BILATERAL INTERORGANZIATIONAL LEARNING IN CVC ACTIVITIES: THE PERSPECTIVE OF AGENCY THEORY (INTERACTIVE PAPER)

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Learning new knowledge has been regarded as one of the most important objectives of corporate venturing (e.g., Keil, 2002; McNally, 1997; Schildt, Maula, & Keil, 2005). In particular, CVC investments enable firms to monitor the development of markets and technologies (Keil, 2002; McNally, 1997), to assimilate technologies previously used by the portfolio companies (Dushnitsky, 2004), and more generally to become more innovative (Chesbrough & Tucci, 2003; Dushnitsky & Lenox, 2005a, 2005b). On the other hand, the interorganizational learning is not unidirectional in a CVC investment. To add value and create wealth for both the entrepreneurs and VC fund investors, venture capitalists should act as advisors in addition to risk financial sponsors (e.g., Norton, 1995). Besides general business knowledge, corporate venture capitalists are superior in providing technology and marketing supports (Maula, Autio, & Murray, 2003).

Although interorganizational learning is bilateral throughout CVC investments, the extant literature has examined the learning in each direction separately. In addition, most of the studies largely focused on the outcome of learning and typically treated the learning process as a “black box”. In fact, interaction between the portfolio company and the corporation is usually mediated by the CVC program.

Thus, this study investigates outcomes of interorganizational learning from both the parent and the portfolio company’s perspectives. Through the theoretical lens of agency theory, we propose that autonomy, incentive scheme, and monitoring mode of a CVC program will influence the knowledge flows between the corporate investor and the portfolio companies, thereby impacting the corporate investor’s innovativeness, and the portfolio company’s performance.

To test our hypotheses, we construct a panel of all CVC investment relationships initiated during the period of 1996 to 2000. The resulting database includes information on the structural and managerial characteristics of a CVC program when the investment relationship was initiated, corporate investors’ innovativeness, and portfolio companies’ performance. Most of the data are derived from the VentureXpert Database. In addition, we also conduct a survey to collect data related to incentive schemes and knowledge flows.

The findings of this study may further our understanding on the mechanism of interorganizational learning between the corporate investors and their portfolio companies. This study will also contribute to the interorganizational learning literature by empirically analyzing the mutual learning processes as well as the factors that may lead to a reciprocated situation.

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