

**CORPORATE VENTURE CAPITAL  
AND THE RETURNS TO ACQUIRING ENTREPRENEURIAL FIRMS**

David Benson

and

Rosemarie Ham Ziedonis

ABSTRACT

This paper examines 398 acquisitions of entrepreneurial firms made by 61 top corporate venture capital (CVC) investors from 1987 through 2003. On average, these corporate investors provided venture funds to one out of every five start-ups they acquired in this 16-year period. In contrast to the gains to acquiring start-ups outright, however, our evidence suggests that CVC-backed acquisitions are value-destroying deals for acquiring-firm shareholders. The results call into question the price corporations pay for “trying before they buy” entrepreneurial firms through the provision of venture capital.

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