Beyond the Buzz: How Corporate Venturing generates Value

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Thesis advisor : Prof. Dr. Bastian Widenmayer
Expert : Prof. Dr. Jörg Grimm

Europe's ability to remain competitive in key technologies depends on successful innovation. Collaboration between corporates and start-ups, commonly referred to as corporate venturing, offers a promising path to achieve this. However, both parties struggle to generate sustainable value through these partnerships. To address this challenge, this thesis examines how such collaborations function and how value is created, laying the groundwork for future improvements.

Michael Jakob
michael_jakob@besonet.ch

Introduction

There hasn't been a European company built from the ground up with a valuation exceeding €100 billion in the past 50 years, where there are many in the US and China. As the other world superpower pull ahead in key technologies such as Artificial Intelligence (AI), the future of European competitiveness is at risk. One major issue is that European companies invest €270 billion less in research and innovation than their U.S. counterparts. At the same time, talented European researchers and entrepreneurs often struggle to commercialize and scale their innovative solutions. But there is hope, European corporates know how to commercialize and scale, while start-ups are known for their agility and innovation. By working together, they can combine their strengths to overcome their individual limitations. This is the core idea of corporate venturing. Although corporate venturing is promising in theory, in practice many companies struggle to generate sufficient value and eventually shut down their corporate venturing units.

Objectives

This thesis aims to explore how corporates and start-ups currently generate value through corporate venturing. The goal is to understand the processes and dynamics involved, in order to lay the foundation for future improvements. The scope covers established corporate venturing approaches such as corporate venture capital (CVC), corporate accelerators, and strategic partnerships. Additionally, it places special emphasis on the emerging model of venture clienting, where corporates engage with start-ups as early customers. The thesis incorporates both the corporate and start-up perspectives to derive practical implications for both sides.

Method

The foundation of this thesis was established through a systematic literature review on the current state of research on venture clienting. The review revealed a need for more qualitative data to understand how venture clienting creates value within the broader corporate venturing context. To address this, over 20 interviews were conducted with both corporates and start-ups. The collected data was then analyzed using state-of-the-art methodology to ensure both scientific rigor and practical relevance.

Results

The results show that the value generated through corporate venturing can be both tangible and intangible for start-ups and corporates. This value arises from various dimensions of the corporate venturing approach. Tangible outcomes may include increased revenue or cost savings, while intangible value such as enhanced marketing visibility or improved credibility with investors and customers can also play a significant role. Depending on the type of value targeted, corporates should carefully choose how they engage with start-ups, as some approaches may be inefficient or even counterproductive. While start-ups can influence outcomes to some extent, the asymmetric power balance often leaves them reliant on the corporate partner. Although start-ups are typically aware of this imbalance, many still choose to engage due to the potentially high upside. More mature start-ups, however, tend to evaluate in advance whether the anticipated benefits of the collaboration outweigh the associated costs. In conclusion, both corporates and start-ups should align early on regarding realistic project outcomes and assess whether the collaboration is likely to create more value than it consumes for both. This early alignment is essential for a sustainable and mutually beneficial partnership.