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Key Finding
Abandonment of corporate venture capital (CVC) units is significantly influenced by everyday operational decisions and by the attention processes of CVC managers.

Business Application
Firms' underlying commitment and staffing choices have consequences for the eventual success of new corporate programmes.

Corporate venture capital (CVC) units have been a popular vehicle for established firms to make external equity investments in start-ups. Although firms are undoubtedly enticed by the potential for financial returns from venture capital investing, most firms claim that their foremost objectives are strategic: learning about new technologies, gaining access to new markets and business models and identifying prospective acquisition targets. Companies like Apple and Intel have also used CVC to nurture whole ecosystems around their products, boosting demand. Despite the obvious benefits, a hard fact remains: CVC units tend to have a short lifespan. Historically, the average lifespan of such a unit has been estimated at about four years.

In my research, I found that firms wanting to sustain their CVC units over the long term should think carefully about the implementation choices they make, as they may be inadvertently sowing the seeds of abandonment. When a practice is on an upward or downward trend, firms tend to jump on or off the bandwagon accordingly. I found that a high level of investment in start-ups creates a buffer against such irrational social influence. Specifically, I found that CVC units that made more than the median number of investment rounds were less likely to be abandoned – more investments allow managers to hone their experience and increase their self-confidence, dulling their instinct to follow the crowd.

Hiring at least one team member with prior venture capital experience makes firms less likely to abandon their CVC unit. CVC managers with prior experience bring deep knowledge, such as a better handle on selecting and evaluating early stage start-ups, creating term sheets, etc. Surprisingly, I also found that CVC units with a higher proportion of internal hires were more likely to be abandoned. It appears that internal hires lack the legitimacy or deep knowledge about VC investing to position the practice as valuable to the firm. Internal hires also prioritise the strategic objectives of CVC units over financial returns; as strategic returns are often more difficult to quantify and measure, units that prioritise strategic returns are especially prone to abandonment. In short, firms should pay attention to the long-term, unintended consequences of staffing decisions. People don't just bring specific skill sets to a mix. They also come with certain mental models, or ways of looking at the world. This conditions what they focus on as well as how they sell the benefits of a given practice.

Read more: Gaba, V., and Dokko, G., (2016), "Learning to Let Go: Social Influence, Learning, and

the Abandonment of Corporate Venture Capital Practices", *Strategic Management Journal*, 37(8), pp. 1558–77.
Dokko, G., and Gaba, V., (2012), "Venturing Into New Territory: Career Experiences of Corporate Venture Capital Managers and Practice Variation", *Academy of Management Journal*, 55(3), pp. 563–83.

Vibha Gaba is the INSEAD Fellow in Memory of Erin Anderson, Associate Professor of Entrepreneurship, and Associate Editor of the *Strategic Management Journal*. She is a leading expert in the area of organisational change and learning and corporate venture capital. To know more, visit her website.

Research interests: organisational change and learning; performance feedback; organisational structure and design; corporate venture capital; external R&D.