

Corporate Venture Capital: Past Evidence and Future Directions

Gary Dushnitsky
gdushnit@wharton.upenn.edu

in Mark Casson, Bernard Yeung, Anuradha Basu, and Nigel Wadeson (eds.)
Oxford Handbook of Entrepreneurship, Oxford University Press, 2006.

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Introduction

In May 1999, an entrepreneurial provider of wireless multimedia software for mobile applications, PacketVideo, received a financing round of \$4M from an investment syndicate consisting of Intel Corporation and two venture capital funds. At the time of the investment, the market capitalization of the semiconductor incumbent was about 1.25 million times bigger than the post-round valuation of the year-old venture it financed. This observation raises a number of questions. What is the magnitude of corporate venture capital investments? Why do industry incumbents pursue equity investments in small entrepreneurial ventures? And when will entrepreneurs seek corporate backing? The answers to these questions can advance our understanding of entrepreneurial success, corporate innovativeness and economic growth.

This chapter reviews the academic literature on corporate venture capital, i.e., minority equity investments by established corporations in privately held entrepreneurial ventures. We start with a detailed definition of the phenomenon. An historical background of Corporate Venture Capital (CVC) is presented, followed by an extensive review of CVC investment patterns. We then present scholarly findings beginning with firms' objectives, through the governance of their CVC programs and the relationships with the portfolio companies and ending with a review of corporate, venture and CVC program performance. The chapter concludes with directions for future research.

Figure 1 – Corporate Venture Capital: Terminology

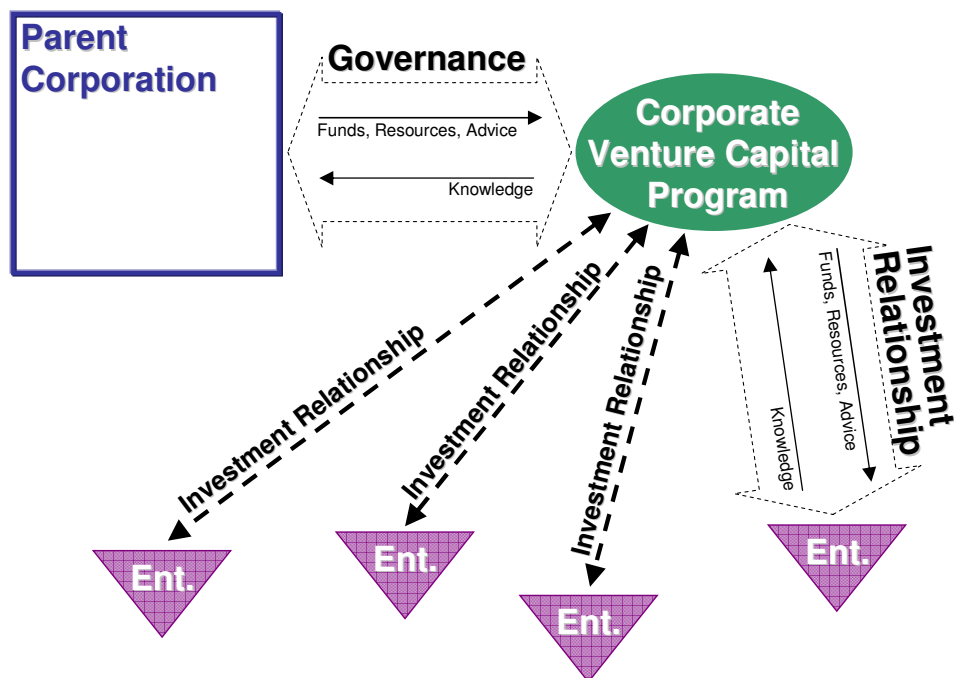


Figure 6 – Corporate Venture Capital: Key Areas of Study

