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DECISION FACTORS OF THE CORPORATE VENTURING STRATEGY "BUILD"

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Abstract

Decision factors of the corporate venturing strategy “build”

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. The following paper has its focus on the decisions for “build” in the business environment, wherefore it covers “corporate venture building”, 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, 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	*Strategic Venture Mode*	
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 (as separate uploads).

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).

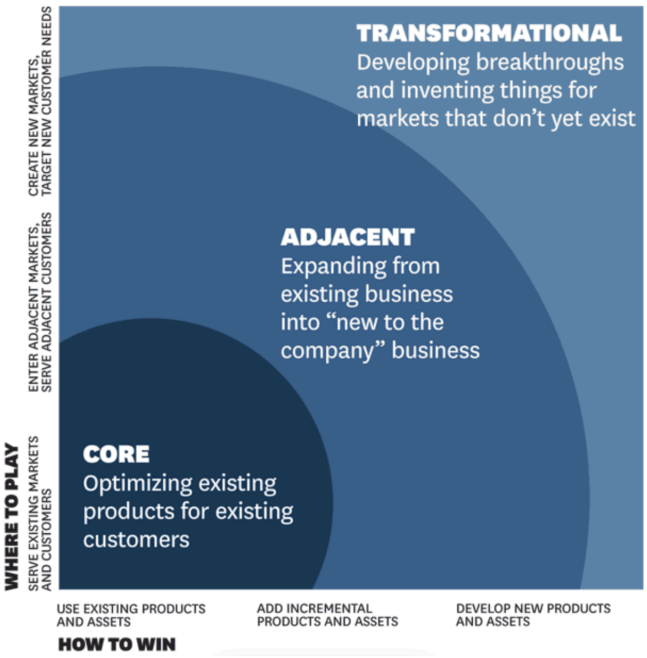

Figure 2: McKinsey Innovation Framework (derived from Viki)

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 entrepreneurships
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:

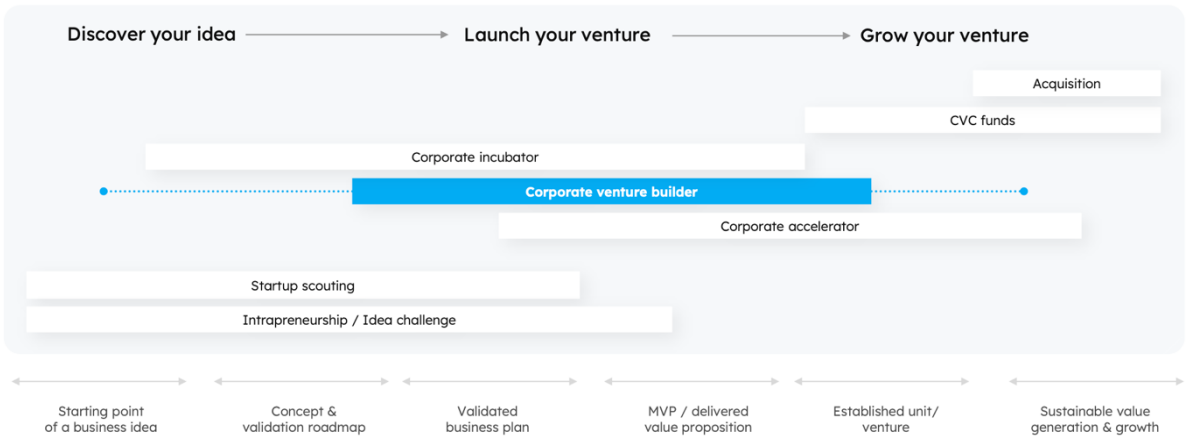

Figure 4: Level of involvement in different strategic venturing modes (derived from Jäger and Thiltges)

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 evolvements of venture builders throughout the years, implying proven success in developing start-ups.

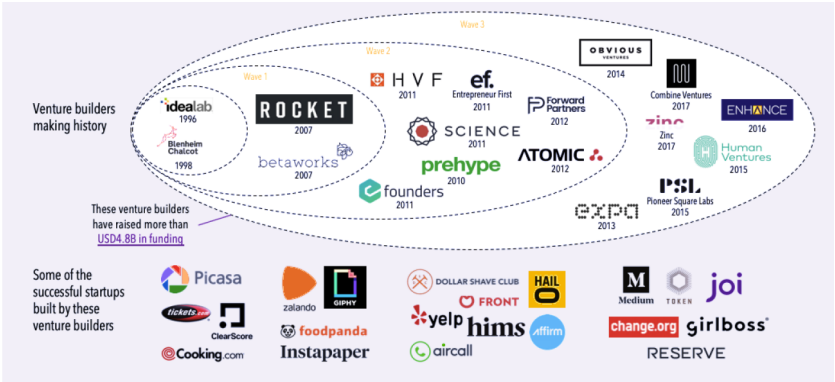

Figure 5: Brief history of Venture Builders (derived from Enhance Digital General Trading L.L.C)

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").

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 6) (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.

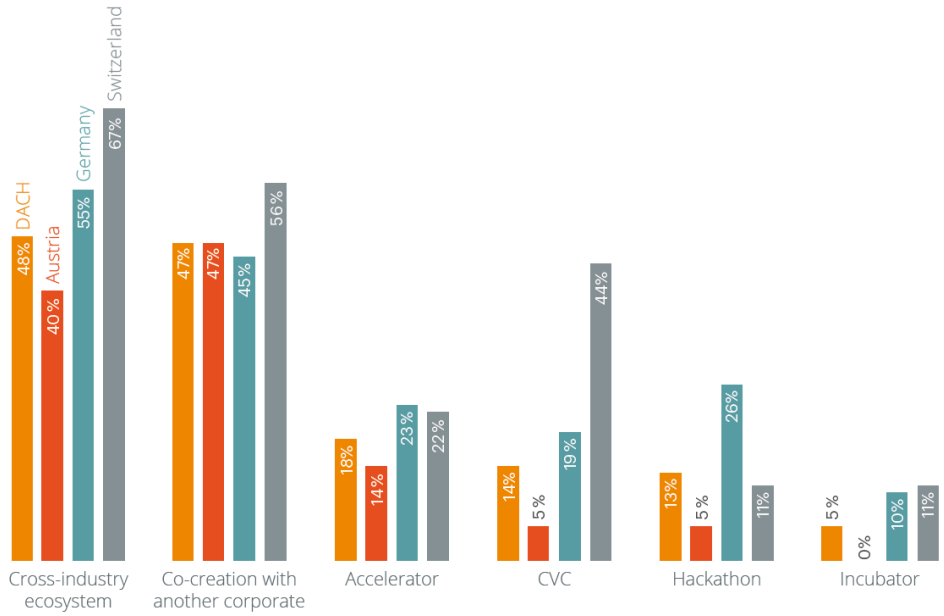

Figure 6: Strategic venture modes in the DACH region (derived from Schilling et al.)

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.

Industry	*Accessibility*	*Org. Structure*	*Opportunity*	*Goals*	*Challenges*
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 7: 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).

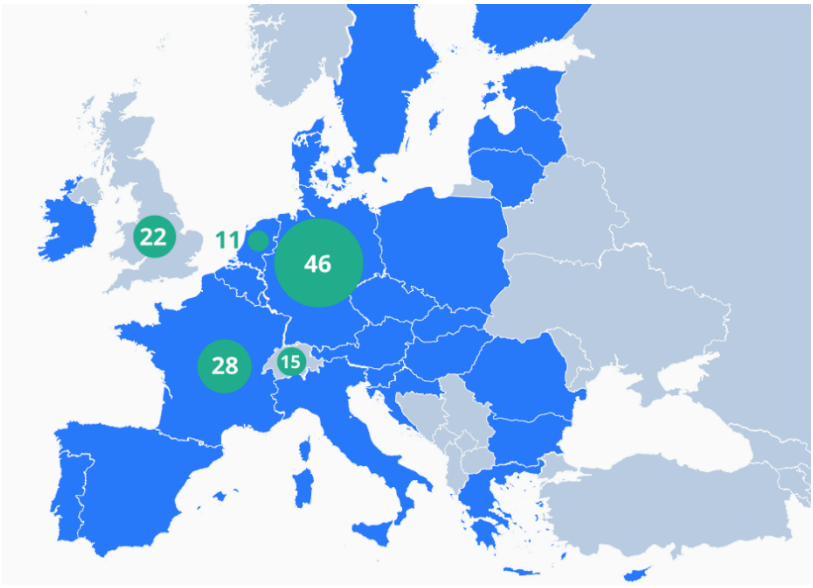

Figure 8: Total number of corporate and independent venture builders in Europe (derived from Kuther et al.)

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 9 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 9: 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: Build, Buy, Or Partner?

While the previous chapter of the paper (group chapter) already covered the respective corporate venturing theories in general, the innovation vehicle “build” will now be examined in more detail. These chapters provide an in-depth look at the strategy and link information from a literature review with insights gained from expert interviews.

Decision Factors Of The Corporate Venturing Strategy "Build"

How does the innovation vehicle "build" differ from other established practices of innovation work? Moreover, how is the term used in the context of this field lab?

The aim of this chapter (individual part) is to shed light on the strategic venture mode of "corporate venture building" within the strategy "build" and dive deep into the decision factors and success stories that lie behind this method. The reason for that particular focus lies within the scope of this field lab and the ambitions of Bridgemaker. First, an elaborate definition of "corporate venture building" is given, followed by a summary of expert insights gained from 11 (out of 24) self-conducted interviews relevant to this strategy. Lastly, a demonstrative use case is showcased to illustrate the given strategy's setup.

Definition

Corporate venture building (CVB) is one of the most recent and widely used techniques in the corporate innovation community's toolbox. It describes the venture-building process from within an established company (corporate). The fundamental premise is that corporates can establish start-ups internally rather than rely on open innovation initiatives such as accelerators or corporate venture capital. While the previously described possibilities remain in the innovation playbook, actively developing new companies is considered a viable addition where corporate assets (later defined as "unfair advantages") can be exploited. Companies can provide their endeavours with an additional edge due to their sheer size and resources, putting them ahead of possible competitors (Mueller 2020).

Furthermore, the resulting business unit is free of corporate red tape while being intensely focused on the corporate's strategic imperatives (Genberg 2021). In venture building, the company attempts to establish new business models partly outside its core business as its start-ups seek to stay ahead of the competition, capitalize on innovation, and offer financial returns

to shareholders. Companies must be able to innovate at ever greater pace to stay ahead of market developments as the globe continues to move quicker and faster. Ideas must be generated and implemented at breakneck speed. CVB enables organisations to create an innovation engine with the speed, flexibility, and agility of a start-up but the resources and backing of a corporation. Good ideas travel faster and further when the corporation's assets, relationships, and experts back them up (Genberg 2021).

Therefore, the strategy "build" is becoming an increasingly practical approach for organisations. Corporate venture builders catalyse focused and strategically aligned new business and product innovation, boosting the corporation's ability to capitalize on its next wave of growth (Frick and Meusburger 2021). Well-known examples are wattx by Viessmann or the Lufthansa Innovation Hub (Kuther et al. 2022).

Important Decision Factors

Building corporate ventures is a popular new topic. However, there are various decision factors that a corporation must consider when it comes to setting up a CVB unit. Mostly, these decisions revolve around governance, but not exclusively. Corporates must think about the management of the components of the unit structurally and institutionalize them correctly. While venturing is inherently risky and appears to be more of an art than a science at times, doing it consistently and in a disciplined manner usually results in success. It is crucial to have a clear path of what it entails when a venture succeeds, as there are multiple options to choose from (spin-in versus spin-off) (Mueller 2020).

In order to be successful, corporates must make some critical decisions upfront. They must determine how the current business strategy will impact the venture development plan and which corporate assets the venture builder can utilize and how. Moreover, the ventures' connection with the existing parent company has to be established. Another crucial choice is where to find talent. Finally, what happens if the venture is successful? Which scenario is most

suitable? All these decision factors are discussed below with thoroughly selected insights from the expert interviews.

Problem Solution Concept

Every start-up begins in the exploration phase. That suggests the team is looking for a significant problem first. From most of the interviews, it was clear that these venturing projects were usually the result of looking at what problems the various departments are currently facing and then deciding on the most pressing one. One specific interviewee mentioned a digital innovation process where a funnel system is used to go through the following three phases: discovery & validation, incubation and founding & scale-up. This process includes thorough trend research to determine which areas would be the most relevant for the corporation. Furthermore, problem areas are identified based on customer insights. Based on these problem areas, about 15 ideas are generated, which are then shortened by the board to the top five. This shortlist is further processed in a design thinking process, in which the topics of desirability, viability and feasibility are addressed. This is followed by a pitch, where the Top Management then selects three ideas, which are allowed to move to the next phase. In another interview, "search fields" were introduced: "An important decision factor is an agreement on search fields. It takes a common commitment where to search and where not because of the fear of getting totally distracted by lots of small ideas. Everyone is afraid to miss the golden bullet, but it takes discipline to search only within the designated search fields." The same person also shared another learning, explaining that they were thinking too small in their search fields and that they should have gone bigger, as it takes the same amount of energy despite the project size, but the outcome is more significant.

Proximity To The Parent Company

CVB differs from typical start-ups because corporations have an overarching strategy and agenda. As a result, a venture-building unit should comprehend what that plan demands. They

must break it down into clear options and limits, which will be passed on to the venture teams. One interviewee pointed out a challenge: “Being strongly bound to the corporate strategy makes venturing less flexible”. Another one stated the following: “How well does that [the venture] fit in with the corporate’s DNA?” As a result, the proximity to the parent company might influence how autonomous a CVB can be.

Innovation Horizon

As mentioned in the theoretical background, there exist three different horizons when it comes to innovation efforts: optimization of the core (core innovation), expansion of the core (adjacent innovation) or complete realignment (transformational innovation). The interviews confirmed that only the first two horizons play a role in the strategy “build”. Although, one person mentioned that two years ago, they were utterly transformational, founding and buying start-ups for quick wins and process solutions. However, the focus has changed (due to the current crises), and the board has vetoed venture-building. Others also disclosed doubts about whether innovation efforts should be mixed or close to the core business. One interviewee emphasized uncertainty regarding how far away from the core business the innovation should be: “How close to the core? Which thematic areas?”. This question of the degree of innovation was raised several times. Whereas one discussion partner described the key goal as a “journey into the unknown”, another clearly favoured the “support core business” horizon. Since the crisis is increasing the pressure on the core business, money is no longer being willingly spent: “Can we afford all this today?”. The topic of the current crises was addressed in another interview as well: “At the moment, buying is expensive, so we are building it ourselves.” Yet, one company spoken to is switching from an intrapreneurship (6-months long program to learn and then return to the core unit and act as multipliers there) to entrepreneurship (accelerator program with outside founders): “With the crisis coming up, it is also exciting to see which is then the more effective option at the end”.

It is becoming evident from the interviews that the key objectives must be clearly defined. There must be a transparent concept and a clear target roadmap. “You cannot just launch a venture builder into the world without knowing the framework”.

Top Management Involvement

When asking the interview participants to list the top three success determinants for corporate innovation initiatives, the following key phrases were repeatedly stated: continuing stakeholder management, top-level support and sponsorship, expectation management, and top-level commitment. They also discussed the difficulties that come when pitching in the corporate world. What makes this process so difficult? Corporate start-ups require a safe haven guarded by a business unit manager or Top Management who finance and support the project. Strategic solid intent from the start ensures stakeholder buy-in.

Top Management involvement is a fundamental success criterion for CVB. Its importance was emphasized in every interview without exception. In one interview, it was explained that the board is needed as a strategic partner and that innovations must be driven top-down. Only then does one have to look for intrinsically motivated employees (i.e., bottom-up). One needs support from the top and advertising at the base. One person spoke out against in-house venture building for this reason: “You always have to make sales internally, then at the market, then back internally”. Another interviewee highlighted that one needs a management buy-in, i.e. being tied to Top Management. Even though Top Management involvement is indispensable for success, it presents possible challenges. One interviewee shared that Top Management can also be an innovation killer, as the area around venture building can be too opaque: “What is the point in the long run?” the manager asked, “After all, if it is a good idea, you can buy it!”. Another interviewee stressed the importance of expectation setting, as the board’s expectations often did not match reality. She described it as a daily challenge to match these expectations, as the Top Management wanted to achieve short-term and financial results. In contrast, the

innovation unit thrived for long-term and strategic goals. Another interesting point of view addressed in an interview was the following: “Furthermore, business units are very efficient and opportunistically driven, there are many ideas, and everyone wants to have ownership, but where is the perfect place? What are the right requirements? If you do not have a structure, it falls into one of the silos. So it requires a strong board that has the view. You need a higher level above the silos and a clean mechanism to make those decisions.” The same interviewee defined the core challenge when he explained that many managers work according to old principles (“You go and manage it among yourselves”), everyone wants their piece of the pie, board members state that they have other “problems” and therefore innovations are put on the back burner for the time being.

A solid commitment from top-level management is necessary for a successful innovation strategy. Nevertheless, giving the newly established team enough autonomy also seems indispensable. The Vice Director of such an innovation unit said: “I am not the chief inspector who is always ruling in there”, meaning that he trusts the team and does not want to interfere too much.

Budget

The budget allocation has a significant impact on the project’s success. A well-aligned budget with strategic goals well-managed and sustainable is required. Asking whether the capital can keep the venture builder going until it has gained enough experience to provide value or whether the investment is coordinated with all critical levels of management to ensure no unexpected setbacks is beneficial. Moreover, another significant aspect is having a strategy for adjusting the budget to meet upcoming needs. Most interviewees revealed that their innovation unit either has a fixed innovation budget or that each funding is project-based. In one specific interview, the issue was raised that their money was only available within the annual period and was not transferable to the following year. Another interviewee shared the opinions regarding the

available budget change with the mood of the Top Management: “In good phases, the money is given, and in bad phases, they [the Top Management] ask themselves ‘What do we actually need this for?’”. The commitment of the Top Management is a prerequisite for reliable and continuous funding. On the contrary, one expert complained about having too much money available from the corporate: “The allocation of money is the problem. When vast amounts of money are available, people no longer question anything. People no longer think about what is necessary. You need a competent contact person. However, in our case, the validation was not there; it [the venture] was developed way too fast, the money was just spent; the expertise was not given; there should have been a much closer collaboration with the Top Management”. Another interviewee emphasised that most projects would not even exist without the immense financial support they receive from the corporate.

From these quotes, it quickly becomes apparent that budget handling must be discussed from the beginning to avoid any fields of tension that may arise.

Corporate Assets

The concept of unfair advantages is one of the primary motivators for corporate venture building. The company has a sizable balance sheet, tangible assets, client relationships, and numerous other potential advantages (Mueller 2020). From the interviews, the following advantages could be extracted:

- Brand awareness (“the brand has a charisma” and “we have one of the strongest brands on this planet”) and the resulting premium customers who have the willingness to pay
- Many thousands of employees, each providing their own expertise and network
- Know-how and capital

One interviewee pointed out that the projects would not exist without the parent company and clarified that as the most considerable advantage.

On the other hand, it would be difficult for most start-ups to have access to customers immediately. As a result, it is clear that the corporate venture builders have a realistic scenario in this arrangement and can benefit from their parent company (Mueller 2020).

One interviewee put it well: “There would be no better strategic partner than the parent company”. To make the most of these so-called unfair advantages, it is imperative to clarify from the beginning which assets can be used and who is the right contact person; creating a relationship with the parent company is critical. That is the only method to provide the start-up with the essential advantage. There will be trade-offs, and not all corporates can live with the same options. Which choice is best for them depends on the nature of the business as well as the culture of the organisation. However, making a decision is critical.

Key Performance Indicators (KPIs)

Corporate start-ups frequently face expectations clashes because they can rarely fulfil the KPIs seen with traditional product debuts, such as contribution margin and market growth. Parent companies, for example, frequently anticipate young ventures to break even in a few months, which rarely occurs, especially in today’s fast-paced, agile industry (“I have already pumped so many millions into it, and nothing has come of it yet”). Companies that exhibit this kind of impatience risk cutting the cord too soon. Some unsuccessful businesses, after six months, scale up, while others remain downward. It is advised to look for more midstream measures, which are less likely to be financial and more likely to be customer-based, to find scalable new firms. It is essential to avoid vanity metrics like share of voice or traffic and to fight the impulse to spend money on marketing to acquire consumers. It is better to consider the customer lifetime worth, which should be larger than or equal to double the acquisition cost. When new organisations try to scale, they risk failing if customers do not value the product sufficiently (Collins et al. 2020).

Talent Sourcing

Start-ups are challenging, and corporate ventures are no exception. It is always challenging to create something from scratch, and it takes a specific type of individual to execute it. Starting a business is, therefore, only for some. As a result, one critical question is where to discover venture builders. There are various points of view on the subject. However, the critical issue is collaborating with current teams or outside talent. Both approaches have significant advantages and disadvantages that must be carefully considered (refer to Figure 10 for an overview) (Mueller 2020). Regardless of which approach is chosen, most interviewees confirmed that the right team composition is the key to success: "The team is the most important KPI, even if it is not really a KPI, but people first" and "select the team accordingly and put the right team on the right topic".

Allowing existing employees to join the venture team ensures familiarity with the firm. They will be able to negotiate politics more easily and exploit current assets. They are also more easily recruited, as they are intrinsically motivated. On the other hand, existing teams may need to be more innovative, which is why they operate for a corporation. They may also need more frugality and resourcefulness generally required of venture builders, as they are used to dealing with many resources, larger teams, and shorter schedules (Mueller 2020). In one conversation, it was emphasized that people from the inside are process-driven and have no risk affinity. Another one shared that there were difficulties in finding employees from inside, "who would put down their corporate contract?" and "if you grew up in a corporate and know the perks (hours, salary), it is a different story in a start-up where you do not even know if it will still exist in two years". Another expert declared this as the sticking point, where the wheat is separated from the chaff. He explained a situation where they were staffing internal personnel for a new entity, and one employee declined the offer due to the beforementioned reasons. Despite being disappointed at first, the expert accepted that entrepreneurial life is not for everyone and that it is essential to sort out the right people with intrinsic motivation.

Bringing in outside entrepreneurs with prior experience can prevent the inevitable start-up blunders. However, as one interviewee nicely put it, “do not be blinded by the stage entertainers; you also need coders”. Nonetheless, given the proper backing, external entrepreneurs will likely be the most robust, pivot more frequently and faster, and hence be more likely to succeed. On the other hand, they are unfamiliar with the company and typically do not choose to work for a corporation. As a result, cultural disputes are typical and must be controlled (Mueller 2020).

One interviewee stressed these challenges further, saying that it takes a “hell of much commitment” and that “founders need to be incentivized and specially managed” (it takes special skills, capital, equity). Another expert even went so far as to say that team sourcing can be an absolute killer because “how should you bring good entrepreneurs into the company? How can you incentivize them?”.

Regarding incentivization, everyone has their reason for working. One person may be inspired to work in a corporate start-up by the opportunity to learn new skills and get new knowledge. Another incentive could be that he or she can work on his or her notion. Another individual may be highly enthusiastic about a subject or the (good) cause of the venture. These are all examples of intrinsic motivation, which means that the person’s motivation to act stems from within their character. Extrinsic motivation, on the other hand, is reward-driven behaviour. Employees that are extrinsically driven work for the company’s compensation, (actual) shares, or phantom stocks. Employees at corporate start-ups are paid similarly to those in corporate positions. Hence salary is not usually the primary motivator for joining a corporate company. On the other hand, changing to a corporate start-up may result in a new job responsibility, such as CEO or founder, which is considered a remarkable career milestone for some. There is no right or wrong incentive to propel oneself forward. To identify the right motivation plan, it is critical to evaluate the two types of motivation and freely discuss them (Zauner, Zrenner, and Thiltges, n.d.).

	Using Internal Talent	Using External Talent
Advantages	Familiarity with the goals and strategies of the corporate	New entrepreneurial and start-up mindset
	Know-how to leverage synergies of existing structures and resources	No resource conflicts, 100% staffing on the new venture
		Critical skills for the venture
Disadvantages	Resource conflicts	No familiarity with the goals and strategies of the corporate
	Reluctancy to pivot away from core business of the corporate	No internal network to leverage
	Longer processes due to missing entrepreneurial working mode	

Figure 10: Advantages and disadvantages of internal vs. external talent sourcing (own presentation)

Spin-In Versus Spin-Off

In today's competitive company growth environment, high-performing, innovative corporates seek agility, resourcefulness, and acquisition. They frequently apply a spin-out mentality to innovation, which is relatively straightforward. When employees or individuals working on behalf of a company form a venture in which the corporation owns all outputs and resources, this is referred to as an innovation spin-out. However, some businesses are basing their approach to innovation and growth on a mindset known as spinning in (Watts 2020).

These entity structures can make or break a new venture's speed, development, and success rates. Choosing the appropriate one is an essential part of the process (Suazo, n.d.). A spin-in is a type of business that begins with the intellectual property of a company's employee or affiliate. The start-up founded on this intellectual property belongs to these individuals, not the corporate. However, unlike spin-out companies, which provide resources and begin with ownership of the innovation before they know how it performs, spin-in companies do not initially have ownership of the innovation. However, if the start-up performs well, the corporate in question may eventually invest in or acquire it, spinning it into the company's portfolio (Watts 2020).

It is essential to thoroughly analyse each entity's attributes to make an informed conclusion about which is ideal for the corporate (Suazo, n.d.).

One interviewee shared that "start-ups need their intellectual property to be viable; that is why spin-offs have been difficult because you have to get the intellectual property out there". It can be quite a long process to carry out the internally founded IP. Another interviewee explained how the ownership remains entirely within the corporate, and if external persons are involved, then only under the premise that the IP remains inside.

The crucial decision is about the venture's course and the incentive systems for founders and management. Every path has challenges and criteria that must be considered and planned for.

Common Challenges of Corporate Venture Building

Corporate venture building has risen to the top of many company's priority lists. However, there are several challenges to be faced which lengthen the time to market and significantly increase the risk and expense of failure. Most of them were mentioned in the expert interviews (e.g. talent sourcing); the following paragraph serves as an overview of the most pressing ones. Nonetheless, incumbents have a unique opportunity to combine the agility and rapid development potential of a start-up with the resources and expertise of an established corporation, if these challenges are tackled in the right way (Collins et al. 2020).

Governance: Typically, corporations endeavour to incorporate new ideas within current reporting and funding frameworks. This causes delays and frequently leads to teams increasing their investment request to have enough funds to make it to the next budgeting cycle. The entire investment will be utilized even if the notion has already been disproven. Meanwhile, day-to-day governance is too burdensome for a young venture to pivot and learn in the market.

Incentivization: New ventures require true founders who have "skin in the game" through equity and are incentivized to make the business successful or to kill it early so they may make their money and find success elsewhere. If the stake is too low (lacks personal opportunity cost), it takes longer for initiatives to die, typically necessitating the formation of a steering committee (Willis 2021).

Key Questions

The interview participants of this work project discussed the several essential decision factors that contributed to the achievement of their innovation efforts. To summarize, specific key questions were developed that should be considered inside each project to bring the idea to market successfully.

Decision Factors	Key Questions
Problem Solution Concept	Everything begins with ideas, but where do they originate from and how do you choose the best ones? Which problem do you want to tackle? Does it fit with the corporate vision, strategy, and portfolio? Do you have an innovation process?
Proximity To The Parent Company	How close should the venture builder be to the parent company? What structures, communication channels, and information sharing mechanisms should be in place to effectively balance the CVB's creative independence and access to corporate resources? How close (geographically) will the venture builder be? What effect does this decision have on the CVB's and the core organisation's thinking and collaboration?
Innovation Horizon	Which of the three horizons are you tackling? Do you want to optimize the core? Do you want to reshape and complement the core business? Do you want to explore new business models and technologies?
Top Management Involvement	Do you have management buy-in? What is the required management commitment for this project?
Budget	What type of budget should be set up before beginning a venture builder? Can the investment keep the venture builder going until it has gained enough experience to provide value? Is the investment coordinated with all key levels of management to ensure no unexpected setbacks? Is there a strategy in place for adjusting the budget to meet upcoming needs?
Corporate Assets	What is the company strategy and which assets are available? Do you have an unfair advantage in running this project, i.e., can you leverage the corporate assets in a way that secures a competitive advantage? Do you have a person in charge for that matter?
Key Performance Indicators	What objectives and KPIs give the appropriate foundation for the venture builder? Do the standard (financial) KPIs and corporate goals apply to the venture builder? Do they encourage objective information acquisition, creativity, and the production of innovative ideas? Are the ambitions in line with the time it takes a venture builder to establish the start-up? Can those objectives be properly measured and controlled without putting the venture builder under pressure to think in the short term?
Talent Sourcing	Should the employees be recruited from within the main organisation or from other sources? Can the venture builder be used to attract people who would not otherwise be interested in a traditional corporate structure?

Spin-In Versus Spin-Off	Is there a logical home for the venture, now and in the future? Who has ownership of the company? Should the corporate start-up be ultimately transformed into a spin-off or be part of the parent company? Would you be willing to accept third-party investments (and eventually lose control of the new entity)?

Figure 11: Key Questions (own presentation)

The Figure contains many closed questions (similar to a checklist), which can be answered relatively quickly and should be considered from the start. The open questions serve as a deep dive and guide to establishing a corporate venture-building unit.

Use Case: wattx by Viessmann

The Hessian heating manufacturer Viessmann has discovered digital business models for itself. In 2015, its venture builder, "wattx", was founded. Wattx CEO Bastian Bergmann and his team develop ideas, which they then spin-off. The company builder employs developers, designers and researchers. "Every idea can be run through once, from market research to prototype," Bergmann says. If the idea passes, a venture is founded (Schlenk 2016).

Wattx is a distinct entity strategically aligned with Viessmann and operates as a satellite unit within the organisation. They are located in Berlin, 450 kilometres from the headquarters (Allendorf). They make their own decisions and work at a different pace than the rest of the corporation. Nonetheless, they are aligned with Max Viessmann, the group Co-CEO, on their mid- and long-term plans: "At Viessmann, we work with our colleagues from wattx on digital and sustainable transformation topics. Their toolbox is a great addition to our organisation. We develop new products and ventures in weeks, not months!" ("Wattx" n.d.).

Wattx reports to Top Management, yet telling the core organisation to collaborate with the independent unit in Berlin is insufficient. To fully capitalize on the corporate's knowledge and experience, they have developed strong personal relationships with middle management and participate in frequent, intense dialogue and idea exchange. Wattx aims to create ventures that are strategically relevant to Viessmann. They aim to create initiatives promoting Viessmann's

mission of “creating living spaces for future generations.” Each year, they hope to launch one fully operating initiative. A case study about Viessmann’s new sustainable business demonstrates how wattx supported its parent company on its transformation towards net-zero buildings. They started research sprints regarding possibilities to tackle the reduction of CO2 emissions, validated the idea and developed a concept of a mobile app. After confirming the hypothesis, they created an app under a new brand called “climony”, which has successfully launched in April 2022 after just four months (“Wattx” n.d.).

It becomes clear that wattx is constantly contributing to the corporate’s success. This is most likely the most crucial point. They are not simply a cost centre that wastes millions of euros each year, but with the revenue they generate from external initiatives, they contribute to Viessmann’s P&L statement and can gain C-level management support for their ideas while also maintaining independence (“Wattx” n.d.).

Wattx is comprised of a small but multi-functional group. They are only 23 employees, but they have professionals from all key sectors who were brought in from outside sources to help them establish digital business concepts. Engineers, product managers, data scientists, and venture developers make up their team of user-experience researchers and designers. With this structure, they have the resources they need to evaluate concepts and transform them into fully operational businesses swiftly (wattx 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 12 serves as an overview of the different realities of existing corporates related to their identity and the resulting innovation strategy.

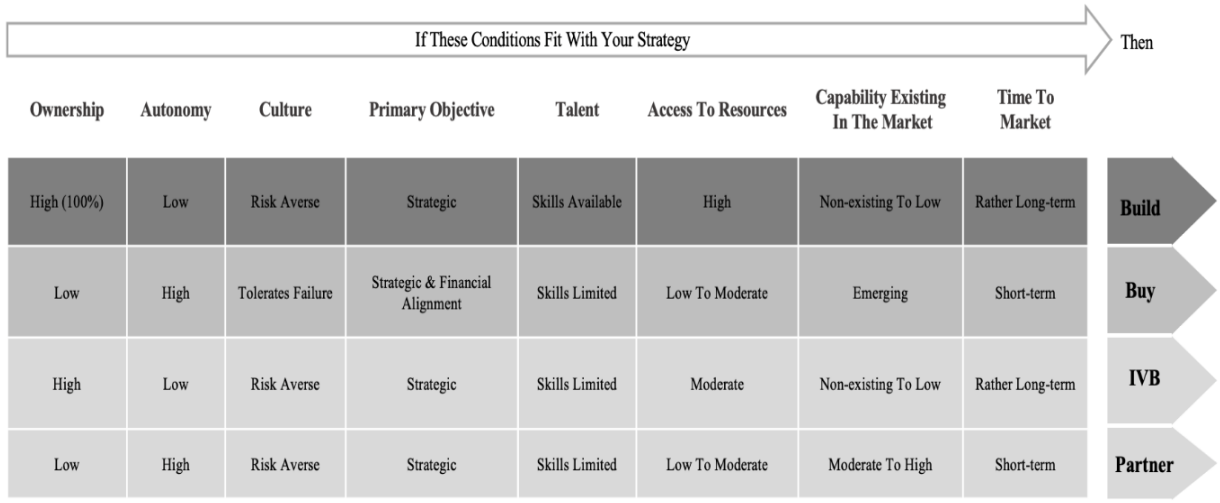

Figure 12: Baseline conditions to determine the actual state of the corporate (own presentation based on Stewart)

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 13.

	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 13: 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 14).

	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

Figure 14: 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

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

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?			

Group Part

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?

Group Part

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