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Corporate venture capital and strategic search: Performance spillovers in parent companies from sticking to the core business

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ABSTRACT

Can corporations investing in startups achieve an impact on their own performance, or are they simply fishing in the dark? Building on that firms develop structural resource constraints due to prior investments in fixed assets, we draw on two types of problemistic search to examine whether CVC activities aligned with a firm's core business—or those diverging from it—are more effective. Using a unique sample of 95 European firms with CVC programs between 2009 and 2019, we find that exploitation-oriented CVC investments, those in sync with a company's core business, positively influence the relationship between capital intensity and corporate's return on investment. This positive effect is particularly pronounced when companies face a performance shortfall relative to their historical benchmarks. We discuss the trade-offs between local and non-local CVC search and highlight how structural constraints—particularly the combination of high capital intensity and exploitative CVC—shape firms' ability to convert external search into financial performance gains.

1. Introduction

Corporate venture capital (CVC) has become a widely adopted mechanism through which established firms access external innovation ecosystems via minority equity investments (Dushnitsky, 2012). Scholars increasingly recognize CVC's potential to enhance organizational learning (Basu, Phelps, & Kotha, 2016; Ma, 2020; Rossi et al., 2022) and solve access to innovation (Phan, Wright, Ucbasaran, & Tan, 2009). From a theoretical perspective, it is possible to understand CVC activity within exploration and exploitation frameworks (Hill & Birkinshaw, 2014; Ma, 2020; March 1991). While previous research taking such approach has enriched our understanding of CVC's strategic role, the search aspect of CVC as a deliberate and dynamic process has been overlooked (Shankar et al., 2024; Titus Jr & Anderson, 2018).

More specifically, CVC programs are sometimes designed to create new input for a potential alternative future for a parent company (Gutmann, Chochoiek, & Chesbrough, 2023). As such, CVC programs typically need to align their search for innovative solutions and potential investees with either the overarching corporate strategy or the specific needs of the corporation's business units (Danneels & Miller, 2023; Gutmann, 2019; Schückes et al., 2025). However, units experiencing performance shortfalls may shift their collaboration behaviors with CVC activities due to increased performance pressure (e.g., Rhee et al., 2019). Interestingly, there remains a limited understanding of which types of search behaviors contribute to improving the link between a firm's internally committed investment resources in existing operations and its financial performance (Hu et al., 2023; Posen et al., 2018; Shankar et al., 2024). Recent meta-analyses underscore this ambiguity, showing a lack of consistent, statistically significant links between CVC activity and corporate financial returns (Haslanger et al., 2023). Addressing this gap is essential to understanding the contingent conditions under which CVC activity yields financial value.

To address this gap, this study draws on the behavioral theory of the firm—specifically the concept of problemistic search (Cyert & March 1963; Angus, 2019)—to examine how CVC investments moderate the relationship between capital intensity and corporate performance. Capital intensity—conceptualized as a structural constraint reflecting a firm's prior investments in assets relative to industry peers—limits strategic flexibility and increases the cost of experimentation (Beard & Dess, 1981; Datta et al., 2005; Pan et al., 2020). When firms fall short of performance aspirations, they are more likely to engage in search behaviour (Argote et al., 2021; Duke et al., 2024), but the direction and

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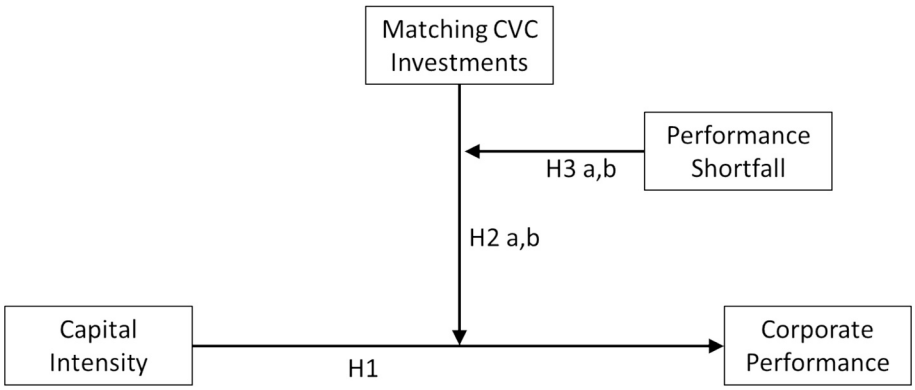


Fig. 1. Conceptual framework.

effectiveness of this search depend on how well it aligns with the firm's structural conditions.

We theorize two competing CVC pathways that reflect different modes of problemistic search. The CVC exploitation view suggests that investing in ventures closely aligned with the firm's core domain reinforces internal capabilities, enhances efficiency, and helps firms extract greater value from their capital-intensive operations (Hill & Birkinshaw, 2014; Kolte et al., 2023; March 1991; Wu et al., 2025). By contrast, the CVC exploration view draws on extensions of problemistic search theory that emphasize distant, novel search as a means of overcoming strategic lock-in and identifying breakthrough opportunities (Angus, 2019; March 1991; Piezunka & Dahlander, 2015). From this perspective, CVC investments in unrelated domains offer access to unfamiliar technologies, markets, or capabilities that support strategic repositioning.

We test these competing perspectives using a unique panel dataset of 95 publicly listed European firms that engaged in CVC activity between 2009 and 2019 (Fischer et al., 2019; Titus Jr & Anderson, 2018). This setting allows us to investigate when and how exploitative or exploratory CVC investments amplify or weaken the performance effects of capital intensity, particularly in response to performance shortfalls that trigger strategic search.

This study makes three important contributions to the literature. First, we extend the strategic understanding of CVC by showing how its impact depends on a firm's structural resource configuration—specifically, capital intensity. Prior research has highlighted how CVC helps to find complementary knowledge that can increase internal innovation under the condition of effective implementation (Ma, 2020; Mayya & Huang, 2025; Wu et al., 2025), but has overlooked how a corporate's fixed asset commitments shape its ability to derive value from external innovation. We show that capital intensity—representing a firm's level of asset lock-in—sets important boundaries for strategic flexibility and performance potential (Beard & Dess, 1981; Shapiro, 1989). By analyzing how CVC moderates the capital intensity–performance link, we provide new insight into how firms can align external innovation efforts with internal structural realities (Jeon & Maula, 2022; Teece, 2010).

Second, we reposition CVC within the behavioral theory of the firm by conceptualizing it as a strategic search portfolio creating value in case of performance shortfalls. While CVC is typically studied as an innovation or learning tool, we highlight its role in problemistic search (Chen et al., 2025; Cyert & March 1963; Ma, 2020; Shankar et al., 2024). This reframing brings attention to how CVC activities, that is, the CVC investment portfolio, becomes a component the firm turns to when performance falls short of aspirations. In doing so, we contribute a more dynamic and theory-driven understanding of how CVC functions in the firm's behavioral routine as a responsive resource base rather than a static exploratory portfolio extension.

Third, we develop a contingency model of when CVC investments yield financial performance for the corporate parent (Haslanger et al., 2023; Huang & Madhavan, 2021). Building on March (1991), we move beyond the general notion that exploitation leads to faster returns (Rossi, Festa, Fiano, et al., 2020), and instead show that the value of exploitative CVC is conditional on two interacting factors: structural rigidity (capital intensity; Datta et al., 2005; Gaur et al., 2005) and performance feedback (Duke et al., 2024). Specifically, exploitative investments are most effective when firms are both underperforming and highly capital-intensive, a situation in which reinforcing existing capabilities becomes a necessary and efficient path to recovery. By contrast, in firms with greater flexibility or without urgent performance pressure, the benefits of close search diminish—or even backfire. In these cases, CVC portfolios more distant to the corporate core can be beneficial. This boundary condition perspective enriches both the CVC (Drover et al., 2017; Jeon & Maula, 2022; Rossi, Festa, Fiano, et al., 2020) and behavioral strategy (Gaba & Bhattacharya, 2012; Hill & Birkinshaw, 2014; Shankar et al., 2024) literatures by explaining when exploitative search drives financial outcomes, and when it does not.

We draw and discuss practical implications from these perspectives.

2. Theoretical background and hypothesis development

This study draws on problemistic search within the framework of the behavioral theory of the firm (Angus, 2019; Cyert & March 1963) to investigate how CVC activity can enhance the connection between investments in existing operations and corporate financial performance. In the following sections, we establish the link between strategic commitments in existing operations and financial firm performance as a baseline hypothesis. Next, we hypothesize about the role of search in CVC activities and how the contrasting exploitative versus explorative search approaches might have contrasting moderating effects on the relationship between existing operations and performance. Finally, we hypothesize how the effects of exploitative search are intensified or weakened given negative performance shortfalls relative to a firm's historical performance benchmarks. Fig. 1 illustrates the hypothesized relationships of our research.

2.1. A perspective on capital intensity as business strategy

Much of the discussion on whether or not explorative or exploitative search types are effective centers around the specifics of a firm's business strategy (Angus, 2019; Duke et al., 2022; Richter et al., 2023; Zan et al., 2024). Business strategy addresses how the corporation competes within its chosen lines of business, whereas corporate strategy addresses the businesses in which the corporation should be involved, reflecting an important distinction (Yuan, Xue, & He, 2021). Business strategy can thereby be understood as "setting up the apparatus to deliver that value" (Teece, 2010, p. 180), often requiring large investments in equipment and technology (Shapiro, 1989). Firms must commit their resources to

achieve the most efficient balance between resource allocation and generating income and competitive advantage (Beard & Dess, 1981; Cao et al., 2022; Chen et al., 2018; Teece, 2010). Such conceptualization of business strategy is deeply rooted in the seminal work of Beard and Dess (1981), specifically addressing the role of capital intensity, that is, the ratio how much firms invest into their assets compared to their sales and industry peers (Beard & Dess, 1981; Datta et al., 2005).

Following early conceptualizations of capital intensity as a key dimension of business strategy, scholars have argued that it influences corporate profitability and shapes how firms respond to business cycles and long-term environmental shifts (Beard & Dess, 1981). High capital intensity may lead to greater strategic inertia, as substantial investments in physical assets—especially when exceeding industry norms—make deviations from existing strategic commitments more costly (Shapiro, 1989). Consequently, firms in more capital-intensive industries often focus on leveraging these investments, emphasizing cost control and efficiency (Datta et al., 2005). During periods of crisis, such high fixed investments may also exacerbate financial distress by reducing firms' flexibility and increasing exposure to sunk costs (Binesh et al., 2025). Together, these studies point to the complexity of how capital intensity relates to firm performance, underscoring its nuanced role in shaping competitive advantage and operational outcomes (Gaur et al., 2005; Hu et al., 2023). For instance, Hu et al. (2023), examining resource allocation through the lens of problemistic search, identify capital intensity as a critical strategic component.

Focusing more specifically on a corporate's financial performance as in our study, there is strong theoretical reasoning suggesting a predominantly positive association between capital intensity and financial performance exists. Substantial investments in assets (including tangible and potentially specialized assets) can serve as a source of competitive advantage, especially if such assets are rare, valuable, and difficult to imitate or substitute (Shapiro, 1989). The level and strategic relevance of capital intensity are both the result and the context for the internal decision-making processes and behaviors that determine how the firm may use its resources to maintain such advantages (Cyert & March 1963; Datta et al., 2005; Gavetti et al., 2012; Hu et al., 2023). Therefore, high capital intensity can create considerable barriers to entry maintaining sustainable positions in existing markets. Firms leveraging high capital intensity in existing operations may thus improve their return on investments by stabilizing their position as, for instance, compared to investing into new markets and operations.

We argue that in contexts where firms effectively align their investments with their existing asset structure in established markets, capital intensity compared to industry peers positively influences financial firm performance. As a baseline relationship, we therefore hypothesize:

Hypothesis 1. *The relationship between capital intensity and corporate financial performance is positive: increasing capital allocations in assets compared to industry peers positively affects a corporation's returns on investment.*

2.2. Problemistic search

Problemistic search focuses on identifying and resolving specific current and anticipated challenges. This approach centers on improving existing organizational capabilities and routines while simultaneously fostering the development of new ones (Cyert & March 1963; Posen et al., 2018). A core tenet is that these improvements are directly motivated by, and developed in response to, a clearly defined problem. Despite extensive literature on search characteristics of corporate decision-making, studies on search solutions focused on solving a specific problem are limited and somewhat diffuse (Angus, 2019). We begin with the characteristics of solution search identified by Posen et al. (2018), such as distant search, which distinguishes whether the search for a solution to a problem matches the company's core business. The most common distinction in the literature concerns the distance of a solution (Angus, 2019)—local versus non-local—and the decision where to search is tied to a strategic rationale for where to find solutions that might improve performance (Derayati, 2024; Hu et al., 2023; Rhee et al., 2019).

Based on this discussion, the concept of problemistic search could be seen as either an enabler or a barrier to the relationship between business strategy and corporate performance, potentially constraining its effectiveness. In other words, the effectiveness of the relationship between existing capital expenditures in operations and corporate financial performance might depend on a firm's search strategy, with different types of distant search either enhancing or limiting this relationship (Angus, 2019).

2.3. The role of corporate venture capital

CVC has played a significant role in identifying solutions to current and future challenges (Kolte et al., 2023). CVC units—which manage CVC investments—serve as critical connectors and knowledge brokers between their investees and parent companies (Rossi et al., 2022). Through CVC investments, corporations gain access to new technologies, enabling them to evaluate the type of external innovations that can benefit or disrupt their business strategies (Rossi, Festa, Devalle, & Mueller, 2020) including their investments in existing markets and operations.

Huang and Madhavan's (2021) meta-analysis evaluates the various, partly contradictory results considering CVC's impact on performance, indicating that CVC creates benefits to the parent company overall. According to their findings, the positive performance effects can be explained as CVC being the "additional corporate strategic move that extends firm boundaries" (Huang & Madhavan, 2021, p. 423). Nonetheless, only a few of their reviewed studies actually measure business strategy, yet, capital intensity and investments in existing operations. In their literature review, Fels, Kronberger, & Gutmann, 2021 parsed four factors directly related to CVC performance: portfolio composition, corporate knowledge, organizational relationship, and managerial influence and focus. Interestingly, investments in existing markets was not highlighted and considered relevant in this context. However, previous research has found that CVC supports shaping the presence of a business strategy on how to adapt in existing markets (Park & Steensma, 2012; Vanhaverbeke & Peeters, 2005), emphasizing the linkage between CVC and strategy. Overall, scholars seeking to project the effect of CVC on corporate performance have begun to more closely examine the linkages including investigating entrepreneurship orientation (Rauch et al., 2009) and venture performance (Belderbos et al., 2018). Considering the growing demand for strategic CVC (Napp & Minshall, 2011; Fels et al., 2021; Schückes et al., 2025), the lack of scientific research to predict the effect of CVC on corporate financial performance is unexpected (Allen & Hevert, 2007).

2.4. The exploitative view of problemistic search for CVC

The traditional view of problemistic search—rooted in the behavioral theory of the firm— has been used to hypothesize that searching for CVC opportunities related to the company's existing businesses strategy helps to find complementary knowledge that can increase internal innovation (Ma, 2020; Mayya & Huang, 2025; Wu et al., 2025). Research—particularly in the organizational learning literature—has shown that performance-enhancing learning is more likely to occur when experiential knowledge is applied in a similar, related context than a contrasting, unrelated context (Angus, 2019; Argote et al., 2021; Knudsen & Levinthal, 2007). The knowledge and skills required to understand and apply new insights are already established within the company, enabling it to readily adopt venture input and insights. Simultaneously, due to its long-standing operations and investments in an existing market, the company is well-acquainted with the entire

ecosystem's business environment. Consequently, the company's valuable insights and diverse experience enable it to promptly assess and integrate input from new ventures without extensive familiarization. Supported by the codification of knowledge and capabilities, this readiness benefits the capital intensity-corporate performance link (Argote et al., 2021; Binesh et al., 2025; Posen et al., 2018).

This theorizing suggests that investing in ventures closely aligned with a firm's core business enhances the efficacy of capital intensive investments in existing operations. These CVC investments align with the company's resource base and support a focused business strategy to pursue and capitalize on scale efficiencies and competitive advantages embedded in high capital intensity structures (Beard & Dess, 1981; Bendig et al., 2024; Harris, 1994). Recent research describes CVC units as 'order-takers,' managing programs as a service to meet business units' strategic needs (Shankar et al., 2024). This research illustrates how investment opportunities are discussed within dedicated corporate investment boards, showing how corporations aim to define the expected contributions of CVC investments to the link between business strategy and corporate performance. The experience embedded in these committees, along with the related CVC units, shapes mental search models that drive exploitative CVC investments, aligning with existing resource commitments and contributing to the primary sources of revenue (Bendig et al., 2024; Shankar et al., 2024; Wu et al., 2025). Because the CVC investment in knowledge is made in the context of the core business, it increases the likelihood that the company can easily adopt the new, complementary knowledge, helping to maintain advantages in existing markets which reflects in financial performance. From this perspective, exploitative search behavior in CVC positively influences strengthening these linkages. Therefore, we hypothesize:

Hypothesis 2a. *CVC activity matching a company's core business positively moderates the relationship between capital intensity and corporate financial performance.*

2.5. The exploratory view of problemistic search for CVC

Drawing upon the problemistic search and the extensions into distant search (Posen et al., 2018), we contend that search among non-core businesses enables more innovation-oriented strategies through broader knowledge spillovers and access to new markets or technology. Distant search behavior assumes that a search for CVC solutions to current or anticipated problems beyond the company's core business will more likely improve corporate performance compared to search close to the core business (Laursen, 2012; Angus, 2019). Exploration and distance search allows companies to combine newly acquired, more remote knowledge with existing, familiar knowledge, increasing the potential for breakthrough innovation (Piezunka & Dahlander, 2015) and competitive advantage through differentiation (Hill & Birkinshaw, 2014). In distant search, a company approaches the untapped business field with a new, unbiased view, while being very open to new input, which could potentially take the business to a new level (Pan et al., 2020; Teece, 2010). Such an explorative view on CVC investments highlights search behavior that should help to anticipate innovative solutions to corporate problems benefiting the link between committed resources in existing markets and corporate performance (Rossi et al., 2022). This might be achieved by CVC programs operating like "free birds," viewing their role as "steer[ing] the strategic direction of the parent organization by supplying market-driven intelligence about technological advancements and what problems are currently solved by market actors" (Shankar et al., 2024, p. 8).

Acknowledging the potential benefits of an explorative rather than exploitative search strategy in CVC units leads to a more nuanced argument about the potential downsides of the latter. It suggests that an exploitative approach carries inherent limitations that can become detrimental to improving the relationship between investments in existing operations and corporate performance. When building on existing knowledge and committed resources in existing markets, attention and perspectives typically remain focused on problems and solutions that are too close to the core business (Rossi, Festa, Fiano, & Giacobbe, 2020). Shankar et al. (2024) highlight that exploitative CVC search behavior departs from the premise that a potential investment case needs to align with the problems identified by the corporate parent and the technological foundation in business units. Such a strategy is limited to sensing market and technological developments that involve integrating more complementary rather than distant knowledge. By focusing on a narrow range of familiar alternatives, firms risk falling into a local search trap—constraining their ability to experiment with more distant ideas (Laursen, 2012). Such focus limits the potential to redeploy committed business resources in novel and potentially more optimal ways, as novelty often originates from less proximate domains (Anokhin et al., 2024; Bendig et al., 2024), which may often lead to the 'not-invented-here' syndrome (Amann et al., 2022) especially in capital intensive industries (Kolte et al., 2023).

Consequently, when a CVC strategy is dominated by an exploitative approach, the firm's ability to acquire genuinely novel knowledge and pursue breakthrough innovation is constrained. Because exploitative search limits the scope of value creation and diminishes the market competitiveness typically fostered through exploratory search, it restricts the firm's capacity to innovate and adapt—both of which are essential for sustaining market advantages (Rossi et al., 2020). The exploitative search process itself can lead to inefficiencies and hinder the effective deployment and leveraging of internal resources, ultimately undermining corporate financial performance. Therefore, we hypothesize:

Hypothesis 2b. *CVC activity matching a company's core business negatively moderates the relationship between capital intensity and corporate financial performance.*

2.6. Problemistic search when facing performance shortfalls

Companies often delay pursuing solutions until they face more severe problems (Cyert & March 1963). In a corporate context, a problem is considered severe when an organization faces an imminent risk of missing one or more key targets (McMillan & Overall, 2017). Therefore, problemistic search describes a behaviorally credible process through which companies learn from and are motivated by their own performance feedback (Hu, Gentry, Quigley, & Boivie, 2023). For instance, when performance falls short relative to historical benchmarks, the behavioral theory of the firm predicts that companies will initiate problemistic search to close this performance gap. This might involve altering and realigning strategy, adjusting corporate risk-taking, adapting organizational structures, generating knowledge and resources, fostering organizational learning, and driving innovation (Laursen, 2012; Lenz et al., 2021; Piezunka & Dahlander, 2015; Salge et al., 2015).

Since problemistic search is thought to be triggered by corporations performing below their aspirations (Salge et al., 2015), we evaluate the effect of performance shortfalls on the impact of CVC activities that correspond to a firm's core business on the relationship between business strategy and firm performance. Researchers have explored how companies respond to underperformance (Goyal & Goyal, 2022) and when non-local CVC search is beneficial or harmful (Gaba & Bhattacharya, 2012; Belderbos et al., 2018). For example, an underperforming company with a more focused CVC portfolio might diversify its VC activities to restore overall company performance. On the other hand, an underperforming company with a diversified CVC portfolio might seek to specialize in a limited number of activities to improve performance. Thus, a company's starting point—i.e., whether its strategic approach narrows or diversifies—can influence how problemistic search proceeds (Duke et al., 2022). We extend these perspectives by considering both local and non-local search, leaving two perspectives to investigate.

On the one hand, early research on problemistic search suggests that firms tend to search locally for solutions when they perform below their historical aspirations (Cyert & March 1963). Building on this view, subsequent studies have emphasized the benefits of exploitative or locally focused search, particularly under conditions of resource constraints (Jung & Lee, 2016; Posen et al., 2018). Firms are more likely to find relevant knowledge in familiar, related domains, where search costs are lower and integration into existing operations is more feasible (Taylor & Greve, 2006). This tendency toward local search becomes especially salient for firms with high capital intensity. Such firms operate under significant structural commitments—reflected in high levels of investment in assets relative to industry peers—that constrain their strategic flexibility (Gaur et al., 2005; Kolte et al., 2023; Pan et al., 2020). In this context, exploratory search may be prohibitively costly or difficult to implement, whereas exploitative search through matching CVC investments offers a more viable path to performance recovery. These aligned investments provide opportunities to generate complementary innovations that can improve operational efficiency and better leverage the firm's capital-intensive asset base.

Therefore, when more capital-intensive firms face negative performance shortfalls, they are particularly likely to benefit from CVC activities that are closely aligned with their existing business. Insights gained from these proximate domains may help address inefficiencies in the corporate core and strengthen the strategic deployment of committed resources, thereby reinforcing the link between capital intensity and corporate performance. This leads us to hypothesize the following.

Hypothesis 3a. *When there is both, a performance shortfall and matching CVC investments, the positive relationship between capital intensity and corporate financial performance will be stronger.*

On the other hand, research suggests that local, exploitative search may be insufficient—if not counterproductive—when firms face performance shortfalls (Angus, 2019). Under such conditions, exploring beyond familiar domains increases the likelihood of discovering novel, higher-value opportunities that can reposition the firm more effectively (Duke et al., 2024; Vissa et al., 2010). In contrast, exploitative search tends to produce incremental innovations closely tied to the firm's existing knowledge base—innovations that may be inadequate for restoring competitiveness when the firm is already underperforming (Posen et al., 2018).

In capital-intensive firms, this limitation is particularly salient. While capital intensity— broadly reflecting a firm's reliance on asset structures relative to its revenue base and industry peers (Beard & Dess, 1981; Datta et al., 2005)—can contribute positively to corporate financial performance under stable conditions due to scale efficiencies and strategic focus, it also signals a high degree of structural rigidity and resource lock-in (Datta et al., 2005; Pan et al., 2020). These firms are less able to flexibly reallocate resources or pivot strategically (David et al., 2008; Harris, 1994). As such, when both a performance shortfall and exploitative CVC investments (i.e., matching ventures) are present, the combination may reinforce inertia rather than enable adaptation. In these cases, CVC investments aligned with the core business may compound the firm's existing constraints, resulting in inefficient resource deployment and reduced returns on capital-intensive strategies.

Performance shortfalls, especially under high capital intensity, create an environment in which incremental adaptations are less likely to generate sufficient value to reverse negative performance trajectories (Duke et al., 2022; Norton & Tenenbaum, 1993; Puranam et al., 2015). Under such pressure, close CVC investments may fail to deliver the novelty or external perspectives required to escape local optima. As a result, the value-creating potential of existing resource commitments may be further diminished, weakening the capital intensity–performance relationship. Therefore, we hypothesize the following:

Hypothesis 3b. *When there is both, a performance shortfall and matching CVC investments, the positive relationship between capital intensity and corporate financial performance will be weaker.*

3. Data and methods

3.1. Data sources and study sample

The data for this study were primarily sourced from Pitchbook and Bloomberg, with additional information integrated from Orbis, Thomson ONE, and VentureXpert to ensure completeness and data triangulation. These platforms were accessible to our research group in 2020. Our decision to focus on European firms was motivated by both theoretical and empirical considerations. While much of the existing CVC literature centers on the U.S. context (e.g., Titus & Anderson, 2018), CVC activity in Europe remains comparatively understudied, despite its growing strategic importance. The European CVC landscape is characterized by greater institutional diversity and market, which presents a valuable opportunity to examine CVC dynamics in a different institutional setting (Audretsch et al., 2024; Colombo & Murtinu, 2017). Studying Europe therefore helps broaden the scope of CVC research and provides insights that may not be visible in more centralized or homogeneous markets.

We chose the 2009–2019 period to ensure a consistent and meaningful window of observation. This timeframe begins in the immediate aftermath of the global financial crisis, which catalyzed strategic rethinking in many firms, including their approaches to innovation and investment. It also allows us to observe CVC activity before the structural disruptions of the COVID-19 pandemic, while covering enough years to identify patterns and effects with temporal depth. The timeframe reflects the maximum window for which complete and verifiable data were available across our sources upon data collection.

Our data integration followed a structured three-step process. In the first step, we identified CVC investments by compiling an initial list of CVC investments from Pitchbook, Orbis, Thomson ONE, and VentureXpert, which was then supplemented through manual searches on company websites and other public sources. This process required case-by-case validation of CVC units and their portfolio investments. In a second step, we matched the corresponding corporate parent for each identified CVC unit and retrieved their financial and strategic data from Bloomberg. Standard Industry Classification (SIC) codes for both the corporate parent and its portfolio companies were obtained from Orbis and supplemented via Thomson ONE when missing. These codes were then compiled into a separate dataset to calculate annual industry match between CVC investments and the firm's core business (see the next section for details on variable operationalization). In a third step, we merged all data into a single panel dataset, which was the foundation for our statistical analysis linking corporate data with aggregated matching CVC investments (i.e., ventures invested in by the corresponding CVC unit). This effort resulted in a list of 95 European firms with corresponding CVC activity from 2009 to 2019.

We acknowledge the possibility of selection and survivorship bias in how our final sample was constructed. In particular, firms without sustained CVC activity or with shorter-lived programs may be underrepresented due to the difficulty of verifying their investments across fragmented data sources over the study period. For example, CVC programs that were discontinued and subsequently removed from company websites or data platforms are likely missing from our analysis. As a result, the sample may overrepresent corporations with more established or persistent CVC programs. While this strengthens the reliability of our performance- and strategy-related measures, it also means that our findings primarily apply to firms with sustained engagement in CVC, rather than to the broader population of potential or short-term adopters. We explicitly acknowledge this limitation and its implications for future research in the limitations section.

Table 1
Measures.

Dependent Variable	Definitions	Sources	Data source
Corporate Performance	Return on Investment (ROI)	Beard & Dess (1981); Auh & Menguc (2005); Souder et al. (2024)	Bloomberg
Independent Variable			
Capital Intensity	Capital intensity ratio, which is calculated as the ratio of the corporation's total assets to total sales, divided by the industry average for all comparable firms averaged over the previous three years	Beard & Dess (1981); Datta et al. (2005)	Bloomberg
Moderators			
Matching CVC Investments	SIC code corporate matching SIC code CVC portfolio company to differentiate between venture investments into core business or afar business of mother company	Röhm (2018), Wang & Zajac (2007)	Pitchbook
Performance Shortfall	The difference between historical performance and actual performance in terms of ROI based on spline variables. Negative values indicate a performance shortfall.	Same approach as in Choi et al. (2019), Saridakis et al. (2023), and Duke et al. (2024) using ROA	Bloomberg
Controls			
CVC program age	Existence of CVC program (up to 2019)	Röhm (2018)	Orbis; individual search
CVC program size	Number of portfolio firms in a given year	Keil, Maula, Schildt, & Zahra (2008), Anokhin, Peck, & Wincent (2016); Titus & Anderson (2018)	Pitchbook
Corporate age	Existence of corporate (foundation until 2019)	Mishina et al. (2004), Röhm (2018)	Bloomberg
Corporate size	Corporate size (assets in USD)	Yang et al. (2016)	Bloomberg
Industry volatility	Change in corporate performance compared to the change in market performance of the same industry sector, based on return on assets (ROA)	Röhm (2018); Bennett, (2020)	Bloomberg
Historical overperformance	The difference between historical performance and actual performance (spline variable). Positive values indicate overperformance.	Choi et al. (2019), Saridakis et al. (2023), and Duke et al. (2024	Bloomberg
Year	Year	Zahavi and Lavie (2013); Khanna, Jones, & Boivie (2014)	Bloomberg

3.2. Measures

Table 1 provides an overview of the variables, their measurement, and sources.

3.2.1. Dependent variable

Corporate performance is measured using return on investment (ROI): investment return divided by investment cost, presented as a percentage (Beard & Dess, 1981). ROI captures how well corporate strategic decisions of deploying capital translate into financial returns (Auh & Menguc, 2005). Executives consider ROI a critical indicator of how well a firm generates value in a given year, and it is commonly used in research on strategy and corporate performance (Bae & Insead, 2004; Souder et al., 2024). Specifically, the measure has been highlighted in recent conceptualizations about performance aspirations and search efforts (Keil et al., 2023).

3.2.2. Independent variables

Capital intensity is measured with the capital intensity ratio, calculated as the ratio of the corporation's total assets to total sales, divided by the industry average for all comparable firms and averaged over the previous three years (Beard & Dess, 1981; Datta et al., 2005). It is considered as a significant firm-level business strategy variable associated with various aspects of firm performance including operational efficiency (Beard & Dess, 1981; Binesh et al., 2025; Gaur et al., 2005). It measures investments in assets that are strategic, because such investments create long-lasting commitments and influence the company's future competitive behaviour (Shapiro, 1989). The capital intensity ratio allows to understand variations in the firm characteristics that are relevant to competitive success or failure within a particular industry (Datta et al., 2005) while it is also a component associated with organizational change and risk-taking in problemistic search contexts (Hu et al., 2023). A higher value for the capital intensity ratio means that the company has a higher capital intensity (more relative investments in assets) than the average of its industry peers.

3.2.3. Moderating variables

Matching CVC investments. CVC orientation captures the direction of CVC investments, either matching a certain strategy of the corporation or not. Matching CVC investments involve funding for ventures that operate in familiar business fields, either market- or technology-related, or both (Anand et al., 2009; Rosenkopf & Nerkar, 2001). By contrast, non-matching CVC investments are independent of the corporation's current fields of operation and available knowledge. Accordingly, non-matching CVC investments capture the extent to which investments explore new technologies and operate in unfamiliar markets.

We obtained SIC codes (Bhojraj & Lee, 2002; Dushnitsky & Shaver, 2009; Klobucnik & Sievers, 2013) for each year, each corporation, and each venture of the CVC portfolio to determine whether investments are matching or non-matching (Röhm, 2018). The SIC code matching score is calculated by comparing each SIC code of each venture in the CVC portfolio with that of the corporation's parent. In our main analysis, we operationalized 1-digit SIC code matchings.[1] The measure of matching takes on a value of "1" if the first digit of the venture SIC code matches and "0" otherwise (Wang & Zajac, 2007). In most cases, there are several ventures per year in a portfolio, whereby we used a weighted average of the matching score. In addition, venture investments were only considered once, and follow-up investments were not separately considered (Anokhin et al., 2025; Anokhin et al., 2024). Thus, the matching score shows the matching percentage of a CVC investment in a familiar market or field of knowledge for the corporation.

Performance shortfall. We build on prior research on historical

[1] We operationalize matchings based on 3-digit SIC codes in our robustness checks and supplementary analysis.

Table 2
Descriptive statistics and correlations.

		Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9
1	Corporate Performance	8.704	17.104	−30.676	211.384	1								
2	Capital Intensity	1.032	0.555	0.015	7.869	0.069								
						0.194								
3	Matching CVC Investments	0.129	0.246	0	1	0.028	0.064							
						0.612	0.246							
4	Performance Shortfall	−3.289	9.254	−81.057	0	0.005	−0.110	0.002						
						0.924	0.038	0.969						
5	CVC Program Age	6.509	7.158	0	32	0.014	0.156	−0.013	0.131					
						0.795	0.003	0.813	0.014					
6	CVC Program Size	5.892	4.362	1	22	−0.061	−0.035	−0.091	0.121	−0.012				
						0.278	0.528	0.111	0.030	0.827				
7	Corporate Size	161,338	394,808	4,176	2,715,200	−0.118	0.007	0.015	0.095	−0.098	0.057			
						0.027	0.893	0.780	0.075	0.065	0.311			
8	Corporate Age	73.537	56.222	0	225	−0.074	−0.193	−0.037	0.142	0.106	0.140	0.042		
						0.166	0.000	0.502	0.007	0.045	0.012	0.427		
9	Industry Volatility	48.449	62.560	−10.716	188.770	0.003	0.155	0.118	−0.055	0.034	−0.056	0.158	−0.058	
						0.953	0.004	0.034	0.308	0.527	0.319	0.0030	0.276	
10	Historical Overperformance	2.843	16.121	0	229.757	0.859	0.231	−0.057	−0.063	0.105	−0.081	−0.053	−0.110	0.019
						0.000	0.000	0.304	0.238	0.048	0.149	0.323	0.038	0.721

Second lines indicate correlation significance values.

performance aspirations to operationalize our argument on problemistic search when firms experience poor performance. Following Duke et al. (2024), we define a firm's historical aspiration in year t as a weighted average of its performance (ROI) in t–1 and the lagged aspiration from t–1, which itself is computed from performance (ROI) in t–2 and t–3. To identify the most appropriate weighting scheme for our sample, we adopt a data-driven approach and estimate a series of fixed-effects regressions in which the weight on the most recent year's performance varies from 0 to 1 in increments of 0.05. For each specification, we calculate the adjusted R-squared and select the weight that maximizes model fit. This procedure yields an optimal weight of 0.35 on the most recent year's performance, suggesting that firms in our sample place relatively greater emphasis on longer-term historical performance when forming aspirations. We note that this differs from Duke et al. (2024), who used a weight of 0.6 on the most recent year. Based on our empirically derived weights, we calculate performance shortfall as the negative deviation between actual performance and aspiration (retaining only values below aspiration), and similarly compute historical overperformance (values above aspiration) as a control variable. This spline-based approach to capturing aspiration shortfalls is consistent with prior research in similar empirical contexts, but it retains the raw negative values for performance shortfalls rather than multiplying them by –1 (cf. Choi et al., 2019; Duke et al., 2024; Saridakis et al., 2023).

Table 3
Effects of Capital Intensity and CVC investments on corporate performance.

	Model 1	Model 2	Model 3	Model 4
Capital Intensity		2.418***	2.193***	1.310**
		(0.454)	(0.343)	(0.498)
Matching CVC Investments			0.032	−0.010
			(0.049)	(0.045)
Capital Intensity x Matching CVC Investments			0.660***	0.446***
			(0.068)	(0.129)
Performance Shortfall				0.302***
				(0.085)
Capital Intensity x Performance Shortfall				0.129
				(0.098)
Matching CVC Investments x Performance Shortfall				0.306*
				(0.126)
Capital Intensity x Matching CVC Investments x Performance Shortfall				−0.524***
				(0.135)
CVC Program Age	0.599	0.708	0.665+	0.336
	(0.415)	(0.431)	(0.370)	(0.348)
CVC Program Size	−0.047	−0.050	−0.054+	−0.045
	(0.067)	(0.030)	(0.030)	(0.030)
Corporate Size	0.111	−0.176	−0.192	−0.329
	(0.423)	(0.342)	(0.313)	(0.290)
Corporate Age	7.741	8.353	7.488	−5.323
	(5.559)	(8.208)	(7.144)	(8.592)
Industry Volatility	−0.181	−0.155	−0.138	−0.035
	(0.215)	(0.186)	(0.189)	(0.062)
Historical Overperformance				−0.572***
				(0.117)
Years	*included*	*included*	*included*	*included*
Constant	−0.034	0.277	0.220	0.607
	(0.236)	(0.430)	(0.370)	(0.425)
Observations	355	355	355	355
Number of Firms	95	95	95	95
R-squared	0.025	0.396	0.529	0.757
Model P-Value	***	***	***	***

Robust standard errors in parentheses, *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$.

3.2.4. *Control variables*

We control for corporate age, CVC program age, corporate size, CVC program size, and industry volatility using data from Bloomberg and Orbis, since each of these variables can affect both corporate behavior and corporate performance (Miller et al., 2013; Röhm, 2018).

CVC program age measures how the number of years for which a CVC program has been in place. CVC programs are cyclical, and longer durations might imply more experience in operating CVC search (Anokhin et al., 2022). *CVC program size* measures the number of portfolio firms in a given year. It reflects a corporation's commitment to CVC investments and in our model it ensures that corporate performance improvements are not simply the result of scale advantages (Anokhin et al., 2025).

Corporate age is a measure of how established the corporation is, given that older firms might have broader resource bases (Mishina, Pollock, & Porac, 2004). It is calculated using years of operation (Röhm, 2018). *Corporate size* has been identified as exerting a potential influence on the expenditure, degree, and direction of innovation, as well as the propensity to operate a CVC program (Younge & Tong, 2018)(. The larger the corporation, the greater the available resources to support CVC activities. Corporate size is quantified as total corporate assets in USD (Yang et al., 2016).

Industry volatility is included to control for certain industry characteristics, as well as the corporation's performance compared to its direct peers for a given period. It is measured as the change in corporate performance compared to the change in market performance of the same

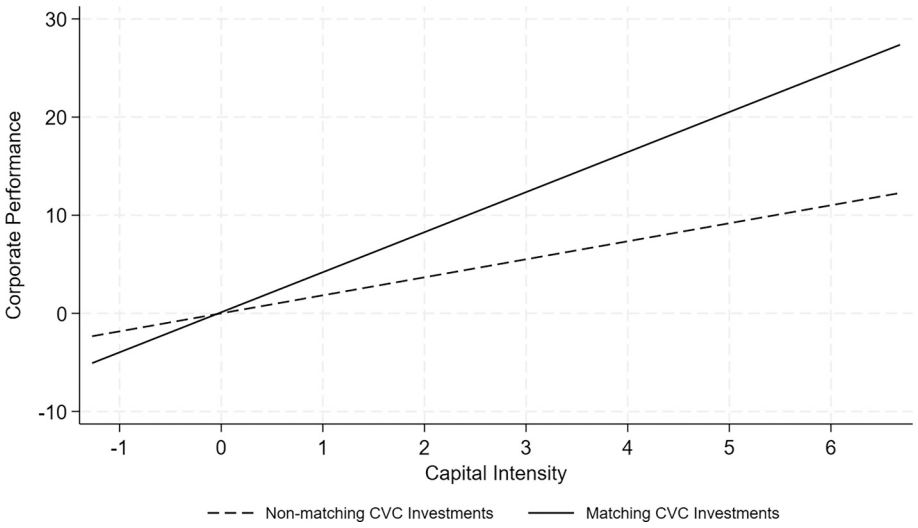


Fig. 2. CVC Investments, Capital Intensity and Corporate Performance.

industry sector, based on return on assets (ROA; Dushnitsky & Lenox, 2006).

Year is included as a dummy variable for each calendar year to control for time, general economic circumstances, and industry tendencies (Vissa et al., 2010).

Finally, *historical overperformance* is included as an additional control variable when testing the effects of performance shortfalls in the three-way interaction analysis (Duke et al., 2024).

3.3. Analytical approach

The analysis uses ordinary least square (OLS) regression models in Stata SE 15.1. We test our hypotheses using a fixed effects regression model to identify within-firm changes (Duke et al., 2024; Saridakis et al., 2023). All hypotheses are tested using clustered robust standard errors to mitigate heteroscedasticity concerns (Quigley & Hambrick, 2012) and control potential error variances across various industries (Sirén et al., 2016). Each model was then tested for collinearity using the variance inflation factor (VIF). The VIF remains below 10 in all cases, as the benchmark for unproblematic observations (Quigley & Hambrick, 2012). Fixed effect models are used to control for remaining heterogeneity and time-invariant factors (Certo et al., 2017; Zahavi & Lavie, 2013). In our models, the variables are standardized, and the independent variables are lagged by one year relative to the dependent variable. In our supplementary analysis, we further apply a dynamic panel data model to show the robustness of our main analysis.

4. Results

Table 2 displays descriptive statistics of the variables investigated, including means, standard deviations, and correlations.

Model 1 reports the model with control variables, and Model 2 reports the main effect of capital intensity on corporate performance, which is positive and significant (Table 3, Model 2, ß=2.418; $p < 0.001$) supporting H1. Model 3 tests the moderating effect of CVC investments matching a company's core business on the relationship between capital intensity and corporate performance, whether positive (H2a) or negative (H2b). The results show a positive and significant effect supporting H2a (Table 3, Model 3, ß=0.660; $p < 0.001$). Fig. 2 illustrates this result plotted at non-matching and matching values of CVC investments.

Model 4 investigates the three-way interaction among capital intensity, matching CVC investments, and performance shortfall, examining how performance shortfall moderates the relationship between capital intensity and corporate performance in the context of matching

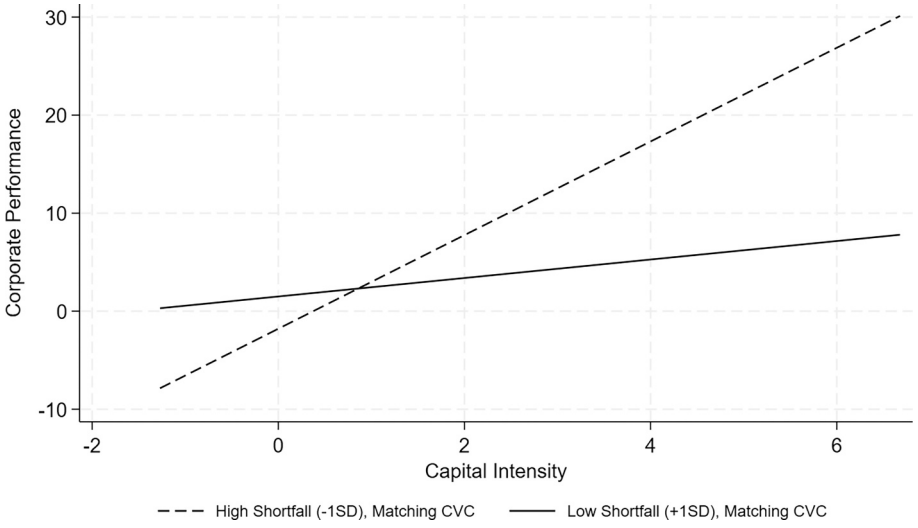


Fig. 3a. Performance Shortfalls in Relation to Matching CVC Investments and Capital Intensity.

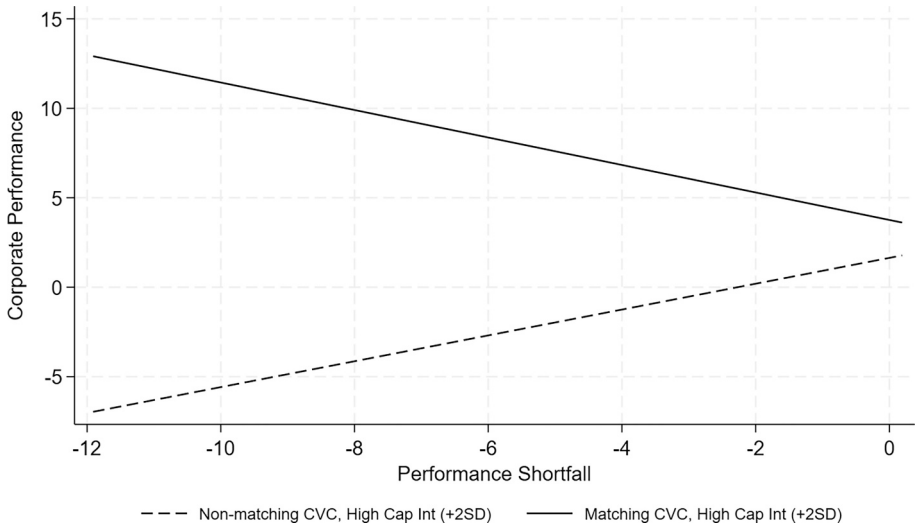


Fig. 3b. Performance Shortfall in Relation to CVC Investments and High Capital Intensity.

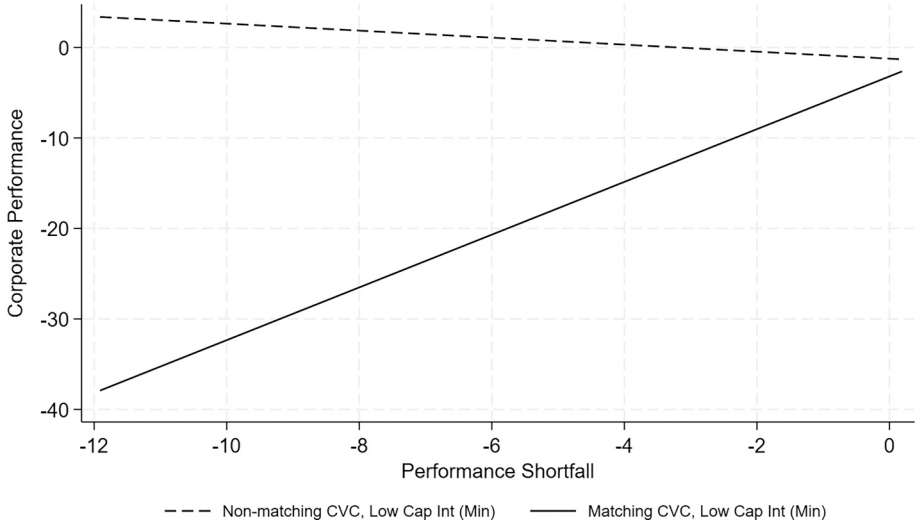


Fig. 3c. Performance Shortfall in Relation to CVC Investments and Low Capital Intensity.

CVC. Our competing hypotheses posit that, in the presence of matching CVC investments, a performance shortfall will either strengthen (H3a) or weaken (H3b) the positive relationship between capital intensity and corporate performance. The empirical results from Model 4 (Table 3) reveal a negative and statistically significant coefficient for this three-way interaction term (Table 3, Model 4, ß=-0.524, $p < 0.001$). While a negative coefficient for an interaction term might initially suggest a dampening effect, its interpretation must consider the specific coding of the performance shortfall variable, where lower values represent greater shortfalls in our analysis. To further investigate this conditional relationship, Fig. 3a plots the effect of capital intensity on corporate performance for firms with matching CVC investments, differentiating between high (–1 SD; dashed line) and low (+1 SD; solid line) levels of performance shortfall. The figure shows that while both scenarios exhibit a positive relationship between capital intensity and corporate performance, the slope is significantly steeper and more positive for firms experiencing a high performance shortfall (slope difference p-value < 0.001). This visualization confirms that as performance shortfalls deepen, the positive relationship between capital intensity and corporate performance is significantly strengthened for firms engaged in matching CVC investments. Therefore, these findings provide support for H3a.

4.1. *Supplementary analysis*

In our supplementary analysis, we further inspected the three-way interaction effect by plotting different scenarios among performance shortfall, matching versus non-matching CVC investments, and capital intensity on corporate performance. The analysis separately considers two scenarios of capital intensity: high (+2 SD, Fig. 3b) and low (−2 SD, Fig. 3c).

In the high capital intensity scenario (Fig. 3b), firms with matching CVC investments (solid line) maintain positive corporate performance, even as performance shortfall increases (that is, it turns more negative). In contrast, firms with non-matching CVC investments (dashed line) experience a sharper decline in performance as shortfall grows. This suggests that, for capital-intensive firms, strategically aligned (matching) CVC investments provide a buffer against negative outcomes associated with performance shortfall. Non-matching CVC investments, however, fail to offer such protection, leading to poorer outcomes.

For firms characterized by low capital intensity (Fig. 3c), matching CVC investments (solid line) result in sharply declining corporate performance with increasing performance shortfall. Interestingly, firms with non-matching CVC investments (dashed line) maintain stable performance, indicating less sensitivity to performance shortfall. This

unexpected pattern suggests that when firms invested less in assets relative to industry peers, aligning CVC investments closely with existing business lines (matching) may exacerbate performance deterioration during times of substantial shortfall. Conversely, investments outside of core industries (non-matching) may help preserve performance stability. We further elaborate on these points in our discussion.

In addition to analysing these plots, we conducted several tests to check the robustness of our results against different model specifications. Most importantly, we ran our models using 3-digit industry matching SIC codes instead of 1-digit matches to advance our argument of matching on deeper industry code level ensures closer alignment to the parent's company core business. Using this variable, we find qualitatively similar results in terms of coefficient signs, magnitudes, and significance levels. Next, to account for potential outliers in the variables of capital intensity, CVC investments, and performance shortfalls, we winsorized each variable at the 1 % and 2.5 % levels and reran our main analysis. The results remained robust to these adjustments. In addition, we address whether the effects of (matching) CVC investments unfold over a longer timeframe than the assumed one-year lag applied in our main analysis.[2] We estimated an alternative fixed-effects model similar to Model 3 in Table 3 in which CVC investments were lagged by two years (t–2, controlling for t-1), while all other independent variables retain their standard t–1 lag. In this specification, the main effect of CVC investments is negative but statistically insignificant (ß=-0.008, p-value = 0.78) while the interaction between capital intensity and CVC investment is positive but highly insignificant (ß=0.042, p-value = 0.64). Additionally, we used the same approach and lagged all independent variables by t-2 (while keeping the control of CVC investments at t-1). In this case, we would have positive coefficients for the main effect of CVC investments at t-2 (ß=0.042, p-value < 0.05) and for the interaction effect yet being insignificant (ß=0.117, p-value = 0.13). These approaches lead to some sample attrition. Given these results we cannot sufficiently make a conclusion about different time effects of CVC investments.

Finally, while our main analysis relied on fixed effects models—-which address time-invariant predictors and include time lags to mitigate concerns of reverse causality—we also took additional steps to address potential issues of lagged dependent variables and endogeneity arising from omitted variables, simultaneity, or measurement error. We adopted a dynamic panel data (DPD) approach as an extension of our primary model to robustly address these concerns. A key feature of the DPD model is its ability to use lagged values of the variables as instruments, which helps to mitigate simultaneity issues by using past values to predict current values (Roodman, 2009). Additionally, DPD models test for and address autocorrelation issues that might be present when including lagged dependent performance variables as additional control variables. Following this approach, we included one-year lagged corporate performance as an additional control variable in this analysis. The results of this DPD approach are presented in the Appendix Table A1 using matching CVC investments on the basis of 3-digit SIC codes, which confirm the findings of our main analysis.

5. Discussion

This paper aims to clarify the conditions under which corporate venture capital (CVC) activities enhance corporate financial performance by examining their interaction with firm-level structural constraints and behavioral triggers. While prior studies have questioned whether and how CVC contributes to parent firm outcomes (Allen & Hevert, 2007; Drover et al., 2017; Huang & Madhavan, 2021; Haslanger et al., 2023), our study advances the conversation by introducing a contingency perspective grounded in problemistic search theory. Specifically, we show that exploitative CVC investments—those aligned with a firm's core business—strengthen the link between capital-intensive business strategy and financial performance, particularly under conditions of historical performance shortfalls. In these settings, firms face both internal rigidity and external performance pressure, making focused, lower-risk search more effective than more distant alternatives. By investing in familiar domains, firms can leverage existing resource structures more efficiently to recover and realign with strategic goals. These findings offer both theoretical and practical contributions to the literature on CVC, business strategy, and behavioral theory by identifying when and why exploitative search enhances parent firm ROI, thereby refining assumptions about CVC's exploratory nature and its role in performance recovery.

5.1. Literature implications

Our study explicitly positions capital intensity as a structural constraint—that is, as a central theoretical construct that shapes a firm's ability to benefit from external search through CVC. By showing how this constraint conditions the effectiveness of CVC in improving financial performance (measured as ROI), we extend how capital intensity is conceptualized and operationalized in the CVC and strategic management literatures (Derayati, 2024; Hu et al., 2023). This allows us to offer a fresh perspective on previous CVC research that often treated exploitation and exploration as paradoxical (Jeon & Maula, 2022), implying a trade-off between leveraging existing capabilities and seeking new knowledge. Instead, we argue that under certain structural and performance conditions—namely, the degree of capital intensity and performance shortfalls—exploitation and exploration need not be contradictory but can be strategically aligned.

In capital-intensive industries, where firms face significant structural rigidity and high switching costs, CVC can act as a strategic mechanism for: (1) enhancing the adaptive capacity of existing assets, (2) mitigating the risks associated with technological obsolescence, and (3) identifying opportunities for incremental innovation that leverage existing capabilities (Anokhin et al., 2024; Ma, 2020; Wu et al., 2025). By strategically aligning CVC investments with the core business, firms can unlock synergies between internal resource allocation and external knowledge acquisition, creating simultaneous benefits for corporate financial performance (Hill et al., 2009). This contingency framework moves beyond a simplistic paradoxical view to offer a more nuanced understanding of when and how internal resource allocation and CVC activity can be not only non-paradoxical but actively synergistic, driving significant improvements in corporate financial performance.

We also contribute to the strategic management literature by building on work that links CVC to broader corporate agendas (Birkinshaw, van Basten Batenburg, & Murray, 2002; Covin & Miles, 2007; Hill, Maula, Birkinshaw & Murray, 2009). While past quantitative studies, such as those reviewed in Huang and Madhavan (2021), suggest that CVC supports strategic performance (Allen and Hevert, 2007), they leave the role of business strategy under-theorized. We fill this gap by conceptualizing business strategy—especially when capital--intensive—as the structural anchor for corporate performance, and show how CVC can operate as an adaptive search mechanism within this constraint (Teece, 2010). Today's corporate challenges often involve managing such structural rigidity, especially when investment in fixed assets becomes a strategic necessity (Datta et al., 2005; Pan et al., 2020). Our study thus brings business strategy back into the CVC-performance conversation, showing how firms seek solutions to problems that arise precisely within those domains where resources have already been committed (Kolte et al., 2023; Shankar et al., 2024).

We further contribute by linking historical performance shortfalls to problemistic search and CVC effectiveness. Prior qualitative work has

[2] While our dependent variable is ROI, we thank an anonymous reviewer for pointing out that more explorative search approaches may, as a consequence, not materialize within a one-year time lag. Thus we did also estimate our models using more time lags, but cannot provide meaningful insights from such an analysis given our data sample.

shown that CVC units differ in how they engage in search (Danneels & Miller, 2023; Gutmann, 2019), and that firms may either let search shape problem identification or target clearly defined problems (Shankar et al., 2024). Our results suggest that problem clarity—particularly when tied to underperformance—enhances the precision and relevance of CVC efforts. When firms search for solutions in domains aligned with their capital-intensive core operations, they are more likely to generate financial value. This is particularly important because prior literature emphasized innovation outcomes, while financial performance effects of CVC have remained unclear or unsubstantiated (Huang & Madhavan, 2021; Haslanger et al., 2023). Our study offers evidence that exploitative CVC can support ROI under specific internal conditions, and in doing so, refines expectations around the value of CVC as a tool for financial—not just innovation—returns.

Our supplementary findings reinforce and nuance the role of performance shortfalls and capital intensity in shaping the financial impact of CVC strategy. In firms with high capital intensity, matching CVC investments appear to function as a buffer: performance remains stable or even slightly improves as historical performance shortfalls increase. In contrast, non-matching CVC investments under these conditions are associated with steep performance declines, suggesting that distant search offers little recovery value for structurally constrained firms under pressure. This contradicts traditional behavioral theory, which holds that performance shortfalls trigger risk-tolerant search for novel solutions (Boyle & Shapira, 2012; Bromiley, 1991; Posen et al., 2018). Instead, our results indicate that firms with high fixed-asset commitments are more likely to preserve or recover performance by reinforcing existing capabilities—likely because this strategy maximizes returns on sunk investments and minimizes integration risks.

This insight aligns with recent arguments that performance feedback may not expand search but instead narrow attention to a known set of alternatives (Keil et al., 2023). In the presence of performance gaps, managers may deliberately prioritize investment cases that are already structurally and strategically aligned—matching CVC ventures—because they are easier to evaluate and integrate under constraints (Sengul & Obloj, 2017). In this way, our findings support a belief-based model of search in which decision-makers adjust not only what they search for, but how they evaluate familiar versus novel options when under pressure.

5.2. Practical implications

This study offers actionable insights for corporate leaders managing CVC activities. Our findings show that CVC investments are not uniformly beneficial; their performance effects depend on alignment with the firm's existing business strategy, structural commitments, and current performance pressures. When the goal is to enhance corporate financial performance—not just drive innovation—firms should prioritize problem-driven search within familiar domains. Specifically, CVC initiatives that invest in ventures closely aligned with the core business are more likely to improve financial outcomes, particularly when the firm is capital-intensive and experiencing performance shortfalls.

For managers, this means building CVC portfolios that include strategically aligned investments—especially when the corporate parent operates a fixed asset–intensive business. Our study suggests a shift away from using CVC generically for broad market sensing or long-term exploration. Executives overseeing capital-intensive firms should pay close attention to how CVC efforts are positioned: emphasizing ventures that complement existing operations can help extract more value from prior asset commitments and accelerate recovery when performance lags—compared to investments targeting distant, unrelated domains.

5.3. Limitations and future directions for research

While this study makes several contributions to understanding how CVC search interacts with corporate capital expenditures and performance, it is not without limitations. These limitations also highlight promising directions for future research.

First, our sample is limited to 95 European corporations with observable CVC activity between 2009 and 2019. This geographic focus was deliberate, as most prior research emphasizes the U.S. context, and the European CVC landscape offers a more fragmented and diverse institutional setting. In addition, our data sources and selection criteria may have introduced selection and survivorship bias. Specifically, firms with short-lived or discontinued CVC programs may be underrepresented, as such initiatives are less likely to appear in public databases or remain visible on corporate websites. As a result, our findings primarily reflect European corporates and their CVC units with sustained CVC engagement. Future studies could address this limitation by explicitly comparing firms with terminated or failed CVC efforts across other geographies to examine whether the observed dynamics hold across different regulatory, cultural, and market environments, which could inform boundary conditions for CVC effectiveness and CVC search modes.

Second, while this study assumes that the effects of CVC investments can manifest within a one-year lag structure, it is possible that the strategic benefits of such investments take longer to materialize. Our additional analysis on this issue integrating more time lags did not lead to significant results. It could be, that the relationship between CVC activity and firm performance may be more temporally diffuse than commonly assumed, and that detecting such delayed effects may require longer time horizons or alternative data designs. Future research could therefore benefit from explicitly theorizing and testing different temporal windows for strategic outcomes associated with CVC investments.

Third, while we use panel data to account for temporal dynamics, our analysis still relies on secondary data and may be subject to omitted variable bias. For example, individual stakeholder dependency within corporate business units is critical in CVC practice. Future studies could investigate additional factors such as the organization's pro-entrepreneurship structure and the established processes, behaviours and advocacy of management and specifically CVC-relevant employees that may alter the efficacy of CVC.

Fourth, although our study introduces aspects of business strategy into the analysis of CVC by focusing on capital intensity as a proxy for resource commitment, alternative dimensions of business strategy may yield further insights. Comparative studies using multiple proxies would help inform when and how different strategic search orientations align with CVC effectiveness for the corporate parent.

Fifth, industry heterogeneity may also affect the relationship between CVC and performance. Further research could analyse whether industry-specific attributes—such as dynamism, munificence, or technological complexity—moderate the effectiveness of matching investments or the speed of strategic returns. This would help identify meaningful boundary conditions and clarify when CVC is a more or less effective strategic tool.

6. Conclusion

This study addresses the behavioral theory of the firm by applying the concept of problemistic search to a strategic debate around corporate venture capital (CVC). We theorize and show that CVC investments aligned with a company's core business—what we term matching investments—can enhance corporate financial performance, particularly under conditions of high capital-intensive business strategies and performance shortfalls. By introducing capital intensity as a structural boundary condition, we reveal how firms with substantial fixed-asset commitments benefit from focused, exploitative CVC search, while firms with lower capital intensity may see better outcomes from non-core, explorative CVC investments. These findings suggest that the performance spillovers of CVC depend not only on strategic alignment, but also on the firm's resource structure and behavioral context. In doing so, we contribute a more contingent view of how CVC supports

Table A1
Dynamic Panel Data Modelling: Corporate Performance.

	Model 1	Model 2	Model 3	Model 4
Capital Intensity		1.140***	−0.192	−0.205*
		(0.248)	(0.263)	(0.095)
Matching CVC Investments			0.051	0.096+
			(0.164)	(0.056)
Capital Intensity x Matching CVC Investments			0.615***	0.040
			(0.077)	(0.065)
Performance Shortfall				−0.141*
				(0.057)
Capital Intensity x Performance Shortfall				−0.011
				(0.042)
Matching CVC Investments x Performance Shortfall				0.055
				(0.115)
Capital Intensity x Matching CVC Investments x Performance Shortfall				−0.370***
				(0.050)
CVC Program Age	0.045	0.050	−0.092	−0.023
	(0.124)	(0.086)	(0.088)	(0.041)
CVC Program Size	−0.051	−0.120	−0.083	−0.043
	(0.052)	(0.077)	(0.089)	(0.078)
Corporate Size	−0.074+	−0.074+	−0.073*	−0.045*
	(0.044)	(0.042)	(0.034)	(0.021)
Corporate Age	−0.071	0.060	−0.026	−0.044
	(0.056)	(0.077)	(0.054)	(0.041)
Industry Volatility	0.043	−0.045	−0.068	−0.047
	(0.048)	(0.097)	(0.087)	(0.072)
Lagged Corporate Performance	0.463**	0.439***	0.306***	0.481***
	(0.167)	(0.087)	(0.062)	(0.129)
Historical Overperformance				−0.315+
				(0.164)
Years	*included*	*included*	*included*	*included*
Constant	−0.073	−0.092	−0.054	−0.078
	(0.050)	(0.068)	(0.064)	(0.054)
Observations	351	351	351	351
Number of Firms	95	95	95	95
Model P-Value	***	***	***	***
AR (1) / AR (2) Test	n.s./n.s.	*/n.s.	*/n.s.	n.s/n.s.
Hansen / Difference-in-Hansen Test	n.s./n.s.	n.s./n.s.	n.s./n.s.	n.s./n.s.

Robust standard errors in parentheses; *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$, n.s. = not significant; CVC matching on 3-digit SIC codes

competitiveness by either reinforcing or expanding the firm's core business strategy.

Declaration of generative AI and AI-assisted technologies in the writing process

During the preparation of this work the author(s) used generative AI for copy editing purposes to improve language and readability. After using such tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

CRediT authorship contribution statement

Manuel Hess: Writing – review & editing, Writing – original draft, Visualization, Validation, Supervision, Formal analysis, Conceptualization. **Jana Reuther:** Writing – review & editing, Writing – original draft, Methodology, Formal analysis, Data curation, Conceptualization. **Dietmar Grichnik:** Supervision, Conceptualization. **Joakim Wincent:** Writing – review & editing, Writing – original draft, Supervision, Conceptualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix

See Table A1.

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