimmermann, A., & Raisch, S.** (2016). *How Do Firms Adapt to Discontinuous Change? Bridging the Dynamic Capabilities and Ambidexterity Perspectives*. California Management Review, 58(4), 36–58.
- Bourgeois III, L. J., & Eisenhardt, K. M.** (1988). *Strategic decision processes in high velocity environments: Four cases in the microcomputer industry*. Management Science, 34(7), 816-835.
- Christensen, C. & Overdorf, M.** (2000). *Meeting the Challenge of Disruptive Change*. Harvard Business Review. 78. 67-76.
- Christensen, C., Raynor, M., & McDonald, R.** (2015). *What is Disruptive Innovation?*. Harvard business review. 93. 44-53.
- Ghauri, P. N., & Grønhaug, K.** (2005). *Research Methods in Business Studies: A Practical Guide*. Harlow, England: Pearson.
- Guba, E. G.** (1981). *Criteria for Assessing the Trustworthiness of Naturalistic Inquiries*. ECTJ, 29(2), 75.
- Hagel, J., Brown, J. S., Kulasooriya, D.** (2019). *Scaling edges: A pragmatic pathway to transformation*
- Lincoln, Y. S. & Guba, E. G.** (1985). *Naturalistic inquiry* (Vol. 75). Sage.
- Nagji, B. & Tuff, G.** (2012). *Managing your innovation portfolio*. Harvard Business Review, 90(5), 66-74.
- O'Reilly, C & Tushman, M.** (2004). *The Ambidextrous Organization*. Harvard business review. 82. 74-81, 140.
- Rubin, H. J. & Rubin, I. S.** (2012). *Qualitative Interviewing – The Art of Hearing*. Data. 3rd edition. SAGE Publications, Inc.
- Saunders, M., Thornhill, A., & Lewis, P.** (2019). *Research Methods for Business Students*. Pearson.
- Yin, R. K.** (1984). *Case Study Research. Design and Methods*. Beverly Hills, CA: Sage Publications.

- American Enterprise Institute.** Perry, Marc J. (2019/05) *Only 52 US Companies Have Been on the Fortune 500 Since 1955, Thanks to the Creative Destruction That Fuels Economic Prosperity.* <https://www.aei.org/carpe-diem/only-52-us-companies-have-been-on-the-fortune-500-since-1955-thanks-to-the-creative-destruction-that-fuels-economic-prosperity/> (accessed 31.05.2022)
- Medium.com.** Weiss, Noah. (2015/02) *Manage Your Time Like Google Invests its Resources: 70/20/10.* <https://medium.com/agileinsider/manage-your-time-like-google-invests-its-resources-70-20-10-3bb4d600abaa> (accessed 31.05.2022)

Appendix

A. Consent Form

Informed consent form –Participation in RaCE research program

NHH Norwegian School of Economics

Background and aim

This research is a part of the RaCE project at SNF and NHH Norwegian School of Economics. The goal is to examine how established firms respond to and manage radical technology-driven change. We are targeting individuals within established firms that have information on and experience with organizational changes.

What participation in the study entails

We invite you to participate in an interview lasting 1 hour. If you permit, the interview will be recorded and later transcribed. The audio file will be deleted after transcription and the transcribed version will be anonymized.

How is information about you handled?

Personal information will be treated confidentially. Any information that could identify individuals will be removed (e.g., your name). Transcriptions will be allocated a code instead. Name and contact information, including this form, will be kept separate from any interview data. Only persons participating in the RaCE project at NHH/SNF will have access to the anonymized interviews.

Your firm/organization will be anonymized.

The project will be completed in June 2023.

Voluntary participation

Participating in the project is voluntary. You can withdraw at any time without any further explanation. If you chose to withdraw, all information about you and your interview will be deleted.

Should you have questions regarding the research project, please contact:

Inger Stensaker

phone: 9979 2127

email: inger.stensaker@nhh.no.

Should you have other questions please contact: personvernombud@nhh.no

On behalf of SNF/NHH, the Norwegian NSD has approved the procedures followed by the RaCE research project are in accordance with current rules and regulations for handling data.

Your rights

As long as you can be identified in the data material, you have the right to:

- Access in which personal information is registered in your name
- To correct personal information about you
- To have personal information about you deleted
- To receive a copy of your personal information (data portability)
- To file a complaint to personvernombudet or Datatilsynet regarding use of personal information on you

What gives us the right to use personal information about you?
 By signing this form you consent to participate in the study.
 Informed consent form:

I have received written information and I am willing to participate in this study.

Signature Date

Printed name.....

B. Anonymized Interview Guide

Information		NOTES
Before	Short description of the goal of the study: I am writing my master thesis on innovation at the edge in established firms. I put the focus of my research on the processes and practices that are implemented in innovative initiatives working on innovation at the edge of the business.	
	Consent form	
Start the recording		
Warm-up (Introduction)		
Introduction	What is your position and how long have you been in this team?	What are your responsibilities?
	How would you describe the project you are working on?	What is your vision? What is your mission?
1st Topic: Is the initiative at the Edge?		
Aspect 1.1	Tell me about the start/the early phase of the project?	What are the trends you see in the industry? In how far does your project react to them?
Aspect 1.2	How does your project relate to the core business of <i>InsuranceCorp</i> ?	Which effect does your project have on the profits of other <i>InsuranceCorp</i> units?
Aspect 1.3	How is your initiative aligned with the industry going forward?	What are barriers to enter?
Aspect 1.4	What do you think: how does your project change/transform <i>InsuranceCorp</i> in the future?	How does/would the success of your project influence <i>InsuranceCorp</i> strategic decisions?
2nd Topic: Funding		
Aspect 2.1	How is the initiative organized and where do you get your resources and funding?	Who is funding the project? What does the funding depend on?
3rd Topic: Top Management Sponsorship		
Aspect 3.1	Is top management in <i>InsuranceCorp</i> important for your project? How so?	What does the support look like?
4th Topic: Under the Radar		
Aspect 4.1	Do managers and employees within the core business of <i>InsuranceCorp</i> know about your initiative? What kinds of reactions are you getting from others in <i>InsuranceCorp</i> ?	Are they curious and supportive? How was your project communicated internally?

5th Topic: External Orientation		
Aspect 5.1	Do you rely on other departments within <i>InsuranceCorp</i> in your work? How so?	Who are you in contact with internally? How do you communicate?
Aspect 5.2	Besides your team members, who do you usually work with?	What are external partners you regularly have contact with? What are other departments within <i>InsuranceCorp</i> you cooperate with?
Aspect 5.3	How would you describe the collaboration with them (your partners)?	How often do you communicate? In what sense would they be one-time transactions or ongoing partnerships? How do you grow together or are completely unrelated?
Aspect 5.4	How do you look for partners?	Who initiated the contact? What are you looking for when looking for partners? Where do you look for them?
6th Topic: Reeruiting		
Aspect 6.1	How did you become a team member?	What was the application process like for your current job? Who initiated the contact and how? What specific requirements were mentioned?
Aspect 6.2	What steps does your team take if you need a new team member?	Where do you look for new team members? What criteria would you apply in the recruiting process? Who is responsible for recruiting?
Aspect 6.3	Do you recruit differently than the core. If so, how?	Who recruits in the core compared to your unit? Where does the recruiting take place? How do the recruiting criteria differ?
7th Topic: Development		
Aspect 7.1	What are some key differences between how you see the core divisions of <i>InsuranceCorp</i> working and how this initiative/unit works?	What are typical process steps you follow? How does the structure differ? How does the task assignment differ? How does the feedback process differ?
Aspect 7.2	How do you structure the feedback process in the iteration cycle?	Who do you ask for feedback? How do you ask for feedback? How often?
Aspect 7.3	How do you manage the trade-off between a fast development cycle and the feedback process?	Where do your priorities lie?
Aspect 7.4	Do you rely on <i>InsuranceCorp</i> for IT structures? If so, how?	What platforms do you communicate on? What IT structures do you use?
8th Topic: Performance Measurements		
Aspect 8.1	How do you monitor the progress of your project?	How regularly is the progress monitored? What tools do you use? Who is responsible for the performance monitoring?
Aspect 8.2	How do you decide whether something was a success or not?	What specific measurements you use? Who decides whether it is a success?
Aspect 8.3	How does this differ compared to core units within <i>InsuranceCorp</i> ?	How do your KPIs differ? How does the time frame differ?
9th Topic: Future Plans		
Aspect 9.2	What are the next steps for your project?	Do you have plans regarding expansion or collaborations?
Aspect 9.2	What is the horizon/scope you use when planning?	What is the specific time period? What are the segments of the planning horizon?
Cool Down		
Closing the interview	This would conclude the interview. Is there anything you would like to add or tell me?	
Stop the recording		