MOT 2910 Master Thesis

Corporate Venture Capital: CVC Governance Structures and their Alignment with the Corporate Investment Objectives.

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by

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Executive Summary

This study investigates the critical interplay between governance structures and investment objectives in Corporate Venture Capital (CVC) activities. CVC represents a corporate entrepreneurial strategy used by incumbent firms to explore business opportunities outside their organizational boundaries via minority equity investments in privately held entrepreneurial ventures (Dushnitsky and Lenox, 2006; Gompers and Lerner, 1998).
Previous literature on CVC recognized the advantages of this corporate activity for corporations to acquire new technologies and knowledge, therefore justifying the increased equity participation of corporations in early-stage startups.
However, the effectiveness of CVC activity is often hindered by early termination risks. CVC units established by the parent corporation show a trend of early termination, where the units are prematurely closed before they can reach the intended outcomes.

Prior research has explored the factors contributing to the success or failure of CVC programs, identifying governance structures of the CVC units and the lack of clear, consistent investment objectives as the two main critical factors.
However, previous research failed to investigate CVC activity from a fine-grained perspective, instead treating CVC units as a homogeneous group, thus failing in capturing the complex reality behind these two factors. Therefore a gap exists in examining CVC units' distinct characteristics in the context of their governance structures, investment objectives, and the required alignment between these two variables. Therefore, addressing this gap is important, as with different organizational setups of the CVC units, corporations can pursue different types of investment objectives. Therefore, a comprehensive understanding of the two variables and their interplay enables firms to design CVC units more effectively, reducing the likelihood of premature termination.
To address this gap, the study leveraged semi-structured interviews with CVC representatives to provide insights and shed light on three core research topics: the identification of primary investment objectives in CVC activities, the prevalent CVC units' governance structures and characteristics, and the exploration of the relationship between these two variables and their impact on CVC activity to achieve the intended objectives.

Building on a review of the literature on CVC investment objectives, the study provided a previously missing holistic collection of all the investment objectives that corporations pursue through CVC activity (Table 5.1). The discussion then delves deeper into these objectives, proposing a layered structure of priority among the CVC investment objectives and a perspective to frame them based on the corporate explorative vs exploitative orientation of innovation activity.

Relatively to CVC governance structures, the study emphasized the complexity of these structures, challenging the traditional governance distinctions in the literature (i.e., Dedicated fund, Self-managed

funds, and Pooled funds)[1] revealing that these distinctions are not clear-cut. Indeed, key governance characteristics are often shared across different governance structures, and substantial differences in the relationship between the parent corporation and the CVC units can exist even within the same category.
Therefore, the study recognized the importance of defining the governance structure of a CVC unit based on its relationship with the parent corporation and on its level of operational and organizational autonomy. To define this relationship, the study identified and classified key governance characteristics, analyzing them through the notion of vertical and horizontal autonomy as defined in previous literature (Hill et al., 2009; Lee et al., 2018).

A central finding of this study is the verified importance of aligning investment objectives with the governance structure of CVC units. The study preliminarily demonstrated that misalignment between governance structures and investment objectives can lead to governance and operational challenges, making it more difficult for CVC units to achieve their intended goals, ultimately leading to the risk of early termination of the CVC activity.
In the discussion of the study, it was explored how to select different governance characteristics in relation to the various investment objectives, providing practical implications for corporate executives and CVC managers to ensure the achievement of the expected outcomes of their CVC activity.

Finally, the study uncovered and explored a new theme in the literature: the impact of corporate culture on open innovation and its influence on CVC activity. Results suggested a moderating role of governance structures in mitigating the negative effects of a low corporate culture of open innovation on CVC outcomes. Specifically, findings revealed that insufficient corporate culture open innovation can threaten the sustainable activity of CVC units. However, some governance characteristics were identified as potentially helping to sustain the effectiveness of CVC activities. This theme opens avenues for future research to further examine the interplay between governance structures, and corporate culture on open innovation.

Building on these findings, the study provides practical guidance for corporations in selecting the appropriate CVC investment objectives aligned with their overall corporate innovation strategy. It then offers actionable recommendations for structuring CVC units effectively, considering the investment objectives along with key contextual factors, such as the corporate culture on open innovation, to ensure sustainable CVC activity avoiding the risk of early termination.

[1] See Table 2.1 for the relative definitions.

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Introduction

In the realm of corporate management, corporate entrepreneurship (CE) has generated attention among scholars and practitioners due to its recognized importance in the renovation and innovation process of corporations (Dess et al., 2003). Corporations are every day confronted with rapidly changing environments and market dynamics characterized by rapid changes and growing complexity. Thus exploring and exploiting new technologies and business opportunities results in a requirement for firms to remain competitive (Pinkow and Iversen, 2020, Rauter et al., 2019, Dess et al., 2003).
One possible entrepreneurial strategy for corporations to exploit and explore new business opportunities, outside the organizational boundaries of the firm, is through Corporate Venture Capital (CVC) activity (Gompers and Lerner, 1998, Dushnitsky and Shaver, 2009). CVC practice involves minority-stake equity investments in privately held entrepreneurial ventures by corporate investors (LiPuma, 2006; Yang et al., 2016; Thomas Keil, 2000).

1.1. Problem Statement

Equity financing is the first type of financing for startups with venture capital activity, particularly independent venture capital (IVC), as first investors. In contrast to IVC activity, CVC practice involves equity investments by established corporations in start-up ventures as an extension of the firm primary business focus (Drover et al., 2017). Although IVC activity is the first source of financing for startups, in the last decade, corporations have started investing always more directly in high-growth ventures, and CVC activity become the second-largest source of funding for entrepreneurs. In 2022 19.9% of the total venture capital industry deals had CVC involvement, compared to 11.8% in 2012 (NVCA, 2023).
However, such picks of investment behavior are not uncommon in the CVC space. CVC activity has almost ever shown a cyclical nature of investments (Dushnitsky and Lenox, 2006; Gompers and Lerner, 1998),[1] with shorter and non-uniform lifespans of the CVC units compared to IVC funds. This reveals a trend of early abandonment, where corporations often fail to adequately evaluate the long-term prospects of their CVC activity (Ma, 2020; Frey and Kanbach, 2023).

[1] See Table 2.2 as reference.

1.2. Research Gap and Research Questions

Prior CVC research has already attempted to analyze the causes of failure in CVC units, which ultimately can be associated with early withdrawal from CVC activity. For example, in the book *"Venture Capital and Private Equity"* (Lerner, 2005) and in Birkinshaw and Hill, 2005 work, the main reasons for the failure of CVC units have been attributed to the corporation's unclear and inconsistent investment objectives for CVC activity, and insufficient management of the CVC units. Moreover, the reviews of Maula (2001) and Fels et al. (2021) highlight that the crucial elements in CVC performance are linked to the organizational level, specifically on the governance structure of the CVC units. In addition, Brinkmann and Kanbach (2023) aligns with these findings, identifying among the significant factors that explain early withdrawal from CVC activity: the corporation's fragmented investment objectives, and elements concerning the organizational design of the CVC unit (i.e. autonomy of the CVC unit, the commitment of the corporate parent, and parent company size).
All in all, the reasons can therefore be categorized into two main areas: the governance structures of CVC units and the fragmented, unclear objectives for CVC activities (Brinkmann and Kanbach, 2023; Frey and Kanbach, 2023; Basu et al., 2016).

Past research evaluated the impact of some of these factors on the performance of CVC units. However, Gaba (2007) demonstrated that firms with a deeper understanding of their CVC activity are less likely to face early abandonment and are more likely to achieve their defined goals, thereby overcoming the cyclical nature of investments. It follows that gaining such a richer understanding of CVC activity requires addressing the missing step of deeply examining the two main causes of early termination in CVC units, the investment objectives in CVC activity and the governance structure of CVC units, as well as the relationship that may exist between these two variables (Frey and Kanbach, 2023; Ilya A. Strebulaev, 2023; Schückes et al., 2024).
Frey and Kanbach (2023) rightly recognized that by creating different organizational structures, corporates pursue a variety of CVC objectives. Their literature review offers a comprehensive framework that effectively details the governance characteristics of CVC units crucial for the success of CVC operations. However, they do not extensively address how the fragmented and often competing objectives for engaging in CVC influence this choice. They considered investment objectives only broadly categorizing between financial, strategic, and hybrid motivations, overlooking the complex scenario of CVC investment objectives. Hence, despite their study being a significant step towards understanding the governance structures needed for effective CVC activity, it does not delve deeply into how these structures should be tailored based on the specific investment objectives for CVC activity.
This research builds on the previous work of Frey and Kanbach (2023), Schückes et al. (2024), Shankar et al. (2024), and Strebulaev and Wang (2021), integrating a deeper exploration of the objectives pursued through CVC investments, analyzing the right organizational structures necessary for their success, thus avoiding termination pitfalls.

By addressing the gap reported, the research tries to address the unknown balance of the various objectives and CVC governance structures by answering the following research question:

How do corporations choose between different Corporate Venture Capital governance structures?

To address this research question, the study is organized around three core themes: identifying the primary investment objectives of CVC activity, examining the diverse governance structures adopted by CVC units, and exploring the connection between these two variables to assess the impact of this link on CVC activity. This focus is reflected in the sub-research questions, which aim to uncover how corporations align their CVC governance structures with specific investment objectives to optimize outcomes:

- *What are the main investment objectives corporations aim to achieve through CVC activity?*
- *What are the main CVC governance structures, and what distinguishes them?*
- *What is the role of the investment objectives in the choice of the governance structure?*

Addressing these research questions provides corporations with actionable insights to navigate the complexities surrounding CVC, ultimately improving the ability of CVC units to achieve stated objectives and align with stakeholder expectations, ensuring longevity of CVC initiatives.

1.3. Relevance and Contribution of the study

Scholars and practitioners recognize the advantages of open innovation and corporate venturing activities, including CVC. However, simply understanding the motivation to choose of CVC among other corporate venturing activities, as prior research has often done, is not sufficient for making a practical business impact. To guide practitioners, a crucial gap remains in linking the specific investment objectives of CVC activity with appropriate governance structures (Frey and Kanbach, 2023; Thomas Keil, 2000). This research addresses this gap by demonstrating that CVC units should not be viewed as a uniform group but rather as entities with distinct governance structures, characteristics, and goals that align with different corporate strategies. By deepening the understanding of CVC governance structures and aligning these with corporate objectives, firms can potentially avoid common termination pitfalls, enhancing the strategic and financial impact of their investments.

Furthermore, this study provides actionable guidance for corporations in structuring CVC units to optimize their activity (See Section 5.1.3). In addition, the findings reveal that the choice of governance structure should be guided by a variety of corporate contextual factors, including the corporation's expertise in the VC industry, available budget, and risk tolerance, ensuring that CVC units are set up to align with corporate resources and strategic needs.
Moreover, the study highlights the significant impact of the corporate culture in Open Innovation on the CVC activities, suggesting that governance structures may serve as a moderating role (See Figure 5.4). In corporations with a conservative approach to open innovation, specific governance adjustments can help mitigate potential cultural constraints on open innovation. By offering tailored governance recommendations in light of corporate culture on open innovation, this study equips practitioners with the insights needed to make informed decisions. Ultimately it lays foundation for future research on reducing early termination risks and maximizing the outcome of CVC initiatives.

1.4. Relevance to MOT Master's Program

The MSc Management of Technology (MOT) program equips students with the knowledge and analytical skills to understand, manage, and leverage technological innovations to meet strategic goals. Thus, this thesis aligns with the MOT program by addressing the complexities of CVC activities and their role in driving corporate innovation. Specifically, the research examines how corporations can align CVC governance structures with diverse CVC investment objectives to enhance corporate innovation and competitive advantage. This directly reflects the MOT program's emphasis on understanding the interplay between technology management and management strategy, in the firm context.

The findings of this thesis also build on the principles explored in courses such as "Technology Strategy and Entrepreneurship" and "Technology Dynamics", which emphasize strategic decision-making in dynamic and technology-driven environments. For example, the thesis identified investment objectives following a more explorative or exploitative orientation towards corporate innovation and linked them to CVC governance structures that enhance operational effectiveness and corporate strategic advantage. These insights extend the theoretical understanding gained during the program into a practical examination of how corporations operationalize innovation strategies, specifically through CVC activity.
Additionally, the elective course "Financing Technology Ventures" provided critical insights that directly informed this research. By examining startup financing from the perspective of investors and policymakers aiming to foster entrepreneurship and innovation, the course highlighted the unique challenges of funding deep-tech startups with long and uncertain R&D cycles. Key topics, such as the real options theory, were instrumental in framing the financial dynamics of CVC activities. These insights were particularly valuable for analyzing how CVC investments address the dual challenges of supporting high-risk, innovation-driven ventures while aligning with broader corporate innovation goals.
Furthermore, the research leverages skills from MOT courses like "Research Methods," and " Preparation for MSc Thesis", applying semi-structured interviews and qualitative analysis to extract actionable insights. The study's interdisciplinary approach to understanding corporate innovation aligns with the MOT program's focus on preparing students to tackle multifaceted challenges in technology management.

All in all, by investigating CVC's role in fostering innovation and aligning investment objectives with governance structures, this thesis demonstrates practical relevance to the MOT program's mission to bridge the gap between technology, strategy, and management in real-world scenarios.

1.5. Organization of the Thesis

In the next chapter, Chapter 2, Theoretical Background, a deeper, detailed dive is provided into the topics introduced in this introduction.
This chapter begins with an exploration of corporate innovation, focusing specifically on corporate entrepreneurship and CVC activity. It analyzes the role of CVC in driving corporate innovation and demonstrates how CVC, with its unique advantages, significantly contributes to corporate growth and competitive advantage. This foundation sets the stage for the individuation of the research problem, clarifying the key elements required to address the main research question and justifying the sub-research questions. The chapter then provides an in-depth analysis of existing research on these elements, thus categorizing the primary investment objectives (financial and strategic) and the various governance structures of CVC units. This analysis builds a theoretical foundation that informed the research design, guided the semi-structured interviews, and shaped the overall data collection process.

Chapter 3, Methodology, describes the research methodology, detailing the research design, data collection methods, and data analysis techniques employed. This study used a qualitative approach, with data collected through nine semi-structured interviews with CVC representatives. The chapter explains the use of open and axial coding processes to interpret the data and to capture connections between

CVC governance structures and features and specific investment objectives, ensuring a rigorous analysis that aligns with the research objectives.

Chapter 4, Results, presents the study's findings, organized according to the structure of the three sub-research questions. This chapter first introduces the nuanced, multifaceted organizational structures of CVC units, providing clarity on the identified governance characteristics. It then builds upon the literature review to clarify and categorize the various CVC investment objectives and, finally, reports the exploratory results and main insights on the link between the two variables.

In Chapter 5, Discussion, the findings are analyzed and contextualized within the existing literature. This chapter interprets the results and makes assumptions examining how the alignment between CVC governance structures and investment objectives may impact CVC activity and expected outcomes. It also explores the moderating role of corporate culture on open innovation on CVC activity, offering practical implications for corporations seeking to set up CVC units aligned with their objectives and organizational characteristics. The chapter also highlights areas for future research, particularly in further exploring the effects of governance structures on CVC activity and the potential moderating effects of corporate culture on open innovation.

Finally, Chapter 6, Conclusion, summarizes the main findings, providing answers to the three sub-research questions that, together, contribute to addressing the main research question. The conclusion revisits the relevance of the study and its practical implications for corporations and practitioners.

Building on the outline of the thesis provided above, the research flow diagram (Figure 1.1) visually represents the progression of the study. It highlights how each phase of the research process, from the exploration of the literature to the final analysis and discussion, connects with the thesis structure.

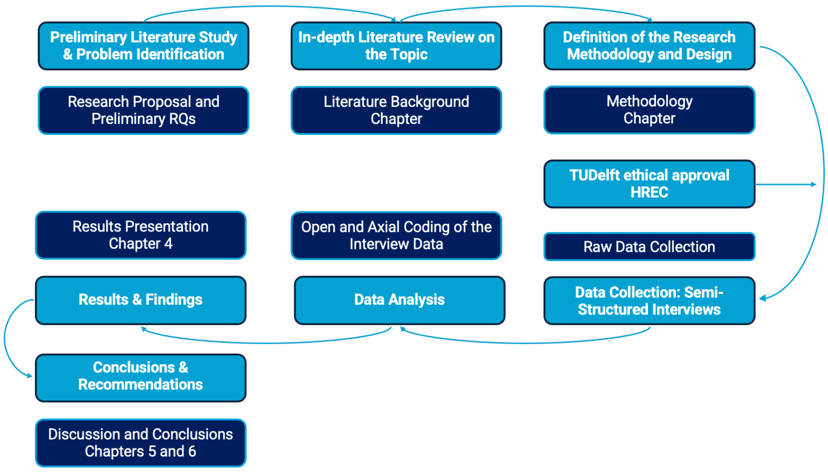

Figure 1.1: Research Flow Diagram.

2

Literature Background

In rapidly changing environments, large corporations face the need to develop the capability of rapid adaptation to environmental changes ranging from fluctuating economies to ecological transition. For this reason, managers and management scholars have traditionally adhered to the principle that firms must develop sustainable competitive advantages, and corporate innovation started to be seen as an essential aspect of the management practice to maintain superiority (Covin and Miles, 2007). The recognized need for renewal through innovation led managers and management scholars to explore how entrepreneurial processes could be implemented within and outside established organizations to maintain competitiveness. Consequently, interest in corporate entrepreneurship (CE) and corporate venturing (CV) emerged (Kuratko, 2010). One of the prevalent approaches among CE activities to seek innovation outside the boundaries of the firm is corporate venture capital (CVC). However, CVC initiatives often face termination pitfalls caused by the lack of management structure of the CVC units and by a lack of alignment with corporate investment objectives, thus limiting the positive impact of CVC on corporate innovation.

These challenges underscore the need for further scholarly investigation to establish effective CVC programs that align the governance structure of the units with the corporate investment objectives, thereby enhancing their contribution to corporate strategic renewal.

The following section 2.1 reviews the existing body of knowledge on CVC as a corporate venturing activity, beginning with an exploration of the advantages that have led to its increased recognition among scholars and practitioners. Section 2.2 expands on the problem statement mentioned in the introduction, the cyclical nature of CVC investment activity, and the early abandonment trend of CVC programs introducing the body of knowledge concerning the investigation of termination pitfalls. Subsequently, Sections 2.3 and 2.4 present the findings from a detailed literature review focusing on the two main causes of early abandonment: investment objectives and the typologies of CVC governance structures.

2.1. CVC and the Role of CVC in Corporate Innovation

To start addressing the research gap of the research, it is essential to contextualize CVC within the broader framework of corporate entrepreneurship (CE) and its specific role in fostering corporate innovation.

The increasing speed of technological change generates a competitive landscape that is characterized by a high degree of uncertainty (Covin and Miles, 2007). In these uncertain environments, firms feel the pressure to develop new products and services in order to create new business opportunities and enhance corporate renewal (van de Vrande et al., 2009).

In the management practice realm, this need for innovation has been translated into increased attention among scholars and practitioners to CE (Dess et al., 2003). Wolcott and Lippitz (2007) define CE as the set of processes by which established organizations create and manage new businesses, strategies, and initiatives that are distinct from the parent company or the regular business.

CE could be distinguished into two main branches namely strategic entrepreneurship and corporate venturing (CV). While strategic entrepreneurship includes practices for strategic renewal and business model redefinition, the latter focuses on the creation of new businesses to explore and exploit new markets and industries, requiring more radical innovation and thus higher related uncertainties (Corbett et al., 2013;Gutmann, 2019).

Historically, established firms have tackled uncertainties related to innovation by establishing processes that leverage internal knowledge and capabilities mostly coming out from centralized R&D labs. However, starting from H. W. Chesbrough (2003) the idea that useful knowledge is disseminated outside the company boundaries and that not all the talents work for the same company, set the stage for the emergence of the Open Innovation paradigm. Chesbrough defined this concept as an inflow and outflow of knowledge across organizational boundaries with the intention to leverage these sources of external knowledge to gain commercialization opportunities (H. Chesbrough and Bogers, 2014; H. W. Chesbrough and Tucci, 2004).

These new rules for corporate innovation necessitated for new vehicles for the acquisition of external knowledge and thus different arrangements of external corporate entrepreneurship and corporate venturing activities started arising in the management literature. Traditionally these arrangements can take the form of venturing alliances, non-equity alliances, joint venture alliances, M&A activity, and CVC (Röhm, 2018; Gutmann, 2019).

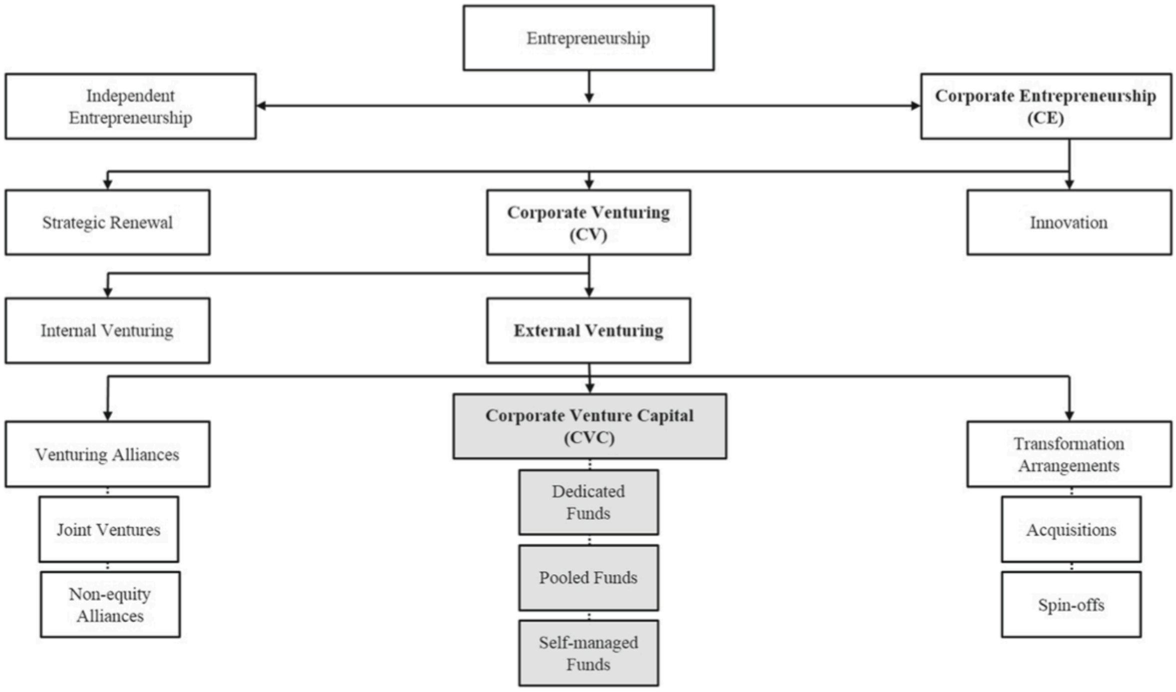

Figure 2.1: Corporate Entrepreneurship Taxonomy from Röhm, 2018

Moreover, in their study Vanhaverbeke et al. (2008), the authors argue that most of the benefits of open innovation are implicitly embedded into the real options approach, and that the theoretical foundation of open innovation can be strengthened by real options arguments.
The real options approach is a financial strategy that applies the principles of options pricing to investment decisions. It provides management with the flexibility to continue or park an investment based on evolving circumstances, hence reducing the uncertainties related to innovation practices while ensuring access to a wide range of knowledge and technologies without an onerous upfront financial commitment.
In the context of corporate innovation and CE, a real options approach can offer different advantages mostly related to (a.) Risk reduction: firms can limit their exposure to risk by only committing resources when the uncertainty is reduced; (b.) Flexibility: firms can adapt their strategies based on new information and changing conditions, making staged incremental investments if the venture shows promise.

CVC is one of the most attractive and explicit methods among corporate venturing activities to exploit these advantages (van de Vrande et al., 2009; Van De Vrande and Vanhaverbeke, 2013; Ceccagnoli et al., 2018). Through CVC activity, firms can make minority equity investments in startups, providing them with the flexibility to exit early if the venture does not meet expectations or to increase investment if the technology or market proves promising. For this reason, CVC started to grow in importance showing that CVC investments are preferred to the other external corporate venturing modes (van de Vrande et al., 2009).

Furthermore, in parallel to the benefits of CVC activity under the real options approach, CVC investments offer significant benefits for corporate innovation also through their additive and complementary effects on other corporate innovation activities (Van De Vrande et al., 2011; H. W. Chesbrough and Tucci, 2004).

H. W. Chesbrough and Tucci (2004) demonstrate that firms with CVC programs are associated with higher levels of R&D spending revealing that CVC acts as a complement to internal R&D, increasing the overall output of the corporate innovation activity. Van De Vrande et al. (2011) confirm these findings arguing that CVC investments are not only complementary to other innovation sourcing activities (like R&D and other external corporate venture activities) but also show characteristics of additivity to the other activities because they all target different types of knowledge not mutually accessible. Hence, their results indicate that CVC investments are particularly beneficial for the innovative performance of firms when they are used in combination with other technology-sourcing modes (like internal R&D, strategic alliances, M&As, etc.).

2.2. Challenges in CVC Activity: Early Termination Trend

The recognized advantages of CVC described above, such as risk reduction, flexibility, additivity and complementary effects on corporate innovation, have led to its increasing importance in recent years. The intrinsic benefits of CVC have increased its recognition as a valuable strategy for acquiring new technologies and knowledge (Dushnitsky and Lenox, 2006; Huang and Madhavan, 2021; Schückes et al., 2024).

However, an examination of CVC activity in the venture capital (VC) industry reveals a cyclical pattern in corporations' involvement in early-stage companies. To provide some insights, the corporate share of the overall venture capital investing increased from 2% in 1994 to 15% in 2000, to drop during the first quarter of 2001, when CVC investments fell by 81% and many firms shut down their CVC units (Gaba, 2007). CVC activity then began to rise again in 2004, with 19.6% of the total VC deals involving corporate participation, however, this trend dropped to 11.8% by the end of 2012, before increasing once again to 19.9% by 2022 (NVCA, 2023).

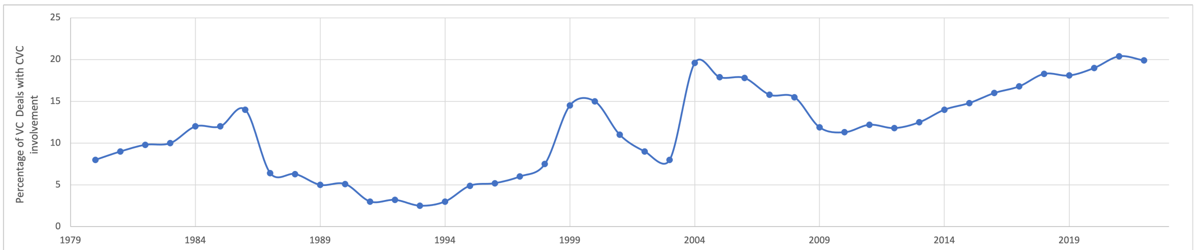

Figure 2.2: Percentage of VC deals with CVC involvement. Data combined from Benson and Ziedonis, 2009; NVCA, 2023

In general CVC units have shown more non-uniform lifespan compared to IVC. The median lifetime of CVCs units is around four years (Ma, 2020), while the investment horizon of the vast majority of IVC funds is approximately 7–10 years (Barrot, 2017; Gompers and Lerner, 1998). One might argue that the difference in lifespan between CVC and IVC can be mainly attributed to the differing objectives of these entities. Unlike IVC, which primarily seeks financial returns, CVC also pursues strategic objectives. For instance, if the purpose of a CVC investment is to acquire knowledge or a specific technology, the corporation may prioritize the initial stages of technological development or market validation over the portfolio company's long-term growth to realize a sufficient rate of return on the initial investment. Hence, once the specific strategic objective is achieved, the corporation may decide to terminate the

CVC activity or renovate the activity focusing on new objectives. This might result in shorter lifespans for CVC units compared to their IVC counterparts.

However, already Gompers and Lerner (1998) revealed that strategically focused CVC programs with clear and defined objectives can be as stable and long-lasting as IVC organizations. This suggests that the difference in lifespan is more a symptom of a trend of early abandonment of CVC units rather than a consequence of different objectives. In support of this Gaba (2007) reveals that firms with a richer understanding of their CVC activity are more likely to close once they have achieved their predefined goals and less likely to incur termination pitfalls. These firms, with a deeper understanding of their CVC programs, tend to have longer-lasting CVC units, able to overcome the cyclical trend of investments. All considered, discussion on the early abandonment of CVC programs started gaining attention among scholars (Röhm, 2018; Frey and Kanbach, 2023; Fels et al., 2021; Pinkow and Iversen, 2020; Brinkmann and Kanbach, 2023) and this research aimed to contribute to this discussion.

Already previous research has focused on the possible reasons and factors for the success or early failure of CVC units. As mentioned above in Section 1 Lerner (2005) identifies three primary reasons for CVC activity failure: unclear predefined objectives, insufficient management of CVC programs, and problematic incentive schemes for unit managers. Birkinshaw and Hill (2005) expand on this discussion, emphasizing that the success of CVC units is often linked to factors such as autonomous governance of the units, compensation schemes for CVC managers aligned with objectives, and close engagement with the venture capital community. Gompers and Lerner (1998) and Yang et al. (2016) also found evidence of failure related to a lack of autonomy of the CVC units. Continuing on factors related to the governance structures of the units, others have individuated additional causes, mostly related to staffing composition and experience (Souitaris et al., 2012), and to program implementation choices (Gaba and Dokko, 2016; Fels et al., 2021; Maula, 2001). Covin and Miles (2007), instead, and later Pinkow and Iversen (2020), highlight the necessity to distinctly define in advance the goals to be pursued with CVC activity to ensure the success of CVC activity and avoid termination pitfalls.

As can be inferred from this description of the academic literature, causes for early termination are manifold, although, in general, these reasons can be primarily categorized into two main areas: the governance structures of CVC units and the fragmented, unclear objectives for CVC activities, especially those of a strategic nature (Brinkmann and Kanbach, 2023; Frey and Kanbach, 2023; Basu et al., 2016).

The following two sections 2.3 and 2.4, thus report the body of knowledge around these two variables based on a comprehensive literature review in the CVC literature.

2.3. CVC Investments Objectives

This paragraph clarifies and identifies the investment objectives that corporations pursue through CVC activity providing the knowledge required for answering the first sub-research question of the study.

> *What are the main investment objectives corporations aim to achieve through CVC activity?*

Szalavetz and Sauvage (2024) tried to examine whether the rapid growth of CVC investments can be associated with the theory of the financialization of non-financial companies. According to this theory, CVC activity increases as a strategy for financial accumulation, allowing firms to derive a growing proportion of their income from financial investments. Further, Dushnitsky and Lenox (2006) suggest that CVC programs enhance shareholder returns only when corporate investors pursue both strategic and financial objectives. Pinkow and Iversen (2020) support this view, indicating that corporations recognize that CVC provides more than just financial success. Therefore, the literature generally agrees that the objectives for CVC activity can be categorized into financial and strategic objectives, and companies can choose to what extent they want to follow each category.

The lack of a clear upfront definition of which investment objectives to pursue through CVC activity can create significant challenges in aligning CVC units with the parent corporations' expectations in CVC activity (Gompers and Lerner, 1998). Such misalignment can ultimately lead to the early termination of CVC units (Gaba and Dokko, 2016; Röhm, 2018). This issue has been observed to be particularly pronounced when corporations have strategic motivations behind their CVC activities. Indeed, while financial objectives are relatively straightforward in their definition and evaluation, strategic objectives are diverse and specific in nature, making their definition and assessment more challenging. This increases the risk of misalignment between CVC units and parent corporate expectations, thereby undermining the expected outcomes of CVC activity.
However, the literature on strategic objectives remains highly fragmented and lacks a comprehensive overview of investment objectives (Basu et al., 2011; Basu et al., 2016; Urbano et al., 2022). A set of CVC strategic objectives summarizing key findings from the academic literature follow.

Dushnitsky and Yu (2022) identified three broad sets of strategic objectives for CVC activity: technology, market, and government-based objectives. Danneels and Miller (2023) further highlight that part of the learning a firm gains through CVC activity is indirect or not linked directly to any specific portfolio startup investments. Thus, established firms can engage in CVC activity for a broader scope of *"being in the game"*, experiencing the benefits derived from the knowledge collected as a by-product of the core activity of investing. This adds a fourth broad category of strategic objectives.

- Technology-based objectives:
  - *Gap filling:* corporate investors can base their investment thesis on an attempt to fill gaps in their technology portfolio. Firms can pursue CVC activity to fill gaps in their capability sets, seeking out ventures engaged in developing novel technologies that complement investors' areas of expertise and focus (Dushnitsky and Lenox, 2006; Basu et al., 2016; Winters and Murfin, 1988). On this topic H. W. Chesbrough (2002) link corporate objectives for CVC investing to the firm's capabilities, asserting that gap filling requires a tight link between the venture's capabilities and the investor's existing capabilities. Hence, the gap-filling objective necessitates close engagement with the portfolio company (Maula, 2001) highlighting again the stressed link between CVC objectives and the governance structure of the units.
  - *Explorative Learning:* CVC investments can facilitate both exploitative and explorative learning (Schildt et al., 2005; Keil et al., 2008). Corporations can engage in CVC to access new types of knowledge not present within their existing know-how. This objective aligns with the real options theory presented above, allowing firms to maintain limited capital commitments while gaining exposure to new technologies and knowledge. Moreover, seeking disruptive solutions outside the company boundaries can enhance corporate ambidexterity (Rossi et al., 2021; Hill and Birkinshaw, 2014). Ambidexterity refers to the ability to balance the exploita-

tion of existing capabilities with the exploration of new opportunities. Through CVC, firms can search for more disruptive solutions (explorative learning) while, for example, focusing their R&D expenditure on exploitation.

  - *Window on technologies/Environmental scanning:* Basu et al. (2016) highlight that CVC investments can also help firms scan their environments (Industry/Sector) for new technology and/or market opportunities, which provides what is often referred to as a *"window on technology"* objective (Dushnitsky and Lenox, 2006; Dushnitsky and Shaver, 2009). This objective allows firms to monitor and obtain early access to emerging technologies and innovations, providing them with critical insights into future technological trends. By maintaining a "window on technology," companies can stay at the forefront, capitalizing on new developments and maintaining a competitive advantage in their industry (Benson and Ziedonis, 2009; Rossi et al., 2017).
  - *Efficiency Enhancing:* Basu et al. (2016) indicates that investors can improve their internal operational efficiencies by providing startups access to corporate resources and assets (for example, plant capacity, factory space, and personnel). Both H. W. Chesbrough (2002) and Campbell et al. (2004) also suggest that investors can more productively leverage underutilized technologies by making them available to their portfolio ventures while generating financial returns.

- Market-based objectives: as said firms often scan their environments for new technologies, but environmental scanning can also be applied through a market lens. This objective focuses on harnessing growth through market expansion (Dushnitsky and Yu, 2022). In other words, investors are particularly attracted to ventures that address rapidly growing market demands. By investing in startups that pursue growth through consumption-based expansion, rather than focusing on technology development, corporations can capture emerging market opportunities. This approach allows firms to tap into new consumer trends, ensuring that they remain relevant and competitive in an evolving marketplace. According to Dushnitsky and Yu (2022), this strategy enables incumbents to stay agile and responsive to shifts in market dynamics, achieving sustainable growth.
- Government-based objectives: CVC investments can be influenced by government policies, that can have a top-down role where national directives prioritize specific industries (Dushnitsky and Yu, 2022). In industries where technological innovation is crucial for development and economic growth, national and local governments can promote entrepreneurship and venture capital activities and established firms may engage in CVC investment to align with these directives (Da Gbadji et al., 2015). This approach is particularly relevant in developing countries aiming to catch up with developed economies but also to face global challenges. For instance, challenges like climate change have led to increasingly strict industrial regulations and increased consumer awareness, driving innovation toward the climate transition and cleantech technologies. As a result, corporations face the imperative to explore new solutions and collaborate with startups to access emerging technologies and novel business models outside their main core business.
- Being in the game objectives:
  - *Ambient Knowledge:* Danneels and Miller (2023), as mentioned, found that part of the learning derived from CVC is indirect or in other words gained through continuous engagement

with the venture capital ecosystem rather than directly from portfolio companies. This contact with the venture capital industry includes activities such as attending industry conferences, scouting for potential investments, and engaging in informal interactions with other investors and venture capitalists. The strategic insights gathered might come from the broader exposure and participation in the venture capital and startup ecosystem. Being in the ecosystem and having access to the ambient knowledge allows firms to pursue objectives for example for signaling their presence and capabilities to competitors, or fostering relationships that provide access to co-investment opportunities, new investment ideas, deal-flow, and learning from professional IVC on deal evaluation.

- *Ecosystem Building:* CVC investments can also serve to build a supportive ecosystem of complementary products around the corporation's core products. By investing in startups that offer complementary products or services, firms can create a "synergistic demand" that enhances their overall market position (Basu et al., 2011; Basu et al., 2016). This objective aims at driving the demand for the corporation's products while integrating the firm more deeply into the broader market ecosystem.

The various investment objectives reported necessitate different types of engagement and relatedness between the CVC unit, the parent corporation, and the portfolio startup. The way corporations manage these relationships is reflected in how CVC units are structured and managed. However, the literature has traditionally focused attention on the motivations to engage in CVC activity (Section 2.1), often missing to focus at the CVC unit level by studying how the corporations can achieve their investment goals by bridging the investment objectives and the diverse governance structures. The following section 2.4 address the possible governance structure options for CVC units, as individuated by the academic literature.

2.4. CVC Governance Structures

The section explores the various typologies of CVC programs as presented in the academic literature, highlighting how these governance structures can impact the success of CVC activities.

CVC activities can be organized through several governance structures that can vary based on different factors such as the degree of autonomy of the CVC units to parent corp or the involvement and level of engagement and collaboration of the unit with the portfolio startup (Pinkow and Iversen, 2020).

Frey and Kanbach (2023) work represented a significant contribution to the CVC governance topic. Through an extensive literature review, they collected from the academic literature 69 governance characteristics (they named *'design elements'* of the CVC units) that can be the cause of potential friction and failure of CVC units in the domain of CVC governance structures. These design elements were then categorized into four main dimensions: 1. Personnel, which pertains to the skills, experience, and composition of the CVC team; 2. Corporate relationship management, which focuses on how the CVC unit interacts with and integrates into the parent corporation; 3. The investment operating model, which includes the processes and governance frameworks guiding investment decisions (such as investment stage, target sector, and focus or the investment orientation towards or beyond the parent corporation core); 4. Portfolio relationship management, which involves managing relationships with portfolio companies.

The authors also recognized the importance of linking the different CVC organizational structures and specific characteristics to the various investment objectives for CVC activities. However, despite an initial attempt to do this, they only distinguished broadly between purely financial, strategic, and hybrid objectives without providing a detailed distinction of the objectives. Such a detailed distinction is fundamental for guiding practitioners in choosing the right CVC governance structure that aligns with their aimed objectives in CVC activities.

Although corporations can structure CVC units in a specific and unique manner the literature, identifies three main organizational structures for CVC (Thomas Keil, 2000; Röhm, 2018; Frey and Kanbach, 2023; Marcus Schroeder, 2021; Strebulaev and Wang, 2021):

Dedicated Funds

These CVCs are organizationally most similar to institutional VCs, where the corporate parent provides an external capital commitment and structures the unit similarly to a traditional general partner-limited partner (GP-LP) relationship. These units are legally standalone entities, separate from the parent corporation, and usually characterized by a high degree of autonomy in their investment decision-making process and daily operations. Thus, while the corporation retains overall control and influence as the main shareholder, the investment decision-making authority is generally delegated to the GP. For instance, the parent firm often lacks veto rights over investment decisions, underscoring the unit's operational independence from the parent company. However, the corporation still exerts influence as the principal investor.

A further distinction can be made based on the financial reporting structure, discerning between on-balance-sheet or off-balance-sheet dedicated funds. In the former case, the fund is legally separate, but its financial results are consolidated with those of the parent company. This means that while the fund operates independently, its activities directly impact the corporation's financial statements, with the parent company bearing the full financial risks and rewards of the investments. In this case, proceeds from successful investments (e.g., exits or dividends) are typically returned to the parent corporation's balance sheet, where they may be reallocated according to broader corporate financial strategies.

In contrast, an off-balance-sheet dedicated fund operates as a fully independent legal entity, with its financial activities not appearing on the parent company's balance sheet. Returns on investments are typically reinvested within the fund for future investments, allowing the corporation to limit its financial exposure to its initial capital commitment. Dedicated funds are relatively uncommon. In the sample reported by Strebulaev and Wang (2021), less than 7% of the CVC structures surveyed reported having a separate standalone legal entity.

Pooled fund or multi LPs

In this structure, the corporation operates as one of the limited partners (LPs) in an IVC fund. The fund is managed by the GP, with limited partners playing more of an oversight or advisory role. Capital is raised from multiple LPs, which means the corporation's budget allocation is typically lower than in a dedicated fund or self-managed fund. This approach is often chosen to leverage the expertise, experience, and ecosystem of professional venture capitalists, providing access to a wider array of technological and market insights while reducing the cost and risk of building and maintaining an in-house CVC team.

However, the flip side of the coin is that dependency on other IVC can limit the relevance of the portfolio startups for the firm business, and limit possible information and knowledge transfer (Marcus Schroeder, 2021). According to Strebulaev and Wang (2021), 14% of CVCs take LP positions in independent funds. Therefore, investment objectives for participating in IVCs can apply both to corporations that solely invest in IVCs (what is referred to here as pooled funds in the strictest sense) as well as to those CVCs, with different governance structures that combine direct startup investments with LP positions in other funds.

Self-managed funds
In this structure, the corporation makes investments directly from its own balance sheet without establishing a separate legal entity. The CVC unit typically functions as a regular department within the corporation, similar to other business units (BUs) or corporate services, and all investments in startups are recorded as part of the corporation's financial statements. This is the most common CVC structure, and as such, it varies widely. One of the main distinctions lies in the investment decision-making process, which can differ in terms of how the process is organized and who is involved in the investment decisions. These differences are usually manifested in the presence of an investment committee and in who holds seats on it.
Differences in this type of CVC governance structure can be primarily related to the level of autonomy between the CVC unit and the parent corporation (Pinkow and Iversen, 2020). Prior research has emphasized the importance of discriminating CVC units based on their integration with the parent company (Lee et al., 2018). Studies usually associate greater operational autonomy with IVC firms (Hill et al., 2009; Schückes et al., 2024). By mimicking IVC firms, CVCs are allowed to operate with greater freedom from corporate norms. On the other hand, CVCs can also be structured in a way that enhances closer integration with the parent company, as a strategy to align the CVC unit more closely with the corporation's internal needs and innovation objectives. As such, previous literature attempted to link the outcome of CVC activity with the degree of autonomy for the parent firm, but no studies have taken into account the wide range of investment objectives and how they can be achieved through diverse levels of autonomy and ultimately through different CVC governance structures.
Finally, differences exist also in terms of capital commitment. In some cases, the parent corporation announces or allocates a specific multi-year fund arrangement for the CVC unit. In other cases, the CVC's activity and budget are reviewed and re-evaluated annually, without a guaranteed multi-year commitment. Lastly, some CVCs operate without a pre-approved budget, making investments opportunistically. In these cases, budget approval is required for each individual investment on an ad hoc basis (Strebulaev and Wang, 2021).

2.5. Summary of the Key Literature

To synthesize the findings from the literature review, a summary Table 2.1 has been developed. This table draws together key insights from the body of literature outlined in Chapter 2. It highlights the role of CVC activity in corporate innovation, summarizing the motivations driving corporations to adopt this open innovation activity. Furthermore, the table categorizes the CVC investment objectives identified in the literature, providing their respective definitions, and outlines the main governance structures described by various academic authors.

The insights presented in this table, particularly regarding CVC investment objectives and governance structures, served as a crucial foundation for the research process. These findings informed the development of the semi-structured interview protocol (See Section 3.2.3), ensuring a strong connection

between the study's theoretical background and empirical investigation. During the interviews, participants were asked to describe the governance structure of their CVC units, including their distinct characteristics, and to elaborate on the specific investment objectives they pursue through CVC.
To facilitate this, a refined version of Table 2.1 (Table 8.1) was presented to participants during the interviews. This approach ensured that the questions were firmly grounded in the existing body of literature while allowing for the identification of new themes and relationships that emerged during the interviews.

In conclusion, this table bridges the literature review and the methodology section (Chapter 3), providing the theoretical foundations that shaped the research design and guided the empirical investigation presented in the subsequent chapters.

Category	Specific Insight	Definition	Key reference
Role of CVC in Corporate Innovation	Real Option advantages: Risk reduction and Flexibility	CVC investments allow corporations to mitigate risks and maintain flexibility by committing resources incrementally, depending on the evolving performance and prospects of the startup.	Ceccagnoli et al., 2018; H. W. Chesbrough, 2002; H. W. Chesbrough and Tucci, 2004; Dushnitsky and Lenox, 2006; Keil et al., 2008; Urbano,2022; van de Vrande et al., 2009; Basu et al. 2011/2016
	Additivity and Complementarity of corporate innovation activities	CVC investments are particularly beneficial for the innovative performance of firms when they are used in combination with other technology sourcing modes.	Van De Vrande et al., 2011
Technology-based Objectives	Gap Filling	Firms can pursue CVC activity to fill gaps in their capability sets, seeking out ventures engaged in developing technologies that complement investors' expertise	Basu et al., 2016; H. W. Chesbrough, 2002; Dushnitsky and Lenox, 2006; Maula, 2001; Winters and Murfin, 1988
	Window on Technology/Environmental Scanning	Corporations monitor emerging technologies and trends, maintaining a "window" on advancements in their industry through CVC investments.	Basu et al., 2016; Benson and Ziedonis, 2009; Dushnitsky and Lenox, 2006; Dushnitsky and Shaver, 2009; Rossi et al., 2017; Dushnitsky and Yu, 2022
	Explorative Learning	Gaining access to new knowledge and disruptive innovations that go beyond the corporation's current expertise and knowledge through CVC investments.	Hill and Birkinshaw, 2014; Keil et al., 2008; Rossi et al., 2021; Schildt et al., 2005; Pinkow and Iversen, 2020
	Efficiency Enhancing	Through collaboration with startups, corporations can improve operational efficiencies by leveraging underutilized internal resources such as technologies, facilities, or expertise.	Basu et al., 2016; Campbell et al., 2004; H. W. Chesbrough, 2002
Market-Based Objectives	Market testing and Trend Scanning	Evaluate new markets and test emerging trends, ensuring alignment with future consumer demands and industry shifts through CVC investments.	Basu et al., 2011; Dushnitsky and Shaver, 2009, Dushnitsky and Yu, 2022; Maula 2007; Pinkow and Iversen, 2020
	Capturing Market Opportunities / Market Gap Filling	Address unmet needs in the market, enabling firms to capitalize on growth opportunities through CVC investments.	
Government-Based Objectives	Aligning with Government Policies and Directives	Investments in startups aligned with governmental priorities help corporations comply with regulations, participate in national initiatives, or access public funding.	Da Gbadji et al., 2015; Dushnitsky and Yu, 2022
	Addressing Global Challenges (e.g., climate change, cleantech technologies)	Investments in startups that tackle global issues, reinforcing the corporation to ensure corporation's competitive advantage.	
"Being in the Game" Objectives	Ambient Knowledge	CVC investments aimed at gaining insights into how the VC industry operates, enabling corporations to learn the practices IVC firms.	Danneels and Miller 2023;
	Relationships with VC Community	Investments aimed at establishing ties with institutional venture capital firms to gain access to deal flow, expertise, and industry insights for informed decision-making.	Danneels and Miller 2023; Pinkow and Iversen, 2020
	Ecosystem Building	Investments aimed at developing a network of startups, partners, and innovators to foster collaboration and innovation in areas aligned with the corporation's strategic goals.	Basu et al., 2011; Basu et al., 2016;Danneels and Miller 2023; Pinkow and Iversen, 2020;
	Signaling to Other Firms	Investment aimed at demonstrating the corporation's engagement in innovation and entrepreneurial ecosystems, signaling to competitors, investors, and startups.	Danneels and Miller 2023;
	Helping Articulate Strategic Vision	CVC investments in IVC that can help the corporation refine or articulate its long-term strategic vision gaining insights into innovation trends and venture activities.	Danneels and Miller 2023;
Financial Objectives		CVC activities driven purely by financial goals aim to capitalize on surplus resources, such as excess cash reserves or revenues, with the intention of generating high ROI.	Chesbrough, 2002, Keil, 2000, Hill & Birkinshaw, 2014; Yang et al. 2008; Szalavetz and Sauvage, 2024; Winters and Murfin, 1988
Governance Structures	Dedicated Funds or Single Limited Partner (LPs)	Standalone legal entities, organizationally independent from the parent corporation but fully funded by it.	Frey and Kanbach, 2023; Marcus Schroeder, 2021; Röhm, 2018; Thomas Keil, 2000 Schückes et al. 2024; Shankar et al. 2024; Strebulaev and Wang 2021
	Pooled fund or Multi LPs	The corporation participates as one of several limited partners in a fund managed by an external general partner.	
	Self-Managed Funds	Funds integrated into the parent corporation, operating directly from its balance sheet as internal units/activity.	

Table 2.1: Summary of the key Literature Findings.

3 Methodology

This research adopted a methodological approach that integrates the literature review presented with qualitative methods to clarify the relationship between CVC unit governance structures and the investment objectives of CVC activities. As highlighted in Section 2.3 the literature around investment objectives for CVC activity is fragmented, and particularly for the strategic objectives a broad set of them arises within CVC literature (Urbano et al., 2022; Basu et al., 2016). On the governance level of the CVC units, few studies have focused on how to manage and structure CVC units in relation to the investment objectives, despite the recognized importance and impact of governance structures on the success of CVC programs (Lerner, 2005; Birkinshaw and Hill, 2005; Fels et al., 2021; Maula, 2001; Brinkmann and Kanbach, 2023).
Although the literature acknowledges unclear CVC investment objectives and governance of units as principal reasons for the early abandonment of CVC activity, few studies attempt to link these causes and identify how objectives relate to CVC governance structures (Frey and Kanbach, 2023).

All in all, through the review of the literature, the necessary knowledge regarding the two variables, investment objectives, and governance structures, was acquired and summarized in Table 2.1. Building on this foundation, the study proceeded with the collection of qualitative data through semi-structured interviews. Table 2.1 thus, served as a starting point to formulate the questions aimed at building and expanding upon the existing body of knowledge related to these two variables, with the aim of addressing the first two sub-research questions concerning investment objectives and governance structures (See also Section 3.2.3 and interview script in Appendix 8.1).
Subsequently, the semi-structured interviews allowed for the collection of data for a more exploratory part of the study, addressing the third sub-research question. This phase focused on investigating the existence of a connection between investment objectives and governance structure choices and how this relationship might impact CVC activity outcomes.

3.1. Qualitative Research Design

As introduced, upon completing the literature review, the research adopted a qualitative, multi-case study approach with nine semi-structured interviews, a method well-suited for exploring complex, context-dependent phenomena within CVC activity. The multi-case study approach allowed for comparative analysis across different corporate contexts, highlighting variations and commonalities in CVC governance structures and investment objectives, as well as examining the effects of these variables on CVC activity. This method is particularly valuable for the exploratory section of the study, which aimed to uncover underlying mechanisms rather than test pre-defined hypotheses.

According to Yin (2013), the multi-case study approach is especially useful for research questions that ask "how" or "why" certain phenomena occur, as it allows the researcher to retain the holistic and meaningful characteristics of real-life events. In this study, the multi-case approach was essential for capturing the differences in how different governance structures align with specific investment objectives and how these alignments affect the outcomes of CVC activity. Yin emphasizes that multiple cases enhance the robustness of findings by allowing for replication logic, whereby each case serves to compare findings across the literature provided and of other cases, strengthening the study's validity.

Similarly, Eisenhardt (1989) and Saunders et al. (2009) advocate for the use of multiple cases to derive insights from qualitative data, highlighting that a multi-case study design enables researchers to identify patterns and relationships across cases, uncovering nuanced insights that may not be apparent in a single case. In line with Eisenhardt's approach, this study used cross-case comparisons to identify common themes in CVC governance and to understand how corporations adapt these structures to align with their investment objectives and if this relation could have an impact on the CVC outcome.

Moreover, Creswell and Poth (2018), Kovalainen and Eriksson (2015) argue that a multi-case study approach enables researchers to consider the unique contexts of each case while drawing generalizable insights, making it particularly suitable for studies aiming to balance depth and breadth. By analyzing several CVC units within different corporate environments, this research addressed the contextual nuances of each case, enhancing understanding of how factors such as corporate culture, governance autonomy, and strategic orientation influence CVC outcomes.

Overall, the multi-case study approach aligned well with the objectives of this research, providing both the depth needed to understand specific cases and the breadth to identify broader patterns. This method was critical for an exploratory study of CVC governance and investment objectives, enabling nuanced insights that contribute to a richer understanding of CVC practices across varied corporate settings.

3.2. Data Collection

To achieve the study's objectives, data were collected through semi-structured interviews with 9 CVC representatives from diverse industries. These participants were chosen based on their direct involvement in CVC units and overseeing investment decisions. This selection ensured that interviewees could provide informed perspectives on the alignment of governance structures with investment objectives, as well as insights into regulatory and operational challenges specific to CVC activities.

3.2.1. Selection Criteria for Interview Participants

The sample primarily consisted of representatives from the CVC industry network.
The selection criteria used for participants were as follows:

- **Deep-tech focus**
- **Corporation size**
- **CVC representative's Role**
- **Governance structures of the CVC unit**

Deep-Tech Focus

The primary selection criterion for the interviews was that the corporations are actively engaged in sectors characterized by high levels of technological innovation, where the underlying technologies are often referred to as deep-tech.
Deep-tech encompasses technologies that address significant scientific or engineering challenges, typically involving long development timelines and high capital expenditure.
Examples of companies selected as participants for the study operate in industries such as chemicals, forestry, energy, and heavy industries like steel, cement production, mining, and mineral extraction. By focusing on deep-tech sectors, this study ensured that the corporations interviewed are involved in areas where technological innovation is not just an auxiliary function, but a core strategic driver of business growth and competitive advantage. Given the high complexity, long timelines, and significant financial investments required for innovation in deep-tech sectors, CVC activity in these industries presents a clear case for benefiting from the advantages of venture capital activity (highlighted in Section 2.1). This activity enables corporations to engage with cutting-edge technologies while effectively managing both risk and capital commitment, making these sectors a compelling focus for the study.

CVC Representative's Role

The nine participants included CVC partners, managing partners, senior investors, and other key decision-makers within their organizations. Their roles ensured they possessed relevant insights and experience regarding the strategic and financial aspects of CVC activities. Moreover, these roles offered a higher likelihood that these individuals are directly responsible for defining investment strategies, evaluating potential ventures, and overseeing the alignment of CVC initiatives with broader corporate innovation goals, making them the most qualified to provide in-depth perspectives on CVC operations and relations with the parent corporation.

Corporation Size

Smaller corporations make decisions about CVC activities primarily based on their financial limitations rather than strategic goals. Therefore, to avoid biases related to budget constraints rather than investment objectives, only representatives from large corporations were considered. Specifically, corporations needed to have annual revenues exceeding one billion dollars. This criterion was validated by industry practices, as confirmed through consultation with an IVC representative during the pre-test interviews and discussions, who indicated that corporate limited partners (specifically in pooled funds) typically required this revenue threshold to participate in venture capital investments.

Governance Structures of the CVC Units

Participants were selected to represent each of the primary CVC governance modes identified in Section 2.4: dedicated funds, pooled funds, and self-managed funds. This diversity was crucial, as it allowed for an exploration of how different governance structures are linked to the investment objectives of the CVC units. By examining various governance structures, the study aimed to explore the role of investment objectives in the choice of CVC governance structure.

3.2.2. Sampling Strategy

Recognizing the difficulties in accessing busy executives and the need to work within the available pool of respondents, the sampling strategy utilized leveraged a combination of snowball, convenience approach, and purposive sampling.

First, a snowball approach has been employed, leveraging a personal network of professionals from both IVC and CVC. This strategy initiated the sample by engaging professionals involved in two pre-test interviews. Subsequently, these initial participants were asked to recommend additional potential participants from their network in the CVC industry, thereby expanding the sample through a referral-based approach.
Additionally, the Hello Tomorrow Investor Summit in Paris provided a valuable environment for networking and recruiting further interviewees. During the event, a combination of snowball and convenience sampling methods was utilized.

Convenience sampling involves selecting participants based on their availability and willingness to participate, without aiming for a representative sample of the entire population (Saunders et al., 2009). Hence, initial contacts were made with available CVC and IVC professionals, laying the groundwork for a broad presentation and discussion on the research topic. Participants were then asked about their willingness and availability for more in-depth semi-structured interviews as part of the proposed methodology. Again the sampling pool was tried to be expanded by requesting these initial contacts to recommend additional individuals from their personal network who could provide insights into the research topic and could be contacted.
At the end of the conference, a total of 14 contacts have been established. Emails have been sent to all the contacts made but only two persons agreed to formally participate in the interview.
As can be easily understood, leveraging the personal network and using a snowballing approach within that network resulted in a higher rate of positive responses. Out of the 12 people contacted, 4 agreed to formally participate in the interviews, and an additional 2 participants accepted to participate in the pre-test interviews.

Finally, since a representative sample was not achieved through the strategies described above, a purposive sampling approach was adopted to seek additional participants. The primary search tool used was LinkedIn Premium, which allowed the identification of potential participants who specifically met the pre-defined criteria aligned with the research objectives. Priority was given to individuals with mutual connections in order to increase the response rate. Further searches helped identify the email accounts of other CVC representatives. In the end, 31 people were contacted, but only 3 agreed to participate in the interviews.

The combination of these sampling strategies was expected to ensure a comprehensive sample, enabling the study to collect the necessary information. However, difficulties were encountered in accessing high-level executives in the CVC industry. Moreover, as reported also by Strebulaev and Wang, 2021 only a limited number of CVC units follow a pooled-fund approach, which poses challenges in reaching this specific type of governance structure. Part of the limitations related to the sample are discussed in Section 5.

An overview of the interview participants is offered in Table 3.1

Case	Interview	Position	Industry	Revenue range ($)	Type of CVC management structure	Foundation of the CVC unit
Case 1	Interview 1	Investment Manager	Chemicals	<25B	Self-Managed Fund	2012
Case 2	Interview 2	Investment Manager	Chemicals	25-50B	Self-Managed Fund	1993
Case 3	Interview 3	Investment Director	Industrial Gasses / Healthcare	25-50B	Self-Managed Fund	2011
Case 4	Interview 4	Investment Director	Construction and Mining	50-75B	Self-Managed Fund	2015
Case 5	Interview 5	Investment Director	Mining	<15B	Self-Managed Fund	2018
Case 6	Interview 6	Head of Innovation	Forestry	<15B	Pooled Fund	2021
Case 7	Interview 7	Investment Director	Steel industry	50-75B	Dedicated Fund: off-balance sheet	2006
Case 8	Interview 8	Investment Director	Oil&Gas / Energy	75-100B	Dedicated Fund: on-balance sheet	2018-2019
Case 9	Interview 9	Investment Manager	Chemicals	50-75B	Dedicated Fund: on-balance sheet	2001
	Pre-test Interview 1	Managing Partner	IVC		Mostly industrial LPs	
	Pre-test Interview 2	Senior Partner	IVC		Mostly industrial LPs	

Table 3.1: Overview of Interview participants.[1]

3.2.3. Development of the Interview Protocol

The development of the interview protocol was carefully designed to ensure that the interviews would effectively capture relevant insights into CVC governance structures and investment objectives. The literature review provided a foundational understanding of the key variables (CVC governance structures and investment objectives) which led to the development of Table 8.1 utilized during the interviews (based on Table 2.1). This review also guided the structuring of the interviews, helping identify less-explored areas to focus on and informing the formulation of questions on potential themes emerging from the literature. For example, insights from Frey and Kanbach (2023) highlighted specific governance structure features that enabled to build questions for a deeper discussion on CVC governance structures during the interviews. Additionally, the literature offered a preliminary perspective on possible connections between investment objectives and management structures, establishing a basis for formulating questions for the exploratory section on how this connection may impact CVC activity outcome.

To ensure the robustness of the interview process and ensure the right questions were asked effectively during formal interviews, the interview protocol was pre-tested with two experts from the venture capital industry. These two pre-tests offered valuable feedback, allowing for adjustments to be made before conducting the main interviews and assisting in the definition of primary ideas around the topic and variables (CVC management structures and Investment objectives) which have been incorporated into the first iteration of the interview script. Additionally, with the same goal of gathering preliminary ideas and insights from experts in the CVC industry, relevant discussions through LinkedIn influencers in this space have been identified. For example, one interesting insight from these LinkedIn posts revealed that many challenges in CVC activities stem from the internal culture of corporations, where the slow bureaucratic decision-making process often conflicts with the fast-paced, dynamic nature of early-stage startups. This kind of preliminary conversation and ambient knowledge helped craft better questions and stay alert during formal interviews in case similar patterns or themes emerged.

Each interview was designed to last between 45 to 60 minutes and was conducted remotely via the MS Teams platform. Some materials were sent in advance to the participants to provide context and prepare them for the discussion. This pre-interview material included:

[1] The dates provided refer to the start of the CVC activity. To avoid disclosing identifiable information related to the name of the interviewed corporation and to ensure anonymity, the revenue values have been specified in a range format.

- Research Proposal: provide an overview of the research, including its aims, objectives, methodology, and research questions, along with a brief literature background to give general context.
- Informed Consent: approved by the TU Delft Human Research Ethics Committee containing the privacy and data management protocols, ensuring participants were fully informed about how their data would be handled (section 8.2).
- Updated Interview Questions: an iteration of the interview questions to give participants insight into the topics covered by the interview.

Following the preliminary expert interviews, a first structured interview script was developed. This script was applied in the first two formal interviews. One key finding from these initial pre-test interviews was the importance of introducing the research context, along with the main research question and sub-questions, to provide clarity from the start. Additionally, an important lesson learned was how to structure the questions effectively in subsequent interviews. Even in the initial draft of the script, it became clear that it was necessary to have a clear and defined structure of the interview that focused on one topic at a time. The structure proposed attempted to progress from general to specific, allowing for more detailed responses without losing sight of the interview's overall purpose.
The interviews were thus structured into three main sections:

1. CVC governance structures
2. Investment objectives
3. Exploration of the link between investment objectives and CVC governance structure and the relation with the CVC activity.

Based on feedback from the trial interviews, it was decided to begin with the CVC governance structure section, as this topic was the most accessible in terms of prior information (prior web research about the interviewed corporation and CVC unit) and required descriptive, rather than deeply reflective, responses. This approach served as an effective icebreaker, helping the interviewees feel more comfortable early in the interview. For instance, an initial icebreaker question asked respondents an open-ended question about their CVC management structure and general activity. This helped create a relaxed, open atmosphere, which was crucial for encouraging more detailed discussions in the later sections of the interview.

This type of iterative questioning approach was also employed in subsequent interviews. For the further interviews, questions were refined and adapted based on the previous ones and the progress of the research. As a result, the questions remained relevant to the study's evolving context and were updated according to the insights gathered from earlier responses (Kallio et al., 2016).
A copy of the final iterations of the interview script is reported in Appendix-B 8.1.

3.2.4. Ethical Considerations

The study received ethical approval from the TU Delft Human Research Ethics Committee. Participants were informed about the study's purpose, their rights, data handling, and privacy protocols. Consent form was sent to participants prior to conducting interviews, a copy is available in Appendix A 8.2. To comply with data protection requirements, the interview transcripts are not included in the public Appendix.

3.3. Data Analysis

The data analysis involved a systematic thematic analysis of the transcribed interviews. Open and axial coding were applied to identify, organize, and interpret key themes. These themes focused on CVC governance structures, investment objectives, and the relationship between these elements and CVC activity.

The coding process began with the segmentation of the data. Each interview transcript was read in full, with key quotes highlighted according to the three main topics covered in the semi-structured interview format: CVC governance structures and characteristics, investment objectives, and the relationship between investment objectives, governance structure, and CVC activity. Given the semi-structured and colloquial nature of the interviews, this initial step was essential to ensure clarity and maintain focus on the primary topics throughout the analysis.

A preliminary analysis of the transcripts was conducted using ATLAS.ti 24, a qualitative data analysis software, supplemented by ChatGPT-4, to assist in identifying potential themes and extracting raw codes relevant to each section of the research. The use of ChatGPT-4 served as an initial step to efficiently capture ideas and classify significant quotes into distinct concepts, streamlining the early stages of the coding process. This approach aligns with Morgan (2023) findings, which highlight the utility of AI tools in qualitative research as a means to enhance coding efficiency and consistency when combined with human analysis. By leveraging AI to generate preliminary codes, the process gained structure and direction, while subsequent human refinement ensured the depth and accuracy of the analysis, emphasizing the complementary strengths of both AI and human judgment.

Following this AI-assisted preliminary analysis, a second iteration of analysis was performed to refine the raw codes and verify their consistency with the interview content. In this step, codes were redefined and organized into more precise categories, known as code groups. For the sections on governance structures and investment objectives (addressing the first two sub-research questions), certain predefined code groups were utilized based on insights from the literature. However, where the interview data suggested new groupings, transcripts were re-examined to determine if these new groups could be consistently applied to raw codes across other interviews, facilitating a comparative organization of data points.

As the data organization became clearer, relevant quotes associated with each code group were entered into an Excel sheet. This enabled a comparative analysis across interviews, allowing the identification and distinction of specific governance structures and investment objectives case by case, and fostering a better understanding of potential connections between these elements.

The analysis of the third topic covered in the interviews—focused on the impact of the link between governance structures and CVC performance—was particularly challenging due to its exploratory nature and the absence of a predefined groundwork in the existing literature. As a result, several iterations of coding and theme identification were required. Given the limited number of participants in the sample, this process involved repeated cycles of group and theme identification, as well as retroactive analysis of the interview data from the transcripts.
Although this section of analysis was less structured, it remained rigorous and thorough, carefully examining the data to ensure reliable insights.

Lastly, this comprehensive approach enabled the clear formulation of the results. The identified themes were then compared with findings from existing literature to assess consistency and identify any discrepancies, which informed the discussion and conclusions of the study. This comparative analysis also highlighted areas where further research is needed, particularly concerning the impact of the governance structure-investment objective alignment on CVC activity and the emergence of new themes.

3.4. Validity and Limitation of the Research Method

To ensure validity, efforts were made to develop the interview protocol that emphasized the use of clear, targeted questions based on insights from the academic literature. Moreover, two pilot interviews were conducted to verify that the questions were understood by respondents as intended, and a standardized approach was adopted during interviews, ensuring consistent questioning across all participants thus checking internal validity.
Respondents were selected for their expertise and role within the corporate structure to ensure relevant and reliable insights. The data analysis employed a systematic coding framework (See Appendix-A as a reference) to ensure that findings were processed and analyzed in a comparable manner and that a clear chain of evidence was maintained in the coding process.
The external validity of the study was enhanced by collecting data from real-life cases, providing contextual depth to the findings.

Despite these efforts, potential limitations to the research method remain and were tried to be mitigated. One of the main limitations of this research lies in the sample used, which is not fully representative of the broader CVC unit governance structure landscape. Access to pooled funds and dedicated fund structures was limited, making it difficult to draw conclusions or generalize findings from these particular cases. However, since this study is exploratory in nature (exploration of the link between investment objectives and CVC governance structure), the results can serve as a starting point or inspiration for future research. They highlight potential areas of interest and provide initial insights upon which further studies can build.
Moreover, future research should aim to increase the sample size by adopting broader recruitment strategies, such as using multiple recruitment channels to mitigate the limit faced by a small sample size. This approach would help obtain a more diverse and complete sample, potentially expanding sectors outside of deep-tech, and offering a more comprehensive understanding of the relationship between CVC investment objectives and governance structures.
Additionally, most of the CVC units included in the study have already exceeded the average lifespan of CVC programs and are all currently active. This could skew the insights toward more successful or resilient units, providing a more optimistic view and potentially overlooking the experiences of CVC units that faced significant challenges or early termination. As a result, this limitation may prevent capturing the full spectrum of CVC cases, particularly in understanding whether a misalignment between investment objectives and the chosen governance structure could have contributed to early termination.

The interview-based method also introduces the potential for social desirability bias, where respondents may present their companies more positively, particularly when discussing challenges. Additionally, concerns about privacy and confidentiality may limit the openness of participants, on topics related to corporate misconduct or wrong management activity. These factors could result in responses that do not fully reflect the reality of CVC operations.

Finally, the qualitative nature of this study introduces potential bias during both the interview and data analysis stages. While efforts were made to ensure a transparent coding process, it is difficult to completely eliminate researcher bias, as the framing of questions and interpretation of responses may be influenced by preconceived notions. Future research could benefit from involving multiple researchers in the coding and data analysis to reduce the impact of individual biases and ensure more robust findings.

4 Results

This chapter presents the findings from the data analysis conducted on the interviews. The results directly address the three sub-research questions introduced in Chapter 1 and explore the central themes identified during the study. Specifically, the findings are structured to cover:

- The governance structures characterizing the various CVC units;
- The objectives corporations pursue through equity investments in startups via CVC activities;
- The role of investment objectives in shaping CVC governance structures. Furthermore, it reports the results of the exploration into how the alignment (or misalignment) between investment objectives and governance structures influences the ability of CVC units to achieve their intended objectives.

Each section corresponds to one sub-research question and follows the structure outlined in the interview protocol (see Section 3.2.3). Together, these findings contribute to answering the main research question and set the ground for the discussion reported in Chapter 5:
How do corporations choose between different Corporate Venture Capital governance structures?

In the following Chapter, several interviewees will be quoted and additional supporting quotes are summarized in Appendix-A chapter 7.

4.1. CVC Governance Structures

CVC units operate within the context of the parent corporation, meaning their activities are inherently tied to the corporation's goals and inevitably influenced by their relationships with various corporate stakeholders. These relationships often involve collaboration with business units such as RD, MA, or other open innovation divisions, as well as reporting structures that link the CVC unit to senior corporate executives, including the CEO, COO, CFO, or Chief Strategy Officer. Therefore, to understand the governance structure of CVC units, it was necessary to understand their relationship with the parent corporation.

Participants noted that while the distinctions among governance categories such as dedicated funds, self-managed funds, and pooled funds (as outlined in Section 2.4) help clarify the fragmented reality of governance structures, they are not always clear-cut. Key characteristics are often shared across different governance structures, and substantial differences in the relationship between the parent corporation and the CVC units can exist even within the same category.

This Section will thus report three key dimensions that emerged from the interviews as critical in shaping the governance structure of CVC units: CVC boundary definition, financial relationship with the parent corporation, and the CVC unit's organizational interfaces with corporate top leadership and business units. These dimensions play a central role in defining the nature of the relationship between the CVC unit and the parent corporation.

4.1.1. CVC Boundary Definition

The first key dimension relates to the CVC boundary definition, which determines the legal and operational boundaries of the CVC unit and the parent corporation. The data revealed three different ways in which CVC units are structured in relation to the parent corporation.

Stand-alone legal entity

This is the case already reported in Section 2.4 of the dedicated funds. Some CVC units operate as legally separate entities, providing them with a certain level of autonomy from the parent corporation. This structure enables the CVC unit to function more like IVC firms. However, it's important to note that being a stand-alone legal entity does not necessarily eliminate oversight or reduce the level of integration with the parent company. As one of the interviewees noted:

> *"We have a dedicated fund but I wouldn't say that we were set as independent, I think this was kind of a wish more than a reality, because if you're a single LP and the LP is your corporate company, and everybody is being paid by the corporate company and you are, running expenses being paid by the corporate company, then It's pretty hard to be independent. So you have to challenge what this dream of independence means".* (Interview 9)

All three dedicated funds interviewed reveal having some sort of relationship and integration with the parent corporation, expressed in terms of oversight, control, or alignment with corporation innovation goals (see Table 7.1 for further quotes).

Distinct Division within the corporation

The majority of CVC units interviewed (five, cases 1 to 5) are structured as distinct divisions within the parent company. While maintaining some organizational independence, these units are settled within the corporation boundaries as in the case of other corporate departments, and the CVC personnel are exclusively or primarily focused on CVC activities.

CVC as part of another division

In one case (Case 6) the CVC activity is performed under a broader corporate function, and the CVC unit is not defined as a delineated group within the corporation. With this unit boundary definition, CVC units tend to be embedded into the corporation's existing operational structures and representatives

can perform functions relative to CVC activity while performing other corporate functions related for example to Corporate Research and Development, or M&A (Strebulaev and Wang, 2021).
In the specific case of the interviews conducted, the only instance of a CVC being part of another division fell under the Department of Corporate Innovation. As can be seen from the position of the interviewee, the ”Head of Innovation” title is more closely aligned with a role within the corporate innovation department, rather than a more clearly defined position such as Investment Manager/Director, which is typical in cases of dedicated stand-alone legal entities funds and distinct divisions within the corporation.
Moreover, the only case of a CVC being part of another division also coincides with the only instance of a pooled fund in the sample (Case 6). However, it should be noted that there is no inherent relationship between a pooled fund and the definition of a CVC unit within another department. Having a CVC unit embedded within another department is not a characteristic unique to pooled funds as a governance structure. For instance, cases of self-managed funds that choose to perform CVC activity as part of another division activities exist, as noted in the sample from Strebulaev and Wang (2021). Similarly, in Interview 7, it was noted that the parent company initiated an internal CVC activity under the M&A department.

> *”Some years ago, [Parent Co.] started their own CVC as well [...] but it’s a bit different than us because it has a different scope, they typically focus on a bit later stage and bigger tickets and are run by the M&A department”.* (Interview 7)

This quote suggests that the parent company M&A department also performs CVC activity by investing directly in startups without defining a delineated CVC unit.

4.1.2. Financial Relationship with Parent Co.

The financial relationship of the CVC units with the parent corporation can vary in the structure of the financial reporting, and both in how the fund is allocated and in the approach to capital management.
The interviews revealed distinct financial reporting practices between on-balance sheet and off-balance sheet CVC units (see also Section 2.4). On-balance sheet CVC units have their financial results reported under the parent company’s financial statements, meaning the company directly assumes the financial risks and rewards of the investments. Off-balance sheet CVC units, on the other hand, are set up as independent entities, with their financial activities kept separate from the parent company’s balance sheet, so the corporation is shielded from direct financial exposure. Out of the three dedicated funds interviewed, two have a reporting structure on the balance sheet of the parent corporation, while in one case the dedicated fund has its own financial reporting structure. In all the remaining cases, when a CVC unit operates within the corporation’s legal boundaries, its financial reporting is included in the corporation’s financial statements, hence these units fall under the definition provided of on-balance-sheet.

Differences also exist among CVCs around how corporations allocate money capital for their CVC arm and in the way CVC units manage the funds and the proceeds of their investments.
Seven of the nine CVC units interviewed (Cases: 1-2-3-5-7-8-9) received multiyear capital allocations from the parent company, indicating a long-term commitment to their venture activities. In these cases, corporations can make public announcements about the creation of specific multi-year funds or arrange internally a predefined capital allocation from which the CVC unit can recur for investments.

In other cases, CVC activity and budget allocation are re-evaluated annually without an explicit multi-year commitment (Strebulaev and Wang, 2021). No cases have been encountered with this specific capital allocation while two cases rely on opportunistic investments (Cases 4-6), which allows for more flexibility but could limit long-term planning. In these two cases, budgeting is approved ad hoc for every investment decision after the engagement and approval from the decision-making actors involved.

> *"There's no capital deployment or capital deployment minimum. Basically, as the investments come and the BU's want to move forward, as long as their executives approve the investment, capital can be deployed".* (Interview 4)

Regarding capital management, a distinction can be made based on potential restrictions on how the capital can be invested, as for example arise from Interview 1 where

> *"The company has announced to the public our fund size but there are constraints on how much money we're allowed to spend every year".* (Interview 1)

A final distinction can be made based on the structure of investment proceeds. CVC units can be organized so that proceeds are reinvested into the fund, allowing for new investments in a self-sustaining model. This structure is commonly associated with off-balance-sheet dedicated funds, which offer greater financial autonomy, as confirmed by the one case discussed in the interviews (Case 7). However, this model has also been applied to one of the on-balance-sheet dedicated funds and to self-managed funds (Case 9 and Case 3).

> *"We have our own money and we live with our proceeds, so our dividends and exits allow us to reinvest and pay the team".* (Interview 3)

Conversely, in the rest of the cases encountered the investment proceeds return directly to the parent company aligning the financial outcomes of the CVC activity more closely with the corporation's one. A summary of the results described so far is presented in Table 4.1, while some of the relevant quotes for this section are included in Table 7.2 in Appendix-A in chapter 7.

	N of CVC Interviewed	Case number
CVC Boundary Definition		
Dedicated Fund/ Stand-alone legal entities	3	7-8-9
Distinct division within the company	5	1-2-3-4-5
CVC as part of another division	1	6
Financial Relationship with Parent Co.		
Dedicated Fund On-balance Sheet	2	8-9
Dedicated Fund Off-balance Sheet	1	7
Capital Allocation		
Multiyear capital allocation	7	1-2-3-5-7-8-9
Single year capital allocation	0	
Opportunistic investment	2	4-6
Proceed structure		
Proceeds within the fund (self-sustained unit)	3	3-7-9
Proceeds back to parent co.	6	1-2-4-5-6-8

Table 4.1: Results for CVC boundary definition and financial relationship with the parent corporation.

4.1.3. CVC Unit's Organizational Interfaces

Up to this point, the variations in organizational setups among CVC units have been discussed, focusing on the differences in the definition of CVC boundaries and the financial relationship with the parent corporation. However, these factors alone are not sufficient to fully capture the nature of the relationship between the corporation and the CVC units. The interviews revealed that further differences exist in the organizational interfaces between the CVC unit and the top management team (TMT) of the parent corporation, as well as between the CVC unit and other business units (BUs) within the organization.

The interface with the TMT is often characterized by direct reporting lines to senior corporate leadership and by the presence of a board or investment committee (IC), which determines the extent of the CVC managers' decision-making autonomy in investments, independently from the corporate TMT.
Additionally, the interface with other BUs is shaped by the degree of subordination or cooperation. Significant variations exist in how much other business units are involved in the investment assessment and decision-making processes, and in their ability to veto or sponsor a deal. The quotes related to this are reported in Table 7.3, 7.4 in Appendix A.

Reporting structure and Investment Committee

The reporting structure of CVC units varies across organizations, depending largely on how the corporation chooses to integrate the CVC unit into its governance framework. As one interviewee pointed out

> *"How you govern the CVC really depends on how companies set up their reporting line. [...] If your CVC is still part of the corporate you need to put it somewhere".* (Interview 1)

This highlights that the degree of autonomy a CVC unit enjoys is often a direct result of its reporting hierarchy within the parent corporation. Out of the nine CVCs in the sample, all report directly to top corporate leadership. For example, five (Case 2-3-5-6-9) explicitly mention responding directly to the CEO or CFO, while two units answered without explicitly mentioning a specific senior executive overseeing the CVC activity but they revealed to respond to the finance department (Interview 4) or to both the R&D and the finance department (Interview 8). In the case of Interview 1, the units report directly to the R&D department without a direct connection to the corporate C-level unless for investments over a threshold that requires approval from the corporate board. A similar process occurred in Case 2 where over a certain investment threshold decision needs approval from the corporate CFO.
Thus, the reporting structure emerged as an important factor in demonstrating the importance of CVC activities to the corporation primarily indicating which stakeholders hold expectations for the performance of the CVC unit. For example, if the CVC unit reports directly to the CFO, it is more likely that the focus will be on achieving financial performance, as the CFO's expectations shape the direction of the CVC's activities. As highlighted during an interview:

> *The funny part is that we officially report to the CFO of the innovation department and the global CFO who always push us toward financial excellence but at the end of the day, we really want to be strategic for the group but we are under pressure in terms of the KPI we have. They're only financials".* (Interview 3)

However, the reporting structure does not necessarily determine who makes the final investment decisions. For instance, in the Interview 4 case, although the CVC unit reports to the finance department, the actual decision-making authority for investments lies with the business units' senior leadership. As explained by the interviewee:

> *"Our CVC unit does not approve the investments. So we are more from an execution perspective. The business units and their senior leaders actually hold the actual final investment decisions [...]. The CVC arm reports to the finance department so our senior vice president for the finance organization is the president but his approval is more of a passive approval. If the BU senior leadership has approved the investment, then he's going to approve it as well."*(Interview 4)

This quote highlights that in order to further clarify the CVC units' extent of decision-making authority the reporting structure is not enough. Six of the units (Case: 1-5-6-7-8-9) interviewed explicitly revealed that the investment decision is delegated to an investment committee. In most cases, the IC includes the representatives to whom the CVC unit reports. For instance, when a CVC unit reports to the TMT or the finance department, it is common for the CEO, CFO, or other financial representatives to be part of the IC. This ensures that the key stakeholders who hold expectations for the CVC's performance are involved in the decision-making process.

In all three legally independent dedicated funds (Cases 7-8-9), the interviewees reported the presence of an IC that includes figures from the corporate limited partner. While these CVC units appear to have more autonomy in their decision-making process, there are still limits to their independence. Interviewee 7 after revealing having an IC with two seats for senior corporate representatives, added:

> *"It is logical that we cannot invest unless the corporation agrees with it".* (Interview 7)

This quote suggests that the presence of an IC with corporate representatives acts as a gatekeeper, ensuring that CVC autonomy is balanced with the corporation's broader goals. In these cases, the IC functions as an important governance mechanism, allowing the CVC unit to operate independently while maintaining oversight to ensure that corporate strategic objectives are met. As one interviewee stated:

> *"We have a whole series of processes and gates (within the unit) to go through to get to the definition of the investment. After that, we make a proposal and then an investment committee is submitted".* (Interview 8)

Finally, in addition to the CVC and the corporate representatives such as the CEO or CFO, other members of the IC are often included to provide specific expertise to investment decisions. Interviews of Cases 1-6-9 reported the involvement of key figures such as the CTO, the head of a business unit, the Chief Strategy Officer, the head of corporate sustainability, or the chief legal officer for corporate development. These individuals bring technical, operational, or legal expertise to the IC, ensuring that investment decisions are aligned with the corporation's technical and operational needs (See Table 4.2 and Figure 4.1).

BU Interface: Subordination and Cooperation

Beyond the relationship between CVC units and the TMT of the corporation, the relationship with other BUs of the parent corporation also varies across the sample. Three primary scenarios of integration between the CVC units and the BUs emerged from the interviews.

The first scenario is well represented by the case relative to Interview 4. In this case, the CVC unit operates in a subordinated role, where it functions as a corporate service for the business units. In this setup, the CVC unit assists in identifying and executing investments that align with the operational needs of the BUs, but the final investment decisions are made by the senior leadership within the BUs. Here, the BUs play a pivotal role in the decision-making process, and the CVC acts more as an executor of the BU needs.

In Interview 1, the CVC unit is directly placed under the global R&D department. While it also functions as a corporate service for scouting technical innovations adapted to different BU needs, the involvement of BU representatives in the investment decision-making process is more structured. For instance, the CTO of the specific BU is included in the IC, but the final investment decision is not solely delegated to the BU heads. Instead, the decision-making authority remains shared between the CVC unit and the IC, allowing for input from BUs without giving them full control over investments.
This second scenario is closer to a collaborative model where the BUs are actively involved but do not hold complete authority. Three cases in the sample (Cases 1-6-9) exhibited this type of involvement, where BUs have representatives in the IC, but investment decisions are shared with other corporate stakeholders.

As a progression toward the third scenario, Interview 3 reveals a model where the CVC unit works closely with both R&D and the business lines, but in a completely cooperative way. The BUs and R&D departments provide strategic input and technical roadmaps, but they do not hold investment decision rights or are present in the IC. The interviewee explained:

> *"We review with the CTOs all the business lines we have, what their priorities are. They provide us twice a year a roadmap on each technology [...] and what are the next things that could be nice to have or must have and we help them do this exercise of projections. Then we'll hunt for good startups".* (Interview 3)

In this model, the business units act more as sponsors for the investments, rather than active decision-makers. The CVC unit maintains autonomy in making final investment decisions but ensures alignment with the broader corporate strategy by incorporating BU and R&D input. Interview 8 and Interview 7 further illustrates this scenario:

> *"If we believe a lot in a company and the business doesn't believe in it, the R&D doesn't believe in it, we may even go ahead, but we try to make sure that there is a sharing. It's not mandatory, but we try to ensure that alignment is there".* (Interview 8)
> *"In theory, we don't have anybody else to agree on investment (apart from IC), but in reality, when we invest in a domain where there is expertise within global R&D and CTO, it's hard to invest if these entities do not support it".* (Interview 7)

In this last scenario, collaboration with BUs can take several forms, ranging from ongoing discussions to identify technological gaps and explore open innovation opportunities, to leveraging corporate technical experts during the due diligence process for potential investments. Interaction can extend beyond initial investments, with the reviews of the technological performance of portfolio startups.
In some cases, collaboration exists with other corporate open innovation activities.
As highlighted in Interview 3:

> *"We have a startup accelerator. We have the M&A team, with whom we frequently collaborate, and of course, R&D, which engages in joint development agreements or partnerships with universities or large corporations. These are a great source of potential co-investments.*

So we collaborate very closely with the other sections of open innovation within the organization." (Interview 3)

Finally, in two specific cases (Interviews 1 and 2), CVC actors maintain close relationships with the corporate business through *"technology scouts"*, corporate professionals whose role is to identify opportunities from a purely technical standpoint, often by staying attuned to developments in academia. In these cases, while the technology scouts focus on academic and technical advancements, the CVC units concentrate on the market and startup ecosystems. This close interaction allows the CVC units to access a broader deal flow, combining both technical and market-driven opportunities.

	N of CVC Interviewed	Case number
CVC Organizational interfaces		
Working under/for a corporate unit/department (subordination)	1	4
BUs actively involved in investment Decisions	3	1-6-9
Working beside a corporate unit/department (cooperation)	5	2-3-5-7-8
Presence of an investment committee	6	1-5-6-7-8-9
Composition of the investment committee		
CFO		
CEO		
CVC representatives		
BU executives (CTO, COO, other senior or regional position)		
Chief Strategic officer		
R&D Executives		

Table 4.2: Summary of the results for CVC organizational interfaces and Investment Committee.[1]

To summarize the results of this section, Figure 4.1 presents the three key dimensions that emerged from the interviews as critical in shaping the governance structure of CVC units, enabling case-by-case comparisons.

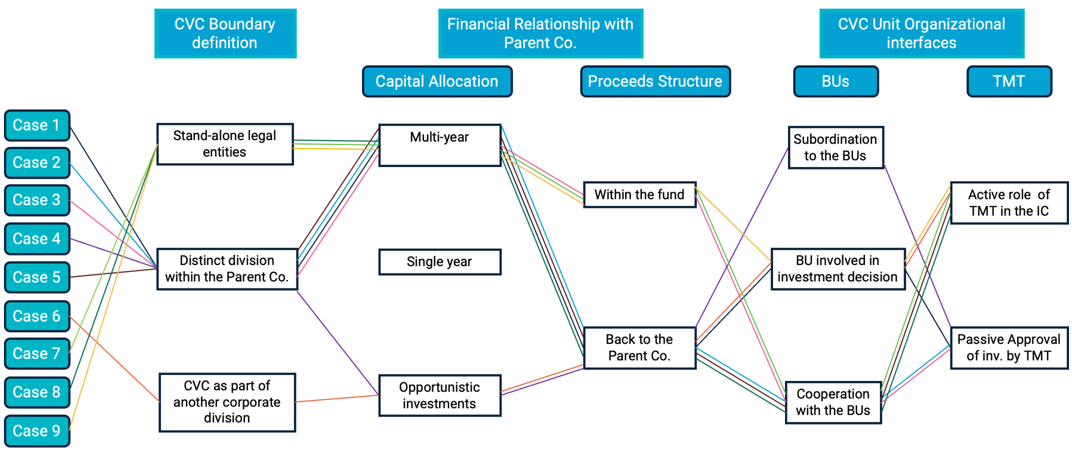

Figure 4.1: Summary of the CVC governance structure results, case by case.

[1]For the composition of the investment committee, only the roles have been mentioned due to missing data points on the full IC composition across all interviews (some interviewees chose not to disclose it, while others did not mention it).

4.2. Corporation Investment Objectives in CVC

As introduced in Chapter 2.3, a defining characteristic of CVCs, compared to institutional VCs, is the potential ambivalence between their strategic and financial objectives. While institutional VCs primarily focus on maximizing financial returns for their LPs, CVCs operate with more complex and multifaceted objectives. This complexity led to the formulation of the first sub-research question:

What are the main investment objectives corporations aim to achieve through CVC activity?

The interviews revealed that while corporations engaging in CVC investments consistently pursue financial and strategic objectives, the extent and nature of their strategic objectives vary significantly. To investigate this, a portion of the interviews focused on exploring the diverse investment objectives, building upon insights from the literature presented in Chapter 2.3, which provided a structured foundation for categorizing and examining financial and strategic objectives (See also Table 2.1 and Table 8.1). This foundation was further refined through the interviews, offering additional perspectives and uncovering new investment objectives pursued by corporations.

The findings presented in the following section are organized according to the structure outlined in Chapter 2.3, distinguishing between financial objectives and strategic objectives, which are further categorized into tech-based, market-based, government-based, and ”being in the game” objectives.

4.2.1. Financial Objectives

The financial objectives of CVC units vary across the sample, but all the CVC units interviewed emphasize a certain degree of financial discipline that must be met, even when strategic goals are prioritized. A significant theme that emerged from the interviews is that financial performance is a critical aspect of CVC operations, with varying degrees of emphasis on financial returns. At one end of the spectrum are units that primarily aim to avoid losses, while at the other end, some CVCs have clearly defined financial targets that are central to their investment objectives. For example, Interview 4 highlights that while the CVC unit carefully reviews the economics of each investment, the focus is not on achieving significant financial multiples:

> *”From a financial perspective, we always look at the economics of the term sheet to make sure that those are favorable, but we’re really not looking to get multiples when it comes to an exit. [...] However, our MOIC does have to be positive. We can’t be losing money”.* (Interview 4)

Moving further along the spectrum, some CVC units place a stronger emphasis on financial returns, although they still maintain a strategic focus as the main one. For example, Interview 5 described the duality of their approach:

> *”Even though our main objective is a strategic return, we believe that if there are no financial returns, there are no strategic returns as well. [...] First, we evaluate if they can be a (financially) successful startup like financial VCs would do”.* (Interview 5)

Similarly, Interview 1 emphasized the dominant importance of having a strategic mandate but with a financial target that is usually less aggressive than that of financial institutions. While financial objectives are considered, they are not the driving force behind investment decisions but are used more as an internal incentive to keep people motivated and consistent in working against a settled measurable goal. In this case, while the strategic alignment is crucial, the financial health of the startup is equally important, and the CVC unit is careful to ensure that the investments are financially viable.

Finally, at the more financially-driven end of the spectrum are units where meeting financial targets is a mandatory part of their operations. Interview 3 describes a situation where the CVC unit investments are focused on looking for strategic solutions but they are under heavy financial KPI pressure from their CFO reporting line, so then financial return becomes a mandatory box to check.
On this view, also Interview 2 highlighted:

> *"We have to check two boxes. Investments have to be somehow strategic and then we have to be able to underwrite them for venture capital-like return. [...] We have a mandate that, the entire portfolio should have a 15% IRR. We have to be the ones at the delegation to make the investment decisions and stand firm if we don't think it has the return characteristics".* (Interview 2)

In the most extreme case, Interview 9 stressed that the CVC unit must be self-sustaining and operate as a profit center, making financial returns essential for the survival of the unit. The same opinion was echoed in Case 7, where the interviewee stated that their CVC must achieve returns comparable to traditional VCs:

> *"The primary objective is, of course, to make good investments that can make money. [...] We are not too different from a financial investor because, at the end of the day, we need to show financial return [...] targeting 5 to 10x IRRs, if at all possible, north of 25%".* (Interview 7)

In summary, the financial objectives of CVC units result in three levels of focus. At the low financial focus end of the spectrum, some CVC units primarily aim to avoid financial losses while prioritizing strategic goals (Cases 4-6-8). These units ensure their investments are financially viable but are less concerned with maximizing financial returns. In contrast, units with a moderate financial focus give equal importance to financial objectives and strategic goals, carefully evaluating the financial health of potential investments to ensure they align with the corporation's broader strategic interests (Cases 1-5). Finally, at the high financial focus end are CVC units with IVC-like financial KPIs or IRR targets, where financial performance is a central requirement for all investment decisions (Cases 3-2-7-9).

However, despite the varying degrees of emphasis on financial returns, one consistent factor across all CVC units is the prerequisite of financial viability. Regardless of their strategic goals, every CVC unit closely monitors the financial health of each potential investment. A positive financial outlook results as a foundational criterion in all investment decisions, as without financial sustainability, there can be no strategic return. In other words, financial health serves as the base upon which the diverse strategic objectives of each CVC unit are built. As noted:

> *"If the returns assumed are quite in line with the incumbent solutions, then it is probably better not to do the venture capital activity.[...] If financial returns are not achieved, at least on paper, there is no moving forward".* (Interview 8)

4.2.2. Strategic Objectives

For this section, interview participants were first prompted to discuss their general strategic investment objectives, followed by a deeper exploration in the discussion by presenting the summary of the investment objectives reported in Chapter 2.3 as a point of reference. This allowed for a more detailed understanding of the main strategic objectives pursued by CVC units. Given the varied nature of these objectives, the coding rules reported in Appendix A 7.1 were applied to systematically categorize the interview data. The results show that many identified objectives correspond with existing literature (see Chapter 5). However, new insights have emerged, shedding light on connections and priorities among the different categories of strategic objectives. These findings will be further elaborated in the Discussion chapter 5.

All participants in the sample explicitly stated that their CVC activities have always had a strategic dimension, even in cases where financial performance is a key driver revealing that investments have always to be somehow strategically related to the parent corporation. However, as logically inferred and confirmed by the interviews, the interpretation of what constitutes ”strategic” can vary significantly across units and corporations.

Technology vs. Market Based Objectives

One of the main distinctions observed in the sample relates to the orientation of CVC activity towards more market-driven investments or toward technology-driven investments (See also Section 2.3 and Appendix A 7.1 for definitions). In this sense, investment opportunities pursued by CVC units reflect a spectrum of market pull versus technology push strategies. Some units are more focused on identifying investment opportunities from a technological standpoint, looking for new technologies that could drive future innovation or complement existing corporate capabilities (See Table 4.5). In contrast, the case of Interview 9 reports a complete prioritization of a market perspective, seeking out new markets or emerging market opportunities and then moving to the technical eye to find the best technical solution to seize these opportunities.

> *”Get your technology-based objective! I’m looking for those technologies because they answer a market need”.* (Interview 9)

Overall, three of the CVC units interviewed (Cases 3-7-8) can be traced back to investments purely from a technical perspective, revealing that they have only technological-based objectives, while one unit disclosed having a purely market-oriented approach (Case 9). The remaining units (Cases 1-2-4-5-6), on the other hand, revealed a hybrid behavior. As reported during Interview 5

> *”As an ultimate goal we would like to create new business opportunities with new technologies, or we would like to reinforce our existing business activities with these technologies”.* (Interview 5)

Later on, he also mentioned a specific case related to market-driven investment choice

> *”For example, right now, we don’t have any lithium assets. But we believe that if lithium demand increases as expected, maybe we should have more lithium assets in the future [...] We want to see the market trend of lithium space through these direct investments in lithium extraction companies”.* (Interview 5)

In cases where it was not possible to explicitly identify a specific strategic objective, the results were

interpreted based on how closely the investments aligned with the core business of the corporation. For example, investments closely aligned with the core or in adjacent areas of the parent Co. business were associated with objectives focused on exploiting the corporation's current capabilities. Thus, objectives such as "efficiency-enhancing" or "gap filling" were interpreted as being linked to investments more related to the corporate core, helping the parent company address specific needs or improve existing processes, and therefore remaining closer to its core business.
In contrast, investments in new domains were associated with more exploratory objectives, such as "Window on Technology" or "Explorative learning," which focus on identifying disruptive innovations for the parent company. These objectives were interpreted as being linked to investments that extend beyond the corporation's current business, aiming to uncover new opportunities and explore areas outside its existing capabilities.
A similar interpretation can be applied to market-based objectives. For example, "Market Testing" and "Trend Scanning" were associated with a more exploratory approach, aimed at opening up markets that do not yet exist. On the other hand, objectives like "Capturing Market Opportunities" or "Market Gap Filling" tend to be less exploratory, focusing instead on exploiting existing market opportunities.
In Table 4.3, the results for the technology- and market-based objectives obtained through the interviews are presented, while Table 4.5 provides a summary of the results on the CVC strategic objectives, analyzed on a case-by-case basis.

Investment Objectives		Governance Structure		
Objective Category	Specific Objective	Dedicated Fund or single Limited Partner (LP)	Self-managed funds	Pooled fund or multi LPs
Technology Based objectives	Gap Filling		1	
	Window on Technology/Environmental Scanning	1	3	1
	Explorative Learning	2	3	
	Efficiency Enhancing			
Market-Based Objectives	Market testing and Trend Scanning		3	1
	Capturing Market Opportunities / Market Gap Filling	1	4	1

Table 4.3: Results Technology and Market-based Objectives.

Two out of the three dedicated funds (Cases 7-8) interviewed revealed having explorative learning as the main technology-based objective and in both cases these CVC units did not show any market-based objectives, confirming a strong orientation toward investments with a strong exploration trait and a technological focus.

It is important to note that the units usually do not pursue a single objective, but rather the simultaneous presence of multiple objectives can exist, either in a hybrid form with technology and market-based objectives or within the same category, where different specific objectives may coexist. This reveals the possibility of pursuing investments that are entirely explorative, outside the corporate core, while balancing them with investments that are perhaps closer and adjacent to the core. This becomes particularly true when CVC units are closely aligned with the business units and CVC activity is oriented toward supporting them. These cases require CVC investments to adapt to the strategic needs of different units, which may sometimes be more exploratory, exploitative, or market-oriented. As noted during interview 2:

> *"One of the challenges with our CVC is that we have 20 different business units. Every business line has its own culture, history, and market positioning. So there are businesses whose strategy is to keep looking for new products or technologies and they're constantly*

looking out (the corporation), making it easy to align with CVC activity. [...] Then there are also business lines that have been selling the same thing for 50 years with very good margins believing that they don't need anything, making it difficult to align. So we have a whole spectrum of different attitudes towards investments". (Interview 2)

Specific distinctions and conclusions in differences in strategic objectives between the three governance structures cannot be drawn. However, in general, it can be noted that there is a tendency toward more explorative objectives. This is corroborated by the fact that none of the units interviewed pursue 'efficiency enhancing' as an investment objective, an objective aimed at the exploitation of underutilized company assets, revealing a general orientation of CVC activity towards the exploration of new opportunities.

Government-Based Objectives

The interviews revealed that the relationship between government policies and CVC investments varies across units, revealing again a spectrum of approaches. Interviews (Cases 3-6) expressed that they do not directly follow government objectives because policies can change too quickly, making it risky to align investments with them. As one interviewee stated,

"We're not reacting to government objectives [...] If anything, government incentives actually increase our risk because policies can change fast". (Interview 6)

Other interviewees (Cases 4-5-8-9) acknowledged that while they do not directly invest based on governmental policies, they recognize the influence of regulations on market dynamics. These CVC units see policy changes as an opportunity to explore emerging trends that align with market needs rather than focusing solely on regulatory compliance. This suggests that while CVC units are aware of government influences, they do not pursue investments solely because of policy changes. Instead, they focus on market trends, which are often shaped by these policies. As one respondent explained:

"We're not going to invest in clean tech or do decarbonization investments because that's what the government says we need to do. We're going to do it because it's a business. If I find technologies that help [Parent Co.] to decarbonize, I'll bring it to their attention. But I'm only going to invest if it makes sense from the VC perspective. So we're not going to be doing VC just to decarbonize [Parent Co.]". (Interview 9)

At the other end of the spectrum, certain CVC units (Cases 2-7) closely align their investments with governmental agendas, particularly in industries where regulations heavily influence future corporate strategy. For example, one interviewee from the steel industry noted,

"We've always been looking at CCUS,(Carbon Capture Utilization and Storage) and climate change topics. Government policies, especially on decarbonization, align with the strategic needs of our corporation". (Interview 7)

This reflects a scenario where government-driven technology directions, such as those related to decarbonization, are seen as vital for the parent company's long-term competitiveness and hence shape CVCs' investment direction.

Generally, the interviews revealed that while governmental policies influence the environment in which corporations operate, they are not the primary engine driving CVC investments. Instead, these policies shape the context, indirectly impacting decisions by creating new market opportunities or technological trends that CVC units can leverage. The government's role, rather than being a specific investment objective, is an ever-present factor that helps define the broader landscape in which corporations make their strategic choices. As highlighted in Interview 4:

> *" We operate in many regulated global markets, [...] So we always know that we'll be impacted by regulation.[...] So I would definitely say, although we don't term it as government-driven investments, the investments themselves are most likely addressing some of the issues that are driven by governmental regulations".* (Interview 4)

Being in the game Objectives

This category refers to specific objectives aimed at fostering strategic engagement with the venture capital ecosystem, nurturing relationships with the VC community, ecosystem building in the VC industry and with startups, and accumulating ambient knowledge. These objectives thus refer to the benefits CVC units derive from continuous engagement with the VC industry by taking indirect investment into IVC funds as LP or with more informal forms of engagement.

Given the nature of these objectives, which require close and direct engagement with the venture capital ecosystem and IVC firms, it could be hypothesized that CVC units under a pooled fund governance structure are more likely to prioritize such objectives. Indeed, the interview results show that the CVC unit structured as a pooled fund reported the highest number of "Being in the Game" objectives compared to other governance structures in the framework. This observation suggests a potential link between pooled fund structures and this category of objectives.
However, due to the small sample size, this conclusion remains speculative. The only limited case in the pooled fund category makes it impossible to draw conclusions about whether this governance structure inherently leads to a higher prevalence of these objectives. Other factors may also influence why CVCs choose to allocate capital as an LP in IVC firms. For instance, the age of the unit plays a significant role in shaping these objectives. Younger CVC units appear to have different objectives for investing in IVC compared to older established units.

In general, it was possible to investigate the nature of these objectives because it is common for CVC units under different governance structures to adopt a hybrid form of investment, combining direct investments in startups with indirect investments by taking LP positions in IVC funds. Of the 8 units interviewed, 6 (Cases 1-2-3-4-5-9) revealed that they either currently have or have previously had investments in IVC funds. This allowed for further investigation into this objective category, revealing new insights. In Table 4.4 are reported the number of units that mentioned having those objectives for investments in IVC funds and in Table 4.5 a summary of the results case by case is offered.

Investment Objectives		Governance Strucutre		
Objective Category	Specific Objective	Dedicated Fund or single Limited Partner (LP)	Self-managed funds	Pooled fund or multi LPs
"Being in the Game" Objectives	Ambient Knowledge		2	1
	Relationships with VC Community		2	1
	Ecosystem Building in a new geography	1	3	
	Ecosystem Building in a new VC space	1	2	1
	Signaling to Other Firms			1
	Helping Articulate Strategic Vision			1
	Portfolio construction / Portfolio Management		3	

Table 4.4: Results 'Being In the Game' Objectives.

The specific objectives highlighted in red in Table 4.4 represent new insights gained from the interviews. First, ecosystem building emerged as the most frequently cited objective when corporations invested in other funds. Moreover, the interviews revealed that this objective can be further divided into two distinct directions.

The first direction is ecosystem building in a new geography. Four units (Cases 2-3-4-9) mentioned that they have active investments or used to invest in specific funds located in certain geographies to gain access to technology and startup landscaping or to establish a market presence for the corporation in a new region. For example, Interview 3 disclosed:

> *"The last fund we invested in was a fund in China, purely to open a new market because we have no direct investments in China. We wanted to understand the market and test the waters there, so we invested in a Chinese fund ".* (Interview 3)

The second direction for ecosystem building involves investing in a new space or vertical where the unit has limited access to specific knowledge or direct connections with the startup ecosystem. This was clearly illustrated by Interview 9, from the chemical sector, who explained:

> *"One reason we invest in a fund is to gain expertise in areas where we lack knowledge. For instance, quantum computing will have a significant impact on how materials are simulated and how research is conducted. When quantum computers arrive, they will revolutionize the chemical sector. So we invested in a fund with deep expertise in quantum computing, where we don't have experience".* (Interview 9)

Another valuable insight that enriched the objective framework comes from the fact that three of the units interviewed (Cases 2-3-4) also revealed they take LP positions in IVC funds with portfolio construction or portfolio management goals. This revealed that investments in other funds can be specifically made to manage portfolio risk for direct investments or to cover investment stages that the CVC unit does not target with direct investments. For instance, Interview 4 highlighted:

> *"We looked at funds to invest in terms of the stage as well. We're naturally a Series A, Series B, early-stage investor, so that's where we make our direct investments. But we didn't want to be limited within the ecosystem by not having access to the seed stage or possibly a later stage".* (Interview 4)

This approach allows the corporation to maintain a broad exposure to opportunities across various stages of startups lifecycle, mitigating risks associated with concentrating solely on a specific investment stage.

Similarly, Interview 4 provided further clarification on the rationale behind investing in an IVC fund to gain access to larger ticket-size investments or manage portfolio investments:

> *"We do have still some funds activity and the idea is to be able to access larger-sized tickets. [The IVC Fund] is a semi-PE (private equity) type investment; they can do 15, 20, or 30 million investments. So the rationale is that it allows us to continue supporting the startups already in our portfolio by using new vehicles".* (Interview 3)

As might be expected, the units that pursue these specific objectives tend to align with the more established, older CVC units in the sample. In contrast, younger CVC units, in addition to the aforementioned objectives, are also focused on goals such as ambient knowledge and building relationships within the

VC ecosystem. Their aim is often to establish a presence in the VC industry, gain insights from professional venture capitalists, and develop a deeper understanding of VC activities. For instance, Interview 5 mentioned:

> *"In 2018, when we started our CVC activity, we didn't have any network in the VC communities. So we needed to build one. We also needed to understand how VC works, so we invested in a fund".* (Interview 5)

For this learning purpose, two of the interviewed units (Cases 1-5) also revealed that they send secondees to the IVCs in which they invest, in order to maximize the learning curve on how VC firms operate.

Only in Case 6, the unit revealed to pursue objectives that can be associated with the mentioned 'signaling to other firms' and 'helping articulate strategic vision'. In this case, the unit interviewed revealed that investing in well-known industrial IVC can show the legitimacy and intentions of the corporation in the VC industry to startups or to other corporations while helping the corporation define the right strategic path.

> *"Why would someone come to us rather than to professional VC funds? They have a reputation that [Parent Co.] doesn't have at the moment. [...] With the CVC activity, we are trying to define the (strategic) sandbox for [Parent Co.]"*. (Interview 6)

Finally, two units (Cases 7-8) revealed that they do not pursue indirect investments into VC funds, and one unit (Case 3) mentioned still having an active investment but has stopped making new ones. In these cases, the reasoning behind this decision stems from a preference to maximize resources for direct investments, avoiding potential conflicts of interest with the fund or other LPs, and ensuring greater control and engagement with the startups they invest in.

4.2.3. Results Summary on Strategic Investment Objectives in CVC

In Table 4.5 the results for the strategic objectives corporations pursue through CVC activity are summarized case-by-case to allow comparison among the interviews.

	Investment Objectives		Governance Structure		
	Objective Category	Specific Objective	Dedicated Fund or Single Limited Partner (LP)	Self-managed funds	Pooled Fund or multi LPs
Strategic Objectives	Technology Based objectives	Gap Filling		Case 4	
		Window on Technology/Environmental Scanning	Case 7	Case 1 / Case 2 / Case 3	Case 6
		Explorative Learning	Case 7 / Case 8	Case 2 / Case 3 / Case 5	
		Efficiency Enhancing			
	Market-Based Objectives	Market testing and Trend Scanning		Case 1 / Case 4 / Case 5	Case 6
		Capturing Market Opportunities / Market Gap Filling	Case 9	Case 1 / Case 2 / Case 4 / Case 5	Case 6
	Government-Based Objectives	Aligning with Government Policies and Directives	Case 7	Case 2	
		Addressing Global Challenges (e.g., climate change, cleantech technologies)	Case 7		
	"Being in the Game" Objectives	Ambient Knowledge		Case 1 / Case 5	Case 6
		Relationships with VC Community		Case 4 / Case 5	Case 6
		Ecosystem Building in a new geography	Case 9	Case 2 / Case 3 / Case 4	
		Ecosystem Building in a new VC space	Case 9	Case 1 / Case 4	Case 6
		Signaling to Other Firms			Case 6
		Helping Articulate Strategic Vision			Case 6
		Portfolio construction / Portfolio Management		Case 2 / Case 3 / Case 4	

Table 4.5: Summary of the results, case by case, for CVC Strategic Objectives.

4.3. Role of Investment Objectives in the Choice of the CVC Governance Structure

This section presents the results derived from the interviews, particularly focusing on the third sub-research question:

What is the role of investment objectives in the choice of CVC governance structure?

This question is based on the hypothesis that the alignment (or misalignment) between investment objectives and governance structures influences the effectiveness of CVC unit activities, potentially affecting their ability to achieve stated objectives and leading to risks of early termination.

Thus, the interview questions for this section were designed to explore whether a direct link between investment objectives and governance structure existed, as well as whether such a link would influence CVC units' operations and the likelihood of achieving intended outcomes.

The following sections present common themes that arose during the interviews, with further interpretation of these findings provided in the subsequent Chapter 5.

Four of the units interviewed (Cases 1-4-5-8) revealed a strong link between the choice of governance structure and the investment objectives, explaining that a particular type of governance structure was better suited to the specific investment objectives being pursued. They further indicated that adopting a different type of governance would have potentially led to friction or other issues in managing the units compromising thus the overall ability to achieve expected goals. For instance, Interviewee 4 explicitly stated that the decision to go through their unit governance structure

> *"Is definitely driven by the investment strategy. This particular CVC was set up to really try to maximize the strategic outcomes of the investments. [...] I think that if there was a pivot towards a more financially focused strategy, they would establish a separate unit that would be primarily financially driven, with its own dry powder, operating somewhat independently from what we're doing today".* (Interview 4)

In the subsequent three interviews (Cases 2-3-6), participants either explicitly defined or revealed a pattern of common themes, indicating that the relationship between investment objectives and governance structure is more complex than initially anticipated. Governance structures are shaped not only by investment objectives but also by broader organizational factors, specifically around three additional key factors:

1. **Corporate capital resources:** referring primarily to the budget available and allocated to CVC activity.
2. **Corporate expertise and skills:** referring to internal human resources and experience in venture capital activities. As highlighted earlier in this section, having strong in-house expertise in VC can, for example, influence the objectives pursued when investing in IVC funds.
3. **Corporate aversion to risk:** this factor is closely tied to the first two, as higher constraints in available capital and internal expertise in CVC lead to a heightened perception of risk associated with CVC initiatives.

To illustrate, Interviewee 2 explained:

> *"I think the governance structures are aligned to the investment objectives [...] but also the*

> *structure of our resources and the skills and capabilities of the organization definitely drive the strategy in terms of what type of governance structure we choose. If those internal capabilities, resources, and network infrastructure weren't there, we, for example, would have invested 30% of the fund in a special corporate fund like Emerdal or others".* (Interview 2)

The risk factor was specifically mentioned in Interview 6, where the participant revealed that the decision to act as an LP investor in other funds, thus opting for a pooled fund governance structure, was primarily driven by a risk-averse strategy:

> *"It's actually far riskier and more onerous if we had created a fund for [Parent Co] and become directly tied or exposed to a bunch of early-stage companies rather than having a fund doing it. It's much easier to exit if this does not work because with another fund is essentially an investment if it doesn't work, we just write off the investment".* (Interview 6)

Finally, only one interviewee (Case 9) explicitly stated that there is no direct link between the choice of governance structure and investment objectives, while for Case 7, no direct response was provided, nor could any conclusion be confidently drawn.

4.3.1. Role of Corporate Culture on Open Innovation in CVC Activtiy

Regarding the impact of the link between investment objectives and governance structure on CVC units' activities and expected outcomes, some interviews explicitly highlighted that a misalignment between these elements can result in management challenges, hindering the unit's ability to achieve its objectives. Additionally, the interviews revealed new themes as potential factors influencing the alignment of governance structures with investment goals, which could affect the unit's overall effectiveness in meeting the parent corporate expectations.

These additional factors fall under a broader theme of the corporate culture towards open innovation, and consequently towards CVC as an open innovation activity. According to the interviewees, a strong entrepreneurial spirit within the parent corporation and a strong commitment to open innovation principles can significantly facilitate CVC activities. As noted in Interviewee 7:

> *"CVC is almost a religion; you either believe in it or don't, that it will contribute to open innovation and to value creation. However, it's very hard to measure the tangible impact of CVC activity. Hence, there should be a true belief in open innovation, and the willingness to support it".* (Interview 7)

Conversely, was noted that a low corporate culture toward open innovation can undermine the stability and longevity of CVC units. Three principal factors emerged from the interviews that confirm the importance of corporate culture on open innovation for the effectiveness of CVC activity.

1. **Impact of TMT Changes**
   Five interviews (Cases 2-3-5-7-9) reported that a potential risk for CVC activity is caused by changes in the TMT representatives of the parent corporation. This risk is heightened when the CVC units have a tight integration with the TMT of the parent company, especially when direct reporting lines exist. In such cases, a low belief in CVC activity from new TMT representatives can result in a disruptive change in the unit's mandate, potentially undermining long-term CVC activity or, in the worst scenario, leading to the premature termination of the units.

2. **Investment Horizon** (Cases 3-5-7)
   This theme is related to the previous one and it also falls under the broader importance of an open innovation culture within the parent corporation. Interviewees recognized the need for their parent corporations to understand that CVC investments require time and consistency, especially in highly engineered technologies (deep tech context). Premature changes in the CVC unit's mandate or shifts in strategies and investment objectives along the path can compromise the unit's ability to succeed in the expected objectives. As noted by Interviewee 3:

   > *"If you really want to extract the juice of your CVC activity or venture activity, you need more than seven years. You need 10 years at least. Because it's where you will see the first game really coming in. [...] At the end of the day, you need time and understanding".* (Interview 3)

3. **Understanding of CVC Practices**
   Most units recognized that to successfully navigate the corporation's cyclical nature, they must demonstrate tangible value internally to the parent company. Eight of the nine interviewees (Cases 1-2-3-4-5-6-7-9) noted that a significant part of their time is dedicated to managing internal stakeholders (both BUs and TMT), engaging them early to align expectations on what the parent corporation expects from CVC units and what the unit can realistically deliver, thereby establishing a clear mandate from the start. However, interviewees highlighted challenges in reconciling the dynamic, entrepreneurial mindset of startups with the slower corporate mindset. Difficulties in internal stakeholder management practices often arise when corporate representatives lack an understanding of CVC activities and startup dynamics, again, due to a low entrepreneurial mindset and belief in open innovation. Interviewee 7 noted:

   > *"Sometimes I think that some [Parent Co.] people are convinced we would be better off giving them the millions, and they would invest them into their plant rather than giving it to startups".* (Interview 7)

   This stark cultural difference between the CVC activity and the parent corporation mindset creates obstacles in understanding the dynamics essential for CVC success, forming a barrier to recognizing the value that CVC activities can deliver. Interviewee 9 summarized this:

   > *"We have to sell better the value our CVC can deliver. On top of everything, you have to show that you're actually generating value for [Parent Co.] beyond the investment. [...] We have to sell it, but people on the other side also have to see that as valuable. So it's really important. It's a lot of expectation management, it's a lot of relationship management internally. Most corporate VCs that die, are really bad at doing that."* (Interview 9)

These themes, as will be expanded in the next chapters, show a correlation with the governance structure of CVC units. In particular, specific features of the units' governance structure (those introduced in Section 4.1) appeared to have a potential moderator effect on how the corporate culture around open innovation impacts CVC activity and fulfillment of the expected objectives. To illustrate this point, one interviewee shared:

> *"Luckily our TMT (CFO and CEO of the group) have always been supportive (also after a change), but a change in top management can be a threat to us if the new group CEO doesn't have the same opinion as the former one. Then maybe, to avoid that risk, we should*

> *have a more autonomous structure or maybe we might become a dedicated, off-the-balance sheet fund".* (Interview 5)

This quote reveals a direct link between a specific characteristic of the CVC management structure and the potential threat posed by changes in TMT representatives, within the broader theme of corporate culture towards open innovation.

5
Discussion

In the discussion part, the main findings are synthesized to form the main answers to the sub-research questions and to the final research question set in this study. The results presented in the previous section are here expanded and compared to existing literature to validate the findings and build upon the previous knowledge on the topic highlighting the contribution of this research. Following, some limitations of the study are highlighted along with suggestions for future research.

5.1. Interpretation of the Key Findings

In the following section, the main results obtained are summarized, discussed, and compared with existing literature, following the structured approach maintained throughout this paper.

5.1.1. CVC Governance Structure and the Their Autonomy

As highlighted in the Results chapter 4, the governance structures of CVC units are complex and nuanced, and they cannot be easily categorized using traditional frameworks as introduced in Section 2.4 from the findings of Röhm (2018) and Thomas Keil (2000) (i.e. Dedicated funds, Self-managed funds, Pooled funds). The Results section demonstrated that certain governance characteristics are often shared across different governance structures, and substantial differences can exist in the relationship between the parent corporation and CVC units even within the same category. This underscores the importance of a deeper level of analysis focusing on specific governance features, as supported by Frey and Kanbach, 2023. Furthermore, as previous literature has noted (Hill et al., 2009; Weber and Weber, 2005; Yang et al., 2016), the most critical factor in understanding the relationship between a CVC unit and its parent corporation is primarily defined by the degree of autonomy that the CVC unit possesses.

In the context of CVC, autonomy traditionally has been distinguished between two dimensions: vertical autonomy and horizontal autonomy (Hill et al., 2009; Lee et al., 2018). Vertical autonomy reflects the degree of independence a CVC unit has from corporate oversight, especially from the top corporation leadership (the TMT) while horizontal autonomy focuses on defining the level of involvement in the relationship between the CVC and the corporation's BUs. These two dimensions of autonomy are the prime elements in shaping how a CVC unit can pursue its objectives, manage the corporate influence on its activity, and reconcile the different natures between large corporations and the dynamic world of early-stage ventures. It follows that investigating which particular characteristics of the CVC governance structure define and clarify CVC units' autonomy is central, and the results of this study were an attempt. In other words, the three key dimensions that emerged from the interviews: CVC boundary definition, financial relationship with the parent corporation, and the CVC unit's organizational interfaces with corporate TMT and BU, help define both horizontal and vertical autonomy. This is relevant because establishing a clear governance structure aligned with investment objectives can significantly enhance CVC's activity and support the achievement of its investment objectives.

CVC Boundary Definition

A primary factor in defining vertical autonomy is the structural positioning of the CVC unit within the corporation's legal and organizational framework. Choosing a standalone legal entity can provide the unit with greater operational freedom. While, as has been reported, this structure does not eliminate corporate oversight or involvement in decision-making, it does allow the unit more operational flexibility. For comparison, vertical autonomy decreases when CVCs function as a distinct division within the corporation, reaching the lowest level of autonomy when CVC activities are embedded within another corporate unit. This last organizational setup often introduces more dependencies on corporate operational and hierarchical structures, which can hinder CVC operations and the typically fast-paced investment processes they require.

For instance, Interview 5, which involved a self-managed fund set up, with a defined CVC unit within the corporation, highlighted that a recurring challenge is that corporations are not used to the speed typical for venture capital operations, and thus the structured operational mechanism typical of corporations can lead to issues in agile CVC operations.

Financial relationship with the parent Co.

Similarly, the financial relationship with the parent corporation is a factor to consider when defining vertical autonomy, and the governance characteristics introduced in Section 4.1 reveal varying degrees of vertical autonomy.

To elaborate, a financial reporting structure that is off the balance sheet creates a greater level of separation between the unit and the parent corporation. These units, even if the corporation can be involved in investment decision-making (through an IC), are effectively separate entities, and enjoy an additional level of autonomy and independence compared to funds with an on-balance sheet financial reporting structure.

Similarly, a multi-year capital allocation structure, without restrictions on how it is managed (such as annual investment threshold), brings CVC units closer to a traditional IVC model in terms of fund management. This model ensures stable, long-term funding and commitment, allowing the units to plan and make investments more flexibly without the limitations that can occur in single-year capital allocations or opportunistic investment models. In the latter shorter-term structures, investment decisions can be constrained by corporate priorities or budget cycles, which can lead to delays or limited operational power and freedom. This structure indicates a long-term commitment from the corporation to its CVC units, revealing a willingness and drive toward sustained CVC activity.

Finally, following the same reasoning, a proceed structure that allows returns from investments to be reallocated within the fund itself provides a higher degree of vertical autonomy, aligning the CVC unit more closely to the IVC model. Again, this governance characteristic signals a stronger long-term commitment from the corporation to CVC activities, which is crucial for the operational stability of the unit. By enabling continuity in investment activities, without relying on potential constraints of corporate budget cycles, the unit gains the flexibility to pursue a sustained and consistent activity, a critical factor given the longer time horizon often needed to see meaningful results from venture investments. Hence, this additional level of vertical autonomy supports the unit's ability to operate effectively in the venture capital environment, where consistent reinvestment and a long-term approach are critical for success.

CVC Unit's Organizational Interfaces

In CVC governance, the presence of an IC and the reporting structure of the unit, to a corporate department or directly to the TMT, serves as a primary mechanism for the corporation to supervise and monitor CVC activities. Thus, the degree of vertical autonomy a CVC unit enjoys is often a direct result of its reporting hierarchy and the role of its IC. As highlighted in the Results Section 4.1.3, it is common for TMT representatives to hold seats on the IC with an active role in investment decision-making, thereby ensuring the corporation's interests in CVC activities and mitigating potential agency issues, as defined also by Gompers and Lerner (1998).

While total decision-making autonomy to CVC units was not observed (not aligned with corporate interests), the composition of the IC and the balance of decision-making power within the IC became critical in defining vertical autonomy. Thus, Key factors include the influence of CVC representatives compared to corporate members and whether their role in decision-making is active or passive.

For example, during Interview 9, it was noted that an overly corporate-heavy IC structure, with five corporate representatives and minimal decision-making power given to CVC representatives, resulted in limited vertical autonomy for the CVC unit. This restricted autonomy hindered the effectiveness of CVC activities, as excessive corporate oversight slowed decision-making processes and limited the flexibility needed for high-risk investments. Including members with a venture capital mindset was suggested as a way to address this issue, providing the IC with expertise better aligned to the unique demands of venture investing. This observation underscores the importance of a more balanced IC composition, incorporating VC-oriented expertise to enhance vertical autonomy and enable CVC units to operate more effectively within the high-risk, fast-paced venture environment.

The horizontal autonomy in CVC units can be defined using the organizational setup introduced in Section 4.1.3 concerning the degree of subordination or cooperation of the CVC units with the corporation's BUs. In fact, the spectrum of subordination-to-cooperation of the CVC-BU operational interface directly reflects the level of horizontal autonomy a CVC unit holds. In more subordinate setups, the CVC's activities are closely aligned with specific BU goals and operational dynamics, with BU executives or representatives also involved in the investment decision-making process. This configuration characterizes low horizontal autonomy, as the CVC unit's primary role is to support and align with the objectives of the BUs, limiting the unit's independence in exploring broader strategic opportunities.

On the other end of the spectrum, CVC units with high horizontal autonomy adopt a cooperative model, where they work collaboratively with BUs, drawing on their insights and knowledge but without being constrained by their directives. This cooperative approach allows the CVC unit to leverage the expertise and knowledge of BUs while retaining the flexibility to pursue strategic goals that may not align directly with immediate BU objectives. By operating with greater horizontal autonomy, CVC units can focus on long-term, explorative investments that support the corporation's overarching innovation and growth strategies, enhancing both flexibility and alignment with corporate objectives without being limited to BU-specific agendas.

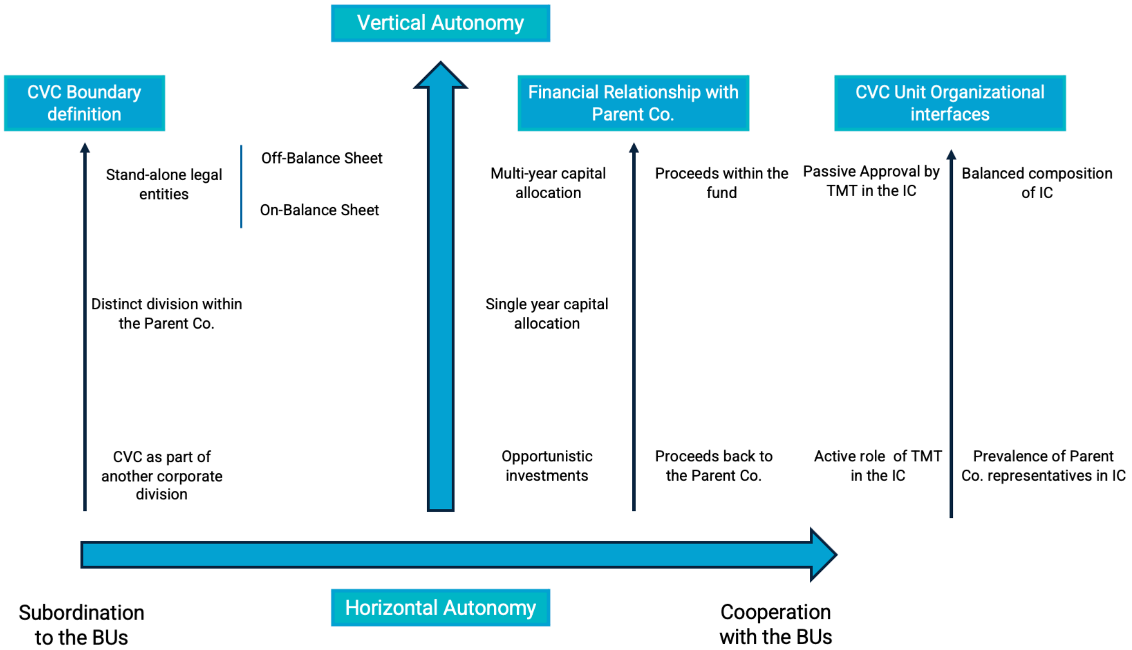

Figure 5.1: Horizontal/Vertical autonomy against CVC Governance structure.

The governance characteristics highlighted in the results section, which emerged from the interviews, provide a foundation for defining the degree of horizontal and vertical autonomy in CVC units. Defining unit autonomy is essential for understanding how the unit is positioned within the corporate structure and the nature of its relationship with the parent corporation. As we will discuss further, defining autonomy through these governance characteristics, and aligning it with the corporation's specific objectives for CVC activities, proves to be a crucial step in achieving these strategic goals and enhancing CVC achievement of the expected goals.

5.1.2. Investment Objectives

This section summarizes the results on corporate objectives in CVC activities, resuming the answer for the first sub-research question and positioning the findings in relation to key relevant literature. As presented in Section 2.3 the systematic literature review offered by Basu et al. (2011, 2016) and Urbano et al. (2022) revealed a fragmented understanding of investment objectives in CVC activities, lacking a coherent and comprehensive vision of the potential goals that corporations can pursue. Traditionally, studies categorize CVC objectives into two main groups, financial and strategic and the literature chapter presented already attempted to go deeper into this distinction to avoid overlooking the diversity within each category and presented specific investment objectives corporations may have when engaging in CVC. To verify and build upon the literature review conducted, the interviews performed helped identify the key financial and strategic investment objectives that corporations pursue through CVC activities.

	Investment Objectives	
	Objective Category	Specific Objective
Strategic Objectives	Technology Based objectives	Gap Filling Window on Technology/Environmental Scanning Explorative Learning Efficiency Enhancing
	Market-Based Objectives	Market testing and Trend Scanning Capturing Market Opportunities / Market Gap Filling
	Government-Based Objectives	Aligning with Government Policies and Directives Addressing Global Challenges (e.g., climate change, cleantech technologies)
	"Being in the Game" Objectives	Ambient Knowledge Relationships with VC Community Ecosystem Building in a new geography Ecosystem Building in a new VC space Signaling to Other Firms Helping Articulate Strategic Vision Portfolio construction / Portfolio Management
Financial Objectives	Both realized and unrealized returns (paper returns)	Multiple on Invested Capital (MOIC) Total Value to Paid-in Capital (TVPI) Internal Rate of Return (IRR) Residual Value per Paid-in Capital (RVPI)

Table 5.1: Investment Objectives pursued by corporations through CVC activity.

The findings also confirm that CVC investment objectives can be aligned with the literature's distinction between explorative and exploitative orientations for CVC units (Hill and Birkinshaw, 2014; Rossi et al., 2021). However, this study builds upon this understanding by associating the specific investment objectives reported with either an explorative or exploitative behavior. This finer-grained approach allows CVC units to first establish a high-level strategic orientation, whether explorative or exploitative, and then pursue this orientation through clearly defined, specific objectives. This layered approach is significant because it allows CVC units to set a strategic direction (first layer) and follow it with specific, actionable goals (second layer), enhancing clarity and upfront alignment with corporate innovation goals. The issue of having unclearly defined objectives for CVC activity has previously been identified as a barrier to successful outcomes by Covin and Miles (2007), Lerner (2005), and Pinkow and Iversen (2020). By clarifying these strategic objectives in this research, corporations are better positioned to set their investment goals upfront, providing a more structured and effective foundation for CVC activities.

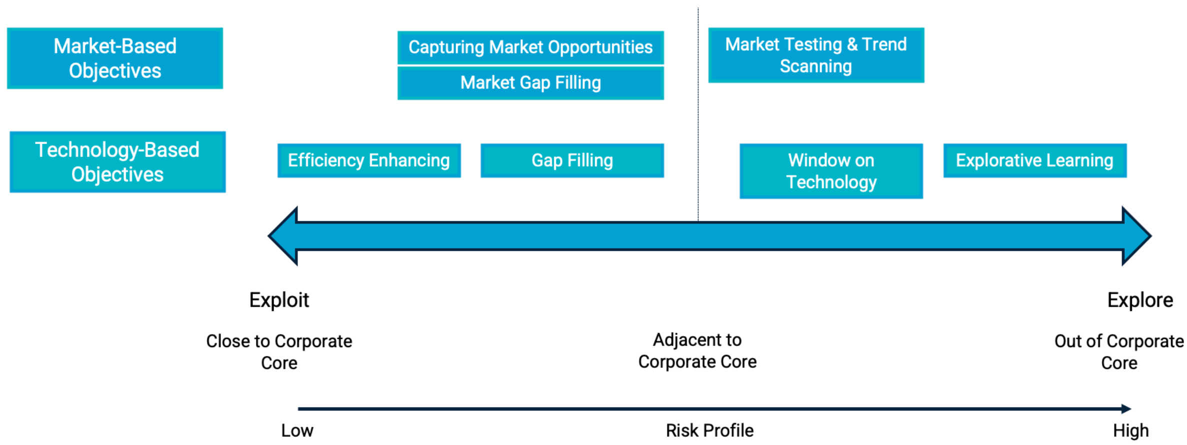

Figure 5.2: CVC Investment Objectives with Exploitative vs Explorative orientation.

Overall, the results indicate a general preference for explorative objectives in CVC activities, albeit with varying emphasis. This finding aligns with the existing literature, which also characterizes CVC activity as more explorative than exploitative in nature (Ceccagnoli et al., 2018). The explorative orientation supports corporate ambidexterity by allowing CVC units to pursue innovative, high-risk ventures that complement other corporate innovation channels (Van De Vrande and Vanhaverbeke, 2013; van de Vrande et al., 2009). In contrast, more exploitative innovations, which align closely with the corporation's core business, can be addressed through alternative methods, such as internal R&D, joint ventures with universities, or strategic partnership while explorative innovations are predominantly driven by open innovation initiatives (H. W. Chesbrough, 2003), with CVC activities playing a central role.

The objectives identified can also be pursued in combination. An explorative orientation does not necessarily exclude pursuing at the same time investments that are more exploitative. This is especially relevant in cases where there is close engagement between the CVC and the corporate BUs. As highlighted in the results section, in these cases investment focus often depends on the specific needs of different BUs. Some BUs might have strong R&D capabilities while others operate on thinner margins and have different requirements in terms of innovation. Consequently, the degree of explorativeness can vary depending on the needs of each unit, allowing CVC units to adapt their strategy accordingly. Nonetheless, several investment objectives can be pursued simultaneously, providing flexibility in addressing both explorative and exploitative goals within the same CVC framework.

Technology & Market Based Objectives

The ability to pursue multiple types of objectives simultaneously was also evident from the results by looking at the fact that CVC units may adopt a more technology-oriented approach (tech push), a market-oriented approach (market pull), or a hybrid approach combining both market and technology orientations. In general, however, these two categories of investment objectives (technology-based and market-based) emerged as the primary strategic objectives for CVC units, aligning with findings presented by Dushnitsky and Yu (2022). All interviewed units indicated that they maintain objectives within one or both of these categories, underscoring the importance of having strategic objectives in corporate venture capital activity.

Financial Objectives

With regard to financial objectives, as highlighted in the Results chapter 4, financial performance is considered essential by all units when evaluating investments and mandatory in achieving their primary strategic objectives. The results reveal that CVC units exhibit varying levels of emphasis on financial performance, often shaped by factors such as the unit's age or maturity.

The age of a CVC unit was noted as a relevant contextual factor that can influence the structure and prioritization of investment objectives, as also noted by Schückes et al. (2024). As explained so far, CVC industry has shown frequent fluctuations in investment trends, as well as in the formation and termination of CVC programs (Dushnitsky & Lenox, 2006; Gompers & Lerner, 2001; Ma, 2020).

One might reasonably expect that long-standing CVC units have learned to navigate these cyclical challenges by adapting to both external and internal shifts, such as macro trends in corporate investments or changes in management. These more established CVCs often adjust their mandates in response to such factors, ensuring their continued relevance for the parent corporation.

In some cases, however, CVC investments are stopped once the initial objectives have been fulfilled, without progressing to further strategic initiatives (Ma, 2020).

On the other hand, Hill and Birkinshaw, 2014 suggested that the long-lasting CVC units do not always align with improved strategic performance, or internal recognition of the relevance of CVC units from the parent corporation, though it does appear to affect financial performance. The more mature CVC units are the ones that were able to financially perform.

Results from the interviews align with Hill and Birkinshaw (2014) results, showing that the more long-standing units in the sample are those associated with more aggressive financial metrics. This tendency is partly due to the fact that financial metrics are easier to quantify. Establishing KPIs for strategic objectives is often challenging because these goals are frequently intangible and subject to change due to the cyclical nature of corporations, which impacts both venture capital activities and how these activities are perceived within the parent company.
As explicitly noted during Interview 2, ensuring longevity in CVC requires a true venture mindset that balances venture capital-like returns with strategic, long-term investments. In a cyclical business environment, units that cannot demonstrate measurable value, especially during downturns, risk being scaled back or terminated.
This emphasis on measurable financial outcomes underscores the practical need for CVC units to prioritize financial metrics, as they are crucial for demonstrating tangible value to the corporation, especially in periods of economic constraint.
Clear financial returns help CVC units gain legitimacy in their activities, as they can more easily demonstrate their relevance to the parent corporation through straightforward, understandable financial performance metrics.

Being in the game Objectives
The discussion on a CVC unit's age and its impact on the choice of objectives can also be applied to the category of "being in the game" objectives, as anticipated in the Results chapter 4.
These objectives were found typically more prominent in younger CVC units, as one might expect. As the unit matures, the focus within this category tends to shift. In more established CVC units, the importance of objectives such as learning about CVC activity, gaining ambient knowledge, accessing deal flow, and ecosystem building often decreases, making room for criteria like portfolio construction, portfolio management, or ecosystem building in a new geography to gain access to new markets and networks. In general, the objectives evolve to maximize the financial returns of investments as well.
From the conducted interviews, it became clear that these types of objectives are pursued to enhance the success of the primary strategic objectives (market and tech-based) or financial objectives. Essentially, they serve as auxiliary support to the main goals of CVC activity. Engaging with the VC community is considered essential for achieving the overarching investment objectives, as this engagement supports the CVC unit in accessing critical resources, networks, and opportunities necessary for effective investment strategies.

Government-based objectives
Lastly, government-based objectives often act as a tacit but influential category within CVC investments. While not always directly pursued through CVC activities, investments frequently align with government policies or broader regulatory goals, especially in sectors shaped by innovation policy. Regulation serves as an essential framework that influences the corporate context of operations, and the top-down role of government policy in guiding investment direction emerged as a significant factor, corroborating the view of Dushnitsky and Yu (2022).

All in all, the discussion presented in this section reveals an underlying structure within the categories of investment objectives, which further helped in clarifying the multifaceted nature of CVC investment objectives and their representation in the literature. This structure is illustrated in Figure 5.3, providing a graphical summary of the discussion presented thus far.

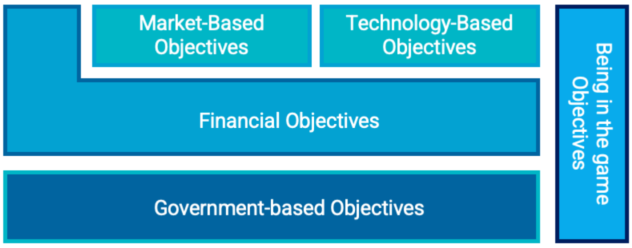

Figure 5.3: CVC Investment Objectives Structure.

5.1.3. Role of Investment Objectives in the Choice of CVC Governance Structure

The results from section 4.3 revealed the existence of a critical link between CVC investment objectives and governance structure. Four of the interviewed units (Cases 1-4-5-8) revealed that a strong link exists and three (Cases 2-3-6) acknowledge the link as a mix of factors that include corporate capital resources, expertise (skills and capabilities on VC activity), and corporate aversion to risk. It appears that the choice of governance structure is influenced, among other factors, by the primary strategic and financial objectives guiding CVC investments. Interviews revealed that a mismatch between governance structure and strategic focus can lead to operational challenges, potentially impeding CVC activity and achievement of the expected outcomes. Consequently, the study confirmed the importance of aligning governance structures with investment objectives to ensure effective CVC operation as suggested by Frey and Kanbach (2023) and Schückes et al. (2024).

However, the insights from the literature review (section 2.4) do not fully capture the diversity of governance structures observed in practice. While established categories like dedicated funds, self-managed funds, and pooled funds provide a foundational understanding, they fall short of addressing the nuanced and varied cases encountered in real-world applications. This highlights the limitations of existing classifications in capturing the adaptability required to align CVC governance structures with specific investment objectives.

Recent efforts in the literature have been made by Frey and Kanbach (2023), who, through a systematic literature review, identified many of the typical governance structure characteristics of CVC units. Their work also attempted to link some of these characteristics to the strategic and financial orientations of CVC investments. However, it did not capture the full variety of CVC objectives and their governance structure, as this study has done, nor did it give particular attention to the role of autonomy (both vertical and horizontal) in defining the governance structure of the units.

With the results and discussion on the structure of investment objectives and the governance configurations of CVC units (analyzed through the lens of vertical and horizontal autonomy), this study contributes to the literature on CVC by establishing preliminary links between specific investment objectives and CVC governance structure and characteristics. Particularly, the study offered an initial exploration of how different strategic investment orientations, such as explorative and exploitative objectives, align with specific governance structures and autonomy characteristics. Through the interviews, various real-life cases were identified and distinguished, enabling connections to be drawn between investment objectives and governance structures.

Exploitative Units
To delve deeper into this discussion, when CVC activity is pursued with a strong exploitative orientation (i.e., efficiency-enhancing, market or technology gap filling), where the strategic focus is on discovering technological solutions that can immediately address the parent company's current needs and those of its existing customers, a governance structure with low horizontal autonomy, and eventually low vertical autonomy, is advisable. Such investments are closely aligned with the core or adjacent businesses and expertise of the parent company and prioritize the needs of the corporation, particularly those of its BUs. Therefore, a setup that maximizes these objectives should integrate CVC units structurally with the BUs, potentially in a subordinate arrangement.
To ensure alignment with the primary requirements of the BUs, the governance structure should incorporate an investment committee comprising decision-makers such as the Chief Technology Officer, the head of operations, a relevant BU manager, and potentially members of the TMT. In this configuration, substantial input on technological and market needs should come directly from the BUs, with CVC acting more on the operative sides of the investments being aligned with immediate operational requirements.
In such cases, vertical autonomy becomes a secondary priority in governance design, as the alignment of CVC activities with corporate interests is directly overseen by the BUs.
Investment in other funds should not be prioritized unless the corporation lacks CVC expertise, experience, or access to deal flow and startup ecosystems. In these situations, investing in external funds may be beneficial, provided that these funds are carefully selected to align with corporate innovation goals.

Ambidextrous Units
Proceeding with corporations that undertake CVC activity with a more explorative orientation—where the focus is on medium- to long-term technology and market opportunities that may not meet immediate corporate needs—a governance structure with low vertical autonomy but gradually increasing horizontal autonomy is recommended. Such CVC units should ideally be configured as distinct entities within the company, operating with a medium- to long-term predefined investment horizon and multi-year capital allocations.
This arrangement demonstrates the corporation's commitment to CVC activity, providing the flexibility to explore business areas that extend beyond short-term corporate objectives. Greater horizontal autonomy enables these units to pursue technological solutions that cannot be developed internally but are essential ("must-haves") or advantageous ("nice-to-haves") for sustaining the future competitiveness of the BUs.
In this setup, close collaboration with BUs is critical. Technical representatives from BUs should play a collaborative role in identifying and evaluating promising technologies. These representatives could also be optionally included in the investment committee as active decision-makers, promoting BU input without imposing strict oversight on the CVC unit.

In such cases, coherence between the reporting structure and investment objectives is vital. For investment objectives that are predominantly medium- to long-term and explorative, increasing horizontal autonomy is beneficial; however, maintaining vertical alignment, such as through a direct reporting structure to the TMT, ensures strategic oversight. However, if the balance between explorative and exploitative investments is guided by specific BU needs, rather than by the general corporate innovation strategic plan, lower horizontal autonomy may be advisable (still in a collaborative context). In this case, the TMT could be selectively involved in investment decisions, specifically for investments above a certain threshold, with primary decision-making authority in the investment committee delegated to representatives from the CVC unit and the BUs.

This hybrid, ambidextrous scenario encompasses much of the diversity and complexity found in CVC activity. However, various operational adjustments are possible in CVC activity.
For instance, as highlighted in Interview 3, while the unit maintained a strong strategic alignment with the mid-to-long-term strategic needs of its BUs they settled aside 10% of the unit capital for highly explorative investments outside the company's core focus, which required no corporate sponsorship. This approach exemplifies how CVC units can balance core strategic goals with the flexibility to pursue innovative, high-risk opportunities, adapting their governance structures to meet both immediate and long-term corporate objectives.

In these cases, the approach to investing in other IVC funds also varies significantly. Even though influenced by contextual factors, such as the age of the CVC unit and the level of expertise in VC activities, investments in other funds typically reflect strategic choices.
These choices include opening new markets in different geographies, thus staying close to the corporation's main domain, or building an ecosystem in another area of expertise outside the corporation's core, focusing on technological solutions with the potential to become game-changers for the parent company's industry.
Alternatively, investing in IVC funds may aim to increase discovery opportunities by gaining access to established IVC networks and deal flow activities.

Explorative Units
For CVC units with a highly explorative orientation, where the primary objective is to drive innovation beyond the corporation's current core business, a governance structure with a stand-alone legal entity, with both high vertical and high horizontal autonomy, is recommended. In these cases, where investments are directed towards long-term, explorative opportunities, the units should operate similarly to traditional IVC models.

Greater autonomy allows CVC units to innovate without the limitations imposed by conventional corporate decision-making, fostering an environment conducive to highly explorative investments. To mitigate the risks associated with slower corporate decision-making, these units should be structured to maximize operational dynamism, enabling them to compete for high-potential deals alongside top-tier IVCs. This setup entails establishing the unit as a stand-alone legal entity with initial capital allocation from the parent corporation. Proceeds should be reinvested within the fund, allowing the unit to maintain a long-term, self-sustained approach without restrictive limits. Additionally, CVC personnel should ideally have a VC investment background and VC expertise.

The horizontal interface can be maintained through the involvement of corporate experts, for example, in the screening or due diligence phases of potential investments. This involvement helps ensure strategic alignment with the corporation, especially if the technology is eventually integrated into the company through an acquisition exit.

Corporate engagement could also be valuable in the opportunity discovery phase, however, it would be preferable to prioritize input from the corporation's strategic innovation plan (guided by the TMT) and close engagement with the VC industry.

In terms of vertical autonomy, as emphasized, the complete exclusion of oversight was not observed throughout the sample. Instead, TMT involvement should be facilitated by including TMT members in the decision-making process through seats on the investment committee. However, it is crucial to avoid redundancy by limiting the number of corporate representatives on the committee. Ensuring a balanced representation, with significant decision-making authority assigned to CVC representatives and potentially incorporating external VC investors as advisors, fosters a decision-making process aligned with an IVC model. This approach also suggested in Interview 9, maintains an effective balance between corporate oversight and CVC autonomy, supporting agility and strategic alignment with explorative goals.

In cases where corporate expertise is limited in specific, non-core domains, engaging with specialized IVC funds is beneficial. Taking LP positions in funds that provide complementary knowledge enhances the CVC unit's ability to explore disruptive opportunities in unfamiliar investment verticals, facilitating ecosystem building in new venture spaces and improving access to deal flow.

Although the limited sample size prevents definitive conclusions about these connections, the findings are supported by the recent study by Schückes et al. (2024), published concurrently with this research, which corroborates these linkages across a larger sample. This parallel evidence strengthens the validity of this study's findings and suggests a promising direction for further exploration into how CVC governance can be effectively tailored to meet specific investment objectives. The study by Schückes and colleagues used a combined qualitative and quantitative approach to connect specific governance configurations with investment orientations (exploitative or explorative). Further, the present study also established a link between investment orientation and specific investment objectives, providing corporations with valuable guidance for structuring their CVC units according to precise objectives.

Interestingly, while Schückes et al. (2024) identify a direct relationship between the age of CVC units and a preference for explorative investments —suggesting that older units tend to adopt a more explorative orientation — this study did not confirm such a finding. Instead, the age of a unit was recognized as a contextual factor that influences orientation primarily through accumulated experience within VC dynamics, rather than through the chronological age of the unit itself. Specifically, more mature units are likely to have developed greater expertise in venture capital, which shapes their specific objectives. However, these objectives remain more closely aligned with the corporation's innovation strategy than with the age of the CVC unit itself.
As noted in Interview 2, a crucial factor for the longevity of a CVC unit is its capacity to adapt its mandate to the cyclical nature of corporate priorities, which may shift over time between more explorative and more exploitative focuses.

5.1.4. Role of Corporate Culture on Open Innovation on CVC Activity

The findings from subsection 4.3.1 indicate that corporate culture on open innovation can play a critical role in the effectiveness and longevity of CVC units. Across the interviews, it became clear that a corporation's overall attitude toward open innovation directly influences the operational effectiveness of its CVC initiatives. Key themes such as the impact of TMT changes, the stability of the investment horizon, and the corporation's understanding of CVC practices emerged as significant factors that can either support or hinder the CVC unit's achievement of the expected outcomes. CVC units embedded in corporations with a strong culture towards open innovation often experience smoother operational integration, higher stakeholder support, and improved outcomes, as they are better supported in their explorative activities.

However, when a corporation exhibits limited openness to external innovation, certain governance structures and specific governance characteristics can serve as moderators, potentially mitigating the negative impacts on CVC activity. In cases where a corporation's culture is more reserved toward open innovation, it is advisable for CVC units to pursue investment objectives that closely align with the corporation's core business, adopting a more exploitative approach. Such objectives tend to resonate well with parent BUs and align with immediate operational goals, which can foster trust, secure resources, and provide CVC units with the internal legitimacy needed to demonstrate the value the activity can bring to the organization.

If, however, the strategic aim is to maintain an explorative orientation despite a low open innovation culture, a governance structure with both high vertical and horizontal autonomy is recommended, potentially with stand-alone dedicated funds. This setup, discussed above, can minimize the negative impacts of a conservative corporate culture by creating an operational buffer, allowing CVC units to pursue activity free from corporation dynamics. Such a structure can also mitigate risks associated with sudden changes in corporate TMT. In these cases, it is advisable to limit the decision-making power of corporate representatives by minimizing their involvement in the investment committee or by balancing the composition of the committee with more power to CVC representatives.
Additionally, to safeguard against disruptions from corporate turnover, it is beneficial for these CVC units to operate with a predetermined budget allocation, ideally publicly announced, and a defined investment horizon, similar to a traditional IVC fund (typically 7–10 years). This framework provides stability, helping the CVC unit maintain continuity in its innovation efforts.

When operating within a corporation with limited belief in open innovation, CVC units should also prioritize financial returns to demonstrate tangible, measurable outcomes that can appeal to all the stakeholders across the organization. These financial results can underscore the CVC unit's value and legitimacy, offsetting a potential lack of belief in its strategic contributions, providing the legitimacy to exist to the units even in sudden changes of TMT or periods of economic downturn.

In summary, when facing a low culture of open innovation, CVC units can adopt one of two approaches: either aligning closely with exploitative, core-focused objectives or pursuing more independent explorative objectives while adopting a highly autonomous governance configuration. For the latter, operational measures such as clear objectives, defined capital and time horizons, balanced investment committee representation, and autonomy across both vertical and horizontal dimensions ensure flexibility and minimize internal friction.
In these contexts of low culture on open innovation, financial objectives become increasingly important. When the CVC unit operates within the corporate boundaries, these financial goals are not only prioritized alongside strategic objectives but may even become mandatory to pursue with greater focus, as they help demonstrate tangible value and build internal legitimacy. While Hill et al. (2009) and Weber and Weber (2005) suggest that financial objectives are often pursued more effectively in autonomous

structures, the findings of this study indicate that, in cases of low corporate culture on open innovation, pursuing aggressive financial goals is essential even for units within the corporate structure. This approach can enhance the unit's standing within the corporation, underscoring its value and securing the necessary internal support to sustain its activities.

This analysis of the role of corporate culture on open innovation forms part of the exploratory component of this research, where the initial impacts of corporate culture on open innovation and its influence on CVC performance were identified and interpreted based on qualitative findings. It is important to rehearse that, in this study, performance is defined as the alignment of a CVC unit's outcomes with the expectations of its corporate stakeholders, rather than as traditional financial or operational metrics. Hence, while this study provides valuable insights into how a strong culture of open innovation within the corporation affects CVC activities, future research should focus more intensively on this topic and explore how the corporate culture on open innovation impacts CVC performance, using traditional numerical or financial metrics. A graphic overview is presented in Figure 5.4

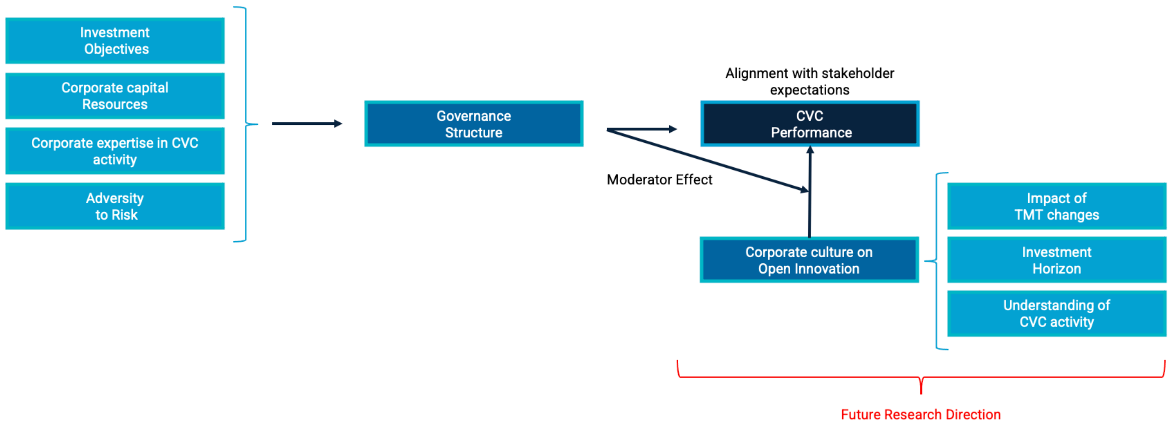

Figure 5.4: Overview of Findings from the explorative part of the research.

5.2. Limitation and Future Research

This study represents an initial attempt to shed light on the complex dynamics of CVC activities and how corporations should organize their CVC units according to specific investment objectives. However, several limitations need to be considered, which also suggest promising avenues for future research.

Sample Constraints

Although the case descriptions derived from the interviews provided valuable insights, alternative explanations shaping the decision of the governance structure for CVC units cannot be fully ruled out. Due to the limited sample size, theoretical saturation on possible other themes was not achieved, which restricts the generalizability of the findings beyond the studied sample. Despite efforts to obtain a diverse sample, limited access to pooled and dedicated fund structures imposed restrictions, preventing a statistically representative sample. Additionally, the study's focus on deep-tech sectors may limit the applicability of findings to other industries. Future research should broaden the study across other sectors to identify whether significant differences in investment objectives and governance configurations exist in different contexts. Such an approach may reveal industry-specific governance preferences, thus enhancing the practical relevance of the study's conclusions (Gompers and Lerner, 2001).

Focus on Active CVC Units Only

This study focused on active, and long-standing CVC units, which may introduce a bias toward more resilient or successful cases, potentially overlooking insights from units that were terminated or faced challenges. Including inactive or terminated CVC units in future research could offer a more balanced perspective, helping to identify factors contributing to both success and early termination in CVC activity. This approach would be especially useful for corporations interested in understanding termination risks and aligning governance structures to reduce such risks (Ma, 2020; Souitaris et al., 2012). Moreover, focusing solely on active CVC units may overlook other contextual factors contributing to early termination. For instance, cases of termination due to macroeconomic downturns or sector-specific challenges could serve as important contextual considerations. Conducting longitudinal studies could help capture the cyclical nature of CVC activity more accurately.

Qualitative Methodology and Exploratory Focus

This research sought to explore the potential connections between governance features and investment orientations, aiming to reflect the heterogeneity within CVC unit governance and investment objectives. However, the study did not assess the performance outcomes of aligning governance structures with specific objectives with particular quantitative metrics. Performance in the study refers to the alignment of a CVC unit's outcomes with the expectations of its stakeholders. Hence, the exploratory assumptions made to investigate the relationship between these variables and CVC performance did not employ precise performance indicators, and the qualitative coding approach may not fully capture rightly the outcomes of CVC activities. Future studies could build upon this design by developing more comprehensive, precise indicators to evaluate CVC innovation performance, incorporating less ambiguous quantitative data. For example, employing inferential statistical methods could yield insights with a higher level of generalizability, helping to confirm causality between CVC organizational features, investment objectives, their interactions, and their correlation with performance metrics.

Additionally, as outlined in the methodology section, the reliance on qualitative, interview-based data introduces potential biases, such as social desirability bias and interpretive bias. Although steps were taken to ensure transparency in the coding process, future studies could address these limitations by integrating quantitative methods to validate qualitative findings. A mixed-methods approach would provide a more rigorous examination of the connections between governance features and performance outcomes, enhancing the reliability of results through statistical confirmation (Creswell and Poth, 2018; Saunders et al., 2009).

Limitations in Exploring Corporate Culture and Governance Structure Moderator Effect

This study explored the impact of corporate culture on CVC activity and introduced the potential moderating effect of governance structures. However, this investigation was limited to interpretative insights derived from interviews, without empirical testing of these moderating effects. Future research should further examine how a corporation's open innovation culture influences the expected outcome of CVC activity, specifically focusing on how governance structures may moderate this impact. Quantitative studies with larger samples could statistically evaluate the moderating role of governance features, such as autonomy and decision-making authority, in the relationship between corporate culture and CVC performance. This approach would provide a more detailed understanding of these dynamics and potentially yield generalizable insights.

6 Conclusion

These final conclusions synthesize the key findings and interpretations from the study, offering a comprehensive response to each of the sub-research questions to provide a coherent answer to the main research question.

Focusing on the first sub-research question:
What are the main investment objectives corporations aim to achieve through CVC activity?

The study brought clarity to the multifaceted investment objectives highlighted in prior literature, shedding light on the diversity of these objectives and categorizing them into different categories (See Table 5.1).
The study further highlighted that CVC objectives often functioned in combination, forming a layered structure (Figure 5.3). At the base, government-based objectives aligned with regulatory and government policy goals, set a foundational layer. Financial objectives, consistently present across cases, played a supportive role in advancing strategic goals, as described in Section 5.1.2. Additionally, "being in the game" objectives acted as complementary aids, supporting both the strategic and financial aims of CVC activity.
The primary strategic objectives pursued by CVC units fell into market-based and technology-based categories. CVC units employed either a technology-driven (tech push) approach, a market-driven (market pull) approach, or a hybrid of the two, confirming their central role as key strategic drivers in corporate innovation, in line with findings by Dushnitsky and Yu, 2022 [1].

Moving to the second sub-research question:
What are the main CVC governance structures, and what distinguishes them?

The study's findings revealed that CVC governance structures are inherently complex and cannot be neatly categorized by traditional frameworks (i.e. Dedicated funds, Self-Managed funds, and Pooled funds), as outlined in Section 2.4 and evidenced by Röhm (2018) and Thomas Keil (2000). Thus, this study joined a nascent stream of research that qualitatively examined the inner workings of CVC units,

[1] See table 2.1 and Section 2.3 for the relative definitions of the specific investment objectives and categories.

enlightening the heterogeneity in organizational arrangements within CVC units (Basu et al., 2016; Frey and Kanbach, 2023; Schückes et al., 2024; Shankar et al., 2024; Souitaris et al., 2012).
The results indeed indicated that while certain governance characteristics are shared across different structures, significant differences in the relationship between parent corporations and CVC units can arise, even within similar categories. This finding highlights the necessity of a more granular analysis focused on specific governance characteristics, supporting the observations of Frey and Kanbach (2023).
On this matter, the study proposed some key governance characteristics as those that shape the relationship with the parent corporation, distinguishing them through the lenses of vertical and horizontal autonomy (Hill and Birkinshaw, 2014; Lee et al., 2018). In terms of vertical autonomy, features such as boundary definition, financial relationship with the parent corporation, and the organizational interface with corporate TMT, including IC composition and the unit's decision-making power, were found to be particularly relevant. Horizontal autonomy, on the other hand, encompassed a wide range of configurations, from subordination to a collaborative approach with the corporation's business units. Figure 5.2 effectively illustrates these key governance characteristics against the two dimensions of vertical and horizontal autonomy of the CVC unit from the parent corporation.

In addressing the last sub-research question:
What is the role of the investment objectives in the choice of the governance structure?

A central finding of this study is the importance of aligning investment objectives with the governance structure of CVC units, confirming the perspectives of Frey and Kanbach (2023) and Schückes et al. (2024). The study preliminarily demonstrated that misalignment between governance structures and investment objectives can lead to governance and operational challenges, making it more difficult for CVC units to achieve their intended goals, ultimately leading to the risk of early termination of the CVC activity.

With the results and discussion on the investment objectives and the governance configurations of CVC units (analyzed through the lens of vertical and horizontal autonomy), this study contributes to the literature on CVC by establishing preliminary links between specific investment objectives and CVC governance structure and characteristics. Thus, the study discusses three different organizational setups for CVC units (i.e. Exploitative units, Ambidextrous units, Exploratory units) that relate different governance characteristics best suited for the diverse investment objectives (See Section 5.1.3 for further details).

This research did not aim to measure the performance of CVC units in financial or operational terms, stemming from a mismatch between governance structures and investment objectives. The study preliminary demonstrated how different governance structures align with specific investment objectives and whether this alignment can impact the governance effectiveness of CVC activities and the likelihood of achieving intended outcomes.
The findings confirm that misalignment in defining governance structures relative to investment objectives can lead to governance and operational challenges, reducing the effectiveness of CVC units' activity, increasing difficulty in achieving their investment goals, and ultimately leading to the risk of early termination.

Lastly, taking into account all three sub-research questions, this study can provide an answer to the main research question:

How do corporations choose between different Corporate Venture Capital governance structures?

Corporations choose between different CVC governance structures based on a range of factors, including their investment objectives, corporate culture on open innovation, expertise in VC activity, resource availability, and risk tolerance.

Corporations with more exploitative strategic objectives (See Figure 5.2), aimed at fostering innovation close to the corporation's core, often prefer governance structures that enable closer integration with the parent company. These corporations tend to prioritize governance characteristics that limit both the vertical and horizontal autonomy of the unit from the parent corporation. In contrast, a more hybrid strategic orientation in the investment objectives (both explorative and exploitative), reflects governance structure choices that gradually allow for increased vertical and horizontal autonomy as the strategic objectives shift toward a more explorative nature. Finally, in cases where strategic objectives are predominantly explorative, long-term, and risky, corporations opt for governance characteristics that maximize vertical autonomy and define relationships with other business units as purely cooperative.

Corporations with financial objectives tend to balance direct investments with indirect investments in IVC funds with the aim of maximizing goals such as portfolio construction and portfolio management. However, the importance of financial objectives increases as the corporation's culture of open innovation decreases. CVC units operating within the corporation's boundaries, which recognize the need to prioritize higher return on investments and adopt more aggressive financial parameters, tend to gain greater legitimacy in their activities, particularly in contexts where the corporation has a low cultural inclination toward open innovation.

Corporate expertise in venture capital operations is also a determinant in the choice of CVC governance structure. Companies with limited VC experience often participate as limited partners in pooled funds or allocate part of the available capital for indirect investment leveraging the expertise, networks, and deal flow of professional venture capitalists while minimizing risks. Meanwhile, corporations with advanced VC expertise and resources are more likely to establish dedicated funds or operate self-managed funds, favoring greater control over investments and leveraging internal capabilities for deal sourcing and fund management.

Resource availability also plays a significant role, with larger firms often opting for independent, dedicated funds due to their ability to support such structures financially and operationally. This becomes especially true when corporations pursue highly explorative long-term strategic objectives.

Corporations with a low-risk tolerance often prioritize governance structures with tight control over investment decisions and closer integration with the parent corporation (low vertical and horizontal autonomy). This approach minimizes exposure to high-risk ventures by aligning CVC activities more closely with the corporation's core operations and strategic goals. These corporations also tend to invest indirectly through IVC funds to limit risks and capital exposure. In contrast, corporations with higher risk tolerance and entrepreneurial spirit favor more autonomous governance structures, allowing their CVC units to operate independently and align with the fast-paced VC and startup environment. This separation allows them to pursue disruptive innovations and high-growth opportunities that require greater flexibility, longer investment horizons, and acceptance of uncertainty.

Finally, an important finding of the study concerns the potential impact of corporate culture on open innovation on the activities of CVC units. Corporate culture for open innovation has been identified as a contextual factor that can influence the effectiveness, stability, and longevity of CVC activities. This finding, drawn from the exploratory phase of the research, remains interpretative and opens avenues for future studies. Evidence suggests that CVC units operating under the corporation's boundaries with low autonomy often engage closely with business units and set financial goals that are easily interpretable by the parent corporation and TMT. This approach appears to improve internal legitimacy and aligns with the short-term priorities of the parent organization. These units tend to prioritize internal stakeholder engagement to adapt to evolving mandates and maintain internal relevance by emphasizing short-term, easily achievable objectives.

In cases where corporations pursue long-term, explorative objectives despite operating in a low open innovation culture, It appears that structuring CVC units with greater autonomy is an effective way to address these challenges. These units, if set with defined investment horizons and proceeds structures, appeared better equipped to ensure long-term stability and continuity of CVC activities. Such arrangements allow the units to operate independently of corporate constraints, reducing the impact of unfavorable events such as shifts in TMT priorities or leadership changes. These findings underscore the importance of tailoring governance structures to mitigate the challenges posed by low open innovation cultures.

6.1. Final Practical Implication and Recommendations

The primary practical impact of this study is on corporations engaged in open innovation and on representatives of CVC units. The findings clarify aspects of CVC activity and provide corporations with a practical guide for structuring their CVC units to increase the likelihood of achieving their innovation objectives.

First, corporations should assess the orientation of their investment objectives, whether explorative or exploitative, by evaluating their current portfolio of innovation activities, both internal and external to the corporation.
Based on this orientation, the study provides guidance for identifying and prioritizing specific investment objectives (See Figure 5.2). Corporations are advised to align their governance structure with the objectives, considering recommended governance characteristics that optimize the relationship between the CVC unit and the parent corporation in terms of both vertical and horizontal autonomy(See Figure 5.1).
Recognizing the importance of aligning governance structures with investment objectives, this study highlights some fundamental governance characteristics to consider in defining the relationship between the CVC unit and the parent corporation. These characteristics are connected to varying degrees of horizontal and vertical autonomy, shaping how decisions are made and how the unit operates within the corporate ecosystem.
To this end, the study presents some organizational setups (explorative units, ambidextrous units, and exploitative units. Section 5.1.3) that specifically relate the strategic orientation of investment objectives to the organizational characteristics. These setups provide actionable insights for practitioners to effectively configure CVC units to align with their strategic and financial goals.

Finally, the findings highlight the critical role of corporate culture towards open innovation. The study offers specific governance recommendations for mitigating the potential negative impacts of a low culture on open innovation on the CVC activity, helping CVC units achieve success even in challenging corporate environments. For example, if a corporation has a low culture of open innovation, granting higher autonomy to CVC units pursuing explorative objectives, along with setting clear financial performance goals, can strengthen the unit's legitimacy within the corporation.

Overall, this research equips practitioners with insights for making informed decisions on structuring CVC units to achieve the expected outcomes by establishing an appropriate governance structure from the outset, and potentially reducing early termination risks.

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7

Appendix-A

Table 7.1: Quotes on governance structure for dedicated funds.

Source	Quote
Interview 7	”We say a fund, but in reality, we’re not really a fund as we are a public limited company [...] we have a relationship with [Parent Co] of course, in the sense that we act a little bit as a corporate VC, we also do regular corporate VCs”.
Interview 8	”[CVC arm name] is not a fund and it invests directly from the Balance Sheet, it is a company that was established five and a half years ago, whose goal is within [Parent Co] transition strategy”.
Interview 9	”We have a dedicated fund but I wouldn’t say that we were independent, I think this was kind of a wish more than a reality, because if you’re a single LP and the LP is your corporate company, and everybody is being paid by the corporate company and you are, running expenses being paid by the corporate company, then It’s pretty hard to be independent. So you have to challenge what this dream of independence means.”

Table 7.2: Interview quotes for CVC boundary definition and Financial Relationship with the Parent Co.

Source	Quote
Interview 1	”Budget is a different thing because we have a committed fund size. So the company basically announced that we are the CVC with how much money. So the company has announced to the public our fund size. But there are constraints on how much money we’re allowed to spend every year.”
Interview 2	(back in 1993) ”[Parent Co.] had a lot of capital at the time and used some cash to try to make some money. Then I think it evolved over time and probably not a lot of capital was deployed in strategic planning and the group came back into the treasury in [year] and the [Parent Co.] relaunched again (the fund) with the thought to deploy meaningful capital, so we have authorization from the board to deploy up to a certain dollar amount, $500 million.”
Interview 3	”We have our own money and we live with our proceeds, so our dividends and exits allow us to reinvest and pay the team. So we received a cash injection in 2012 and that’s it. We have a good cash-on-cash ratio and I hope that the company will provide us with more money to play with. When I look at my peers in [Country of the Parent Co], most of them received new cash injections from their mother company yearly, even though they are very bad in terms of financial management.”
Interview 4	We still invest from the balance sheet. [...] so it’s not a budget. So basically, we take every deal in isolation. There’s no capital deployment or capital deployment minimum. Basically, as the investments come and the BU’s want to move forward, as long as their executives approve the investment, capital can be deployed.”
Interview 5	[Parent Co.] has [number] business groups and each of the groups has a kind of trading and investment functions. Some of the groups have a kind of CVC arms like us but some of them are just the business unit, they invest directly by themselves. We are not like a separate entity from the corporation. So we are on the BS, on the balance sheet. We have like a virtual fund. It’s not really a fund, but we have a total 100 million US dollars for investments with a 10-year mandate.”
Interview 6	”We are a very early venture concept for [Parent Co.]. So our first action was actually to make the investment in [name of an IVC] to become an LP, and that is our first investment out of this endeavor. We aspire to earn the right to consume capital in Canfor, so we are not as of yet a dedicated fund.” This suggests an opportunistic budget allocation without a predefined budget allocation. ”We don’t envision this CVC becoming an off-balance sheet activity because we think in that scenario you risk becoming more of a financially motivated CVC which is not our primary objective.” This suggests an on-balance sheet financial reporting structure.
Interview 7	”Technically set up as a venture capital investor back in 2006, [...] the initial 100 million investment amount that we were entitled to or that we were given by our shareholders 100% funded the company. Over the years between 2006 and now has grown to [Number] million dollars through a couple of good investments, we returned [Number] million back to our parent company, and the rest is under management still at [Fund Name]”.
Interview 8	”[CVC arm name] is not a fund and it invests directly from the Balance Sheet, [...] proceeds go back to [Parent Co.] and we have a sort of a virtual fund from which we invest”
Interview 9	” We have a dedicated fund of [number] million euros where we can draw down from, so we are actually drawing down from the balance sheet. but we have this virtual dedicated fund, the money is not really in our bank and each investment is drawn down from [Parent Co.] balance sheet. [...] It is set up as an evergreen fund. The idea of an evergreen fund is very simple. You invest, you make money, you put it back in the fund, and the more money you make, the more you can invest and so it should be self-sustaining. We won’t get more money and the money that we get back is from our exits but it’s all virtual, the money, of course, goes to [Parent Co.], but virtually it’s our fund.

Table 7.3: Part 1 Quotes Reporting Structure and BU interface.

Source	Quote: Reporting Structure	Quote: BU Interface
Interview 1	"So the steering committee is basically the managing director of our fund and the head of the business line; those two guys must be there and then depending on the topic, our CTO will be there, and the head of corporate sustainability. It's not always the same people. If the ticket is big, we need to go to the board and go to the CFO. So how you govern the CVC really depends on how companies set up their reporting line. [...] If your CVC is still part of the corporate you need to put it somewhere. If you report to the CFO, it's very natural that you run like a financial institute.	"[...] We are put under R&D. [...] we also have what we call R&D scouts, technology scouts to look at what is going on in academia while we look at the startups but we have a lot of interaction with them to get access to their deal flow."
Interview 2	(CVC activity) "started out pretty much as a purely yield-driven activity. In the early nineties reporting right to the CFO [...] then it evolved over time on a more R&D strategic.[...] delegation runs through finance, it doesn't sit in the business; runs through me, my boss, and CFO. That's the chain of approval; some delegation lies with us, if it's over 10 million, it goes up to the CFO".	"We do have to have the peers from the businesses. We work very closely with the businesses.[...] We have a scouting network of eight scouts regionally located around the globe and their job is to kind of accumulate knowledge for the enterprise, finding or passing on potential interesting topics. We're connected to them with weekly meetings and then we can kind of plug them into the diligence processes."
Interview 3	"We report to the CFO of the innovation department. On the board, we also have the global CFO of the group who always pushes us toward financial excellence, reserves, and synergies. So we do have this dual report. Officially, we report to a CFO based in the R&D department but at the end of the day department we really want it to be strategic for the group".	"We review with the CTOs all the business lines we have, what are their priorities, they provide us twice a year a roadmap on each technology [...] what could be nice to have or must have and everything and we help them do this exercise of projections. Then we'll hunt for good startups and frameworks. [...] We have a startup accelerator. We have the M&A team on which we discuss also a lot, and of course, R&D which they are doing like joint development agreements or partnerships both with university or with a large corporation, and that is really a good source of potential co-investment. So we collaborate very closely with the other section of open innovation within the organization".
Interview 4	"We are business unit sponsored, we really look to the business units to really try to focus on what strategic alignments they see. Our CVC unit does not approve the investments. So we are more from an execution perspective. The business units and their senior leaders actually hold the actual final investment decisions. The CVC arm reports to the finance department so our senior vice president for the finance organization is the president but his approval is more of a passive approval, the BU senior leadership has approved the investment, then he's going to approve it as well".	"We're definitely separate from the business units. As BU sees opportunities to have venture capital investments or possibly acquisitions, they come to us, and so we're seen as a centralized corporate service. Those BU can be product-based, can be R&D based it really varies, but we execute on their behalf. [...] We get an understanding of what their meetings are and plan their strategic and technology roadmaps and we use that as inputs into our VC investment".
Interview 5	"Our CVC business unit is directly controlled directly under the group CEO. [...] We have an investment committee with three decision-makers. One is this group CEO, the group CFO, and our CVC unit manager.	"We have a relationship with the existing business unit. We are open to discussion with them to understand what are the kind of pain points in the industry or what are the kind of interesting topics to pursue, or if is there any opportunity that our portfolio company can kind of support or reinforce the existing business units".
Interview 6	"We have a sponsor committee which is made up of three senior executives: CFO, the VP of business development, and our chief legal of Corp dev. If those sponsors are supportive of the investment, then most likely the CEO will be supportive and we will proceed also because our spending profile is not so big that we need board approval at this point.	"We've tried to define the sandbox for our sector, and so we got permission to explore and ultimately invest in a certain set of domains. So by being really clear on those and ensuring that they align with our core activities, it became easier for our executives to say yes".
Interview 7	"We have a separate board of directors and we decided also to create an investment committee with only six people. The board is 12. The six people are two people from CVC management, and then two people from [Parent Co.] and two people from the [Second Government LP] and these four IC members are also board members. The board has decided to delegate its investment decision authority to the investment committee".	" We do technology scouting. If we find interesting technologies, we bring the startups in contact with the right people within the corporation; contacts at the CTO level, contacts at the global R&D level, but also contacts with people within the operating entities. The corporation also helps us do our due diligence. We have access to their experts who can give us some kind of opinions. Plus, once we've invested, of course, we try to work together with them as well. In theory, we don't have anybody else to agree on investment (apart from IC) but in reality, of course, when we invest in a domain where there is expertise within global R&D and CTO, it's hard to invest if these entities would not believe in it but we're not reporting to the innovation department or to the global R&D department".

Table 7.4: Part 2 Quotes Reporting Structure and BU interface.

Source	Quote: Reporting Structure	Quote: BU Interface
Interview 8	”We respond to both R&D and finance. We have a whole series of processes and gates to go through to get to the definition of the investment; we make a proposal and then an investment committee is submitted. We have an internal step and then there is also a step outside the company itself for approval. If we believe a lot in a company and the business doesn't believe in it, the R&D doesn't believe in it, we may even go ahead but normally we try to make sure that there is a sharing”.	”In [Parent Co.] we have a four-year technology plan updated yearly. Topic in the plan are divided, the business lines and the R&D structures have the focus on the plan for what concerns incremental innovation or efficiency gains, while this initiative wants to identify that so-called breakthrough innovation. Once the topics are identified and prioritized with macro research topic we identify 3-4 investments and there is a further screening with the R&D and business line review them”. [...] After the investment, we do reviews with the business lines and the startup so that we can identify in the course of the work potential if there are for joint developments.
Interview 9	”Since 2001, we were always reporting to the CTO of the [Parent Co.]. As of December last year (2023), we reported to the CFO. So that makes us much more financially oriented, not exclusively. As the same, the investment committee was chaired by the CTO. Now that's going to change because now we have the CFO and the head of finance. So we have two. I mean, we have the finance boss and the chief financial officer. It makes no sense to have both of them. We only need one. We have the chief strategy officer; the head of a business unit that brings much more operative experience than general management; the head of a regional unit. And we used to have someone who was much more head-of-research-oriented. It's a bit of a mix. It's a bit of redundancy.	”We were part of the whole research landscape which means we worked with corporate R&D, with the new business development units within the business units; were linked with universities. There was a big research ecosystem. Now that is falling apart because the business units are under pressure. They're all cutting down on their new business development activities. Their scouts are gone, and the corporate research is being cut into pieces and integrated into the business units. We're, one of the last men standing in open innovation at [Parent Co.].[...] I spend a lot of time managing relationships internally, dealing with all the operating divisions, all the deal flow I get in which I don't invest in I bring to the division attention”.

Table 7.5: Quotes related to Financial Objectives.

Source	Quote
Interview 1	”We have a strategic mandate with a financial target that is normally not as aggressive as financial institutions. [...] You need to have those kinds of systems in place and align with all kinds of KPI metrics to get CVC motivated and work against it and reach consistency”.
Interview 2	” We have a mandate that, the entire portfolio should have a 15% IRR. We have to check two boxes for us. They have to be somehow strategic and then we have to be able to underwrite them for venture capital-like return. [...] We have to be the ones at the delegation to make the investment decisions and stand firm if we don’t think it has the return characteristics”.
Interview 3	”At the end of the day we really want it to be strategic for the group. But we are under pressure in terms of the KPI we have. It’s only financials”.
Interview 4	”From a financial perspective, we always look at the economics of the term sheet just to make sure that those are favorable but we’re really not looking to get multiples when it comes to an exit. [...] However, our MOIC does have to be positive. We can’t be losing money”.
Interview 5	”Even though our main objective is a strategic return we believe that if there are no financial returns to the startup, there are no strategic returns as well. The financial objective it’s not the final goal, but we only invest in the startup that can be financially successful. [...] Even though there’s a very strong strategic match, if this startup is not really financially successful, we don’t invest so when we evaluate startups, first we evaluate if they can be a (financially) successful startup, like financial VCs would do”.
Interview 6	”We do look specifically at the financial objectives just to tease that out”.
Interview 7	” The primary objective is of course, to make good investments that can make money. We’ve done a couple of good investments (in terms or IRR) that, you know, made everybody a bit more at ease at the type of risks that we’re taking. So yes, we do (have financial objectives). I mean, we are not too different from a financial investor, sometimes we consider ourselves even a financial investor as well because at the end of the day, we need to show financial return[...] targeting 5 to 10x IRRs, if at all possible, north of 25%”.
Interview 8	”If the returns that are assumed at 5 or 7 years given have returns and profitability quite in line with the incumbent solutions, then it is probably better not to do the venture capital activity. So the minimum level has to be the one that beats the existing business (incumbent technology). If financial returns are not achieved (from the startup), at least on paper, there is no moving forward”.
Interview 9	”We cannot be a cost center. We have to be a profit center. If the portfolio startup loses money, what’s strategic in that? Nothing. We have to make money [...] if we’re not self-sustaining financially, we’re dead”.

7.1. Coding Rules for Strategic Objectives

Technology-Based Objectives

Gap filling: Quotations in this category typically refer to CVC investments aimed at addressing specific gaps in the corporation’s technology or capabilities. Key indicators for these quotes often include references to technologies that complement existing corporate assets, enhancing or improving current products, services, or capabilities. These investments show a clear strategic fit between the startup’s innovations and the corporation’s needs, often focusing on technologies that are close to or adjacent to the company's core business. The gap-filling quotes emphasize leveraging these technologies to strengthen the corporation's current operations rather than pursuing entirely new, distant opportunities. (exploitation)

Window on technology/environmental scanning: Quotations in this category typically refer to CVC investments aimed at scanning the environment for new technology opportunities. These quotes highlight a higher exploratory nature of investments compared to gap-filling, focusing on technologies that are adjacent or may go beyond the corporation's core business and capabilities. The key indicators include looking for potential solutions that open new opportunities rather than complement existing capabilities, with an emphasis on discovery, business expansion, and landscaping activity (exploration). For example, *"We go more in the discovery phase, looking to grow into the next business scope or model that interests us."* (Interview 1)

Explorative Learning: Quotations in this category typically refer to CVC investments aimed at gaining access to new knowledge and disruptive innovations that go beyond the corporation's current expertise and knowledge. These quotes often indicate the pursuit of breakthrough technologies or disruptive solutions outside the company's core business. The more explorative objective and key indicators include references to exploring new discoveries, potentially closer to academia, or early-stage innovations, without any kind of technological derisk, that could lead to future technological advancements. For example, investments in areas like quantum computing applied to chemical formulation, looking for breakthroughs that could reshape industries. (Exploration)

Efficiency enhancing: Quotations typically refer to CVC investments aimed at improving internal operational efficiencies by providing startups access to the corporation's resources or underutilized technologies. These quotes often mention how startups benefit from the corporation's assets, such as plant capacity, expertise, or factory space, with the main goal of operational improvements of the startup. The key indicators include references to engaging operationally with startups and leveraging corporate capabilities to enhance productivity. For example, *"We really try to engage with the startup not only financially but also by providing access to our corporate experts and capabilities."* (Interview 8) (Exploitation)

Market-Based Objectives

Market testing and Trend Scanning: Quotations often emphasize the market exploratory nature of investments, where the goal is to discover new customer needs and create or open new market spaces. This specific objective is characterized by a certain degree of explorative nature while being still connected to the market, hence having a more exploitative nature for example compared to the explorative learning objective. The key indicators for this objective include references to longer-term market horizons, new market opportunities, and consumer trends that have yet to fully materialize. The risk in this objective tends to be higher, as the market is not yet fully established.

Capturing Market Opportunities / Market Gap Filling: Quotations in this category refer to investments focused on addressing existing market demands or filling gaps in the corporation's current market share. These quotes emphasize exploiting already identified needs or capitalizing on market segments where there is a clear opportunity for growth. The key indicators include references to better serve existing consumer needs, adjacent or complementary markets, and expansion of market share. This objective typically carries a lower risk, as the market opportunity has already been identified.

Government-Based Objectives

Aligning with Government Policies and Directives: Quotations refer to CVC investments that are driven by the corporate need to comply with or align with government policies and national directives. These quotes often indicate that investments are made to stay in line with regulations or government priorities, especially in industries where innovation is crucial for economic growth. The key indicators include mentions of compliance with regulations and investments in sectors prioritized by government initiatives. For example, policy to incentivize EVs mobility or Hydrogen mobility, to lower global emissions leads to investments in related technologies.

Addressing Global Challenges: Quotations in this category typically refer to investments aimed at tackling large-scale global issues, such as climate change or resource scarcity. These quotes emphasize the corporation's effort to address societal and environmental challenges by investing in startups developing innovative solutions, often outside their core business. Key indicators include references to climate transition, cleantech, or other technologies that address global problems. For example, actively investing in cleantech startups to help address the climate crisis and stay ahead of industry regulations.

"Being in the game" Objectives

Ambient Knowledge: Quotes typically refer to CVC investments aimed at acquiring knowledge through continuous engagement with the venture capital ecosystem. These quotes often highlight activities like attending industry conferences, networking with other investors, and learning from professional venture capitalists, sending seconded to IVC to learn from their experience. The key indicators include references to learning about common venture capital practices, deal evaluation, financial metrics, portfolio management practices etc. Insights here are strictly related to VC activity.

Relationship with the VC Community Objective: Quotations refer to CVC investments aimed at building or maintaining relationships with other venture capitalists and investors. These quotes often highlight the importance of engaging with the broader VC ecosystem for networking, co-investment opportunities, access to deal flow, and startups. The key indicators include references to collaborations with other investors, shared deal flow, and industry best practices. This objective is similar to the following two objectives in ecosystem building but in this case, has a broader definition to the whole VC community not aiming for specific access to a new area of expertise or a new geography.

Ecosystem Building Objective: Quotations in this category refer to CVC investments in other funds aimed at building or accessing VC ecosystems in new geographic regions or unfamiliar industry verticals or areas of expertise. These quotes often indicate the corporation's intention to gain access to startups, experts, and deal flow in a new space or geography that is not part of the corporation's current area of expertise. The key indicators include references to investing in funds with a stronger regional presence or expanding into a specific industry vertical.

Signaling to Other Firms Objective: Quotes refer to CVC investments in other funds with the aim to signal the corporation's presence in the Venture capital industry to competitors, startups, or the broader industry. For example, investing in well-known industrial IVC can show the legitimacy and intentions of the corporation in the VC industry to startups or to other corporations. These quotes often emphasize the strategic value of showing other firms that the corporation is actively seeking solutions, innovating, or pursuing specific areas of growth. The key indicators include references to signaling to startups that the corporation is interested in partnerships and signaling to competitors about its strategic direction.

Helping Articulate Strategic Vision Objective: Quotations in this category typically refer to investments in IVC that can help the corporation refine or articulate its long-term strategic vision. These quotes often highlight the corporation's need to engage with the VC ecosystem corporation can decide to engage with IVC to gain access to insights into market trends, innovation, and venture activities outside the slow corporate environment which can then be translated into the corporate innovation strategy.

Portfolio Construction/Portfolio Management Objective: Quotations in this category typically refer to CVC investments in IVC aimed at building or managing CVC portfolio balancing risk, financial returns, and strategic objectives. These quotes often mention investments in other funds to complement direct investments, follow on in different stages of investment, or syndicate to access larger ticket-size investments. The key indicators include references to balancing risk across direct and fund investments, investing in early or later-stage opportunities, and building a diversified portfolio.

Table 7.6: Part 1: Quotes related to the connection between investment objectives and governance structure.

Source	Quote
Interview 1	”You need to structure the whole thing exactly to serve a purpose. Because in the end, you need to have a consistent strategy which is based on the investment objectives plus the right metrics”.
Interview 2	I think the governance structures are aligned to the investment objectives” [...] but also ” the structure of our resources and the skills and capabilities of the organization definitely drive the strategy on what types of governance structure choose. If those (internal capabilities, resources, and network infrastructure) weren’t there we were for example investing 30% of the fund in a special corporate fund like Emerdal or whoever” .
Interview 3	Interpretation: this unit first started with a more financial-orientated team and with investments in other IVC funds. Then after building their own experience in the VC space the team moved to a more technical orientation (10 people: 2 financials, 8 technical; close to the corporation business units). It can be concluded that in this case the choice of the governance structure was based on 3 factors: 1 Resources: at first main goal was acquiring knowledge in the space. 2 Objectives: they want it to be strategic and hence become a self-managed fund with a tight link with the BU and CTO roadmaps. 3 Open Innovation corporate culture: they chose this governance structure because the corporation culture on open innovation allows that. ”Some smart people within the organization were able to show that open innovation is not just a marketing motto. It’s real. [...] First, you need some people internally that open the door and explain what is really open innovation so then you will understand what is the startup world, and what values CVC activity can bring and finally you can define your CVC objectives.”
Interview 4	The decision to go through the unit structure ” I think it’s definitely driven by the investment strategy. This particular CVC was set up to really try to maximize the strategic outcomes from the investment. So with all of the investments being sponsored, I think it really kind of de-risk the investment because you have the business unit engaged upfront and the technology has really signed up. [...] So I think that if there was a pivot with the strategy to be more financial, I think they would set up a separate unit that would be primarily financially driven and that would maybe have its own dry powder that would operate sort of independent of what we’re doing today.”
Interview 5	”I think that the investment objectives play a big role in the right CVC structure. When we started this business unit, actually we tried to build a separate entity. We tried to be a kind of off-balance sheet. But, we stayed in the company and on the balance sheet and it was not really intended but eventually, I think it was good because our objective is mainly strategic and the strategic return comes also from the relationship with the existing business unit. But if we had been a separate entity this relationship would have been more complicated to manage.
Interview 6	”We aspire to earn the right to consume [Parent Co.] capital, so we are not as of yet a self-managed/dedicated fund. I would say we don’t envision this CVC becoming an off-balance sheet dedicated fund because we think in that scenario you would become more of a financially motivated CVC which is not our primary objective. It’s actually far riskier and more onerous if we would have created a fund for [Parent Co], and become directly, tied or exposed to a bunch of early-stage companies rather than having a fund do it. It’s much easier to exit if this does not work because the fund is essentially an investment, if it doesn’t work, we write off the investment”.

Table 7.7: Part 2: Quotes related to the connection between investment objectives and governance structure.

Source	Quote
Interview 7	No explicit answer was provided
Interview 8	”Absolutely Yes there is a link with respect to objectives and governance structure”. with our objectives and expectation from the company ”we try to be as aligned as possible [...] between us, the company, the startup the business lines, the R&D
Interview 9	”For us, there’s no link between the governance and the objective. It’s sad to say, but it’s the way it is and for us, there’s not really a link between the way we’re managed and what we do”.

8

Appendix-B

8.1. Interview Script

Research Context:

Corporate Venture Capital (CVC) activity has become the second-largest source of funding for entrepreneurs. In 2022, 19.9% of all venture capital deals involved CVC, compared to 11.8% in 2012 (NVCA, 2023). However, peaks in CVC investment are not uncommon, as the sector has historically shown a cyclical nature, with firms often abandoning CVC units prematurely, unable to properly assess their prospects (Dushnitsky and Shaver, 2009,Gompers and Lerner, 1998). Research by Gaba (2007) indicates that firms with a deeper understanding of their CVC programs are less likely to abandon them early and are more likely to meet their goals, thus overcoming the cyclical investment trend. This suggests that to ensure the success and longevity of CVC units, it is crucial to understand the motivations and objectives behind CVC activities to avoid premature termination. While some research has explored the causes of failure in CVC units, it often points to unclear objectives and insufficient management as the primary issues. These findings suggest a relationship between the objectives for CVC activity and the governance structure of CVC units (Frey and Kanbach, 2023; Thomas Keil, 2000). This reveals the need to delve deeper into how different investment objectives influence the choice of governance of CVC units, based on the idea that different organizational structures can support different objectives.

Research Focus: This study seeks to answer the main research question: How do corporations choose between different Corporate Venture Capital governance modes? To address this, the research question is divided into the following sub-questions:

1. What are the main investment objectives that corporations aim to achieve through CVC activity?
2. What are the main CVC governance structures, and what distinguishes them?
3. What is the role of investment objectives in the choice of the CVC governance structure?

Interview Questions

CVC Units Governance Structures (15 minutes)

- Can you provide some general features of your CVC department: when did your CVC activity first begin, and how has it evolved over time?
- What governance model does your CVC unit follow (Dedicated Fund, Pooled Fund, Self-Managed Fund or On balance-sheet, Off balance-sheet)?
- If your governance model does not follow any of these modes described, can you please provide insight into what are the main governance characteristics? To who do you report (i.e. R&D or finance department)?
- Do you invest off/on the balance sheet? Is there an annual budget allocation?
- How is the decision-making process on investment? Is there an investment committee? Who is involved?
- How would you describe the relationship and relatedness between your CVC activity and other external or internal venturing and corporate innovation activities?

Investment Objectives (15 minutes)

Understanding Objectives: As investment objectives, multiple ones exist and the literature mainly distinguishes between financial and strategic.

- What are the primary objectives that your organization aims to achieve through CVC investments? And how do you balance pursuing strategic versus financial objectives in your CVC activities?
- Do you recognize any of the reported strategic and financial objectives? Use Table 8.1 as a reference. Are there any other investment objectives your CVC unit pursues that haven't been mentioned?
- Can these objectives be pursued simultaneously (or one lead to another) or some sort of conflict exist that can hamper the success of the investment?

Connection Objectives-governance structure and CVC activity (15 Minutes)

- Why did your organization choose this specific model, and to what extent does this decision relate to the investment objectives rather than other factors?
- How important, in your view, are the investment objectives in the choice of the right CVC governance structure?
- How do these objectives impact the governance characteristics of your CVC activities?
- How do you ensure that your governance structure aligns with your CVC unit's strategic and financial goals? What are the main challenges you have encountered on this?
- In your experience, how critical is the alignment between CVC investment objectives and the management structure for the success of the CVC unit?

Conclusion (5/10 Minutes)

- Is there anything else you would like to add or any advice you would give in relation to the topic?

Category	Specific Insight	Definition	Key reference
Technology-based Objectives	Gap Filling	Firms can pursue CVC activity to fill gaps in their capability sets, seeking out ventures engaged in developing technologies that complement investors' expertise	Basu et al., 2016; H. W. Chesbrough, 2002; Dushnitsky and Lenox, 2006; Maula, 2001; Winters and Murfin, 1988
	Window on Technology/Environmental Scanning	Corporations monitor emerging technologies and trends, maintaining a "window" on advancements in their industry through CVC investments.	Basu et al., 2016; Benson and Ziedonis, 2009; Dushnitsky and Lenox, 2006; Dushnitsky and Shaver, 2009; Rossi et al., 2017; Dushnitsky and Yu, 2022
	Explorative Learning	Gaining access to new knowledge and disruptive innovations that go beyond the corporation's currentexpertise and knowledge through CVC investments.	Hill and Birkinshaw, 2014; Keil et al., 2008; Rossi et al., 2021; Schildt et al., 2005; Pinkow and Iversen, 2020
	Efficiency Enhancing	Through collaboration with startups, corporations can improve operational efficiencies by leveraging underutilized internal resources such as technologies, facilities, or expertise.	Basu et al., 2016; Campbell et al., 2004; H. W. Chesbrough, 2002
Market-Based Objectives	Market testing and Trend Scanning	Evaluate new markets and test emerging trends, ensuring alignment with future consumer demands and industry shifts through CVC investments.	Basu et al., 2011; Dushnitsky and Shaver, 2009, Dushnitsky and Yu, 2022; Maula 2007; Pinkow and Iversen, 2020
	Capturing Market Opportunities / Market Gap Filling	Address unmet needs in the market, enabling firms to capitalize on growth opportunities through CVC investments.	
Government-Based Objectives	Aligning with Government Policies and Directives	Investments in startups aligned with governmental priorities help corporations comply with regulations, participate in national initiatives, or access public funding.	Da Gbadji et al., 2015; Dushnitsky and Yu, 2022
	Addressing Global Challenges (e.g., climate change, cleantech technologies)	Investments in startups that tackle global issues, reinforcing the corporation to ensure corporation's competitive advantage.	
"Being in the Game" Objectives	Ambient Knowledge	CVC investments aimed at gaining insights into how the VC industry operates, enabling corporations to learn the practices IVC firms.	Danneels and Miller 2023;
	Relationships with VC Community	Investments aimed at establishing ties with institutional venture capital firms to gain access to deal flow, expertise, and industry insights for informed decision-making.	Danneels and Miller 2023; Pinkow and Iversen, 2020
	Ecosystem Building	Investments aimed at developing a network of startups, partners, and innovators to foster collaboration and innovation in areas aligned with the corporation's strategic goals.	Basu et al., 2011; Basu et al., 2016;Danneels and Miller 2023; Pinkow and Iversen, 2020;
	Signaling to Other Firms	Investment aimed at demonstrating the corporation's engagement in innovation and entrepreneurial ecosystems, signaling to competitors, investors, and strartups.	Danneels and Miller 2023;
	Helping Articulate Strategic Vision	CVC investments in IVC that can help the corporation refine or articulate its long-term strategic vision gaining insights into innovation trends and venture activities.	Danneels and Miller 2023;
Financial Objectives		CVC activities driven purely by financial goals aim to capitalize on surplus resources, such as excess cash reserves or revenues, with the intention of generating high ROI.	Chesbrough, 2002, Keil, 2000, Hill & Birkinshaw, 2014; Yang et al. 2008; Szalavetz and Sauvage, 2024; Winters and Murfin, 1988
Governance Structures	Dedicated Funds or Single Limited Partner (LPs)	Standalone legal entities, organizationally independent from the parent corporation but fully funded by it.	Frey and Kanbach, 2023; Marcus Schroeder, 2021; Röhm, 2018; Thomas Keil, 2000 Schückes et al. 2024; Shankar et al. 2024; Strebulaev and Wang 2021
	Pooled fund or Multi LPs	The corporation participates as one of several limited partners in a fund managed by an external general partner.	
	Self-Managed Funds	Funds integrated into the parent corporation, operating directly from its balance sheet as internal units/activity.	

Table 8.1: Investment Objectives and CVC Governance Structure from the Literature.

8.2. Informed Consent

Dear Participant,

You are being invited to contribute to a research study titled "Corporate Venture Capital: CVC Governance Structures and their Alignment with the Corporate Investment Objectives". This study is being conducted by Niccolò Moro as part of the Master Thesis project in Management of Technology as part of the Technology Policy and Management faculty of TU Delft.

Purpose

The purpose of this research study is to understand how corporations choose among different corporate venture capital (CVC) management structures (i.e., pooled funds, dedicated funds, and self-managed funds) based on their investment objectives, to inform practitioners. Moreover, the research aims to clarify how the different CVC governance modes align with corporate investing objectives. This study will involve semi-structured interviews. By participating in this study, you will bring valuable insights into the strategic and financial motivation corporations have to engage in CVC activity and how these motivations relate to the corporate venture capital management structure.

Procedure

Your participation will involve an interview lasting approximately 60 minutes recorded and transcribed for analysis of the data. The transcription of the interview will be shared with the participant for transparency purposes and to avoid any involuntary disclosure of sensible data. During the interview, we will discuss topics related to the specific investing objectives that motivate corporate venture capital activity, and how these objectives influence the choices among different CVC governance structures (with particular attention to the governance characteristics of the CVC units). This will help verify and contribute to the knowledge on how to connect CVC objectives with governance features of CVC units resulting in useful guidance for practitioners to ensure that CVC units are set up for success from the beginning, increasing the chances of achieving their intended outcomes and avoiding early termination. Your input will be aggregated with the insights of other CVC representatives to formulate conclusions and present the results anonymously in the MSc thesis outcome project. The thesis will be publicly available upon completion of the project.

Confidentiality & Data Handling

The researcher recognizes the importance of safeguarding your privacy and confidentiality. Any information you provide during the interview will be treated with strict confidentiality. Your personal information (i.e.g. name, email address, company name, and any other personal information or indirect identifier) will not be disclosed, and all data collected will be used solely for this research study.
The data collected will be securely stored on TU Delft's servers and will only be accessible to the TU Delft personnel involved in this study. Your data will be stored for a maximum of a month after the end of the study, after which it will be securely deleted.

Voluntary Participation and Withdrawal

Your participation in this study is entirely voluntary, and you have the right to withdraw at any time without providing a reason. Your decision to participate or withdraw will not result in any negative consequences.

Please tick the appropriate boxes	Yes	No
I have read and understood the information above, or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.		
I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and I can withdraw from the study at any time, without having to give a reason.		
I understand that I will receive transcript the of the 60 minutes interview that will be made public in the Thesis.		
I understand that taking part in the study involves audio-recording and transcription of the interview for academic analysis purposes. The data will not be shared with third parties to minimize the risk of data breach.		
I understand that personal information collected about me that can identify me, such as Name, email address and other indirect identifier like company name will not be shared beyond the study team.		
I understand that the (identifiable) personal data I provide will be destroyed within November 2024.		
I agree that my responses, views or other input can be quoted anonymously in research outputs		

If you have any questions or concerns about the research study or your participation in it, please feel free to contact the researcher. Contact details are shared.
By participating in this study, you indicate your consent to the terms outlined above. If you agree to participate, please sign and date this form below.

[Participant's Signature] [Date]