IT’S NOT ALL ABOUT THE MONEY – THE HIDDEN VALUE OF CORPORATE VENTURE CAPITAL INVESTMENTS (SUMMARY)

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SUMMARY

IT’S NOT ALL ABOUT THE MONEY – THE HIDDEN VALUE OF CORPORATE VENTURE CAPITAL INVESTMENTS

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Principle Topic

Corporate venture capital (CVC) has rapidly developed into a major funding source for new ventures. CVC has become capable to generate value for both the new venture and the corporate parent (e.g., Wadhwa & Kotha, 2006; Alvarez-Garrido & Dushnitsky, 2015). Extant research shows that corporations engage in CVC activities for financial and strategic reasons (e.g., Battistini et al., 2013). While the financial value can be quantified and measured, the impact of the strategic benefits is more difficult to grasp. Studies on the strategic benefits provide evidence for value being created, but have so far relied on various proxies such as patent data or Tobin’s q to capture the extent (e.g., Dushnitsky & Lenox, 2006). Indeed, some of these studies acknowledge that “we might be underestimating the benefits of CVC investments” (Wadhwa & Kotha, 2006, p. 833). Against this background, this study aims to unveil the multi-faceted dimensions of strategic value of CVC by investigating an investment case that has failed with regard to pure financial goals, but was perceived ‘successful’ from a strategic perspective.

Method

We used an inductive, qualitative case study approach to identify the antecedents of strategic value. Empirical work on CVC is mainly based on archival data and there is an increased need for qualitative work to shed light on CVC processes (Dushnitsky, 2006; Souitaris & Zerbinati, 2014). During an observation period of 36 months, we conducted semi-structured interviews, participant observations and studied archival data. In particular, we followed the structured approach by Gioia et al. (2013) to analyze, code and structure our findings into a process model.

Results and Implications

The results of our study shed light on idiosyncratic mechanisms for how CVC creates strategic value for the focal firm. For example, besides serving as a window for technologies emerging outside of the firm’s boundaries, the engagement through CVC was identified as crucial from an ecosystem orchestration perspective. It allowed the firm to secure an important role in a newly emerging value chain, and ensured through this future business opportunities. We propose a process model of how the strategic value of CVC evolves over time.

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