GLOBAL CROSS-CUTTING TIES IN CVC PROGRAMS AND CORPORATE INNOVATION (SUMMARY)

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SUMMARY

GLOBAL CROSS-CUTTING TIES IN CVC PROGRAMS
AND CORPORATE INNOVATION

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Principal Topic

A growing body of literature acknowledges the trend towards internationalization and developing
global ties in the venture capital industry (Makela & Maula, 2006). Financially, such cross-border
investments are superior to the domestic ones (Wuebker, Schulze, & Kraussl, 2011). Corporate
venture capital (CVC) programs, however, are often motivated by the pursuit of innovative ideas.
Although the idea of sourcing R&D globally is not new (Lewin, Massini, & Peeters, 2009), the
effects of the global footprint of CVC programs have not been investigated. Based on the notion
of cross-cutting ties (Bae, Wezel, & Koo, 2011) where benefits are created by linking geographi-
cally dispersed countries and tying separate knowledge origins to create new knowledge essential
for innovation, we suggest that the number of countries where the focal incumbent establishes
its offices and/or supports new ventures is positively related to the incumbent’s innovativeness.
Further, we suggest that by syndicating its deals the incumbent is trading off its less valuable
domestic knowledge for the more valuable international knowledge. As such, deal syndication
should positively moderate the incumbent’s innovation gains from cross-border investments.

Method

Our data consists of annual investment decisions of 163 corporations during the course of
four years, rendering a data set with 652 unique measurement points. We adopted two alternative
operationalizations of the global footprint: the number of countries where the incumbent has a
formal CVC office, and the number of countries where the incumbent supports new ventures.
Although only about 30% of incumbent corporations in our sample have CVC offices in countries
other than the U.S., over 50% of the new ventures supported with the CVC are located in other
countries. Given the nature of the data, we employed panel data technique to test our hypotheses.

Results and Implications

The results suggest that for the incumbents interested in improving their innovative stature
via CVC investments, exploring cross-cutting ties is a viable strategy. Supporting new ventures in
multiple countries results in gains in innovativeness. Importantly, syndicating its deals helps the
incumbent to further strengthen the positive impact of the global footprint of its CVC program on
corporate innovation and as such should be considered by the decision makers.

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