ALWAYS BETTER TOGETHER? EXPLORING SUCCESSFUL CONFIGURATIONS OF CORPORATE VENTURING ACTIVITIES

Principal topic

As the pace of technological and business model disruptions accelerates (D'Aveni et al., 2010; Khanagha et al., 2018), corporates need to develop new and more powerful ways to sustain competitive advantage or even reinvent themselves. To do so, corporates can engage in corporate venturing, or programmatic efforts to create new entrepreneurial ventures within the firm (Block and MacMillan, 1993). When reviewing the current state of corporate venturing research, we made three important observations.

First, researchers over time have extensively focused on a few dominant and popular corporate venturing practices such as corporate acquisitions (Ahuja and Katila, 2001) and corporate venture capital (Wadhwa and Kotha, 2006; Dushnitsky, 2006). Despite their popularity, researchers also started to report the downsides of these practices. For instance, firms have been hard-pressed to solve the M&A paradox (Hunt et al., 2018), even while corporate acquisitions continue at a torrid pace (Deloitte, 2018).

Second, the popular business press poses many questions on how corporates can survive in current disruptive times and frequently reports on many new ways of corporate venturing going from non-equity strategic partnerships and start-up studios to acqui-hires (Reymer et al., 2019). Although there have been several calls for more research on new forms of corporate venturing, only very recently have researchers begun to explore such new forms of corporate venturing.

Third, despite the fact that the variety of corporate venturing activities has never been so broad, most academic studies focus on one particular type of corporate venturing and study it in isolation without accounting for the effects of other corporate venturing activities that may be in place. Studying corporate venturing practices as a portfolio has been put forward as an important future research avenue, though (Dushnitsky and Birkinshaw, 2016), that has become even more important in light of the lack of research on how different old and new forms of corporate venturing work together in achieving high performance.

In this study, we address these three gaps by exploring the different configurations of corporate venturing practices – old and new – that are associated with high performance. We focus on strategic and financial outcome measures and include a broad set of new and old corporate venturing types.

Method

We use a unique database of 178 Belgian firms for which we collected data through a survey. We asked corporate firms which types of corporate venturing activities they had engaged in over the past three years. Our survey inquired about 20 different types of corporate startup cooperation (CSC), including new forms of corporate venturing, such as having relied on a start-up studio to develop a start-up for the corporate, or having started an own accelerator targeted at start-ups, and old forms, such as having made investments or acquired start-ups. In a first step, we ran exploratory and confirmatory factor analyses to group these different types of corporate venturing activities into groups, and found four main types, corresponding to a 2x2 typology in which broad versus focused search, and loose/ad hoc versus systematic/integrated distinguish the categories (summarized in the Table below).

	Broad search	**Focused search**
Loose/ad hoc	1. Pure exploration	3. Strategic alliances
Systematic/integrated	2. Accelerator	4. Strategic investments

We then used these four factors as the causal conditions in our fuzzy-set Qualitative Comparative Analysis (fsQCA) to address our question of how configurations of corporate venturing activities relate to firm performance. We selected four outcome variables that capture both strategic and financial performance aspects. These are financial output, building an ecosystem, transforming the business, and attracting and retaining employees. We also included variables that capture firm performance and size, and whether the firm had an external or internal innovation focus.

Results and implications

Our study makes several contributions to the field of corporate venturing. First, we find that there are a few essential elements that should be included in every high-performing corporate venturing configuration regardless of the firm's goals. These are a combination of high revenues together with the absence of an accelerator and the presence of pure exploration corporate venturing activities. We find that firms thus need to create "fertile grounds" that form the foundation on which other corporate venturing activities can flourish. Purely explorative corporate venturing activities such as organizing events and hackathons imply a greater search effort for companies and ideas and may give more options for other corporate venturing activities to either make the right investments or to choose the right partners.

Second, we show that successful corporate venturing does not only require a portfolio view but also depends highly on the corporate venturing goals that the company aims to achieve. To generate financial returns, low commitment configurations, combining the absence of accelerator activities and strategic investments with a focus on pure exploration activities and strategic alliances for bigger firms or an external innovation focus combined with pure exploration activities for smaller firms may be sufficient. Strategic outcomes, on the other hand, typically require higher commitment corporate venturing configurations.

Overall, our results contribute to a more nuanced view on corporate venturing, and show that corporate venturing activities should not be studied in isolation, but rather, that it is the configuration of activities that will lead to strategic or financial outcomes. By also explicitly including new forms of corporate venturing, our study addresses multiple calls for research (Dess et al., 2003; Dushnitsky and Birkinshaw, 2016; Phan et al., 2009).