

**THE EFFECT OF CORPORATE VENTURE CAPITAL ON
THE VALUE OF FIRMS LISTED AT THE NAIROBI
SECURITIES EXCHANGE**

BY

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DECLARATION

This is to declare that this Research Project is my original work that has not been presented to any other university or institution of Higher Learning for an award of a degree.

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DEDICATION

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ABSTRACT

The Research study set out to establish the effect of Corporate Venture Capital on the Value of Firms listed at the Nairobi Securities Exchange in Kenya. These were issues of concern to the researcher, companies, investors and to the wider community, given the various changes in the business environment that have taken place in Kenya. Given the ever growing pressure and competitiveness among various companies, companies need to design a way to increase their value and therefore maximize shareholders wealth. One of the strategies of achieving this is engaging in rather risky projects which promises high returns. One of this venture is the CVC which according to the findings showed to increase the firm value by a greater percentage. To explore those issues therefore, secondary data was collected from the annual financial statements of the twenty target firms listed at the Nairobi Securities Exchange from year 2008 to 2012. Corporate venture capital measured by the sum of all venture investment and firm value measured by sum of market capitalization rate and book value of debt was used. The findings were analysed using classical linear regression model and findings tabulated. The findings of this study indicates that CVC (pursuit of new business ideas and markets) has a greater effect in the determination of the firm value throughout the years. This therefore implied that even though CVC is a risky venture, the returns attributed to it are of greater significance to the firms engaging in it. However there existed barriers to undertaking of corporate venture capital due to the bureaucracy in the firms as most companies feared to take risks. The research study was rather broad since CVC is still a new investment concept and has not been embraced well by several companies. The study recommends that there is need for the firms listed at the NSE to adopt strategies that would increase CVC investment.

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LIST OF ABBREVIATIONS

CVC- Corporate Venture Capital

NSE- Nairobi Securities Exchange

ROCE- Return on Capital Employed

R^2 - Coefficient of Determination

R- Correlation Coefficient

WACC- Weighted Average Cost of Capital

IPO- Initial Public Offer

SPSS- Statistical Package for Social Sciences

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

As a business firm grows from a start-up to a larger firm, complexity sets in, levels of responsibility are set and delegation with certain limits of authority is affected. As a consequence, control sets in, thus killing innovation that help bring the organization into being there in the first place Ngugi (2006). This may be due to continuing failure to allocate the right capabilities /skills, resources, and management support to meet these crucial challenges. The need for innovation as the basis for increased productive output of corporate rejuvenation is therefore articulated in many businesses organization all over the world Zahra et al (2006). These companies often need to venture beyond their existing businesses to overcome competence traps that preclude them from adapting to their environments (Ahuja & Lampert, 2001; Zahra & Hayton, in press). In order to create new businesses, established companies have to combine their existing resources in new ways Schumpeter (1950). Garvin (2002) found out that these recombination can open new paths for building new skills, renewing operations or venturing into market arenas within existing or new industries Corporate Venturing can be one of the strategies to tap this potential because it can help create new businesses based on specific assets (or innovative combination of assets), incubate them within the parent company and take them rapidly to the market Ngugi (2006)

Corporate Venture Capital investment activity, in which a corporation makes an equity investment in start-up company that the corporation does not own, has waxed and waned over

the years (Block and Macmillan, 1993; Chesbrough, 2000; Gompers and Lerner, 1998; Ginsberg, 2001). The ideal equity investors for start-up companies must appreciate the risk involved including the potential for a total loss of their investment and must want to receive the financial return in the form of capital gains. These venture capitalists are normally professional investors who attempt to compensate for the high risks associated with any specific investment by developing a portfolio comprising similarly high-risk individual investment.

Corporate venture capital programs raise money not only from the corporations' internally generated cash but also from outsiders and invest it in entrepreneurial start-ups at all stages of development. Indeed, the number of corporate venture capital funds rapidly increased from 1995 to 2000 attracted by excellent returns made by the independent venture capital funds. For example, some 350 corporate venture capital funds were reportedly in existence worldwide in mid-2000 up from 110 in 1998 Campell (2000). Corporate investors accounted for approximately 8% of the total venture capital invested in 2000 up from 1% in 1997 Barry (2000)

To finance their growth, high potential ventures have commonly turned to corporate venture capital that have been shown to provide not only money but also often valuable hands-on help and expertise in turning new ventures into successes (Hellmann and Puri, 2000a& 2000b; Sapienza, 1992). During the recent year's Industrial Corporation have made unprecedentedly high share of all venture capital investment (Christopher, 2000; Gompers & Lerner, 1998; Maula & Murray, 2000a)

1.1.1 Corporate Venture Capital

Corporate Venture Capital is the process of actively investing in small start-up businesses by large firms Birkinshaw et al (2002). A corporate venture capital investment can further be defined by two characteristics: its objective and the degree to which the operations of the investing company and the start-up are linked. Although companies typically have a range of objectives for their CVC investments, this type of funding usually advances one of two fundamental goals. Some investments are strategic: They are made primarily to increase the sales and profits of the corporation's own businesses. A company making a strategic investment seeks to identify and exploit synergies between itself and a new venture, Chesbrough (2002). The other investment objective is financial, wherein a company is looking for attractive returns. Here a corporation seeks to do as well as or better than private Venture Capital investor due to what it sees as its superior knowledge of markets and technologies, its strong balance sheet, and its ability to be a patient investor. In addition, a company's brand may signal the quality of the start-up to other investors and potential customers, ultimately returning rewards to the original investor Chesbrough (2002).

Accepting investments from a corporate venturer can provide useful financial support and give access to a wide range of useful business contacts. If the venturer has a portfolio of investments, there might also be synergies between the different businesses. If it is in the related industry, there can be a lot of spin-off benefits. Given the high volume of corporate investment during the past few years and the high potential for value benefit given also the difficulties in realizing the benefit and the potential risks of conflict of interest, it is important for companies to therefore understand the risks inherent of putting their money in the start-up businesses whose growth are not easily predictable. This is because whole of their investment may go to drain if these businesses they are investing their money in fail to pick up. They

should also know how to manage the relationship for realizing maximum benefit after their investment. Most corporate venture capital does not aim for any dividends but rather much concerned on capital gains that will accrue to them. Corporate venture units are established for a variety of reasons such as making a company more entrepreneurial, providing a window of new technologies, making a strong financial return. But the more objectives venture unit managers have to balance, the more difficult it is to make smart investment decisions (Ngugi, 2006).

Start-up business will attract only these corporate investors who are to accept such high risks and they will consequently require correspondingly high return. High return will come in the form of capital gains to the investing company because the negative cash flow of the business makes it impractical to pay dividends during the start-up stage. Many corporate venture capitalists specialize in a particular sector but hold a portfolio of investment in the sector. They hope that the complete failure of some investment in the portfolio will be offset by the outstanding success of other investment made. It is important for entrepreneur to understand both what the key factor to consider when selecting corporate investors. So far there has been little rigorous empirical research into these issues (Kelley & Spinell, 2001; Maula & Murray, 2000a)

Internal corporate venturing refers to new innovation developed at various levels of the firm but within the boundaries of the firm (Burgelman & Sayles, 1986; Keil, 2000). Sharma and Chrisman (1999) defined internal corporate venturing as “corporate” venturing activities that result in the creation of organizational entities that reside within an organizational domain. However Corporate Venture Capital is clearly a boundary spanning operations and belongs to the other class of venturing tools labelled as external corporate venturing. Sharma and Chrisman (1999) defined external corporate venturing as “corporate venturing activities that

result in the creation of semi- autonomous or autonomous organization entities that reside outside the existing organizational domain”. Based on the extensive case research of seven leading corporations in the information and communication technology sector in the United States and Europe Keil (2000: 109) developed a classification of external corporate venturing modes depicted

1.1.2 Value of Firms

Company value or intrinsic value is estimated using a valuation model. Inputs to the valuation model include estimates of future payoffs (prospective cash flows or earnings) and the cost of capital. The process of forecasting future payoffs is called prospective analysis. To accurately forecast future payoffs, it is important to evaluate both the company’s business prospects and its financial statements. Evaluation of business prospects is a major goal of business environment and strategy analysis. A company’s financial status is assessed from its financial statements using financial analysis. There are four basic financial statements that provide the information that is required to value a company: The balance sheet, income statements, statement of cash flows & statement of retained earnings. These four statements are provided in the annual reports published by public companies. In addition a company’s annual is almost always accompanied by notes to financial statements. These notes provide additional information about each line item of numbers provided in the four basic sections. Schweser (2013).

Valuation is the process of forecasting the present value of the expected payoffs to shareholders and of converting this forecast into one number that corresponds to the fundamental-intrinsic firm value Wangechi (2010). Firm valuation is the process of determining how much a firm is worth. The value of the firm is obtained by discounting expected cash flows to the firm that is the residual cash flows after meeting all the expected

expenses and taxes but prior to debt payments at the Weighted Average Cost of Capital, which is the cost of the different components of financing used by the firm, weighted by their value proportions (Demodaran, 2001).

The value of firm can be directly related to decisions that it makes, on which projects it takes, on how it finances them and on its dividend policy. Understanding this relationship is key to making value increasing decisions and to sensible financial restructuring Demodaran (2001). A formulaic approach to firm valuation demonstrates that the values of a firm can be partitioned into the value of assets in place plus the discounted value of future economic profits. In entity approach to valuation, free cash flows from operations are discounted at the Weighted Average Cost of Capital and the present value of non-operating cash flows is added. Adam and Thornton (2009) pointed out that in theory, the valuation of the firm should reflect the price at which a business would change hands between a willing buyer and the seller when both parties have reasonable knowledge of the relevant facts. According to the seminar paper by Modigliani and Miller (1958) the method of financing a firm is irrelevant as far as the firm's value is concerned. How to value accurately a firm is traditionally a financial economics topic and most extant valuation methods are based on accounting information. According to financial economics theory, the economic value of any investment is the sum of the present value of its future cash flows (Brealey and Myers, 2001). Such an economic valuation depends on the ability of the enterprise to generate future cash flows and investors' assessments of, and attitudes towards the risk of these future cash flows (Smith, 2000)

In analyzing a company's financial health or taking its ownership, the most crucial aspect is Firm's value. The greater the value, the better is the position of the firm financially and the better is the prospects for prospective investors. Market capitalization has been taken as a

proxy for Firm's value in many literatures. Market Capitalization is determined by multiplying number of outstanding shares and the current market price of one share. It is generally used to determine a company's size as opposed to sales or total assets. Considering number of outstanding shares to be constant (except in the case of buyout or split share), the firm's value is largely affected by market price of firm. In order to enhance the firm's value, important question is determining the factors that play a key role in affecting market price of firm. Taking evidence from numerous literatures, various factors can be identified namely Net sales, Profit, Fixed Assets and most importantly capital structure (Zicker, 2013)

1.1.3 Effect of Corporate Venture Capital on Firm Value

Corporate venture capital is brought into practice as a tool for firm's new value creation through business development, innovation and renewal. As such, it may allow existing firms to rejuvenate and revitalize thereby providing an antidote for fossilization Ngugi (2006). By engaging in corporate venture capital therefore the firm increases its portfolio base and stands to benefit from the start-up businesses in terms of profitability, growth and continued survival.

Big corporate investments in Africa are increasing. Large companies like IBM, Intel, Microsoft and Google, MTN, Vodacom, Orange, Safaricom, and many other companies are investing into start-ups in Africa. Corporate Venture Capital (CVC) has been a key part of large companies' strategy to remain competitive in a fast changing market for more than 40 years, largely in America and Europe but in Africa it remains a relatively new phenomenon (Heilbron, 2014).

Chesbrough (2002) advanced a further argument: Corporate Venture Capital programs that invest in activities that are unrelated to their strategy and their capabilities are wasting their

shareholder's money. He reasoned that, just as corporations add no value to their shareholders by diversifying their businesses, so too shareholders can invest in private equity opportunities without the help of the corporation. Only CVC investment that relate to the strategy or capabilities of the corporation warrant the use of shareholders' funds.

While independent venture capitalists focus more on the return of their investment, corporate venture capitals consider the strategic opportunity for their parent companies. Generally CVCs have the strategic mission to provide the opportunities for parent company to “grow their business” by access to novel innovation technologies, development of new products, enter new market or enhance existing businesses Macmillan et al. (2006) . Zahra (1991:262) asserts that a comprehensive view of corporate entrepreneurship (and hence venturing) must incorporate both formal and informal aspects of corporate venturing, as follows “ Corporate entrepreneurship refers to formal and informal activities aimed at creating new businesses in established companies through product and process innovation and markets developments”. These activities may take place at the corporate, division (businesses), functional, or project levels, with the unifying objective of improving a firm's competitive position and financial performance.

1.1.4 The Nairobi Securities Exchange

The Nairobi securities Exchange was founded in 1954 through incorporation into a company as a voluntary organization of stock brokers. It deals in exchange of securities issued by publicly quoted companies and government in Kenya Magara (2012). NSE facilitates the mobilization of capital for development and provides savers in Kenya with an alternative saving tool and companies with a platform of equity financing. To investors, funds that would otherwise have been consumed or deposited in a bank accounts are redirected to promote growth in various sectors of economy (Booth et al, 2010).

NSE therefore is a platform of listed companies which want to manage their capital structure and fund growth Bonyo (2010). It is also a forum for trading in stock and bonds as companies across the spectrum of industries gather to raise the public capital that will allow them to fund their businesses so that they expand. NSE has affected the capital and ownership structure of the companies as they mix internal debt and equity finance (www.nse.co.ke). According to Abiero (2013) the number of companies at the NSE has experienced slow growth over its entire existence since it was found.

The firms listed at the NSE will also in turn try to invest their funds in several portfolios in order to realize maximum benefit. Among these investments opportunities are corporate venture capital where they invest in start-up business with the aim of realizing benefits in the end. The typical ownership identities at the NSE are government, foreigners, institutions, individuals and diverse ownership forms Kobonyo & Ongore (2011). Firm's performance is measured using; Return on Assets, Return on Equity and dividend yield. Like in any other securities market, investors at NSE want the manager to increase the value of the company and its current stock price and this can be done by several strategies/methods CVC included.

1.2 Research Problem

Virtually all organizations be they new start-ups, major corporations, or alliances are striving to exploit product-market opportunities through innovative and proactive behaviour. The various corporate venturing strategies can be operationalized in different ways. As seen earlier CVC is the process by which established companies invest in new businesses venture in order to generate revenues and/or strategic benefit. Firms may create separate venture business units, grant them a level of autonomy, and then spin them off. Initially, this may take the form of multidisciplinary venture teams to take charge of the ventures, Ngugi (2006). Other options may be to initiate a full-scale start-up as an internal venture, joint venture or

participation in venture capital markets. Fast (1981) suggests that the inexperienced firms should start off by participating in venture capital funds to gain experience in venturing before venturing alone.

Big corporate investments in Africa are increasing. Large companies like IBM, Intel, Microsoft and Google, MTN, Vodacom, Orange, Safaricom, and many other companies are investing into start-ups in Africa. Corporate Venture Capital (CVC) has been a key part of large companies strategy to remain competitive in a fast changing market for more than 40 years, largely in America and Europe, but in Africa it remains a relatively new phenomenon (Heilbron, 2014). The different market conditions and current ecosystem in Africa actually forces both international and national companies to create new business models using their existing technologies. A good example of this is MPESA for Safaricom's parent company Vodafone, which funded the initial trials and launch back in 2007 with £1Million. During the last three years venture capital has become more available. According to 2007- 2008 global competitiveness report (a publication of the world economic forum), Kenya is ranked 68 out of 131 in terms of access to venture capital. These place it significantly ahead of Uganda and Tanzania, which are ranked 85 and 88 respectively. In Kenya there are currently few venture capital firms which include Kenya Equity Management (KEM) Limited that provides equity and term financing to qualifying projects with minimum of \$100,000 which is composed of 40% equity and 60% debt Brown (2005).

Most of the research on corporate venture capital has examined the issue from perspective of large corporations (Kann, 2000; Kelley & Spinelli, 2001) also looks at the value added to the Manufacturing companies. Ngugi (2006) examined Corporate Venture Capital from the perspective of Large Manufacturing Companies. In this research, corporate venture capital is examined from the perspective of firms listed at the NSE. Some of the few contemporary

studies on corporate venture capital from the perspective of portfolio company have suggested that corporate venture capital investments by strategically related investors make a positive impact on the performance of portfolio companies (Gompers & Lerner, 1998; Maula & Murray, 2000a) However, there is a significant gap in the research on the benefits that accrue or rather the value the CVC companies get by investing in start-up businesses. This research attempts to fill this gap by developing theory based hypotheses about the effect of corporate venture capital on the value of firms listed at the Nairobi Securities Exchange (NSE).

The study intend to address the following research question: What is the effect of Corporate Venture Capital on the Value of Firms Listed at the NSE.

1.3 Objective of the Study

To establish the effect of Corporate Venture Capital on the value of firms listed at the Nairobi Securities Exchange.

1.4 Value of the Study

The research is going to add knowledge to the existing literature on corporate venture capital as it aims to look at corporate venture capital on the perspective of the investing firms rather than the value that will accrue to the start-up business itself. The findings have important implication for entrepreneurs either seeking Corporate Venture Capital or already managing an existing investor relationship with a Corporate Venture Capital investor. In addition to entrepreneurs, the findings have important implication for Corporate Venture Capital and Venture Capital.

It thus seeks to understand the theoretical aspect of corporate venture capital and its effect on the value of firms listed at Nairobi Securities Exchange. Furthermore the finding of the study

will equally enable corporates /companies to develop keen interest on the role of corporate venture capital on the entire performance of the company. The economy will improve due to positive investment of funds by Corporates to start-up businesses. This study will also contribute to filling the knowledge gap in the academic fields, research institutions and individual.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews various studies that have been conducted in the area of corporate venture capital providing a basis for the study and the concepts on the effect of corporate venture capital to the value of the firm. It also highlights theories guiding the study, previous studies conducted and new developments related to the study and provide an overview of the key ideas for the study

2.2 Theoretical Review

This section deals about the theoretical framework supported by different authors regarding the corporate venture capital. A number of theories that have been developed on corporate venture capital are: Resource-based theory, Asymmetric information and signalling theory, Agency theory.

2.2.1 Resource-Based Theory

According to the author of the resource-Based Theory Wernerfelt (1984) the Resource Based View (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firms disposal. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. The key idea of resource-based view therefore is that firm-specific skills, competences and other tangible and intangible resources are viewed as the basis for competitive advantage of the firm (Barney, 1991; Peteraf, 1993;

Prahaland & Hamel, 1990). Because of environmental uncertainty, the firm specific resource and capabilities are considered as a more sustainable basis for competitive advantage than product- market positioning Grant (1991). The essence of a firm strategy lies in the way that the firm acquires or develops internally additional unique resources (Wernerfelt, 1984)

According to Barley (1991) the two keys axioms of the resources based view: (i) resources are distributed heterogeneously across firms and (ii) those productive resources cannot be transferred from firm to firm without cost (i.e. resources are “sticky”) Barney (1991). According to Barney (1991) in order to sustain long term competitive advantage, resources must be valuable, rare, imperfectly imitable and without strategically equivalent substitutes.

2.2.2 Asymmetric Information Theory

Asymmetric Information refers to situations in which some agent in a trade possesses information while other agents involved in the same trade do not. Rational investors will see the fraction of equity retained by the entrepreneurs as a signal for firms’ value. Of special importance for the present study is the stream of research examining the role of involved third parties in “certifying” the value of new ventures Booth & Smith (1986). In venture capital, investments are made in young and highly uncertain ventures. Chan (1983) developed a model on how venture capitalist as better informed intermediaries may relieve the problems caused by asymmetric information. Other studies examining the role of asymmetric information venture capital contracting various methods are used to deal with asymmetry information including monitoring and staged investments (Gompers, 2002; Sahlman, 1990). Hamao et al (2000) among others have examined the role of venture capitalists in reducing the problem from asymmetric information in initial public offerings.

2.2.3: Agency Theory

Jensen and Meckling (1976) defined the agency relationship as a contract under which one or more persons - the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. They continue to state that if both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interest of the principal. In agency theory, both principals and agents are assumed to be self interest, rational and risk-averse Eisenhardt (1989)

Based on the assumption of agency theory, the objective of the agent may not align perfectly with those of principal. Furthermore, asymmetric information makes it hard for the principal to select and monitor the agent. Goal incongruence and asymmetry information may give rise for agency problems including adverse selection and moral hazard problems Eisenhardt (1989).

In the context of Corporate Venture Capital, agency theory has typically been used in analysis of principal agent problem considering the entrepreneur as an agent working for the principal venture capitalist. Sapienza & Gupta (1994) analysed 51 venture capitalist- CEO dyads and found support for agency theory prediction in that frequency of interaction depended on the extent of venture experiences, the venture's stage development, and the degree of technical innovation the venture was pursuing.

Gompers (1995) analysed 794 venture capital backed firms and found support for the agency theory predictions in that asymmetric information lead to more frequent monitoring. One can also consider the venture capital as an agent providing value added benefits for entrepreneurs, principals (Cable & Shane, 1997; Fiet, 1991; Gifford, 1997; Kann, 2000; Smith, 1998)

The present study follows this approach and considers potential agency problems in the relationship of corporate venture capitalist as agents and original owners of the ventures as principals. In the relationship between entrepreneurs and investing entrepreneurs may face agency problems related to the asymmetry information in the form of moral hazard and adverse selection risks when ‘hiring’ venture capitalists to invest money and to perform value added services (Smith 1998), There is great potential for conflicts of interest between start-up companies and their corporate investors operating in related fields (Hellmann 2001, Kann 2000, Maula & Murray 2000a, 2000b)

2.3: Determinants of Firm Value

2.3.1: Ownership structure. Ownership structure is known to be an important factor in determining firm value Demsetz and Lehn (1985) and has a significant effect on corporate restructuring (Kang and Shivdasani, 1997; Denis and Kruse, 2000). According to Jensen and Meckling (1976) concentrated ownership by owner-managers provides them with incentives to make value-maximizing decisions, and thus minimize cost.

2.3.2: Capital structure. Lang and Stulz (1992) and Opler and Titman (1994) found that firms that maintain high leverage ratio and have specialized business lines tend to experience more difficulties during the period of economic downturns since highly levered firms would have more difficulty obtaining external financing during the financial crisis period, we expect such firms to experience a larger drop in the value of their equity.

2.3.3: Liquidity. When firms experience a large economic shock, they could use external capital markets, utilize internally generated cash flows, or curtail new investments. Financially less constrained firms or firms with internal sources of financing would therefore suffer less from the economic shock, For example; firms with more cash flow and those with

more liquid assets are likely to have less demand for external financing and will therefore experience a less drop in the value of their equity.

2.3.4 Size. The size of the firm is another important variable that affects its ability to raise the capital, particularly when the overall economy experiences difficulties and the financial institutions become concerned about the credit quality of their customers. It is argued that large firms generally have better capability to secure external finance, are unlikely to rely mostly on bank borrowing for their financing, have smaller informational asymmetries, and are more established. Large firms also tend to have a large asset base that can easily be used as collateral. All these suggest that large firms are less vulnerable to an external shock and thus suffer less from the adverse shock.

2.3.5 Risk and Past Performance. Risk and past performance can also have an effect on firm value and restructurings. Risky firms generally have high default risk and are therefore more vulnerable to the external shock. In a similar vein, firms with poor past performance have high probability of a financial distress during the crisis period and thus are more likely to lose their growth opportunities in the future. These arguments imply a negative relation between risk and firm value and a positive relation between past performance and firm value. They also suggest that firms with high risk and those with poor past performances are more likely to implement active restructuring plans as firm value falls. Risk is measured by beta, which is estimated by the slope of the market model regression.

2.4 Empirical Review

The first academic evaluations of corporate new venture organization were cautious in their assessment, and alert to the internal conflicts can arise from CVC. Von Hippel (1973, 1977)

reported that when the parent company had significant prior experience in that market, the new venture was much more likely to succeed. He also noted the problems that venture organization sponsors faced in building and sustaining internal support for new ventures from the top management of the company. The problem of the sponsors was one of adverse selection: overtime, the best performing ventures gradually migrated to other divisions or went off on their own.

In their study MacMillan et al, (1985) attempted to disclose how the evaluation criteria is used to predict the success of ventures after the investment. They asked 67 venture capitalist respondents to rate highly successful and highly unsuccessful ventures, 150 ventures in total, on 25 screening criteria and on several performance criteria. They found two categories of evaluation criteria that predict the success of an entrepreneur: initial insulation from competitors and degree of market acceptance of the product. Employing cluster analysis, they found three classes of unsuccessful entrepreneurs: (1) entrepreneurs who lack experience, staying power, a product prototype, and a clear market demand; (2) entrepreneurs who in spite of good credentials face early competition; and (3) entrepreneurs with exceptional staying power but who easily lose the market to competition because of lack of product protection.

Khan (1987) mailed questionnaires to 36 venture capital companies to validate the investment decision model. The answers showed that investees' desire for success and the nature of their products are most critical to venture capitalists in approving a deal. Additionally, the owners' creativity and integrity are the most significant predictors of the venture's success.

A study by Siegel and Macmillan (1988) examined the potential conflicts between the strategic and financial rationales for creating new venture businesses. A survey was presented to firms engaging in CVC. He found out that the strategic goal is to exploit the potential for

additional growth latent in the parent company. The financial goal is to maximize the additional revenue and profit in the new venture itself. Siegel et al pointed out that in order to maximize the financial return from the new venture, firms are best advised to provide complete autonomy to the new venture managers.

A formal model of corporate venture capital investing by Hellman (1996) noted that corporate venture investing would likely be strongly affected by whether the activities of the venture were complementary to versus a substitute form the activities of the corporate investor. Corporations would have a vested interest in supporting start-ups that build upon their current businesses and technologies. They rationally would pay more to finance such ventures but would rationally pay less for start-ups that threaten those corporate activities.

McNally (1997) surveyed UK corporations regarding their goals and found that identifying new products and developing business relationships were the five most important corporate objectives for direct corporate venture capital. Bannock Consulting (1999) found in their survey of 150 European corporations that on average 62% had strategic goals, and 27% had financial goals as their primary motivations for corporate venture capital investments, while many had several goals.

Corporations are likely to benefit from indirect gains (e.g. strategic alliances and greater understanding of industry trends) as well as direct financial returns. While Corporate Venture Capitalist tend to invest at a premium to other firms, this premium appears to be no higher in investment with a strong strategic fit where these benefits are likely to be greatest., Gompers & Lerner (1999).

Gompers and Lerner (2001) did a study on the Determinants of Corporate Venture Capital Success. The objective was to compare investments made by traditional Venture funds

sponsored by corporations. The data was collected through observation from 855 corporate and Independent venture funds in privately held firms between 1983 and 1994. They found out that Corporate venture investments in entrepreneurial firms appear to be at least as successful (using probability of the portfolio firm going public) as those backed by Independent Venture organization, particularly when there is strategic overlap between the corporate parent and the portfolio firm. The paper suggests that the presence of a strong strategic focus is critical to the success of corporate venture funds

In a study on Corporate Venture Capital and the Value-added for technology-based firms Markku (2001) objective was to identify the mechanisms through which Corporate Venture Capital investor add value to their portfolio company and to identify factors that affect these mechanisms. The primary source of data in the Research was a mail survey which was administered to the CEO's Chairmen or Founders of the whole population of the identified technology based new firms. The findings of the study indicated that complementarities between the ventures are important determinants of value provided by Corporate Venture Capital investors for the portfolio companies. Independent venture Capitalists are therefore advised to examine the complementarities when considering inviting Corporate Venture Capital investors in the syndicate. When Venture needs endorsements for commercializing the products, co-investments by prominent Corporate Venture Capitalists can often do the trick. The prominence of corporate investor is an important factor to consider when seeking endorsement benefits for the venture, Industry leading corporations are more influential in this respect compared to smaller particularly valuable when the venture operates in a systematic business environment offering products that are critical for the businesses of the customers.

Ginsberg, Hassan & Tucci (2002) found that entrepreneurs in new ventures realize important benefit from having a corporate strategic investor in the company. Using measures of how large a gap there was between the initial stock offering price and closing price on the first day of trading, they reported that corporate investors reduced the under pricing of an IPO stock, relative to IPOs where corporations did not have significant equity ownership. In addition, Ginsberg et al. found that long run rates of return were higher for those of start-ups that went public with a corporate investor. With the collapse of the internet “bubble” and the general downturn in the public equity markets, corporations once more headed for the exit
Chesbrough (2002)

In their study of Corporate Venture Capital and Investing Firm Innovative rates, Garry and Michael (2003) focus on the potential innovative benefits to CVC that is equity investment in entrepreneurial ventures by incumbent firms. The objective was to find out if participation in CVC allowed firms to access knowledge from entrepreneurial ventures that lead to innovation. A large panel of 2289 public firms that invested in corporate venture capital or patented over a 20-year period

Garry and Michael (2005) in their paper ‘When does Corporate Venture Capital Investment create Firm value?’ set to find out whether CVC investment creates value for to investing firm. Using a panel of U.S. public firms during 1990s, they found that corporate venture capital is associated with the creation of firm value- measured as firm’s Tobin’s q- but that that relationship was conditional on both sector-specific and firm specific factors. In particular, the positive relationship between CVC and firm value creation is greatest within the devices, semiconductor, and computer sector. Moreover, the contribution of corporate venture capital investment to firm value is greatest when firms explicitly pursue CVC to harness entrepreneurial inventions.

In his Survey of Corporate Venturing in Large Scale Manufacturing Companies in Kenya, Ngugi (2006) study set out to establish the extent to which large scale manufacturing companies in Kenya practice corporate venturing and to determine what motivates corporate venturing by large scale manufacturing companies operating in Kenya. To explore those issues, primary data was collected from large scale manufacturing companies operating in Kenya. Data was collected using a survey design from thirty five respondent firms on documented corporate venturing practices. These included corporate venturing as an organizational value, level of corporate venturing commitment and the extent of management support towards corporate venturing activities to evaluate the culture, climate and corporate support; firms' awareness of the corporate venturing activities and structure of corporate venture unit management to establish the structure and design of the venturing effort; and new product development and delivery to gauge the planning, monitoring, evaluation and control of the ventures; and organizational arrangements to evaluate the staffing and rewarding of the venturing activities. The findings were analyzed using descriptive statistics and the study indicated that corporate venturing was not new to many of the large scale manufacturing companies in Kenya; however, there existed barriers to undertaking of corporate venturing due to the bureaucracy in the firms, limited support from senior management, management styles that stifle innovation.

In their studies of Investment Criteria of Corporate Venture Capital in Life Science Industry Ylva et al (2011) objective was to investigate the pattern of investments of CVCs associated with top 50 pharmaceutical companies by evaluation of their investment portfolio. They conducted phone interview with some investors from venture firms of big pharmaceuticals. Qualitative Research methodology was used because it helped them to provide a comprehensive list of factors that can affect decision-making process of CVCs. In their

analysis they found that CVCs create firm value mostly when pursued strategic reasons. That despite of independent Venture Capitals, CVCs are highly interested in investing in early stages projects, as it seem that they want to provide enough strategic support for their mother companies.

Thomas, Elena and Xuan (2013) did a research on Corporate Venture Capital, Value Creation and Innovation. Their objective was to analyze the relative efficiency of CVCs and Independent Venture Capitals in nurturing innovation by the entrepreneurial firms backed by them. They obtained the list of IPO firms that went public between 1980 and 2004. They found that CVC-backed firms achieve a higher degree of innovation output, as measured by their patenting, although these firms are younger, riskier, and less profitable to them.

2.5 Summary of Literature Review

Over the past twelve years, empirical studies have examined the CVC phenomenon. These studies have been conducted in some different national contexts. Particularly researchers have focused on the innovation impact of these activities, while continuing to examine its financial contribution. Instead for some scholars CVC is viewed as an important element of corporate strategy, not a mere investment opportunity.

For these reasons the literature is not always as clear as it would be desirable in defining the relevant unit of analysis and this often makes comparisons across studies very difficult.

However, all the corporate venturing activities were considered to be strategic by many firms. Most research studies have employed survey in the collection of data where interviews were presented to the firms and data analysed. However, there is a gap on the rigorous empirical research focusing on the value that is attributed to the companies offering the CVC. Therefore comparing findings across all the studies is quite difficult as CVC is a wider

context or rather field to study..From most literature review CVC is firm specific and is unique in every other company as the strategies put in place to invest in this venture vary across all firms. There is no consistent in the amount of venture capital investment that companies does in that determination of the CVC investment depend on several other factors.

]CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on methodology used to collect and analyse data that was used in establishing the factors determining the Effects of corporate venture capital on the value of the firms listed at the NSE. This chapter was therefore structured into: research design, population, sampling, data collection, data analysis technique for the proposed study.

3.2 Research Design

A research Design is a programme to guide the researcher in collecting, analysing and interpreting observed facts Orotho (2003). It is thus an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This study used Descriptive Research design where data was collected to demonstrate the relationship between one or more variables.

3.3 Target Population

The target population is the specific population about which information is desired. It can also be defined as set of people, services, elements, events, group of things or household that are being investigated .The target population of this research was twenty (20) companies which are listed at Nairobi Securities Exchange who have engaged in corporate venture capital. (Appendix)

3.5 Data Collection

Data collection is gathering evidence in order to gain new insights about a situation and answer the question that necessitated study, Wangechi (2012). This study used secondary data. The data on the Corporate Venture Capital, Market capitalization rate, Book value of debt was collected from the annual financial statements of the target firms listed at the Nairobi Securities Exchange from 2008 to 2012. The secondary data was sourced from the Nairobi Securities Exchange and Capital Market Authority.

3.6 Data Analysis

Data analysis is a process of analyzing all the information and evaluating the relevant information that can be helpful in better decision making. Silvia and Skilling (2006). The data collected was analyzed using the software called Statistical Social Sciences (SPSS) version 20 and results shown in terms of tables. The data was tabulated and classified into sub samples according to their common characteristics. that is Adjusted R square , R and Coefficients of variables were established using linear regression model

Data collected was edited for accuracy, consistency and completeness, it was then arranged and coded using Ms –excel. It was convenient to use excel because the data was inputted and later transferred to SPSS version 20 where analysis was carried out.

3.6.1 Analytical Model

A regression model was applied to determine the effects of each of the variables with respect to CVC adoption and financial performance. Regression is concerned with describing and evaluating the relationship between a given variable and one or more other variables. More specifically, regression is an attempt to explain movements in a variable by reference

to movements in one or more other variables. The firm value was the dependent variable while the CVC was the primary Independent variable. CVC variable was calculated as the sum of all investments via all the venturing funds by a firm in a year.

$$y = \alpha + \beta_1 x_1 + \varepsilon$$

Where y : the firm's value measured by market value of debt and equity

x_1 : is Corporate Venture Capital as measured by sum of all investments via all venturing funds by a firm in a year.

ε : Error term

α - Intercept

β_1 : coefficient of the theoretical variables to be estimated.

Tests of significance was be used in the study. R, R^2 , F test. t-test is used to measure one variables which in our case are CVC. R^2 this is defined in terms of variation about the mean of y (Firm Value) so that is a model is rearranged and the dependent variable changes R^2 will change. It is thus goodness of fit statistic given by ratio of the explained sum of squares.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

This chapter consists of data analysis, presentation and discussion of the findings. It therefore presents findings on the effect of Corporate Venture Capital on the Value of Firms Listed at the NSE. The study was carried out among twenty firms listed at the NSE which engage in Corporate Venture Capital Investment. Secondary data from year 2008 to 2012 was collected. Regression Analysis was used in the analysis of data.

4.2 Regression Analysis

4.2.1 Year 2008

Table 4.1 Model Summary for Year 2008

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868 ^a	.753	.740	22712366812.26331

a. Predictors: (Constant), CVC

Source: Research Findings

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the Independent variable. From the findings above displayed on the table the value of the Adjusted R square was 0.740, an Indication that there was a variation of 74% Firm Value of selected firms listed at the NSE due to changes in the Independent variable which is Corporate Venture Capital at 95% confidence interval. This therefore shows that 74% Changes in the Firm Value of the selected listed firms could be accounted for by CVC. R is the correlation coefficient which in our case above was .868.

This shows that there was a strong positive relationship between the study variables which is Firm Value and CVC.

Table 4.2 Coefficients for 2008

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-3685869039.757	6343374985.154		-.581	.568
CVC	27888.348	3760.369	.868	7.416	.000

a. Dependent Variable: Firm value

Source: Research Findings

The Regression equation for 2008 was established as:

$$Y = -0.132 + 0.868CVC$$

From the above Regression equation for Year 2008 it was revealed that a unit increase in Corporate Venture Capital would lead to an increase in Firm Value of the Listed Companies at the NSE by a factor of .868. This is a very strong positive relationship between CVC and Firm Value.

4.2.2 Year 2009

Table 4.3 Model Summary for 2009

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902 ^a	.813	.803	16614332471.15138

a. Predictors: (Constant), CVC

Source: Research Findings

From the findings above displayed on the table the value of the Adjusted R square was 0.830, an Indication that there was a variation of 80.3% Firm Value of selected firms listed at the NSE due to changes in the Independent variable which is Corporate Venture Capital at 95% confidence interval. This therefore shows that 80.3 Changes in the Firm Value of the selected listed firms could be accounted for by CVC. R is the correlation coefficient which in our case above was .902. This shows that there was a strong positive relationship between the study variables which is Firm Value and CVC.

Table 4.4 Coefficients for 2009

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5241473677.352	4695003005.174		-1.116	.279
CVC	22332.128	2521.914	.902	8.855	.000

a. Dependent Variable: Firm Value

Source: Research Findings

The Regression equation for 2009 was established as:

$$Y = -0.098 + 0.902CVC$$

From the above Regression equation it was established that a unit increase in CVC would lead to an increase in Firm Value by a factor of .902. This showed that there existed a strong positive relationship between the dependent and the independent variable since movement by the independent variable causes a greater movement of the dependent variable.

4.2.3 Year 2010

Table 4.5 Model Summary for 2010

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894 ^a	.798	.787	23029094483.20010

a. Predictors: (Constant), CVC

Source: Research Findings

From the findings the value of the Adjusted R square was 0.787, an Indication that there was a variation of 78.7% Firm Value of selected firms listed at the NSE due to changes in the Independent variable which is Corporate Venture Capital at 95% confidence interval. This therefore shows that 78.7% Changes in the Firm Value of the selected listed firms could be accounted for by CVC. R is the correlation coefficient which in our case above was .894. This shows that there was a strong positive relationship between the study variables which is Firm Value and CVC.

Table 4.6 Coefficients summary for 2010

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2203123358.140	6433304808.770		-.342	.736
CVC	23668.792	2803.243	.894	8.443	.000

a. Dependent Variable: Firm Value

Source: Research Findings

From the above table, the regression equation for 2009 was established as:
Y = -0.106+0.894CVC

The above equation clearly showed that there was a strong relationship between Firm Value and CVC. This was because a unit increase in CVC led to an increase in Firm value by a factor of 0.894

4.2.4 Year 2011

Table 4.7 Model Summary for 2011

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.935 ^a	.874	.867	18228980754.65525

a. Predictors: (Constant), CVC

Source: Research Findings

From the findings above shown on the table the value of the Adjusted R square was 0.867, an indication that there was a variation of 86.7% Firm Value of selected firms listed at the NSE due to changes in the Independent variable which is Corporate Venture Capital at 95% confidence interval. This therefore shows that 86.7% Changes in the Firm Value of the selected listed firms could be accounted for by CVC. R is the correlation coefficient which in our case above was .894. This shows that there was a strong positive relationship between the study variables which is Firm Value and CVC

Table 4.8 Coefficients for 2011

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2312580679.410	4788671139.067		.483	.635
CVC	16173.102	1449.432	.935	11.158	.000

a. Dependent Variable: Firm Value

Source: Research Findings

The Regression equation for 2011 was:

$$Y = -0.065 + 0.935CVC$$

It was revealed from the above regression that a unit increase in CVC would lead to a .935 increase in the Firm value. That therefore clearly showed that there was a strong positive relationship between Firm Value and Corporate Venture Capital as there was movement in the same direction.

4.2.5 Year 2012

Table 4.9 Model Summary for 2012

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.635 ^a	.403	.370	498754855215.60614

a. Predictors: (Constant), CVC

Source: Research Findings

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the Independent variable. From the findings above displayed on the table the value of the Adjusted R square was 0.370, an Indication that there was a variation of 37.0% Firm Value of selected firms listed at the NSE due to changes in the

Independent variable which is Corporate Venture Capital at 95% confidence interval. This therefore shows that 37.0% Changes in the Firm Value of the selected listed firms could be accounted for by CVC. R is the correlation coefficient which in our case above was .635. This shows that there was an average positive relationship between the study variables which is Firm Value and CVC.

Table 4.10 Coefficients for 2012

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-83108193339.426	131943671201.527		-.630	.537
CVC	131041.383	37555.977	.635	3.489	.003

a. Dependent Variable: Firm Value

Source: Research Findings

From the data in the above table the established regression for year 2012 was

$$Y = -0.365 + 0.635CVC$$

In year 2012 therefore the findings revealed that there was an semi strong relationship between CVC and Firm Value in that a unit increase in CVC led to an increase in Firm Value [by a factor of .625. This therefore showed that the movements in CVC contributed to movement in Firm value by a factor of 0.635.

4.3 Interpretation of the Findings

From the findings above of the 20 companies listed at the NSE from year 2008 to 2012, it was revealed that the adjusted R squared range from .370 to .803. This clearly showed that there was a variation of firm value due to changed in the Independent variable which is CVC. It further stipulated that changes in firm value of the listed companies at the NSE could be accounted for by the Corporate Venture Capital Investment.

In the year 2008 there was a positive strong positive relationship between CVC and Firm value. The Adjusted R^2 was 0.740, an indication that there was a variation of 74% Firm Value of selected companies at the NSE due to the changes in CVC. The coefficients further an increase of Firm value by 0.868 an indication of a strong positive relationship.

In the year 2009 the Adjusted R^2 was 0.830 and the Coefficient correlation R was 0.902. This therefore showed that a strong positive relationship between CVC and Firm Value existed. The coefficients further showed that a unit increase in CVC would lead to an increase in Firm value by a factor of 0.902.

In year 2010 the Adjusted R^2 was 0.787 while the R was 0.894. This clearly indicated that CVC and Firm value had a strong positive relationship and that a unit increase in CVC would lead to a 0.894 increase in Firm value as shown by the coefficients.

From the 2011 findings, the Adjusted R^2 was 0.867 while the correlation coefficient was 0.935. this therefore showed that 86.7% changes in the firm value could be accounted for by CVC. The coefficients also showed that a unit increase in CVC would lead to an increase in firm value by a factor of 0.894 which also shows a strong positive relationship between the variables.

The year 2012 had an adjusted R^2 of 0.370 and R of 0.635 which tells us that there was a variation of 37% firm value of selected firms due to changes in the independent variable which is CVC. A unit increase therefore of CVC lead to an increase of firm value by 0.635 factor which is an average positive relationship between the variables.

Generally in all the years the R was above 0.6 which indicates a strong relationship between CVC and Firm value. Adjusted R^2 was also strong but fluctuating throughout the years. The coefficients also in all the years showed that a unit increase in CVC would lead to a substantial positive increase in the firm value.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

From the analysis and data collected the following discussions, conclusions and recommendation Were made. The responses were based on the objectives of the study which was to establish the effect of Corporate Venture Capital on the Value of Firms listed at the Nairobi securities exchange.

5.2 Summary

The main objective was to establish the effect of Corporate Venture Capital on the Value of Firms listed at the Nairobi Securities Exchange. To achieved the objective the researcher sampled 20 firms which engaged in Corporate Venture Capital and from it, year 2008 through year 2012 was looked at. These data was collected from their annual financial statements from year 2008 to 2012.

The research findings indicated that there was a strong positive relationship between the independent and the dependent variable which were in our case Firm value and CVC respectively. This therefore implied that a unit increase in CVC lead to a greater increase in the firm value. The relationship was strongly positive throughout all the years but it fell on 2012 where the relationship reduced. This shows that there was less investment in CVC in that year which could have led to those findings observed.

5.3 Conclusion

From the findings it was revealed that Corporate Venture Capital affect the Firm value by

A greater percentage. It would therefore be safe given the above findings to conclude that CVC has a strong positive relationship with the firm value. This further means that even though CVC is a risky investment its returns are of great significance and if companies engage in it, it will definitely increase their firm value.

5.4 Policy Recommendations

The findings of the research showed that the corporate venture capital investment was a good strategy that can be used by firms to increase their firm value. This is because it promises a higher return. It was considered to be very important for finance directors of companies to understand and to clearly plan on how to capitalize on this investment opportunity. Marketing plan and also investment plan need to be put into place to ensure clear identification of where they should invest the funds.

From the study historical weaknesses in the financial planning process persist limiting the perceived value which could have otherwise been achieved concerning the Corporate Venture Capital Investment. The process continues to be time consuming, iterative and inaccurate. Business changes and uncertainty are leading factor which causes variability in the returns achieved through CVC investment.

The call of action to fundamentally improve the CVC investment should come directly from the top most management and a business unit should be established to monitor the CVC investment.

5.5 Limitations of the Study

The only use of secondary data was a limiting factor since only financial results could only be achieved and not management results. 2008 to 2012 might have been a short period of study. It was also difficult to establish the companies which engage in corporate venture capital and financial statements had to be scrutinized to establish this investment.

The use of data for only a span period of five years was a limiting factor since a longer period could have given better if not conclusive findings. Establishing the year in which corporate venture capital started was hard in several companies and therefore 2008 had to be used as the starting year.

Corporate Venture Capital is still a new type of investment and therefore not several researches have been done especially from the Kenyan context. Finding therefore the literature review from the studies done locally was hard and almost proved impossible.

5.6 Recommendation for Further study

Not so many studies have been done on this area of research here in Kenya, therefore it is still a raw field and there are so many gaps which further studies can bridge it. A study could be carried out to establish the trends of CVC investment among the firms over the years.

Primary data could also be collected to be able to get both the financial and non-financial effect of CVC on a firm's performance. This could give a conclusive and whole rounded perspective on the Corporate venture.

This result suggests that this topic deserves further attention and is a fertile ground of investigation. Results provide evidence that a serious reflection on is needed. But this is a partial explanation for inconsistent and contradictory findings about this phenomenon. In fact, this analysis can be extended and improved in several ways. Two first options is to enlarge the scope and the times pan of the review, and/or to selected other specific journals.

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APPENDIX

Listed Companies at the Nairobi Securities Exchange as at 31st December 2012

AGRICULTURAL

Eaagads Ltd

Kapchorua Tea Co. Ltd

Kakuzi

Limuru Tea Co. Ltd

Rea Vipingo Plantations Ltd

Sasini Ltd

Williamson Tea Kenya Ltd

COMMERCIAL AND SERVICES

Express Ltd

Kenya Airways Ltd

Nation Media Group

Standard Group Ltd

TPS Eastern Africa (Serena) Ltd

Scangroup Ltd

Uchumi Supermarket Ltd

Hutchings Biemer Ltd

Longhorn Kenya Ltd

TELECOMMUNICATION AND TECHNOLOGY

Safaricom Ltd

AUTOMOBILES AND ACCESSORIES

Car and General (K) Ltd

CMC Holdings Ltd

Sameer Africa Ltd

Marshalls (E.A.) Ltd

BANKING

Barclays Bank Ltd

CFC Stanbic Holdings Ltd

I&M Holdings Ltd

Diamond Trust Bank Kenya Ltd

Kenya Commercial Bank Ltd

National Bank of Kenya Ltd

NIC Bank Ltd

Standard Chartered Bank Ltd

Equity Bank Ltd

The Co-operative Bank of Kenya Ltd

INSURANCE

Jubilee Holdings Ltd

Pan Africa Insurance Holdings Ltd

Kenya Re-Insurance Corporation Ltd

Liberty Kenya Holdings Ltd

British-American Investments Company (Kenya) Ltd

CIC Insurance Group Ltd

INVESTMENT

Olympia Capital Holdings Ltd

Centum Investment Co Ltd

Trans-Century Ltd

MANUFACTURING AND ALLIED

B.O.C Kenya Ltd

British American Tobacco Kenya Ltd

Carbacid Investments Ltd

East African Breweries Ltd

Mumias Sugar Co. Ltd

Unga Group Ltd

Eveready East Africa Ltd

Kenya Orchards Ltd

A.Baumann CO Ltd

CONSTRUCTION AND ALLIED

Athi River Mining

Bamburi Cement Ltd

Crown Berger Ltd

E.A.Cables Ltd

E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

KenolKobil Ltd

Total Kenya Ltd

KenGen Ltd

Kenya Power & Lighting Co Ltd

Umeme Ltd

GROWTH ENTERPRISE MARKET SEGMENT

Home Afrika Ltd

Source: <http://www.nse.co.ke>

List of Companies that used Venture Capital between 2008 to 2012

1	Rea Vipingo Plantations Ltd
2	Sasini Ltd
3	Kenya Airways Limited
4	Nation Media Group
5	TPS Eastern Africa (Serena) Ltd
6	Scangroup Ltd
7	Car and General (K) Ltd
8	Barclays Bank Ltd
9	Diamond Trust Bank
10	Kenya Commercial Bank Ltd
11	NIC Bank Ltd
12	The Co-operative Bank of Kenya Ltd

13	Equity Bank Ltd
14	Pan Africa Insurance Holdings Ltd
15	Housing Finance
16	Athi River Mining
17	Bamburi Cement Ltd
18	East Africa Cables Ltd
19	East Africa Breweries Ltd
20	Crown Berger

Source: <http://www.nse.co.ke>