Corporate venturing squads: Teaming up with other corporations to innovate with startups

When corporations partner up to unlock innovation, all can benefit.

June 12, 2023 | Updated December 18, 2024

Corporate venturing has been described as a David-and-Goliath cooperation in the business world. Established companies seek innovation by partnering up with agile startups via a range of mechanisms, including scouting missions, hackathons, venture clients, corporate incubators and accelerators.

These partnerships have the potential to yield breakthrough innovation quickly and at a relatively low cost, and in recent years, such efforts have become one of the mainstays of the innovation landscape.

But sometimes it pays to expand the relationship and get more corporations on board — even those that might be competitors. Such counterintuitive collaborations, and the innovation benefits they can create, are detailed in Open Innovation: Corporate Venturing Squads, co-authored by IESE professor M. Julia Prats with Josemaria Siota and Beatriz Camacho from IESE's Open Innovation and Corporate Venturing Institute, Carla Bustamente and the firm Kapita.

Corporate venturing squads: what works?

Corporate venturing squads bring multiple players to the table, fostering a dynamic partnership that encompasses various activities such as scouting, product and service testing, and investment. Yet, what are the benefits of pursuing innovation as a team effort? And what do chief innovation officers need to know in order to understand this emerging trend?

The research has produced two key outputs:

1. A comprehensive report titled "Corporate Venturing Squads: Teaming Up with Other Corporations to Better Innovate with Start-Ups," developed in collaboration with the firm Kapita. This report serves as a guide on corporate venturing squads, exploring how corporations can collaborate effectively to boost innovation through startup partnerships.
2. A **visual guide**, developed in collaboration with EU-LAC Digital Accelerator, that serves as a supplementary visual representation of the research findings contained within the aforementioned report.

The major benefit, according to the industry professionals interviewed in the report, is better access to startup deal flow, in terms of both quantity and quality. Teaming up with other corporations can provide a more attractive corporate value proposition to startups than those working alone. Other key benefits include enhanced access to innovation networks, the sharing of knowledge and best practices, increased credibility and visibility, and reduced costs with reduced risk.

Real-world examples

Many companies are already reaping some of these benefits, as key case studies highlighted in the report make clear. They include:

- AB InBev, the brewing firm behind brands such as Corona, Budweiser and Stella Artois, was already investing in accelerator programs to improve on sustainability goals. Recognizing that they shared many of the same challenges, in 2021 they partnered with the Coca-Cola Company, Colgate-Palmolive and Unilever — an attractive offer for startups. This has led to 81 pilot projects in over 30 countries, focused on sustainability challenges like smart agriculture and water stewardship.
- In the field of mobility, MobilityXLab in Sweden stands out as an innovation lab and expo space offering the opportunity to accelerate startups using strategic partnerships with global players in mobility and connectivity. Automotive companies such as CEVT, Polestar, Veoneer, Volvo Cars and Volvo Group, as well as ICT companies such as Ericsson and Zenseact, actively participate in this initiative.
- Mexican multinational CEMEX Ventures launched the Construction Startup Competition in 2017, a consortium of 10 corporations that brings structure to the typically fragmented and less digitalized startup market in the construction sector.

Six types of corporate venturing squads

The report identifies six categories based on the kind of activity they undertake, and how frequently they collaborate.

- **Scouting force:** This is a one-shot initiative aimed at testing the waters of collaborative innovation by bringing opportunities to corporations — a way to interact and see what startups are doing.
- **Scouting platform:** This mirrors the purpose of a scouting force but as a recurrent collaboration. Scouting forces can turn into scouting platforms after a successful first-time experience.
- **Joint proof of concept (PoC):** Two or more corporations collaborate with a startup to develop (or enhance) a product or service in a one-time collaboration.
- **Partnership:** Recurrent joint PoCs among squad members with either the same or different startups.

- **Co-investment:** A partnership that offers investment opportunities for startups as a one-time deal (i.e., one joint investment in one or more startups).
- **Joint fund:** A structured investment vehicle that involves multiple investment rounds in one or several startups.

For chief innovation officers everywhere, grappling with the whats, whys and hows of corporate venturing squads can unlock novel routes toward innovation, strengthening startup access, corporate value propositions, knowledge sharing and more.

About the research

This study analyzed 50 corporate venturing squads, comprising 340 squad members and 262 corporations. Interviews were also conducted with 50 chief innovation officers or similar roles in multiple sectors, covering Europe, Asia and the Americas. Previous IESE studies developing this concept are Corporate Venturing Ecosystems and Corporate Venturing Enablers.

https://www.iese.edu/insight/wp-content/uploads/sites/3/2024/12/Corporate-venturing-squads-new.mp4

www.iese.edu/insight