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## DOES VENTURING CREATE FIRM VALUE? A CONFIGURATIONAL APPROACH TO UNDERSTANDING THE VENTURING- FIRM VALUE RELATIONSHIP (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**DOES VENTURING CREATE FIRM VALUE? A CONFIGURATIONAL APPROACH  
TO UNDERSTANDING THE VENTURING-FIRM VALUE RELATIONSHIP**

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**Principal Topic**

Does venturing increase firm value? The relevant literature on the relationship between external corporate venturing--a corporate entrepreneurship strategy encompassing venture capital investments, equity joint ventures, and acquisitions--and firm value is decidedly mixed. In this study, we suggest a configurational approach to understanding the venturing-firm value relationship, positing that venturing per se is not likely to meaningfully increase firm value, but value will increase for firms employing venturing in particular environmental contexts and when adopting specific organizational structures.

We predicate our argument on an attentional perspective that operational concentration facilitates a strategic focus on venturing opportunities that add material value to the firm's core business. The diminishing extant opportunities in hostile environments similarly focus managerial attention on high value venturing opportunities. Collectively, operational concentration and a hostile operating environment provide strategic discipline to venturing activities, which investors in turn reward with higher firm valuations.

**Methods**

We used Thompson Financial's Securities Data Company (SDC) Platinum and VentureXpert databases, along with the North American Fundamentals Annuals and Historical Segments databases from COMPUSTAT to construct a panel of U.S. publicly traded firms engaged in equity-based external venturing activities in three different industries: information and communication technologies, chemicals, and medical and laboratory equipment from 1998-2008.

**Results and Implications**

Using a fixed-effects time-series cross-sectional estimator, we find support for our research model. Initial results using a two-stage least squares estimator further suggest that our focal independent variables are exogenously determined, giving us confidence in our specified model. Our study makes three contributions to the venturing literature. The first contribution is to clarify the venturing-firm value relationship by explicating the theoretical--and empirical--rationale for the contextual conditions necessary for venturing to meaningfully increase firm valuation. Our second contribution is to integrate attentional theory to the venturing conversation, and our third contribution revisits configurational approaches in the entrepreneurship literature by recognizing the fundamental dependencies of performance outcomes on the alignment between strategy, structure, and environment.

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