

corporate venturing

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Corporate venturing occurs when a firm enters into shareholding or a joint agreement with another firm, which is usually smaller and in possession of specialist capabilities, such as innovative technology or management and marketing expertise. In this form of venture, nonfinancial firms provide capital for start-up companies or the buying out of new operations.

The combination of firms involved in corporate venturing varies from firms within the same group, independent firms, and syndicated investment groups with venture capital funds.

The motive behind corporate venturing is to acquire new competences and competitive advantage. Corporate venturing follows both financial and strategic intentions to obtain nascent technological or commercial areas in which the firm is already present. It is an opportunity to obtain timely strategic access to cutting edge products and services. The benefit derived by the smaller innovative firm is the acquisition of supplementary capital, which will facilitate the consolidation of technological skill and marketing expertise. The investing firm may present the partnering firm with new knowledge in operational and management areas, which a smaller company would not have yet developed. The investing firm may provide an established network of specialist suppliers or distribution channels.

Developing corporate ventures enables local and international corporations or companies to expand their business operation without having to take full ownership of other companies. It is a route available for smaller firms to increase their growth rate beyond their current capabilities.

Corporate venturing is frequently found in telecommunications and software industries.

More recent surges in corporate venturing have been observed in the field of biotechnology and medical equipment.

The recent economic downturn has had a negative effect on venture capital, affecting industries such as telecommunications, information technology, and biotechnology. The first positive signs of recuperation in corporate venturing activity are observed in the healthcare sector. The healthcare industry is perceived by investors as more recession proof and is starting to attract capital much faster than other industries.

See also *cooperative strategies; co-opetition; innovation strategy; joint ventures; venture capital*

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