

A full-page background image showing two rock climbers on a steep, craggy cliff face. One climber, wearing a red shirt and dark pants, is positioned higher up, pulling a rope. The other climber, wearing a pink shirt and dark pants, is lower down, looking up. The background features a clear blue sky and a snow-capped mountain range in the distance.

# SUCCESS FACTORS IN CORPORATE VENTURING

Achieving Excellence in Establishing and Operating  
Corporate Venture Units



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## Management Summary

Corporate Venture Units (CVUs) appear to be a promising vehicle to strengthen the future competitiveness of corporations by focusing on ambidexterity, i.e., exploiting core strengths and business activities while exploring new business models. Due to their exploratory focus, CVUs operate more independently to circumvent the (organizational) difficulties that incumbents may have when attempting to innovate. In order to address a persistent disparity in the organizational setup and maturity of CVUs, the present

study identifies relevant success factors for achieving excellence in establishing and operating Corporate Venture Units. While there are differences in the success factors depending on the strategic mandate, innovation horizon and innovation vehicle, this study identifies eight overarching recommendations that can be observed across multiple successful CVUs. By incorporating these recommendations, the odds of successfully establishing and operating a CVU may be increased.

**I. Focus on the CVU's purpose and architecture – not the vehicle:** Successful CVUs have a high strategic awareness and fulfil the required hygiene criteria such as definition of purpose, strategic playing fields, organizational linkage to the parent company, innovation processes and suitable performance indicators at an early stage.



**III. Adjust the innovation process to the innovation horizon:** Stage-gate and pull processes work well for incremental innovations close to the core business. A push process on the other hand tends to be also suitable for transformative or disruptive innovations – in some cases with the involvement of a key stakeholder in the parent company and carefully prepared transfer times.



**II. Understand the CVUs capabilities and select innovation approaches accordingly:** "Partnering" approaches such as Venture Clienting can be a suitable vehicle for CVUs with low maturity and limited resources to generate quick wins with incremental innovations, gain experience and increase the support of the parent company. A subsequent expansion to adjacent and potentially more transformative innovations is conceivable.



**IV. Establish the competences required for the Corporate Venture Unit:** While venture building requires significant entrepreneurial expertise, venture partnering necessitates strong competences in scanning, scouting, and evaluating suitable startups or partners in general.



**VI. Decouple disruptive from incremental innovations:** Disruptive innovations may be deprioritized over incremental or adjacent innovations. For CVUs, it may thus be important to have dedicated funds for disruptive innovations.



**VIII. Embrace evolution and continuously adapt to external conditions:** Successful CVUs optimize, or pivot based on hypotheses/ experiences and changing external conditions, balancing core business related and strategic activities to increase top management awareness, commitment, and attractiveness.



**V. Establish a large network with power structures:** Top management support as well as a solid internal and external stakeholder network increase the visibility and chances of success. In particular, the relevance of promoters with power structures that allow for fast and flexible (organizational) processes apart from the established ones seems to be highly relevant.



**VII. Make the benefits of innovations tangible:** Especially for adjacent or disruptive innovations, predeveloping ideas to the point where benefits become tangible to top management or business units is critical. Successful CVUs also highlight the importance of convincing storytelling and pitching immature ideas to increase the chances of success.



## Motivation for the Benchmarking Study

**„Leader or Follower? Innovation distinguishes between both.“**

This often used but still profound statement by Steve Jobs sets the stage for our 2023 benchmarking study on corporate venturing (CV) practices among large corporations. Today, it can be observed how innovation units often terminate their innovation approaches. Moreover, the term innovation is often misused for brand enhancement, rather than actual market disruption and new business development. Nevertheless, the current innovation landscape offers a lot of opportunities for transformative growth and a high potential can be seen in technical breakthroughs such as GenAI or in the field of sustainability. Ultimately, this leads to a need to reevaluate how to address shorter innovation cycles and prioritize innovation investments. A prominent example for continuous strategic reinvention is Microsoft's journey from becoming a leader in cloud infrastructure towards representing a key role in the development and use of AI without losing sight of use cases in B2C as well as B2B segments.

CV is one of the most promising potential choices to accelerate innovation and new business creation beyond core activities. CV activities can be broken down into three categories: building new products or ventures, partnering

with startups, or investing in startups. In the last years many CV activities have unfolded with high heterogeneity ranging from generalist innovation labs towards more nuanced vehicles such as incubators, accelerators, corporate venture capital, venture builder as well as venture client and startup partnering units.

The benchmarking study aimed to analyse and understand the impact and success factors of Corporate Venture Units (CVUs), with a particular focus on venture building and venture partnering.

The study was conducted with a consortium of seven companies from diverse industries, including consumer goods, mobility, manufacturing, and insurance. As part of the research, the consortium had the opportunity to visit five selected successful practices to gain insights into their approaches.

Combining qualitative analysis with a robust quantitative scientific approach, the study identifies data-backed success factors for establishing and operating effective CVUs.

Furthermore, the model introduced in this paper provides a comprehensive framework for assessing CVU practices and evaluating their maturity progression.



## Consortium Benchmarking

*Leveraging synergies between research and Industry Experts*

A benchmarking is a systematic analysis and comparison of companies or processes to assess the performance based on predefined objective key indicators. By involving industry partners of different sizes and from various industries, the most pressing needs and challenges are identified and addressed. With a (cross-industry) benchmarking study, the

status quo is captured encompassing strengths, weaknesses, and best practices.

For the present pre-competitive consortium benchmarking on CV, a structured approach consisting of four phases was designed:

### 1. SCOPE AND QUESTIONNAIRE

A set of pertinent research questions was formulated based on the challenges of the consortium partners differentiating between build, partner and invest units. The quantitatively measurable questions were categorized in a five-dimensional study framework focusing on strategic mandate, innovation process, innovation organization, culture and mindset, and performance management.



Figure 1: Five-dimensional corporate venturing framework

## 2. INDUSTRY-AGNOSTIC EVALUATION

Each dimension of the five-dimensional study framework was further broken down into sub-dimensions to obtain a more nuanced assessment and understanding of the CV's practices. To ensure a scientific and an industry-agnostic benchmarking, a comprehensive CV Capability Maturity Model (CV-CMM) was established.

## 3. QUANTITATIVE ANALYSIS

Of 114 respondents, 64 qualified evaluable returns were obtained. A statistical comparison of the mean values between the low-ranked and top-ranked 33 % of respondents permitted the identification and validation of key differentiators in each of the five dimensions of the CV framework. The key differentiators, in turn, enabled the formulation of hypotheses concerning the success factors in the management of Corporate Venture Units.

## 4. QUALITATIVE ANALYSIS

The upper 33 % of respondents were analysed in more detail in a qualitative analysis. Exploratory interviews were conducted with representatives of the Corporate Venture Units (CVU) to validate the answers and understand how the CVUs evolved. Furthermore, the interviews focused on the identification of best practices, the analysis of failures, the identification of learnings, and the examination of the CVU's processes and organizational structure.

## Industry-Agnostic Evaluation

*Using a capability maturity model to assess CVUs*

In general, CMM consist of five maturity levels defining an ordinal scale to measure the maturity and assess the process capabilities of an organization. A CMM contains essential elements for effective processes and can be used for benchmarking against industry standards. Besides the identification of strengths and weaknesses, CMMs are used to measure progress over time. Therefore, each maturity level is a well-defined stage ranging from level 1 (initial) to level 3 (defined) and level 5 (optimizing) providing a pathway to evolve from ad hoc practices to a mature process environment.

Within this study, three overarching challenges in assessing CVUs motivated the development of a CMM:

- Absolute (financial) success criteria may depend on the industry, the CVU's maturity, strategic mandate, and individual priorities. This may distort study results and requires an abstraction of performance indicators.
- Absolute (financial) success criteria do not capture the full spectrum of CVUs such as the organizational structure, alignment, culture, and innovation processes. Thus, a framework with measurable activities outside the scope of established (financial) success criteria is required.

- Applying absolute success criteria may not capture relevant nuances within specific dimensions of an organization. Hence, evolutionary levels are needed.

The different perceptions of the industry consortium to conventional success criteria, e.g., financial performance, indicate a great need for a normative model that characterizes detailed practices on abstracted maturity levels. The latter need to incorporate essential attributes that are expected on a specific level. In addition to these challenges, there still tends to be a lack of systematically and uniformly measuring the status quo and progress of CVUs.

Against the background of the outlined challenges, a corporate venturing framework and evaluation methodology inspired by the CMM were developed. As illustrated in Figure 2, the CV maturity model provides a pathway through which a CVU needs to evolve to achieve excellence – from structural ambidexterity without impact (stage 1) to measurable and tangible impact of innovations (stage 5). Each maturity stage builds logically on the previous showing growth in venturing capabilities to interlink exploration and exploitation. The higher the maturity level of the CVU, the higher the expected business impact.

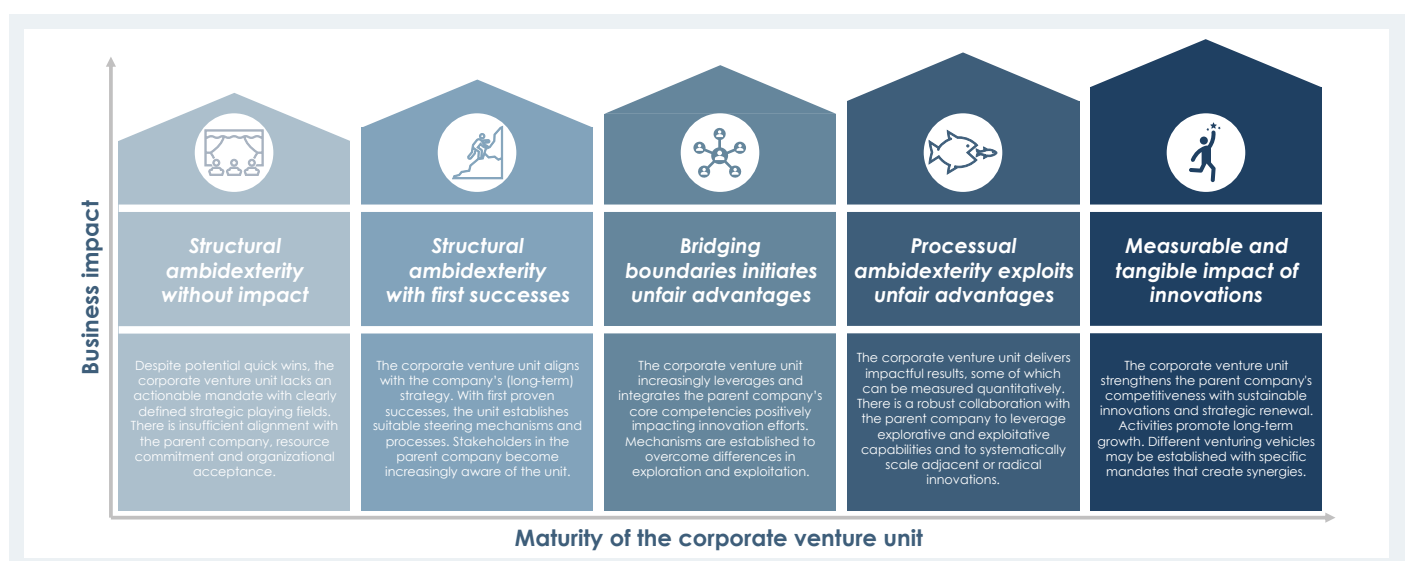


Figure 2: Corporate venturing capability maturity model



## Quantitative Analysis

### Identifying best practices of successful CVUs

#### Determining good practices using the performance management index

To identify success factors, a two-sample t-test is conducted that determines statistically significant differences between the means of two independent groups. For each dimension of the CV framework, i.e., strategic mandate, innovation organization, innovation process, culture and mindset, and performance management the mean value is calculated. To identify the good practices (top-ranked 33 %) and the basis (low-ranked 33 %), it is conceivable to either use the same weighting for each of the five dimensions of the CV framework (i.e., 20 %) or to prioritize the different dimensions individually. In this study, the performance management dimension is weighted at 100 % for three reasons:

- Respondents tend to have a more balanced assessment for performance management due to hard-fact metrics – this is supported by the great difference in the mean values between the basis and good practices, see Figure 4.
- Good practice companies identified with the performance management index tend to also perform very well in the other dimensions of the CV framework.
- There is a great overlap in identified good practices using the overall CV framework and performance management index.

All in all, identifying good practices using the performance management dimension with a weighting of 100 % appears to be valid and may help to identify those CVUs that have already achieved measurable (financial) impact. Figure 3 qualitatively depicts the separation of samples to statistically compare the mean values between the basis and good practices.

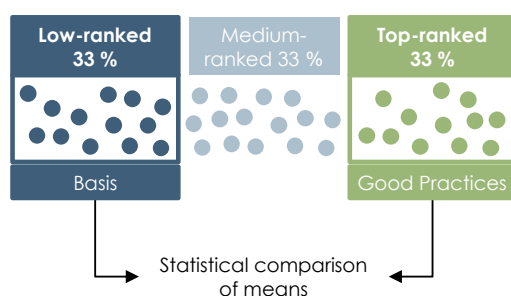


Figure 3: Statistical comparison of low-ranked and top-ranked respondents based on performance management results

#### Mandate and performance management separate the wheat from the chaff

The analysis of the quantitative results highlights that especially the mandate and performance management dimensions are both major differentiators between good practices and the basis and may increase the odds to perform well. Even though performance management has a low maturity across all CVUs, the basis has by far the lowest score and greatest difference to the identified good practices, see Figure 4. It is also apparent, that good practices outperform the basis in the strategic mandate dimension, which is backed by the high influence of the strategic mandate on performance management. This may indicate the importance of a carefully designed and well-communicated architecture, committed to by top management at the beginning or pivot points of a CVU endeavour.

In the **strategic mandate dimension**, good practices demonstrate superior resource availability, with significantly higher financial and personnel commitments. They benefit from stronger top-management support, a broader internal network, and better communication of their relevance within the parent company. While the definition of the CVU's mandate remains challenging for all, good practices adopt a more focused strategic mission aligned with the parent company, deviating from generalist innovation labs in favor of specialized initiatives.

For **performance management**, good practices excel in defining measurable metrics to justify activities and align expectations with the parent company. They employ robust, independent controlling mechanisms and data-driven criteria to monitor progress, manage resources, and cancel projects objectively. Good practices are more adept at communicating their long-term goals and aligning them with financial and strategic outcomes.

Summarizing, strategic mandate and performance management appear to be the most significant dimensions. While it is crucial to design and have approved a suitable CVU architecture with appropriate metrics to measure and communicate success in the early phases, the dimensions of organization, process as well as culture and mindset evolve with the CVU's maturity.

The innovation organization dimension highlights good practices' superior collaboration with external partners and ecosystems, leveraging parent company resources effectively. They display greater experience in venture building and intrapreneurship, often hiring external talent with entrepreneurial expertise. Good practices also adopt

at communicating their long-term goals and aligning them with financial and strategic outcomes.

The **innovation organization** dimension highlights good practices' superior collaboration with external partners and ecosystems, leveraging parent company resources effectively. They display greater experience in venture building and intrapreneurship, often hiring external talent with entrepreneurial expertise. Good practices also adopt flexible funding mechanisms and efficient startup solution procurement processes, emphasizing sustained organizational excellence.

In the **innovation process**, good practices rely on phase-specific criteria and structured methodologies to prioritize and execute projects effectively. They use tailored tools and methods for each development stage, distinguishing themselves with higher process maturity. Good practices often focus on later stages of the innovation process, such as scaling and validation, while the basis may focus more on earlier stages like ideation and incubation.

As for the **culture and mindset** dimension, good practices foster diversity, proactive engagement, and a strong failure culture. They emphasize intrinsic motivation through targeted incentives, including career advancement opportunities and performance bonuses. Leadership and risk-

taking are integral, promoting a culture of experimentation and exploration.

Across the whole sample, the limited financial success of the CVUs appears to be strongly influenced by the young age of some CVUs and their ventures. They may not have generated revenues yet, or have a relatively low financial contribution of revenues generated by the CVU compared to their much larger parent company. As the CVU matures, the dimensions of innovation organization, innovation process as well as culture and mindset appear to become a complementary standard that settles in over time. The linkage in terms of accessing internal resources, leveraging complementary competencies, and bridging cultural differences with the parent company, however, remain challenging even for good practices. CVU employees with a large network across all hierarchy levels of the parent company are highly valuable and may help mitigate challenges as well as ensure acceptance on both sides.

Summarizing, strategic mandate and performance management appear to be the most significant dimensions. While it is crucial to design and have approved a suitable CVU architecture with appropriate metrics to measure and communicate success in the early phases, the dimensions of organization, process as well as culture and mindset evolve with the CVU's maturity.

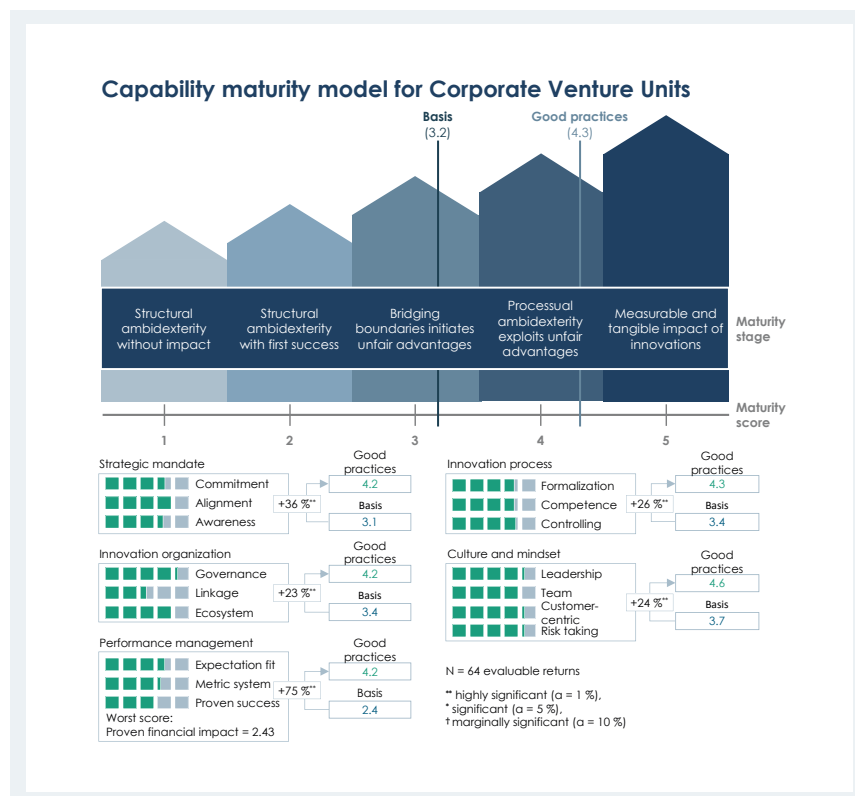


Figure 4: Overarching results along the capability maturity model for corporate venturing

## Qualitative Analysis

*Understanding successful practices through interviews and company visits*

In practice companies utilize different vehicles to build new business in alignment with their CV strategy. Figure 10 categorizes the most common vehicles identified in the study and during company visits. These vehicles are allocated along three innovation horizons, focusing on different time periods and levels of innovation within a business strategy. Horizon 1 focuses on core business improvements and incremental innovations, ensuring short-term performance and efficiency. Horizon 2 involves extending existing capabilities into new markets or adjacent spaces, aiming for medium-term growth through new business models and moderate innovation. Horizon 3 targets transformative and disruptive innovations, investing in high-risk, high-reward opportunities that could shape the future of the business and drive long-term growth.

### Corporate Venture Building

The four identified vehicles related to Corporate Venture Building serve as an overview to differentiate core activities. Primarily used for cultural transformation, Intrapreneurship aims to nurture and develop a healthy innovation culture within the corporation. This involves coaching employees on entrepreneurial principles and creating programs to support innovation internally. Intrapreneurship often serves as the initial step towards more structured venture building, helping to embed an entrepreneurial mindset within the organization. New Business Builder focuses on leveraging existing corporate strengths and knowledge to develop strategic new business opportunities. It aims to create new revenue streams and business units that align closely with the corporation's core competencies. Strategic Value Venture Builder emphasizes building ventures that are strategically aligned with the corporation's goals.

It often involves using both internal and external resources, with the corporation maintaining majority stakeholder status. This approach allows for both, spin-out and spin-in options, ensuring that the ventures align with and contribute significant value to strategic priorities. Portfolio Value Venture Builder targets specific verticals to create new business cases, incorporating both, internal and external sources. The goal is to develop ventures that can eventually be spun out, with the corporation acting as a minority investor. This approach allows companies to diversify their innovation portfolio and invest in high-potential areas without taking on full ownership.

In summary, this report highlights the Portfolio Value Venture Builder and the Strategic Value Venture Builder as two particularly successful approaches. Both models have been identified as highly effective due to their structured approach to leveraging both, internal strengths and external opportunities.

### Successful approach 1: Portfolio Value Venture Builder

In practice, aligning corporate goals with venture building approaches can often be challenging. Therefore, Portfolio Value Venture Builders develop ventures that are often driven by the goal of increasing the valuation and investor attractiveness, similar to independent startups. This autonomy is crucial, enabling ventures to focus on cap table structure, funding strategy, and exit planning without corporate interference. Early strategic planning is essential for aligning funding needs, cap table design and founder attractiveness.

The benchmarking study shows that an ex-ante approach

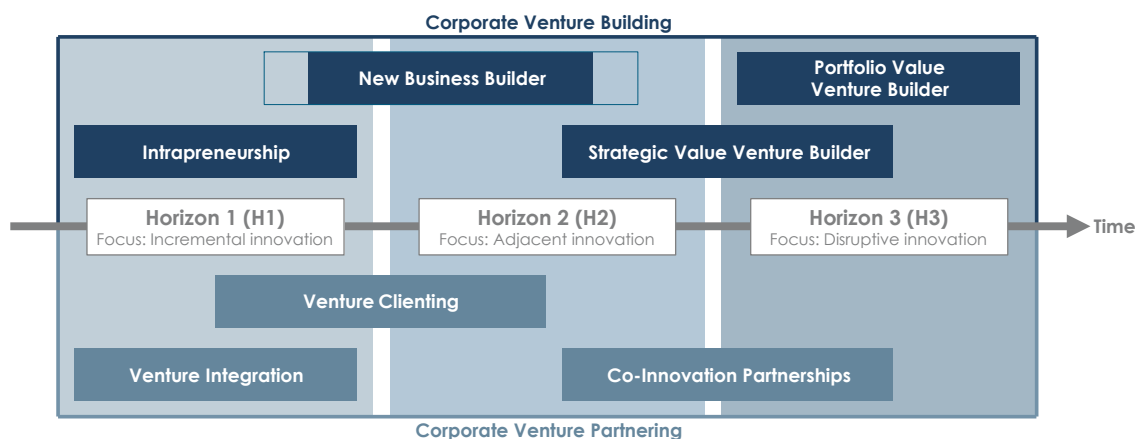


Figure 5: Common Build & Partner approaches identified in the study



and sector-specific trends helps mitigate early-stage financing risks and equity dilution, especially for corporate ventures. This approach allows corporate ventures to operate like independent startups, while leveraging the parent company's inherent strengths and maintaining autonomy through external capital validation and founder equity ownership.

***"Chemovator's steering is highly independent, inspired by the VC world. We finance our ventures based on clear and mostly similar runways for the different phases, to ensure efficient portfolio management with clear cancel criteria if the runway runs out, just as in the regular startup world. If a successful spin-out is realized with the teams, we evaluate the performance of each venture as a minority investor."***

**- Markus Bold, Chemovator**

Chemovator exemplifies this model by selecting ventures based on market potential and funding appeal, rather than necessarily aligning with BASF strategy. Furthermore, Chemovator grants full autonomy to venture teams, with the founders of the respective venture holding the majority of the equity. Chemovator typically takes a 25 % equity stake, leaving 75 % for the founding team.

A crucial factor for Chemovator is integrating external entrepreneurs in residence, which are experienced advisors who provide critical guidance and coaching to the venture teams. They facilitate an objective assessment of the ventures and support efficient preparation for the capital market to make the ventures attractive for external investors. Scaling these companies to achieve desired valuations is a long-term process, typically taking 10 to 15 years.

### Successful approach 2: Strategic Value Venture Builder

For the Strategic Value Venture Builder, the initial strategic alignment with the parent company is crucial. This refers to top management involvement and clear strategy linkage. One effective method is using OKRs to break down corporate strategy into actionable steps for new ventures. In contrast to portfolio ventures that aim to maximize the portfolio value, strategic value ventures focus on establishing future-relevant business areas that are aligned with the parent company's strategic objectives. In this study, this approach was observed to be successful for family-owned or non-public companies with top management commitment driving success.

***"We want to incubate and validate profitable new business for our organization in innovation horizon 3 beyond our core filter business."***

**- Anonymous**

A significant challenge for those engaged in strategic value venture building is the hybrid situation, in which it is

unclear whether the venture will remain independent or revert to the corporate structure. To avoid confusion, it is essential to define the venture's goals from the start and minimize hybrid scenarios. While some ventures may require flexibility, the exit strategy should generally be clear from the beginning to align goals, KPIs, steering mechanisms and prepare transfer paths.

Ultimately, the difference between Portfolio Value and Strategic Value Venture Builders highlights a dilemma in corporate innovation: balancing explorative autonomy with strategic alignment. Regardless of whether the approach is portfolio or strategic value, implementing a robust framework for scaling and validating growth is crucial for the success of corporate ventures. Clear stages, targeted objectives, and measurable metrics are essential to overcoming the challenges in Corporate Venture Building.

### Corporate Venture Partnering

For Corporate Venture Partnering, this study identifies three common vehicles: Venture Integration, Venture Clienting and Co-Innovation Partnerships, see Figure 10. Venture Integration aims to address pain points of the corporate's customers by integrating existing startup solutions into its own product portfolio. This enables the corporation to enhance its product offerings to customers and expand its market reach. By collaborating closely with startups, corporations can leverage innovative technologies and solutions, thereby improving their competitiveness and responding more effectively to changing market demands. Venture Clienting addresses business problems for which solutions do not exist in the established supplier landscape. By partnering with startups, corporations can access cutting-edge innovations and tailor solutions to their specific needs. This approach ensures that the company remains at the forefront of technological advancements and maintains its ability to solve complex business challenges efficiently. Co-Innovation Partnerships focus on partnering with promising startups to jointly develop solutions to existing problems or discover innovation potentials for new business. These partnerships are focused on collaboration and shared innovation, allowing both parties to benefit from each other's expertise and resources. Co-innovation supports the development of breakthrough products and services, opening up new markets and revenue streams for the corporation.

In Corporate Venture Partnering, ventures can be either pushed into business units based on their strategic fit or pulled by business units, i.e., the search for ventures is triggered by specific requests and challenges emanating from business units. Therefore, it is essential to understand the focus of the innovation horizon, i.e., incremental, adjacent, or disruptive as well as to balance push and pull innovation successful approaches for Corporate Venture Partnering: Venture Clienting and Co-Innovation Partnerships. The present study highlights two particularly

## Successful approach 1: Venture Clienting

Venture Clienting is gaining traction in the current CV landscape, particularly in the DACH-region. This approach responds to the need for consolidation and professionalization in CV practices, moving away from unstable, resource-intensive, experimental, and often misused initiatives towards more results-oriented, focused, and efficient practices. Venture Clienting advocates close and objective-driven collaborations with startups that align with the strategic goals of the parent company to solve present challenges. This ensures that innovation efforts directly support the core business objectives and thus quickly creates tangible value, particularly in the case of incremental, adjacent and process innovation. Mitsubishi Chemical's Open Innovation Growth Garage exemplifies this by actively contributing to the parent company's revenue, thereby substantiating its financial value.

***"During the first two years, the commitment of our CEO was crucial to prepare the unit for success with a step-by-step approach. After gradually reaching clearly defined milestones, in year 3 and 4 we are actively contributing revenue to the organization, hence proving financially significant value to the organization while still innovating and transforming the organization with our ambidextrous model."***

***- Tim Vorage, Mitsubishi Chemical***

This study highlights that Venture Clienting is suitable for smaller teams or companies with fewer resources. The approach is significantly less capital-intensive than acquiring or investing in startups, while still offering the advantages of accessing innovations. In contrast to Corporate Venture Building approaches, Venture Clienting requires a different skillset, focusing more on scanning, scouting, and monitoring activities as well as on the evaluation of startups to assess whether they are suitable for long-term collaborations. This facilitates the identification of the most promising startups, which may have already been validated by venture capital firms.

Success in Venture Clienting is measured by evaluating Proof-of-Concept (PoC) outcomes in terms of their impact on cost savings or additional revenue generated. Siemens StationX demonstrates this by rapidly testing and implementing promising startup solutions, integrating M&A activities, and enhancing strategic insights. This procedure led to Siemens Mobility's acquisition of the startup Inspekto,

which highlights the transformative impact that Venture Clienting can have.

***"Since the existence of StationX we have reached an efficient maturity in fostering long-term partnerships between startups and our business units to scale together and create business impact for both sides, while gaining access to the most innovative technologies."***

***- Mario Mattern, StationX***

## Successful approach 2: Co-Innovation Partnerships

The objective of Co-Innovation Partnerships is to facilitate strategic and long-term business development, rather than focusing on immediate quantifiable outcomes of proof-of-concept projects. This is driven by the alignment of interests among startups, their investors, the CV unit, and the parent company. In contrast to Venture Clienting, Co-Innovation Partnerships thus create fewer tangible benefits in the early stages of their partnering efforts. Especially the uncertainty of co-innovation projects makes it difficult to assess the financial advantages. Due to the long-term orientation, Co-Innovation Partnerships are well suited for developing adjacent or disruptive innovations that may contribute to the future growth of the corporation. In addition, suitable startups may require more resources and a higher level of maturity than those in Venture Clienting.

During their partnership, the corporate and the startup must navigate the conflicting interests, e.g., regarding the development of intellectual property. As highlighted by AVL List, this is a critical challenge to overcome for each co-innovation project. Another challenge indicated is the successful scaling of projects after the PoC to ensure long-lasting business impact. In order to overcome this challenge, it is essential to have effective stakeholder management measures for both parties in place and to mitigate potential roadblocks early on.

***"For startup-partnering units, especially those engaging in co-innovation, the most important capability and steppingstone for a unit is what happens after a successful PoC. We need to push both parties towards a successful partnership continuation and make sure that all roadblocks are out of the way."***

***- Viktoria Ilger, AVL List***

## Summary

The report discusses the most significant findings from the 2023 consortium benchmarking study on the success factors of corporate venturing. It highlights the key results derived from quantitative analysis and qualitative insights gathered during company visits and interviews.

While there is no single formula for success in corporate venturing, certain approaches have been identified as more effective than others. The report outlines several key factors that distinguish more successful CVUs from their less successful counterparts. Using insights of the successful CVUs, six phases were identified that help to establish corporate venturing excellence:

- **Purpose of the unit:** Identify and address clear and critical (future) challenge of the parent company, e.g., core business at risk or declining sales.

- **Playing field and strategic orientation:** Define distinct innovation fields and align with the parent company's long-term strategy.

- **Architecture:** Define processes, resources, and competencies, and select an appropriate vehicle supporting the overarching strategic mandate.

- **Milestones and playbook:** In collaboration with the parent company, align relevant long-term milestones with measurable targets and a suitable modus operandi.

- **Performance management and validation:** Establish an appropriate steering system to measure and communicate the progress and/or growth of the CVU.

- **Pivoting:** Adapt the CVU's strategy to emerging challenges, opportunities and/or changing external conditions

While these factors contribute significantly to the success of CVUs, the report underscores that the specific setup and environment play a crucial role. Pivoting in the sense of continuous learning, adaptation, and strategic re-alignment is emphasized to achieve long-term success in corporate venturing.



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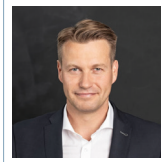
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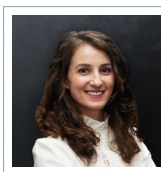
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## Authors



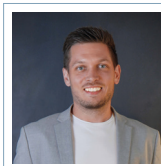
**Toni Drescher**

CEO  
INC Innovation Center  
[toni.drescher@innovation-center.com](mailto:toni.drescher@innovation-center.com)



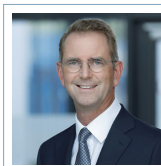
**Antonela Germek**

Head of Innovation Excellence  
INC Innovation Center  
[antonela.germek@innovation-center.com](mailto:antonela.germek@innovation-center.com)



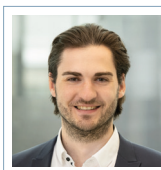
**Marc Schickhaus**

Innovation Manager  
INC Innovation Center  
[marc.schickhaus@innovation-center.com](mailto:marc.schickhaus@innovation-center.com)



**Prof. Dr.-Ing. Dipl.-Wirt.-Ing. Günther Schuh**

Chair of Production Engineering and Member of Board of Directors of WZL at RWTH Aachen University and Fraunhofer IPT  
[guenther.schuh@ipt.fraunhofer.de](mailto:guenther.schuh@ipt.fraunhofer.de)



**Marc Nicolas Schauss**

Business Development „Green Production“  
Fraunhofer IPT  
[marc.schauss@ipt.fraunhofer.de](mailto:marc.schauss@ipt.fraunhofer.de)



**Leonie Budweiser**

Research Fellow in Technology Management  
Fraunhofer IPT  
[leonie.budweiser@ipt.fraunhofer.de](mailto:leonie.budweiser@ipt.fraunhofer.de)



**Prof. Dr. Tobias Gutmann**

Associate Professor  
EBS Universität  
Institute for Technology, Innovation and Customer Centricity (TICC)  
[Tobias.Gutmann@ebs.edu](mailto:Tobias.Gutmann@ebs.edu)

## Annex

### Good practices choose less frequently innovation labs as a vehicle for their Corporate Venture Unit

With a high statistical significance, good practices outperform the basis for strategic mandate, see Figure 4. Especially in terms of both committed resources and awareness they tend to perform much better with a high level of significance, see Figure 6.

As for the committed resources, good practices have a significantly and highly better resource availability for financial (+49%) and personnel resources (+48%) to fulfil their mission in a timely and high-quality manner. Even though without statistical significance, both is backed by the pattern that good practices have a slightly greater autonomy for their budget allocation and compared to the basis around 34% more full-time employees (FTE) with an average of 32 FTEs. Regarding the CVU's awareness, good practices can rely on an excellent network in the parent company. They are supported by a significantly stronger active promotion by the top management and, if needed, also on other hierarchy levels. The basis on the other hand appears to struggle for awareness with only some C-level promoters in the parent company. The external communication of the CVU's relevance and mission, e.g., to the parent company or external networks is the weakest overall criterion. However, good practices place more emphasis on regular and extensive communication, which can potentially strengthen their position within the parent company and increase their visibility within the CVU network. The definition of the CVU's mandate re-

mains challenging for both the basis and good practices and is a generally weak criterion. Nevertheless, good practices appear to have a more detailed definition of their mandate with well-defined playing fields. Due to its relevance for the CVU's activities and key performance indicators (KPI), it is reasonable to undertake a periodic review and re-evaluation of its strategic mandate.

Generalist innovation labs are still the most common type for CVUs but are less often chosen by good practices with a marginally significant difference. Instead, good practices appear to value nuanced initiatives putting greater emphasis on a few distinct (primary) strategic missions with a potentially deeper focus. Thus, as the CVUs maturity increases, CVUs narrow down their strategic mission in joint alignment with the parent company. Innovation labs can serve as a reasonable starting point, but the evolution of the CVU needs to be reassessed, e.g., through key learnings, and potential pivot points need to be carefully identified and addressed.

In summary, there does not seem to be a single type of CVU architecture and mission that promise success. Both the basis and good practices choose a variety of suitable types, which highlights the importance of taking the strategic orientation of the parent company for the CVUs own (strategic) initiatives into consideration. Nevertheless, good practices are less likely to choose an innovation lab for their CVU and have a more nuanced mission than the basis – with CVU goals usually jointly aligned with the parent company.

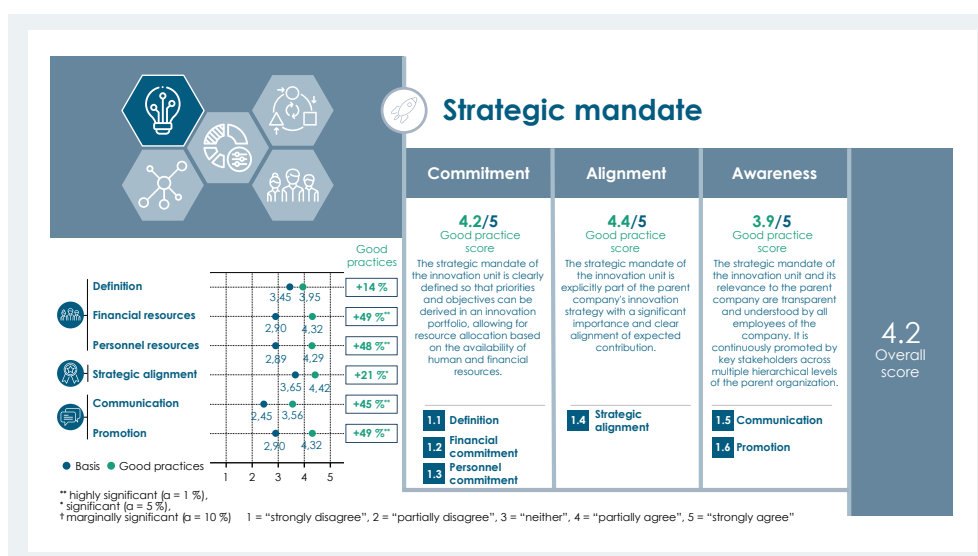


Figure 6: Results in the dimension of strategic mandate

The differences between the basis and good practices are most evident in performance management. For the basis, it is by far the weakest dimension of the CV framework. With regard to the overall performance management maturity, good practices outperform the basis with a score of 4.2 by 76 %, see Figure 4.

With highly significant statistical results, Figure 6 clearly indicates that good practices show the greatest difference to the basis in their financial impact by 154% and CVU metrics by 106%. Considering the latter, good practices have defined appropriate metrics to manage and justify the performance of their CVUs' activities to the parent company. Even without significant financial impact on the parent company's balance sheet, good practices are better able to communicate progress and success to align the CVU's mission with the parent company's expectations (expectation fit). Thus, well-defined metrics appear to be a key success factor due to their central position in tracking, managing, and justifying activities as well as, when aligned, stimulating expectations of the parent company.

To control CVU activities, good practices use independent controlling units much more often than the basis and undergo yearly reviews. While quarterly revisions are conceivable for good practices and the basis, the basis favours more flexible reviews by the parent company.

However, good practices tend to deprioritize this approach.

Good practices use data-driven criteria more often than the basis to cancel innovation projects. In more detail, projects are less frequently cancelled due to uncertainty, lack of budget, or lack of willingness or capacity at the parent company. Instead, they are cancelled due to the lack of validation within the respective deadline or missing sponsorship during and beyond the project. Additionally, good practices put emphasis on phase-specific metrics specifying the expected progress and success in the development phases.

Overall, the limited financial impact and lacking CVU metrics have a significant impact on the performance management maturity. The limited financial success may stem from the early stages of some CVUs and their ventures, which likely have not started earning revenue, or from the CVUs' small financial contribution relative to their larger parent companies. Nevertheless, good practices show a rather long-term success horizon suggesting a higher commitment and endurance regarding expectations, achievement of profitability and performance autonomy. Finally, as the maturity increases, appropriate CVU and project metrics gain traction to control the activities, communicate success and align expectations.

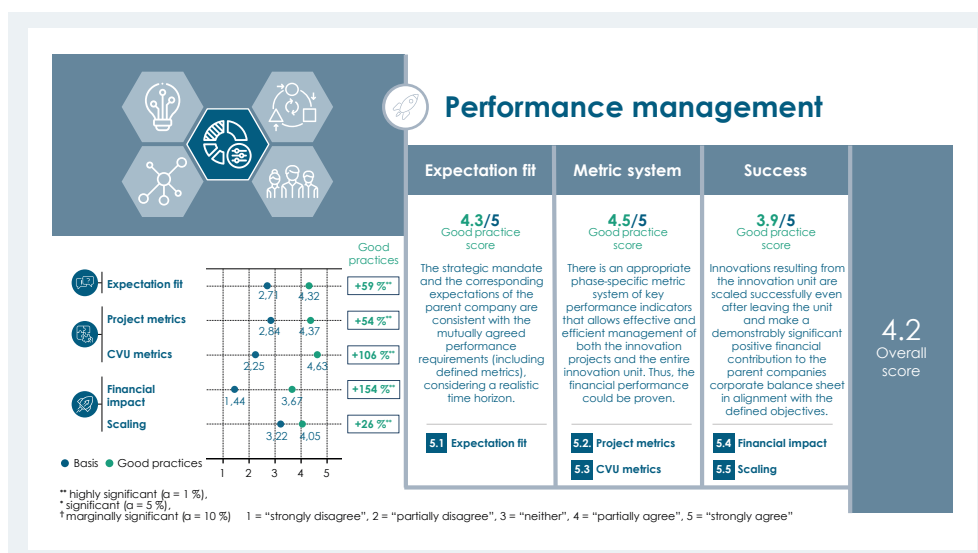


Figure 7: Results in the dimension of performance management



## With endurance to organizational excellence

Interestingly, the dimension of innovation organization holds an ambiguous position: while the basis indicates a comparatively good position, the good practices tend to be more critical, see Figure 4. The relatively minor difference between the mean values may be an indication of the CVUs' long-term efforts to achieve organizational excellence.

Delving deeper, accessing the parent company's resources as needed and bridging differences in work methods, processes, and structures remains to be challenging almost similarly for both groups underscoring a pressing need for improvement. While good practices may have already succeeded in leveraging individual and complementary strengths such as knowledge and processes to foster beneficial collaboration, the basis lag in stabilizing these collaborations sustainably. This disparity is highlighted by the high statistical significance showing good practices outperforming the basis by 92% in procuring startup solutions and 65% in scaling startup solutions after first collaboration.

Good practices particularly excel in their strategic engagement with relevant external partners and ecosystems to generate relevant knowledge for the activities of the CVU. Besides selectively hiring the required talents (externally), good practices integrate external partners more frequently for scaling innovations than the basis.

A significant divergence is noted in the utilization of the parent company's standard annual budgeting process, with the basis using the traditional budgeting process more frequently. In contrast, good practices are significantly less

dependent on it and demonstrate a shift towards more flexible funding mechanisms – either through flexible financing rounds or through customized budgeting processes to define an annual budget.

The experience within good practices is significantly richer in venturing accompanied by a stronger focus of employees on one dedicated project within the CVU. In terms of build activities, good practices have a significantly higher level of experience in intrapreneurship and venture building, and show competencies from both the startup and corporate side. Thus, the external entrepreneurial drive is combined with a beneficial and crucial internal corporate network. Focusing on partner activities, the identified good practices have a significantly higher efficiency and experience in the procurement processes of startup solutions (e.g., reduced procurement efforts) and in the scaling of solutions after adoption.

In summary, the dimension of innovation organization emerges as a crucial dimension, necessitating sustained effort to establish an excellent modus operandi with the parent company. This includes aspects such as reporting, management interaction, and resource access to leverage synergies and bridge differences effectively. A key success factor may be the selective and persistent use of external partners to generate measurable value for the activities within the CVU, Figure 7. As for venture building activities, a significant success factor lies in recruiting external talent with startup experience and entrepreneurial drive, and a robust network in the parent company. When it comes to venture partnering activities, knowledge of the parent company's processes and the implementation of lean structures for the CVU to efficiently engage with startups stand out as key success factors.

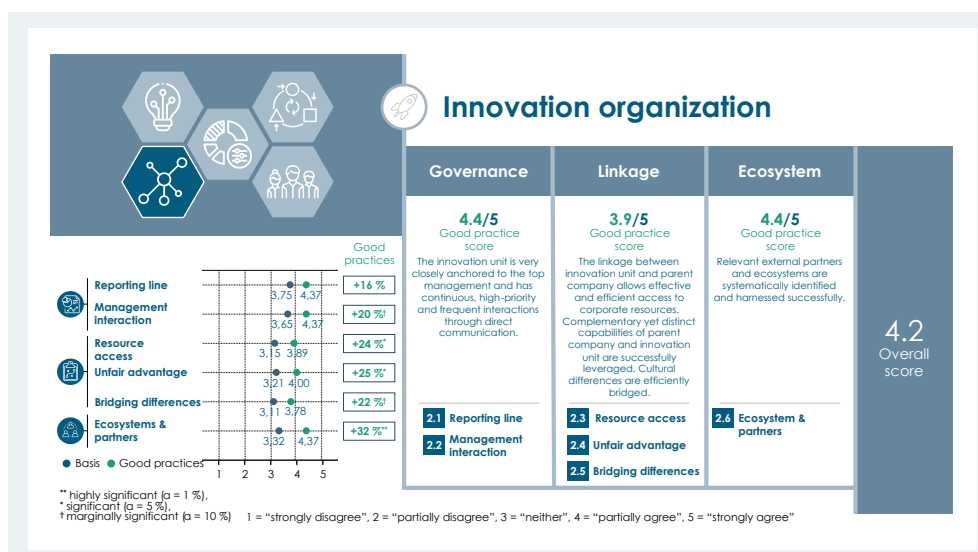


Figure 8: Results in the dimension of innovation organization

### Good practices implement phase-specific project criteria

Within the innovation process dimension, the samples of the basis and good practices both are as expected and tend to change similarly between the different criteria, see Figure 8. In general, the differences between the good practices and the basis are highly significant for all criteria with the greatest difference for process stage and methodological competencies.

For good practices, the prioritization of projects is not only supported but significantly influenced by target and phase-specific criteria. In more detail, the process structures of the CVU allows for prioritization of projects based on established scoring and termination criteria at various development stages. Moreover, good practices carefully

respective project phase, distinguishing them from the basis. This disparity underscores the importance of adopting metrics-based methods and tools, e.g., in the form of a toolbox, as a critical success factor. However, the aforementioned necessitates a comprehensive understanding on the specific project phase to adequately prepare for the subsequent phase.

In addition, good practices are less accountable in the early stages, while the accountability of the basis flattens in later stages. Thus, ideation or incubation may be a process conducted by the parent company, while acceleration and validation are crucial processes of good practice CVUs. Although the sample suggests that CVUs may take over in the later stages of the innovation process, this also depends on the strategic mandate.

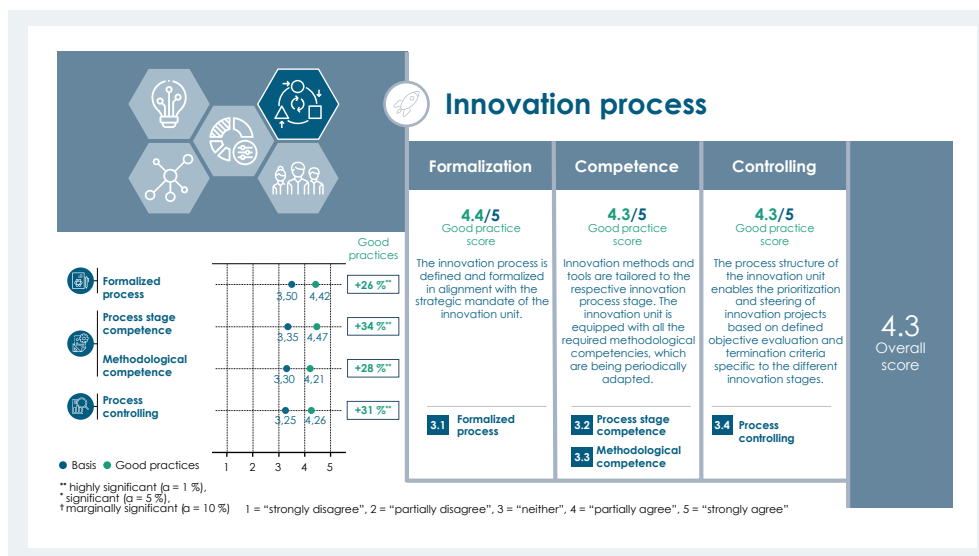


Figure 9: Results in the dimension of innovation process

## Good practices promote diversity, proactive engagement and stimulate intrinsic motivation

In terms of culture and mindset, both the good practices and the basis have the highest maturity, see Figure 4.

With high significance, the largest difference of around 35% between good practices and the basis can be observed for diversity, ownership and engagement as well as leadership style and competencies – all symbolizing key success factors (Figure 9). In addition, good practices incorporate experimentation as an integral part of the CVU's failure culture and demonstrate a greater tenden-

cy for risk taking and exploration, respectively.

The continuous competition for (entrepreneurial) talent with the parent company and potentially other CVUs increases the role of targeted incentives, which CVUs need to exploit in new ways to derive a unique CVU-specific culture. upsides fostering intrinsic motivation, good practices emphasize specific incentives such as additional responsibilities and faster career advancement, (financial) performance bonuses for achieving individual goals, and recognition awards. Compared to the basis, good practices also put significantly more emphasis on financial incentives related to the success of the CVU.

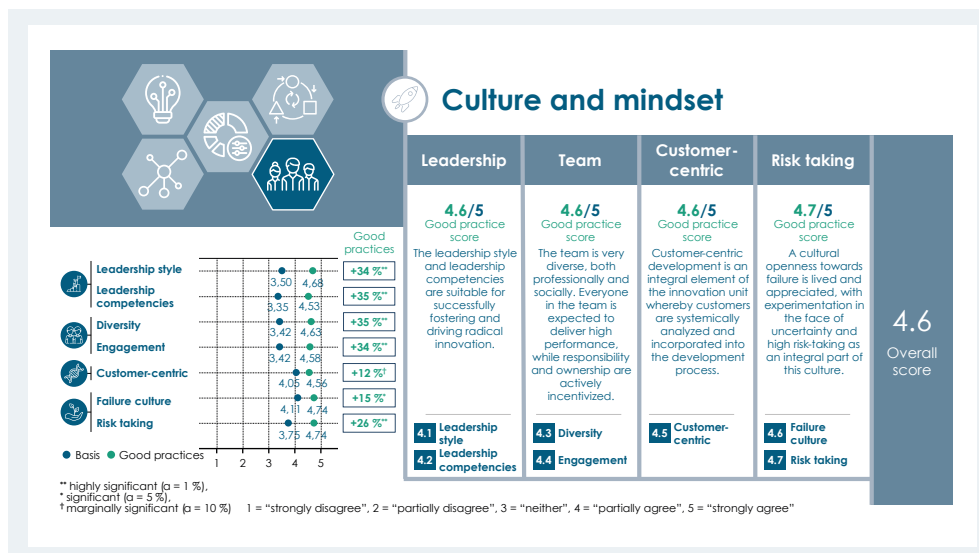


Figure 10: Results in the dimension of (innovation) culture and mindset