Organizational Choices and Venturing Modes: An Analysis of Corporate Venture Capital Activities in Legacy Media

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ABSTRACT

Traditional media companies increasingly search for know-how and novel input outside their own networks to keep up with the rapidly changing environment. As an instrument to explore and exploit new business opportunities, corporate venture capital (CVC) has become particularly important. However, there is little research on the CVC investments by legacy media companies, despite these having been responsible for some of the largest investments in past years. To lay a foundation for research in this field, we investigate how traditional media companies organize their CVC activities. Using an extensive analysis of the 90 largest legacy media companies in Germany, the United Kingdom, and the United States, we explore the organizational structure, investment objectives, investment focus, and industry relatedness of investments. Our findings show the majority of investments are conducted through different forms of direct investments, predominantly focusing on strategic goals and using both exploration and exploitation. Moreover, we identify a trend toward investments in content- and commerce-related fields.

KEYWORDS

corporate venture capital, legacy media, startups

INTRODUCTION

During the last decades, the rapid and ongoing development of new technologies has led to disruptive innovations in the media landscape. With new ventures constantly generating “rapid cycles of innovation, experimentation, and distribution” (Engel, 2011, p. 36), established corporations are facing the challenge of maintaining a competitive advantage. To do so, legacy media corporations have to foster their innovative potential by strategically opening their innovation processes (Battistini, Hacklin, & Baschera, 2013), which is difficult because of the complex nature of media innovations (Bruns, 2014; Dogruel, 2014).

Exploring and exploiting new business opportunities with corporate venture capital (CVC) investments in innovative startups is a suitable solution for coping with the challenges that the complexity of media innovations brings to media companies' innovation management. By investing in such entrepreneurial ventures, corporations, firstly, are provided the opportunity to gain insights into the latest technologies and emerging markets (Maula, 2007). Secondly, their CVC activities help build social capital and engage them with new networks across the industry, from which they would otherwise have been excluded (Weber & Weber, 2011). Thus, engaging within new networks may prove particularly helpful for companies to both reduce uncertainty and accelerate advantages for research and development (Lee, 2007). All this is especially beneficial for media companies that in many cases have to cope with specific internal tensions (Achtenhagen & Raviola, 2009), need more openness in their often closed innovation processes (Holm, Günzel, & Ulhøi, 2013), and have traditionally been vulnerable to disruptive innovation from outsiders (Storsul & Krumsvik, 2013).

Most studies in the scientific literature on CVC provide broad analyses of the concept and focus their investigations on CVC units from different industries (e.g., Souitaris & Zerbinati, 2014). Although CVC activities by the media industry are also frequently included (e.g., Weber & Weber, 2011), they have not been researched very much as a separate field of research. However, being confronted with growing inter-media as well as intra-media competition, the media industry is experiencing more challenges than almost any other sector (Hass, 2011) and needs to adapt to structural transformations more quickly than is often possible with traditional innovation strategies (Baumann, 2013). Yet, descriptive studies concentrating on media companies' activities are exceptions and, considering the fast development and increasing relevance of the phenomenon (Hasenpusch, 2015), often outdated (e.g., Hang, 2007; Hass, 2011). In addition, these studies mostly view new and old media companies together, but "media firms' CVC activity rates differ widely between media firms" (Hasenpusch, 2015, p. 15). Thus, Hasenpusch emphasizes the necessity of a segmentation approach, which we will meet by focusing on legacy media, i.e., "media originally distributed using a pre-Internet medium (print, radio, television), and media companies whose original business was in pre-Internet media, regardless of how much of their content is now available online" (Miel & Faris, 2008, p. 3).

To advance research in this field, our paper provides a descriptive foundation for understanding legacy media companies' CVC activities. Furthermore, it may help in identifying possible tendencies and in facilitating managerial CVC decisions concerning the alignment of venturing modes. Accordingly, our research question is: How do legacy media companies organize their CVC activities to invest in startups?

Our paper is structured as follows: First, we give an overview on selected research areas in the CVC literature dealing with corporations' organizational choices. From this basis, research hypotheses are derived that specifically concern the organization and investment practices of CVC within the media industry. Second, we conduct an empirical analysis of the 90 largest legacy media corporations across Germany, the United Kingdom, and the United States to investigate their involvement in CVC activities and their particular investment and organizational choices. Third, we present and discuss media-specific findings with respect to the primarily conducted research hypotheses before we close with a short summary.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

Dushnitsky (2012) refers to CVC as "an integral part of a firm's innovation toolkit" (p. 164) and thus as central to an open innovation strategy. According to the author, corporations operating in turbulent environments largely use CVC as a reaction to Schumpeterian competition. In line with Dushnitsky, we define CVC as “a minority equity investment by an established corporation in a privately held entrepreneurial venture” (Dushnitsky, 2012, p. 157). Corresponding to the CVC concept used by Chesbrough (2002), the definition generally excludes investments that are positioned within the broader category of corporate venturing, such as intrapreneurship and acquisitions. To cover the whole range of corporations’ minority equity investments, our definition does take into account ad hoc, direct investments that are carried out from within the firm (McNally, 1997).

Organizational Structure of CVC

The organizational structure of CVC programs indicates the way CVC activities are organized and located within or outside the funding corporation. Generally, the way a program is structured largely determines the degree of autonomy with which a venture is governed (Dushnitsky, 2012). Dushnitsky’s concept provides a general overview of possible investment programs that is largely applicable to other works (e.g., Sykes, 1990) and has been used as a framework in recent studies (e.g., Souitaris & Zerbinati, 2014). The author distinguishes between four basic organizational forms of CVC investments, which range on a continuum of tight to loose integration structures with the parent corporation: (1) direct investments – CVC unit is managed by a business unit, (2) wholly owned subsidiaries – investments are carried out by a subsidiary owned by the parent corporation, (3) dedicated VC funds – fund is co-managed by the parent company and a VC, or (4) CVC as limited partner – the parent company joins an existing VC fund as a limited partner (Dushnitsky, 2012).

Many studies have found direct investments, including investments from wholly owned subsidiaries, internal CVC units or funds, and ad hoc investments (McNally, 1997) to be the most frequently used organizational forms (Aernoudt & San José, 2003; Ernst & Young, 2009; Lantz, Sahut, & Teulon, 2011; McNally, 1997; Sykes, 1990). According to Toschi, Munari, and Nightingale (2012), more direct involvement achieved through managing CVC activities from within the corporation may prove especially advantageous in “turbulent and technology-driven sectors” (Toschi et al., 2012, p. 25). Kann (2000) indicates that investments through wholly owned subsidiaries and direct investments are well suited for developing internal R&D skills by accessing novel technologies. In contrast, companies aiming to get involved with complementary businesses invest as limited partners within an existing venture capital fund. Moreover, studies identified the largely autonomously governed forms such as dedicated funds or CVC investments as limited partners as superior for achieving financial objectives (e.g., Aernoudt & San José, 2003; Gompers, 2002).

Regarding the media industry, Hang (2007) notes that many venture capital investments are also targeted at “next generation high tech IT products” (Hang, 2007, p. 30) to generate success on future markets. Considering Toschi et al.’s (2012) thoughts on the advantage of direct involvement in turbulent markets, this might make traditional media companies promising candidates for choosing direct investments as an organizational mode. Thus, we hypothesize:

Hypothesis 1: The dominant structure of legacy media corporations’ CVC activities resides within the overall category of direct investments.

Objectives of CVC

In CVC literature, the topic of CVC’s objectives has been one of the most researched (Maula, 2007). In general, it can be differentiated as two fundamental types: strategic objectives and financial objectives (Chesbrough, 2002). Although it has been stated that financial and strategic investment objectives should not be regarded as substitutes but rather as complementarities following a continuum, the overall findings prove that the practice of giving priority to either financial or strategic CVC objectives has been evident in the past (Ernst & Young, 2009; Weber, 2005).

Dushnitsky and Lenox (2006), Gompers and Lerner (2000), Rind (1981), and Sykes (1990) stress the importance of pursuing strategic before financial objectives. Findings from Gompers and Lerner (2000) point out that funding from CVCs with an explicit strategic focus leads to more successful ventures. Likewise, Dushnitsky and Lenox (2006) assert that firm value will be greater when clearly pursuing a strategic focus. The authors moreover explicitly find harnessing new technologies to be most promising. However, there have been contradictory findings. Keil (2000) posits that although strategic objectives often function as catalysts for the establishment of CVC programs, investments are largely carried out by means of financial criteria. In their investigation of 52 U.S.-based CVC units, Siegel, Siegel, and MacMillan (1988) discover that more autonomously governed units that receive stable financial commitment and emphasize financial objectives achieve higher financial returns while simultaneously receiving strategic benefits. Regarding the investment trends over the past years, CVC activities are shifting towards a primary emphasis on strategic objectives (Ernst & Young, 2009; Weber, 2005). Yet, in recent investigations by Lantz et al. (2011) the majority of investments is pursuing both financial and strategic objectives.

Following our first hypothesis (*H1: organizational structure*), we would now assume that media companies focus on strategic objectives. Previous research has determined that direct investments are particularly suitable for achieving strategic objectives (Keil, 2000; McNally, 1997). However, with respect to CVC investment trends in the media industry, Röper (2004) discovers a considerable dominance of financial objectives in German and American corporations active in CVC. Similarly, Dauderstädt (2013), observing the success factors in strategic corporate venturing, concludes that financial gains "seem slightly more important in the Media & ICT cluster" (p. 123). The author explains his findings by pointing out that some of the corporations' targets may be situated within rather low technology areas and far away from their core business – for instance, e-commerce from publishing. Moreover, recent investigations have shown that many major European media groups seem to opt for financial returns in their CVC activities (Mance & Ahmed, 2014). Consequently, although research on organizational structure (*H1*) would suggest otherwise, there is strong evidence for a dominance of financial goals within the media industry. Thus, we hypothesize:

Hypothesis 2: Legacy media corporations primarily focus on achieving financial objectives with their CVC activities.

Locus of Investment: Exploration or Exploitation

Depending on the objectives and overall strategy a corporation pursues, investments and their underlying objectives are often of exploratory or exploitative nature (Keil, Zahra, & Maula, 2004; Schildt, Maula, & Keil, 2005). According to March (1991), exploitation is the "refinement and extension of existing competences" (p. 85). In contrast, exploration is the "experimentation with new alternatives" (p. 85). To effectively learn from their CVC investments, both objectives need to be balanced (Keil et al., 2004). However, Ireland and Webb (2007) assume that corporations may not be well advised to pursue exploration and exploitation to an equal extent because specialization toward one or the other might prove more beneficial, depending, for instance, on market conditions.

In evaluating explorative and exploitative learning outcomes of CVC investments, various studies have found the latter to be closely interlinked with the units' overall organizational structure, investment decisions, and stage or focus of investment (Dauderstädt, 2013; Keil et al., 2004; Schildt et al., 2005; Wadhwa, Basu, & Kotha, 2005). Considering the relationship between exploitation and exploration with the general objectives of CVC units (strategic vs. financial), Dauderstädt (2013) indicates that financially oriented CVC adds value by following the concept of exploitation, while strategic benefits may be equally achieved through exploration and exploitation. Analyzing the organization of corporate venturing units in general, Hill and Birkinshaw (2008) find exploitation-oriented units are more stable than units oriented toward exploration. In contrast, returns generated from exploration are generally more uncertain and distant (March, 1991).

Nevertheless, many studies have concentrated on the exploratory character of CVC activities (Dushnitsky & Lenox, 2006; Schildt et al., 2005; Wadhwa & Basu, 2013). In general, the pursuit of exploration is especially important for corporations operating in dynamic markets and industries subject to frequent changes (Ireland & Webb, 2007). Industries such as semiconductor, software, telecom, or media characteristically experience these environmental conditions (Kim, Gopal, & Hoberg, 2013). Conducting media-specific investigations, Röper (2004) and Dauderstädt (2013) both identify the explorative objective of "gaining a window on technology" as by far the most popular. Taking this and the dynamic environment of legacy media corporations into account, an alignment of media corporations toward emphasis on exploration seems likely. Thus, we hypothesize:

Hypothesis 3: The strategic goals of legacy media corporations focus on exploration rather than on exploitation.

Level of Portfolio Diversification and Relatedness

CVC may aid companies in "scanning the environment for novel technologies that either threaten or complement core businesses" (Dushnitsky & Lenox, 2006, p. 754). With respect to the CVC literature dealing with a company's investment focus and its impact on corporate venturing performance, the notion of strategic fit with the parent corporation (Gompers & Lerner, 2000; Ivanov & Xie, 2010) and the concepts of the degree of relatedness (Da Gbadji, Gailly, & Schwienbacher, 2015; Yang, Narayanan, & De Carolis, 2014) and complementarities (Dushnitsky & Shaver, 2009; Park & Steensma, 2012) have been analyzed.

A strategic fit is apparent when there is a "direct relation between a line of business of the corporate parent and the portfolio firm" (Gompers & Lerner, 2000, p. 30). Researchers find that a large degree of strategic fit can support program stability (Gompers & Lerner, 2000) and lead to higher valuations than those of startups backed by traditional venture capital firms (Ivanov & Xie, 2010). Closely connected to the concept of strategic fit, other studies examine the degree of relatedness, which encompasses linking corporations along various dimensions (Keil et al., 2004). According to Keil et al. (2004), investments in related ventures may enable parent corporations to better compare and evaluate incoming knowledge gained from various startups. With respect to the concept of complementarities, studies have found that investments in ventures operating within complementary industries and markets are particularly advantageous to the parent corporation. For instance, investments in complementary areas can enhance competitive advantage (Chesbrough, 2000) and demand for the companies' own products and services (Dushnitsky, 2012). Nevertheless, investments too closely related or even substitutive to the parent's core business have been found to be rather disadvantageous. It has been assumed that a too-close relationship prevents the corporation from advancing in foreign fields of business (Weber, 2005) and reduces the CVC to a "complement to in-house R&D" (Yang et al., 2014).

Regarding media-specific findings, Dushnitsky and Lenox (2005) show that media corporations have diversified into complementary fields such as software, Internet retail, and telecom between 1990 and 1999. More recent investigations confirm these findings (Bielesch, Brigl, Khanna, Roos, & Schmieg, 2012; Hasenpusch, 2015). According to Hasenpusch (2015), 80% of investments are targeted at ventures from the telecommunication, information, media, and entertainment sectors, with 24% being targeted at startups in the media and entertainment industry. Following Hang (2007), media corporations aim to increase the number of company assets, develop new revenue streams, and strengthen content creation. Because media corporations operate within a triple market (content, audience, and advertising), they try to gain footholds (Hang, 2007) in each market. Consequently, it is assumed that even financially oriented corporations seek to invest in startups that provide strategic benefits for their parent corporation and in startups the parent corporation can support with industry-specific knowledge (Birkinshaw, van Basten Batenburg, & Murray, 2002). Thus, we hypothesize:

Hypothesis 4: Legacy media corporations primarily invest in their own or complementary industries and markets, rather than financing unrelated ventures.

DATA AND METHOD

The empirical research was designed to investigate how traditional media corporations organize their CVC activities, what kind of objectives (strategic vs. financial) they focus on, if they aim at exploration or exploitation, and in which fields they invest. Following a two-step data collection process, a list of the 90 largest legacy media companies (ranked by revenue) operating within Germany, the U.K., and the U.S. was created (30 companies in each country) to achieve wider results across different markets. Regarding the chosen markets, the U.S. is considered a pioneer within the VC and CVC scene and takes a leading position in this business. Likewise, Germany and the U.K. account for some of the most influential corporate ventures in media worldwide. To identify the largest media companies of the three countries, different rankings from magazines were taken as a basis, e.g., Germany's *Horizont*, the U.K.'s *Guardian*, and the U.S.'s *Advertising Age*. This information was verified through other official documents such as company websites and prospectuses.

The largest 90 corporations' CVC activities were then analyzed in detail through an extensive document analysis using multiple cases and data sources. Following Yin (2009), the method of case study analysis is well suited for examining "a contemporary phenomenon in its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (p. 18). By investigating a broad sample of cases, replication logic is possible (Yin, 2009). Our document analysis covered the processes of skimming, i.e., superficial examination; reading, i.e., thorough examination; and interpretation (Bowen, 2009) to systematically review and evaluate online documents gathered for the investigation. As described by Bowen (2009), the "rationale for document analysis lies in […] the immense value of documents in case study research, and its usefulness as a standalone method for specialized forms of qualitative research" (p. 29). Furthermore, document analysis is particularly effective for gathering data because documents can encompass a long time span and may provide comprehensive coverage (Yin, 2009). Our main sources to retrieve relevant documents, such as financial transaction information, companies' annual reports, and press releases, were the mergers and acquisitions database Zepyhr and the business information database Lexis Nexis. Additionally, company- and startup-related websites such as Crunchbase were used. To ensure inter-coder reliability (Keaveney, 1995), three researchers checked the data separately and compared results. In the few cases in which no mutual agreement was reached, a majority vote decided the issue.

We limited our investigation to the time frame from 1999 to early 2015, tying to the 1990-1999 time period analyzed by Dushnitsky and Lenox (2005). According to our data, 71 out of 90 media companies were engaged in CVC activities within our time frame. For the actual investigation, activities categorized under the broader concept of corporate venturing, such as acquisitions or internal corporate venturing activities (intrapreneurship), were excluded to narrow the focus on CVC activities as defined. However, detailed information is not available for all the deals falling into this category (CVC activities) because many deals are not made public and some available information is not reliable. Thus, we had to make a selection that is not biased toward single companies that are providing extensive information. In addition, we considered only deals in which reliable data could be obtained. As a result, the number of deals was limited to a representative sample. We made sure this sample includes one deal per year for each of the 71 media companies, if available. If more than one deal per company and year was available, we chose one deal randomly. If companies were active only within a particular time frame, we selected several deals of the same year for the analysis. This procedure was chosen to not underweight those companies that were not active in the whole time frame. All in all, this led to a sample of 448 deals.

To analyze the data, we first distinguished between companies with established specific entities for conducting CVC investments, such as wholly owned subsidiaries or internally or independently managed funds, and ad hoc direct investments, in which generally no particular investment focus was disclosed. This allowed us to verify our first hypothesis (*H1: organizational structure*). If CVC activities were carried out by the first category, both the CVC programs' general objectives (financial vs. strategic for *H2* and explore vs. exploit for *H3*), as far as they were available, and their deal-specific intentions were rated separately. For the latter category and CVC programs in which no general objectives could be identified, only deal-specific findings were taken into account.

For the classification of companies' alignment toward a financially or strategically oriented investment focus (*H2: objectives*), a scaling procedure roughly based on Likert (1932) was applied. Previous studies investigating companies' alignment toward a particular investment focus (e.g., Lantz et al., 2011; Weber, 2005) served as a foundation to develop a five-point scale enabling an allocation of the identified statements in the document analysis. Items defining the scale covered (1) financial return only, (2) primarily financial return, (3) strategic value and financial return, (4) primarily strategic value, and (5) strategic value only.

To estimate corporations' alignment toward exploration or exploitation (*H3: locus of investment*), an additional scale was used. During our literature review, we collected objectives that had been identified as particularly explorative or exploitative in nature (Dauderstädt, 2013; Napp & Minshall, 2011; Wadhwa et al., 2005; Weber, 2005). For *H3*, the

CVC programs' general statements and deal-specific statements were content analyzed and then allocated to the corresponding objectives. Consistent with Wadhwa et al. (2005), a score for each of the objectives based on their alignment toward exploration or exploitation was developed. The alignment of the objectives resulted in a five-point scale, with 1 indicating the highest level of exploration (lowest level of exploitation) and 5 indicating the highest level of exploitation (lowest level of exploration).

To define whether the case companies focused their investments on their own, complementary, or distinct fields of business (*H4: portfolio diversification*), we categorized the single deals. Wirtz's (2011) 4C Internet business model typology served as an underlying framework because it enables categorizing startups according to the four types: "content," "commerce," "context," and "connection." Additionally, we used Sigler's (2010) typology to complement Wirtz's model with a fifth C, "community." Wirtz's and Sigler's works are two of the few media business model typologies suitable for investigating our hypothesis. They made a more precise differentiation of business models possible. However, just like other business model categorizations, this typology exhibits certain overlaps among the five types, and allocation of investments was based on subjective decisions. Nevertheless, a high level of intercoder reliability was achieved among the three researchers, and only few cases had to be discussed.

Ventures classified within the content category were acknowledged as operating within the same business as the case companies. However, following Hess (2014), we additionally distinguished between ventures acting according to a traditional publishing-broadcasting approach – i.e., processing producer-generated content – and ventures using novel platform approaches or other business models related to technology for content production and distribution. Ventures in this category included, for example, VOD solutions provider Arroyo Video Solutions or video processing products provider RGB Networks.

Wirtz's (2011) and Sigler's (2010) remaining four categories were identified as complementary fields of business. Business models such as online shops (e.g., Tausendkind, Zalando, ZooRoyal) and online marketplaces (e.g., AptDeco, Ticketreserve, Tindie) were assigned to the commerce category. Likewise, portals acting as brokers for products or services, such as real estate portal Immonet or service provider portal eFrenzy, were put in this category.

When startups were doing business in more than one category, such as content, commerce, and community site Ador, they were either classified under the category identified as the dominant or, if no category was dominant, assigned to more than one category. The latter strategy helped ensure that the whole variety of investments in business models is covered.

Finally, companies not fitting any category were labeled "other" and put separately as distinct business models. An exception is advertising because it is still more related to media companies' core business model than, for example, security. Thus, we declared "advertising" another complementary category. The resulting categories enable an overview of dominant areas of investments. In detail, they are "content–publishing/broadcasting" (same business model), "content–platform/technology" (same), "commerce" (complementary), "context" (complementary), "connection" (complementary), "community" (complementary), "advertising" (complementary), and "other" (distinct).

Table 1.

Sample sizes for the different analyses

Analysis	Data available from
H1 (organizational structure, company-level findings)	All 71 companies, 126 organizational forms identified
H2 (objectives, company-level findings)	35 of 71 companies, these 35 companies being engaged in 60 CVC programs
H2 (objectives, deal-specific findings)	285 of 448 deals
H3 (locus of investment, company-level findings)	25 of 71 companies, these 25 companies being engaged in 39 CVC programs
H3 (locus of investment, deal-specific findings)	195 of 448 deals
H4 (portfolio diversification, deal-specific findings)	All 448 deals, 484 business models identified

Sample: 30 companies from each of Germany, UK and USA, 90 companies in total. 71 of these were engaged in CVC activites between 1999 and 2015.

For each of the four different analyses, we used as much data as was available in our sample. However, in some cases data were limited due to, for example, objectives (*H2*) or locus of investment (*H3*) not being identifiable. As a result, the sample sizes for the analyses do not always include all 71 companies and 448 deals. Table 1 provides an overview of all sample sizes.

RESULTS

Regarding the findings on the organizational form (*H1: organizational structure*), most investments could be directly assigned to the categories identified in literature. The most commonly used structure across the three observed markets was the overall category of direct investments. Thus, *H1* is strongly supported. Within the 71 case companies, we identified 126 organizational forms (see Figure 1). The number of organizational forms is higher than the number of case companies because some case companies employ different organizational forms simultaneously, e.g., direct investments and wholly owned subsidiaries. While they mostly are explicit direct investments carried out from within the case companies (37.30%, i.e., 47

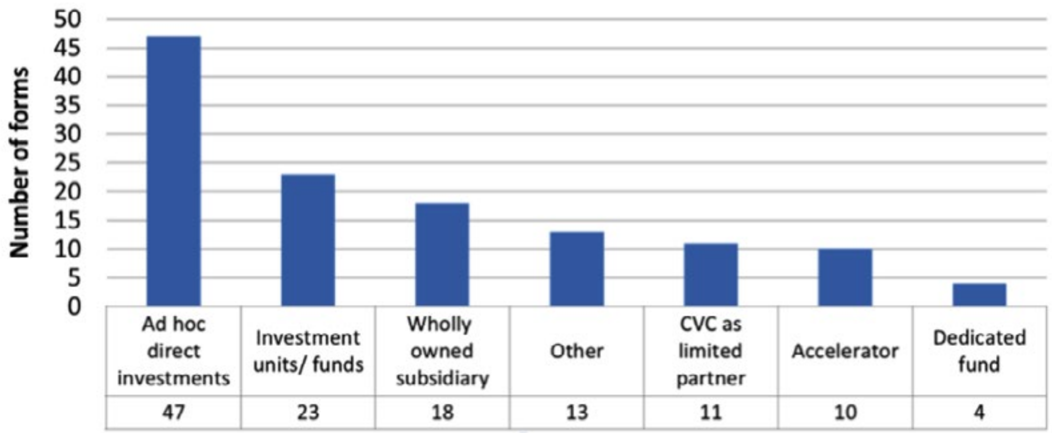


Figure 1. Allocation of organizational forms

organizational forms), the second largest group is internal CVC programs or special internal funds (18.25%, 23 organizational forms). The third largest group is wholly owned subsidiaries (14.29%, 18 organizational forms). The fourth largest category is indirect investments as limited partners (8.73%, 11 organizational forms). Additionally, accelerator and incubator programs (7.94%, 10 organizational forms) are a frequent organizational mode. Across all three markets, we also identified exceptions of organizational forms that could not be neatly fitted in the categories Dushnitsky (2012) described. Such exceptions, classified as "other," included CVC subsidiaries establishing funds with entrepreneurship-experienced private persons, such as Comcast Ventures forming Genacast Ventures with Gill Beyda, and companies joining forces for their CVC activities, such as Madsack and WAZ. Remarkably, the years 2013 and 2014 show a peak in the institution of new CVC programs, with 36.49% of programs having been started in these two years.

Contrary to general findings within the analyzed CVC literature, but in line with media-specific observations, it was hypothesized that legacy media companies aim at generating financial returns with their CVC investments rather than investing for strategic reasons (*H2: objectives*). We distinguished between the *general* intended focus of a CVC program and *deal-specific* intentions of each investment. Regarding general intended focus, the CVC programs of 35 companies engaged in a total of 60 CVC programs with a declared focus could be analyzed (see Table 2). As mentioned above, one case company could account for more than one of the declared investment focuses, while other companies were completely excluded. When observing each of the five identified categories on the scale, the majority of objectives (36.67%) were aligned toward an equal pursuit of both financial and strategic objectives. Moreover, when combining statements indicating a primary or sole focus on financial investments (scale points 1 and 2) and investments in favor of primarily or purely strategic objectives (scale points 4 and 5), the majority was companies that followed a dual focus. Specifically, 33.33% were identified as pursuing financial objectives, while 30% favored strategic objectives.

Regarding deal-specific intentions, statements on 285 of the overall sample of 448 deals could be identified through these procedures. Corresponding to the general findings within fixed CVC programs, the deal-specific analysis also showed the majority of investments were carried out in favor of both financial and strategic objectives. Contrary to prior findings, combining the first as well as the

Table 2.

(H2) Financial vs. strategic: Investment focuses of fixed CVC programs and specific deals

	CVC programs		*Individual deals*	
Focus	*No.*	*(%)*	*No.*	*(%)*
financial only	9	(15.0%)	48	(16.8%)
primarily financial	11	(18.3%)	34	(11.9%)
both strategic and financial	22	(36.7%)	73	(25.6%)
primarily strategic	10	(16.7%)	65	(22.8%)
strategic only	8	(13.3%)	65	(22.8%)

Table 3.

(H3) Exploration vs. exploitation: Investment focuses of fixed CVC programs and specific deals

	CVC programs		*Individual deals*	
Focus	*No.*	*(%)*	*No.*	*(%)*
high emphasis on exploration	16	(41.0%)	48	(24.6%)
mediocre exploration	6	(15.4%)	29	(14.9%)
both exploitation & exploration	9	(23.1%)	25	(12.8%)
mediocre exploitation	8	(20.5%)	75	(38.5%)
high exploitation	0	(0%)	18	(9.2%)

latter two categories on the scale led to the majority of deals being directed toward strategic objectives. Consequently, *H2* is rejected, because the actual deals should provide better evidence on which strategy media companies really pursue.

With respect to companies' alignment toward exploration or exploitation, we hypothesized that the strategic goals of legacy media corporations focus on exploration rather than on exploitation (*H3: locus of investment*). Again, we distinguished between findings that could be obtained from statements on the general focus of CVC programs and deal-specific results. Regarding the general findings, CVC unit-specific information could be obtained from 25 of the case companies, which were engaged in 39 CVC programs (see Table 3). In this category, we identified a majority of CVC units' activities as being directed toward pursuing exploration (56.41%).

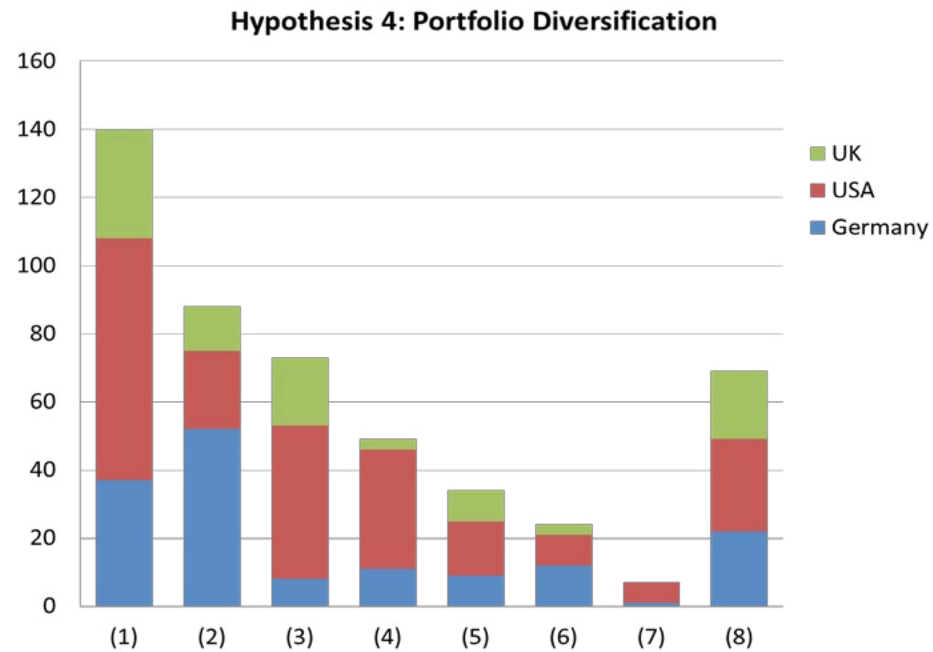
However, similar to the results obtained with *H2*, we discovered contradictory results for the deal-specific analysis. This analysis was carried out on an overall sample of 195 single investments. Findings appeared reversed, with 47.69% of the deals favoring exploitation and 39.49% favoring exploration. Consequently, although *H3* is slightly supported by companies' intended general investment focus, it is rejected when considering the more significant deal-specific analysis because the latter reflects companies' actual investment behavior.

Furthermore, we assumed that legacy media companies primarily invest in ventures operating within their own or complementary businesses (*H4: portfolio diversification*). In all, the 448 deals were assigned to 484 business models. The higher number of business models is because of the assignment of some deals to two or three business models simultaneously. Regarding the overall findings (see Figure 2), we identified the majority of deals within content-publishing/broadcasting (140), followed by investments in commerce (88) and investments within software or technologies that complemented the distribution, production, or monetization of content, i.e., content-platform/technology (73). As described, investments within the two content categories were identified as belonging to media companies' own business model. Consequently, *H4* is strongly supported. Investments distinct from media companies' original business model, categorized within "other," were ranked fourth (69); these included non-content related software and technology investments. The complementary categories of advertising, community, context, and connection accounted for 49, 34, 24, and 7 business models, respectively.

Figure 2:

Investments
per category and country:

1. content–publishing/ broadcasting
2. commerce
3. content–platform/ technology
4. advertising
5. (community
6. context
7. connection
8. other



DISCUSSION AND IMPLICATIONS

When analyzing some of the largest legacy media companies across three markets, we found CVC activities in a large number of case companies. All 30 of the investigated U.S. companies at some point had invested in an entrepreneurial venture. Only four of the 30 German companies and eight of the 30 U.K. companies had not engaged in corporate venturing. The engagement with corporate venturing activities has established itself as an internationally widespread practice within the media sector. Whether for the purpose of generating a valuable window on technology or simply for generating superior financial returns, our findings on these investments show that longstanding media corporations seem to have an interest in getting involved in novel and innovative business models.

On the basis of an extensive data analysis, we observed that in line with prior findings from the universal CVC literature (e.g., Lantz et al., 2011), CVC activities in the media industry were primarily carried out through the overall organizational structure of direct investments. Thus, our first hypothesis (*H1: organizational structure*) is strongly supported.

Next, we hypothesized that media corporations would primarily focus their CVC investments on gaining financial rather than strategic value for their parent corporations (*H2: objectives*). However, *H2* is rejected. This may be because a major portion of the CVC activities analyzed, especially in the U.K., were carried out through the organizational form of ad hoc direct investments. In the literature, ad hoc direct investments have largely been evaluated as a particularly suitable investment mode for achieving strategic objectives such as learning or technology access (Keil, 2000; McNally, 1997). Moreover, deals done by financially oriented CVC programs and in general deals with a primarily financial investment focus often had no particular, publicly announced comments. Likewise, a lack of information was often prevalent when CVC investments were conducted as limited partners through independent VC funds. As identified in the literature, the latter is often used as a mode to engage in financially oriented CVC activities (Aernoudt & San José, 2003). Thus, the determination of financially oriented investments could be methodically limited due to a lack of detailed information.

We further hypothesized that legacy media companies' objectives focus on exploration rather than exploitation (*H3: locus of investment*). Yet, *H3* is rejected for deal-specific findings. Because returns achieved through exploration have been declared rather "uncertain, distant, and often negative" (March, 1991, p. 85), many corporations may be more prone to engage within the more stable and secure form of exploitation. The latter is also confirmed in prior investigations (Benner & Tushman, 2002). Moreover, according to Keil (2000), companies operating in fast-paced industries have been forced to accelerate the exploitation of prevailing opportunities.

Considering our fourth hypothesis (*H4: portfolio diversification*), we hypothesized that the majority of investments would be directed either toward a company's own or complementary fields of business. We found the majority of investments were in companies operating within legacy media's own fields of business. This clearly underscores that although legacy media is experiencing vast changes, the overall field of content, while technologically advancing in many ways, still opens up opportunities on which legacy media companies hope to build. At the same time, we found a considerable number of investments directed to content-related software and technology, particularly in the U.S. Thus, investments into technology-driven solutions aimed at enhancing content production or monetization and content distribution show how traditional media companies are taking an innovative approach to interacting with new fields and technologies.

We have also identified investments in completely different areas such as health care, finance, and non-content-related software and data analytics, but these are comparatively few. Legacy media seem to prefer well-known areas and also commerce. The high number of investments within this category particularly portrays how media and commerce are closing ranks. In our investigations, we determined that legacy media companies were clearly surrounding their core business activities with investments in complementary fields such as marketplaces, shops, or service providers. Such investments in commerce may show media companies' attempts to keep up with their changing environment, to secure good positions in future markets or even to recast themselves as technology companies. At the same time, commerce provides valuable growth prospects as new advertising and marketing opportunities evolve through users' diverse screens.

With respect to practical implications, the overview and comparison of the investigated corporations' investment choices and strategies have contributed to identifying particular CVC investment tendencies prevalent across some of the largest and most successful legacy media companies. Consequently, managers are provided with deeper insight into legacy media's venturing activities such as choice of organizational structure and investment trends. Such insights can be used to set up or optimize one's CVC activities.

CONCLUSION

The analysis of some of the largest legacy media companies' CVC activities across Germany, the U.K., and the U.S. has demonstrated a high and continuous engagement of legacy media companies within the corporate venturing business. The goal of this study was to provide a basic understanding of how legacy media companies organize their CVC activities. Across the three markets, the majority of investments clearly stem from direct investments, either through explicit direct investments or through business units setting up a CVC unit or fund. Moreover, the majority of investments were carried out for strategic reasons rather than for creating financial value. Companies use their CVC activities to engage in both exploration and exploitation, with a tendency toward exploitation. Finally, CVC activities were especially directed in the fields of content production and distribution and in complementary commerce business models.

As a method, we chose to conduct a document analysis using multiple cases. While this provided us with deep insights into the CVC behavior of a large set of media companies, it also led to certain limitations. First, the collected data are limited to publicly available information and thus subject to biased selectivity (Yin, 2009, p. 102). Especially for the analysis of corporations' overall intentions spurring a specific investment, often no information was disclosed. Thus, data available for the analysis of *H2* and *H3* were restricted. Second, due to the necessity to limit the research to a sizeable number of deals, other forms of corporate engagements with startup activities beyond minority investments have been excluded. Therefore, our findings do not portray an all-encompassing picture of legacy media corporations' multifold engagement with entrepreneurial ventures. Consequently, future research could take into account other forms of external and internal corporate venturing activities such as acquisitions, non-equity alliances, intrapreneurship, or spin-offs. Moreover, future research could approach the general topic of CVC activities of media companies with other methods than the one used in this paper, for example, through a more comprehensive data bank-based study with a larger set of cases.

In the last few decades, the rapid pace of technological developments has forced legacy media companies to open up their innovation processes and build upon emerging opportunities from outside their own boundaries. Through investing in entrepreneurial ventures, corporations have the opportunity to gain insights into the latest technologies and emerging markets (McNally, 1997). At the same time, their CVC activities help reduce risk, build social capital, and engage them with new networks across the industry, from which they would otherwise have been excluded (Weber & Weber, 2011). As our study has shown, many of the large legacy media companies are already well-organized to handle such challenges and opportunities.

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