

Corporate venturing: a bridge for Europe's Valley of Death

Europe, like other regions, is excellent at moving from money to research but falls short at moving from research to money. How to reduce the gap to support innovation?



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Europe has much to be proud of when it comes to academic research in its universities, industry and government. The **region's Max Planck Gesellschaft, Centre National de la Recherche Scientifique** and the **University of Oxford** are examples of global leaders in

terms of the number of articles published in academic journals and other factors.

Yet the region falls worryingly short when it comes to commercializing the discoveries written up in those scientific journals. It is estimated that nearly 95% of the existing **patents** in Europe are *inactive*. Why? Among the reasons: private investors tend to be unwilling to take on research projects, which are usually characterized by **high risk, huge expenses** and **long-term gestation periods**. As a consequence, researchers often lack the resources required to locate and validate the right market for their discoveries — an innovation gap sometimes referred to as **Europe's Valley of Death**.

Keeping in mind that Europe's **active patents** — the remaining 5% of the total — contribute to more than 40% of the region's GDP (according to the European Patent Office), is there a route to enhance the process of **commercializing** discoveries?

The rise of corporate venturing: connecting the dots

Meanwhile, the collaboration between established corporations and innovative start-ups — known as **corporate venturing** — is growing at speed globally. Since 2013, the number of annual corporate investments in start-ups has more than tripled, from 980 to 3,232, while the total size of this investment has risen sevenfold, from \$19 billion to \$134 billion.

Understanding the scarcity of resources that science start-ups face, coupled with the growth of corporate interest in working with new ventures, is there a common ground where both can collaborate? How can European leaders in government, industry and university settings support this process?

A 2020 report by **Josemaria Siota, Andrea Alunni, Paola Riveros-Chacón, Mark Wilson, Mattias Dinnetz** and **JuliaPrats**, titled [*Corporate Venturing: Insights for European Leaders in Government, University and Industry*](#), offers three strategies to support innovation by bridging Europe's Valley of Death:

- 1. Promote co-investment mechanisms for early stage ventures (aka, proof-of-concept projects).** Create co-investment funds to support the market validation of discoveries, group together corporations and investors interested in science start-ups, and enhance philanthropic funds (including impact investing).
- 2. Tailor existing investment mechanisms for technology transfer.** Adapt the European financial SME-instrument for science start-ups, track the European corporations that are starting to deploy pre-equity investments for proofs of concept of discoveries, and

validate related policies via small experiments in selected regions (sandboxes).

3. Support the European technology-transfer field further. Align national regulatory frameworks to simplify how start-ups scale across European countries, provide training to academia on industry-engagement, and share best practices among developed (and less developed) institutions.

In short, the study provides an overview of corporate venturing — in terms of **historical evolution, main models** and **characteristics**, and **current trends** — as well as its connection with the **technology transfer** field.

Methodology, very briefly

The report is based on a brief literature review and consultation with experts. It has been supported by the European Commission (Joint Research Centre), IESE Business School (Entrepreneurship and Innovation Center), Oxford University, Università degli Studi di Perugia (the Centro Interuniversitario di Ricerca sull'Inquinamento e sull'Ambiente, and the Scuola Superiore Territorio, Ambiente and Management), among other institutions.

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