



The strategic role of Corporate Venture
Capital and its contribution to the
innovativeness of the corporate parent firm

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Abstract

Title: The strategic role of Corporate Venture Capital and its contribution to the innovativeness of the corporate parent firm

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This dissertation investigates the strategic role of Corporate Venture Capital (CVC) in impacting the innovativeness of their parent firms. By leveraging the lens of open innovation and corporate entrepreneurship, evidence suggests that CVC activities are increasingly pivotal in enabling firms to access disruptive technologies and explore new business opportunities. However, challenges such as balancing strategic and financial objectives and ensuring effective knowledge transfer persist.

Based on 18 semi-structured interviews with CVC professionals and industry experts, a qualitative content analysis using Gioia's methodology was conducted to derive key insights. The findings confirm prior research on the benefits of CVC, including strategic innovation diversification, access to new markets, and enhanced collaboration with startups. Nevertheless, challenges remain, particularly in aligning CVC initiatives with broader corporate strategies and overcoming internal cultural barriers.

This study contributes to the literature by identifying six critical success factors for effective CVC implementation: establishing a dedicated legal structure, ensuring strategic alignment within the corporate hierarchy, fostering rapid decision-making processes, building a competent investment committee, recruiting the right talent, and maintaining a clear separation from M&A activities. Additionally, the research underscores the importance of CVC as a complement to traditional R&D rather than a substitute, reinforcing its role as a vital component in a holistic corporate innovation strategy.

CVC units, when effectively structured and integrated, can significantly drive corporate innovation. However, their success depends on careful alignment with corporate goals and the ability to navigate the inherent tensions between strategic objectives and financial returns.

Key words: Open innovation, Venture Capital, Corporate Venture Capital, Corporate Venturing, Corporate Innovation, R&D, Corporate Ecosystem

Abstrato

Título: O papel estratégico do Corporate Venture Capital e sua contribuição para a inovação da empresa-mãe

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Esta dissertação investiga o papel estratégico do Corporate Venture Capital (CVC) na capacidade de inovação das empresas-mãe. Utilizando as perspectivas de inovação aberta e empreendedorismo corporativo, as evidências sugerem que as atividades de CVC são cada vez mais cruciais para que as empresas acessem tecnologias disruptivas e explorem novas oportunidades de negócios. No entanto, persistem desafios, como equilibrar objetivos estratégicos e financeiros e garantir uma transferência eficaz de conhecimento.

Com base em 18 entrevistas semiestruturadas com profissionais de CVC e especialistas do setor, foi realizada uma análise qualitativa de conteúdo usando a metodologia de Gioia. As conclusões confirmam pesquisas anteriores sobre os benefícios do CVC, incluindo diversificação da inovação estratégica, acesso a novos mercados e colaboração aprimorada com startups. Contudo, desafios permanecem, especialmente no alinhamento das iniciativas de CVC com estratégias corporativas mais amplas e na superação de barreiras culturais internas.

Este estudo contribui para a literatura ao identificar seis fatores críticos de sucesso para a implementação eficaz do CVC: estrutura jurídica dedicada, alinhamento estratégico na hierarquia corporativa, processos rápidos de decisão, comitê de investimentos competente, recrutamento adequado e separação clara das atividades de M&A. Além disso, ressalta a importância do CVC como complemento ao R&D tradicional, reforçando seu papel em uma estratégia de inovação corporativa holística.

As unidades de CVC, quando bem estruturadas e integradas, podem impulsionar significativamente a inovação corporativa. No entanto, o seu sucesso depende de um alinhamento cuidadoso com os objetivos corporativos e da capacidade de gerir as tensões entre objetivos estratégicos e retornos financeiros.

Palavras-chave: Inovação aberta, Venture Capital, Corporate Venture Capital, Corporate Venturing, Inovação Corporativa, R&D, Ecossistema Corporativo

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List of Abbreviations

<i>AI</i>	Artificial Intelligence
<i>CVC</i>	Corporate Venture Capital
<i>IP</i>	Intellectual Property
<i>IVC</i>	Independent Venture Capital
<i>LP</i>	Limited Partner
<i>M&A</i>	Mergers & Acquisitions
<i>PE</i>	Private Equity
<i>R&D</i>	Research and Development
<i>ROI</i>	Return on Investment
<i>VC</i>	Venture Capital

1. Introduction

The boom in entrepreneurship and ever shorter innovation cycles since the turn of the millennium have increased the demand for start-up financing, so that venture capital has developed into an established industry in the last decade. The market for venture financing reached its peak with more than €464 billion in 2022 (Statista, 2023). Many established corporations have been actively investing in minority equity financing in privately held and early-stage entrepreneurship, which is commonly referred to as Corporate Venture Capital (CVC) (Drover et al., 2017; Dushnitsky & Lenox, 2006). In 2022, CVC-firms were actively participating in 4935 venture investment deals, which accounted for more than a quarter of all deals in the VC environment, meaning the second-largest source of funding for independent ventures (CB Insights, 2023; Silicon Valley Bank, 2024; Zahra et al., 2016).

Due to the multiple stakeholder involvement at various levels of the CVC-units, they usually face a trade-off between financial returns and the strategic perspective of managing a venture portfolio (Da Gbadji et al., 2015; Jeon & Maula, 2022). While having clear criteria for investment teams in evaluating start-ups, the strategic value is not easily to measure for investments. The literature refers that investing companies aim to drive access to novel technologies and expertise by considering the following factors at the investment stage: (1) similar technological focus, (2) non-overlapping knowledge base, and (3) potential integration of the technology to create strategic value (Ma, 2020). Hence, CVC-activities impact the innovativeness and disruptiveness of the parent company. Additionally, CVC-units relatively increase the total R&D expenditures of incumbents which opens the question whether the gained information through CVC investments lead to higher R&D productivity (Benson & Ziedonis, 2009)

However, it seems that research so far is still scarce on the strategic impact CVC activities have on the incumbent's innovativeness. This is from particular interest as CVCs gain access to a broad knowledge range by sourcing for potential investment opportunities. This potential research gap leads to the first research question of this study:

How do CVC-units create strategic value for the parent company?

Additionally, the impact and the effects of CVC on the portfolio ventures have received far more scholarly attention than the role CVC-units play within corporate innovation activities. This study investigates the largely unexplored question of how CVC-activities can complement

or even substitute R&D spendings, as CVC's strategic dimensions need to be considered within a broader context of corporate innovation activities (Chesbrough & Tucci, 2005). Therefore, the role of CVC-firms in the corporate innovation process will be analyzed and the thesis consequently addresses the following research question:

To which extent can CVC's complement the innovativeness of an incumbent?

In conclusion, this study aims at enhancing the knowledge regarding the role of CVC-units within the Corporate Ecosystem by exploring the benefits, challenges, and success factors of implementation and adoption.

This study employs a qualitative research approach to capture the complexity and diverse viewpoints on the subject. This dissertation adheres to the academic research structure and unfolds as follows: after this introduction, chapter two synthesizes a systematic literature review to deepen the understanding of theoretical frameworks surrounding, open innovation, Corporate Entrepreneurship, Venture Capital, R&D efforts, and the role of CVC. This review not only maps the current state of theoretical knowledge, but also guides the subsequent research of this dissertation. In chapter three, the methodological underpinnings and rationale of the study are established, detailing the sampling strategies, data collection methods, and analytical procedures employed. Chapter four synthesizes the study's key findings, delineating five comprehensive dimensions that connect back to the theories examined in chapter five. This chapter illuminates theoretical advancements and managerial implications derived from the analysis. Finally, chapter six concludes with a recapitulation of the study's primary outcomes and the implications for the CVC-activities and the influence on corporate innovation efforts within this context.

2. Literature Review

The objective of the literature review is to synthesize existing knowledge on open innovation, Venture Capital, Corporate Venture Capital and the innovation capabilities within the Corporate Ecosystem. This review aims to lay a theoretical groundwork by examining the strategic role of Corporate Venture Capital and its contribution to the innovativeness of the

corporate parent. Such a foundational understanding will guide subsequent research efforts and assist in the contextualization of the findings.

A critical examination of the current research landscape was conducted, integrating key discoveries. For this purpose, Google Scholar was employed, utilizing keywords such as “Open innovation”, “Venture Capital”, “Corporate Venture Capital”, “Corporate Venturing”, “Corporate Innovation”, “Corporate Entrepreneurship”, “R&D”, and “Corporate Ecosystem”. The review prioritized peer-reviewed articles, with 62 of the 73 academic journals cited achieving a rating of three, four, or 4* in the ABS Journal Ranking 2021 as released by the Journal Ranking Portal (Journal Ranking Portal, 2024). The literature base was further enriched by 5 publications from institutional and organizational sources, offering cutting-edge, practice-focused perspectives. Additionally, six market analysis reports and ten books on theoretical and methodological frameworks were incorporated to provide a comprehensive overview of the subject matter.

2.1. Corporate innovation and entrepreneurship

Open innovation has emerged as a crucial paradigm in contemporary innovation management, emphasizing the strategic use of both external and internal ideas to drive organizational growth and innovation. Chesbrough and Crowther define open innovation as a “distributed innovation process based on purposively managed knowledge flows across organizational boundaries” (Chesbrough & Crowther, 2006; Chesbrough & Bogers, 2014). This approach represents a shift from closed innovation, which relies solely on internal resources, to open innovation, which leverages both external ideas and pathways to market alongside internal ones (Dahlander & Gann, 2010). Traditional R&D departments, operating in isolation, are becoming less effective; thus, external collaborations and partnerships are essential for driving growth (Chesbrough, 2003).

Effective open innovation requires robust business models to capture and profit from new ideas, as well as metrics to assess the effectiveness of these strategies. Chesbrough advocates for a balanced scorecard approach, including financial, customer, process, and growth metrics to ensure continuous improvement (Chesbrough, 2003). Open innovation involves both inbound processes (utilizing external knowledge internally) and outbound processes (commercializing internal knowledge externally), facilitating the integration and exploitation of diverse

knowledge sources (Chesbrough, 2003; Cricelli et al., 2021). Additionally, IP plays a strategic role in open innovation, serving not only as a protective measure but also as a tradable asset to foster collaboration and generate revenue streams (Chesbrough, 2003).

Collaboration among interdependent actors is vital, as no single organization has a monopoly on useful knowledge. This requires more permeable organizational boundaries that enable resource combination and stakeholder interaction throughout the innovation process (Chesbrough et al., 2018). Evidence shows that R&D projects with open innovation partnerships lead to better financial performance, as well as benefits such as better adaptation to market needs and higher commercial returns (Du et al., 2014).

To remain competitive, firms must engage with diverse partners, including suppliers, customers, universities, research centers, and even competitors, to acquire ideas and resources from the external environment (Bigliardi et al., 2020). The traditional innovation model, where the entire process occurs within the firm's boundaries with no external contact until market introduction, is unsustainable due to the rapid evolution of technology, changing consumer preferences, shorter innovation cycles, and rising R&D costs (Rubera et al., 2016). Thus, open innovation is not only beneficial but necessary for modern firms to thrive.

The digital transformation alongside the emergence of new technologies transformed industries while resources were cut intersectoral and competition increased globally (Enkel & Sagmeister, 2020). The fast-changing business environment nowadays requires more dynamic capabilities, defined as “finding knowledge external to the firm and integrating it with internal knowledge” (Dushnitsky & Lenox, 2005a), to create and sustain a competitive advantage through innovation (Weerawardena & Mavondo, 2011). As “[v]irtually all organizations — new start-ups, major corporations, and alliances among global partners — are striving to exploit product-market opportunities through innovative and proactive behavior — the type of behavior that is called for by corporate entrepreneurship” (Kuratko, 2010). Besides innovating through internal R&D, firms explore new fields by applying open innovation methodology, outside the organizational boundaries to obtain new expertise (Enkel & Sagmeister, 2020). Following this framework, external modes of Corporate Entrepreneurship include startup programs, accelerators, incubators, alliances with startup companies, and CVC (Narayanan et al., 2009). All these different characteristics of Corporate Venturing and external Corporate Entrepreneurship have one similarity. They connect the Corporations with rising ventures that provide not only

valuable new knowledge and market opportunities, but also the dynamic organizational capabilities (Enkel & Sagmeister, 2020).

Today's entrepreneurial landscape is characterized by vast amounts of available equity-based financial capital provided by private and institutional investors (Drover et al., 2017). The different investors, including VC firms, CVC-units, Angels, Accelerators as well as Crowdfunding sources, can be distinguished through different factors and characteristics. However, specific investors offer various types of value that they could contribute to the invested venture. The offered knowledge and capabilities of an investor are critical for ventures to choose the suitable funding partner, usually represented by technical and commercial advice during their growth-path (Park & LiPuma, 2020).

In general, Independent Venture Capital (IVC) and CVC deploy similar activities but very different approaches to finance innovation and value creation for venture-backed firms. The two disciplines distinguish mainly through the goals and purpose of the investment (Rossi et al., 2020). While IVCs tend to focus on financial objectives, CVCs likely anchor their investments based on more strategic goals (Rossi et al., 2020). CVC-investors pursue multiple missions by aiming to balance the financial and strategic returns whereas the invested venture focuses on growth and exit opportunities (Huang & Madhavan, 2020). Additionally, CVC-investments are made by companies or their subsidiaries in which finance is not the core business (Maula, 2001). These investments aim to achieve strategic returns in addition to financial gains, as they are part of a broader strategy to enhance innovation and competitive advantage within the investing company (van de Vrande, Lemmens, and Vanhaverbeke, 2006). This dual-focus approach differentiates CVC from traditional venture capital investments.

Although some financial returns of CVC surpass those of PE, this raises questions about the impact on the parent company (Chesbrough & Tucci, 2002). Achieving high returns through CVC could shift focus away from strategic factors, despite their current importance in CVC activities. Therefore, it is essential to assess CVC performance within the wider context of the company's overall innovation strategy.

IVC-firms have notably advanced innovation, but their influence is confined to a few select industries and is prone to market volatility, including fluctuating funding and unpredictable public markets (Chemmanur et al., 2014). According to Chemmanur et al. (2014), a more effective method for promoting innovation is a "hybrid" model, such as CVC programs. These

programs blend features of corporate research laboratories and venture-backed start-ups, forming a robust system that reliably and efficiently generates new ideas.

2.2. Corporate Venture Capital

CVC-investments are typically conducted by resourceful firms in terms of technology and marketing capital. They take place especially in industries with rapid technological change, weak appropriability and high-competitive environments (Basu et al., 2011). CVC is characterized by its investment in legally independent start-ups that originate externally, distinguishing it from other forms of corporate venturing such as incubation or spin-outs which originate within the parent firm (Chesbrough & Tucci, 2002). These investments are typically made in the form of equity, with part of the expected return being financial (Dushnitzky & Lenox, 2006). Additionally, corporations that engage in CVC have established a systematic process for making a series of investments, aiming to foster innovation and strategic growth within their business ecosystem (Chesbrough & Tucci, 2002).

Following these characteristics of CVC, corporations set up internal CVC-divisions to explore new business opportunities and expand the existing offerings within the Corporate Ecosystem (Benson & Ziedonis, 2010). CVC-units suit as vehicles to access the “diffuse knowledge environment where startup companies, universities, and private investors all possess valuable technology and know-how” (Chesbrough & Tucci, 2002). These efforts represent windows on new technologies and promising information (Benson & Ziedonis, 2010). Thus, “CVC-units can be used as part of a broad, open innovation strategy” (Chesbrough 2003). While some corporations adopt a balanced approach between exploring and exploiting opportunities, others primarily use their CVC units as scouting tools focused on exploration, without engaging in operational activities for exploitation (Napp & Minshall, 2015). The approach chosen depends on how CVC activities complement other open innovation efforts. Companies must recognize the full range of opportunities a CVC program can offer and tailor their programs to meet their specific strategic needs (Napp & Minshall, 2015).

Moreover, CVC approaches reduce information asymmetries in markets, which are used as potential early-prevention against overpayment in subsequent M&A acquisitions (Benson & Ziedonis, 2010). Research shows evidence that 17% of the portfolio startups of the largest 61 corporate investors have been acquired by the invested corporation (Benson & Ziedonis, 2010).

However, CVC activities to form partnerships substantially distinct from M&A activities (Zahra et al., 2016).

CVC and M&A are distinct strategies used by firms to foster innovation and growth. CVC involves minority equity investments by established corporations in entrepreneurial ventures, allowing the involved parties to remain independent legal entities with their own corporate identities (Bendig et al., 2023). This contrasts with M&A, which focuses on full ownership and integration of the acquired company. CVC-investments are particularly relevant in high-tech environments due to their flexibility and lower levels of commitment compared to traditional M&A (Bendig et al., 2023). Drover et al. (2017) research reveals that firms are more likely to choose CVC over M&A when facing high market uncertainty.

2.2.1. Advantages of CVC

Although competition to fund promising ventures has increased significantly, entrepreneurs are particularly interested in CVC. This is due to CVC's clear value proposition to startups, extensive knowledge within their ecosystem and industry, and the potential to gain the corporation as a large customer (Basu et al., 2011; Banholzer & Ramtri, 2023). CVC brings not only financial capital to the venture, but also knowledge-intensive support and establishment of commercial and technological connections with the parent firm (Rossi et al., 2022). Thus, CVC-investments create significant value for the startups involved (Huang & Madhavan, 2020). Through intensive support and access to the corporate ecosystem, startups gain substantial benefits, including access to valuable knowledge and expertise (Cabral et al., 2020). This support extends beyond mere financial backing, as startups receive management advisory services and assistance with strategic direction, which are crucial for their growth and development (Souitaris & Zerbinati, 2014). The relationship with the corporate investor enhances the startup's potential for success by integrating it into a broader network of resources and expertise (Narayanan et al., 2009).

Research identifies that ventures supported by CVC exhibit greater innovation, as indicated by their patenting activity, despite being younger, riskier, and less profitable compared to firms backed by IVC (Chemmanur et al., 2014). Furthermore, scholars observed that increases in CVC-investments are associated with subsequent increases in firm patenting (Dushnitsky &

Lenox, 2005a; Chemmanur et al., 2014; Alvarez-Garrido & Dushnitsky, 2014; Basu et al., 2011).

Compared to internal innovation strategies, external strategic initiatives to pursue CVC require a low commitment as the amounts invested are relatively low compared to internal R&D spendings (Klammer et al., 2023). Research on CVC is crucial as it enhances our comprehension of the dynamics by which conflicting objectives and the varied expectations of multiple stakeholders impact behaviors and the performance of CVC (Jeon & Maula, 2022). Previous studies have identified two key factors contributing to the success of CVC: the specialized industry knowledge due to the technological match between parent companies and startups, and CVC's increased willingness to embrace failure (Chemmanur et al., 2014). Therefore, corporate venturing has crucial implications for management to expand the overall innovation strategy (Narayanan et al., 2009). Even in cooperation situations, CVC investments into ventures within similar industries as the parent firm can initiate profuse partnerships (Klammer et al., 2023).

Besides, corporations' interest in startups is not limited to technological and product-related objectives. Corporations turn to start-ups to learn from their unique organizational setup, characterized by entrepreneurial spirit and thinking, which provokes a special dynamic (Klammer et al., 2023). The main constraint for Corporations is their lack of agility when it comes to technological innovation (Huang & Madhavan, 2020).

In addition to its strategic objectives, CVC is designed to generate positive financial returns (Chesbrough, 2002). While the specific return targets of CVC units vary significantly depending on their overarching alignment with the parent firm, financial return remains a relevant consideration in investment decisions (Benson & Ziedonis, 2008). CVC-units typically invest in startups with the expectation of achieving a financial return, ensuring that the overall investment package is sound (Röhm, 2018). Although strategic factors are usually prioritized, the financial potential plays a substantial role in the due diligence process and decision-making (Ma, 2020).

2.2.2. Disadvantages of CVC

Due to CVC-investment's nature as minority investments, corporations often face limited control over the startups they invest in, which can hinder strategic influence and decision-

making (Rossi et al., 2022). The dynamics within CVC-programs often involve multiple stakeholders advocating for exploration through CVC-investments, while others emphasize the importance of focusing on the core business and its exploitation (Jeon & Maula, 2022). Additionally, the synergies between the parent company and startups are often minimal, which complicates the implementation of startup technologies due to high technological and market uncertainties (Zahra et al., 2016). These integration challenges further complicate the collaboration between established corporations and agile startups, often resulting in misalignment of objectives and processes (Wadhwa et al., 2016).

Furthermore, high failure rates and substantial uncertainty are inherent in startup investments, posing significant risks to the investing corporations (Basu et al., 2011). Additionally, the complex monitoring and support required for CVC-activities demand substantial resources and effective management to ensure alignment with corporate goals and to maximize potential returns (Napp & Minshall, 2015).

Finally, coopetition settings bear the risk that one's own know-how (IP) cannot be protected from leaking to competitive ventures and thus could be counterproductive (Anokhin et al., 2011). In environments with weak intellectual property protection, CVC-investments are less likely when the startup's invention is in the same industry as the corporation's products due to fears of imitation (Dushnitsky & Shaver, 2009). Entrepreneurs may avoid disclosing their innovations, which discourages investment (Dushnitsky & Shaver, 2009). However, in strong IPP environments, where protection against imitation is stronger, industry overlap actually increases the chances of forming a CVC-relationship (Dushnitsky & Shaver, 2009).

2.2.3. Implementation of CVC

As CVC plays a vital role in the strategic renewal of established companies, the process of initiating a CVC-unit is crucial for its further success. The literature identifies six relevant key success factors in implementing such investment units. First, clearly defining the strategic objectives of the CVC-unit is essential; these objectives may include accessing new technologies, entering emerging markets, or enhancing the parent company's innovation pipeline (Wadhwa et al., 2016; Chesbrough, 2002). Ensuring alignment with the company's overall strategic goals is crucial for the success of CVC-activities (Doell et al., 2022).

Second, establishing a dedicated CVC-team with expertise in venture investments and relevant industry knowledge is another important step (Da Gbadji et al., 2015). This team should operate with a degree of autonomy while maintaining strategic alignment with the parent company (Rossi et al., 2020). The CVC-unit also requires a dedicated budget that supports a portfolio of investments and allows follow-on funding as necessary. Some-CVC units are structurally separate from the parent company within a fund structure, managing their own capital with full investment autonomy, which is associated with greater success in financial objectives (Rossi et al., 2020). Others are integrated within the corporation, requiring approval and funding on a deal-by-deal basis and sourcing capital from the parent company's balance sheet, which is more often linked to achieving strategic objectives (Rossi et al., 2020).

Third, incentive schemes play a crucial role in the performance of CVC-units. Unlike IVCs, who benefit from performance-based incentives like carried interest, many CVC-managers receive fixed salaries tied to the parent company's overall performance (Drover et al., 2017). This discrepancy can lead to conservative investment behaviors, potentially undermining the unit's effectiveness (Chemmanur et al., 2014). Additionally, CVCs, as corporate subsidiaries, may prioritize exploiting startups for the parent firm's gain rather than nurturing innovation. This is contrasting with IVCs, whose compensation are purely driven by financial returns and are often more efficient in resource allocation (Drover et al., 2017). The absence of high-powered incentives in CVCs can allow for greater tolerance of failure but may also drive strategies that benefit the corporate parent at the expense of innovation within the entrepreneurial firms they invest in (Chemmanur et al., 2014).

Fourth, developing a robust process for sourcing investment opportunities is critical (Chesbrough, 2002). This involves networking with venture capital firms, attending industry events, and leveraging internal and external innovation networks (Basu et al., 2015). Conducting thorough due diligence on potential investments, including assessing the startup's technology, market potential, and financial health, is necessary to mitigate investment risks (Dushnitsky & Lenox, 2006).

Fifth, a clear decision-making framework for CVC-investments should be established, involving key stakeholders from both the parent company and the CVC-unit (Rossi et al., 2020). This framework ensures that investment decisions are strategically sound and aligned with corporate objectives (Benson & Ziedonis, 2008). Actively managing the portfolio of CVC-

investments includes providing strategic guidance, access to corporate resources, and facilitating synergies with the parent company's operations (Klammer et al., 2023).

Finally, performance monitoring mechanisms should be implemented to track the progress of investments, both financially and strategically. Regular reviews of portfolio companies against predefined metrics help make necessary adjustments to the investment strategy (Chesbrough & Tucci, 2002). In addition, developing clear exit strategies for CVC investments ensures alignment with the overall objectives of the CVC program and the parent company's strategic goals (Benson & Ziedonis, 2010). Potential exit strategies can include: IPOs, acquisitions by the parent company, or sales to third parties (Benson & Ziedonis, 2010).

While various frameworks exist for classifying CVC investments, Chesbrough's (2002) typology is particularly relevant for understanding the diverse strategic and operational roles that different types of CVC investments can play. This framework offers valuable insights into how corporations might approach their CVC activities, depending on their specific strategic objectives and levels of operational integration. Chesbrough's (2002) research on the investment-framework contains four different CVC-investment types. They provide guidance about the broad characteristics and consequences related to a certain investment - either strategic, financial, or both—and the extent of operational integration between the startup and the investing corporation. First, *"Driving investments"* are those driven by strategic objectives with close operational integration. Second, *"Enabling investments"* are similarly motivated by strategic goals, but they feature more tenuous operational connections. Third, *"Emergent investments"* are noted for their strong operational ties, while possessing minimal immediate strategic value, though they hold considerable future potential. Finally, *"Passive investments"* are characterized by minimal strategic advantages and loose operational relationships, primarily pursued for financial gains.

In economic downturns, passive CVC investments tend to wane, whereas enabling and driving investments often demonstrate greater resilience due to their strategic, rather than financial, expected returns, thus promoting corporate growth (Chesbrough, 2002). Even in adverse market conditions, emergent investments remain appealing for their prospective strategic value, offering companies opportunities to explore and cultivate emerging business avenues (Chesbrough, 2002).

Previous research addressed the question of whether corporations should focus on a *"make"* respectively *"building"* approach or to concentrate on *"buy"* methods (Roberts & Berry, 1985).

The "*make*" approach involves leveraging internal resources for proprietary innovation (Barney, 1991), while the "*building*" approach focuses on expanding capabilities through acquisitions, partnerships, and alliances. The "*buy*" approach entails purchasing existing products, technologies, or companies from external sources to quickly gain competitive advantages (Teece et al., 1998). For very familiar technologies to the Corporation, internal R&D efforts were recommended while CVC suits well for unfamiliar topics (Chesbrough & Tucci, 2002). However, investments in internal R&D could also lead to a more advanced CVC-activity (Chesbrough, 2000). In the process of identifying innovative technologies, researchers can uncover promising investment prospects that are then relayed to CVC-unit for collaborative evaluation through an in-depth due diligence process (Chesbrough & Tucci, 2002). By using this understanding, this concept is a sign of complementary processes between R&D and external venturing which stand in contrast to the idea of a substitution of R&D (Chesbrough & Tucci, 2002).

Therefore, CVC-units play a pivotal role in creating synergies between corporate innovation and core business activities. Effective CVC-programs are closely aligned with the corporate strategy, ensuring that investments complement the company's long-term goals (Dushnitsky & Lenox, 2005a). Interaction with corporate business units is essential for leveraging CVC-investments, facilitating knowledge transfer through structured methods like cross-functional teams and shared technology platforms (Keil et al., 2008). Moreover, CVC's participation in industry networks and ecosystems enhances access to external innovation, fostering a collaborative environment that supports both strategic and financial objectives (Basu et al., 2011). The impact of CVC on corporate performance is further enhanced when there is active collaboration between the CVC-unit and business units, as this integration enables the effective use of knowledge and resources (Chesbrough, 2002). Additionally, aligning CVC-activities with external networks allows firms to tap into broader industry trends and technological developments, which can significantly boost the innovation outcomes of the parent company (Katila et al., 2008).

While research shows evidence that CVC creates value for both startups and corporations, the performance measurements are more studied for the venture side, as the ventures journey can be simpler measured by financial KPIs (Huang & Madhavan, 2020; Chesbrough & Tucci, 2002). Huang & Madhavan's research identified a positive relationship between the corporate financial performance and the overall venture performance. Moreover, only the existence of

but also the further investment into CVC-programs is “strongly and positively associated with the level of corporate R&D spending” (Chesbrough & Tucci, 2002).

Meanwhile, measuring the strategic and innovation-enhancing value of CVC-activities presents significant challenges, similar to other open innovation efforts (Chesbrough, 2003). The research of Napp and Mishall (2015) identified a diverse range of metrics for the comprehensive evaluation of CVC-programs: qualitative measures like success stories, non-monetary quantitative metrics such as event frequency, and financial data indicating value creation. For exploitative benefits, metrics often focus on revenue and pre-revenue indicators related to specific projects between the parent firm and the start-up (Napp & Mishall, 2015). Conversely, explorative benefits are typically gauged indirectly by tracking investment activities and assessing reduced risks and business unit satisfaction (Basu et al., 2011).

In areas where direct measurement of value is difficult, activity levels, such as the number of contacts made or events held, serve as indirect indicators of added value (Dushnitsky & Lenox, 2006). In Napp and Mishall’s (2015) findings, none of their investigated companies studied tied metrics into a single monetary evaluation of CVC’s strategic value. Instead, success stories were emphasized as effective tools for demonstrating value and securing management support. These narratives highlighted specific relationships, synergies, or risk reductions achieved through CVC-activities (Rossi et al., 2020). Interestingly, despite recognizing the importance of matchmaking processes between business units and start-ups, companies did not monitor these activities closely (Napp & Minshall, 2015). Future metric development could benefit from focusing on systems to track these crucial facilitation processes.

The research of Napp and Minshall (2015) highlights several critical functions of CVC-units that contribute to fostering innovation and strategic alignment within corporations. CVC-units act as a matchmaker to facilitate relationships between business units and startups, ensuring a continuous exchange of insights about emerging technologies and market trends (Jeon & Maula, 2022). This exchange is supported by joint due diligence efforts involving both the CVC-unit and the business unit’s technology and commercial teams (Chesbrough & Tucci, 2002). Regular reporting on market trends to the advisory board and management ensures that the parent company remains informed about new opportunities (Anokhin et al., 2016). Circle events and road shows are elements to generate interest and expose startups to business units, while ongoing relationship management and training programs help bridge cultural gaps (Da Gbadji et al., 2015). Dedicated business development or innovation teams within CVC-units

play a pivotal role in capturing strategic value by maintaining iterative, bidirectional relationships and cross-functional involvement, ensuring that both explorational and exploitative values are realized (Rossi et al., 2020). This comprehensive approach underscores the importance of middle management and cross-hierarchical collaboration in maximizing the benefits of CVC-investments (Basu et al., 2011).

2.3. Thesis relevance & research gap

Organizations are exposed to tight resources, rapid technological change, shortened product-life-cycles, and expanding competition due to global market presences (Enkel & Sagmeister, 2020). As a result, corporate stakeholders expect new approaches to acquire new knowledge and sustain a competitive advantage. Considering the market capitalization of the eight largest publicly traded companies in 2023, seven were backed by Venture Capitalists (Lerner & Nanda, 2020; Statista, 2023). This evidence suggests that the investments into high-tech and risky but financially constrained firms can leverage the innovation productivity of firms as well as disrupting industries more effectively (Shao & Sun, 2021; Lerner & Nanda, 2020). Corporations can prioritize CVC in their corporate venturing activities to keep the founding teams independent while avoiding destroying their growth journey through strategic conflicts within the parent company (Anokhin et al., 2016). The potential gain of IP from CVC's portfolio ventures could be an integral part of the Corporations overall innovation strategy (Dushnitsky & Lenox, 2005b). Notably, throughout the extensive emergence of startup entrepreneurs and technological innovation in the past decade, corporations struggle to follow this innovation productivity while simultaneously reaching the edge of the exploitation of existing growth opportunities (Burgelman et al., 2021).

Research indicates that CVC-units, with their independent entrepreneurial setups, effectively navigate challenging corporate contexts. Furthermore, CVC's reached exceptional performance in their strategic missions and at least equal value-added to the venture compared to traditional IVC's (Basu et al., 2015; Huang & Madhavan, 2020; Rossi et al., 2020). However, there is minimal evidence that CVC creates direct value to their parent firms (Dushnitsky & Lenox, 2006). This finding is not surprising as CVCs acquire only fractions of ownership of the portfolio firm which makes it complex to embed entire venture solutions into the individual innovation ecosystem (Rossi et al., 2022).

This dissertation aims to contribute to the understanding of corporate innovation strategies related to CVC-investments. The results can push the boundaries of corporate strategy that were traditionally characterized by M&A, Strategic Alliances, Joint Ventures and divestiture to an additional strategic tool to resolve innovation obstacles (Huang & Madhavan, 2020).

Consequently, this study addresses the paradox of the rising relevance of CVC's strategic value in contrast to its financially-driven objectives. By answering the research questions 'How do CVC-units create strategic value for the parent company?' and 'To which extent can CVC's complement the innovativeness of an incumbent?' the study will focus on benefits and challenges of CVC, success factors for the implementation, and the influence of CVC within the corporate parents' innovation efforts. By conducting a literature review and semi-structured interviews with CVC experts the researcher aims to unite the practical relevance and academic orientation, a gap that is often overlooked (Dushnitsky & Shaver, 2009).

3. Methodology

Widely recognized research methodologies encompass quantitative, qualitative, or a combination of both approaches (Mulisa, 2022). For several key reasons, this study utilizes a qualitative approach. Firstly, understanding CVC-investments in depth to examine their complex effects and viewpoints concerning both startups and the corporate parent company necessitates a nuanced analysis (Rossi et al., 2022). Given the variability in CVC-departments across different industries, companies, and sizes, it is essential to grasp their contextual nuances and strategic objectives. Qualitative methodologies are deemed suitable for exploring new or intricate settings where contextual insights are crucial (Mulisa, 2022; Bansal et al., 2018). Secondly, conducting interviews offers the opportunity to understand causality and is particularly useful in exploring the dynamics of a phenomenon beyond mere outcomes (Mulisa, 2022). This approach facilitates the examination of both the factors driving success and the obstacles to CVC-adoption. Given the goal of this research to delve into the impact of CVC on corporate innovation, a deep, contextual understanding of strategic goals and their implications is necessary. Thirdly, the VC and CVC environments are characterized by rapid changes and non-standardized practices among portfolio companies, areas yet to be comprehensively studied. The exploratory nature of qualitative research, therefore, paves the way for discovering

new insights about CVC, potentially expanding upon or challenging existing scholarly work (Mulisa, 2022; Bansal et al., 2018). In summary, adopting qualitative research methods centered around primary data collection through interviews aligns well with the objectives of this research, enabling a thorough exploration of the perspectives and contexts related to VC, corporate innovation processes, and the influence of CVC in fostering corporate innovation.

3.1. Sample Strategy

The selection of the sample was carried out through a non-probability sampling approach, utilizing both purposive and convenience sampling techniques. Purposive sampling, sometimes referred to as judgmental sampling, is dependent on the researcher's expertise and decision-making in choosing suitable interview participants (Vehovar et al., 2016). For the purpose of this research, the selection process was guided by two specific criteria:

- 1) Interviewee has worked for a CVC-department or a CVC-advisory firm for at least six months;
- 2) Interviewee has been involved in at least one CVC-deal or advised a CVC-unit during an investment deal

Additionally, the method of convenience sampling involves selecting interviewees who are available and accessible (Vehovar et al., 2016). Given the constraints of time and resources, the researcher leveraged his professional connections and utilized professional networking platforms, such as LinkedIn and Xing, to locate prospective interview participants fitting the criteria previously outlined. The researcher contacted 150 potential interviewees through Socials and another 20 through the researcher's professional network. This approach yielded in a sample size of 18 interviewees possessing expertise in CVC and Accelerators. To capture a broad spectrum of insights and experiences, interviewees were selected from various stages of their careers across different CVC-firms and industries, each with its unique focus and scale.

3.2. Data collection method

Semi-structured interviews serve as the primary method for collecting qualitative data, aiming to deeply understand the critical factors for success and the obstacles faced in CVC-operations,

as well as to elucidate the impact of CVC firms on innovation capabilities within the Corporate Ecosystem. These interviews were facilitated through online video conferencing platforms such as Zoom, Google Meet, or Microsoft Teams, allowing for personal engagement and the establishment of a reliable setting while maintaining efficiency and transcending geographical limitations. The duration for each interview ranged from 45 to 60 minutes, providing broad opportunities to capture the nuanced perspectives and experiences of the interviewees. All interviews were recorded and subsequently transcribed to ensure accuracy in data analysis.

The interview process was based on a predefined guideline (protocol) that comprised a consistent set of questions. These questions were designed to explore the following areas:

- 1) The organizational setup of the CVC
- 2) The strategic motivations for investments in ventures
- 3) The interaction with portfolio ventures and the corporate parent
- 4) Potential knowledge and information transfer
- 5) Comparison of CVC activities with internal R&D and innovation activities of the parent firm
- 6) Strategic vs. financial goals of the CVC
- 7) Outlook
- 8) Closing

The interview guide was composed exclusively of open-ended, non-leading questions, facilitating a comprehensive analysis, and prompting interviewees to offer their insights and perspectives (Gioia et al., 2013). This structured approach ensured that responses can be compared effectively and that the interviews were directed toward addressing the specific research questions outlined (Rowley, 2012). Additionally, the interview framework was adapted as needed to incorporate any new concepts or mechanisms that emerged during the series of interviews (Gioia et al., 2013).

3.3. Data analysis

The data analysis in this study employs Gioia's approach to qualitative content analysis, aiming to identify concepts that address the predefined research questions, specifically the influence of CVC on corporate innovation capabilities. Gioia's framework provides a systematic way to delve into companies' innovation capacities through CVC, grounding the analysis in the insights

of interviewees before linking these insights to the theoretical foundations identified in literature review (Gioia, 2021; Magnani & Gioia, 2023). This method is considered interpretive research, as it prioritizes the perceptions and interpretations of the interviewees (Gioia, 2021).

Initially, data was organized, and pivotal findings were distilled from the interview transcripts as first-order concepts, maintaining the original language used by the informants to ensure authenticity (Gioia, 2021; Gioia et al., 2013; Magnani & Gioia, 2023). The categorization of these concepts allowed for the identification of patterns and variances in the interviewees' experiences and viewpoints. In the subsequent phase of analysis, the array of categories was refined to highlight emergent themes, a process that is led by the researcher and facilitates linkage to theories previously discussed in the literature (Rossi et al., 2020; Gioia, 2021; Magnani & Gioia, 2023). This synthesis of empirical and theoretical insights fosters a deeper examination of the subject matter (Dushnitsky & Lenox, 2005a; Gioia, 2021; Magnani & Gioia, 2023). The final stage involved integrating these themes into overarching dimensions, exploring their interrelations and dynamics (Gioia et al., 2013; Magnani & Gioia, 2023).

A significant concern with this analysis technique is the potential for subjectivity and the inadvertent introduction of biases, either from the researcher or the interviewees, that might not be supported by the data. To counteract this, it is imperative to adopt an external perspective, ensuring that conclusions are firmly rooted in the empirical evidence, particularly direct quotations from the interviews (Gioia et al., 2013; Mulisa, 2022). The researcher intended to mitigate these risks by being conscientious of potential biases and employing repeated rounds of analysis on the interview data.

4. Findings

The qualitative content analysis uncovers several key themes and dimensions emerging from 18 semi-structured interviews, which are systematically presented in an organized table in the Appendix 3. Figure 1 offers a condensed version of this analysis, visualizing and structuring the data into three hierarchical themes. First-order concepts are depicted through direct quotes from the interviewees, as the data volume permitted a streamlined structure. Several second-order themes are identified and consolidated into five aggregated dimensions:

- Benefits for the Parent Firm: Strategic innovation diversification,
- Benefits for Startups: Exclusive network and resource access,
- Challenges for the Parent Firm: strategic vs. financial goal dilemma,
- Challenges of knowledge transfer,
- Key success factors for the organizational setup.

Each dimension represents significant components for analyzing the strategic role of CVC and its contribution to the innovativeness of the corporate parent. These dimensions are further elaborated throughout this chapter.

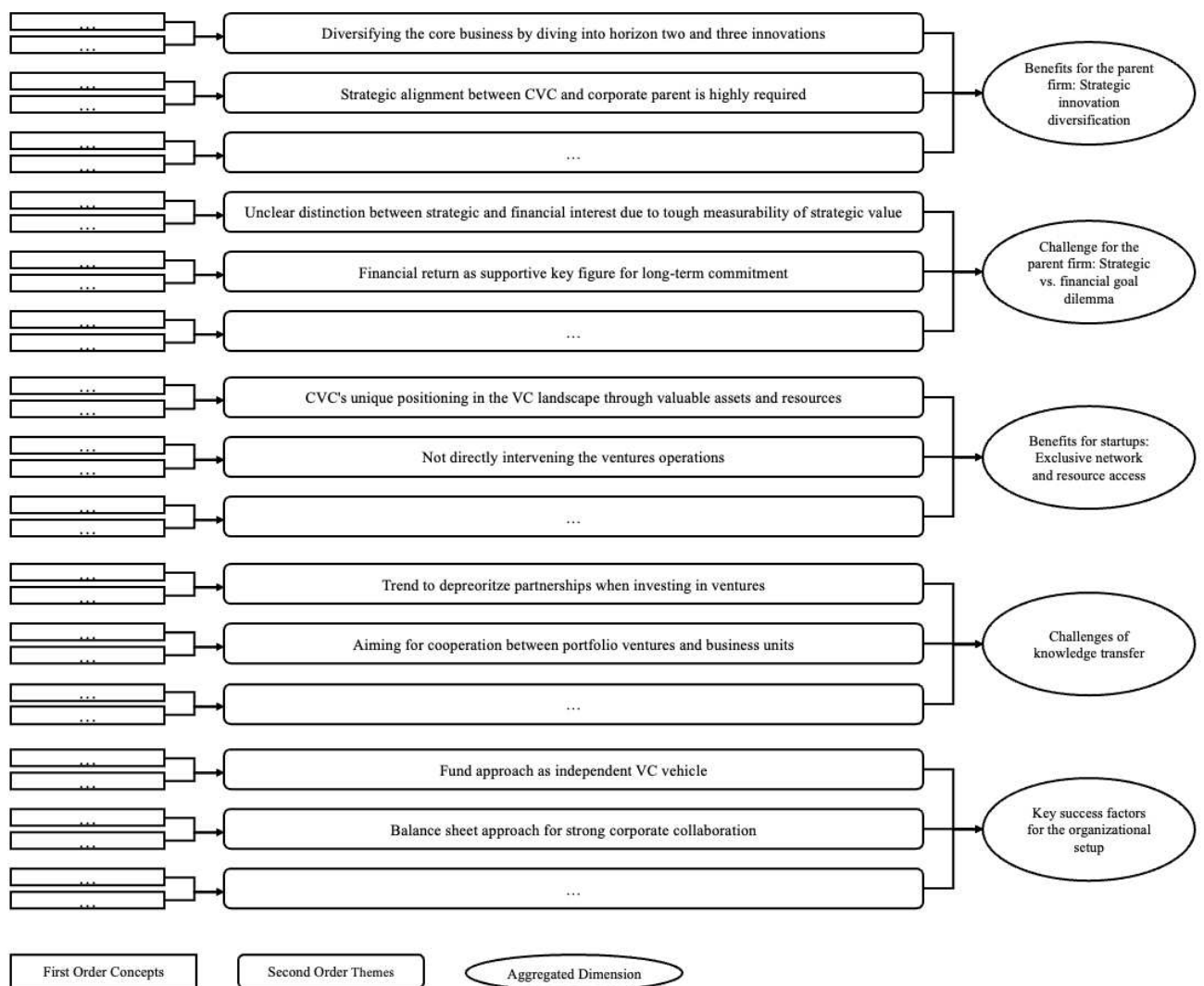


Figure 1: Overview of qualitative content analysis using Gioia's methodology
 Source: Own illustration based on qualitative analysis using Gioia's methodology (2013)

4.1. Benefits for the parent firm: Strategic innovation diversification

Interviewees refer to macroeconomic developments over the past decade that have increasingly pressured companies to maintain their market positions. The pressures of digitalization, shorter innovation cycles, and the demand for sustainable production and processes present significant challenges and shape their strategic direction. Corporations' approaches to fostering innovation and diversification are multifaceted. According to interviewee KM, traditionally, there were four different ways to develop corporate innovation. Either companies invest in R&D, develop an accelerator, create a business development unit, or engage in classic M&A. According to interviewees, an option to these more traditional ways of creating innovation would be to develop CVC: "It is one of the most promising means to drive innovation forward alongside M&A" (KM) and "CVC has become a very important component in such a holistic innovation strategy" (SR).

According to interviewee BB, "[d]iversifying the core business is a significant benefit of CVC activities". By investing in a broad spectrum of startups, companies can explore new business lines that complement or transform existing operations. Thus, "CVC can be viewed as innovation driver to be responsible for horizon three innovations, far away from the core business, exploring very exploratory new business capabilities" (PF). Interviewees highlighted that CVC-investments target emerging sectors with future growth potential, allowing corporate parents to venture into uncharted territories.

"For CVC's, it is important to strategically participate in topics that could be potentially disruptive" (JM). Therefore, CVC plays a crucial role in anticipating and integrating innovative technologies. According to MMu "the primary benefit is the preliminary assessment of technology", which helps identifying and leveraging emerging innovations early on.

Interviewees described how CVC can significantly enhance corporate innovation activities in several ways. Firstly, it grants access to disruptive technologies and innovative business models that might not arise within the corporate environment (MMu). Startups, unburdened by legacy systems and bureaucratic constraints, can pursue radical innovations more effectively (AB).

Secondly, CVC can accelerate the innovation cycle. Traditional R&D projects often involve lengthy development and approval processes, while startups typically operate with urgency driven by market competition and investor expectations (RM).

Third, CVC investments enhance a corporation's market intelligence. Engaging with a diverse portfolio of startups provides insights into emerging trends, customer preferences, and competitive dynamics. This external perspective can refine and align internal R&D efforts with market needs and tech opportunities (PJ).

Finally, CVC fosters a culture of innovation within the corporation. The entrepreneurial mindset of startups can inspire corporate employees to think creatively and take calculated risks (BB). Joint projects and secondments between corporate employees and startups facilitate the exchange of ideas and practices, enriching the corporate innovation ecosystem (FH).

In conclusion, the interviewees unanimously argue that "replacing R&D completely with CVC is not feasible" (SB). A "monoculture of innovation from outside-in cannot work" (BB), as it would imply that external stakeholders have better market knowledge than internal resources.

Thus, innovative companies need a portfolio of innovation tools to meet the increasingly rapid and radical challenges (JM, SR). "CVC is an incredibly good innovation vehicle" (PJ) and an important component of a holistic innovation strategy that can significantly enhance innovation. Interviewees from the manufacturing sector also emphasize that R&D and CVC activities can mutually enrich each other (PJ). For example, R&D departments with limited budget can identify technical challenges that require external expertise: "For autonomous driving technology, a startup has received 60-million-dollar funding to solve this problem. Of course, corporates have to work with them, because with 60 million they can attract more talent, especially if it is software-related" (AS).

As previously mentioned, the sources of innovation in a corporate setting are multifaceted. Many innovations are still developed internally by corporate innovation and R&D departments. Incremental innovations, in particular, can be effectively developed within the corporation as the processes are designed towards these incremental optimizations. According to interviewee SB, their CVC-unit has "deliberately excluded iterative innovations in their scouting activities to avoid conflicts with our R&D colleagues." However, even manufacturing corporations can no longer rely solely on R&D departments for all their innovation activities.

The interviewees highlight that CVC can be particularly effective in fostering innovation when an internal problem cannot be solved, and external solutions are sought. This is especially common with complex technological issues. Sometimes, business units assist identifying

startups through "collaborations between corporate R&D and CVC scouting teams, leading to successful portfolio additions" (PJ).

4.2. Benefits for startups: Exclusive network and resource access

Independent VC firms are primarily driven by financial interests and aim to maximize returns for their investors. In contrast, CVCs often have broader goals and “leverage their parent company’s resources to stand out in the VC landscape” (SB). Interviewees refer that the unique positioning of CVC units in the VC market due to their “unique access to strategic assets” (RB).

Interviewees highlight that a CVC-investment provides startups with access to the corporate's network and extensive industry expertise. This support can include assistance with scaling, navigating local markets, and mentorship from corporate experts. Additionally, CVC-staff or corporate specialists often take on advisory roles in the startup, helping to guide strategic direction and respond quickly to challenges (MB, MMu, HA, RB, RM, FH). Furthermore, “the prospect of securing the corporation as a major customer or accessing its customer network serves as a significant draw for ventures” (JM).

Interviewees emphasize that continuous “interaction with the startup is about building trust rather than interfering with its operations” (PJ). CVC-units trust the startup team, allowing them to pursue initiatives that the corporate entity may not be capable of executing. According to interviewee JM the “creation of a portfolio of solutions through investments and venture clienting that they can deploy in their CVC portfolio afterwards” is a sufficient support strategy for CVCs.

Considering the future environment in the VC market, “where the sources of capital are not as linear as they were in the past, [...] CVCs are going to play an important role there” (HA). Additionally, interviewee RM adds to this perspective: “This market environment is highly attractive right now: First, [CVCs] get into competitive deals they couldn't get into before. Second, the financing and execution of financing rounds takes longer as this is beneficial for the CVC because corporates like to do longer-term due diligence to secure themselves. And third [...] startups are more willing to accept strategic capital in early rounds.”

Finally, evidence suggests that reputation enhancement may also be a relevant benefit for the startup to consider CVC-partnerships. According to interviewee MB “the startup can also benefit from the enhanced credibility gained through its partnership with the investing firm”.

4.3. Challenges for the parent firm: Strategic vs. financial goal dilemma

The objectives of CVC-units are influenced by two different factors: the drive for financial returns from the VC landscape and the pursuit of strategic incentives for the long-term development of the corporation from the corporate world (FH). Balancing these two disciplines within CVCs is exceptionally challenging. Interviewees emphasized that there is no one-size-fits-all solution for every corporation. Thus, whether a CVC should be financially or strategically driven depends on the specific goals the parent company aims to achieve with its CVC-unit.

Among the surveyed-CVC units, both strategically and financially driven entities were identified, with some others “striving for a balance between strategic objectives and financial returns” (RB). Interviewees noted that “distinguishing between financial and strategic interests is not always clear” (NH), and quantifying strategic objectives is particularly challenging.

According to JM: Measuring “strategic goals cannot be easily standardized through KPIs”, as these goals are highly individual to each portfolio company. This refers to, as previously mentioned, the varied strategic objectives of the CVC-unit. These objectives can include expanding the corporate ecosystem, fostering stronger collaboration and startup engagement, increasing the corporate's market share post-investment, or gaining insights from the venture's operations. In addition, the assessment of strategic success is highly subjective, and potential strategic KPIs often lack consistency or can be distorted. Especially, since many of these “learnings that you might generate are always intangible or forward-looking topics” (FH). Furthermore, according to PF: “CVC’s have hardly any strategic KPIs by which they can really verify their work.”

In contrast, financial goals are easier to measure, with established metrics commonly used in the broad VC environment. Interviewees also mentioned that “financial success is often considered as a hygiene factor” (PJ), and solid short-term financial performance can ensure the long-term commitment of the board towards CVC (SR).

Given the challenges associated with the strategic objectives of CVC, the question arises as to why many surveyed CVC-units still pursue and sometimes even prioritize strategic goals. According to the interviewees of strategic CVCs, measurement methods include balanced scorecards, detailed reports, commercialization efforts, the successful integration of new technology, and market share expansion. However, all strategically driven CVCs emphasize the importance of collaboration and engagement metrics.

While some interviewed CVC experts describe the applied strategic goal measurements as "pseudo-KPIs" (PF), these metrics help more strategically oriented units determine whether strategic value can be created through the building and development of an ecosystem (PJ). Interviewee KM highlights that their CVC-vehicle in the banking sector even aims for a concrete and continuous cooperation rate of 65% of portfolio startups collaborating with the corporate parent. The cooperation goals set by the corporate parent for the CVC-unit define all the points of interaction between the portfolio startups and the corporate parent. These touchpoints can include using the startup's products within the corporation and organizing workshops to share information (KM).

A significant question arising from this is whether, in today's environment, a corporation must still evaluate every business unit according to specific KPIs, which, when viewed objectively, contribute to the overall business activities in the future and are therefore difficult to quantify at present. This intriguing question warrants further study.

Furthermore, interviewees referred to the long-term horizon of CVC initiatives, often at least five years, which should be considered when evaluating metrics. The strategic collaboration and knowledge transfer between startups and corporates are lengthy processes. Therefore, while reporting and continuous evaluation during the investment cycle are necessary, interviewees suggest that they should not lead to the closure of the CVC unit within the investment horizon. Instead, they should result in strategic adjustments to investment hypotheses.

While some interviewees highlight that financial incentives are easier to achieve and measure, strategic benefits can be seen as additional advantages. The strategic value of CVCs is especially significant, as "they provide market insights and technological trend analysis that inform better strategic decisions by top management" (SR).

4.4. Challenges of knowledge transfer

Despite the identified benefits, several challenges are preventing sufficient knowledge transfer between the three parties involved: startups, CVCs, and corporate parents. Achieving the strategic goals of CVCs requires knowledge transfer from the external ecosystem into the corporation. Additionally, supporting the scaling of the startup necessitates knowledge transfer from the corporate to the startup, enabling solid growth and strategic value as a CVC-investor.

When transferring knowledge from the corporate to the startup, interviewees recall that a CVC-unit is typically a minority investor and does not want to interfere operationally. CVCs act as “coaches” (AB) and “matchmakers” (SB) because the corporate's expertise resides in specialized departments that can be consulted as needed. Evidence shows that “creating value relies on collaboration with these business units as CVCs cannot be experts in every vertical” (RM).

However, these specialists have their own responsibilities within the corporation and must invest extra time in advisory, which does not directly create value for the corporation. Moreover, the willingness to share knowledge is a cultural issue; only a fraction of corporate employees is open to the agile and dynamic ways of startups. Strategically driven CVC-interviewees emphasize the importance of finding sponsors within the corporation soon after the investment. These sponsors act as mentors and “sometimes even join the startup's board” (RB).

Legal hurdles can arise when supporting startups, particularly regarding corporate IP protection. Interviewees mentioned using legal tools like NDAs to protect IP, though many CVCs don't see IP protection as a major issue. Several interviewees confirmed: “There are hardly any reservations about sharing information and knowledge because ultimately both parties benefit when insights are shared” (BB).

Conversely, for knowledge transfer from the startup to the corporation, various approaches are driven by the CVC-unit as matchmaker. One method is project-based collaboration, where the startup contributes its expertise to corporate projects, sometimes “forming embedded teams” (FH) for specific periods. Interviewees noted that introducing startup employees can foster a cultural shift towards more entrepreneurial behavior within the corporation. However, they also confirmed that knowledge transfer without a clear intersection between the startup and

corporation is often ineffective. Non-specific workshops led by startups for corporate audiences rarely drive innovation, improve processes, or generate value (FH).

Despite the challenges of knowledge transfer, interviewees have opposite experiences with CVC activities' impact on the overall corporation's strategy. According to interviewee RM, "[t]he strategy is an in-house matter, which is strongly driven and ultimately decided in internal debate and discussion. For that, venturing is far too unimportant to shape corporate strategy." Whereas interviewee JM mentions that "if you now get technologies that enable you to massively reduce the CO2 footprint, [...], this can of course influence your entire strategic planning."

4.5. Key success factors for the organizational setup

Interviewees identified six key success factors in the organizational setup of a CVC-unit. First, one of the most relevant decisions for the corporate is the "determination of a certain type of legal entity for their CVC-unit and how they receive capital for investments" (SR). This could either be a fund approach or an investment approach from the corporate parent's balance sheet. A fund approach allows a long-term allocation of capital and usually more independent processes from the corporate parent (RB). The fund capital is allocated from their single Limited Partner, meaning the parent company as only provider of capital for the fund, the corporate parent for a certain investment period. CVC investments made from the parent company's balance sheet can take two different characteristics. On one hand, according to interviewees, the CVC can be allocated a "clearly communicated annual budget for several years, providing a degree of planning security" (BB). On the other hand, some "CVCs require renewed approval and budget allocation from the parent company for each individual investment" (BB). Interviewees confirm that there is no one fits all approach. However, they point out the advantages of "fund structures with multi-year commitments of the corporate parent" (RB). Particularly, the commitment for several years guarantees that the CVC-unit will not be shut down for short-term-oriented reasons, such as poor financial performance after a few years of existence or changes of the corporate's management board. Additionally, interviewees highlight that own CVC-entities can operate more independently from the corporate parent to attract suitable startups more efficiently. Interestingly, according to interviewee SB, an intriguing approach to initiating a CVC-unit is to begin by investing in independent VC funds as a LP (SB). This strategy allows the corporation to gain valuable

experience in the venture capital landscape while also securing a future deal flow from these fund investments.

Secondly, “the positioning of the CVC-unit within the group is crucial” (JM). Reporting and allocation at the corporate level are key factors. If the CVC-unit reports directly to a board member, decision delays can be avoided (PF). Additionally, this direct reporting underscores the strategic importance of the CVC to the overall strategy of the parent company. Interviewees highlight the preference to be subordinated to the CEO of the corporate parent. This can “positively dispose the C-level towards the CVC-activities” (PF). Interviewees highlight the “high probability of failure if CVCs are set up close to the business units” (PF). Furthermore, “it’s incremental for innovation in the corporation to keep venture clienting or partnership units separate from the CVCs” (AS).

A third key success factor is the speed of decision-making when closing an investment. According to interviewee PF: “While some corporates have bloated processes requiring multiple approvals, it is crucial for CVCs to decide on a potential investment within three months”. Especially, since the competition in the VC-market increases constantly that it gets more challenging to make deals if CVC have extensive due diligence processes. Thus, a CVC’s ability to act quickly necessitates the formation of a well-structured investment committee comprising relevant corporate leaders.

Fourth, evidence suggests the investment committee to be another critical component for enabling a functional CVC unit to achieve long-term success. The investment committee is the final authority in the decision-making process and grants final approval for investments. Interviewees point to the importance “to staff investment committees very senior” (KM). Meaning, minimum one corporate board member should be included. Additionally, minimum “quarterly strategy meetings [should be held to] help continuously steering the investment focus” (AB).

Fifth, the recruitment process is a crucial success factor for the CVC-unit. The operational processes of a venture unit differ significantly from traditional corporate departments. Therefore, it is essential to assemble a team with the right skills to identify, contact, and invest in promising startups and facilitate knowledge transfer between portfolio companies and the corporation. The classic “venture capital industry requires an opportunistic approach to building a portfolio, which is also important for a CVC-unit” (KM). Additionally, the CVC-unit acts as a “matchmaker between portfolio startups and the corporation, necessitating a strong internal

network to identify relevant contacts” (SB). Therefore, a CVC unit should comprise a mix of employees with VC experience and those with corporate experience (SW).

Finally, a clear separation of CVC from the M&A activities should be ensured. While many CVC-units are linked to the innovation department, there are others that operate in parallel to the M&A department and report to the M&A manager within the group. Evidence identified the connection to M&A as potential burden for the CVC’s success. “CVC and M&A are two different disciplines, two different teams, and the deals in M&A are completely different and not comparable to VC” (RM). “M&A efforts are more aligned with immediate strategic goals of the corporation, whereas CVC is considered as diversification mechanism for the corporate parent” (HA). Moreover, the ownership goals are completely contrasting. “M&A focuses on full ownership, while CVC typically involves minority stakes” (FH). In addition, interviewees find consensus that “M&A is typically more conservative, and CVC offers more flexibility in terms of engagement and exit strategies” (SW). "The rationale behind CVCs concentrating on minority investments is to maintain the founders incentivized and grant them considerable freedom, thereby empowering them to execute projects that the corporation cannot effectively manage" (SR). Thus, corporations should set up their CVC-unit independent from any M&A-oriented activities.

According to RM, rarely a “corporation can also virtually engulf a startup because it creates such a high demand, and the type of collaboration is so project-heavy that a scalable business is virtually impossible." Consequently, corporations might consider acquiring the portfolio venture. Interviewee MB underscores this point by noting, "Out of 23 years of CVC experience, there have been three acquisitions that were previously purely minority equity investments."

However, CVC-entities should ensure that the ventures maintain their autonomy in the investment deal and avoid including any put options in the contracts “to give the corporation some assurance that they can have it back later” (FH). If a corporation intends to acquire a firm from the CVC's portfolio, it is crucial for the M&A department to conduct a standardized due diligence process, as it would for any other potential acquisition target.

5. Discussion

This study analyzes the strategic role of Corporate Venture Capital and its contribution to the innovativeness of the corporate parent. The results of the interview series not only corroborate existing literature but also offer significant academic contributions and practical managerial implications, as they reveal new insights into the role of CVC. The discussion addresses areas of alignment between literature and findings, discrepancies, novel contributions, and contributions to research.

5.1. Theoretical and managerial contributions

The identification of use cases and the benefits associated with CVC has been extensively explored in existing research, leading to a robust body of literature on the subject. This study largely confirms previous academic work, particularly in relation to the advantages of establishing CVC programs. These advantages include enhanced innovation capabilities, improved access to emerging technologies, and the facilitation of knowledge transfer from portfolio ventures to the corporate business units (Rossi et al., 2022; Chemmanur et al., 2014; Jeon & Maula, 2022; Basu et al., 2011; Dushnitsky & Lenox, 2005a; Dushnitsky & Shaver, 2009).

5.1.1 Novel contributions of the research

This study advances new knowledge by revealing six novel contributions to the understanding of CVC and its strategic impact. First, this study sheds light on the critical role of organizational setup and the evolving value proposition of CVC within the broader venture capital landscape. The interviewees see the setup of the CVC-unit as a critical factor, with specific emphasis on the alignment of strategic objectives with the parent corporation, budget allocation, legal entity selection, subordination within the corporate structure, separation from other business units, sourcing of investment opportunities, team composition, investment committee composition, and the speed of decision-making for investment opportunities. Furthermore, the interviews revealed that CVC-units are increasingly taking on a "matchmaker" and coaching role, where they support startups by facilitating connections within the corporate ecosystem without directly intervening their operations. This supportive but non-intrusive approach distinguishes

CVC from other forms of corporate engagement, such as M&A and incubators, underscoring the importance of CVC as a tool for nurturing innovation in a way that respects the autonomy of the startups.

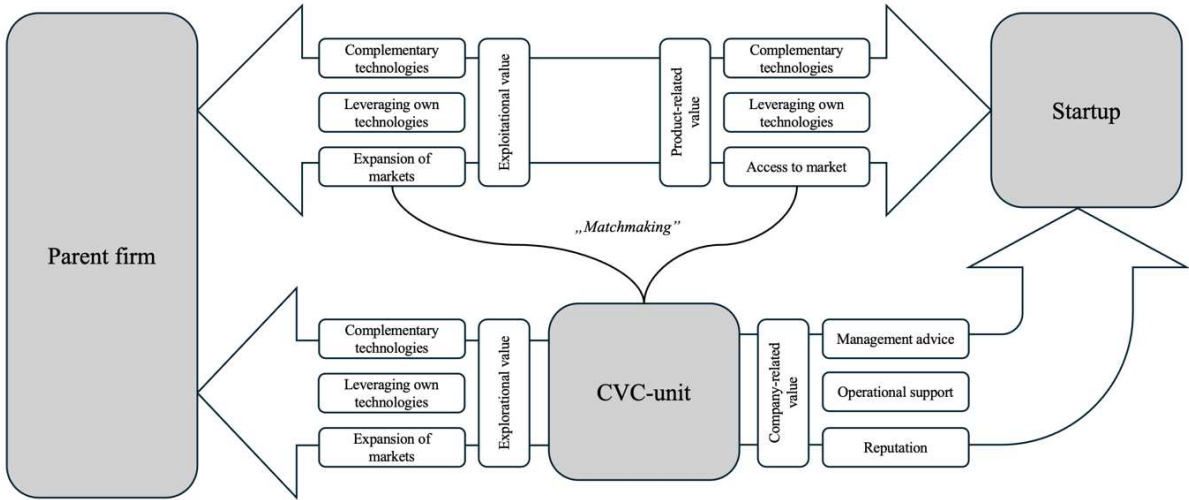


Figure 2: CVC as matchmaker between startups and parent firms
 Source: Own illustration based on interview findings.

Second, a particularly significant contribution lies in the enhanced understanding of the complexities involved in measuring the strategic objectives of CVC-units. While existing literature acknowledges the inherent challenges in quantifying strategic goals, the findings from the interviews provide more detailed insights into these challenges. Specifically, interviewees highlighted the difficulty in standardizing and measuring strategic objectives, which are often qualitative, long-term, and intertwined with the broader goals of the corporation. This lack of clear success metrics complicates the ability of CVC-employees to demonstrate the strategic value of their initiatives to corporate leadership, which can, in turn, threaten the sustainability and long-term commitment to CVC-activities. However, interviewees emphasized that CVC’s role in ecosystem building and providing informational support for corporate decision-making is a significant, albeit less quantifiable, benefit. This suggests that the strategic contributions of CVC may be more indirect and long-term than the literature typically accounts for.

Third, this research identifies the growing momentum and new value proposition of CVC in the venture capital landscape. CVCs are increasingly seen as potential value-addition to startups because of their broad resources that can be drawn on in their advisory function. This insight reflects the evolving role of CVC as a strategic asset that extends beyond simple financial investment to becoming an integral part of corporate innovation strategies. Moreover, one interviewee highlighted the credibility that startups gain through their association with the corporation when CVC invests in the young venture. In addition, some CVC-units strategically begin their operations with fund investments to generate deal flow and to internalize the characteristics and operational dynamics of venture capital activities.

Fourth, this research uncovers the critical role of corporate culture in the success of CVC programs, an aspect that is underexplored in existing literature. While the literature discusses operational challenges in CVC, the interviews reveal that cultural barriers between the startup and the corporate parent can significantly hinder the effectiveness of CVC. For example, several interviewees noted that corporate employees often struggle to adopt the agile, risk-taking mindset of startups, which can lead to friction and complicate knowledge transfer. It was noted by the interviewees that there is often a certain level of unwillingness in business units to provide extensive support to portfolio ventures, which can hinder the full realization of CVC's strategic objectives. This highlights the importance of not only aligning CVC activities with corporate strategy but also fostering a cultural transfer from the portfolio startups to the corporate parent that is conducive to collaboration and innovation.

Fifth, based on the evidence collected, this study argues that internal challenges act as a catalyst for CVC-driven innovation. Indeed, the interviews conducted in this study frequently mention that collaboration between the corporate parent and CVC portfolio startups typically begins in response to an internal problem or need. This indicates that, in practice, CVC is often reactive, addressing specific corporate challenges rather than being used as a general strategy for driving innovation. The interviewees highlight the practice of creating embedded teams, where corporate and startup personnel collaborate closely on projects that align with both parties' intrinsic interests (FH). This method not only enhances knowledge transfer but also fosters a deeper, more productive partnership that benefits both the startup and the corporate parent. In addition, interviewees mentioned that R&D departments and CVC portfolio startups can fertilize each other if they pursue projects together, enhancing the innovation output for both parties.

Sixth, the cooperation between CVC and business units was emphasized as a critical step to foster collaboration, ensuring that a sufficient knowledge transfer can be established. However, some interviewees noted that they deliberately exclude iterative innovations from CVC activities to avoid conflicts with R&D departments, highlighting that incremental and iterative innovation capabilities are often better located within the R&D department of the corporation.

In summary, the novel contributions of this research lie in the deeper exploration of the “matchmaker” role of CVC, challenges in measuring strategic goals, the critical role of organizational and cultural alignment, the utilization of embedded teams for collaboration and the evolving value proposition of CVC within the venture capital ecosystem. These insights contribute to a more nuanced understanding of the strategic role of CVC and provide a foundation for future research on optimizing the impact of CVC on corporate innovation.

5.1.2 Discrepancies between literature and interview findings

In comparing the literature review with the findings from the interviews, several discrepancies emerge that highlight the complex nature of CVC-practices. First, prior research addressed the role of CVC in complementing internal R&D efforts. While the literature discusses CVC as an alternative to traditional R&D, the interviews suggest that CVC is most effective when it is used to complement, rather than replace, internal innovation activities. For instance, in cases where internal R&D struggles with specific technological challenges, CVC can bring in external expertise and innovative solutions from startups. Interviewee AS provided an example where a startup focused on autonomous driving technology received substantial funding to tackle a problem that the corporate’s R&D department could not solve alone. This example illustrates how CVC can be strategically leveraged to address gaps in internal capabilities and accelerate innovation.

Second, a major discrepancy between the literature and interview findings is the perceived strategic impact of CVC on the overall corporate strategy. While the literature often portrays CVC as a powerful driver of strategic change, the interviews suggest that this impact may be more limited in practice. Several interviewees expressed skepticism about the ability of CVC to influence corporate strategy significantly, particularly in large corporations in which CVC-units may operate on the periphery of the corporate structure. This suggests that the strategic

value of CVC may be more situational and dependent on the level of integration between the CVC-unit and the parent company's core operations.

Third, while the literature emphasizes the importance of well-defined exit strategies as a critical factor for successful CVC-operations, the interviewees did not elaborate significantly on this aspect, suggesting a potential gap between theoretical models and practical concerns. This might be because some CVC portfolio companies are not yet matured enough to consider exit options, resulting in limited discussion of this topic by the interviewees. Similarly, the literature reports a relatively high rate of acquisitions of CVC portfolio firms by corporate parents, estimated at around 17% (Benson & Ziedonis, 2010). However, this was not widely reflected in the interviews, with only one participant (MB) mentioning such an experience and interviewees highlighted the clear separation from the M&A departments.

Fourth, in terms of the incentive systems for CVC employees, which the literature identifies as a key factor for success, the interviewees provided little elaboration, indicating that this may not be as critical in practice or that it varies significantly across different corporate contexts. Additionally, the literature often frames CVC as inherently linked to strategic objectives, yet the interviews revealed that some CVC-units operate with a purely financial focus, challenging the assumption that strategic goals are always a priority (NH, AB, PF, MMA).

Finally, another area of discrepancy relates to the implementation challenges of CVC. The literature generally downplays the synergies between CVC-units and the broader corporate structure. Yet, interviewees highlighted specific interaction touchpoints with business units, suggesting that practical integration might be more nuanced and context-dependent. Furthermore, while the literature raises concerns about intellectual property (IP) protection and the potential disadvantages of sharing knowledge with startups, interviewees did not perceive significant issues in this regard (JM, BB). They noted that effective legal protections are typically in place, minimizing the risks associated with IP sharing (HA, SW).

5.1.3 Alignment between literature and interview findings

The literature and interview findings emphasize CVC's role in enabling corporations to access new knowledge and capabilities, diversify innovation efforts, and gain competitive advantages. This is particularly pertinent in industries characterized by rapid technological change, where CVC allows corporations to stay ahead by integrating external innovations into their ecosystem

(Basu et al., 2011). The literature suggests that CVC-units provide corporations with early access to emerging technologies and business models, which is echoed by interviewees who noted that one of the primary benefits of CVC is its ability to serve as a “window on technology”.

Academics emphasized that by investing in startups, corporations can gain insights into cutting-edge developments that may not be achievable through internal R&D alone. Interviewed experts reinforced this perspective, with many highlighting that CVC is increasingly seen as a vital component of a holistic and comprehensive corporate innovation strategy. Evidence from both this research and existing literature show that CVC can access the full strategic resources of the parent firm to support startups, which significantly enhances the startups' potential for success. They frequently noted that CVC serves as a valuable complement to a corporation's portfolio of innovation tools, enabling the creation of an "innovation portfolio" that includes not only internal R&D but also external sources of open innovation. This diversification is crucial for corporations to navigate the uncertainties of disruptive technologies and to explore new business opportunities beyond their core activities, particularly in what is often referred to as "horizon two and three" innovations – those far away from the current core business operations (SB). For instance, participants frequently mentioned that CVC-investments enable corporations to diversify their innovation efforts beyond traditional R&D, tapping into external sources of open innovation that could be disruptive to their core business.

Moreover, the differentiation between CVC and traditional M&A activities has been identified by interviewees and academics alike. While M&A typically involves full acquisition and integration of target firms, CVC is characterized by minority equity stakes, allowing the corporate parent to exert limited influence on the operational activities of startups (Chemmanur et al., 2014). This structure enables startups to retain their agility and innovative capacity, which are essential for driving the kind of groundbreaking innovations that can be challenging for more established corporate environments to achieve internally.

In summary, the literature and interview findings align in their portrayal of CVC as a strategic tool that complements existing innovation efforts by offering access to new technologies and markets, while also allowing corporations to maintain a diversified and future-oriented innovation portfolio. This alignment underscores the strategic importance of CVC in fostering innovation and sustaining competitive advantage in rapidly changing industries. Nevertheless, literature review and interviewees pointed out that CVC strategies are inherently company-

specific, with no standardized approach, as the requirements and goals of each corporation are different.

5.2. Future research and limitations

The semi-structured interviews conducted in this study provided substantial internal validity by allowing the researcher to deeply explore the strategic role of CVC and the factors influencing the innovativeness of the parent company. However, the findings cannot be generalized due to the use of non-probabilistic sampling methods (Birkinshaw et al., 2011). Qualitative research inherently carries the risk of biases, particularly since interviewees may hold preconceived notions about CVC activities. To mitigate the potential bias of the researcher adopting these prejudices, an iterative analysis approach was employed, ensuring as much alignment with the evidence as possible (Gioia et al., 2013). Nevertheless, it is acknowledged that these biases cannot be completely eliminated and may have influenced the results. To enhance the external validity and objectivity of these findings, complementary quantitative research could be conducted.

The sample for this study comprised 18 experts from 14 different CVC units, with roles ranging from Investment Associate to Managing Director, as well as 3 additional experts from consultancy firms specializing in CVC-advisory. Although this diversity provided varied perspectives on the role of CVC and its contribution to the parent firm's innovativeness, the study is subject to several limitations.

Firstly, the number of interviews was constrained by time and resource limitations, suggesting that further interviews could improve the theoretical saturation of the results. Secondly, the study focused on the experiences of the interviewees and did not encompass a broader range of perspectives, particularly those from employees at parent companies where CVC functions as a matchmaker and from startups supported by CVC-investments. While one interviewee had transitioned from consultancy to a CVC-backed startup, the interview questions primarily centered on the perspective of Corporate Venture Capital. Thus, future research could expand the scope by including other stakeholder groups and companies that interact with CVC, thereby offering a more comprehensive range of perspectives.

Thirdly, the study's geographical scope was limited to Europe, meaning it does not account for the potential influences of different economies, political contexts, or cultural variations.

Expanding the geographical focus, particularly to regions like the United States, where a significant portion of venture capital is concentrated, could provide insights into macroeconomic factors that might affect the findings.

Fourthly, the breadth of perspectives could be further enriched by investigating failed CVC initiatives to identify common challenges. Although this was partially addressed through an interview with SB, an individual from a CVC-unit that is about to close, a more focused sampling strategy and targeted interview questions would be necessary to thoroughly explore this aspect.

Finally, CVC serves as an innovation mechanism for corporations operating in dynamic environments and is likely to be influenced by the integration of other open innovation tools. This study reflects the state of CVC as of August 2024, based on the timing of the interviews. As market conditions evolve, technologies converge, and novel innovation strategies emerge, the relevance of these findings may diminish. Given the ongoing evolution of corporations and their innovation practices, a longitudinal study could provide valuable insights by tracking the development of CVC and its impact on the parent firm's innovativeness over time. Such a study would also enable an evaluation of the long-term effectiveness of the success factors identified in crossing the implementation chasm of CVC.

6. Conclusion

Corporate Venture Capital has become an essential tool for companies looking to enhance their innovation capabilities and remain competitive in fast-changing markets. Through CVC, companies can access new technologies, enter emerging markets, and build relationships with innovative startups that lead industry trends. The literature highlights the growing importance of CVC and its widely recognized benefits, but it also points to the challenge of measuring the knowledge transfer between portfolio startups and the corporate parent. This study addresses this research gap by using qualitative research methods, specifically 18 semi-structured interviews. The goal was to gain a deep understanding of the success factors and challenges within CVC units and to understand the contribution of CVC to the innovativeness of the corporate parent.

The qualitative data analysis based on Gioia's approach revealed several key insights, namely benefits for the parent company: Strategic innovation diversification, challenge for the corporate parent: strategic vs. financial goal dilemma, benefits for startups: Exclusive network and resource access, challenges of knowledge transfer, the process of value creation and key success factors for the organizational setup. This research makes significant theoretical contributions and offers practical insights into how to evaluate the strategic role of CVC. The findings show that while CVC does not replace internal R&D or innovation departments, it can strengthen a company's innovation strategy and enhance the innovativeness of the parent firm by diversifying the company's asset and resource portfolio beyond its core business.

As external economic factors are increasing the competition in the VC landscape, CVC is gaining momentum. CVC units offer significant value to startups due to their unique positioning. However, the tension between strategic and financial goals makes it difficult for CVC-units to fully demonstrate their strategic value to the parent company. These challenges primarily stem from a misalignment and difficulty in measuring strategic objectives, as well as a lack of acceptance and integration of CVC initiatives within the corporate parent. This issue mirrors the broader challenges of assessing the strategic value of open innovation activities, where qualitative, non-financial metrics often fail to capture the full impact.

As a result, many CVC-units have not yet integrated many solutions from their portfolios into the corporate structure or fully realized their innovation potential. Nevertheless, evidence suggests that CVC should be reconsidered as a "matchmaker" between the startup ecosystem and the corporation, to ensure broader acceptance and integration of portfolio startup solutions within the parent organization. Interviewees emphasized that maximizing the company's exposure to venturing activities helps capture the full strategic value of these startups. Clear communication of objectives and responsibilities also makes venturing efforts more focused and more likely to succeed.

This study contributes to the literature by identifying key success factors for the organizational structure and successful collaboration between portfolio startups and the corporate parent. First, it is crucial to establish an appropriate legal entity for the CVC unit, which determines how the unit receives investments and operates. Second, the CVC unit should maintain an independent position within the parent company, with direct reporting to at least one C-level executive. Third, the investment decision-making process should be streamlined, ideally not exceeding three months during the due diligence phase. Fourth, transparent communication and a senior-

level staffed investment committee are essential for effective decision-making. Fifth, the CVC-team should consist of a balanced mix of venture capital experts with an opportunistic investment approach and corporate professionals with strong connections to the parent company's business units. Finally, there should be a clear distinction between CVC-activities and M&A activities, as evidence suggests significant differences between these two disciplines.

CVC is crucial for finding new market opportunities and exploring innovative ideas for corporate parents. Instead of replacing existing innovation efforts, CVC expands and strengthens a company's ability to innovate by opening up new business areas and integrating select innovations into the corporate structure. Additionally, creating CVC units helps introduce agile working methods and encourages an entrepreneurial mindset within the parent company. However, there is no single approach to setting up and running a CVC unit because industries, business stages, and corporate goals vary widely. Each company must design its CVC strategy to fit its specific needs and objectives, as supported by both interviews and literature.

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8. Appendix 1: Interview Participants

Identifier	Gender	Nationality	Sector	Company origin	Role	Experience
AB	male	Sweden	Cleantech	Germany	Growth Capital Investor	3 years
AS	male	Germany	Food & Beverages	Germany	COO	6 years
BB	male	Germany	Insurance	Switzerland	Investment Manager	2 years
FH	male	Germany	Automotive	Germany	Head of Venture Capital Strategy	7 years
JM	male	Germany	Construction	Switzerland	Corporate Venture Capital Investor	7 years
MB	male	Germany	Chemicals	Germany	Managing Director Venture Capital	23 years
NH	male	Germany	Food & Beverages	Germany	Senior Investment Manager	6 years
PJ	male	Germany	Banking	Germany	Venture Capital Lead	5 years
RM	male	Germany	Automotive	Germany	Vice President	7 years
SW	male	Germany	Real Estate	Germany	Head of Business Model Innovation and CVC	7 years
MMa	female	Germany	Food & Beverages	Germany	Senior Investment Manager	5 years
SR	male	Germany	Consulting	United Kingdom	Senior Manager Corporate Venture Capital & Innovati	10 years
PF	male	Germany	Consulting	Germany	Principal	6 years
RB	male	Portugal	Energy	Portugal	Head of Corporate Venture Capital	10 years
HA	male	Portugal	Consumer Products	Portugal	CEO	6 years
KM	male	Germany	Banking	Germany	Senior Manager Strategy & Investments	4 years
MMu	male	Germany	Automotive	South Korea	Investment Manager	11 years
SB	male	Germany	Manufacturing	Germany	Managing Director	11 years

9. Appendix 2: Semi-structured interview protocol

Introduction

(Note: 15 of the 18 interviews were conducted in German, whereas 3 interviews were conducted in English)

This academic interview discusses the strategic role of Corporate Venture Capital and its contribution to the innovativeness of the corporate parent firm, with selected interview partners within the CVC landscape. The main objective of this research is to gain a better understanding of the influences pursuing CVC activities and its strategic value for the parent firm.

The purpose of this interview is to gather firsthand experiences and perspectives from industry experts, including yourself, who possess direct involvement or knowledge in this field. Your insights will greatly aid in comprehending the practical aspects, opportunities and challenges associated with the strategic role of CVC and its contribution to the innovativeness of the corporate parent firm.

Before proceeding, it is important to note that this interview will be recorded for academic purposes only. Your participation in this interview implies your consent to be recorded. Please note that all information you provide will be kept confidential and used solely for the purpose of this research. Thank you very much for your participation and authorization.

Background and general information:

- Could you briefly introduce yourself and describe your role within the CVC firm?

Stage and Industry:

- Can you describe what industries and stages you primarily focus on?
- What is the legal entity setup of your Corporate Venture Capital unit?

Strategic Criteria for Investments:

- What are the main strategic investment hypotheses of your CVC unit?
- How do these criteria align with the broader strategic goals of the corporate parent firm?
- What is your positioning in the VC market and what are main factors to choose you as a partner?
- What is the role that you take when supporting ventures on their growth paths?
- Can you please explain the process the investments usually follow?
- What kind of measures do you have in the contract to ensure later-stage investments?

Interaction with Corporate Parent Firm:

- Can you describe the way of interaction between the CVC unit and the corporate parent firm?
- How frequently and at what levels (strategic, operational & hierarchical and department-wise) does this interaction occur?

Interaction with the Portfolio Venture:

- How do you protect the Corporate's internal Intellectual Property (IP)?

Knowledge & Information Transfer:

- Do you have any examples where CVC investments have complemented or substituted the parent firm's R&D?
- Can you give examples of how R&D from the parent firm has helped to identify portfolio companies?
- Can you give an example of how such knowledge transfer has influenced the parent firm's strategic direction or operations?

Comparison with Internal R&D & M&A:

- Which differences do you perceive between Corporate M&A and CVC activities?

Outlook:

- How do you perceive the relationship between financial and strategic goals within your CVC unit?
- Do you have specific examples where you were able to measure strategic success of the investments?
- What trends or changes do you foresee in the CVC landscape over the next few years?
- How might these changes impact your parent firm's strategy and operations?

Closing:

- Do you have any additional insights you would like to share that have not been covered?
- Do you have any recommendations to improve the interview or the interview protocol?
- Do you know any additional people that might be interested in joining one of my interviews that work in the CVC environment?

10. Appendix 3: Analysis of interview series based on Gioia's method

First-Order Concepts	Second-order Themes	Aggregate Dimensions
"We transitioned from a balance sheet approach to an independent fund with a strong LP commitment from our parent company." (MMa)	Fund approach as independent VC vehicle	Key success factors for the organizational setup
"We have a little journey behind us from CVC to independent VC." (NH)		
"Our setup is as an independent GmbH & Co. KG, where 95% of our funds come from our corporate parent." (MMA)		
"Initially, we used a balance sheet approach, but now we've set up an independent fund entity." (MB)		
"We have a fund structure with multi-year commitments from our corporate parent." (RB)		
"Firms with a fixed fund structure that raises money, they need to deploy the capital because they need to pay it back to the LPs at the end of the period, and they need to raise the next fund, right? And they need to have this performance, right?" (AB)	Balance sheet approach for strong corporate collaboration	
"We operate on a balance sheet basis, with yearly budgets allocated from the corporate parent." (RM)		
"Our investments are directly from the corporate's balance sheet, evaluated year to year." (SW)		
"We are not a fund, we are a balance sheet investor, that means we get a certain budget and invest from the balance sheet, and accordingly we don't have a carry structure but rather a bonus topic like an affiliate CVC." (KM)		
"I think the fund structure is better, but it is still often not possible to implement it directly from the start. And there are also many units that have become successful with the balance sheet." (SR)		
"Our CVC operates as an independent fund but sources capital from the balance sheet." (HA)	CVC's team composition	
"That is a mistake that corporates often make, hiring corporate people for VC rather than bringing VC people into the corporate to do VC." (KM)		
"Venture capital industry requires an opportunistic approach to building a portfolio, which is also important for a CVC unit" (KM)		
"We have a dedicated team with expertise in both corporate and venture capital operations." (SW)		
"We have an investment committee from the bank, which we have staffed very senior, so corporate customer board, private customer board, head of strategy, and head of M&A are involved." (KM)		
"Matchmaker between portfolio startups and the corporation, necessitating a strong internal network to identify relevant contacts" (SB)	CVC as new organization, independent from the corporate parent but still with relevant intersections	
"Our team includes specialists from various sectors to ensure we cover all relevant areas." (SB)		
"A new department was set up to comprehensively deal with venture capital and M&A." (FH)		
"We have separate innovation teams focusing on different verticals to streamline our operations." (PF)		
"Different verticals within our CVC unit allow us to address diverse market needs efficiently." (PI)		
"Otherwise, we have nothing to do with the corporation, except that they are, of course, our main LP, and we can access their network, having created independent structures." (NH)	Special characteristics of CVCs	
"We have separate verticals focusing on different innovation areas to streamline operations." (FH)		
"CVCs are organized differently by nature. For us, CVC was part of the innovation department and had to fight for the budget for each investment, versus having an allocated budget, versus being a completely independent subsidiary." (BB)		
"If you, as a CVC, are not subordinated to a C-level or very close to it and the C-level is positively disposed towards you, then you have no chance of surviving long-term." (PF)		
"So, very generally and realistically speaking, you can say that it is often a big mistake to set up a CVC unit so close to the business units." (PF)		
"It is incremental for innovation in the company to keep venture clienting or partnership units separate from the CVCs." (AS)		
"And secondly, that the CEO has been in place for at least 10 years. So you see a correlation between the tenure of the CEO and the direct connection of the CVC to the CEO." (PF)		
"On the other hand, the CEO is crucial for the CVC because a CVC can only survive if it is relatively quick in the market. That means, if it can make investments within a maximum of three months." (PF)		
"It's the luxury of doing both things, so Family Offices have the luxury also like CVCs, that they can just say: this year we're not investing, and we wait." (AB)		
"There is no single CVC." (KM)		

Source: Own illustration based on qualitative content methodology of Gioia (2013)

"Our investments focus on new business models that align with our long-term strategic goals." (PF)	Diversifying the core business by diving into horizon two and three innovations	Benefits for the parent firm: Strategic innovation diversification
"Our investments focus on growth sectors where we can add significant value, such as renewable energy." (AB)		
"We have rather looked at horizon two, horizon three topics, and have also strongly focused on process innovations." (SB)		
"CVCs are always responsible for horizon three, far removed from the core business, exploring very exploratory new businesses." (PF)		
"We aim to support ventures that can help us penetrate new markets, especially in Europe." (RB)		
"We look for ventures that can introduce disruptive technologies and new business archetypes." (SR)		
"CVC is innovation, bringing both business models, technology, and venture capital to the market." (SW)		
"I call it a bit of hedging, meaning the company has a direction it is going, and the CVC units look at alternative paths and, with relatively small money for the company, at least learn to understand how the field is developing." (MMu)		
"The investments should be designed to make an essential strategic contribution to the challenges of the parent company." (RM)		
"Essentially, both in the area of product and process, to bring innovations into the house that can either open up new revenue pools or enrich our technology to generate corresponding USPs that we can then market." (SB)		
"The most important benefit is primarily the preliminary assessment of technology." (MMu)		
"CVC opens a window on new technology" (MMu)		
"For us, it is of course important to strategically participate in topics that could potentially be disruptive." (JM)		
"Diversify the core" (BB)	Sourcing for ventures closer to the core	
"Close to core topics, that is, we analyze key challenges internally and build companies to address these core strategic challenges." (FH)		
"Our main hypothesis is investing in technologies that complement our existing business units." (FH)		
"We prefer investing in companies that are close to market entry, ensuring quicker returns and strategic integration." (MB)	Diving into industry examples	
"Our strategy involves targeting ventures nearing commercialization for more immediate impacts." (MMA)		
"On the decarbonization side, through technology, partnership, strategic partnership, and investments, to be able to take a leading role so that one has a sustainable competitive advantage in the regulated ETS markets." (JM)		
"Manufacturing industry, yes, I think, because they have many use cases, both innovations in production, innovations in materials, innovations in maintenance topics, all of that." (AS)	Avoiding conflicts with R&D	
"Everything from circular economy, decarbonization, infrastructure, smart mobility, construction tech, so, anything with a kind of CO2-reduction component." (AB)		
"We have deliberately excluded iterative innovations in our scouting activities also to avoid conflicts with our R&D colleagues." (SB)	Fund investments as entry to the VC environment	
"The idea was to first demonstrate with fund investments that you can save a lot of money with such a concept and bring innovations into the house and that this is a highly relevant source of innovation." (SB)	Strategic alignment between CVC and corporate parent is highly required	
"All our investments are strategically aligned with the broader goals of our parent company." (NH)		
"Strategic alignment with our corporate objectives is a primary criterion for our investment decisions." (SW)		

Source: Own illustration based on qualitative content methodology of Gioia (2013)

"Our unique access to strategic assets differentiates us in the VC market." (RB)	CVCs unique positioning in the VC landscape through valuable assets and resources	Benefits for startups: Exclusive network and resource access
"We leverage our parent company's resources to stand out in the venture capital space." (SB)		
"Our deep industry knowledge and strategic resources make us a preferred partner for many startups." (BB)		
"We offer unique access to our corporate networks and resources, which is a significant draw for ventures." (JM)		
"Our CVC unit serves as a bridge for international startups to navigate local markets." (SR)		
"Our access to the market is what they're most interested in." (RB)		
"We can try to create access to end customers through the banks. That is one of the biggest assets we bring." (PJ)		
"We build a portfolio of solutions through investments and venture clienting that we can then deploy." (JM)		
"Our role is mostly that we are a strategist who can either become a major customer of the startup or a partner responsible for scaling." (JM)		
"Building long-term relationships with our portfolio companies is key to our strategy." (PF)		
"Compared to traditional VCs, we have more resources for ecosystem building and partnering to help startups." (BB)	CVCs exclusive role as investor	
"We act as local partners for international ventures looking to enter our market." (PF)		
"Our role goes beyond funding; we actively help ventures scale and grow within our ecosystem." (PJ)	Limited capital in the German market	CVCs gaining momentum in the VC market
"Ongoing engagement and trust-building are central to our market positioning." (PJ)		
"The startup can also benefit from the enhanced credibility gained through its partnership with the investing firm." (MB)		
"We position ourselves as hands-on investors, providing operational support and expertise." (SW)	CVCs gaining momentum in the VC market	
"CVCs in German corporates are generally not equipped with the capital they actually need to be relevant." (MB)		
"I imagine CVCs will see that as an opportunity to be more competitive than more standard legacy VCs in competing for deals because they have access to potential clients, they can do distribution for potential clients, they understand how to invest in hardware, and they are more comfortable investing in capex with long-term revenues than VCs." (HA)		
"This currently leads to the situation that CVCs, like us, who are active, get into all deals with valuations that you haven't seen in the last 10 years. So for early-stage investors, it is currently a kind of paradise because you can get into almost any venture with any party without problems." (MB)		
"We take active roles in the boards of our portfolio companies to guide their strategic direction." (MB)	Taking board observer roles	
"Our involvement often includes board seats to provide direct support and oversight." (MM)		
"For us, it's important to be on the board of the company, whether you have voting rights or just an observer." (HA)		
"If we invest, then usually the person that goes into the board of the startup is someone from the business unit, not someone from the CVC." (RB)		
"It was already an intention to obtain a board observer seat because we also expect strategic advantages from it in shaping the respective company." (RM)	Creating a round setup as lead or co-lead	
"We take an active role, often leading investment rounds and taking board seats." (RB)		
"We usually lead or co-lead, and so we like to submit a term sheet, but it's also okay to follow." (HA)		
"We go into the deal with completely standard terms as a financial VC, and then we expect that through the day-to-day relationship, we can kind of gain mutual trust." (RB)		
"In our case, we have to collaborate with other investors, and we have to collaborate with the management on the point of view that we have that might be different or complementary opinions to the ones they already have." (HA)		
"We offer extensive market access and operational support to our portfolio companies." (NH)	Operational support	
"Our vast corporate network is a significant asset for the growth of our portfolio companies." (SB)		
"We act as strategic advisors, helping ventures align their goals with market opportunities." (AB)		
"Our support includes facilitating market entry and providing operational expertise." (SW)		
"Our extensive industry contacts are invaluable for startups looking to expand rapidly." (MMu)		
"Startups come to us intrinsically and say, hey, we have two examples of alternative proteins that are super difficult to scale. Please connect us with someone who has already thought bigger about lab technology, etc." (NH)		
"If there is a specific sector where one of our portfolio companies has knowledge, then of course we engage with them and make introductions." (AB)		
"Our support includes mentoring, operational guidance, and leveraging our corporate resources." (RM)		
"We set up a team of, basically, coaches behind you that can help you with various topics that you need help with to scale." (AB)		
"We want to closely accompany the investment, but without interfering in the startup's activities." (NH)		
"The goal is for the founders to remain incentivized so that they have as much freedom as possible because they are doing what the company is not capable of." (SR)		

Source: Own illustration based on qualitative content methodology of Gioia (2013)

"We maintain regular communication with the parent company at multiple levels." (PF)	Keeping in touch with the business units	The process of value creation
"We have integrated teams that include members from both the CVC unit and the parent firm." (AB)		
"Operationally, we have monthly check-ins with relevant departments to monitor progress." (FH)		
"The parent company is actively involved in our strategic and operational decisions." (PH)		
"We engage with the parent firm on a project basis, particularly when a startup needs corporate support." (SW)		
"Our interactions span strategic and operational levels within the parent organization." (PJ)		
"Interaction is often project-based, with specific teams assigned to work on venture-related projects." (PJ)		
"Our team works closely with various departments within the corporate parent to ensure synergy." (RM)		
"Quarterly strategy meetings with top executives help in steering our investment focus." (AB)	Constant reporting to the executive committee	
"Decisions are often escalated to executive committees for final approval." (MMu)		
"Executive committees play a crucial role in our investment decision-making process." (MB)		
"We have regular bi-weekly meetings with the corporate parent to align on strategy and progress." (RB)		
"Our CVC unit collaborates closely with corporate executives on key decisions." (SR)		
"So if top management makes certain strategic decisions better informed because CVC is close to the market, have seen technological trends, have a feeling for where the markets are turning, that is a very valuable strategic benefit." (SR)		
"You don't have constant contact with the organization over the investments. There are, of course, reports that we pass on to C-level." (FH)		
"Also to say that this is a very tricky activity, because oftentimes we really need to rely on the business units to actually add value because we cannot be experts in every verticle." (RB)	Adding value via corporates business units	
"We once defined sponsors on the board level for individual investments, but that was also very selective, only with very few portfolio ventures." (FH)	CVC as matchmaking to find sponsors within the corporate parent company	
"You quickly find out who the people in the company are who are more open to this kind of thing and where such things get off the ground faster." (SB)		
"Our role was that of the matchmaker." (SB)		
"I mean, they are an expert in what they're doing, and you invested in them as a team. You are just the coach." (AB)		
"We do not make an investment if there is no representation or a project owner from the business." (JM)		
"This is already a major cultural transformation we are in, and a venture unit also plays a role in it." (RM)	Provoking a cultural transformation within the corporate parent through entrepreneurial spirit of portfolio ventures	
"When asked what the CVC unit does for the core business, the traditional part of the company and the innovation department kind of clashed. It was not entirely clear whether we were selling more insurance, reducing damage, or improving our operations." (BB)		
"That may not be in the hands of the investment team, whether a commercial agreement is somehow set up alongside it." (SR)	Finding commercial agreements (potentially via venture clienting)	
"We consider beforehand what we will do with it and how we can maybe set up a development project together or do something else." (MMu)		
"Venture Client Units and CVC units are doomed to work together. That never leads to anything good because, realistically speaking, the problem is that you have an investment round in a startup that usually needs to be closed quickly. And now the corporations usually expect that you validate a partnership with them beforehand to really bring more strategic value." (PF)		
"When you do CVC and then have a strong venture clienting unit that actually intensively supports the companies and integrates them into the corporate all the time, then real cross-fertilization can happen. But in most cases, it is just too expensive." (FH)		
"We have stringent measures to protect corporate IP during interactions with startups." (NH)	Protecting the corporate IP	
"We have strict NDAs and contractual agreements in place to protect our IP." (BB)		
"Legal frameworks are established to ensure IP protection during all interactions with external parties." (HA)		
"We create working groups to facilitate knowledge sharing while protecting IP." (PJ)		
"Working groups are established to generate and share valuable research reports internally." (PF)		
"Our board representatives are trained to handle sensitive information responsibly." (SB)		
"We have clear protocols for what information can be shared and what must remain confidential." (SW)		
"Protecting our IP is a priority, and we enforce robust safeguards in all engagements." (SW)		
"We ensure that any insights shared in board meetings are carefully controlled." (RB)		
"We do not take IP from startups through the investment, and they tend not to take any IP from us that we would not benefit from." (JM)	Protecting the startup IP	
"There are hardly any reservations about sharing information and knowledge because ultimately the understanding was that it benefits both parties when insights are shared." (BB)	Sharing information fertilize each other	

Source: Own illustration based on qualitative content methodology of Gioia (2013)

"Our investment in a tech startup provided new capabilities that complemented our in-house R&D." (RB)	Complementary innovation examples
"The AI company we invested in has significantly enhanced our internal data analytics projects." (AB)	
"For example, if I have a budget of 2 million euros for autonomous driving technology with automobile manufacturers, a startup has received 60 million funding to solve this problem. Of course, I have to work with them, because with 60 million they can attract more talent, especially if it is software-related. You have completely different resources, completely different speeds." (AS)	
"It's less and less possible for a company such as our integrated energy company, operating in so many different things, to have its own internal R&D. We are more and more project managers, project developers and executors, and traders, and we have to rely on entrepreneurs and specialized research centers." (RB)	
"Our investment in renewable energy startups has substituted the need for internal development in this area." (MMu)	R&D and CVC fertilize each other
"We leverage the entrepreneurial expertise of our portfolio companies to drive innovation." (NH)	
"In manufacturing companies, definitely, then the CVC and R&D units fertilize each other very strongly because it can be part of R&D." (PJ)	Replacing R&D entirely
"In some cases, we've used startup innovations to replace the need for internal R&D entirely." (FH)	
"Especially since you can no longer rely on your own R&D as the only source of innovation to the same extent, given the speed at which the technology spiral continues to turn." (SB)	Replacing R&D completely is not feasible
"External entrepreneurial expertise is critical to our innovation and growth." (SW)	
"Replacing R&D completely with CVC is not feasible." (SB)	
"The idea that CVC activities can replace R&D and innovation departments is unrealistic because I firmly believe that a monoculture of innovation from outside-in cannot work. Especially since outside-in would also mean that the outside knows better about the market." (BB)	Portfolio of innovation tools
"A CVC unit set up like ours can never replace anything. Excluded, because we wanted this strategic cooperation in the form of collaboration, and those would have to be projects where the departments working with these startups make themselves superfluous." (RM)	
"We have four to one external versus internal solutions in this decarbonization portfolio, which simply gives us the option to apply the right technology for the right case. And this portfolio approach is fully lived." (JM)	
"As a company, you need a portfolio of innovation tools, especially now in a world where things are changing much faster and more radically. And I need different tools for different questions." (SR)	Internal incremental innovation capabilities
"CVC is a very important component in such a holistic innovation strategy." (SR)	
"We are very focused on incremental innovation in our internal processes, and you can drive that much better internally. So there is a whole machine behind it that always spits out these incremental innovations. But as soon as you move away from that and want to broaden your approach, you need something else. And a corporate simply can't do that." (FH)	The need for an internal problem
"I am essentially building a centralized unit and collecting problems through it, then going to the market and acting as a kind of intermediary. The most important thing is always that there is an internal problem and an external solution is sought for it. And mostly, if there are more complex problems that require technology, startups are very good at that." (AS)	
"Corporate R&D insights are instrumental in identifying potential portfolio companies." (RB)	R&D role to support identifying ventures
"The identification of a biotech startup was directly influenced by our R&D team's research." (HA)	
"Our R&D department often flags potential startups that align with our technological needs." (BB)	
"Collaborations between our R&D and scouting teams have led to successful portfolio additions." (PJ)	
"Our R&D teams help scout for startups that align with our strategic interests." (SB)	
"Partnerships with research institutions are key to our innovation strategy." (MMu)	
"We collaborate with research centers to enhance our innovation pipeline." (MB)	Collaboration with research centers

Source: Own illustration based on qualitative content methodology of Gioia (2013)

"There is a continuous knowledge transfer from our portfolio companies to our corporate strategy." (PF)	Functioning knowledge transfer	Challenges of knowledge transfer
"The parent firm adopted new manufacturing techniques from a startup, improving efficiency." (FH)		
"Operational processes have been streamlined thanks to innovations introduced by our portfolio companies." (AB)		
"Knowledge transfer from startups has led to significant strategic realignments in our corporate approach." (RB)		
"Strategic goals are always focused on bringing knowledge from the external ecosystem into the corporate mother." (PF)		
"It is also possible today to make investments without the project reality being particularly concrete because we have also learned that it is often not 100% parallel." (RM)	Trend to depreciorize partnerships when investing in ventures	
"At the same time, the topic of partnerships, the topic of knowledge transfer into the parent company, is not off the table and is still being pursued but currently deprioritized." (PF)		
"Overall, we can say that we have a cooperation rate between our startups and the bank of about 65% and are also incentivized to keep this stable." (KM)	Aiming for cooperation between portfolio ventures and business units	
"We work in embedded teams, meaning employees from the corporate are merged with the employees of the company builder and then work together on it." (FH)	Creating embedded teams	
"We try from the investment side to bring these companies into venture clienting. If the technology is already advanced enough that we can test it with customers, we bring the companies to the market and then ask what the market feedback is, in a pilot project?" (JM)	Bringing portfolio ventures to the next collaboration step (venture clienting)	
"How difficult it is to want to change something from within a corporate, and via CVC, the outside-in perspective could now be considered." (FH)		
"Incredibly many companies are involved with CVC, which is also very good, because CVC is more coming, as it is an incredibly good innovation vehicle." (PJ)		
"If you now get technologies that enable you to massively reduce the CO2 footprint, produce completely differently than you traditionally produced thermally in the oven and so on, this can of course influence your entire strategic planning for what we do on the carbon capture side." (JM)	Impact on the Corporate's strategic direction	
"The integration of startup technology has pivoted our focus towards more digital solutions." (MMu)		
"The strategy is an in-house matter, which is strongly driven and ultimately decided in internal debate and discussion. For that, venturing is far too unimportant to shape the corporate's strategy." (RM)		
"M&A focuses on full ownership, while CVC typically involves minority stakes." (FH)	The ownership goal difference between CVC and M&A	
"CVC allows for strategic minority investments, unlike the full ownership model of M&A." (MB)		
"CVC activities are more about strategic partnerships than full acquisitions." (SR)		
"M&A focuses on full control, whereas CVC is more collaborative." (NA)		
"The main one is ownership. We never think about owning the company, and our ownership is always between ten and 20% versus M&A that usually are focused on 100% ownership." (HA)		
"The deals in M&A are completely different and not comparable to venture capital." (RM)		
"They are two different disciplines, two different teams, and these portfolios have nothing to do with each other." (RM)		
"CVC allows for higher risk tolerance with potential for higher returns." (BB)	Risk and flexibility differences	
"CVC offers more flexibility in terms of engagement and exit strategies." (SW)		
"M&A is typically more conservative and aims for assured returns." (PJ)		
"M&A efforts are more aligned with immediate strategic goals, whereas CVC looks at long-term diversification." (SW)	M&A as strategic alignment, CVC as diversification effect	
"It's also the difference that M&A is very focused on the strategic alignment of the company, whereas we are more a diversification mechanism for the corporate parents." (HA)		
"We have to give the corporate some assurance that they can have it back later. So we put a call option in the contract, and then they have peace of mind and can say, okay, that's basically ours." (PE)	Contractual put option	
"In fact, out of 23 years of CVC experience, there have been three acquisitions that were previously purely minority equity investments, i.e., CVC investments." (MB)	CVC investments became M&A cases	
"What we also try to implement more and more is to say, then it doesn't go into the CVC, but into a strategic participation M&A, because then it doesn't have the same risk-return profile. And I think you just have to be very consistent there." (JM)	Missing gap between CVC and M&A	
"There are deals that are neither venture nor M&A deals. You have them exactly in between, as a venture capitalist no one wants to do it because the upside is not big enough and it is not risky enough. The M&A folks say it is a bit far from the business for us to classify it as bolder, so it is somewhere in between. And I think that's where we have the greatest overlap." (JM)		
"The truth is that such a corporate can also virtually engulf a startup because it creates such a high demand, and the type of collaboration is so project-heavy that a scalable business is virtually impossible." (RM)	Project-heaviness destroys scalability of a venture	

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"Strategic goals are prioritized over financial returns in our CVC investments." (RB)	Prioritizing strategic goals	Challenge for the parent firm: Strategic vs. financial goal dilemma
"So we are strategy-first CVC, whatever the strategy objectives can really make a difference and move the needle at the company. The financial ones, not so much." (RB)		
"They provide market insights and technological trend analysis that inform better strategic decisions by top management" (SR)		
"Our primary focus is on strategic alignment rather than immediate financial gains." (SB)		
"We strive for a balance between strategic objectives and financial returns." (RB)	Balancing strategic and financial goals	
"While strategic alignment is crucial, we also ensure that there is a strong financial return potential." (HA)		
"Strategic goals often take precedence, but financial health is still crucial." (AB)		
"Our primary focus is on strategic alignment, with financial returns as a necessary condition." (HA)		
"My main task is to find strategic value, that's why we look at it first. There has to be a business case for why we go into the agreements. Having commercial relationships must be a win. And then it also has to be a good deal." (JM)		
"We balance strategic goals with the need for a reasonable financial return on our investments." (NA)		
"Our investments must align with both strategic goals and financial viability." (FH)		
"Although we have a corporate parent, a single LP, we have almost no strategic alignment. We are fully financially driven." (HA)	Fully-financially driven	
"We are purely a financial investor." (NH)		
"The main financial focus is first, right, and then the rest comes later." (AB)		
"Many of these CVCs, but also many other CVCs that are financially incentivized, just look at the return. And what I have been seeing more frequently lately, shockingly, is that CVCs are both financially and strategically motivated." (PF)		
"For many good and well-established units, financial return is a very essential key figure." (SR)	Financial return as supportive key figure for long-term commitment	
"So it's not about money. Money is really just a hygiene factor." (PJ)		
"Focus on financial return as a hygiene factor." (SR)		
"But it helps the units over a long time if they can say, we are not losing money here, we are making a certain return that is somehow comparable to what might be made in the core business, and then they are not so quickly under pressure even in difficult phases." (SR)		
"The distinction between strategic and financial interest is sometimes not entirely clear." (NH)	Unclear distinction between strategic and financial interest due to tough measurability of strategic value	
"Basically, venture capital is actually a financial investment tool. It is structured so that you make investments to optimize your financial return. But then the 'C' in CVC comes in, and suddenly you have to keep strategic rationales in mind. And the question is always, how do you do that? (FH)		
"That means you have to show financial success because you don't have quantifiable strategic KPIs by which you can be measured. However, if you pursue purely financial goals, it always conflicts with the strategic goals." (PF)		
"We generate detailed reports and track commercialization efforts to measure success." (PH)	Tracking strategic objectives	
"Collaboration metrics are key indicators of our strategic success." (PJ)		
"We measure success by the number of new products developed using startup technology." (SW)		
"We use various engagement indicators to evaluate our strategic success." (MMu)		
"Engagement metrics are crucial for assessing our strategic impact." (MB)		
"The successful integration of new technology into our operations was a key measure." (PJ)		
"Collaboration outcomes are documented and analyzed for strategic success." (SR)		
"We measure strategic success through the level of engagement and collaboration with our portfolio companies." (PF)		
"Strategic success was measured by the expansion of our market share post-investment." (MMa)		
"We even tried to set up standardized KPIs for all portfolio companies, but you can't standardize it like that." (JM)	Standardization of strategic KPIs is not possible	
"You can create a balanced scorecard. Companies do quite well with this tool and can prepare it digestibly for a target level, which they actually do when they pursue purely strategic goals. This is also a very individual project that must be set up very individually." (PF)		
"The strategic return is more about building an ecosystem for the banks and, through dedicated investments, getting a foot in the door for new markets." (PJ)	Strategic value comes through the intangible factors	
"CVCs are in very close contact with the C-level, with the strategy, and have hardly any strategic KPIs by which they can really verify their work." (PF)		
"But you can't measure the strategic component in that sense. Because learnings that you might generate are always intangible or forward-looking topics." (FH)		
"So the question is always, how are the CVCs set up? Is there perhaps also a very clear financial return component that is the focus, so that the rest simply does not matter at all? And yes, if that is the result, then I believe in it. But if you don't do that and focus more on the strategic component, then measurability is actually the problem." (FH)	Impossible measurability of strategic figures	
"People are starting to measure the frequency of interaction, for example, between startup and CVC. But what is that supposed to measure? So what is the impact of these KPIs? That's really bullshit. It remains that you can't measure it." (PF)		
"I mean, in good times when money cost nothing, you could do such CVC units and just throw the money out. You didn't care whether they actually generated added value or not." (FH)		
"Otherwise, with KPIs in reporting, it's actually more financial topics, like red, yellow, green - running, not running, or let's see." (MMu)		
"And that's why pseudo-strategic hypotheses are always correct, because no one knows exactly whether it was right or not." (FH)		

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"Strategic alignment is becoming increasingly important in the CVC landscape." (NH)	Strategic alignment and collaboration as trending factors in the CVC environment
"We anticipate more collaborative ventures between CVCs and traditional VCs." (RB)	
"Cross-capital collaborations are becoming more common and beneficial." (PJ)	
"We are seeing more collaborations between CVCs, private equity, and grant providers." (PF)	
"The trend is moving towards greater emphasis on strategic rather than financial goals." (SW)	Sector trends
"CVCs are playing a larger role in funding hardware and climate tech startups." (RB)	
"Digital transformation will remain a key focus, with more investments in AI and IoT." (PJ)	
"And I see CVCs predestined in the industrial tech sector, far ahead of independent VCs, to drive this wave forward. Why? Because they manage to link expertise through employees and/or at the C-level and/or through venture clienting units between the startups and the parent company, and that is really a problem. Then they can deliver significant value to these startups." (PF)	
"There will be a significant shift towards green and sustainable technologies." (MM)	Market situation benefits CVC investors
"There is a noticeable shift towards investing in sustainability and climate technologies." (SB)	
"Investors who were not in the top tier before, such as impact investors and CVCs, benefit from the current crisis because they think and act differently." (RM)	
"That is going to continue to be important specifically because of where most of the opportunities are coming in the future, where the sources of capital are not as linear as they were in the past, where you had the VC firms funding a company from zero up to IPO. And I think CVCs are going to play an important role there, which I think is a good thing." (HA)	
"For solid companies, this market environment is highly attractive right now. Why? Because, first, they get into competitive deals they couldn't get into before. Second, the financing, execution of financing rounds takes longer as this is beneficial for the corporate because corporates like to do long-term due diligence to secure themselves. And third, because out of desperation, startups are more willing to accept strategic capital in early rounds." (RM)	Creating an innovation portfolio
"There are four different ways to develop corporate innovation. Either you do an incubator, an accelerator, a business development unit, or classic M&A. Those are the four things. The fifth would be venture capital. And for me, that is actually the most promising means to drive innovation forward alongside M&A." (KM)	
"In the VUCA world we live in, which currently leads to cost savings being very high on the agenda, CVC units are often the first to be cut." (PF)	
"I believe there is a consolidation. Only a few can afford CVCs anymore. It is a luxury because it is capital-intensive, ties up capital, and you have a long time and a limitation. So I think a CVC has its justification, depending on whether it is strategically or financially oriented." (AS)	
"Generally, it's more difficult now to raise money, especially for first-time funds." (AB)	Uncertain times for CVCs
"The pressure has now become so great that the decision was made to completely focus on the core business, consolidate everything, and put many of these innovation capabilities on hold for now." (SB)	

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