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Decision Factors Of Corporate Venturing Strategies

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DECISION FACTORS OF CORPORATE VENTURING STRATEGIES:

BUILD, BUY, OR PARTNER?

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Abstract

Decision factors of corporate venturing strategies: build, buy or partner?

This field lab is exploring decision parameters of different corporate venturing strategies asking when which strategy leads to the most effective outcome in the context of corporate innovation. Hence, the objectives are to explore the decisions for “build”, “buy”, and “partner” in the business environment, wherefore each individual part covers one of the respective strategies, giving a definition, an overview of the decision factors and a use case. A framework for when to decide on which strategy to use was established by evaluating self-conducted expert interviews and data from literature.

Keywords: Corporate Innovation, Corporate Venturing Strategies, Venture Building, Corporate Venture Capital, Venture Partnerships, Open Innovation

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Field Lab In Cooperation With Bridgemaker

Bridgemaker, situated in Germany, is a leading independent company builder, assisting corporate partners in discovering, validating, and scaling new business models. They are, at heart, entrepreneurs, combining the agility and values of start-ups with battle-tested strategies and experience to successfully expand corporate companies.

Bridgemaker is exploring corporate decision parameters inside the triangle of “build,” “buy,” and “partner” to broaden its business reach beyond the focus of actually developing enterprises, asking when which strategy leads to the most effective outcome in the context of corporate innovation.

The field lab’s detailed objectives are to explore the decision of build vs buy vs. partner in the business environment and to establish a framework for when to decide on which strategy to use, including success stories of corporate initiatives in the three main strategic approaches.

Among the key issues to be addressed are:

- What kind of different strategies do corporates use to incubate new business opportunities?
- Which are the most successful strategies and why?
- What makes those corporate ventures successful?
- What are the critical decision factors for a corporate venturing strategy?

Introduction

Corporations are continually faced with the task of changing sustainably, creating innovations, and developing new products, services, and business models (Kraus, Kreitenweis, and Jeraj, 2022). At the same time, digital technologies have had a significant impact on the world, forcing

businesses to change their business models, strategies, and management methods (Bughin, Laberge, and Mellbye 2017). Because they enable new businesses to enter markets quickly and compete with incumbents, established firms must maintain their competitiveness through innovation (Hopp et al. 2018). However, incumbents face a challenge because they are built to be efficient rather than inventive (Govindarajan and Trimble 2010). To maintain competitiveness, incumbents employ entrepreneurial tactics (Kuratko, Hornsby, and Covin 2014) and use innovation-based initiatives that incorporate entrepreneurial processes (Corbett et al. 2013). As a result, during the last two decades, there has been an increase in corporate incubators, accelerators, and corporate venture capital, each reflecting a different approach to corporate entrepreneurship (Zasowski 2020).

The existing research on corporate entrepreneurship investigates how established organisations build incubation systems to aid in forming new ventures. Aside from corporate incubators and accelerators, corporates are developing other approaches, assisting in the rapid development of new ventures. Each organisation must decide which best matches its strategic vision and operational constraints (Zasowski 2020). These strategies are classified as “build,” “buy,” and “partner” and will be elaborated in depth within this field lab. While the processes of incubators and accelerators are receiving increased attention in the scholarly literature, the issue of other corporate venturing approaches receives little attention.

The goal of this research project is first to define the different innovation strategies, then conceptually compare corporate venturing strategies with other entrepreneurship processes to investigate their potential. Furthermore, this field lab aims to establish a framework for when to decide on which innovation vehicle in order to answer the key issues raised by Bridgemaker.

Theoretical Background

Over the last few years, large corporations have experimented with a variety of methods to capture some of the start-up pixie dust, ranging from accelerators to internal intrapreneurship

programs and corporate venture funds. This chapter aims to dive into the initial situation of corporates, where radical innovation is challenging to implement. It sheds light on the corporate need for innovation, especially with the rise of start-ups. This project will concentrate on many prospective innovation vehicles, particularly corporate venturing, and associated terminologies and definitions, not least because the existing literature employs multiple terms for the same/similar topic. Furthermore, a differentiation from other identical innovation strategies is made in order to provide a clear picture. Finally, an overview of the innovation landscape within the DACH area is given to conclude this chapter.

Corporate Needs For Innovation

Many established large companies – so-called corporates – are facing the problem of having to reinvent themselves: be it because the needs of their customers are changing as a result of digitization, because they are being attacked along their value chain by new players from other industries, or because a new technology has become available that solves customer problems differently. The situation has changed massively with the emergence of new, digital competitors that are both more customer-centric and disregard existing practices. Suddenly, customers are presented with new options that are not only more sophisticated but also more affordable and user-friendly than the offerings of established players (Frick and Meusburger 2021). The level of complexity in digital transformations is unparalleled, posing an existential threat to most corporates (Saldanha 2019). To remain relevant in the long term, an established company must respond decisively or, better yet, proactively set the pace. Incremental optimization of the existing product, process, or service is no longer sufficient. Instead, the radical rethinking of a solution approach is on the agenda. But, while corporates are good at exploiting and optimizing what they have, they are relatively bad at exploring what is new (Frick and Meusburger 2021). Most businesses are gradually realizing that practical innovation is about more than just process changes and R&D spending; it is also about using and creating new business models. This is

not to say that R&D investments and process improvements are no longer necessary. Successful businesses must investigate new prospects (re-inventing aspects of their operations) and capitalize on existing ones (getting better at what made them successful in the past) (Wattx 2022).

The Role Of Start-ups

Start-ups – i.e. technology-oriented young companies with high innovative strength and excellent growth dynamics – are a global phenomenon. They are enriching and changing value chains and customer relationships in all industries (Elz and Weber 2022). Unlike an established company, a start-up is a temporary organisation searching for a working, scalable business model. Start-ups are the epitome of exploration and benefit from many advantages: They have no “inventory” to consider, no long lines of communication and decision-making that make them highly inflexible, no employees who shy away from change, and they run no risk of alienating their existing customers (Frick and Meusburger 2021). In the process, start-ups demonstrate a speed of innovation that traditional corporates with their established innovation processes lag behind (Elz and Weber 2022). Consequently, when it comes to agility, start-ups outperform huge organisations, whereas giant corporations have resources that start-ups can only dream of. The pairing of entrepreneurial activity and corporate capacity appears to be an ideal match, yet it can be difficult to establish (Weiblen and Chesbrough 2015).

Overview Of The Innovation Ecosystem

Facilitating innovation through a venture creation process is critical in order to delivering a successful outcome. However, when it comes to choosing the right strategy, corporates often face difficulties in the process which is why it is necessary to consider decisive factors beforehand. Corporates can actually choose between a variety of different strategic venture modes. In order to address the key questions provided by Bridgemaker, the focus of this project is set on a handful of venturing strategies, which will be described in Figure 1 below.

Innovation Vehicle	<i>Strategic Venture Mode</i>	
Build	Corporate Venture Building	Creating new ventures or business units within the parent company that specialize on new goods, services, and business methods.
	Incubator / Accelerator	Protected environments in which internal or external early-stage concepts and businesses can be developed or executed, aided by money, knowledge, expertise, coaching, and other resources or services.
Partner	Venture Partnering	A problem-solving business relationship between a corporate and a start-up established either directly or through a third party platform.
	Independent Venture Building	A service provider that assists corporations in identifying, exploring, developing, launching, and scaling new products and services (e.g. Bridgemaker)
Buy	Corporate Venture Capital (Direct Investment)	A corporation invests a minority equity stake in a start-up in order to achieve both financial and strategic goals.
	CVC Investment in VC Funds (Indirect Investment)	A corporation invests in a VC fund to benefit from a portfolio of start-ups in terms of insights, distribution, and risk diversification.

Figure 1: Overview of different strategic venture modes (own presentation derived from thorough literature review and self-conducted expert interviews)

It should be noted that the boundaries between the respective strategies “build”, “partner”, and “buy” are blurred, so the distinctions are not always one hundred percent clear. Yet, each of the three overarching innovation vehicles serves as an individual part of this field lab and will be analysed in detail in the assigned chapters.

Definition Open Innovation

Considering how frequently the term “innovation” occurs in today’s discussion, literature or headlines, it is evident that companies are constantly confronted with optimising their innovation strands. In order to define the different concepts of venturing, it is essential to understand the basic conceptualization of innovation. The first practice to consider in this context is “open innovation”. As described by Chesbrough back in 2003, open innovation is the “use of purposive inflows and outflows of knowledge to accelerate innovation” (Chesbrough 2003). This approach is based on the logic that corporate innovation should be seen as an open system rather than a vertical integration within corporate activities. Thus, open innovation

combines traditional R&D methods from internal processes and sources with the aspect of leveraging resources outside a company to help foster ideas (Chesbrough et al. 2014).

Since its initial appearance, the term has had a major impact on literature and research, as reflected in web searches, publications, and essays. In practice, it is also apparent that managers have recognized the importance of developing skills for internal use and achieving efficient external collaborations. In addition, open innovation should not be limited to corporate activities in R&D but emphasizing the importance of functions such as HRM, procurement or IT (Chesbrough et al. 2014). The concept of open innovation is becoming increasingly important in the venture ecosystem, as the critical factors for successful ventures are not only the size, access to resources and age of the new ventures but also external knowledge sources (Eftekhari and Bogers 2015).

The McKinsey 3 Horizon Framework - Dimensions Of Innovation

The framework covers the issue of how businesses can strike a balance between the optimization of their current core business and the investigation of novel business concepts or possibilities. The goal of many companies is to maximize their current business models. As a result, fresh concepts and creative endeavours either fail due to routine tasks or need to be pursued with the required intensity and resources. The McKinsey 3 Horizon Framework provides a framework for innovation management (Blank 2019):

Horizon One (H1) covers measures to improve the efficiency and profitability of the current core business model. Targets are innovations that increase efficiency and promise short-term value growth(Blank 2019). Here, optimizing performance to maximize the remaining value is the primary goal. Horizon Two (H2) includes new prospects, such as developing adjacent businesses that have the potential to make significant profits and expand a company's current business strategy and core competencies to new markets, consumers, or objectives. Horizon

Three (H3) is the development of transformational abilities and businesses to capitalize on or react to opportunities presented by disruption or to combat it (Blank 2019).

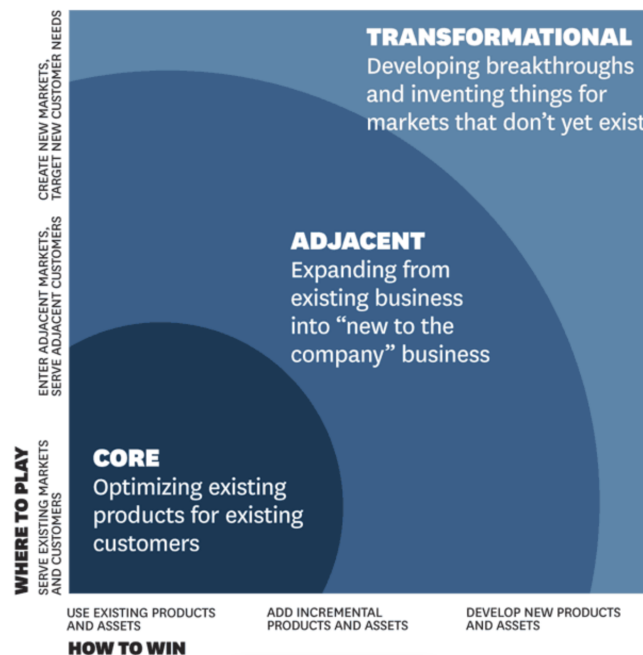


Figure 2: McKinsey Innovation Framework (derived from Viki)

Conceptual Distinction: Venture Builders, Accelerators & Incubators

Venture builders are a new phenomenon in open innovation, who not only take an advisory/supporting role in the incubation, but actively build new ventures (Beimborn, Hund, and Mittermeier 2022). Until now, there has been no uniform definition of a venture builder, neither in academic literature nor in practice. In the existing literature, when talking about this innovative incubation form, the terminology varies between “venture builder”, “start-up studio”, “venture studio”, and “company builder”, all with a similar/same perception (Zasowski 2020). However, to avoid confusion, only the term “venture builder” (VB) will be used in further discussion. Venture builders are often equated with incubators or accelerators. However, a venture builder is neither an accelerator, in which new companies receive close support for a certain period of time, nor is it an incubator, which provides the company with easier access to experts, capital and knowledge (Velten, Michel, and Özdem 2016). Rather, the venture builder engages intensively with each new company, helping to develop the product, market it,

assemble the team, and access capital. Venture builders build and fund start-ups and are much more involved in developing, commercialising, and scaling new companies than other start-up funders. The venture builder can thus be understood as a hybrid model between an incubator and an accelerator (Gillies 2017).

Furthermore, the distinction between a venture builder and accelerators or incubators lies primarily in the length of support. While an accelerator quickens the development of start-ups in a cohort during a few months through a dedicated program, the incubator provides targeted access to resources such as expertise, employees, or investors (Cohen 2013). The venture builder, on the other hand, actively participates in the development, marketing, scaling, and sale of the start-up. A venture builder's scope of services is more diverse, and its retention period (two to five years) is significantly longer, as it is involved in all areas of a start-up. As a result, it is frequently referred to as the all-inclusive approach to corporate venture (Sarbacher et al. 2016).

Figure 3 shows the most critical differences between accelerators, incubators, and venture builders.

Distinguishing features	Accelerators	Incubators	Venture Builders
Origination	External, work with pre-existing early stage start-ups	Internal, build from concept/scratch	Internal/External, build from concept from Top Management, employees (intrapreneurship) or outside entrepreneurs
Number of ventures	Many, work with large cohorts of start-ups	Few, launch a few initiatives per year	Few, launch a few initiatives per year
Corporate control	Partial, corporate sponsors the program and eventually defines a challenge	Minimal, corporate might invest in some start-ups	Full, corporate decides which ventures to start
Corporate ownership	Minority, corporate eventually invests into start-ups participating in the program	Minority, corporate might invest into start-ups launched by the incubator	Majority, ventures are controlled by corporate since day one
Management of ventures	External, venture is independent, corporate might eventually invest (seed mostly)	External, venture created and run by an external entity, corporate might eventually invest	Internal, venture run internally with possible support from outside

		(seed and growth capital)	
Services	Acceleration of development via infrastructure and resources	Access to infrastructure and resource support	Co-development by providing infrastructure and resources
Funding	Mostly external, corporate might contribute to funding	Mostly external, seed funding by incubator, corporate might join to support growth or exit	Mostly internal, seed and growth capital provided by corporate
Duration of support	3 to 6 months short-term process	0.5 to 5 years long-term process	2 to 5 years long-term process

Figure 3: Differentiation between Accelerators, Incubators and Venture Builders (derived from thorough literature review and self-conducted expert interviews)

Venture builders promise success by setting up structures that enable start-ups' rapid and flexible development. They need visionaries, market experts and trend scouts to identify and evaluate new business ideas and models at an early stage. Start-ups' experience in operations and rapid scaling means they are faster to implement and ultimately have lower risks. The internal knowledge and expertise in building start-ups can be integrated into new start-ups so that processes can be optimized and scaled even faster in the future. Venture builders get actively involved in the day-to-day business of their start-ups, help shape strategy and marketing, and provide resources such as personnel, contacts, accountants, designers and lawyers, as well as taking a financial stake in the start-up. Through their participation, they receive shares in the company and have a say in corporate decisions, such as the design of the business model (Sarbacher et al. 2016).

Venture builders offer end-to-end support, from exploring ideas to growing them. Figure 4 aims to illustrate this concept:

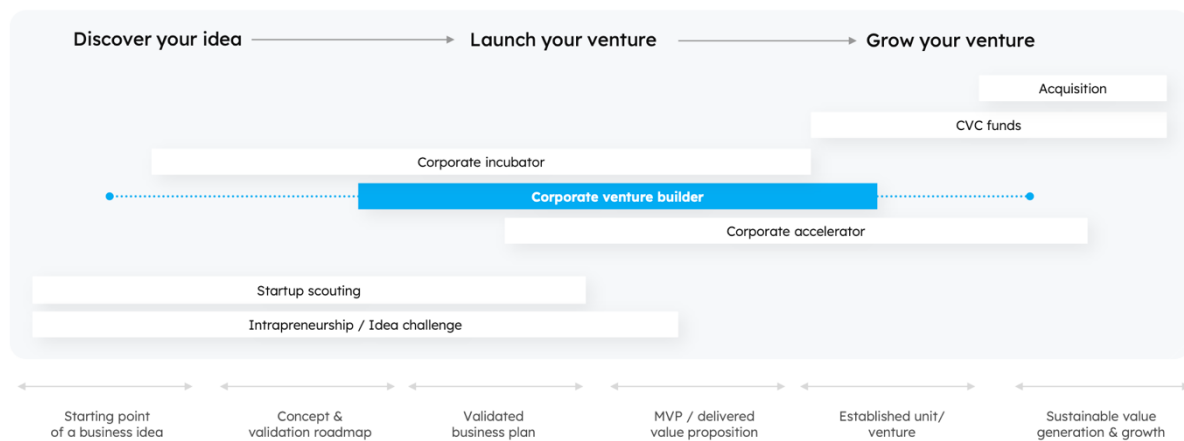


Figure 4: Level of involvement in different strategic venturing modes (derived from Jäger and Thiltges)

While the venture-building approach has increasingly become the talk of the start-up world in recent years, it has been around since 1996. With the incorporation of Idealab as one of the first venture builders, many others have followed to build successful studios over the past three decades (Zasowski 2020). Additionally, Rocket Internet (GER) and betaworks (US) (both founded in 2007) have contributed to the development of venture builders launching several successful internet companies. In retrospect, because this happened 15 years ago, it can be acknowledged as quite a success, as the possibilities offered by the internet had not yet been exploited to the same extent that we know now (van Verseveld 2019). Figure 5 shows the evolutions of venture builders throughout the years, implying proven success in developing start-ups.

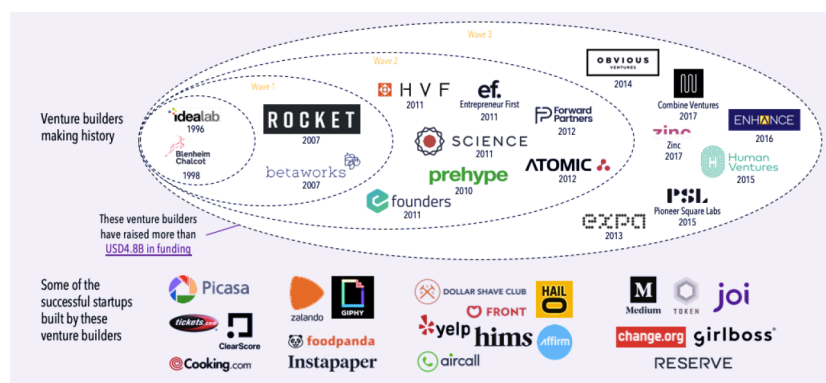


Figure 5: Brief history of Venture Builders (derived from Enhance Digital General Trading L.L.C)

As reflected by the Global Start-up Studio Network, ventures have received 30% better results using the VB approach than traditional start-ups, exploiting the advantage of repeatable processes, specific expertise, and financial resources. In addition, a VB takes on the role of an institutional co-founder, eventually leading to more involvement and commitment in the whole venture process (Zasowski 2020).

As it is known by now, venture builders, in general, set up start-ups on a regular basis and provide them with the business idea, take on the interim role of building it and mobilize a team that will take over the lead sooner or later (Jäger and Thiltges 2022). To get a better understanding, it is essential to distinguish between corporate/internal (refer to individual part “build”) and independent venture building (refer to individual part “partner”), which will be further explained in later chapters.

Corporate Venture Capital

Another form of corporate venturing relevant to the current discussion is the “buy” strategy, particularly in the form of Corporate Venture Capital (CVC). This external CV method reflects a minority-stake equity investment in start-ups that are relevant for the respective corporate. Many promising global companies – regardless of their operating industry – are already leveraging their CVC units (among these: Google, Microsoft, and Salesforce) (Haslanger, Lehmann, and Seitz 2022). Existing literature indicates that the main characteristic of CVC is both a strategic and financial intention to invest in relevant ventures (Döll et al. 2022). Recently, it has become apparent that family businesses need to externally foster their innovation efforts to accelerate growth in their core business, with start-ups playing a corresponding role (Honold and Mohr 2018). Start-ups are therefore not only financed by long-established venture capitalists (VCs) but also find themselves in the portfolios of corporates (Honold et al. 2022). According to Bain & Company, the annual CVC volume has reached new heights and increased by over seven percent between 2017 and 2020. While only accounting for 11% a decade ago,

CVC now holds almost a quarter of all VC investments (see Figure 6) (Spits, Wendt, and Rohrer 2022). A further detailed distinction between these two forms of investing (VC and CVC) will be delineated at a later stage of the paper (refer to individual part “buy”).

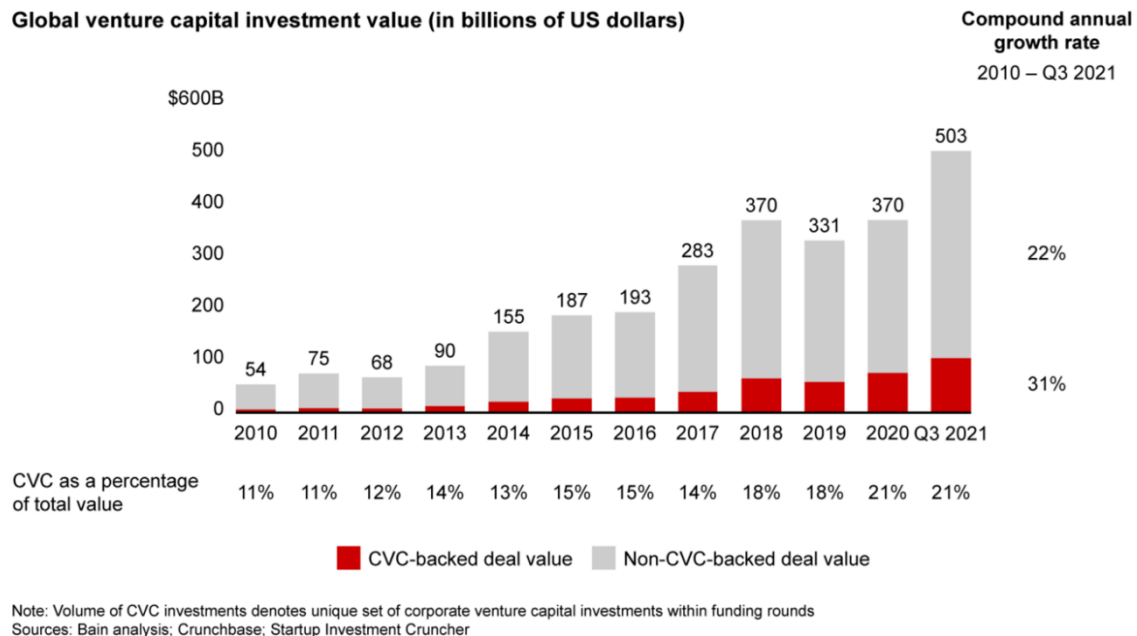


Figure 6: Global venture capital investment value (in billions of US dollars) (derived from Spits, Wendt, and Rohrer)

DACH Innovation Landscape Overview

To narrow down our research, we will focus on the region called DACH, a sub-region within Europe. The designation DACH region is derived from the initials of the countries it represents Germany (D), Austria (A) and Switzerland (CH). The fact that German is recognized as the official language in these countries of Western Europe is one of their key points in common. The DACH region is one of the most important and prosperous regions in the world, with more than 100 million inhabitants and a combined economic output of more than five trillion US dollars (Statista 2020).

Status Quo

Technological developments and new megatrends are not stopping companies in the DACH region and are changing how entire industries work. At the same time, many fast-growing companies with new, often digital business models are entering the market or even creating new markets. Many corporations have increased their innovation efforts in response to these difficult circumstances. For most corporations, innovating their products, services, and business is the cornerstone of their long-term strategy (Schilling et al. 2021).

The innovation consulting company Pioneers has performed in-depth innovation research of the DACH region, which dives into how firms approach innovation and the causes for success and failure. The survey data was gathered from senior managers in 104 organisations with over 1,000 workers and more than €500 million in revenue. It found that 87% of companies already have an innovation strategy, and 33% additionally measure clear KPIs for their innovation efforts. The study identified three primary reasons for corporates to engage in innovation efforts. The first and foremost reason is to gain a competitive advantage. Of the 104 companies surveyed, 82% said they were driving innovation to gain an advantage over the competition – which on the other hand, means pressure to innovate coming from competitors and new entrants. The second most important reason, given by 57% of the roof companies, is the desire to increase sales and, therefore, turnover. Last but not least, the study shows that 51% of the respondents are pushing innovation to meet the wishes and needs of new and existing customers (Schilling et al. 2021).

The mentioned study also explores the different strategic venture modes within the DACH area. Corporations rely on multi-corporate collaborations to foster innovation. Moreover, the study shows that cross-industry partnerships are crucial for the future success of corporates if they want to keep up or stay ahead of the competition. Germany, for example, has the largest share of accelerator programs, while Switzerland runs the highest number of CVC investments in the

DACH region (see Figure 8) (Schilling et al. 2021). Even though this field lab focuses on the described topics in Figure 1; it is noteworthy to provide information on the overall existing innovation landscape of the mentioned countries.

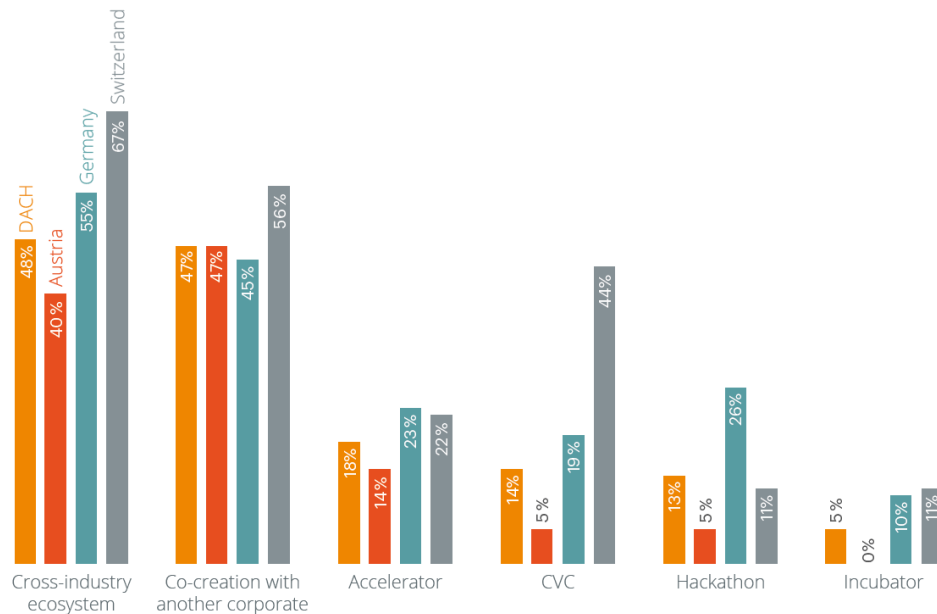


Figure 7: Strategic venture modes in the DACH region (derived from Schilling et al.)

Industry Analysis

A deep analysis of corporate innovation efforts revealed several critical differences between industries which will be discussed below. The following industries have been considered: Energy and Utilities (E&U), Transportation and Logistics (T&L), Telecommunication and IT (T&IT), Manufacturing (M), Automotive and Mobility (A&M), Financial and Administrative Services (F&AS), Chemical and Healthcare (C&H) and Wholesale and Retail Trade (W&RT). The key differences were grouped into five topics, namely accessibility, organisational structure, opportunity, goals and challenges. Accessibility refers to the manageability of innovating within the industry and whether any hindering or supporting conditions exist. The various organisational structures indicate how ready a company is to innovate within that industry. The column opportunity analyses the possibility of entering that industry with (external) innovation efforts. The next column mentions the industry's divergent goals

regarding innovation. Finally, each industry lists different challenges concerning their innovation approaches.

<i>Industry</i>	<i>Accessibility</i>	<i>Org. Structure</i>	<i>Opportunity</i>	<i>Goals</i>	<i>Challenges</i>
E&U	Strong barriers of internal resistance	Not ready	Not yet fully exploited	Product and process development	Communication, IP rights
T&L	Strong challenge with innovation culture	Lack of top management involvement	Need for external support	Strong culture focus, product innovation	Technical integration, internal resistance
T&IT	Already exploring a variety of practices	Very open to innovation	Advanced industry	Product development, entering new markets	Different cultures, internal resistance
M	Strong internal resistance	Lags behind	Seeking external support	R&D	Rely heavily on assets
A&M	At the forefront of innovation	Very open to innovation	Already using external consultants	Product development, innovation	/
F&AS	Investing heavily in innovation	Lack of top management support and clear strategies	Already using external consultants, co-creation	New products and services	Technical integration, cultural fit
C&H	Emphasis on internal innovation	Fostering intrapreneurship	Highest demand for external support	Process development, cultural improvements	Technical integration, IP rights, cultural gaps
W&RT	Strong barriers of internal resistance	Lags behind	External support needed	Product and process innovation, idea generation	No funding

Figure 8: Industry Analysis (own presentation based on Schilling et. al)

An industry analysis of the Pioneers report on innovation reveals that there is already a strong emphasis on innovation spearheaded by start-ups. While the manufacturing industry plays a vital role in the industry landscape in the DACH region, it is nevertheless the industry which is least involved in innovation efforts, whether done through intrapreneurship or collaborations (Schilling et al. 2021). Additionally, compared to manufacturing, the majority of the other industries are focusing more on intrapreneurship. Although results of the report show that internal resistance is the main obstacle towards corporate innovation, presumably, this is accelerated by an old-fashioned mindset in an mature and entrenched industry like manufacturing. Since the number one reason to innovate is the pressure of competitors and new entrants, it can be assumed that the high entry barriers in the manufacturing industry, which result from the great resource investments in machinery, material and other assets, are playing their role in the dismissal of innovation efforts. Out of the Top 50 rated corporate ventures in

the DACH landscape, the majority were within the mobility, energy and logistics sectors, followed by construction & infrastructure, business intelligence, banking and health (Schilling et al. 2021).

Regarding the European landscape of venture builders, it is noteworthy that both corporate and independent venture-building divisions in Europe maintained a consistent level of activity in 2021. Although the pandemic had a significant impact on many corporations and innovation budgets were drastically reduced, it is encouraging that corporations retained their internal venture development teams and continued to build ventures. In Europe, there are 134 active independent venture builders and 32 corporate venture builders. In terms of numbers per country, Germany and France have the most venture-building units, with 46 (35 independent and 11 corporate venture builders) in Germany and 28 in France (18 independent and ten corporate venture builders), followed by the United Kingdom and Switzerland (Kuther et al. 2022).

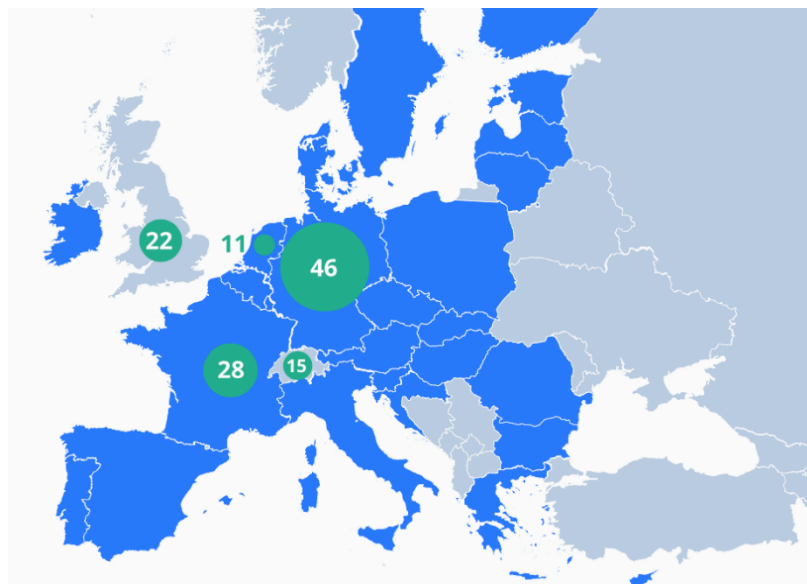


Figure 9: Total number of corporate and independent venture builders in Europe (derived from Kuther et al.)

Data And Methods

This chapter presents critical aspects of the research design and methodology as well as the planning, conduction and analysis of the interviews.

Research Design And Methodology

Besides analysing existing data and literature, the research topic and the questioning are best answered using primary data. More precisely, this work project uses expert interviews as a qualitative research method. Individual perceptions, attitudes, patterns of judgment, or processes become evident through the qualitative research methodology. Commonly, there are two situations when qualitative research techniques are applied. Firstly, researchers use qualitative research methodologies when they want to understand the “why” behind people’s decision-making behaviour. Secondly, qualitative research techniques are also applied when a researcher wishes to create a study that will draw from a broader, more representative sample and is interested in learning more about a specific issue from the viewpoint of the interviewees (Rosenthal 2016).

From this perspective qualitative research provides a way to get an in-depth understanding of the underlying reasons, attitudes, and motivations behind various human behaviours.

(Rosenthal 2016, 510)

Qualitative interviews are ideally suited as a method of data gathering since they give participants the chance to respond, share their knowledge, and debate their understanding, perception and experience in corporate venturing strategies (DiCicco-Bloom and Crabtree 2006).

Since the research focuses not only on decision factors of corporate venturing strategies but also on the perception of advantages and disadvantages of choosing a designated venturing strategy, a total number of 24 semi-structured interviews with experts highlighting and

representing the three strands of venturing procedures – namely build, buy and partner – were conducted. The role of the respondent as a source of special knowledge about the examined subject is defined as an “expert” in the context of this project. As a result, respondents were picked based on their professional experience and expertise in corporate venture building. The semi-structured interviews are organized as a series of predefined open-ended questions, allowing for flexibility and the detection of correlations when new topics spontaneously arise in the course of an interview. Furthermore, the in-depth consultation with one individual at a time lets the interviewer react pliable to ambiguity or a need for further information (DiCicco-Bloom and Crabtree 2006).

Figure 11 provides an overview of the diversity of the experts interviewed:

Description	Country	Strategy	Interviewee Position
Strategic Management Holding	DE	Build	Junior Venture Architect
Software Company	DE	Partner	Venture Builder
Multinational Energy Corporation	PT	Buy	Head of Corporate VC
Venture Capital Fond	AT	Buy	Investment Analyst
Management Consulting Company	USA	Partner, Buy	Associate Consultant (Venture Team)
Multinational Chemical Producer	DE	Build, Buy	Venture Developer
Aerospace and Construction Company	CH	Buy	Head of M&A
Agricultural Manufacturer	DE	Build, Buy, Partner	Venture Capital Analyst
Automotive Manufacturer	DE	Build, Partner	Venture Developer
Engineering & Technology Company	DE	Build, Buy	Innovation Manager
Automotive Supplier	DE	Build, Partner	Corporate Innovation Manager
Management Consulting Company	GB	Partner	Venture Architect
Logistics & Transportation	DE	Build, Buy	Venture Architect
Energy Provider	DE	Build	Senior Business Developer & Manager
Biotechnology	DE	Partner	Business Development Manager (Interim CEO)
All-in-one Start-up Scouting Platform	DE	Partner	Venture Expert
Independent Venture Builder	DE	Partner	Venture Architect
Independent Venture Builder	DE	Partner	Lead Venture Architect
Global Innovation Platform	USA	Partner	Director Partner Success
Retail E-Commerce	DE	Partner	Venture Client Lead
Energy Provider	AT	Build, Buy	Project Manager
Scouting Platform	DE	Partner	Program Manager
Domestic Appliances & Commercial Equipment Manufacturer	DE	Build, Buy	Senior Vice President
Researcher	DE	Build, Buy, Partner	PhD Candidate

Figure 10: Overview of the self-conducted expert interviews (own presentation)

Data Collection & Analysis

The empirical data collection took place between October and November 2022 in order to keep within the time frame of the field lab. The time span of the interviews amounted to 45 to 60 minutes. Due to the spatial distance, MS Teams was chosen as the communication channel.

To systematically gather and assess qualitative data the grounded theory approach of Gioia was used (Gioia, Corley, and Hamilton 2013).

Data Protection And Management

Due to the voluntary nature of the interviews as well as anonymity within the scope of the evaluations, which was explicitly referred to in the interview instruction, the aspects of data protection are considered to be fulfilled. In addition, the data is treated confidentially, so that no conclusions can be drawn neither about individual persons nor companies from the results.

Decision Factors Of Corporate Venturing Strategies: Buy

While the previous chapter of the paper (group chapter) already covered the respective corporate venturing theories in general, the buy innovation vehicle will now be examined in more detail. The following chapters serve as the individual part of this field lab. These chapters provide an in-depth look at the buy strategy and link information from a literature review with insights gained from .

Decision Factors Of The Corporate Venturing Strategy “Buy”

“Buy” is a key element in the innovation triangle of corporate venturing. What is this strategy’s underlying concept, and what role does it play in the course of this field lab?

The upcoming analysis sheds light on the “buy” strategy, which here refers primarily to the topic of external corporate venturing. There are two approaches to external corporate venturing: (1) direct investment and (2) indirect investment. Direct investment occurs in form of an active or passive minority equity stake in companies, whereas indirect investment is typified by investments in traditional venture capital (VC) funds (Markham et al. 2005). The approach of a traditional exit option through mergers and acquisitions (M&A) will not be discussed in detail in this paper.

Corporate Venture Capital – At A Glance

Corporate venture capital (CVC) is a term used for equity-based investment activities of established firms or corporates in start-ups/young companies (Röhm 2018). As described by Mayya and Huang, CVC investors differ from traditional or independent venture capital firms (VCs) mainly by the fact that the latter strive for financial returns, while CVC investors also seek for strategic benefits from their investments (Mayya and Huang 2022). Corporate venture capital can be reflected upon two dimensions: “Learning” and “Earning”. Here, “Learning” refers to the further development of the parent company’s strategic capabilities and access to new markets and technologies, while “Earning” relates to financial success (Bernauer et al. 2020).

The concept of CVC, which first gained relevance in the mid-1960s, has found its place in the venture capital ecosystem, and now plays an important role in corporations, particularly when it comes to accessing new technologies (Mayya and Huang 2022). Their historical development occurred in several waves, characterised by both technological progress and interruptions

through economic downturns (Bernauer et al. 2020). Over the past decade, the ranks of corporate venture capital arms have increased to nearly 2,000, one fifth of which are positioned in the European market (Kuther et al. 2022).

The following figure provides a glimpse of the total corporate venture capital value (in USD) and its deal count in the European market (including Switzerland and the UK). While the total CVC volume was still relatively low in 2020-Q4, it increased significantly in the following year and ranged between \$38 million and \$51 million in average deal size in the four quarters of 2021 (See Figure 14) (Kuther et al. 2022).

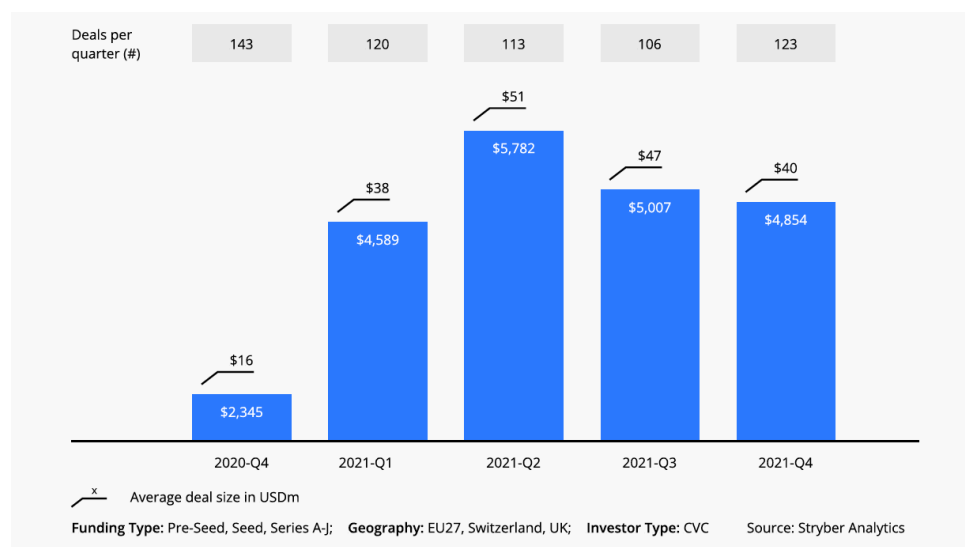


Figure 11: Total Corporate Venture Capital (CVC) volume in USDm and deal count (derived from Kuther et al.)

Organisational Structure And Ambidexterity Of CVC

As mentioned by Lanhenke, a corporate venture capital unit (CVC unit) is assumed to pay both strategic and financial returns to its parent company (Lanhenke 2008). In addition, Hill and Birkinshaw outline in their literature the relevance of the interaction between exploration (the way of building new capabilities) and exploitation (the way of using existing capabilities) for CVC units and their indicated survival rate (Hill and Birkinshaw 2014). Napp et al. mention the

value creation for the investing corporation. Thereby, the strategic value is defined along the two dimensions of exploration and exploitation including three subgroups respectively (See Figure 15) (Napp, Minshall, and Probert 2009). In this context, there is a considerable amount of literature that refers to the ambidexterity of CVC - known as the positive interplay between exploration and exploitation in organisations. This organisational ambidexterity has a positive impact on organisational performance, especially in those areas where exploratory activities are still the bigger hurdle (Pinkow and Iversen 2020).

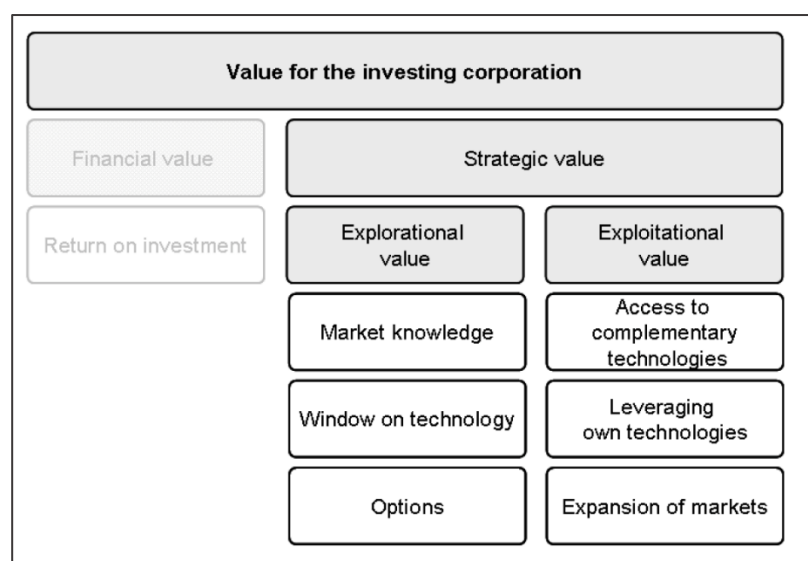


Figure 12: Strategic Value of CVC for Investing Corporation (derived from Napp, Minshall, and Probert)

Souitaris et al. go one step further and draw a distinction between CVC units that rely more on their corporate parent (so-called endoisomorphism) and CVC units that focus on the independent VC industry (exoisomorphism). While the first term is associated with unit structures of command-like communication, fixed procedures, and clear division of specific tasks, exoisomorphism refers to a more flexible style in procedures, evenly distributed decision-making process and a more consultative communication style (Souitaris, Zerbinati, and Liu 2012).

More recent evidence (Nöll, Reh, and Neubert 2022) highlights established firms' strategic structured CVC units in the CVC ecosystem: (1) LeadX Capital (by Metro) with two separate funds (early-stage and late-stage) and (2) RBVC (by Bosch) as the oldest operating CVC fund in Germany (active since 2008). LeadX Capital is similarly designed as a classic VC fund where fund employees come primarily from a PE/VC background. This implies a strong appearance to the outside, as both start-ups and other investors perceive this as a standard market practice. In comparison, RBVC is more of a bridge between enterprise and start-up, with appropriate contact persons that have been assigned for the respective business units (Nöll, Reh, and Neubert 2022). LeadX Capital is more consistent with the exoisomorphism approach, whereas endoisomorphism is a good framework for understanding RBVC.

Advantages And Disadvantages Of CVC

The following chapter outlines the common advantages and disadvantages of CVC, within both the direct investment approach and indirect investment approach.

CVC Investments In VC-Funds (Indirect Investment)

Although the quintessential CVC investment is the direct investment approach covered previously, it should be noted that CVCs also invest in traditional VC funds. In such cases, the CVC engages in indirect investments. While not the typical way of conceptualizing CVC investment, the arrangement is nevertheless common: referring to the introductory statement on investing in (institutional) VC funds as a form of external corporate venturing, Atomico's State of European Tech 2019 report has revealed that corporates and government agencies were the top two investors in all VC funds in the DACH region between 2014 and 2018. Thereby, an institutional VC investor receives capital from external investors (limited partners or LPs) and uses it to invest in its portfolio of start-ups. LPs are usually passive investors who benefit from regular updates on fund performance as well as distributions. For corporates, various factors play a role in inducing them to act as LPs in such an investment (Bernauer et al. 2020).

Financial Perspective

An obvious reason to seek such an indirect investment is the associated return that can be achieved with the given risk. If one selects a suitable VC fund, the investment can be spread broadly enough depending on the size of the portfolio of start-ups. In addition, a VC fund is mainly staffed by experts who make their investment decisions by financial motives and conduct analyses accordingly. In this model, the corporate investor therefore has to make relatively little effort in return for the financial incentive (Bernauer et al. 2020).

Risks and returns are distributed over multiple companies, which lowers the risk of a bad investment compared to direct investments. Nevertheless, this investment strategy also means that a certain scope of action can be lost. Since control over the respective portfolio companies is primarily in the hands of the VC fund, corporate investors cannot directly influence the investment approach. In addition, VC fund managers want a piece of the pie as well, aiming for a 20-30% profit before transferring it to the corporation (Markham et al. 2005).

Strategic Perspective

With sufficient financial commitment of LPs, many VC funds provide corporate investors certain rights and privileges in return allowing them to optimize their strategic added value and enable know-how transfer to the company. In addition to the fund's deal flow, CVC investors can also benefit, for example, from access to the fund's portfolio companies, workshops, and the exchange of information on market trends and changes (Bernauer et al. 2020).

According to Orrick's report on CVC, in addition to their direct investments, CVC investors frequently invest in VC funds in order to expand their existing portfolio for certain industries, regions, etc. Cisco, for example, invests worldwide in VC funds to discover and monitor market and technology trends. The globally active companies AXA Investment, BNP Paribas Fortis, Philips and Henkel participate in a VC-fund investment (i.e., in the Circularity European Growth Fund), which promotes European start-ups in the field of circular economy. Several

companies in Germany have already established a foothold in the CVC ecosystem. The following Figure shows a selection of them (See Figure 16) (Bernauer et al. 2020):

<i>German VC funds</i>	<i>Corporate Investor</i>
<i>e.ventures</i>	• Bittburger Ventures GmbH • Deichmann-Schuhe Service GmbH • Porsche Digital GmbH, ...
<i>Project A</i>	• Otto Group • Axel Springer • [...]

Figure 13: Corporate Investors in German VC funds (own presentation based on Bernauer et al.)

CVC Direct Investments

In their analysis, Markham et al. point out the importance of external investment for companies aiming to participate in an ecosystem to benefit from the technology, market integration and opportunities that foster the investor's capabilities (Markham et al. 2005). Referring to the literature on Dushnitsky, CVC initially draws a win-win situation for the stakeholders involved (corporation and start-up) having shared resources that are complementary to each other (Haslanger, Lehmann, and Seitz 2022). A recent examination of the literature on this topic reveals that this method does not always deliver the intended results in reality and is frequently abandoned after only a short period of time (Kötting 2018). The upcoming chapter examines possible positive and negative outcomes on CVC. This serves as a foundation for the interview results (explained below) to assess how well theoretical notions and assumptions match practice impressions.

The Corporation's Point Of View

Just as with CVC investments in VC funds, the ensuing profit is a key motivation in the direct investment technique. However, since CVC investors want to identify their investments largely with their strategic goals, this financial objective is given secondary importance. In addition to the previously described start-up deal flow, strategic risk hedging linked with CVC activities is also important when contemplating investing. As the business environment is constantly

evolving, companies are keen to understand trends and identify potential competitors and possible threats at an early stage. Collaborating or investing in start-ups can help address these dynamics within their business models (Bernauer et al. 2020).

The Start-up's Point of View

In their report, Bernauer et al. also incorporate the perspective of start-ups on CVC activities. Accordingly, CVC investors utilise a "smart and strategic money" strategy (as opposed to VC investors, who are solely limited to "smart money") to provide further support in developing value for the young company. To gain a clear advantage from this approach, CVC investors must position themselves and understand their added value that comes along with offering beneficial services to start-ups (see decision factors on corporate assets) (Bernauer et al. 2020).

Potential Hurdles And Obstacles Of CVC Investments

Besides the factors that speak for a CVC investment, corporate investors are faced with hurdles, both before and during the actual funding process. First of all, the alignment of goals and incentive structures are crucial. According to Bernauer et al., divergent goals of the two parties are defined as the main reason that partnerships of CVC investors and start-ups are neither financially nor strategically successful in the long run; this is also corroborated by the conducted interviews. If the strategy is primarily determined by the intention of the CVC entity, it risks overlooking the goals of the founders or perhaps other investors (Bernauer et al. 2020). Second, slow decision-making processes and bureaucracy often get in the way. Founders and CVC investors must communicate openly, and, if necessary, agree on topics contractually otherwise one runs the risk of hindering the start-up's freedom to design (Bernauer et al. 2020). Third, a negative signalling effect of a CVC investment might occur. All too often, CVC investors are in the unfortunate position of being regarded as a second-rate source of funding when start-ups were previously not able to raise money from VC investors. Figure 17 includes some significant challenges of CVC investments represented in a gear (Bernauer et al. 2020).

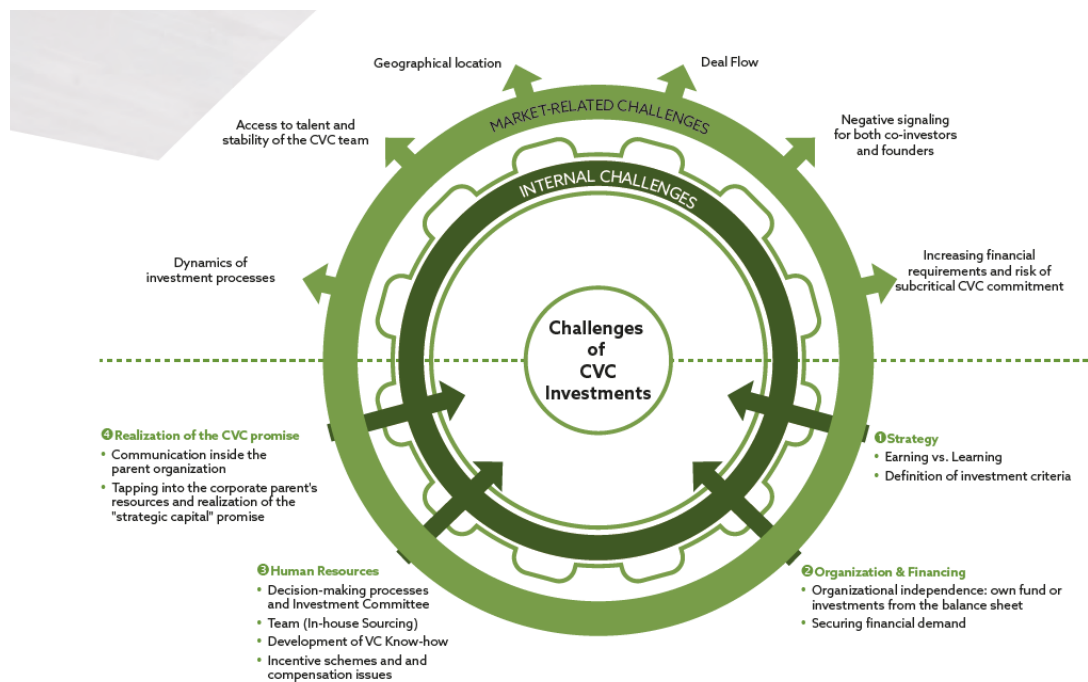


Figure 14: Challenges of CVC Investment (derived from Bernauer et al.)

Decision Factors On CVC Strategies

The main purpose of the following chapter is to examine the decision factors that lead companies to choose the “buy” strategy in order to foster innovation in their field of activity. The findings in this regard are mostly provided by the interviews conducted as part of the master's project, as well as extensive literature study. Of the companies surveyed, ten interviewees could be assigned to the “buy” strategy. Most of them pursue a CVC strategy, two turn more to traditional M&A options, and one interview partner represents a VC fund. As described in the group chapter, the independently designed interview grid has thereby yielded some insightful findings.

Innovation Horizon

Even though all the companies surveyed operate in different industries, most of them are still in horizon 1 (core) and cover other horizons (adjacent and transformative) based on their future innovation goals. One interviewee, for example, who, in addition to CVC activities, primarily focuses on M&A, moves into transformational CVC (horizon 3) by investing in periphery topics

that are not covered by the company yet. According to Alberto Onetti, there are two groups of CVCs. The first aims for sustainable and gradual innovation close to the core business (horizon 1) while the second is defined by horizon 2-3, which implies a relationship that is as independent as possible. Group 1 emphasizes the advantage that the start-up is favoured by the corporation's network and if making innovation efforts too far from the core, respective business units might not be incentivised anymore. The second group, however, argues that strategic insights for the parent company should be gained through scanning disruptive trends and external exchange, while aiming at long-term investment efforts in innovation (Onetti 2022).

Doing these things allows a company to be alive in 2030 and 2040. If they don't innovate, they won't be. [...]. And this requires going ahead and beyond the core business.

(Onetti 2022)

According to the interviewees, many are striving in this direction ("willingness to explore beyond the core business"), but still define themselves by driving innovation through horizon 1.

Ownership x Risk

Our respondents hold a minority stake in the start-ups through their respective CVC unit and emphasise the need of giving these young companies enough leeway. One corporation claims that it is still participating in the decision-making process but keeps its involvement to a minimum since "the start-up should retain ownership [of the decision-making process]." Another mentions that CVCs have an interest in leaving start-ups as much autonomy and self-reliance as possible.

Referring to the McKinsey & Company report and to the question on what (young) companies would make the best partners, CVC investors need to consider the risk factor when making investment decisions (Banholzer, Levene, and Ramtri 2022). Corresponding to the interview

results, CVCs act in a risk-minimizing manner compared to VC investors, who take the “fomo” (fear-of-missing-out) approach to their investments, while CVCs act in the opposite manner. In addition, CVCs pay attention to their reputation management and keep an eye on transferring risk to other shareholders, the start-up team, etc.

Strategic Alignment

It is evident that strategic alignment plays a key role in CVC investments. Our interview partners attach great importance to this fact, emphasising the necessity of alignment with the relevant internal business unit. As stated by Banholzer et al., this alignment needs to be determined by performance indicators that are closely linked to the company's objective goals. CVCs that adhere their strategic alignment on “hard” (ROI) and “soft” (insights, frequency of interactions) metrics obtain the best outcomes (Banholzer, Levene, and Ramtri 2022).

Attracting Start-ups

In their analysis, Bain & Company mention that CVC implies a higher risk tolerance, a faster decision-making process and longer investment horizon that most corporates are used to. As a result, they often establish separate VC entities in order to avoid corporate bureaucracy. They shift more towards a start-up mindset and refer to an investment team that has expertise. This is also argued from the point of view that many CVC investors struggle to appear as a trustworthy investor to start-ups, as it typically takes time to establish themselves in the venture capital environment (Spits, Wendt, and Rohrer 2022). Interviewees indicate that the concept of CVC is often viewed critically by the venture ecosystem, ranging from start-ups and VCs to internal corporate departments that are biased and sceptical due to lack of knowledge.

Climate Of Innovation

CVC efforts can help create a certain climate of innovation within the company. If a company implements its CVC strategy correctly, it can position itself as an innovation driver and thus attract new, digital talent through the right employer branding. Access to relevant professionals

who bring this know-how from the start-up into the corporation helps to accelerate the parent company's innovation culture (Bernauer et al. 2020). As is it extremely difficult to innovate within an existing corporation (“no incentives given”) and the internal setup is often not suitable, some respondents see “buy” (they call it “buy” but it is more of an “invest” approach) as a proper alternative when it comes to the rigid and time-consuming internal R&D processes. “A buy strategy can streamline these processes, which is particularly appealing in the area of new technologies.”

Corporate Assets

In answering the question on what assets each corporation relies on in an investment process, the interviewees appeal to have different approaches towards it. However, the respondents repeatedly mentioned knowledge transfer, client network, strong brand awareness, functional assets (“we are the best in hardware”), and funding as their main unfair advantages. Additionally, corporates also consider the increasing production ability and logistics as components. One even stated that “many projects wouldn’t exist without its respective involvement in the venture.” Moreover, corporations can rely on scale and revenue that are missing at the start-up.

Success Criteria And Key Performance Indicators

Respondents were quite insightful about their key success criteria for a buy strategy:

- “The people behind the start-up! How is the team composition? Are these entrepreneurs? Salespeople? Do we believe in them?”
- “Agreement on search fields. You need common commitment on what you are looking for and on what you are not looking for in your innovation efforts.”
- “C-level commitment.”
- “Really hands-on relation with the start-up/fund we invest in (win-win relationship).”

In addition, CVC investors count on mutual added value, satisfaction of its internal business units and learning effects when it comes to critical success criteria. The corresponding KPIs are measured by financial dimensions as well as strategic components. Traditional indicators such as ROI, EBIT, or positive FCF on investment are included, with most respondents citing financial return as the KPI they track most closely. Besides that, corporates rely on the more strategic metrics which range from product- and solution fit, to business intelligence and commercial relations.

CVC investment efforts in terms of budget is determined individually by the companies surveyed and defies categorisation. However, respondents stressed the importance of having access to a (virtually) independent fund for financing and how this would prevent the innovators' problem in the event of a company-wide economic downturn.

Top Management Involvement

The majority of respondents state that their Top Management (C-level) is directly involved in the innovation process, which they strongly value. Some take the approach of always obtaining final approval of the investment decision through their C-level, while others involve their C-level only to the extent that it is essential for the project (by assigning governance to each investment project). Appendix 2 contains detailed results on each of these metrics.

Strategic Use Cases

According to Annacone, CVC is multidimensional and there are four strategic use cases that must be considered. The approach is two-dimensional: on the one hand, the emphasis is on strategic versus financial return, and on the other hand, internal business growth versus ecosystem (outside) development. These dimensions help to establish a framework that defines different strategic outcomes respectively (see Figure 18) (Annacone 2022).

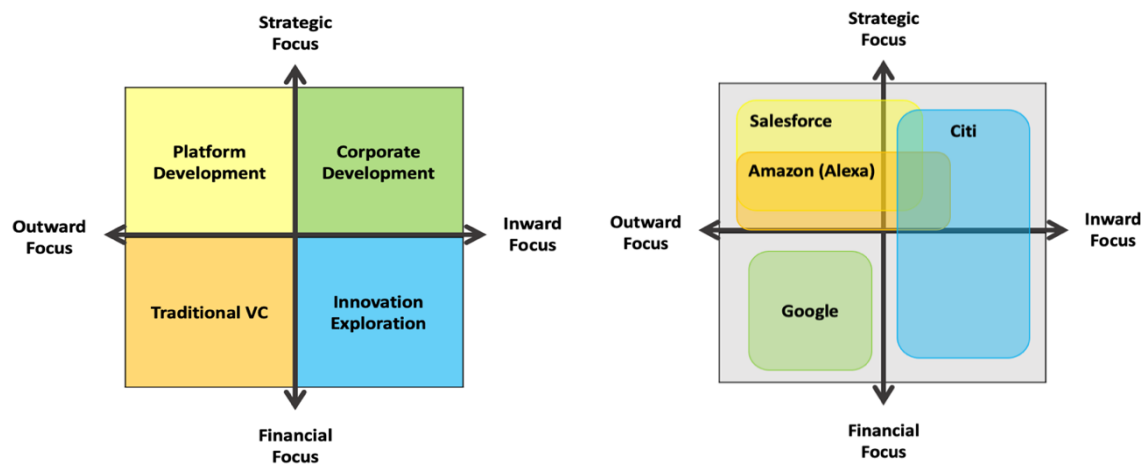


Figure 15: Four strategic use cases – concept and example (own presentation based on Annacone)

Well established companies build on these use cases in order to position themselves in their respective strategic windows. Google Ventures (GV), for example, relies on the Traditional Venture Capital approach. GV is a return-driven fund that invests in enterprise, life sciences, consumer products, and emerging technology, where it counts on capital from Alphabet. Citi Ventures, as the innovation engine of Citi, gains from the opposing strategic windows: Corporate Development and Innovation Exploration, with the stated goal of utilizing venture capital to enhance its enterprises. Since the rate of innovation and technological evolution in the financial sector is so rapid and involves many new technologies, Citi uses external innovation to advance its own business (Annacone 2022).

The fourth use case focuses on platform development, which applies to situations where corporations try to build ecosystems of new venture companies that can increase the value of corporate platforms (platform-based business models). Amazon, for example, is depending on creative outside developers to create tools that work for Alexa and increase its use. Salesforce promotes platform development, where it extends its platform and attracts new clients by investing in businesses that make use of it. Those corporates that succeed understand CVC as multidimensional and focus on use cases that closely match their objectives and market prospects (Annacone 2022).

Overarching Findings

After discussing the three main innovation vehicles in the designated individual parts, it becomes apparent that all these models implicate diverse decision factors, multiple possibilities and many advantages and disadvantages for the innovation efforts of a corporate. According to the findings of the interviews, most businesses employ a mix of different innovation tactics. The goal of this field lab is to narrow down the insights received from the expert interviews and from existing literature. Combining all these different sources enables to compare the three underlying corporate venturing strategies, “build, buy, partner”, and illustrate them in a novel decision framework.

When deciding on the right innovation vehicle, corporates must first reflect on their given conditions, which were narrowed down into eight topics: ownership, autonomy, culture, primary objective, talent, access to resources, capabilities existing in the market and time to market. Only then they can decide which strategy fits their current situation best. Companies that are successful at this self-reflection make appropriate initial decisions. Nevertheless, they have to evaluate the strategy over time, to ensure that yesterday’s decisions deliver optimal results and will allow them to succeed in the future. Figure 21 serves as an overview of the different realities of existing corporates related to their identity and the resulting innovation strategy.

Group Part

If These Conditions Fit With Your Strategy								Then
Ownership	Autonomy	Culture	Primary Objective	Talent	Access To Resources	Capability Existing In The Market	Time To Market	
High (100%)	Low	Risk Averse	Strategic	Skills Available	High	Non-existing To Low	Rather Long-term	Build
Low	High	Tolerates Failure	Strategic & Financial Alignment	Skills Limited	Low To Moderate	Emerging	Short-term	Buy
High	Low	Risk Averse	Strategic	Skills Limited	Moderate	Non-existing To Low	Rather Long-term	IVB
Low	High	Risk Averse	Strategic	Skills Limited	Low To Moderate	Moderate To High	Short-term	Partner

Figure 16: Baseline conditions to determine the actual state of the corporate (own presentation based on Stewart)

After studying their own situation and figuring out where to locate themselves, companies should get a better feeling of which vehicle matches them best at this specific time. In the following step, they can delve further into each venturing strategy, which are displayed in Figure 22.

	BUILD	BUY	PARTNER	
			IVB	Partnerships
Top-Management Involvement	Strongly Needed	Needed	Strongly Needed	Strongly Needed
Risk	No Risk Sharing	Risk Hedging	Risk Sharing	
Proximity To Parent Company	Close	Not Too Relevant	Moderate	Distant
Attracting Start-ups	/	Important	/	Important
Talent Sourcing	Internal (External)	External	External (Internal)	External

Figure 17: Five key criteria essential for each strategy (own presentation)

Through this field lab, five main criteria have been established that proved to be the most important in order to succeed with the chosen innovation strategy. The first one is the level of involvement by the Top Management. This can be seen as a pre-requisite within the build and partner approach, yet it is also crucial for the buying strategy. Moreover, it became clear that management buy-in can be a double-edged sword. On the one hand, top-down involvement is

essential for establishing and accelerating innovative projects; on the other hand, it creates a dependency on the potential arbitrariness of the C-suite. Therefore, expectations management is vital for success. The second criterion is the handling of the risk component. While the build strategy implicates no risk-sharing possibility, the partner strategy allows to mitigate risk between the corporate and the given partner. The buying strategy, however, implies a particular risk in general, despite corporates' desire to reduce this risk (cf. risk hedging). The proximity to the parent company is another relevant point to consider. The build approach implies that the new venture must act within the overarching strategy to fit with the corporate DNA, which consequently limits the venture's autonomy. In comparison, the buying approach aims to give the venture as much independence and self-reliance as possible, whereas the corporate takes on more of the role of an observer. Within the partnering approach, a distinction must be made between partnering with an independent venture builder and partnering with a start-up directly. The first case leaves the venture with a moderate scope to design, whereas the latter offers a high degree of autonomy. The fourth criterion "attracting start-ups" is significant for the buying approach, as CVC investors need to position themselves in the venture capital ecosystem. In addition, the question of where to find the best talent differs in each strategy. While building can use internal resources, the rest depends on externally sourced experts. Based on these criteria, the three dimensions, build, buy, and partner, can be compared and evaluated according to their advantages and disadvantages (see Figure 23).

	Pros	Cons
Build	Full control IP Ownership Exclusive prospect of revenue	High bureaucracy No risk sharing Resource intensive Long time to market
Buy	Lower time to market Proportional IP ownership Minor active involvement	High risk & (acquisition) costs Low decision power Less shares for investor
Partner	Lowest time to market “Try before you buy” Risk sharing Minor resource input	Least control Clash of cultures Active involvement required

Figure18: Overview Pros and Cons (own presentation)

Discussion

The purpose of this chapter is to point out numerous recommendations for Bridgemaker or IVBs in general and shed light on the limitations faced while conducting this field lab. Finally, it gives an outlook on future research regarding corporate venturing.

Recommendations for Bridgemaker

Several recommendations can be derived based on the findings of this work project through extensive literature review and expert interviews. First, Bridgemaker should emphasise that they are the perfect partner to bridge the clash of cultures between corporates and start-ups. Their speed of implementation, expertise, experience, and existing teams are all valuable factors in all stages of corporate venturing. If they promoted their temporary support more on these premises, in-house venture-building units could become aware of this service and be interested in cooperating with Bridgemaker. Furthermore, they should emphasise that partnering with them means less corporate risk. As various experts pointed out, the current crises lead to a lower risk affinity, which provides an ideal foundation for Bridgemaker to address those affected corporates. Generally, Bridgemaker should shed more light on its advantages as an individual venture builder. One interviewee stated that working with an IVB would cost too much time

Group Part

and resources. Proving that wrong by showcasing its efficiency and expertise could help Bridgemaker to improve its image with corporate in-house units and open many doors to the corporate world.

Furthermore, Bridgemaker could consider expanding its services to Corporate Venture Capital-as-a-Service (CVCaaS) by providing CVCs with interim support in start-up scouting and financial and investment advisory. This extension would enable them to address an untapped market by IVBs and, in another step, make them more crisis-proof due to a broader positioning. Another proposal would be to offer smaller service packages (e.g., just the validation of an idea or team scouting per se) since one could hear from the interviews that corporates often handle many projects at the same time and under no circumstances can commit all capacities to one project with an IVB. They could overcome this obstacle by simultaneously positioning themselves within the validation phase of many projects.

In summary, it can be stated that Bridgemaker should consider broadening its offering, as its expertise is in demand for the (ancillary) components of corporate venture building, and many companies do not need or do not want to commit their resources and money to the entire building programme.

Limitations

This field lab involves constraints that represent future research opportunities. For starters, time and space limitations imposed by the university on the scope of the field lab allowed for only a glance into the vast subject of corporate venturing. The tracing of interview partners happened primarily from the network of students, resulting in a lower response rate of contacted experts and fewer senior positions in general. As a result, the outcomes cannot be considered fully representative. However, because all responders had extensive expertise and knowledge in corporate venturing, they contributed considerably more insights than could be imagined within the framework of this work project. Because of time and geographical constraints, all interviews

Group Part

were conducted via MS Teams, restricting the possibility of analysing facial expressions and gestures. Another challenge of the current field lab was the differing opinions within the literature and the interviews. This is because topics such as innovation seldom take a guiding direction and other aspects are essential depending on the case. However, the different opinions are probably also a consequence of the need for long-term empirical data in DACH countries.

Future Research

Corporate venturing has not been around in the DACH region for long, and due to this novelty, best practices and case studies still need to be developed in the literature. It makes sense to review which measures lead to and which inhibit success regularly. Given that this field lab includes experts from various industries, it would be interesting to conduct additional research to determine whether the parent company's specific industry is a determining factor for the objectives and focus of corporate venturing initiatives, as well as how these strategies are organized. Furthermore, new studies can be conducted at regular intervals. These can be structured first to uncover current problems and then survey possible newly released solutions, such as Venture Capital-as-a-Service (VCaaS) or dive deeper into the Venture Client model. The different approaches can be reviewed and compared through qualitative studies with different corporate venturing units. In addition to qualitative research, quantitative research is considered beneficial to make the results measurable. Furthermore, a long-term (longitudinal) study can measure success more significantly, as this topic is often subject to macroeconomic changes.

In summary, the corporate venturing sector still contains numerous topics and issues that must be investigated to map a complete innovation process.

Conclusion

Innovation is the key to progress and a significant reason for sustainable economic success. Often the beginning is the most challenging part, as there are many different options with advantages and disadvantages on the way to develop a corporate venturing strategy.

In order to find the right innovation strategy, it is first of all necessary to take a close look at one's own company, its environment and culture as well as its capabilities and resources and finally, its goal. These factors should then be used to determine what and how to act within the realm of the possible.

The challenge of the current study was the diversity of opinions within the literature and the expert opinions. This is because innovation rarely goes in a pioneering direction, innovation is always subject to change, and other aspects are highly dependent on the specific situation. Furthermore, the analysis of existing research combined with the conducted interviews revealed that there is no "perfect" way of venturing – it became apparent that a mixture of innovative vehicles is the key to excellence. Companies' corporate innovation methods will need to be regularly evaluated, modified, and adapted as such.

Referring to Steve Blank's quote, "You think start-ups are hard? Try innovating inside a large company" (Blank 2021), it can be concluded that despite corporate venturing, innovations within large companies are challenging. However, like large companies, start-ups have their challenges. As tankers and speedboats are not compared in shipping, it is difficult to compare start-ups with companies. Parallels can be drawn, and best practices can be transferred, but copying is not sensible. Instead, it is crucial to innovate within the circumstances and to use the given structure as an advantage. For a thriving innovation culture, start-ups and corporates are essential players driving innovative strength.

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Appendix

Appendix 1: Interview Guide – Decision Factors of Corporate Venturing Strategies

Name	Company	Date of the interview	Interview time

1. Introduction of the researcher and context of the interview

- Brief introduction of the researcher and his current activities
- Presentation of the thesis and the interview

2. Organisational matters

- Procedure of the interview
- Anonymisation

3. Introduction of the expert

- Current job
- Experience in company building

4. General question on innovation

- What is the core objective behind the innovation efforts?
 - Optimisation potential of the core business? (CORE)
 - Expand core business? (ADJACENT]
 - Complete realignment? (TRANSFORMATIONAL)

Questions	Build	Partner	Buy
What are the top 3 success criteria of the strategy?			
What are the advantages of your strategy?			

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What is the overall objective of this strategy? (core/adjacent/transformational)			
In which scenario is this strategy used?			
What specific innovations have been promoted in this context?			
Who is involved? (Top Management)			
How do you measure success? KPIs			
How many of your past 3 projects are sustainably successful?			
How long does it take to be successful?			
What are the costs? <100k, 100k-1M, >1M €			
Who retains control? (Ownership x Risk)			
How close or how loose does the relationship with the parent company need to be?			
What assets does the parent company bring to the table? (Unfair advantages)			
Should the two entities merge in the long term or remain separate?			

5. Budget

- How much budget do you have available on average for innovations?
- Is this budget exclusively for the innovation department or does the marketing department, for example, also have its own budget for innovations?
- How is this budget then divided up and used?
- Do you feel that the innovation budget is sufficient? Also in terms of competences?
- How much budget does a group allocate to CVB per project?

6. Experience & Process Understanding (Success Story)

- Can you tell us about a past project in the CVB area?
- What was the aim of the project?
- How much budget did you have for it?
- To what extent was the project a success? How is success measured or do you have KPIs for it?
- What worked well? What less well?
- What problems did you face in the course of the project?
- Would you implement the same project again today with the same strategy?
- If yes, why? If no, why not?
- How many of your projects in recent years have been sustainably successful? What is the reason for that? How is that measured?
- In comparison: what constitutes failure vs. success?
- What are the most important decision factors for a corporate venturing strategy? (Structure/Legal/Financial/Strategic)

7. Conclusion of the interview

- Open question as to whether the expert would like to add aspects that he/she considers important
- Ask for additional contacts
- Asking if we can get in touch with follow-up questions
- Ask whether the results should be shared afterwards

Appendix 2: Key Metrics Of CVC Interview Partners

<i>Company</i>	<i>C-level involvement</i>	<i>Ownership stake</i>	<i>Innovation Budget</i>	<i>Success Criteria/ KPIs</i>
<i>A</i>	yes	minority (5-25% stake);	10M /year	• # of start-ups • impact of the turnover associated with CVC • commercial relations • ROI
<i>B</i>	yes	minority or full (M&A)	at least 5% of “purchase” price	• ROI after 6 years • pos. FCF at time of "purchase"
<i>C</i>	no	/	5M/year	• solutionfit • productfit
<i>D</i>	/	depends on the partnership	/	• financial return
<i>E</i>	yes	/	50M for the next 3 years (virtual fund separate from balance sheet)	• business intelligence • financial return
<i>F</i>	yes	minority	budget from balance sheet	• total value paid-in • good start-up performance
<i>G</i>	yes	minority	3-year horizon: 600-700k/1st year, 2.5M/2nd year, 6M/3rd year	• financial return • projects implemented
<i>H</i>	yes	minority	n.d.	• added value for both parties • EBIT of the start-up • good start-up performance
<i>I</i>	yes	actual ownership at corporate	couple of millions/year	• key results/period (quantitative) • objectives (qualitative)
<i>J</i>	yes	minority	depends on the project	• ROI • Venture/project performance