This paper explores a pathway to commercializing user innovations hitherto not studied, namely, the vertical diversification of a user firm into an upstream industry supplying capital goods, and subsequent coexistence of user and manufacturing units. Such coexistence creates synergies regarding innovation, marketing, and financials. It enables the manufacturing unit to benefit from user innovations in its new product development, while the user unit profits from improved tools. Yet, selling the firm’s own user innovations risks loss of the competitive advantage originating from use of these innovations. We employ case evidence from firms in the fields of foundation engineering, tunnel construction, tea-packaging, and geological surveying to derive a set of five propositions regarding the conditions under which user–manufacturer diversification is attractive and viable in the long run. These conditions relate to innovation, marketing, the organization, and financial aspects. Our study offers three contributions. We show how user entrepreneurship can originate from established corporations rather than from individual user

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innovators; we carve out factors that favor the move toward and the success of user–manufacturer diversification; and we link user innovation and corporate strategy by showing how user innovation can affect the boundaries of organizations.

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