Social defenses and selective revealing of ventures in Europe and Latin America

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Abstract
In this paper, we empirically explore the defense mechanisms of new ventures during their relation with an international corporate venture capitalist (CVC). Our analysis uses proprietary data on more than 500 new ventures from the ICT industry in Europe and Latin America. We find that new ventures frequently form ties with a CVC despite the higher exposure to misappropriation risk from the greater overlap in the business models and weaker protection of intellectual property. We provide evidence that new ventures use social defenses to protect them from this misappropriation risk. These defenses include seeking protection through third party investors and selectively revealing their proprietary information to the CVC. Our study contributes to the literature on how ventures defend themselves during a relation with a corporate ?shark.? This contribution complements the current research that predominantly focuses on defense mechanisms before tie formation. Furthermore, our findings compare ventures in very different intellectual property regimes that enriches the discussion on the relevance of intellectual property in the CVC-venture context.
Social defenses and the strategic (non-)disclosure of ventures in Europe and Latin America

Abstract

This paper explores ventures’ defense strategies against misappropriation in their relation with an international corporate venture capitalist (CVC) using novel, proprietary data on more than 500 early stage ventures in the ICT industry in Europe and Latin America. We provide fresh evidence on how these ventures connect strategic disclosure with social defenses and the protection by the intellectual property (IP) regime in an intriguing, interdependent fashion. Ventures with increased misappropriation risk due to business overlap and weak IP regime more often rely on social defenses by engaging with third-party chaperones (independent VC investors). Further, these ventures use strategic disclosure: after attaining social defense, they significantly share more information with the CVC’s corporation than without.

Keywords: Corporate venture capital; early stage ventures; strategic disclosure; IP regime; social defenses; interdependent, interfirm cooperation