The driving factors of corporate venture capital in Naspers

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ABSTRACT

The Internet revolution has led to the convergence of media platforms, the result of which has been the disruption of traditional media platforms. The media convergence phenomenon has led to the emergence of conglomeration within the media industry, driven by concentration, which was caused by external corporate venturing (ECV) activities in the period of 1997-2008. A large number of these ECV activities were mergers and acquisitions (M&A), which resulted in massive losses for media companies. The Naspers group (Naspers) contributed to these ECV activities through corporate venture capital (CVC) investments, as opposed to M&As. Naspers is reported to be one of the few media conglomerates that have managed to successfully gain value from media convergence. In this study, Naspers' use of CVC is probed through two questions: What are the driving factors behind Naspers' choice of CVC over other ECV tools, and what are the strategic reasons behind these CVC investments. Information was collected through interviews with senior Naspers executives. The findings indicate that Naspers places a great amount of importance on the founders of investee start-ups and their ownership of the venture, hence the use of CVC, which allows these founders to maintain control and ownership of their business post investment. The findings further indicate that Naspers' use of CVC is also motivated by mitigation of risk and uncertainty, gaining a *window* on technology, as well as leveraging innovation from external sources. The findings contribute to solving the conundrum of how to make money from media convergence.

Key Words: External corporate venturing, Corporate venture capital, Media convergence, Internet

DECLARATION

I, __Delta Makhafula_________, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 2014

DEDICATION

To my late sister Vivian, who taught me how to have Courage, and my late brother Ronald, who taught me Perseverance.

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1 INTRODUCTION

The media industry architecture and business models were greatly transformed in the 1990s, due to the communications revolution that gained currency in that period (Hofheinz, 2011). The main drivers of this transformation include the introduction of new media markets, facilitated deregulation, the proliferation of new delivery platforms, the digitization of information, as well as the related convergence of the Internet, media, and telecommunications networks (Arsenault & Castells, 2008). The evolution of the Internet has particularly been a key driver in the emergence of convergence (Hess & Matt, 2013). The Internet has caused turmoil to content platforms, where traditional media businesses are witnessing the migration of revenue sources such as classified advertisements to the Internet (Dellarocas, Katona, & Rand, 2011). The introduction of Information and Communication Technology (ICT) has also been a contributing factor to the convergence of media delivery platforms (Lindmark, Walravens, Ballon, & Vinck, 2012). The transformation has been more evident in TV broadcasting, with disruptive content portals emerging from convergence between television and the Internet (Murschetz & Evens, 2013).

The changing media industry landscape has resulted in the emergence of media conglomerates, the main driver of which has been structural trends (Lindmark et al, 2012). The authors describe these structural trends to be concentration, internationalisation, as well as consolidation of media organisations across the industry. The transformed landscape has meant that these media conglomerates are now able to deliver a diversity of products over one platform as well as one product over a diversity of platforms (Arsenault et al, 2008). The Naspers Group (Naspers) is one such rapidly internationalising multinational conglomerate in the media and technology sector (Verhoef, 2011). The author reports that Naspers internationalised rapidly within a period of three to five years, utilising and distributing advanced technology aimed at the middle and higher consumer markets.

The structural trend of concentration within the media industry is an associated result of extensive restructuring that has followed the transformative changes in the industry (Alexander & Owers, 2009). According to these authors, the period between 1997 and 2008 saw the largest wave of external corporate venturing (ECV) activities in the industry's history, a large part of which were mergers and acquisitions (M&A). The authors found that these M&A activities were later followed by losses by media acquirers that were larger than those in cross-industry studies. The authors further found that there were notable divestures that took place within the same period. These divestures were characterised by positive results for buyers and sellers (Owers & Alexander, 2011). In the same period, there were substantial corporate venture capital (CVC) investments in innovative start-ups undertaken across industries by large established organisations (Dimitrova, 2013), which were reported to have varying results (Barretto-Ko, 2011). Naspers' contribution to this wave of ECV activities included, among others, a CVC acquistion of a stake in Tencent Limited (Tencent), a Chinese Internet service provider (ISP) established in 1998 (Wu & Frantz, 2012). The authors further report that Tencent has now become the largest Internet company in China.

According to Avery (2012), since the dawn of the Internet revolution which gained currency in the early 1990s, media conglomerates have been stuggling to generate financial value from media convergence. The wave of M&A activities that resulted in losses for these conglomerates can be thought of as evidence of Avery's assertion. Avery further asserts that Naspers is the leader in terms of extracting value from media convergence. Interestingly, unlike the media conglomerates mentioned by Alexander et al (2009) and Owers et al (2011), Naspers' main ECV vehicle for Internet investments for the period mentioned by the authors to the present has been CVC. There are a number of ECV vehicles available for companies to navigate a business landscape externally, which include M&A, CVC investment, partnerships as well as licensing agreements (Benson, 2010; Kulatilaka & Toschi, 2010), and according to Kulatilaka et al (2010), the choice of ECV vehicle is driven by different motivations which may involve a number of factors, including the state of the landscape in which the firm seeking investments operates. It therefore becomes pertinet to understand the motivation behind Nasper's choice of CVC as an external investment vehicle, particularly within the context of the use of ECV vehicles by established firms to navigate changing industry landscapes.

Several authors assert further that the main difference between CVC and traditional venture capital (VC) is that unlike VCs, who only seek financial gains from initial public offerings (IPO), CVCs pursue the added objective of reaping strategic benefits over and above financial gains (Dushnitsky, 2006; Dushnitsky & Lennox, 2006; Benson & Ziedonis, 2009; Benson, 2010; Gaba & Bhattacharya, 2012). In order to put the success of Tencent and other successful Naspers investments into context, it also becomes important to understand what strategic factors drive CVC investments such as Naspers investment in Tencent, among other deals.

The purpose of this study is therefore to determine the strategic factors of corporate venture capital in Naspers. This research seeks to gain insights into the manner in which Naspers pursues ECV activities through determining the motives behind Naspers' choice of CVC as the mostly used ECV vehicle by the media group, as well as the motives behind the specific CVC investments over and above the goal of reaping financial benefits. The objective is to determine whether there are linkages between Naspers' choice of ECV vehicle and its success in navigating media convergence, as asserted by Avery (2012), as well as to uncover insights in terms of the specific non-financial motives behind CVC investments, in order to establish the context behind the successful investments.

The study was performed through conducting interviews with senior Naspers executives, who were purposefully selected for being doyens and doyennes in Naspers and have the erudition about the media group, and the media industry in general, necessary to provide the required insights about Naspers' behaviour in terms of corporate venturing in the era of media convergence. This manner of selecting participants is the preferred and most widely used method for selecting participants in case studies (Patton, 2002). Pubicly available Naspers annual financial reports are also interrogated to supplement the information provided by the study participants. The information is further supplemented with literature from previous studies related to Naspers as well as key concepts emerging from participant data. The use of multiple sources of evidence is highly encouraged and is the most employed method of gathering data in case studies (Gillham, 2000).

Two key findings are made in terms of Naspers choice of CVC as the main ECV vehicle. Fisrtly, Naspers makes small equity investments because the group strongly supports the principle that the founders of the venture have to maintain a stake in the venture to keep them motivated, or have *skin in the game* as most study participants term it. This is the overarching theme throughout the data. Another key driver of the choice of small equity investments is the spreading of the risk posed by the uncertainty surrounding the business landscape as well as issues inherent in the targetted start-up. Furthermore, the key motives for pursuing CVC investments involve the gaining of insights into new markets, technologies and business models, which, by Benson et al's (2009) definition is termed seeking a *window* on technology. Naspers also seeks to leverage innovation from CVC acquired ventures.

This study is important for two reasons. In an era where media companies are grappling with looking for ways to gain value from media convergence (Avery, 2012), the outcome of this study may provide a platform from which a theoretical framework could be developed in terms of how efforts can be focussed in order for established firms to achieve maximized value from exploiting media convergence through external investments. Secondly, CVC has not received enough attention in management studies, where it has either been ignored or bundled with traditional VC (Kulatilaka et al, 2010). It has also been very difficult to find any literature that specifically explores CVC within the context of media and the changes taking place in that industry. This study will therefore add to the thin literature of CVC within a context that fully explores the use of the concept and its application in business management.

2 LITERATURE REVIEW

This chapter describes the literature review of the key concepts of media convergence, media conglomeration and concentration, which are described for the purpose of providing context, as well as the concept of corporate venture capital, the subject matter of this study. Background on Naspers as the unit of analysis is also provided, with a brief summary of Naspers' external investment activities from 2002, the point where Naspers started publicly reporting, to the present. To conclude the chapter, research questions derived from the review of literature are stated.

2.1 Corporate Venture Capital

Toschi (2009) defines CVC as the investment of equity in entrepreneurial ventures by established firms with the aim of pursuing strategic interests. Other authors present a similar definition, defining CVC as minority investments in technology start-ups by established firms (Kim, Gopal, & Hoberg, 2012). The key characteristics of CVC are that the main objective is sponsorship of an emerging or complementary technology; the scope of the agreement covers the whole operation of the funded start-up; and the start-up is managed via a dedicated VC arm or corporate business development arm of the established firm (Dushnitsky, 2012). Dimitrova (2013) further emphasises that CVC investors are driven by the additional goal of obtaining strategic benefits that arise from synergies with their existing activities, which is different from traditional VCs, whose main goal is reaping financial gains from selling portfolio firms. Depending on the product market relationship between the venture and the established firm, the strategic goals of the established firm can either economically hurt or benefit the start-up (Masulis & Nahata, 2009).

Toschi (2009) further asserts that organisations consider CVC as a major avenue to exploit for renewing current capabilities within a transformed industry landscape as they are forced by technological complexity and rapid technological change to access knowledge from external sources. Basu, Phelps and Kothac (2011) further found that firms operating in industries that experience rapid technological change, high competition, as well as low appropriability in terms of commercialization of innovation, tend to engage in higher CVC activity.

2.1.1 CVC as an ECV vehicle

ECV is defined as the creation of new businesses by established firms with the objective of leveraging off external partnerships through the creation of a venture (Keil, 2004). Other modes of conducting ECV include partnerships, M&A, alliances, as well as joint ventures (Keil, 2004; Kulatilaka et al, 2010). Kulatilaka et al (2010) assert that CVC is more appropriate than other ECV vehicles when the level of uncertainty is high. The authors further state that M&A, which is defined as the acquisition of a controlling ownership interest in another firm (Duksaite & Tamosiuniene, 2009), is not as suitable as CVC in dynamic contexts as it lacks the level of flexibility needed in such situations. Citing Schildt, Maula and Keil (2005), as well as Bowman and Harry (1993), the authors provide an argument to this assertion as follows: "*CVC investments represent the less involved and integrated form of collaboration as the corporation interacts with the investee company by creating a separate fund beyond its boundaries and supplying it with a certain stock of resources which is devoted to the investee companies in small amounts along a sequential process. Thus, small participations in CVC investments are like taking an option on know-how of yet uncertain value to exercise if the scenario is profitable. This strategy gives the firm high flexibility and reversibility in the management of the* *decisional process because the corporation can decide step by step its involvement in the collaboration*" (Kulatilaka et al, 2010: 10).

Benson (2010) however found that CVC investing increases performance, when the established firm eventually acquires the start-up through an M&A deal. The author asserts that firms use CVC to invest in start-ups in order to identify the right companies to fully acquire. Dimitrova (2013) later found that CVC investors are likely to eventually acquire portfolio ventures. The author however further found that this is less likely to happen if the uncertainty related to the start-up's innovation decreases.

2.1.2 CVC and the creation of Value

In a 2006 study, Dushnitsky et al sought to determine the instances in which CVC investment resulted in the creation of value for investing firms. The authors found this to be true. They also arrived at two other key findings; that CVC is likely to create value only if pursued for strategic reasons, and that CVC contribution is strongest when it is focussed on attaining a *window* on technology rather than a purely narrow return on investment. Benson et al (2009) later extended these findings in a 2009 event study. The study found that the prominent motive for CVC investing is gaining a *window* on new technologies. The authors assert that established firms gain insights into new and emerging markets, technologies and business models from CVC activities.

Established firms also gain exploitative benefits from CVC, over and above the exploratory benefits (Gaba et al, 2012). Citing Dushnitsky (2006) and Chesbrough (2003), Gaba et al state that these exploitative benefits include access to technologies that fill the established firms' innovation portfolio as well as opportunities to enter new markets through leveraging the established firms' existing knowledge. The authors also state, on the other hand, that established firms also use CVC to identify new ideas and technologies that could potentially be disruptive.

One of the other positive outcomes of CVC is that, unlike traditional VCs, CVC portfolio companies achieve higher innovation productivity, regardless of investment status or eventual exit outcomes (Chemmanur, Loutskina, & Tian, 2012). This assertion is consistent with Barreto-Ko's (2011) earlier argument that CVC can be used strategically as a tool for seeking innovation. The author contends that, although CVC activities carried out just over the past half century had highly cyclical performance and somewhat mediocre results, CVC does create value for acquiring firms through innovation. Start-ups have increasingly become an important source of research-and-development (R&D) and as a result established firms have increasingly acquired start-ups as a mechanism to access new technologies (Benson, 2010). Louvain, Gailly and Schwienbacher (2012) agree, asserting that established firms implement *ground-breaking* innovations externally through entrepreneurial ventures.

There are, however, drawbacks to CVC. Masulis et al (2013) found evidence suggesting that, unlike traditional VCs, who are committed to the VC market, CVC parents' lack of commitment, as well as shifting strategic goals can result in rapid exits from portfolio companies. These rapid exits can however cause higher wealth gains for acquirers.

2.2 Media Industry Landscape

The print and broadcast media industries have been distinct industries for a long time, providing differentiated services that were in no way integrated (Nascimento & Santos, 2010). The authors assert however, that these industries are no longer independent. The media industry landscape has been transformed and revolutionised and media have now converged (Nascimento et al, 2010; Hofheinz, 2011; Sarikakis, Ramon, & Rodriguez-Amat, 2013). The authors assert that communications such as telecommunications, computer terminals, television and the Internet can be used in connection with one another, meaning that established media such as television sets have been transformed as they now encompass new media and can perform various other functions such as storage of media or act as Internet portals.

2.2.1 Media Convergence

Media convergence is sometimes defined as the blending of mass media that were previously individuated (Papacharissi, 2010). Citing Jenkings (2006), Pearce (2011) defines media convergence as two words that describe changes in the way that media circulates from technology, industrial, cultural and social perspectives. Other authors define media convergence as the blending of telecommunication services, Internet-based services and media broadcast services into a continuum of rich new offerings (Saxtoft, Chiavelli, & Muhammad, 2008).

The cause of media convergence has been attributed to the increase in complex, dynamic technologies and markets (Wall & Mödritscher, 2013). The evolution of the Internet, as a form of dynamic technology, has been the main catalyst in driving convergence, since all media types in digital format can be distributed and consumed over the Internet (Hess et al, 2013). Dellarocas et al (2010) point out that the Internet has caused turmoil in content industries, and traditional content creators, such as newspapers, are witnessing the eroding of their monopolies as a result of migration of revenue sources such as classifieds advertisement to the Internet. Ashuri (2013) agrees, asserting that the Internet is a disruptive innovation that has changed the face of the media industry.

Sarikakis, et al (2013) however disagree, and rather argue that the cause of media convergence cannot be solely attributed to changes in technology. The authors contend that the fact that the debate about media convergence has centred on technology rather than social factors is merely a testament to the power of myths. Citing earlier research by Sarikakis (2001), the authors argue that technology trends precede and sometimes even dictate policy making in the media field. This argument, they believe, gives credence to their position that media convergence is also largely a result of political factors such as the design of frames of regulation of the global information society.

The implication of the media convergence phenomenon is that separated products, services, as well as technologies in former separated markets have converted to new solutions and sometimes, new markets (Wall et al, 2013). The authors further assert that as a consequence, convergence has become a considerable topic for strategic controlling as a function to support the decisions of management, the controlling factors of which include the business model. However, authors such as Edge (2011), have questioned the long-term viability of convergence as a business model, citing the catastrophic collapse of media companies in Canada on the back of the late 2000s recession. The author argues that these companies implemented convergence strategies that made them vulnerable during these recessionary conditions.

2.2.2 Media Conglomeration and Concentration

Convergence has added a new dimension to the market concentration in the media industry (Just, 2009). Many authors have documented how structural changes, mainly concentration, have led to the rapid emergence of conglomeration of media companies in the 1990s (Arsenault et al, 2008; Kratz, 2009; Simmonds, 2009; Nascimento et al, 2010; Lindmark et al, 2012; Olausson, 2013). Most of these authors cite earlier work by Bagdikian (1983) and McChesney (2007), which details the increase in size and influence of media conglomerates as a direct result of media convergence. Media technologies including television, radio, news, Internet, as well as media works such movies, books and magazines are now owned by fewer and fewer companies (Arsenault et al, 2008). Marsden (2012) agrees, contending that media empires such as that of Rupert Murdock have benefitted from the rise of convergence and the decline in traditional media. The author reports that this was a result of smaller media players calling for deregulation in order to have a chance at competing with the likes of Murdock in the arena of convergence. This trend is consistent with an earlier finding by Simmons (2010). According to this author, history suggests that factors such as financial, market, regulatory and competition considerations are responsible for driving the adoption, maintenance and abandonment of conglomeration. Just (2009) argues further that the changes in market structures have exacerbated factors such as cross-ownership and market definitions. Media convergence has created new challenging conditions for regulation, culture and democracy (Sarikakis, et al, 2013).

The introduction of ICT providers has been a contributing factor to diversification as well as vertical integration in the media industry (Lindmark et al, 2012). This is consistent with Chavas and Shi's (2010) earlier finding that firms use vertical structures as a tool to take advantage of opportunities to employ strategic initiatives under imperfect conditions. However, the main driver of the increase in concentration and hence consolidation of media companies was the restructuring caused by a wave of ECV activities, the majority of which were M&A investments. This wave of M&A activities took place within the period of 1997-2008 (Alexander et al, 2009), and was termed the *convergence frenzy* (Marsden, 2012). This trend is consistent with assertions by Khan, Kayani and Javid (2011), who state that an increase in M&A activity results in the reduction of the number of firms in any industry, and thus results in market concentration. The authors further assert that concentration increases market power, thus preventing competition and efficiency.

Owers et al (2009) report that the *convergence frenzy* was later followed by losses by media acquirers that were larger than those in cross-industry studies. The authors further found that there were notable divestures that took place within the same period, and later discovered in a 2011 study that these divestures were characterised by positive results for buyers and sellers (Owers et al, 2011). Barreto-Ko (2011) on the other hand, found that over the last 50 odd years, there were substantial CVC investments in innovative start-ups undertaken across industries by large established organisations. The author reports that these CVC investments yielded varying results.

2.3 Naspers

Naspers is a multinational conglomerate in the media and technology sector (Verhoef, 2011). According to the *Naspers Website* (2013), the media group has evolved from a traditional print media business in a single country to a broad based e-media company in multiple markets. Verhoef (2011) reports that Naspers internationalised rapidly, utilising and distributing advanced technology aimed at the middle and higher consumer markets. According to the *Naspers Annual Report* (2013), the company has principal operations in e-commerce, Internet services, pay television and related technologies, as well as print media, with a primary listing on the Johannesburg Stock Exchange (JSE) in South Africa. Naspers Internet investments have mainly been in three fields, online classifieds, e-commerce, as well as social media (Naspers, 2013). These investments are spread across Eastern and Central Europe, China, Russia, Latin America, India, South-east Asia, Africa and the Middle East (Naspers, 2013).

Avery (2013) argues that after almost two decades since the dawn of the Internet, the appropriability of media convergence has been very weak. The author contends that Naspers has been the leader in terms of the ability to generate revenue from media convergence. According to Verhoef (2011), as well as *Naspers Annual Reports* from 2002 to 2013, the company has made a number of investments in the Internet space over the period of 2001-2013 through its investment arm, MIH. The most notable of these investments is Tencent, a Chinese Internet Service Provider (ISP); an investment that was carried out in May 2001 (Naspers, 2004).

According to *Naspers Annual Reports* (2002-2013), Naspers' main revenue driver has been the group's Pay TV platform, contributing over 50% of the total annual revenue from 2001 to 2012. The Internet platform took over as the main revenue driver in 2013, contributing 45% of the total annual revenue with a rand amount of R34 billion, up from R19 billion the previous year. Pay TV contributed 39% at R30 billion, up from R25 billion the previous year. Tencent contributed 59% of the total Internet revenue.

2.3.1 Naspers Internet Investments

Naspers purchased a 46,7% stake in Tencent in 2001 (Naspers, 2004). Then, Tencent, established in 1998 (Wu et al, 2012), was an instant messaging provider, operating a social media platform QQ with approximately 1,5 million paying subscribers (Naspers, 2002). The company listed on the Hong Kong stock exchange in June 2004 (Naspers, 2004) and by 2012, Tencent had become the largest Internet service provider in China, operating in three product segments of Internet Value Added Services (Internet VAS), Mobile and Telecommunication Value-Added Services (Mobile & Telecom VAS), as well as Online Advertising Services (Advertising), with over 400 million paying subscribers (Wu et al, 2012).

The Tencent deal was followed by a 30% investment in Mail.Ru in December 2006, a Russian portal offering e-mail and instant messaging as core services (Naspers, 2007). According to the *Naspers Annual Report* (2013), Mail.Ru is the third largest Internet revenue contributor, behind Tencent and all e-commerce platforms combined. Shortly after the Mail.Ru deal, Naspers acquired a 30% stake in South African instant messaging platform Mxit in January 2007 (Naspers, 2010). In a study done in 2009, Chigona, Chigona, Ngqokelela and Mpofu (2009) reported that Mxit was by far the most popular Mobile Instant Messaging (MIM) platform in South Africa.

The group also made a number of acquisitions post the 1998 - 2008 wave of acquisitions by media conglomerates reported by Owers et al (2009). Naspers acquired a 97% stake of Gadu-gadu, a Polish instant messaging platform (Naspers, 2008), a 67,8% stake in online classifieds business OLX in August 2010 (Naspers, 2011), as well as a 100% acquisition of Slando; an online classifieds company in Ukraine in 2011 (Naspers, 2012). Other deals include a 10% interest in Indian e-commerce platform Flipkart in August 2012 (Naspers, 2013). Established in 2007 by former Amazon employees, Flipkart is now one of India's largest online bookstores, with a product range that extends from fashion to electronic gadgets, and has grown into a $100 million generating online retail giant within a period of five years (Wahee, Bhardwaj, & Deshmukh, 2013).

Naspers also seeded some *greenfields*, investing R103 million to develop network services and local search operation Ibibo in India in 2006, with the view point of India being among the fastest growing Internet markets in the world (Naspers, 2007). Ibibo.com was listed in the fifth spot of the top ten most visited sites in India in 2007 with 1 970 unique visitors, behind the likes of Facebook.com and Hi5.com and ahead of the likes of LinkedIn (Ahmad, 2011). The author reports that by 2008, Ibibo.com had lost 50% of its unique visitors, despite the fact that the likes of hi5.com had garnered an increase of 182% in unique visitors. Ibibo went into partnership with Tencent India in 2008 (Naspers, 2008).

2.3.2 CVC at Naspers

Some of Naspers' most successful Internet investments, Tencent and Mail.Ru for example, have been CVC deals. The classification of Tencent and Mail.Ru as CVC deals is based on Toschi's (2009) definition, which describes CVC as small equity investments in start-ups. According to Benson (2010), organisations choose CVC over other ECV vehicles when the objective is to identify potential acquisitions. Kulatilaka et al (2010), as well as Dimitrova (2013), on the other hand, assert that organisations use CVC over other ECV vehicles when the level of uncertainty is high. Dimitrova (2013) further asserts, in line with Benson's (2010) findings, that CVC investors are likely to acquire portfolio ventures, however, the likelihood decreases with uncertainty of the start-up's innovation. These arguments lead to the following question:

Research Question 1*: What are the factors that inform the use of CVC over other ECV vehicles at Naspers?*

Dushnitsky et al (2006) argue that CVC is likely to create value only if pursued for strategic reasons. The authors further argue that the strength of CVC can only be realised when the main strategic objective is attaining a *window* on technology. According to Benson et al (2009), the prominent motive for CVC investing is in fact gaining this *window* on technology, which entails gaining insights into new markets, technologies and business models. Toschi (2009) on the other hand asserts that organisations use CVC to renew capabilities in instances where the organisation operates in a landscape that is undergoing rapid technological change. Gaba et al (2012) further assert that established firms also gain explorative and exploitative benefits from CVC such as access to technologies that fill the established firms' innovation, or innovations that are potentially disruptive. This is consistent with Barreto-Ko's (2011) earlier argument that CVC can be used as a strategic vehicle for seeking innovation. Naspers could therefore be pursuing CVC Internet investments for a number of reasons as presented above, which leads to the following question:

Research Question 2*: What strategic reasons is Naspers pursuing through CVC investments?*

3 RESEARCH METHODOLOGY

The methodology used to conduct this study is described in this chapter. Descriptions of the chosen research paradigm, design, as well as research instrument are included with explanations of the reasoning behind the chosen methods. The sample, research instrument as well as the collection, analysis and interpretation of data are also described. The chapter is concluded with considerations relating to validity and reliability of the study.

3.1 Research paradigm and design

The qualitative research methodology, which is interpretative in nature (Andrade, 2009; Marshall & Rossman, 2010), was used to conduct this study. The aim of interpretative research is to provide reasons for a phenomenon (Haverland & Yanow, 2012). The qualitative methodology is therefore more appropriate as this study is underpinned by the phenomenon of conglomeration and concentration caused by ECV activities of media companies in response to the revolutionised industry landscape caused by the convergence of media. There are, however, authors who feel that quantitative research, which is positivist in nature (Andrade, 2009), is a superior form of research, especially when applied to research with both academic and research outcomes (Cole, Chase, Couch, & Clark, 2011). The positivist approach however, aims to explain the cause of a phenomenon (Haverland et al, 2012), which is not the case with this study, hence the use of the interpretative approach.

Yin (2009) argues that the goal of case studies is to understand real-life events such as organisational and managerial processes. This argument makes the case study research design suitable for this study, hence the use of Naspers as a unit of analysis. Furthermore, using works by Yin (2009) as the basis of their argument, Runeson and Höst (2009) state that case studies are suitable for researching contemporary phenomena. CVC is not modern in nature, however, the context under which CVC in analysed, media convergence, is. This fact further supports the choice of case study as a research design method for this study.

The conventional view regarding case studies is that they lack depth and do not provide any real value to literature (Flyvbjerg, 2006). Citing Yin (2003), Andrade (2009) points out that case study research can be challenged due to the lack of sufficient precision, objectivity, and rigour. Yin (2003) further pronounces that, due to these limitations, the findings of case study research cannot be adapted to an entire population. Andrade (2009) argues that, although Yin’s context of research design is mainly positivist, his pronouncements apply more so to interpretive design. The author however contends that the basis of these pronouncements emanate from the misunderstanding of the logic behind theoretical sampling and generalisation.

Yin (2009) later stated that case study research could be generalised, only if the research is an experiment. This case study research is not an experiment, and as such, the major limitation with this study is therefore that the findings cannot be generalised to all media conglomerates. The outcome of Naspers’ behaviour with regards to investment decisions within the converged media landscape only serves to provide insights that can be useful in determining the advantages and/or pitfalls of certain strategic decisions when navigating the converged media landscape through external investments.

Flyvbjerg (2006) argues that case studies are valuable in that they produce the type of context dependent knowledge that is required to develop expert knowledge, as evidenced by research on learning. Furthermore, knowledge goes far beyond the statistical significance that positivists punt to be the be all and end all of research methodology (Flyvbjerk, 2006; Runeson et al, 2009;

Andrade, 2009). These authors contend that the shortcomings of case study research can be overcome by applying proper research methodology practices that relate to factors such as validity and reliability, which were applied to this study as described in detail in section 3.3.

3.2 Sample

The sample for this study was selected based on the purposeful criterion sampling method. Patton (2002) asserts that a purposefully selected sample results in an information rich sample that provides a good level of depth to the study. The criterion used dictates that all participants had to have been intimately involved in the decision making process of selecting investment targets that resulted in the transactions that were concluded within the period of interest. As such, the participants that were selected were Naspers executives who had been intimately involved with key investments within the group from 1997 to the present.

Patton (2002) further states that there is no existing formula for determining sample size. Due to the difficulty of availability of the executives who are based in different locations in South Africa (Randburg, Cape Town), as well as abroad (Hong Kong, China), the sampling method that was used was sampling to the point of redundancy, that is, to the point where the information being given adds nothing new to what has already been collected. Patton (2002) asserts this is an acceptable way of sampling. A total of five (5) executives, as listed in Table 1 below, participated in this study:

Table 1: Profile of participants

Participant	Information related to designation	Relevance to the study
1	The participant is highest decision-making rank in as far as Naspers external investments are concerned.	The participant was involved in negotiating and closing all key Naspers investment deals since the mid-1990s, which include Tencent and Mail.Ru.
2	The participant is in charge of looking after all Naspers Internet investments since the Internet arm of Naspers was formed in the mid 1990s. The participant currently sits on the Naspers investment committee.	The participant was involved in scanning the market, looking for opportunities, and engaging potential targets for acquisition for the Internet platform from the mid 1990s to the present.
3	The participant is an executive in the Naspers acquisitions team.	The participant is involved in the identification of acquisition targets as well as the deal structuring thereof, and therefore has insights about what rationale was used for the identification of the deals.
4	The participant is one of the founding members of the Naspers group. The participant is currently retired from day to day group activities but sits on the board of the group.	The participant has knowledge about how the group evolved and has insights about the rationale used to make decisions that have led the group to develop to what it is today, including the formation of the Internet arm of the business as well as what informed the manner in which investments were approached, i.e. what companies to acquire, how big a stake, and why, which is core to the study.

5	The participant sat on the Naspers investment committee prior to becoming CEO of one of the Naspers group companies, which is the position the participant still currently holds.	The participant was involved in the identification of acquisition targets during his tenure on the investment committee from early to mid 2000s, and therefore has insights about what rationale was used for the identification of the deals as well as the structuring thereof.

Haverland et al (2012) state that the emphasis of interpretative research is contextualised meaning that includes both the situational actors as well as the researcher, the position of whom is key with respect to who is being studied. The authors assert that the location of the researcher affects the information available to the researcher, which is key to the generation of insights as well as knowledge claims. As an employee of one of the group companies of Naspers, the researcher had easier access to all the key individuals that formed part of the sample, which greatly aided the knowledge collection as well as the generation of insights.

3.3 Data collection, analysis and interpretation

The six possible sources of evidence in case studies include documents, archival records, interviews, direct observation, participant-observation, as well as physical artifacts (Yin, 2009). Based on this assertion, a combination of interviews with documents in the form of Naspers annual reports as well as Naspers and related case studies were used to conduct this study. Gillham (2000) states that the use of multiple sources of evidence is a key characteristic of case study research.

The collection of data was carried out through pre-arranged face-to-face interviews, which were conducted at Naspers offices in Cape Town as well as

Randburg. These locations were considered suitable in terms of the balance of power since both the researcher and the respondents are familiar with the surroundings, which ensured that both parties were at ease, and greatly aided the interview process. Semi-structured interviews were used to collect the data due to the fact that semi-structured interviewing is very flexible for research involving a small number of people and it is most helpful in case studies (Drever, 2006). Semi-structured interviews are also less intrusive to those being interviewed and the process encourages two-way communication (Creswell, 2003). Furthermore, Creswell asserts that semi-structured interviews provide the ability for the researcher to ask spontaneous questions that are sensitive to the need of the participants to express themselves.

The data analysis was carried out through a two-step process where a combination of the inductive and deductive approaches was used. This approach is often used in qualitative research (Schadewitz & Jachna, 2007). The patterns were identified through the inductive process, and key literature review findings were then used to perform the deductive process. The inductive process was carried out using thematic content analysis, which involves the analysis of transcripts with the objective of identifying themes within the data and gathering examples of those themes from the text as advised by Burnard, Gill, Steward, Treasure and Chadwick (2008). The authors assert that thematic content analysis is probably the most common method of analysing data in qualitative studies.

The deductive process was carried out using a structured categorization matrix. The matrix was based on key findings of the literature review. Figure 1 below depicts the approach to the deductive step of the analysis that informed the development of the structured categorization matrices for each of the research questions.

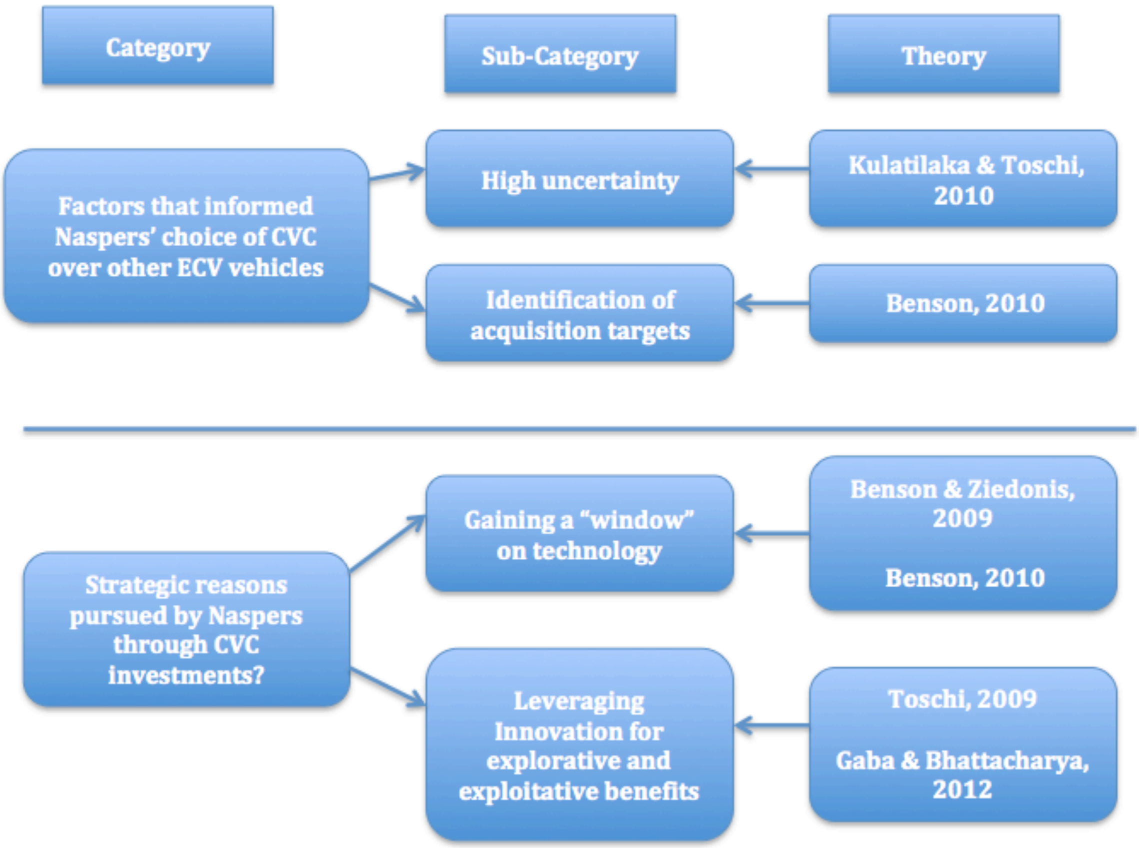

Figure 1: Framework for deductive data analysis process

Once the aspects that fit the categorization frame were identified, the aspects that do not fit the frame were used to create their own concepts in line with the principles of inductive analysis. "*Searching alternative reasons for the occurrence of a phenomenon is a task that adds rigour to the piece of research. This is particularly true for interpretive researchers, who must keep an open mind when looking for any cause-effect relationship that can offer a plausible explanation of the phenomenon under study"* (Andrade, 2009; 49). Citing Guba and Lincoln (1994), the author further asserts that this process provides further credibility to the analysis as well as the findings.

A debate exists where the argument presented is that third-party validation and verification of the findings, which involve peer debriefing as well as review of the findings by the study participants, are necessary in order to add to the rigour of the analysis as well as to reduce bias in case studies (Burnard et al, 2008). The authors however argue that many researchers question this approach since the possibility exists that different researchers may interpret the data differently. Furthermore, in terms of the participants reviewing the findings, some participants may not recognize the emerging theories since they only contributed a portion of the data. Due to the arguments presented by these authors, peer debriefing as well as participant review of findings were not carried out in this study. The decision was further based on Stenhouse's (1985) contention that, based on historical case studies, it is impossible to produce subjective data.

Winter (2000) argues that external validity is often of no pertinence to qualitative research and any attempt to achieve it would seriously hinder the overall validity of the study. Based on this argument, there was no attempt to achieve external validity in this study. Furthermore, as advised by Winter (2000), the findings of the study are generalised to the development of theory within the media industry as opposed to generalising to the wider population of all media conglomerates. The interviewing procedure was standardized as far as allowed by the semi-structured nature of the instrument and applied as consistently as possible with all participants. The standardisation process involved a three-step process that included posing questions to participants in the same manner, ensuring that participants are at ease by starting the interview with easy questions, as well as using surroundings familiar to the participants to conduct the interview. This process ensured that internal validity was achieved (Seale, 2012).

In order for research results to be considered reliable, the results have to be repeatable (Golafshani, 2003). In an effort to ensure that the results are reliable, the stability of the research instrument was tested on trial respondents. Two divisional general managers within a Naspers group company were used as trial respondents. One general manager was used in the first round of vetting the research instrument. The instrument was then refined and re-tested on the remaining trial respondent as a last precaution. The general managers were selected due to their exposure to the strategic processes of Naspers as they regularly attend strategy sessions at group level. Golafshani (2003) states that if the instrument is stable, then the results can be considered to be reliable.

4 PRESENTATION AND DISCUSSION OF FINDINGS

In this chapter, the findings of the study are presented. The identified themes per category as represented by the research questions are outlined and explained in depth. First, the factors identified within the context of research question 1 are presented in section 4.1, followed by the factors identified in response to research question 2 in section 4.2. The details pertaining to the identified themes with sample responses from the study participants are also presented in order to provide context to the findings. The chapter concludes with a summary of the findings, with emphasis on the linkages between the different factors.

4.1 The choice of CVC over other ECV vehicles in Naspers

The findings indicate that Naspers chooses CVC investments for two reasons. The first reason, which is strongly emphasized and is the overarching theme throughout the data, entails the use of CVC to ensure that the founders and management of the start-up stay invested by still maintaining a shareholding in the business. Naspers asserts that keeping the founders financially invested in the business and maintaining strategic control of the business has been the key to unlocking the innovation necessary to make the ventures successful. Attempts to find theoretical evidence in literature directly dealing with maintaining founder control as a motive for the choice of CVC over other ECV vehicles have not been successful. However, there is evidence in literature suggesting that founders and entrepreneurs are more appropriate in running CVC backed start-ups than professional managers appointed by the established firm in dynamic business landscapes, because entrepreneurs possess the qualities required to effectively navigate the landscape and make the venture successful (Stewart & Roth, 2007; Alvarez, Barney & Anderson, 2013). Literature further presents two key findings; that ventures run by founders are associated with higher financial performance than those run by non-founding professional managers (He, 2008), and that founders are more likely to depart from the venture they founded as their shareholding in the business is diluted (Boecker & Karichalil, 2002).

The second reason involves the use of CVC to mitigate the risk posed by uncertainty related to various aspects of the start-up under consideration as well as the environment in which the venture operates. This finding is consistent with Kulatilaka et al's (2010) assertion that firms opt for CVC as an appropriate ECV vehicle when the level of uncertainty is high. The authors state that CVC offers the flexibility required in uncertain conditions and provides the investing firm the option of reversibility should the venture not be successful.

There is no evidence suggesting that Naspers pursues CVC investments with the aim of determining if the start-up is a potential acquisition as per Benson's (2010) findings. Naspers does not wish to fully acquire the ventures it backs through CVC deals.

4.1.1 Ensuring that Management of the Start-up are invested

Ensuring that the management of the entrepreneurial firm stay invested entails allowing the founders of the start-up to keep a large enough stake in the business to be able to maintain control of the strategic direction of the start-up, or *skin in the game* as most of the participants put it. Naspers asserts that the key aspect when considering potential investments is the ability of the management of the start-up to adapt to changing conditions. Naspers views the Internet space as a continuously changing landscape, and as such the position is that the management of the start-up has to be able to reposition the business model accordingly with the changing conditions. This view is consistent with Gimmon and Levie (2010), who assert that a venture's chances of survival are positively affected by the founder's expertise in terms of business management skills as well as technological expertise. This factor is by far the most important for Naspers in deciding whether to go ahead and acquire a start-up or not. As one participant asserted:

"This has been absolutely key to our success and is investment criteria basically number 1, is getting comfortable with the management team."

Naspers deems it very important that the management of the start-up have an investment in its own venture. The group prefers not to interfere with the running of the business, with the belief that the founders and the management of the start-up are the best people to take the business forward, and the acquirer should only play the role of cheerleader or supporter. All of the participants contend that interfering in the strategic decision making process of the start-up hinders the innovation within the entrepreneurial venture, and hence inhibits the ability of the start-up to effectively respond to the changing business and technological conditions. As one participant explained:

"[…] You want to be able to allow the founder to have skin in the game, basically full investment in his business. He's completely aligned with you as a shareholder, he continues to bring that innovation that you found attractive in the first place and that's why you invested in them, so you don't disturb that model at all."

Using Tencent as an example, another participant explained further:

"Ma Hauteng, the founder and CEO of that business still has a very valuable, percentage wise he's around 11% or thereabout so it's much smaller than it

was, but it's extremely valuable. It's very important that he and the rest of his founding team still continue to have meaningful stakes in the business."

Citing Busenitz and Barney (1997), Alvarez et al (2013) state that managers in large organizations are less susceptible to the use of decision-making biases and experience-based techniques for problem solving, termed heuristics, than entrepreneurs. The authors assert that biases and heuristics can effectively guide the decision making process in an environment that is characterized by uncertainty and complexity. The argument is that established firm managers tend to prefer to have all the necessary information available before making a decision, and by the time this information is available, the window of opportunity would often be closed. Entrepreneurs further tend to get personally connected to their business, even to the point where they identify themselves with the business (Cardon, Zietsmab, Saparitoc, Matherned, & Davise, 2005). This finding may explain Stewart et al's (2007) finding that entrepreneurs tend to display higher levels of achievement motivation than managers in large organizations. The authors assert that entrepreneurs' venture goals are the driving factor behind this difference.

Most of the participants used the example of NewsCorps' acquisition of MySpace to illustrate the view of the importance of the founders and management of the entrepreneurial firm to have a greater voice in the strategic decision direction of the business. In 2005, NewsCorp, a United Kingdom (UK) based media conglomerate, bought MySpace, a social media platform, for a reported US$ 580 million (Coté & Pybus, 2007). The authors report that in 2007, MySpace was ranking as one of the fastest growing websites, with almost 100 million members. Shelter (2011) reports that MySpace, which had been struggling for six years; was sold by NewsCorp for US$ 35 million in 2011. Most of the participants contend that interference by NewsCorp in the running of MySpace after the acquisition is what killed it.

Naspers also acknowledges that this approach to external investments was also motivated by the mistakes the group itself made. The group admits that it exists on the list of media conglomerates that made the massive losses that were seen from the 1990s onwards, as reported by Alexander et al (2009). One participant recounted how, during the early days when Naspers was trying to infiltrate the Internet space in China and other markets, the company would seed new ventures or make investments in start-ups, and then load the ventures with expats who had no knowledge about the markets or the consumers in those markets. As the participant recounts:

"[...] There have been a lot of failures [...] in China we lost a fortune before we did Tencent, […] It was the same story in Indonesia and to some degree in Thailand […] we've lost hundreds of millions of dollars [...] so we fundamentally changed the model thereafter, which was to say that, one, we don't need to control, two, we back very best management teams we could possibly find".

Naspers' objective is to acquire a big enough stake to add value to the start-up, but not big enough to have a controlling share in the business so as to allow the founders of the start-up to stay invested. All the participants assert that the most successful of Naspers' Internet investments are those run by founder groups. The participants argue that, if the shareholding of the founders is too low, they will not be invested in the business and may prefer to go and start a new venture.

Boecker et al (2002) found that founders are less likely to leave if they are Chief Executives. The authors assert that the risk of a founder departing from a venture decreases with founder ownership as well as board membership. The authors further argue that a significant ownership in the venture as well as the influence derived from it, decreases the possibility of the founder departing from the business. Ivanov and Masulis (2007) contend that allowing the management of the venture to have wide ranging decision-making power poses the risk of not maximising financial and strategic goals for the established firm. He (2008) however found that ventures managed by founder-CEOs have higher chances of survival and are associated with higher financial performance than ventures managed by professional managers.

4.1.2 Mitigating high risk caused by uncertainty

The factor of risk as a driving factor for Naspers in the choice of CVC as an external investment tool is two-pronged. It involves the risk related to the Internet space, as well as the risk inherent in the identified start-up and the conditions surrounding the start-up in as far as the business landscape in which it operates is concerned. Indian e-commerce platform Flipkart is an example. Naspers asserts that there were risks associated with the deal in that, although the business had a proven business model, it was operating in an unproven market, and the management had no experience in operating a large e-commerce platform. This was a concerning factor, particularly in the case that the business grew bigger, a typical characteristic of Internet platforms, which required scale to be successful. Fleenor and Raven (2002) assert that the value of an online network increases with an increase in the online community on that platform. Naspers initially acquired a 10% stake of Flipkart in 2012 (Naspers, 2010), and then built the stake up to 17% in 2013 (Naspers, 2013), as the confidence grew in the business. A participant explained:

"[...] You don't take the risk away from the underlying venture but you take a seat at the table, you watch it grow, if it works well then you re-enforce it and you invest more and you invest more and you invest more."

Tencent was another example of the risks inherent in the market in which a potential acquisition operates. A participant reports that in 2002 when the stake of Tencent was acquired, the group did not know enough about the Chinese culture. The group believes that when one invests in a culture that they do not understand, one has to have the right people from that local culture to manage it, and those people have to be invested in the company as detailed in section 4.2.1. Fleenor et al (2002) affirm that understanding the culture of a country and how the web fits into that culture is key to the success of any international Internet business.

According to Li and Mahoney (2011), start-ups often engage technologies that are characterised by high uncertainty and they tend to experience significant volatility related to their sustainability and future financial returns. As such, the level of venture uncertainty could influence the decision making process of the investing firm (Dimitrova, 2013).

Naspers believes in spreading the risk by investing in a number of opportunities, which is the benefit of CVC from a financial point of view, since a smaller stake of a business costs less than when a full acquisition is made. Citing Allen and Hervert (2007), Lokshin, Jacob and Balderbos (2013) assert that CVC gives firms the benefit of access to a wide range of resources, thus reducing risk. The authors assert that this is due to the fact that CVC capital requirements for investment are often small and carried out in stages. Naspers believes that this approach has a major benefit. A participant argues that the Internet has very low barriers to entry, a view that is consistent with Qiang's (2011) assertion that setting up an Internet business does not require much effort, with low capital requirements. As such, Naspers believes that the key to gaining competitive advantage is the ability of a firm to execute efficiently and innovate faster. The participant asserts that investing in a number of opportunities therefore puts Naspers in a better position to effectively navigate the Internet business landscape. Sirmon, Hitt, Ireland and Gilbert (2010) agree, stating that innovations, especially novel ones, are likely to help a firm to maintain competitive advantage. Furthermore, Singh (2012) affirms that the efficiency and effectiveness with which a firm manages its business processes is key to maintaining the competitive advantage.

4.1.3 Non-CVC deals

Naspers have made some investments in the Internet space that were not CVC deals. These are deals where the group took a controlling stake of the business, or even fully acquired the business through an M&A deal. Naspers asserts that such deals are typically made in instances where the group believes that they understand the business environment as well as the business model very well, and these are typically online classifieds businesses. As one participant explains:

"[...] We know classifieds well […] if we got an opportunity to take a controlling interest in a classifieds site, we'll do it […] Whereas for example if it's […] more risk on the table, we're not sure of how the market is going to develop, we're not sure about the management team, we might take a smaller stake then we'll increase it over time as other shareholders exit."

Naspers asserts that there are very few instances where the group would actually want to acquire a 100% of a business. The main motive behind these acquisitions would be the benefit of scale from integrating the acquisition with an existing business in the same market. The principle is that of a hub and spokes, where the existing business to which the acquired platform is being integrated into is the hub. A participant explains that if there is a minority shareholder in the spoke business, it would be difficult to realise the benefits of scale because it would not be possible to integrate the business into the hub as that would entail higher costs and inefficient management systems where, for example, one CEO is straddling two businesses. An example is the Allegro

Group (Allegro), an e-commerce platform in Poland. Naspers became the direct owner of Allegro in 2008 (Naspers, 2008), renaming the business MIH Allegro (Grochal-Brejdak & Szymura-Tyc, 2013). The participant asserts that Allegro is positioned as the groups' Hub in Eastern Europe; acting as an investment vehicle for Naspers through which ECV activities are carried out in that region. Speaking of Allegro's business model, another participant explains:

"[...] It's a general merchandiser […] it's got traffic […] it's got customers coming to its site, […] you want to convert that traffic into a transaction so you could make money. […] If there was another category of merchandise let's say fashion, that you could hook onto, belt onto the existing hub, what you could then benefit from immediately was the traffic that was already coming to the hub, you wouldn't have to pay twice for it to get to the fashion site [...] "

This approach of achieving economies of scale through M&A is consistent with Duksaite et al (2009), who affirm that organisations employ M&A in order to compete on a larger scale. The authors further assert that firms also seek horizontal and vertical integration opportunities from M&A, gaining an increase in market share and market power in the case of horizontal integration, or buyer-seller relationships in the case of vertical integration. Furthermore, Santos and Eisenhardt (2009) assert that in nascent markets, firms control the market by overlapping the boundaries of the firm and the market through acquisitions that eliminate entrepreneurial rivals.

This strategy has however resulted in some mistakes. Naspers fully acquired Slando, a Ukrainian online classifieds company in 2011. As a participant points out, Slando did not fall true to the model typically followed by Naspers. The participant asserts that Naspers had been able to achieve critical mass in Eastern Europe through Allegro, and as such, the thinking with Slando was that it would assist with marketing the business in the local Ukrainian market. The management of Slando was sitting in the UK and were not adding any value. Naspers decided to force the management out, and further decided to pivot the business themselves and change the business model. These two decisions resulted in the failure of the business by the groups' own assertion. In 2012, Slando was bundled with OLX and traded to Avito.ru, a leading general classifieds platform in Russia according to the *Naspers Annual Report* (2013), for a 18,6% stake in Avito.ru.

4.2 The strategic factors behind CVC deals in Naspers

Two factors strongly emerge in response to the question of what strategic factors is Naspers pursuing through CVC deals. Quite simply, Naspers wishes to explore new markets, technologies and business models in the Internet space, as well as leverage the innovation in the Internet space through CVC deals. These findings are consistent with literature. Benson and Ziedonis (2009) found that the prominent strategic factor behind CVC deals is gaining a *window* on technology, which involves gaining insights into new and emerging markets, technologies and business models. The definition of a business model used in this paper is as follows: *"A description of a company's intention to create and capture value by linking new technological environments to business strategies"* (Kshetri, 2007; 445). Chesbrough (2010) affirms that companies use business models to commercialize new technologies.

Barreto-Ko (2011), as well as Gaba et al (2012), further found that CVC is an efficient tool for established firms to pursue innovation through external means, and that there is a high likelihood that firms will use CVC to seek explorative and exploitative benefits through innovation. Naspers, however, asserts that innovation is mainly pursued for exploratory reasons within the Internet space, and not exploitative reasons. According to Gupta, Smith and Shalley (2006), seeking exploitative benefits through innovation involves seeking knowledge and capabilities required to build on existing technological knowledge, whereas seeking explorative benefits involves seeking knowledge and capabilities to enter new markets and produce new products. Naspers seeks to use innovation gained through CVC activities to uncover customer needs that have not been met, develop new platforms that could disrupt existing business models, and offer new solutions. Teppo and Wüstenhagen (2009) affirm that CVC is an important innovation management tool for established firms. Interestingly, Humphrey-Jenner (2011) found that M&A investments on average reduce the level of corporate innovation. The author asserts however that this is less severe with larger firms.

Naspers places great emphasis on these strategic objectives. The group asserts that the strategic objectives far outweigh the financial drivers. The group pursues these investments for the long term, with no intention of pursuing financial gains from IPO listings. The focus is on growth and building the Naspers footprint internationally. These participant responses highlight the emphasis of this point:

"[…] The vast majority of our investments are taken from the perspective of strategically important […] with the objective of actually trying to use the investment we make as the kernel for building something material […]"

"[…] We were quite keen to make sure that we weren't financial investors, […] it was not us taking VC type stakes or just purely financial stakes, we wanted to make sure it was meaningful to the business.

"[…] You're building the platforms in the group in a very cohesive and comprehensive way, so that the underlying profitability of the group is impacted which affects the value of the company, […] so if you want to have value maximization, you got to actually see it come through in your share price, […] that then speaks to many different themes way beyond just a financial return."

4.2.1 Gaining a "window" on technology

Naspers asserts that it has evolved to what it is today through a number of technology pivots that heavily influenced the group's growth strategy at each specific point in time. The success of the group in terms of growth has largely depended on the group's ability to judge, explore and exploit technology pivots. Naspers has used these technology pivots to source new markets, thus internationalising rapidly from the early 1990s, as reported by Verhoef (2011). These technologies have also provided opportunities for new business models that the group has explored, although not always successfully.

a. *Technology Pivots*

A participant explains that the first technology pivot for the business was in 1992, when the group bought the rights to a digital encryption solution and developed it further through Irdeto, which was a digital encryption company founded by the group, after buying the architecture of the solution from a third party in Holland. At the time the group was only operating an analogue Pay TV platform as well as a print media business, retailing newspapers and magazines. The participant asserts that this solution was the first digital encryption solution in the world, and through this solution, the group was able to launch its digital Pay TV platform Digital Satellite Television (DStv). Through Irdeto, the group was able to invest in digital satellite television in other markets, including markets in Europe. The participant explains:

" *[...] Our technology gave us the in-road to get those markets because we had a product that nobody else could offer."*

The exploration of this technology pivot is the main reason behind the group's extremely successful Pay TV platform today. According to the *Naspers Annual*

Report (2013), the platform generated over R30 billion in 2013 alone, with 6.7 million subscribers in 48 countries. As the participant put it:

" [...] Imagine if we hadn't gone digital, we would have been dead in the water today, absolutely dead in the water!"

The group also invested in Mobile TV in 2006 (Naspers, 2007), through internal corporate venturing. The technology raised fear in the business in that it posed a threat of disrupting the highly profitable Pay TV platform. The concern was that the technology would allow people to order content, especially sports, on their mobile devices. This pivot was therefore explored for defensive reasons.

There were other technology pivots that Naspers explored, but not successfully. Naspers seeded a software company called Open TV in the United States (US). The company developed set-top-box (STB) middleware, which is software that allowed Pay TV operators to integrate applications onto the STB, which would enable the addition of new features, thus improving the TV viewing experience. The groups' business model of Open TV however relied on the view that software would remain proprietary, which did not hold true. Software became open source, and in 1998, the open source revolution took flight (Bretthauer, 2001). Naspers sold OpenTV in August of 2002 (Naspers, 2002). The participant asserts that Naspers was able to identify the technology early enough to exploit the pivot, but however failed to identify the impending changes in the business landscape, which eventually led to the demise of the business.

Another technology pivot that did not materialise for the group is mobile telephony. Naspers was the founding investor of MTN (Zetler, 2012), a South African Mobile Network Operator (MNO). The participant reports that the group sold its stake of MTN in 2000, believing that the market for mobile telephones in South Africa would peak at 300 000. The company also believed that the pricing for voice would fall dramatically as digital technology developed, and did not anticipate that mobile phones would be used for data. By March 2013, MTN had 195 million subscribers across the African continent (MTN, 2013), with a market capitalisation of over R400 billion (Bloomberg, 2014). The participant however concedes that Naspers did not have the financial muscle nor the courage at the time to make the investments that MTN has made and to take the risks that MTN has taken to allow it to grow to what it is today.

b. *The Internet Technology Pivot and business models*

A participant reports that most of the Naspers executives were living in Europe in the early 90s, and through this, the group became exposed to the Internet and how it was taking off in Europe. As another participant explained:

"*We then got into the Internet at a pretty early stage, in the sort of mid 90s. We weren't the first but we got in because we could see it was coming, and we could see the potential for disrupting existing business models was there. We weren't sure how it would pan out but we could see what was happening."*

Aronson (2001) and Vaithianathan (2010) confirm that the commercialisation of the Internet started to gain serious traction in the early 1990s. Naspers then decided to sell off most of its Pay TV assets in Europe, which were struggling, according the participants, and ploughed the money into developing the Internet business. When Naspers invested in Tencent in 2002, it was not clear what the revenue model was going to be, the group believed that through Tencent's management, as well as Tencent's social media platform QQ, they had the right formula to explore the opportunities that Internet technology had to offer. As Tencent began to develop and succeed, the group started looking for other Internet investment opportunities in other markets similar to China, an exercise that resulted in the investment in Mail.Ru in 2006, a Russian social media company. The group's aim with Mail.Ru was to build the communication platform into a similar model as that of Tencent, adding games and social networking to the platform. Tencent and Mail.Ru are the biggest social media platforms in their respective markets as reported by Wu et al (2012) as well as the *Naspers Annual Report* (2013).

Naspers then wanted to extend the social media success it had achieved in China and Russia with Tencent and Mail.Ru respectively. The group attempted to bring Tencent's social media platform QQ to South Africa, an exercise that failed dismally. The group then decided to pursue the South African social media strategy through a 30% acquisition of instant messaging platform, Mxit, in January 2007 (Naspers, 2010). In 2009, Mxit was by far the most popular instant messaging platform in South Africa (Chigona et al, 2009). The group attempted to internationalise Mxit, however, never got a return from it. Changes in the business landscape introduced by smartphones and mobile operator bundled services completely disrupted the Mxit business model, and, according to Naspers, the Mxit management did not respond fast enough to reposition the business in the face of all these landscape changes, which Naspers deems as key to a venture's success as discussed in section 4.1.1. As a participant explained:

"[…] Sometimes you find that the entrepreneur that you have backed just doesn't work out, and this was the case with Mxit."

Naspers sold its 30% stake in Mxit to Alan Knott-Craig's World of Avatar, a private investment holding company, in August 2011 (Nsehe, 2013).

Further investments were focussed on e-commerce, which is defined as the buying and selling of products over the Internet (Vallamsetty, Kant, & Mohapatra, 2003). E-commerce can also be defined as the use of the Internet to conduct business transactions (Vaithianathan, 2010). In the late 1990s, e-commerce represented a disruptive technology that presented a paradigm shift that was changing the traditional way of doing business in the digital economy (Lee, 2001). Vaithianathan (2010) also reports that e-commerce rapidly emerged soon after the commercialization of the Internet gained traction in the early 1990s. This was followed by the establishment of a large number of e-commerce ventures in the late 1990s, most of which failed (Pather, Remenyi, & De La Harpe, 2006). The authors assert that one of the few successes at the time was South African e-commerce platform Kalahari.net, which Naspers founded in 1998. Kalahari.net retailed products such as health care products, books, software, hardware, videos, DVDs, CDs and wine. According to Pather, et al (2006), the venture initially failed due to Naspers' lack of understanding of the e-commerce technology as well lack of proper execution of the business model. The authors further report that these lessons were used to re-launch the venture under the same name, and by 2004 the e-commerce website was rated the best website among 1000 sites which included Amazon.com, by the Financial Mail. Kalahari.net was one of the very few e-commerce successes in the early 2000s. Through this venture, Naspers was able to develop the capabilities and understanding required to make e-commerce successful.

By the mid 2000s, e-commerce was growing so fast to the point where customers were unable to choose from the range of products available (Cho & Kim, 2004). The era was characterised by the emergence of internationalised commercial firms (Grochal-Brejdak et al, 2013), Naspers included. A participant explains:

"[...] What we also saw was this massive advance of e-commerce that was starting to take place. [...] So we could see that there was this massive opportunity to get involved [...]. As a group, we basically pivoted yet again within the Internet aspect. We pivoted just to focus purely on e-commerce. "

Naspers made a 100% acquisition of Tradus in 2008 (Naspers, 2008), which was renamed Allegro, and later again renamed MIH Allegro and used as Naspers' ECV vehicle in Eastern Europe as discussed in section 4.1.3. A participant asserts that a large number of MIH Allegro investments have been CVC deals. Naspers maintains that the focus of the business in terms of ECV activities from that point solely became e-commerce and the different platforms within e-commerce such as online classifies, market places or retailing websites. The model is based on building scale by using one platform multiple times replicated across several countries. Naspers decided to play to its strengths by choosing an internalisation strategy that is aligned to the group's capabilities. Flipkart in India as discussed in sections 2.3.1 and 4.1.1 was also acquired as part of Naspers' e-commerce strategy.

Naspers' focus on e-commerce as a result of alignment of capabilities is not unusual. ECV activities broaden an established firm's technological scope (Laia, Chiub, & Liaw, 2010). The authors further state that established firms engaged in ECV will tend to concentrate on their technological scope as they increase investments in specialized complementary assets, which may include capabilities such as marketing and after sales support. Furthermore, citing Teece (1986), Rothaermel and Hill (2005) assert that poor appropriability of innovations results from the lack of specialized complementary assets, and thus the successful commercialisation of an innovation requires the use of complementary assets. Citing Brusoni, Prencipe, and Pavitt (2001), Penrose (1959), as well as Peteraf (1993), Santos et al (2009) assert that evolving resources and capabilities shape an organisation's boundaries. Furthermore, citing Aldrich and Ruef (2006) and Scott (2003), the authors argue that boundaries are essential in that an organisation needs to define its domain of action and distinguish itself from its environment.

c. *Target Markets*

The Internet has enabled firms, such as Naspers, to get immediate access to the global market (Grotchal-Brejdak et al, 2013). As such, Naspers has gone on a search for new markets in which to explore Internet technology. Naspers has focussed this search on the major emerging markets, which include Brazil, Central and Eastern Europe, Russia, China, India, and some of the South-East Asian countries, as well as Africa. The group argues that the key driver for the Internet, as confirmed by Fleenor et al (2002), is scale, and the prerequisites for achieving scale in a market include large Internet populations, high mobile penetration and growth. Naspers argues that emerging markets offer these pre-requisites. As one participant argues:

"[...] The countries that have got lower Internet penetration today, are due to get higher Internet penetration over time. That's where we see all the upside."

Sidhar and Sidhar (2007) affirm that the convergence of data and communication technologies with the Internet has been an enabler to the diffusion of information and telecommunication products and services in emerging markets. Mobile phone diffusion in particular has been happening at a very high rate in developing countries (Kalba, 2008), and a significant part of the population in developing countries own and use mobile phones (Chigona, Beukes, Vally, & Tanner, 2009), which, the authors assert, may be a solution to the low Internet penetration problem in these markets. Soh and Yu (2008) also point out that China, specifically, where Naspers' most successful Internet investment, Tencent, operates, has gained the attention of global market players due to its massive market as well as the spectacular growth in the media, telecommunications and technology sectors. Furthermore, Wu et al (2012) report that like China, India is a populous country with 60 million Internet users, growing at 7.8% annually; the highest growth rate in the world. These authors further report that Russia is different, with a low Internet and broadband penetration, which, the authors assert, indicates a huge growth potential.

Naspers further felt that there was very little innovation coming out of Europe, which hindered its attractiveness as a target market. The group further argues that the only innovation coming out of the western world was in the US. The US market however is highly competitive, hence the group decided not to engage that market. The major emerging markets were further suitable in that Naspers could play to its strengths since the group had developed the complementary assets required to be successful in these markets, which include the capabilities of building and marketing a brand as well as collecting money in emerging markets, experience mainly gained from operating successful Pay TV platforms across Africa.

The emerging markets were also early stage, which offered Naspers the opportunity to take leading positions in these markets. Most of the ventures that Naspers has invested in are leaders in their markets (Naspers, 2013). Naspers argues that Internet business ideas can be easily replicated due to the low barriers to entry in the Internet space, and thus it is important to establish a brand and a strong position as a leader in that market. As one participant put it:

"[…] Sometimes a clever idea can be easily copied on the Internet. So you've got to be number one fast, and if you're not number one fast, you could be food."

Naspers' approach is consistent with Da Gbadji, Gailly, and Schwienbacher (2011), who assert that firms are likely to implement CVC initiatives in countries in which there is a well-developed market for early stage investments as well as widely available innovation-related resources. Furthermore, Santos et al (2009) assert that entrepreneurs in nascent markets make great efforts in claiming a market. The authors explain as follows: *"Entrepreneurs in nascent markets face* *an ambiguous environment with unclear customers, undefined product attributes, and no well-established industry value chain. Our data suggests that, in light of this ambiguity, entrepreneurs in nascent markets often devote significant effort to claiming the market; that is, defining a distinct identity for both the firm and market so that the two become synonymous. If entrepreneurs are successful, their firm becomes the cognitive reference for the claimed market"* (Santos et al, 2009: 649). The authors further assert that new ventures specify their market boundaries through alliances with established firms.

4.2.2 Seeking Innovation

Naspers maintains innovation is not one of the business' greatest strengths, and as such, the group has to look for innovation activities externally. As discussed in section 4.1.1, one of the key drivers of the choice of CVC over other ECV vehicles at Naspers is to ensure that the management of the venture stay invested and maintain control of the venture, and the main reason behind this is to allow the founders to continue to innovate. Naspers asserts that innovation is what mainly attracts the group to the ventures targeted for investment. Tencent is an example where the main factor that attracted Naspers was that the venture was already gaining traction with a product called QQ, which was an *always on* instant messaging system operating on a PC, the first of its kind in China. Naspers was attracted to the fact that the product had *stickiness* to it, and thus had the potential to go in many different directions in terms of business models and appropriability. Wu et al (2012) affirm that instant messaging is a type of Internet product that has high customer loyalty and low customer churn or *stickiness* as the authors describe it. Naspers further asserts that the main reason Tencent is viewed as a success is that the company is leading in terms of innovation. As one participant put it:

"[…] They are leading the thinking in terms of Internet, they are not following the US; they are leading the thinking."

The choice of target markets also points to Naspers' goal of acquiring innovation opportunities through CVC ventures. The group chose to pursue emerging markets, particularly China, due to the high innovation rates coming out of China, as opposed to Europe, where there is very little innovation by the group's assertion. R&D spending in Europe has been stagnant since the 1980s, fluctuating between 1.6% and 1.8% of GDP between the 1980s and 2006 (van Pottelsberghe, 2008). The author asserts that the relative spend on R&D on average in the US is above 2.5% and that of China has dramatically increased from 0.5% in the late 1990s to 1.5% in 2006. R&D investing has positive effects on innovation (Liu & Zou, 2008), which suggests that Europe had not been as strong as the US and China in terms of innovation in the early 2000s, as asserted by Naspers.

Since 2009, Tencent has released over 100 patents a year (Wu et al, 2012). Chen, Yang, Hu, Meyer and Bhattacharya (2009) assert that the number of patents is an indicator of technology innovation capability. Patents are also a reliable measure of innovation activity (Guana & Chen, 2010). Interestingly, Chemmanur et al (2012) found that established firms engaged in CVC help portfolio ventures achieve higher degrees of innovation as measured by patenting.

The main reason behind Naspers' seeking innovation through CVC is to attain exploratory benefits. Naspers asserts that the Pay TV and print media platforms are separate from the Internet platform, and although the learning gained from the Internet activities is used to improve the other platforms strategically, no considerations are made with regards to the other platforms when pursuing Internet CVC deals. These deals are purely pursued with the intention of finding disruptive technologies, business models and new markets within the Internet space.

Through Tencent innovations and corresponding business models, the group has been able to source new opportunities in new markets. The group rolled out the Tencent model and products in Russia and India through Mail.Ru and MIH India respectively (Wu et al, 2012). According to the *Naspers Annual Report* (2011), Naspers strengthened its Russian Internet operations by buying a 28.7% stake in a prominent Russian Internet company, Digital Sky Limited (DST), which was then marketed under the Mail.Ru umbrella to consolidate Naspers' interests in the Russian market. Tencent India was used to advance the Indian market (Wu et al, 2012), in order to further take advantage of the growing social media interest in India (Ahmad, 2011). Wu et al (2012) further report that the Tencent model was also rolled out to Vietnam, which, according to these authors, has an Internet market that is structurally similar to that of China.

4.3 Summary

The Naspers group has evolved from a print media company to a multinational conglomerate, mainly through the exploration of developments in different technologies within the media space, which the group has termed *technology pivots*. The first of these technology pivots was digital encryption in 1992, which led to the development of the group's highly successful and highly profitable digital satellite pay television platform in 1995. The development of this platform was mainly carried out through R&D initiatives. This came on the back of the analogue pay television platform, which the media group had also developed through R&D activities.

When the Internet started infiltrating in the early 1990s (Aronson, 2001; Vaithianathan, 2010), the group saw another opportunity to pivot the business. Through exposure to the fast pace at which the Internet was developing in Europe, the group saw how media was starting to converge through the Internet, where one platform could be used to deliver various forms of media. This phenomenon presented internalisation opportunities, where one platform could be used to deliver multiple forms of media to different markets across the globe. Naspers sought to use the technology to source new markets and business models for growth purposes, which Benson et al (2009) define as seeking a *window* on new technologies.

The group decided to pursue emerging markets, mainly China. Naspers believed that in order to fully explore Internet technology, the group needed to pursue markets with high innovation activity. The US and China were the main players in terms of high pace of technology innovation (van Pottelsberghe, 2008). Naspers felt that the US market was too competitive and the Chinese market was suitable as the group felt that it had developed capabilities required to operate in emerging markets like China.

Naspers started participating in the Chinese Internet space in the mid 1990s, mainly through the seeding of *greenfield* ventures and M&A of Internet start-ups, which were headed up by professional managers appointed by Naspers, most of whom were expats. This resulted in hundreds of millions of US dollars of losses for the media conglomerate. The group asserts that the expat managers did not understand the Chinese market or the Chinese consumer, hence the failure of the ventures run by these managers. From that point, Naspers decided to no longer seek to control the ventures the group invested in, and hence decided to abandon the use of *greenfield* investing and M&A as the main vehicles for ECV investments. Naspers opted to mostly pursue small equity investments instead. The external venturing principle of the group hinged upon finding ventures with good management and innovation capacity, and providing financial and moral support to the founders and management of these ventures. These founders needed to be fully invested in the business in terms of ownership of shares, or *have skin in the game* as the group describes it, in order to ensure that they stayed motivated to maintain the required innovation.

Naspers invested in a 30% stake of Tencent in the early 2000s. The group asserts that Tencent was attractive because of its innovative product QQ, as well as a good management team that showed potential to take the venture to great heights with the right kind of support. The group asserts that there were a lot of uncertainties surrounding the Internet landscape as well as the ventures under consideration for investment. The Internet did not have any defined business models, and a lot of the ventures were founded and run by entrepreneurs who had never run large operations before, an attribute that threatened the sustainability of the business in the long run. The success of the Internet is dependent on the scale of the business, where the larger the Internet platform in terms of users, the better the chances of success of the venture (Fleenor et al, 2002). Making small equity investment and taking small incremental stakes, as the group got comfortable with a venture, would thus mitigate the risk. Flipkart is an example, where the group initially took a 10% stake, and later increased the stake to 17%.

The group however also conducted some M&A transactions post the decision to focus on CVC. These were mainly carried out for consolidation and economies of scale purposes, which would typically happen in mature markets. As one participant put it:

"[…] You need to distinguish between where you need to build up scale and where you need to preserve innovation."

The group deems it important to maintain a leadership position in a market due to the difficulty with maintaining competitive advantage in the Internet space. This is due to low barriers to entry of the Internet business landscape, which makes it easy for new entrants to copy ideas and business models from incumbents.

Naspers has also made a few mistakes. The group maintains that the main reason for these failures was management issues within the venture, where the management was not able to adapt to changing conditions. The group's involvement with Mxit is an example. In other instances it boiled down to competition from big scale companies such as Google. Naspers however accepts that when operating in a dynamic landscape such as media convergence, mistakes are inevitable. As one participant contended:

[…] If you're playing at the cutting edge, you're going to land up making mistakes."

Table 2 below summarises the findings of the study based on a structured categorisation matrix as described in section 3.3.

Table 2: Summary of findings

Research Question	Findings		
What are the factors that informed the use of CVC over other ECV vehicles at Naspers?	CVC is chosen to ensure that start-up management has *skin in the game*	CVC is chosen to mitigate the risk posed by uncertain conditions	No evidence to suggest that CVC is used to identify potential acquisitions
What strategic reasons was Naspers pursuing through CVC investments?	CVC is used to gain the strategic benefit of gaining a window on technology	CVC is used to gain exploratory benefits from leveraging innovation from external sources	

5 CONCLUSION

Media convergence has raised some challenges and opportunities for media companies operating in the industry. Alexander et al (2009), Owers et al (2011), as well as Avery (2013), have highlighted how many of these companies have struggled to create value from media convergence. Organisations typically employ ECV activities to create value from external sources. In an attempt to answer the question of how firms need to go about ECV activities to leverage external opportunities, Kulatilaka et al (2009) suggest that CVC is the most appropriate ECV tool to use to navigate media convergence, as opposed to the M&A activities that many of these media companies have preferred to undertake. This highlights the fact that organisations struggle to make the correct decisions about how to go about employing ECV tools in different conditions, especially within a dynamic context such as the Internet revolution and the convergence of media platforms.

This study builds a part of the foundation from which the theory necessary to guide organisations operating in dynamic context such as media and related technologies on the use of ECV tools, particularly CVC, can be developed. By examining the determining factors of Naspers' choice of CVC as well as the driving strategic factors behind these CVC investments, this study sheds light on important considerations to make when seeking external opportunities, which may have a large bearing on the success or failure of the external venturing exercise. The goal is to gain insights into the opportunities and challenges presented by such contexts through an analysis of a real life application of these tools. The contemporary nature of media convergence also makes this study useful to organisations currently looking for value in this particular dynamic context. Addressing the questions in this study paves the way to making some inroads into solving the conundrum of how to make money from media convergence. The findings of this study therefore have implications for theory as well as practice.

This study suggests that established media conglomerates may not be equipped to strategically handle the technological advancements as well as other considerations, such as competition and the development of business models within this landscape, and that entrepreneurs are the best placed people to take ventures founded with the goal of taking advantage of a technology revolution forward. The theoretical implication of this is that the entrepreneurs who founded the ventures that established firms target are a key input to the success of all appropriability attempts of the venture, and thus investment evaluation models, particularly as applied to start-ups in dynamic contexts, need to strongly consider the management and founders of the venture as a key factor to be evaluated.

The implication for business is that media companies seeking to benefit from media convergence should re-assess the use of M&A as the main vehicle for conducting external investments, and consider the use of tools such as CVC, which offer the benefit of reversibility and flexibility. Consideration should also be made in terms of the control that these established firms have on investee start-ups. M&A investments reduce the level of corporate innovation, although this is most evident in small to medium enterprises (Humphery-Jenner, 2011). This fact further contributes to the argument that M&A may not be the right external investment tool for highly innovative environments such as the Internet space.

This research also poses further questions that point to a number of directions for future research. After Naspers made the decision to change the mode of ECV from *greenfields* and M&A to CVC, the main driver being to enable the management of the venture to have ownership and more control, the group started yielding good returns from these investments. The question then becomes: *Is the ownership structure of a venture post investment by an established corporate (non-VC) firm directly related to the performance of the venture?* Future research should look more closely at the relationship between the management of the established firm and the founders and the management of investee firms when the different ECV investments are made. Future research could further probe what impact the level of control that the established firm has on the investee venture has on the performance of the venture in terms of factors that include innovation, financial performance as well as adaptability of the venture to changing business landscape conditions.

Furthermore, Naspers later focussed on e-commerce as the main area of ECV activities in the groups' mission to conquer in the era of media convergence. This is mainly due to the fact that the group has the capabilities that the nature of the e-commerce business model requires. The question then arises: *Is there a link between an established firm's capabilities and the ability of the firm to gain a window on technology in a dynamic business landscape?* Future research could focus on determining the performance of firms that explore technology innovations based on inherent abilities versus those that completely venture into unknown territory without the capabilities aligned to the possible business models of those technology innovations.

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APPENDIX A

Actual Research Instrument

1. What is the most exciting project you've worked on?

2. What is the criterion you use to classify a deal successful?

3. It has been widely reported in the media that Tencent is the most successful of your Internet investments. Your thoughts?

4. What would you say was the key objective to pursuing Tencent and Mail.Ru deals?

5. In the cases of Slando, you bought much bigger stakes; you actually made a 100% acquisition of Slando. Why such big stakes with these transactions but yet smaller stakes (under 50%) with Tencent and Mail.ru for example?

6. You recently sold your stake in Mxit to World of Avatar. Talk me through the events around Mxit from the beginning up until that point.

7. What would you say were your least successful transactions and why do you think that was?

8. What other deals would you like to talk about?

9. Where do you think the media industry globally is going in the next 5 years?