Corporate venturing: give your CIO the gift of a full night's sleep

We know corporate venturing is important, but applying it is the hard part. Many chief innovation officers suffer sleepless nights. Here are some solutions and good practices from Adidas, Intel and others who have gone before.

February 27, 2019

What keeps chief innovation officers up at night when implementing corporate venturing? Everything from budgets to regulations to how best to foment collaboration. But with corporate venturing — the collaborative framework between established corporations and innovative start-ups — emerging at speed, there are lessons to be learned from those who went before.

©IESE Business School

Companies such as Adidas, Intel, SAP and Siemens have all faced challenges in applying corporate venturing to their firms. Many of these experiences are detailed in the new report, titled *Open Innovation: Corporate-venturing success cases tackling the most common challenges*, by IESE professor Mª Julia Prats and Josemaria Siota from IESE's Entrepreneurship and Innovation Center, together with Isabel Martinez-Monche and Yair Martínez from the consultancy firm BeRepublic and Oscar Sala from The Collider (a Mobile World Capital Barcelona program).

Based on over 120 interviews with firms' chief innovation officers and those in related roles in the United States, Europe and Asia, the study provides 22 cases that detail the barriers these companies faced and the solutions they found. It draws conclusions from these experiences that can be applied across the board.

Making it work between firms and start-ups

A chief innovation officer must always be the advocate for change in a company, working to smooth traditional mindsets often found on executive committees and massaging corporate processes that block innovation or its integration.

Poor collaboration between corporate venturing units and other business units was a key challenge, the report found. Firms were also frustrated by heightened competition for the best start-ups in certain areas. Another common issue was finding a way to strike the right balance between creating innovation and adopting the value generated.

Other complications were the slower speed of corporate venturing processes in tightly regulated industries, budget constraints and, at times, conflicts of interest between the parent company's CEO, the corporate venturing unit director, and entrepreneurs.

Learning from experience

The 22 case studies presented in the report tell the stories of companies grappling with all of these challenges and more. Among them: how Adidas boosted its corporate venturing model by considering universities and research centers as possible sources of start-ups and Intel's strategy to increase demand for its own products by investing in start-ups whose solutions required the use of them.

Many of the best practices that emerged in the case studies are widely applicable, even in other industries. These include:

- **Look beyond one's industry when sourcing start-ups.** Universities and research institutions are also hubs of entrepreneurial activity and technological breakthroughs. Aim for late-stage spinoffs with a developed technology readiness level (TRL), which sometimes require less cash and may yield quicker results.
- **Share the costs of proofs of concepts (POCs) among corporate, business and innovation units.** Complement the team and budget of your corporate venturing unit with the resources of other business units. This doesn't have to mean a large expenditure, just enough to ensure a unit's involvement. Get business units acquainted with the project early on by involving them in decision-making.
- **Become a trend detector for your business units.** Try to share with them market trends and challenges while seeking external solutions and identi fying growth opportunities. For this, keep connected with the scouting unit, which may already have a map of internal challenges at the parent company.
- **Evangelize the executive committee through a sponsor.** Identify the right internal partner, keep them updated and share the value of your initiatives. Your "internal sponsor" should be (a) on the executive committee, (b) a bit disruptive, (c) influential in innovation, and (d) articulate about your projects when explaining them to the CEO and you are not in the room.
- **Partner with other corporations to launch joint mechanisms (e.g., challenge prizes or corporate accelerators).** The value proposition for the start-up is more attractive when it will receive more resources and will be connected with more established brands. To get aligned with other firms, identify common challenges.

Most firms know that innovation is key and that corporate venturing is a way to get there. A coherent strategy — incorporating the best practices of others who have ventured before — may help to break through the growing pains of implementation.

Methodology, very briefly

The report is based on 121 interviews with firms' chief innovation officers (and those in related roles) in the United States, Europe and Asia.

Previous studies on corporate venturing

"Corporate venturing: how much autonomy will maximize impact?"
"Corporate venturing: how to boost speed while reducing costs"
"Corporate venturing: a David-and-Goliath collaboration"

©IESE Business School

"The how-to guide for corporate venturing"

www.iese.edu/insight

©IESE Business School