A Corporate Venturing Unit at ENGIE Ventures and Integrated Solutions

A MSc-thesis Research project in External Corporate Venturing Objectives and important Factors for a Corporate Venturing Unit engaged in external Corporate Venturing

Martijn Kemper
MSc. Management Of Technology
Faculty of Technology Policy and Management
A Corporate Venturing Unit at EVIS
A MSc-thesis Research in External Corporate Venturing Objectives and crucial Factors for a Corporate Venturing Unit engaged in external Corporate Venturing

Conducted at ENGIE Ventures and Integrated Solutions [EVIS].

Master thesis submitted to Delft University of Technology in partial fulfilment of the requirements for the degree of

MASTER OF SCIENCE in Management of Technology

Faculty of Technology, Policy and Management

by

Martijn Kemper
Student number: 4742788

To be defended in public on: April 28th

Graduation committee

Chairperson: Dr. L. (Dap) Hartmann, Associate Professor, TPM-DCE
First Supervisor: Dr. ing. V.E. (Victor) Scholten, Assistant Professor, TPM-DCE
Second Supervisor: Dr. T.W. (Theo) Fens, Senior Research Fellow, TPM-ETI
External Supervisor: Ing. W. (Wisse) Hummel, Innovation Officer, ENGIE NL
This page is intentionally left blank.
Acknowledgements

With this report, I proudly present the result of my Master thesis research that marks the end of my time as a student ‘Management of Technology’ at the Faculty of Technology Policy and Management of the TU Delft. During this Master program, the worlds of technology, innovation and management came together, making it an highly interesting period. During the course Corporate Entrepreneurship, my interest for the world of Corporate Venturing was sparked, leading to the focal topic of this Master thesis research, conducted at ENGIE Ventures and Integrated Solutions, providing me with the opportunity to combine academics and practice.

Throughout the research, many ups, and some occasional downs, strengthened my initial thoughts about the focal concept of Corporate Venturing, as this domain is in my view the ultimate melting pot of everything the Management of Technology program embodies. Because without the right organizational modes and investment climate, ideas will never turn into technological innovations.

The journey this thesis represented would not have been possible without certain people. I would like to thank ENGIE Ventures and Integrated Solutions, in particular Wisse and Toon, for the opportunity of writing my thesis at their department. Their guidance has helped me a lot in both my research project, as well as my personal and professional development. Furthermore, I would like to thank my graduation committee, consisting of Dap, Victor and Theo for their critical feedback and steering in case necessary. I would also like to thank the interviewees, both within and outside ENGIE for their time and provided expertise. Their inputs have been very valuable for the outcome of this research. Finally, I would like to thank all my friends and family that have supported me in any form whatsoever throughout the process of writing my thesis.
Executive summary

Corporate Venturing, is a recurrently researched mechanism for corporates to stay innovative. However, the difficulty of establishing a Corporate Venturing Unit, becomes apparent in the literature. Resulting in a research gap, highlighting the absence of empirical research gathering all concepts (i.e. factors) that are crucial to consider in developing a CVU engaged in external CV. A scattered array of literature can be identified emphasizing certain factors to be crucial for a CVU, however, an aggregation of these factors is absent. ENGIE Ventures and Integrated Solutions (EVIS) also resorts to external CV activities, in order to cope with the pace of technological innovations in the predominantly classical energy industry making it an interesting case to conduct the research. The need for developing an overview of the intended CV objectives and the factors that are crucial for a CVU at EVIS to consider while engaging in external CV, was identified in addition to the general research gap. Resulting in the main research question: “Identify what is important for EVIS in developing a Corporate Venturing Unit in order to improve the current External Corporate Venturing activities”.

As indicated, both external CV objectives (i.e. the rationale behind external CV), as well as factors crucial to consider for a CVU to engage in external CV activities are researched. The first part of the research consisted of research endeavors into external CV objectives, in order to develop a version of the intended external CV objectives for a CVU at EVIS. This has been done by conducting a thorough literature review. Consequently, these insights were used as a foundation to conduct internal interviews at EVIS in order to develop a set of intended CV objectives for a CVU at EVIS. The second part, researching the factors, started with a literature study, resulting in the development of a conceptual framework of factors. This conceptual framework has been used as a foundation for a total of nine external interviews. Resulting in the formation of a definitive framework, where all factors are showcased. Ultimately, the insights of both the internal interviews and external interviews are processed into implications for EVIS. And a conclusion is given as to which of the identified factors are found to be most important.

For the CV objectives intended for a CVU at EVIS, strategic objectives should outweigh the financial objective, where the following strategic objectives are specifically mentioned in order of importance: Strategic corporate renewal and a window on new technology, business models and capabilities – Promoting ENGIE’s innovative and entrepreneurial image – Developing an innovative and entrepreneurial culture within the corporate – Leveraging internal capabilities, competencies and ideas to create new business – Accelerating innovation though ventures – Creating deal flow for corporate M&A. For the financial objective, the interviewees at EVIS indicated the room for potential loss-making investments and ambiguity towards whether every investment should be financially viable. However, external interviews provided a different insight: every investment should show good financial returns, purely looking at the investment financials. Furthermore, the factors that should be considered in order for a CVU to engage in external CV activities, based on literature and external interviews, have been approached by categorizing them into five categories: Factors internal to the CVU, factors in the relation between the CVU and the corporate parent, between the CVU and external ventures, between the CVU and spin-offs and between the CVU and external investment partners. The following factors have been found to be most crucial to consider for a CVU engaging in external CV activities: balancing strategic and financial objectives, the CVU’s team composition and compensation, the autonomy of a CVU and the degree of autonomy it provides to ventures, collaborative investments together with financial and strategic co-investors, and specific activities of a CVU with spin-offs (e.g. motivation to spin-off, involvement of external investors, etc.). However, most importantly, there is no one size fits all for the factors identified. Hence, each CVU should make its own decisions with regard to the identified factors, in order to create the most suited circumstances for their CVU. For a CVU at EVIS, the implications derived show that the CVU should primarily focus on later stage disruptive ventures, while maintaining a strong financial objective. Also, the CVU’s team at EVIS should be built by attracting people externally with the right VC experience, and a dedicated investment budget should be provided in order to improve the CVU autonomy and reputation of the CVU of EVIS in the ecosystem. In terms of collaborating with external partners, collaboration with VCs is crucial for a CVU at EVIS due to the complementary capabilities and reputational benefits. Also, externally managed funds should be invested in by the EVIS CVU.
Table of Contents

Acknowledgements ......................................................................................................................... 5
Executive summary ............................................................................................................................. 6
List of Figures and Tables .................................................................................................................. 8
1. Introduction .................................................................................................................................. 10
   1.1. Theoretical context; Corporate Venturing ........................................................................ 10
   1.2. Practical context; EVIS and ENGIE .............................................................................. 12
   1.3. Research Scope and Problem Definition ...................................................................... 13
   1.4. Research Questions ........................................................................................................... 17
   1.5. Relevance of the study ....................................................................................................... 18
2. Methodology ................................................................................................................................. 20
   2.1. Research approach and phases ......................................................................................... 20
   2.2. Literature research approach ............................................................................................. 23
   2.3. Internal interviews SQ1 ...................................................................................................... 24
   2.4. External interviews SQ2 ..................................................................................................... 26
   2.5. Anonymity of the interviewees ........................................................................................... 28
   2.6. Reliability, Validity and expected limitations of the research approach ....................... 29
   2.7. Alterations made to the approach during the research process ...................................... 30
3. Literature findings - External Corporate Venturing Objectives ................................................... 31
4. Literature findings – Important Factors for a CVU ...................................................................... 36
   4.1. Corporate Venturing Unit Internal Factors ....................................................................... 37
   4.2. Factors in the Relation between CVU and the Parent firm .............................................. 42
   4.3. Factors in the Relation between CVU and External Ventures ......................................... 45
   4.4. Factors in the Relation between CVU and external investment partners ....................... 48
   4.5. Factors in the relation between CVU and Spin-offs ......................................................... 50
   4.6. Conclusive; Conceptual Framework from literature research ....................................... 54
5. Data gathering and Interview Results ......................................................................................... 55
   5.1. Internal interviews: Deriving External CV Objectives for a CVU at EVIS (SQ1) ............ 56
   5.2. External interviews: Discussing the Factors from literature research (SQ2) .................... 60
   5.3. Resulting Framework; overview of interview insights ...................................................... 82
   5.4. Most important factors based on interview insights .......................................................... 85
   5.5. Comparing literature and interview insights ..................................................................... 91
6. Deriving Implications for EVIS ................................................................................................... 93
   6.1. Deriving Implications for EVIS - Based on Literature and Practical insights ................. 94
   6.2. Results Workshop implications for a CVU at EVIS .......................................................... 100
7. Conclusion .................................................................................................................................... 105
   7.1. Answering the research questions ...................................................................................... 105
   7.2. Reflecting on the Proposition ............................................................................................. 112
   7.3. Discussion ............................................................................................................................ 112
8. Recommendations ......................................................................................................................... 114

TU Delft MSc thesis
Martijn Kemper - MSc Management of Technology
References .................................................................................................................................. 117
Appendix A) Practical context; EVIS and ENGIE ................................................................... 121
Appendix B) Past Venturing and practical examples at EVIS .................................................. 123
Appendix C) Interview Protocols – Internal & External Interviews .......................................... 124
Appendix D) Additional interesting insights from the internal interviews ............................... 127
Appendix E) Coding of the interviews ..................................................................................... 128
Appendix F) Company-specific Results of the external interviews .......................................... 130
Appendix G) Emphasized factors mentioned by interviewees .................................................. 144
Appendix H) Implications for the CVU at EVIS – SQ3 ............................................................. 146

List of Figures and Tables

Figure 1) Illustration of the Open Innovation Paradigm. Source: (Chesbrough, 2003) ............ 10
Figure 2) Visual representation of the research focus-area ...................................................... 14
Figure 3) Research Questions ................................................................................................. 17
Figure 4) Research Flow Diagram .......................................................................................... 22
Figure 5) Interview process internal interviews ..................................................................... 24
Figure 6) Interview process external interviews ..................................................................... 26
Figure 7) Resulting findings of Corporate Venturing objectives in the literature .................... 35
Figure 8) Visualization of the interplaying relations for a CVU to categorize the factors ........ 36
Figure 9) Types of innovation a venture can be categorized in. Source: (Lopez, 2015). ........... 39
Figure 10) Conceptual Framework from literature research ................................................... 54
Figure 11) Example of coding the external interview transcripts ............................................ 60
Figure 12) Focus area of interviews for results paragraph 5.2.1 ............................................. 61
Figure 13) Focus area of interviews for results paragraph 5.2.2 ............................................. 67
Figure 14) Focus area of interviews for results paragraph 5.2.3 ............................................. 71
Figure 15) Focus area of interviews for results paragraph 5.2.4 ............................................. 74
Figure 16) Focus area of interviews for results paragraph 5.2.5 ............................................. 77
Figure 17) Definitive Framework resulting from external interviews ....................................... 82
Figure 18) Resulting external CV objectives for a CVU at EVIS ............................................. 95
Figure 19) Most important extracted from Definitive Framework .......................................... 107
Figure 20) EVIS within the ENGIE organization .................................................................... 122
Figure 21) Initial Code Book ................................................................................................. 128
Figure 22) Improved Code Book ........................................................................................... 129

Table 1) Interviewees – Exploratory interviews .................................................................... 13
Table 2) Problems and challenges identified in the exploratory interviews ......................... 15
Table 3) Interviewees selected for the semi-structured internal interviews ......................... 24
Table 4) Interviewees part of workshop ............................................................................... 100
1. Introduction

Paragraph 1.1 provides a theoretical context of the research and introduces the unit of analysis. Furthermore, paragraph 1.2 contains the practical context of ENGIE, specifically EVIS, the Business Unit at which the research has been conducted. Ultimately, the Problem Statement and research scope are described in paragraph 1.3. Consequently, the Research Questions can be found in paragraph 1.4. The relevance of the study, considered from both a scientific as well as a practical viewpoint, will be discussed in paragraph 1.5.

1.1. Theoretical context; Corporate Venturing

An interesting quote is borrowed from Markham et al., (2015): “Corporate Venturing must be assessed in relation to other alternatives, but it brings the most value when one recognizes that one’s own company is not the sole proprietor of good ideas” (Markham et al., 2015). Consequently, as most smart people do not work for you, and innovative knowledge is distributed throughout the economy, the term Open Innovation has been introduced by Henri Chesbrough in 2003 (Chesbrough, 2003a). Accordingly, this concept of Open Innovation could help companies operating in technology industries to overcome the erosion of the closed innovation paradigm. In this light, Open Innovation can be referred to as the concept of knowledge inflows and outflows across firm boundaries with the intention of leveraging sources of external knowledge and commercialization opportunities (Chesbrough & Bogers, 2014). An illustration of the open innovation paradigm has been borrowed from Chesbrough (2003), and can be found in Figure 1.

![Illustration of the Open Innovation Paradigm](source)

Figure 1) Illustration of the Open Innovation Paradigm. Source: (Chesbrough, 2003)

In their strategic undertakings of overcoming the closed innovation paradigm, numerous companies resort to developing Corporate Entrepreneurship (CE) and Corporate Venturing (CV) capabilities as mechanisms to stay innovative (Vanhaverbeke, Van de Vrande, & Chesbrough, 2008). As these rather large and incumbent companies experience difficulty with generating radical innovations, these incumbent companies tend to look outside their own walls for innovation. This also holds for ENGIE in the Netherlands, embodied in their Business Unit EVIS. Firms that are able to stay competitive by exploiting and exploring new opportunities faster than their competitors during the disruptive changes experienced in their industries, have a higher chance of avoiding the so-called situation of a lock-in. Moreover, a call for increased levels of corporate entrepreneurship are prevalent in industries that experience rapidly changing environments (Keil, 2000; Burgelman, 1984; Leten & Van Dyck, 2012). Specifically, conducting (open) innovation through CV activities has several advantages. Firstly, the focal corporate can benefit from a financial commitment that is delayed due to the ability to invest step by step in external ventures. Secondly, through CV, a corporate can profit from very early involvement in a new business opportunity or technology. Thirdly, corporates can fully control and manage the exiting process of internal ventures by means of Spin-offs. As the corporate makes the decision to not further continue the venture internally as part of a Business Unit, it can still benefit from it financially and strategically by controlling the Spin-off process and connection with these ventures. Finally, the activities
of CV are very flexible, meaning that the financial losses can be marginalized by pulling the plug early (Vanhaeverbeke et al., 2008).

In essence, CV activities can be categorized in internal and external venturing. Internal CV revolves around developing business models within the focal corporate, and exploiting these within the walls as well. These new innovations can be originated from varying firm-levels and departments, but the organizational entities created in the process remain within the organizational domain of the corporate as we know it. Whereas on the other hand, the concept of External CV contains the pursuit of strategic objectives by investing in, and managing, ventures external to the corporate (Maula, 2007); (Reimsbach & Hauschild, 2012).

As will be elaborated more extensively in Paragraph 1.3, this MSc-thesis research will focus on External CV endeavours. However, the concept of this is rather ambiguous in the literature. Therefore, the following definition of Sharma & Chrisman (1999) is quoted to define the concept: External corporate venturing "refers to corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organization" (Sharma & Chrisman, 1999). Hereafter, these autonomous organizational entities are referred to as ‘ventures’.

The organizational modes that can be part of External CV are: Spin-offs, acquisitions, alliances, and corporate venture capital investments (Keil, 2000). Despite being part of External CV, these Spin-off ventures have their origins within the focal corporate. Furthermore, the specific activities a corporation places under their External CV activities are different in both theory and practice (Keil, 2000). Consequently, this focused approach argues for the establishment of a dedicated program within a corporation that invests and manages the Corporate Ventures. This program, hereafter referred to as a Corporate Venturing Unit (CVU), is responsible for the External CV activities, and investment and management of the ventures that reside outside the organization. These CVUs are crucial as they embody the exploration of novel technologies, new business models, and strategic rejuvenation (Vanhaeverbeke & Peeters, 2005); (Birkinshaw & Hill, 2005b). The development of a CVU involves the provision of a mandate to invest both funds and resources (i.e. knowledge and human resources) in novel opportunities residing outside the organisation (Leten & Van Dyck, 2012).

However, the establishment of CVUs is not new, and has seen numerous waves throughout history. The authors Birkinshaw & Hill (2005) argue that the establishment of CVUs at large corporates has seen three major waves. The first wave, occurring around the 1960s, showed 25% of the Fortune 500 companies engaging in the establishment of CVUs. However, a recession in 1973 resulted in the closing of the CV initiatives of numerous companies. The second wave, occurring around the 1980s was partially hampered by another recession in the late 80s. However, a third wave occurred alongside the dot.com bubble and many companies hopped on this bandwagon. This third wave showed higher success rates, partly due to the incorporation of more Venture Capital-like templates for their CVUs (Birkinshaw & Hill, 2005b). An important finding of research is that, since the early 2000s, the CVUs are showing higher levels of sophistication for their venturing activities resulting in greater abilities to nurture and developing successful external corporate ventures (Birkinshaw, 2005). The current wave of CV is shown to be accompanied by a stronger strategic focus by the parent companies on venturing as a means to stay innovative (Dushnitsky, 2011).

From this first introductory literature research, a generic theoretical problem can be extracted. This is based on the literature describing the challenges corporates have with developing their external CV activities, as well as the challenge for researchers to discover what a corporate should consider in establishing a CVU that focuses on external CV. This urges the need for research in this area, and will be explained more profoundly in paragraph 1.5, where the relevance of the study is argued.
1.2. Practical context; EVIS and ENGIE

This paragraph provides a practical context in addition to the theoretical context. Primarily, the focus will be at the Business Unit (BU) EVIS, as the research is predominantly focused at the venturing activities here.

Prior to developing a research scope, and extracting the problem definition at EVIS, the following initial motivations in deciding to conduct this MSc thesis research project at ENGIE (specifically EVIS), were considered by the researcher. Firstly, the energy industry is experiencing rapid changes in terms of technological innovation due to the current focus on climate change. Making the industry interesting for innovation related research in multiple ways. Secondly, the energy industry is a rather old-fashioned and classic (compared to, for instance telecom industries) industry, making it interesting to discover how a rather novel concept such as CV works in this industry. Thirdly, EVIS is a BU that is still in its infancy, discovering several innovation related tools and concepts. Of which CV is one, making it a more interesting case compared to a BU that has ample experience in this.

The profound explanation of the practical context (i.e. information about both EVIS and ENGIE) is moved to Appendix A.
1.3. Research Scope and Problem Definition

Several exploratory unstructured interviews have been executed in order to identify the challenges EVIS faces in the light of their Corporate Venturing activities. This is done in a diagnostic way. The interviews are shown in Table 1.

Table 1) Interviewees – Exploratory interviews

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Role / Job-title</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Manager &amp; Innovation Officer EVIS / Innovation &amp; Incubation</td>
</tr>
<tr>
<td>#2</td>
<td>Manager Ventures (i.e. all venturing-related activities) at EVIS</td>
</tr>
</tbody>
</table>

Scope of the research

The challenges and problem-areas identified by the interviews revolve around several themes. However, the general notion of the stated problems, is that EVIS experiences difficulties in dealing with the new ventures that originate through their external venturing activities. Meaning either ventures that originate internally and enter a spin-off process, or ventures that have their origins externally and receive minority investments. The overlap with these ventures in terms of both the investment as well as the management concepts occurs due to the fact that in both cases the focal ventures are early stage start-up or scale-up ventures in which the corporate holds a minority share through external CV activities.

The urge of research into the area of External Corporate Venturing at EVIS, is a result of questioning the current state-of-the-art of venturing activities at EVIS. These are still in its infancy, this stems from the fact that the Business Unit EVIS was only originated in 2017. As described in Paragraph 1.2, EVIS uses a structured approach towards the development and incubation of both internal as well as externally originated new ventures and innovations, by means of an Open Innovation Funnel. The Innovation & Incubation team is responsible for the activities involved in the Open Innovation Funnel. However, when the new corporate ventures exit the innovation funnel, the Ventures team is supposed to take over follow-up investments and the nurturing of the ventures (i.e. Venturing activities). Also, external ventures, that are more mature, are invested in and managed by the Ventures team. These ventures with a higher maturity are not entered through the Open Innovation funnel efforts of the Innovation & Incubation team.

In result, the scope of the MSc-thesis research, based on past venturing-activities by EVIS, will be on the activities of external ventures (i.e. Corporate Venture Capital) and Spin-offs. All these activities are contained in the focal CVU. External CV activities, in a CVU that focuses on both Spin-offs and external ventures can be conceptualized as a hybrid CVU (Birkinshaw & Hill, 2005a). Research shows that this combination is present in practice (Shah, Burgers, & Scholten, 2008).

The research scope is accompanied with the following Proposition that will be tested empirically in this study: “It is possible for a CVU to focus its activities on both CVC investments in external ventures, as well as on spin-offs.” This proposition is based on several authors discussing the concept of external CV to be involving both spin-offs and external ventures. However, none of these studies discuss a CVU focusing on both spin-offs and external ventures in their portfolio.

A definition of the two organizational modes the CVU focuses on is provided below using the study of Keil (2011):

**Spin-offs**: The Spin-offs part contains the activities of investing and nurturing internally originated ventures in order to spin these ventures off to outside the corporate organization. Assisting in Spin-offs is an often recurring activity of CVUs, as they can serve as an outlet for internally developed opportunities. A spin-off is a venture that is developed as an internal venture (i.e. within the corporate walls), that is placed outside the corporate organization as a new entity (i.e. external venture), where at least one outside party holds an equity stake in the new spin-off venture in addition to the minority ownership by the corporate parent. Only spin-offs that are based on novel business ideas or
technologies developed are considered (and allowed to spin-off by the corporate parent), hostile and competitive spin-offs are disregarded in this research (Parhankangas & Arenius, 2003).

**External ventures:** Minority investments in external (startup) ventures that are, and stay, outside the corporate organization in order to reap financial and strategic benefits from the investment. It contains the minority investments and nurturing external ventures similar to the work of institutional VCs.

In applying this scope to the case of EVIS, two separate routes of new Corporate Ventures, entering the ‘Ventures-space’ are identified: Route A) Ventures that originate through the Open Innovation funnel and Route B) Ventures with higher maturity that enter through the venturing activities of the Ventures team. In order to provide a better understanding of the focus area of this research project (i.e. the Ventures-space), a schematic overview is developed and presented in Figure 2, combining the insights of Paragraph 1.1 and 1.2 with the current scope and problem definition. Here, both Route A and Route B of new Corporate Ventures are shown. The highlighted area (in red), denotes the exact area of focus for the MSc-thesis research. The focus area denotes the area where EVIS experiences the problems and challenges introduced with regard to the new Corporate Ventures from both routes A and B entering the Ventures-space. As highlighted, the decisions in the Ventures-space are primarily influenced by EVIS. However, other involved entities within ENGIE are the Global strategy, and the existing ENGIE New Ventures fund.

The activities of a Corporate Venturing Unit, as described in Paragraph 1.1, focuses on the activities that interplay in the so-called Ventures-space. The external CV activities that are relevant for EVIS are captured within this unit. The intended activities within the CVU, intended for the case of EVIS, align with the description of Birkinshaw & Hill (2005a), arguing that a CVU is a distinct organizational unit that is under the control of the corporate Parent, that is responsible for investments in external start-up ventures and Spin-off investments of internally originated ventures. And the nurturing of these ventures. Nurturing is conceptualized as the influence corporate investors impose on the ventures to improve their development and exploit synergies (Dennis Park & Steensma, 2013). The authors also argue the incubation of internal and external ideas to be captured within this unit, however, this is not the case at EVIS. As the Innovation & Incubation team is responsible for these activities, and is therefore coined as the ‘birthplace’ of ventures.

![Figure 2: Visual representation of the research focus-area](image-url)
Past Venturing and Practical Examples at EVIS

In order to provide a more profound understanding of the venturing context at EVIS, in addition to the identified scope and area of research (i.e. the Ventures-space), a rough indication is provided of the expenses and two examples are given of Ventures (Route A and Route B). The information provided will provide the reader with a better foundation in order to understand the problems and challenges at EVIS. And the resulting research objective that follows in the next paragraph.

The Past Venturing and practical examples at EVIS are moved to Appendix B, as these insights are not paramount to understanding the remainder of this report.

Extracted Problems and the Research Objective

As indicated, the perceived challenges experienced by EVIS arise in the tension-area where ventures exit the Open Innovation Funnel, and enter the venture-space (Route A), these ventures can be both Spin-offs and external ventures. Also, the separate stream of more mature (external) ventures entering the Ventures-space is challenging in this matter (Route B). The following problems have been extracted from the interviews, see Table 2. The challenges and problems indicated by the interviewees interplay in the ‘Focus area of the research’ as highlighted in Figure 2.

Table 2) Problems and challenges identified in the exploratory interviews

<table>
<thead>
<tr>
<th>Identified problems and challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge with ‘landing’ ventures that originate through both routes A and B in the Ventures-space. Lacking insight in important factors that are crucial for a unit or program that manages this. Specific challenges mentioned:</td>
</tr>
<tr>
<td>- Managing a portfolio of new ventures</td>
</tr>
<tr>
<td>- Alignment of venturing activities with venturing objectives</td>
</tr>
<tr>
<td>- Compensation of EVIS personnel involved with venturing</td>
</tr>
<tr>
<td>Lacking clear and communicated understanding of the venturing objectives and rational behind spin-offs and external ventures that EVIS engages with through external CV.</td>
</tr>
<tr>
<td>The urge for further investigation of locally managed venturing units is mentioned. Ambiguity exists by several executives, on how to manage local venturing initiatives considering strategic, financial and operational autonomy of the CV program or unit.</td>
</tr>
<tr>
<td>Challenge of developing a Corporate Venturing Unit in the Netherlands that is resilient from both changes in corporate management and strategy.</td>
</tr>
<tr>
<td>Need for a more clear separation between Innovation &amp; Incubation and Ventures activities. Focus more on ventures that have technology and business plan more or less in place for the activities in the Ventures-space.</td>
</tr>
<tr>
<td>Small scale of the current Ventures-portfolio highlights the poor performing ventures, these ventures determine the general tendency at ENGIE towards venturing in NL. The poor-performing ventures in the portfolio directly hit the entire EVIS budget in a negative way.</td>
</tr>
</tbody>
</table>

After carefully digesting the literature on External CV and CVUs, and the wide-ranging problems and challenges identified at EVIS, a research objective is developed. The most important finding of the exploratory interviews, is the pressing necessity of developing a Corporate Venturing Unit in order to deal with the external venturing activities that occur in the focus area of Figure 2. The approach is currently still in its infancy. Consequently, it is interesting to discover certain factors that have an influence on the alignment of the CV activities and the CV objectives in a very broad and exploratory manner, in order to discover what is important in a CVU that focuses on the defined concept of external CV.
The value of deriving a research objective is twofold. Firstly, it defines a delineation of the research, which can be used to manage expectations at all parties involved. Secondly, the research goal can be used as a bridge between the problem section and the research questions. Hence, the following research objective is defined:

**Research Objective**

“Identify the factors and CV objectives that are important for EVIS in developing a Corporate Venturing Unit in order to improve the current External Corporate Venturing activities”
1.4. Research Questions

In order to meet the stated research objective, a Main Question has been derived. Accompanying this Main-Question, is a set of Sub-Questions. SQ1 aids in providing insights in the principal objectives that are used in by Corporate Venturing Units in general. Additionally, SQ1 is applied to EVIS to identify the intended set of CV objectives they want to pursue in the improved state. SQ2 is drafted in order to aggregate all factors that are important to consider for a CVU that is engaged in external CV, considering the CV objectives from SQ1. Whereas SQ3 is answered to see how the identified objectives and factors have implications for EVIS. For an overview of the research questions, see Figure 3 below.

**Research Objective**

“Identify what is important for EVIS in developing a Corporate Venturing Unit in order to improve the current External Corporate Venturing activities”

**Main-Question [MQ]**

What is important for EVIS in developing a Corporate Venturing Unit (CVU) that meets the intended External Corporate Venturing objectives?

**Sub-Question 1 [SQ1]**

What are External Corporate Venturing Objectives for a CVU? And for a CVU at EVIS?

**Sub-Question 2 [SQ2]**

Which factors are important to consider for a CVU engaged in external CV?

**Sub-Question 3 [SQ3]**

What are the implications for EVIS with regard to the identified factors?

*Figure 3) Research Questions*

In order to answer the stated research questions, an inductive qualitative exploratory research approach will be used. The research approach and method is profoundly described in Chapter 2. However, to give the reader a basic understanding of the research approach, a brief explanation of the initially intended research approach is provided hereafter. However, it is important to note that this explanation holds the initial approach developed prior to actually conducting the research, the changes made to the research approach, while conducting the research, are described in Chapter 2 as well.

The Conceptual framework will be developed by answering SQ1 with an extensive literature review and a set of internal interviews within EVIS, and SQ2 solely with an extensive literature review. Consequently, the step to the Practical framework is made by conducting interviews with several external case studies at CV Units of other companies, based on the findings of the Conceptual framework. Ultimately, the Practical framework is applied to the case of EVIS specifically by answering SQ3, with this information a Definitive framework is developed by means of internal interviews and a focus group.

Again, in order to get a better understanding of the research approach, an extensive description is provided in the Methodology Chapter 2.
1.5. Relevance of the study

Firstly, the contribution to the academic world is elaborated upon by means of a description of the scientific relevance. Secondly, the practical relevance is described.

Scientific relevance

The concept of Corporate Venturing has been the subject of ample research endeavours over the past decades. However, the identification of numerous waves of the establishment of CVUs and programmes by corporates shows the challenge of developing these CVUs in such a way that survival is ensured and, most importantly, the stated external CV objectives are met (Birkinshaw & Hill, 2005b). Moreover, research has shown that a current fourth wave of CV is happening right now, urging the need for research in the strategic management and structured approach of external CV activities embodied in a CVU, in order to ensure longevity of success in terms of reaching certain CV objectives. In addition, Birkinshaw & Hill (2005a) state in their research that, in a lot of the CVUs they studied, a clear formation of external CV objectives is absent, arguing for a clear identification of both these for the case of a CVU at EVIS. Furthermore, the research objective is in line with Birkinshaw, Van Basten-Batenburg, & Murray (2002), arguing that developing both clear CV objectives and consequently a clear structure to deliver these objectives is crucial in a successful CVU. The research objective aims to identify both the CV objectives and conduct extensive research into the factors that are important in a CVU responsible for meeting these objectives.

This study addresses a significant gap in the literature by providing empirical results of factors that are crucial to consider when a corporate wants to engage in external CV by means of a CVU. A gap is found in the literature, that urges for the aggregation these factors, whereas current literature is rather scattered. Moreover, this research will contribute to that literature in multiple ways. Firstly, it will aggregate and integrate the scattered factors identified in the literature that are important for a CVU that engages in external CV. Attempting to make the identification of the factors important for a CVU as exhaustive as possible. Secondly, the research contributes to the body of academic research encompassing CV, by empirically assessing the conceptual framework by executing several interviews in the field of external CV anno 2020. Thirdly, literature review showed that most research in the area of CV focused on the corporate parent specifically (Narayanan, Yang, & Zahra, 2009). Whereas this study will use the CVU as unit of analysis, while considering its relation with the corporate parent, external ventures, spin-offs and external investment partners, making the research unique in the fact that it aggregates the factors concerned in all relations.

Additionally, as the proposition in paragraph 1.3 already posed, the available research in the area of a CVU focusing on both spin-offs and external ventures is rather absent, posing an additional knowledge gap. It is interesting to see how empirical evidence can add to this gap. Moreover, some studies argue that the spin-offs are a rather ignored concept of CV in general (Elfring & Foss, 1997). Thus it is found interesting to focus on a CVU based on the concept of external CV, where both external ventures and spin-offs are part of the concept ‘ventures’. In addition to this theoretical consideration, this aligns with the interests of EVIS as well, as they focus on both external ventures and spin-off ventures.

Practical relevance

External Corporate Venturing initiatives, embodied in CVUs, are established to both nurture and explore ventures and innovative opportunities. However, it is argued that these CVUs responsible for these endeavours are still in their embryonic stages (Birkinshaw, 2005). History has shown many firms fail in achieving a positive result (i.e. reaching the stated venturing objectives) in their venturing efforts, due to difficulties in developing and managing a strategic approach (Covin & Miles, 2007). As defined in the problem statement, EVIS experiences several challenges in their early attempts of external Corporate Venturing in the Netherlands. The problem statement strengthens the case of this research from a practical point of view, as the management at EVIS asks for insights in how they can best deal with developing a CVU to deal with ventures arriving from multiple routes as indicated in the scope. Here, the identification of factors that are important to consider in developing a CVU, through literature and practical insights, contributes to practice. Additionally, as the theoretical relevance already indicated, the identification of clear CV objectives is paramount to the success of a CVU. Currently, at EVIS, a
clear set of these CV objectives for external CV are absent as indicated in the problem statement. The identification of literature insights and an EVIS-version of the external CV objectives for a CVU will add to the practical relevance of the research in this matter.

The findings from the research will predominantly be of interest for the management at ENGIE (specifically EVIS). However, the findings could be interesting for CVU managers at different companies across several industries. Also, corporates currently discussing the start of external CV activities embodied in a CVU can profit from the insights of this research. As the results will be showcased in a generalizable manner with a so-called head and tail of EVIS.
2. Methodology

This chapter presents the research methodology that is chosen to answer the indicated research questions of this study. In paragraph 2.1, the general research approach is explained using five distinct and consecutive phases ultimately visualized in a research flow diagram. Paragraph 2.2, 2.3 and 2.4 respectively elaborate upon the methodological specifics of the literature research, the internal interviews and external interviews. The decisions encompassing interviewee anonymity are briefly described in paragraph 2.5. Reliability and validity issues and the expected challenges and limitations of the chosen research approach are described in paragraph 2.6. Ultimately, the researcher highlights the alterations that were made to the chosen research approach throughout the process 2.7.

2.1. Research approach and phases

In this MSc-thesis research, the researcher is interested in exploring certain factors to provide insights in the way EVIS should conduct their external CV activities embodied in a Corporate Venturing Unit. Furthermore, external Corporate Venturing objectives for the CVU at EVIS are identified. Hence, the unit of analysis taken in this research, is that of a Corporate Venturing Unit in the context of EVIS. As the knowledge gap explained, no current aggregation of these factors, from both theory and practice, exists. Hence, the general research approach for this MSc-thesis is an inductive qualitative exploratory research design. The case around which this research is focused, is that of external CV activities at EVIS.

The researcher has decided that a qualitative approach, using interviews, is most suited considering the research objective and questions. Conducting a quantitative study has, however, certain advantages that were considered in this decision; a quantitative approach allows the researcher to gather more data in a shorter time, and is thus more efficient. However, as the goal of this study is to gain deeper insights into certain factors, extract opinions from experts, and discover underlying motivations, a qualitative approach was found to be more suitable. Additionally, for example survey methods are prone to interviewee bias or misunderstanding of the questions asked. When misunderstanding about certain questions is perceived in an interview setting, the researcher is able to explain the context of a question and clarify certain intentions. The interview-setting is beneficial in the exploratory nature of the research as well; it allows the researcher to really sit down with certain experts and explore certain concepts together (Sekaran & Bougie, 2016). Strengthening this decision of the researcher to conduct a qualitative study by means of interviews, is the fact that numerous researchers in the field of corporate venturing have used quantitative approaches in their studies. Also, as corporate venturing is a rather unexplored topic amongst academics, a qualitative study should provide other researchers and readers in general with additional interesting insights as opposed to an (often) narrower quantitative approach.

Besides deciding on whether to use interviews as a research approach, it must be decided what exact form of interviews are most suitable in this study. For interviews, three forms are identified: structured, semi-structured and unstructured. For this study, the researcher has decided to conduct semi-structured interviews for both SQ1 and SQ2. The adaptability and inherent flexibility semi-structured interviews provide to a researcher are important in this (Sekaran & Bougie, 2016). Semi-structured interviews allow the researcher to deviate from an initial list of question or ask follow-up questions when an interviewee has, for example, more knowledge about a certain topic or emphasizes certain concepts him/herself. Paragraph 2.3 and 2.4 will elaborate more on the specifics of the semi-structured interviews for both SQ1 and SQ2.

For the remainder of this section, an explanation of the research approach is provided per distinct phase of the research. Ultimately, these phases are schematically showcased in a Research Flow diagram paragraph 2.1.2.

2.1.1. Phases of the research

The research approach is divided in five phases. Each of the distinct phases are briefly elaborated upon in this paragraph. Ultimately the phases are processed into a research flow diagram in paragraph 2.1.2.
Phase 1 – Context and Problem Setting

The first phase of the research approach consists of developing a sound problem definition and theoretical context, using the identified theoretical problem from the introduction as a starting point. The problem definition is derived through explorative unstructured interviews with the people that are involved with the venturing activities within EVIS. Furthermore, the theoretical context is explained in order to provide the researcher with a theoretical lens through which the research can be viewed. Ultimately, the problem definition, in combination with the theoretical context, is used to develop a research objective and several research questions.

The context, research scope, problem definition and resulting research questions can be found in the preceding chapter 1.

Phase 2 – Theory Building

The second phase of the research, after deriving the research questions, consists of theory building. In the theory building phase, both SQ1 and SQ2 are answered, by executing an extensive literature review. Ultimately, the answers on SQ1 and SQ2, from the literature, form the basis of the Conceptual Framework. These findings from literature are used as building blocks (i.e. topics of discussion) in the following phase. Additional methodological information about the literature research can be found in paragraph 2.2.

For SQ1, the literature findings, regarding external CV objectives in general, can be found in chapter 3. The findings of the literature research for SQ2 can be found in chapter 4, including a resulting conceptual framework of factors.

Phase 3 – Data Gathering

The third phase of the research consists of the gathering of data from practice. This data will be used to evolve the conceptual framework (based on literature findings) towards a resulting definitive framework that applies a practical lens towards the theoretical findings that have been used as a starting point for the interviews.

First for SQ1, internal semi-structured interviews are conducted in order to develop an EVIS-version of the intended external CV objectives for a CVU at EVIS, where the literature findings – of CV Objectives in general – are used as a basis to structure the interview questions. More information about the methodology of the interviews conducted for SQ1 can be found in paragraph 2.3.

For SQ2, the approach used to develop the definitive framework, are external semi-structured interviews with several Corporate Venturing Units or programmes of other companies. As indicated, the conceptual framework developed through literature review, will be validated and elaborated in practice through interviews. More information about the methodology of the interviews conducted for SQ2 can be found in paragraph 2.4.

Consequently, the results of the interviews, conducted for both SQ1 and SQ2, can be found in the results section in chapter 5. More specifically: Paragraph 5.3 the resulting framework is showcased containing all factors that have been discussed during the interviews including the main take-aways. Paragraph 5.4 provides an overview of the most important factors based on the external interviews. Paragraph 5.5 highlights the most important differences between literature and practice that were identified throughout the interviews.

Phase 4 – Implications

Ultimately, the findings of both the literature and practice for SQ1 and SQ2 are applied to the case of a CVU at EVIS. In this phase an answer is provided for SQ3. The goal of answering SQ3, is to specifically apply the findings from the theoretical and practical world to the case of EVIS. Firstly, the researcher develops an aggregation of implications based on the insights developed through literature and interviews, these are proposed as implications. Consequently, these implications were discussed internally with several representatives of EVIS in a workshop setting. The goal of this discussion is to
extract the opinions of the involved people in order to improve the implications and make it fit to the EVIS situation.

These implications can be found in chapter 5.4.

**Phase 5 - Synthesis**

The final phase consists of the last-mile of the research project. Here, the findings of the preceding phases are digested. Hence, conclusions and recommendations are provided that meet the criteria of both the academic as well as practical (business) expectations. In the conclusion, a discussion of the contribution of the research and reflection of the limitations is provided. Furthermore, the view of the researcher with regard to the most important factors and the implications that were derived for EVIS is provided in the conclusion. Additionally, the proposition that was posed in the research scope will be reflected on in the conclusion. Most importantly, the conclusion provides a concise answer to the MQ and SQs posed in this research. The recommendations are aimed at both academics as well as practice.

The conclusion can be found in chapter 7. The recommendations can be found in chapter 7.

### 2.1.2. Research Flow diagram

In order to visualize and summarize the identified phases, a Research Flow diagram has been developed. This diagram is showcased in Figure 4.

![Figure 4) Research Flow Diagram](image)
2.2. Literature research approach

The literature research is subdivided in two stages. Firstly, literature research encompassing external Corporate Venturing Objectives (SQ1) is analysed. Secondly, literature research encompassing the factors that are important for a CVU to consider when engaging in external CV (SQ2) are extensively analysed.

As indicated, the literature research for both SQ1 and SQ2 are used as a foundation for the interviews conducted both internally and externally. Again, the literature for SQ1 is analysed in chapter 3, and the literature for SQ2 in chapter 4.

For the literature research, both scientific literature as well as more practical literature has been used. The practical elements have played a role as well, as corporate venturing in general is a rather new concept among academic research and supplementing it with more practical insights is valuable. For the literature research, several scientific databases have been used (Science Direct, Scopus, IEEExplore, TU Delft Library, etc.). Also, the Google Scholar search engine provided several interesting papers from several databases. When more practical literature was aimed for, the Google search engine was used in order to find relevant (expert) papers or company-experiences, for example.

In chapter 3, the literature relating to external CV Objectives can be found. This literature research is conducted in order to develop an understanding of what several researchers have said about the objectives of external CV. During this research endeavour, the researcher found out that there are several types of aggregations/categorizations to be found for objectives in CV. Hence, the research has focused on this. In order to be able to use the literature findings for the internal interviews, the researcher has made an aggregation of the findings into strategic, financial and societal objectives (similar to other studies). However, the researcher has attempted to make the categorization within the strategic objectives category as exhaustive as possible, this is amongst others an addition to the literature of CV. The initial search terms used for this part of the literature research are: corporate venturing goals – corporate venturing objectives – corporate venturing strategy – financial objectives of corporate venturing – strategic objectives of venturing – strategic benefits of corporate venturing – societal objectives of corporate venturing – strategic added value of corporate ventures.

In chapter 4, all factors that have been found to be important for a CVU engaged in external CV, are profoundly reviewed. The search for relevant factors is guided by the following:

- Concepts (i.e. factors) argued in theory about CV and CVUs in literature analysed for the introduction of the MSc-thesis
- Concepts argued as being ‘success factors’ for well-performing CVUs or CV programs
- Concepts argued as being sources of failure or critical factors in the literature of well-performing CVUs or CV programs
- Concepts argued by the involved people from EVIS in the early-phase exploratory interviews, conducted to extract the problem and research scope.


Of course, the resulting literature provided a new layer of search terms that was used for both parts of the literature review. However, these search terms have intentionally been left out of this chapter in order for it to remain coherent. When the reader is interested to learn more about all the search terms used throughout this study, the researcher can be consulted.
2.3. Internal interviews SQ1

In addition to the general explanation of the interviews in paragraph 2.1, the specifics of the internal interviews are elaborated upon in this paragraph. In order to answer SQ1 in phase two, internal semi-structured interviews were conducted. The interviews for SQ1 were conducted with the underlying intention in mind of developing an EVIS-version of the analysed literature around the concepts of external CV objectives, as can be found in chapter 3. The literature review encompassing CV objectives was used as a foundation to develop interview questions.

As indicated, for both interviews (internal and external), a semi-structured approach has been used and the inherent advantages are explained in paragraph 2.1. Additionally, to strengthen this decision, the following has been considered for the semi-structured interview approach for SQ1. As the goal was to identify what several interviewees at EVIS and ENGIE think about what the actual underlying rationale to engage in CV activities, the researcher wanted to allow himself to structure the questions based on his findings, however, when the interviewee deviates from the question the researcher wants to be able to ask follow-on questions. The purpose of this is that it allowed the researcher to really get the bottom of why the interviewee gave a certain answer, and it also can potentially give useful insights for the SQ2.

Additionally, semi-structured interviews allow a researcher to gather opinions about the interviewed topics. As for the internal interviews, the researcher was also interested in the general tendency of the interviewees towards the concept of external CV at EVIS.

The process for the internal interviews can be seen in Figure 5.

![Figure 5) Interview process internal interviews](image)

Ultimately, the results of the interviews were used to make one aggregation of the intended external CV objectives for a CVU at EVIS. This overview is thus based on the literature research plus the internal interviews.

**Interviewee selection**

The interviewees for the internal interviews were selected based on their management knowledge revolving the venturing activities EVIS engages in. The two main criteria for the interviewees kept in mind are; involvement in venturing activities on a daily basis, or involvement in the strategy-making of the venturing activities at EVIS. Additionally, knowledge of the concept of CV in general is a prerequisite. After developing a first version of a list of possible interviewees, a discussion with Wisse Hummel (external supervisor) resulted in the ultimate selection of the following (anonymized) interviewees shown in Table 3.

**Table 3) Interviewees selected for the semi-structured internal interviews**

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Role / Job-title</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Manager &amp; Innovation Officer EVIS / Innovation &amp; Incubation</td>
</tr>
<tr>
<td>#2</td>
<td>Manager Ventures (i.e. all venturing-related activities) at EVIS</td>
</tr>
<tr>
<td>#3</td>
<td>Managing Director EVIS</td>
</tr>
<tr>
<td>#4</td>
<td>Finance Manager EVIS</td>
</tr>
<tr>
<td>#5</td>
<td>Investment Director Engie New ventures (Global investment fund ENGIE)</td>
</tr>
<tr>
<td>#6</td>
<td>Investment Director &amp; Board member at Engie New Ventures</td>
</tr>
<tr>
<td>#7</td>
<td>COO ENGIE Energy, Executive Committee ENGIE NL. Former Managing Director and founder at EVIS</td>
</tr>
</tbody>
</table>
Interview protocol

The interview protocol for the internal interviews consisted of two phases. First, the interviewee was provided with the sufficient context about the research and useful concepts. Secondly, a total of eight questions were asked. The first three questions were used to form a basis about the general tendency towards CV, the role of the interviewee, and his view on a CVU at EVIS. The fourth question attempted to generate insight in the current intended CV objectives for the venturing activities at EVIS, as the researcher identified that these were lacking in the problem definition. The fifth question allowed the researcher to give his un-informed view on what he thinks should be the external CV objectives of a CVU at EVIS.

After these questions, the researcher provided the interviewee with an explanation (i.e. visualization) of the literature findings for SQ1. Then, three more questions were asked, and an active discussion is held concerning the external CV objectives and order of importance of specific objectives based on the new knowledge and structure provided based on the literature. As indicated, during the interviews, an active discussion always followed after the literature insights were presented, highlighting the value of choosing a semi-structured interview approach.

The interview protocol for the internal interviews, and questions asked can be found in Appendix C. However, the researcher advises the reader (for understanding purposes) to continue reading the report, and consult the information in Appendix C when it has arrived at paragraph 5.1. As the findings of the literature research, in chapter 3, provide useful insights that are needed to understand the interview questions.

Processing the interviews

For the internal interviews, the researcher has decided not to transcribe and code the answers. There was no necessity to transcribe and code the answers, as the answers were rather coherent. Instead, the main take-aways per question have been summarized in a separate document. Furthermore, an aggregation of the external CV objectives, per interviewee, have been made in this document.

This separate document is intentionally left out of the MSc-thesis report and appendix due to its size. However, if the reader is interested in this document, this can be requested using the contact details of the researcher.

The digested results from the internal interviews can be found in paragraph 5.1.
2.4. External interviews SQ2

Again, as indicated before, the general research approach for both internal as well as external interviews is semi-structured interviews for the reasons provided in the first paragraph. Specifically for the external interviews conducted, the choice of semi-structured interviews was very valuable. One of the main specific advantages for the external interviews conducted in a semi-structured manner, was that the researcher was not aware of the exact expertise or knowledge of an interviewee in advance of the interview. During the interview, this often became apparent. The semi-structured approach allowed the researcher to discuss the factors (identified through literature research) more in-depth by asking follow-on questions and allowing an active discussion about certain topics. Furthermore, in answering SQ3, the researcher wants to be able to have an active discussion with sufficient background insights (i.e. the how and why of certain factors in CV) that asking follow-on questions and having a more or less semi-structured conversation is thought to be providing the most information.

The general process for the external interviews can be found in Figure 6.

The cases selected for the external interviews were selected with the following criteria in mind:

- The size and frequency of external CV activities conducted by the CVU, program, or fund should be significant. This will be determined through a first exploratory call in which the possible interviewee is asked how often they engage in external CV and if (in their view) significant money is invested from their side. The main indicator for this criterion was the opinion of the interviewee, as to whether he/she argued that external CV is something they engage in actively.
- The industry the corporate parent operates in should be characterized by a high-tech and changing nature. As the energy-industry EVIS operates in also experiences this due to the energy-transition and the accompanying technological innovations.
- The industry of the corporate parent, or the industry the CV activities focus on, should ideally be related to the energy industry or technical services industry in general. This is however not expected to be optional for all interviewees as this would limit the sample too much.
- Venturing activities should be conducted by a separate venturing Unit/program with a dedicated team.
- The tendency of the corporate parent towards the external CV activities, conducted by their CVU or CV Program, should be positive. Meaning the indicated objectives should be met to a certain extent. This is done in order to ensure that the take-aways from the interviews are based on rather successful activities instead of failures.
- The venturing activities should be around for a minimum of 3 years in the company, in order for the interviewee to be able to reflect on the activities critically.
- The CVU or CV program should focus on both origins of External CV; internally developed Spin-offs, and externally developed ventures.

Based on active acquisition, considering the above criteria, the following CV units/programs have been selected for the external interviews: 1) Eneco Ventures 2) KPN Ventures 3) Randstad Innovation Fund 4) DSM Ventures 5) Philips Healthworks 6) Shell Ventures 7) ABN (AMRO) Ventures 8) Damen Corporate Venturing. Additionally, an expert interview with a representative of the Corporate Venturing Network (CVN) has been held. This interviewee has been found suitable to participate in the research, due to the expert knowledge and experiences, based on the work for the CVN and a past involvement in CV activities at a large Dutch multinational.

Thus, in total, 9 different sources of input have been used in order to gain insights for SQ2 from practice by means of semi-structured interviews.
At the aforementioned companies/CVUs, contact has been made with representatives that worked there for a minimum of two years, in order to ensure that they knew the activities well enough. Preferably, the interviewee had a senior role within the CV activities. During the first contact made with the intended interviewee, a few short questions in order to assess the general knowledge about the concept of CV and the role it plays for the focal company.

**Interview protocol**

The external interviews are conducted based on an extensive set of questions. These questions are developed based on the literature insights of chapter 4. However, as indicated before, these literature findings are not used to develop a strict set of questions. The factors have, however, been used as so-called topics of discussion. In order to guide the interview and discussion with the interviewees, an interview protocol has been developed with questions. However, it is important to note that these questions have not always been asked in exactly the same manner. Once again, this underscores the value of semi-structured interviews.

The interview protocol of the external interviews, and questions asked can be found in Appendix C. However, the researcher advises the reader (for understanding purposes) to continue reading the report, and consult the information in Appendix C when it has arrived at paragraph 5.2. As the findings of the literature research, in chapter 4, provide useful insights that are needed to understand the interview questions.

Also, the interview questions asked have been adjusted after six interviews had been conducted. The reason for this, is that these six five interviews did not provide sufficient insights concerning the role of a CVU with spin-offs. The exact alterations made to the initial research approach for the external interviews can be found in paragraph 2.7.

**Processing the interviews**

After conducting the external interviews, which had been recorded. The researcher sat down and transcribed the conversation. Consequently, these transcripts are coded. The results that were digested from the coding activity are displayed in the results section of the report.

It is important to note that only the interviews conducted at Randstad, DSM, Eneco, and KPN are transcribed and coded. The interview at Damen is not transcribed and coded, due to the fact that during the interview it became apparent that Damen is currently focusing on developing their external venturing activities and capabilities and are in a rather immature phase. However, still several interesting findings have been extracted from this interview and these are included in the results section accordingly. The interviews with Philips Healthworks, ABN AMRO Ventures, Shell Ventures, and the representative of the Corporate Venturing Network were not coded due to the fact that the coding did not provide the expected benefits and efficiency improvements. The results of these two interview are processed using the structure that has been derived based on the coding of the preceding four interviews.
2.5. Anonymity of the interviewees

For the internal interviews, the researcher decided to anonymize the results. However, the role (i.e. job title) of the interviewees are provided in order to show their relevance and relation towards the topic of the interview. Providing the names of the interviewees does not generate any added value for the research and the reader. All interviewees agreed to recording the interview.

For the external interviews prior to the interview, the interviewees are asked for permission with regard to recording the interview. After the interview is conducted, the interviewees were asked for their preference with regard to anonymity and use of their information in the thesis document. After careful consideration of the reactions of all interviewees, the researcher has decided to fully anonymize the results in the thesis report. Furthermore, the transcripts, coding reports, and summaries of the non-coded external interviews are not included in the thesis or appendix due to their large size (i.e. the coding-report of 4 interviews comprised of 63 pages). However, if the reader is interested to review these documents, versions where the interviewees are anonymized can be requested using the contact information of the researcher.

In answering SQ3, a discussion with EVIS-employees has been held in a workshop setting, as indicated in phase four of the research approach. For this workshop, full anonymity is chosen for similar reasons as for the internal interviews for SQ1.

Anonymity of interviewees is found beneficial for the type of semi-structured interviews that are conducted both internally as well as externally. in order to ensure full openness and un biased answers from the interviewees.
2.6. Reliability, Validity and expected limitations of the research approach

Naturally, every research approach will have its limitations and difficulties. Especially a research encompassing the development of insights using both literature and interviews. This paragraph contains the expected limitations, validity and reliability challenges that are considered for the chosen research approach, prior to starting the research. Taking a moment to think about possible challenges and limitations in advance, gave the researcher the possibility to prevent possible failure. Ultimately, the researcher will reflect on these elements, in retrospect, in the discussion section of chapter 3.

In general, to ensure validity of the research, and be confident that the chosen approach is the best approach to answer the research questions, the researcher must ask the right questions about the right concepts to the right person. The following has been considered with regard to validity and reliability of the chosen approach. Firstly, in order to ensure that the questions asked during the semi-structured interviews are asked in the right way, to extract information about the factors identified in literature (i.e. construct validity), the researcher identified as much insight into each factor through literature research. Consequently, the questions asked are based on thorough literature research. This allowed the researcher to ask questions about concepts relating to specific factors (i.e. operationalizing the conceptual factors). Secondly, to ensure generalizability of the research, external validity is considered. This is expected to be difficult in the focal research, due to the expected in-depth answers by the interviewees. However, the researcher will tackle this as much as possible by extracting the generalizable results from the interviews, and separating these from the company-specific results. Also, the cross-industry sample of the interviewees will contribute to the generalizability. Thirdly, it is expected to be difficult for the interviewees to directly grasp the intention of the external interviews and the questions asked. To prevent a confusing interview, the researcher gave each interviewee a short call in advance of the interview, discussing some factors very briefly, this ensured that the concepts discussed in the interview (i.e. factors) extracted the right insights (i.e. face validity). Fourthly, to ensure reliability of the research, a structured approach to data collection has been maintained. The respondents of each external interview have been selected per company in a comparable way using the selection criteria, thereby ensuring comparability. Also, the data processing is done in a structured way, based on the similar set of questions used for each interview, and keeping the questions constant, while allowing for follow-on questions due to the semi-structured nature. Furthermore, the people interviewed have been involved for a longer period of time with the CVU. This ensured that their answers were reliable, constant and based on real experience. This all contributed to the possibility of repeating the research under similar circumstances, and expecting the same results.

The execution of the interviews comes with several general limitations and challenges. Firstly, a limitation to the trustworthiness of the cases studies due to biases in the interviews. An attempt to prevent this was made by ensuring anonymity of results to the interviewees. Secondly, no interviewees found external to ENGIE that are willing to contribute to the external interviews. This was solved by starting the process of interviewee selection early for the external interviews, and by using the network of ENGIE employees. Also, a networking event has been visited where several corporates, active in the CV domain, were invited. Thirdly, limitations in qualitative interviews in general; tiredness, honesty, self-reflection etc. An attempt has been made to solve this by keeping the interviews under one hour, being critical, and asking sufficient follow-on questions. Fourthly, a general difficulty in linking the theory and literature found with the practical insights of interviews with external parties. This was solved by posing the literature findings as topics of discussion instead of asking very specific questions.

For the literature review, several general drawbacks and challenges have been considered as well, that are crucial for the researcher to keep in mind during the process. Firstly, missing relevant literature, resulting in the fact that the Conceptual framework will not be completely exhaustive. This has been solved by talking as much as possible to people that have a degree of expertise in the realm of CV and keeping the search terms as broad as possible. Secondly, a general difficulty in linking theory and practice exists. Especially finding literature that is relevant for a practical problem. However, this is solved by continuously keeping the external supervisor of the research project updated with the progress of the report.
2.7. Alterations made to the approach during the research process

Whereas paragraph 2.6 considered the expected challenges and limitations that were considered in advance, this paragraph elaborates upon the alterations that were made during the research endeavour in reaction to the challenges that occurred throughout.

Firstly, the literature research initially focused on the factors for a CVU considering both external ventures and spin-offs from the same perspective. However, during the literature research, it became apparent that the information density and quality relating to spin-off literature and the CVU was very little in comparison to that relating to a CVU doing CVC investments in external ventures. Due to a time-constraint, the planned interviews were conducted based on, predominantly, factors relating to external ventures and the CVU. This resulted in the fact that, in the first six interviews, only a few spin-off related questions were asked. Consequently, the interview results strengthened this asymmetry in information density between spin-offs and external ventures. These six interviews were conducted at Randstad Innovation Fund, DSM Ventures, Eneco Ventures, KPN Ventures, Damen, ABN AMRO Ventures.

To solve this, an attempt has been made to improve the quality and density of literature research relating to the CVU and spin-offs. This was done using indicators the interviewees gave during the first set of interviews and an additional round of extensive literature research. As a result, a total of four additional interviews were conducted, one of which was a follow-on with a participant of the first round of external interviews. In these interviews, more emphasis was placed on spin-offs and the CVU using additional questions these can be found in Appendix C. These four interviews were conducted at Philips Healthworks, Shell Ventures, DSM Ventures (a second follow-on interview) and with the representative of the Corporate Venturing Network.
3. Literature findings - External Corporate Venturing Objectives

In order to answer SQ1, an extensive literature review encompassing the rationales of CVUs towards both spin-offs and external ventures has been conducted. The rationale of a CVU to engage in either spin-offs or external ventures can be coined as CV objectives for external CV. This literature study will serve as the basis after which the internal interviews will be conducted with people responsible for venturing activities within EVIS, to extract the intended CV objectives for a CVU at EVIS. In the most generic sense, this chapter provides insights into the literature that underscores the ‘why’ of CVUs that engage in spin-offs and external ventures. With Corporate Venturing objectives, the researchers denotes the underlying rationale a corporate has in mind when engaging in external CV through a CV Unit or program.

Several authors have argued the overlap between the CV objectives for several CV modes. Where the two modes; spin-offs (i.e. inside-out innovation) and CVC investments in external ventures (i.e. outside-in innovation) shows to be both suitable modes to achieve balanced (i.e. both strategic and financial) objectives (Gutmann, 2019). Chesbrough (2002), provides an example where managing minority investments in corporate spin-offs can generate both financial returns on the investment, as well as future strategic added value. Moreover, several experts interviewed for answering SQ2, indicated that there is a significant overlap in the rationale and expertise of the two focal modes of external CV (spin-offs and CVC investments in external ventures). In addition, an example can be found in the CVU T-Holding Ventures. This CVU engages in external CV by means of spin-offs and external venture investments to achieve both financial and strategic objectives. Additionally, a proposition has been drafted in the scope of the research, this proposition will be answered in the conclusion of the research by means of interview results.

As the literature used in this chapter analyses external CV objectives with ranging definitions of what exact form of CV is central to the research, the objectives identified within this chapter are maintained for both forms that are focal to this research; spin-offs and corporate venture capital (i.e. external ventures). Strengthening this decision, is the research of (Cassia, De Massis, & Minola, 2011). Cassia et al. (2011) argues that the three most currently mentioned objectives for external CV (cultural change, organizational development, strategic benefits, and financial returns) can be attained by both spin-offs and investments in external ventures (i.e. corporate venture capital). Other authors underscore this by mentioning both investments in external ventures and spin-offs to fall under the notion of external CV for which certain CV objectives have been drafted (Miles & Covin, 2002; Thérin, 2007; Chesbrough, 2002).

Despite the inherent differences in the type of venture - purely external start-up venture via Route A or B, or an internally originated Spin-off through Route A – the ultimate goal of the engagement that is done by the CVU with these type of ventures is similar as indicated above. Thus, the identified CV objectives through literature studies of both types are overlapping. This stems from the insight that the ventures in the portfolio of the CVU should all contribute to the underlying CV objectives maintained (EY, 2018).

When a closer look is taken on the actual reasons for incumbent firms to engage in external CV, a scattered array of research can be found. An attempt has been made to aggregate the findings of other authors into a coherent description of CV objectives. It is important to note that the following subdivision of external CV objectives are not fully exhaustive, however, the aggregation does provide the most mentioned and overlapping objectives from the literature.

The most generic distinction made in the literature is between financial objectives, strategic objectives and societal objectives (Miles & Covin, 2002). CVUs are predominantly faced with the challenge of finding a balance between strategic and financial goals in their activities. Whereas the institutional Venture Capitalists, traditionally solely focus on financial gains, CVUs are often faced with a corporate parent firm that expects a certain degree of strategic added value in combination with financial objectives (Thérin, 2007). Where many corporates look to reap either strategic or financial benefits from CV, the majority is found to aim at maintaining a healthy balance between both financial and strategic objectives.
The companies engaging in CV, departing from strategic objectives, and often a longer time participation is taken provide, er, aim to make investments that corporates reap through their CVUs by a high amount of institutional VC parties. The second offering, or purchase by another company d’etre is based on financial objectives, that Dell Ventures mentions some strategic benefits from their CV program, that Dal Ventures has made several investments in external ventures generating attractive financial returns. Despite the fact that Dell Ventures mentions some strategic benefits from their CV program, their initial focus and raison d’etre is based on financial objectives (Chesbrough, 2002).

**Financial Objectives**

Compared to the strategic objectives of a CVU, the financial part is relatively easy to understand. In CV-practices with a financial objective, the unit’s main focus is to generate attractive returns comparable (or even better) to Institutional VC parties. However, compared to these VC parties, a CVU’s advantage in contrast to a VC party, is that it typically has: a strong industry brand-name, strong balance sheet, expert knowledge of both markets and technologies, and often a longer time-horizon than its institutional counterpart. Typically, the aggregated financial value of the companies in the portfolio of a CVU are characterized by a so-called J-curve. Meaning that a portfolio of ventures starts off with a high amount of investments in the early stage. However, the financial returns are only obtained in later stages when the exits of the ventures are executed, or when the ventures in which a participation is taken provide revenues as a result of their sales (Thérin, 2007). The first part of Financial objectives identified in CV are the return on investments (ROI) that a CVU obtains when a venture experiences a successful exit. The actual ROI consists of the difference between the actual investments initially made by the CVU and the eventual price that is paid at the exit. This paid price can be, in practice, a management buy-out of the involved managers in the venture, a public offering, or purchase by another company. The second part of a the Financial objectives is the generated profit that corporates reap through their CVUs by establishing new businesses (Rohrbeck, Döhler, & Arnold, 2009). It is shown that, when the Business Units of a corporation are financially underperforming, External CV activities are able to give the financial performance of the company a ‘boost’ (Miles & Covin, 2002). Moreover, the financial returns of CVC investments are often used as a method to escape so-called profitability caps a corporate experiences in their core-business units. In this matter, the financial objective of External CV allows the corporate to profit from lucrative businesses outside the core-area in which they usually operate. In practice, a prime example of a CVU focusing on financial objectives, can be found in Dell Ventures. Dell Ventures has made several investments in external ventures generating attractive financial returns. Despite the fact that Dell Ventures mentions some strategic benefits from their CV program, their initial focus and raison d’etre is based on financial objectives (Chesbrough, 2002).

**Strategic Objectives**

Companies that exploit a CVU based on strategic objectives, however, aim to make investments that exploit synergies from a strategic standpoint between itself and the new corporate ventures. The general aim of the strategic objective, is to invest in new businesses through CV is to generate certain strategic growth (Chesbrough, 2002). The companies engaging in CV, departing from strategic objectives, recognize the need to embrace innovation in order to prevent jeopardizing their long-term existence. It is important to mention that the strategic objectives identified might not be fully exhaustive as numerous researchers use varying concepts for similar strategic objectives. However, the researcher has attempted to make the identified objectives mutually exclusive and prevent overlap as much as possible by categorizing them into 5 distinct sub-categories. The following strategic CV objectives are mentioned in no specific order.

First of all, strategic corporate renewal and a window on new technology and capabilities is mentioned to create new revenue streams and expand the firm’s scope into possible areas of strategic importance. According to Scholten (2018), strategic renewal consists of growing new business or transforming the current business of a corporate. In order to remain adaptive to the environment, and maintain the ability to adapt to changes in both the market and technology, a corporate needs strategic renewal and access to new business opportunities and technologies. In present times, the urge for diversification into known and unknown areas becomes greater. In particular, when corporates face lacking growth in their current area of business, diversifying through CV becomes an important point on the agenda of corporate
management. For this reason, external CV can suffice as a tool for corporates to extend their scope of operations and knowledge into different new areas. Corporates do this by developing new capabilities (Miles & Covin, 2002; Pittaway, 2001; Reimbsbach & Hauschild, 2012). By accessing these new sources of knowledge, to develop new capabilities, the company can learn about new radical technologies in novel fields. The objective of creating a Window on new technologies is indicated by several researchers to be one of the main strategic objectives of CVUs. In order to learn about new radical technologies for product and service innovations, it is important for a corporate to have a clear view on the development areas of novel technologies, new business opportunities, and trends. CV activities can provide a corporate with a good view of the developments in technologies and business trends as a supplement to their own R&D efforts. As the danger of your current technologies becoming obsolete is ever increasing in the rapidly changing environments faced by incumbents, the observation of novel trends and technologies can serve as useful input for the strategic planning of a corporate and become well-prepared for the future (Winters & Muffin, 1988). In addition to a window on technology (i.e. technological learning), another learning aspect is that of learning through exposure of new markets and business model developments (Maula, 2007).

Secondly, CV can be used as a mechanism to expand and develop the ecosystem (i.e. Value-chain) in which the corporate operates. It can be used to, for example, create a certain standard around a product or develop a market. The development of the value chain, of which the corporate is a so-called link, can be best explained with the notion of complementarity. Often, when a consumer buys a certain product, it also wants other complementary products, meaning that when the demand for complementary products rises, the demand for the products of the focal corporate also increase. In this case, companies can use their CV investments in order to stimulate the development of, for example, their suppliers or third party developers in order to eventually stimulate the demand of their own products. However, an important hazard that lies in developing the ecosystem in which you operate, is that by optimizing the value chain, competitors also experience a growing market and ecosystem. Thus, in considering this type of strategic objective, it is important to understand its deficiencies and ensure a strong enough market position, in order to realize the most value of the growing market. The development of an ecosystem through CV is strongly dependant on the existence of a vibrant community of businesses that are complementary (i.e. linked to the focal company value chain). A prime example, of a CVU that engaged in CV with this objective in mind is Intel. Intel Capital (the CVU of the semiconductor manufacturer), nurtured numerous ventures through their program that were engaged in complementary products. The CVU engaged in ventures that were, for example, active in the video software and hardware. Consequently, when investing and growing these ventures, the demand for the microprocessors that are used in the hardware from these ventures experiences a stimulus in sales. Hence, an increased demand in the current area of business is created through developing and growing certain links in the ecosystem (Chesbrough, 2002; Campbell et al., 2003).

Thirdly, the leveraging of internal capabilities, competences and ideas for the creation of new business, that differs from the main business of the company is identified as a strategic objective. By engaging in venturing with this objective in mind, the exploration of new products, through the application of internal ideas and existing capabilities is done. The ability to leverage existing internal capabilities that can be used to build new revenue streams, that will consequently improve the profitability of the corporate, is valuable. Hereby the harvesting of value will be boosted by means of leveraging internal capabilities in a new way (Miles & Covin, 2002; Pittaway, 2001; Reimbsbach & Hauschild, 2012). The company is able to, through CV, develop new business through for example their R&D efforts or underutilized resources that reside within the company (Campbell et al., 2003). When pursuing this objective, corporates can invest in internally grown ideas through their CVU and grow this idea into a new external venture (i.e. spin-off) that differs from the core activities of the company.

Fourthly, the literature identifies the somewhat vague objective of promoting a corporate’s image through CV activities. The improved perception other people have of the company, as a result of their CV activities, can encompass three parties. The identified parties that will be affected by the possible improved image of a corporate, through engaging in CV activities, are: business partners (market), future employees, and investors or shareholders. The aim of improving the corporate image also encompasses a certain possible boost to the so-called Corporate Social Responsibility (CSR). By investing in external
ventures, the corporate provides these ventures with development opportunities. Consequently, these ventures will create employment opportunities along their growth path in the environment they operate in. Hence, the creation of employment within their portfolio firms can be seen as an indirect gain to the corporate image through CV (Dauderstädt, 2013). Consequently, CV activities will enhance the innovative image of the corporate. Resulting in possible advantages through a positive perception of other parties in the market and investors. Moreover, as explained an innovative external CVU, nurturing new ventures either originated through internal or external ideas and opportunities, provides a company with better hiring abilities. Especially Ph.D. researchers are found to have a particular interest in corporates that operate CVU. They view this division as a possible opportunity to (one-day) spin-off their own ideas, developed internally, through an external CV program. By developing an innovative CVU, corporates can compete with start-ups for people to employ in their research centres (Chesbrough, 2000).

To conclude, a fifth strategic objective identified is that of developing an innovative and entrepreneurial culture within the corporate. This objective is argued to be part of the strategic category, but some authors place in a separate category on its own. However, for this research, it is placed in the category of strategic objectives, due to the fact that it is part of a strategic choice. In other studies, it is sometimes referred to as Indirect learning, referring to the relationship the CVU has with the venture and the learnings it extracts from this relationship. This entails the learning about VC practices, developing internal venturing processes, and provide contacts VSs, scientists, and other investment parties. Moreover, the introduction of both entrepreneurship and innovation into large incumbent firms is an important reason for corporates to engage in CV. These corporates, often characterized as less innovative compared to their smaller counterparts, experience risk averse, hierarchical and bureaucratic decision making. The introduction of corporate venturing could work as a catalyst towards a more entrepreneurial culture. The corporates that initiate CV in order to respond to a perceived entrepreneurial imperative are the corporates that recognize that embracing innovation is key towards their long term existence and profitability. CV represents the mechanism used to become more adaptive towards changes in the environment. These corporations are characterized as having an organizational development and cultural change objective with their venturing activities (Miles & Covin, 2002; Pittaway, 2001; Reimsbach & Hauschild, 2012).

**Societal Objectives**

Besides the financial and strategic objectives a corporate keeps in mind when engaging in CV, some researchers argue that several corporates have a societal rationale for CV. With this objective, the researcher argues that corporates have certain goals of improving society in a certain way that does not directly profit them in either financial or strategic terms. The investments of corporates with a societal rationale is also conceptualized as Corporate Impact Venturing. This type of venturing rises from the trend of engaging in social initiatives in order to do responsible investments. These investments stem from a societal rationale, and create an impact that goes beyond a mere economic objective (i.e. financial venturing objectives). It is said that these investments done, through Corporate Impact Venturing, should especially benefit the so-called base of the pyramid people (i.e. the disadvantaged) (Real Leaders, 2014). Impact Venturing, and Corporate Social Responsibility through Corporate venturing and Corporate Entrepreneurship are always based on voluntary involvement with no economic motive in mind and is increasingly done by several corporates (Simionescu & Cristian Gherghina, 2015).

**Conclusive; Overview of literature findings**

Conclusive, in answering SQ1, the first step was to identify literature encompassing external CV objectives. The identification of CV objectives in the literature has shown a wide array of examples. A summary of the findings can be found in Figure 7 below. The numbering (A-E) should not be interpreted as being ranked in a specific way.

These conceptual findings will be used in the internal interviews at ENGIE in order to extract the intended CV objectives for a CVU at EVIS. Consequently, their own insights and opinions will be mirrored with the literature findings in order to develop an overview of the intended CV objectives for a CVU at EVIS. These practical findings in addition to the literature findings of this chapter will fully answer SQ1, and can be used to derive implications for a CVU at EVIS.
Strategic

A. Strategic corporate renewal and a window on new technology, Business Models, and capabilities
B. Expand and develop the Ecosystem (i.e. Value-Chain)
C. Leveraging internal capabilities, competences and ideas to create new business
D. Promoting the corporate’s innovative and entrepreneurial image
E. Develop innovative and entrepreneurial culture within the corporate

Financial  Societal

Figure 7) Resulting findings of Corporate Venturing objectives in the literature
4. Literature findings – Important Factors for a CVU

The relevant literature, identified with the ultimate goal of answering SQ2, is analysed in this chapter. These findings serve as building blocks for the external interviews. In order to showcase the identified factors in a coherent way, several subdivisions (i.e. categorizations) were identified in the literature. Consequently, the foundations of these categorizations are described.

A first possible categorization found, is the separation of CVU-corporate parent related factors and CVU-venture related factors. As Ernst, Witt, & Brachtendorf (2005) argues, a unit (either separated or embodied in a dedicated program) responsible for the external CV activities, operates within the area of tension between both the corporate parent firm and the corporate ventures with which it engages. The CVU acts as a so-called intermediary unit between the corporate parent (willing to engage in external venturing activities) and the ventures. These portfolio ventures can have their origins both internally (i.e. spin-offs), as well as externally to the firms boundaries of the firm, as indicated in the research scope (Ernst et al., 2005). Adding to the findings of the distinction above, a triadic distinction in relationships a CVU should consider in terms of the factors that influence their the reaching of objectives is identified in the study of Thérin (2007). Firstly, the interaction of the CVU with the corporate parent is prevalent. In this relation, mainly the objectives that sparked the initiation of a CVU are important (i.e. strategic or financial). Secondly, the relation with the ventures (both external ventures and spin-offs) is important for the CVU. Thirdly, the relation with other (investment) parties in the venturing-ecosystem is important to analyse for the CVU.

Based on the study of Ernst et al., (2005) and Thérin (2007). The following visualization has been developed to show how the focal CVU interacts with several parties, see Figure 8. This visualization is used to maintain a focused approach towards the literature study for the aggregation of important factors for a CVU that engages in external CV. The arrows pointing both ways indicate that the factors that will be identified are expected to work both ways. Instead of, for instance, only influencing the corporate parent.

As a point of departure for the literature research, the framework developed by Birkinshaw & Hill (2005) is used. The researchers describe certain key success factors of a CVU with regard to the performance of the unit, and the accompanying organizational dynamics.

Based on the suggested categorisations in the literature, the following structure is used for this literature chapter: — Corporate Venturing Unit internal factors (paragraph 4.1) – Factors in relation between the CVU and the corporate parent (paragraph 4.2) – Factors in relation between the CVU and external ventures (paragraph 4.3) – Factors in relation between the CVU and external investment partners (paragraph 4.4) – Factors in relation between the CVU and spin-offs (paragraph 4.5). Ultimately, paragraph 4.6 provides an overview of the resulting Conceptual Framework.
4.1. Corporate Venturing Unit Internal Factors

For the literature into the factors that are important for a CVU, the relations of a CVU with the corporate parent, ventures, spin-offs and external investment partners are considered. However, it is also crucial to consider certain factors that are important internal to the CVU.

Literature encompassing the following factors is analysed in this chapter: the CVU strategy, Portfolio management and the CVU team.

4.1.1. Determining the CVU strategy

In this paragraph the factors in relation to developing the strategy maintained by the CVU are elaborated upon. The following concepts are analysed: Balancing the strategic and financial objectives of the CVU and the strategic approach chosen by the CVU considering CV objectives.

The alignment of the CVU strategy with the corporate Parent strategy is intentionally left out of this paragraph, and added to Paragraph 4.2 where the factors in the relation between the CVU with the corporate Parent are discussed.

**Balancing strategic and financial objectives:**

In order to meet the stated venturing objectives, a CVU should establish a strategy. In terms of the balancing of strategic and financial objectives, several authors argue that a combination of both financial and strategic objectives is maintained in the CV strategy (Battistini, Hacklin, & Baschera, 2013). It is argued in the literature that short-term financial objectives are found to be more important compared to their long-term strategic counterpart. However, short-term financial objectives should not hamper long-term strategic objectives, as it is argued that a long-term focus is a determining factor of CVUs success (Ernst et al., 2005). While a too strong financial objective of the CVU might jeopardize the survival of the CVU, on the other hand, an extreme strategic focus might compromise the quality of the deal flow in general (Thérin, 2007). As argued by Leten & Van Dyck (2012), goal clarity and the communication of those goals through the strategy of the CVU is paramount to a successful CVU. Hence, the consideration of a strategic focus that balances or distinguishes the strategic and financial objectives in a clear way is an interesting factor to further investigate. Research in the state of Corporate Venturing in the Netherlands indicates that the majority of CV initiatives are primarily driven by strategic objectives. Consequently, most CV initiatives indicate that they see the financial part of the venturing objectives as a so-called hygiene-factor – will not necessarily create satisfaction while present, but creates dissatisfaction when not present – that justifies the future continuation of the program or unit (Deloitte, 2019). In general, literature is rather ambiguous about whether financial or strategic objectives should dominate, or how a healthy balance is achieved for a CVU. For example, other research shows that strategic objectives should always be dominated by financial objectives (Keil, 2000).

**Strategic approach**

When the alignment of the CVU strategy with the intended objectives is ensured, the strategic approach must be considered. Chesbrough (2002) argues that a CVU can distinguish between a; Driving, Enabling, Emergent, and Passive strategic approach. The study of Chesbrough argues that the objectives (financial and/or strategic) of the CVU, and the Operational fit of the Venture with the corporate Parent determines a strategic approach. The notion of Operational fit will be elaborated upon further in paragraph 4.2, where the relation of the CVU with the corporate parent is analysed.

In terms of strategic orientation of a CVU, the focus on either exploration or exploitation is found to be of importance. Schildt, Keil, & Maula (2005) distinguish between two strategies when it comes to the learning from new external ventures. First of all, *exploitative value* capturing can be classified as the strategic approach that leads to utilizing existing capabilities of the parent firm, which relates to the stated objective of leveraging internal capabilities. In practice, this can be the transfer of knowledge to the venture (i.e. expert technical knowledge) closely related to the parent firm’s core business. The strategic value, captured by exploitative venturing, can be subdivided in the following three categories: creating the ability to leverage on own technologies, expanding current markets, and gaining access to complementary innovations. Secondly, the notion of capturing *explorative value* through external CV
enables a corporate firm to generate new: windows on technological developments, market knowledge, and real options. This in turn, relates to the first strategic objective of strategic renewal and the window on new technology and business (Schildt et al., 2005); (Napp, Minshall, & Probert, 2009); (Hill & Birkinshaw, 2008).

Research has shown that most CVUs engage in a strategy where a combination of explorational and exploitational strategic focus is maintained. However, it is also concluded that longer survival of a CVU can be attributed to exploitational focus that ultimately takes over the intended explorational focus of a CVU (Birkinshaw & Hill, 2005a).

### 4.1.2. Portfolio management

When a look is taken on the process of venturing, several levels are identified. The ones pertaining to the actual choices made for developing a portfolio are identified by several authors. For this research the following three levels have been extracted; construction of the portfolio, monitoring of the portfolio, and exit management of the portfolio (Vintergaard, 2006; Kotha, Basu, & Phelps, 2015). Before analysing these levels, a first decision a CVU considers is the actual size of the portfolio that should be pursued.

In terms of the factors important in managing a CVU’s portfolio, the following is analysed: Portfolio size and timeframe, Construction of the portfolio (i.e. selecting ventures), Monitoring the portfolio and Exit management of ventures in the portfolio.

#### Size and timeframe of the portfolio

Considering the fact that CV activities have, in general, a lower success rate compared to internal product development or R&D trajectories, the size of a portfolio is argued to be a relevant factor. Thus developing a certain degree of so-called critical mass is argued to be of importance (Leten & Van Dyck, 2012). In the eyes of Birkinshaw et al. (2002), CV is all about the management of a decent portfolio (i.e. portfolio approach). This holds that the few top performers in a portfolio will make up for the so-called ‘bleeders’ of the portfolio. Both in terms of strategic as well as financial objectives. It is argued that a CVU should strive towards a portfolio of around 30 ventures in total. Meaning that, in the first three years of the portfolio, a minimum of ten investments should be made ideally. The concept of a portfolio approach has been argued by several authors to be favourable over a mere project approach where each venture is analysed individually. For example, at Nokia’s CV activities, this meant that in certain technological areas multiple ventures were funded. This enables a corporate to have multiple opportunities in a certain space, and increases the chances of a success in their strategic sweet spot (Mcgrath, Keil, & Tukiainen, 2006).

In addition, the timeframe maintained for the portfolio of the CVU is argued to be of importance. Especially in terms of acceptance and overall tendency towards the venturing activities by other executives in the corporation. A venture portfolio often balances strategic and financial objectives, as is the preferred case at EVIS (resulting from the internal interviews, see Chapter 4.5). Both forms of objectives are often realised over a longer period in time, and losses should be accepted in the early stages of a portfolio. Thus, longevity of a portfolio is argued to be an important factor. Research shows that a timeframe of circa seven to 10 years is appropriate (Bleicher & Paul, 1987). For a CVU, it is difficult to live up to management expectations in terms of the short-term thinking bias that is prevalent in corporate settings. On average, the average early-stage venture takes about 10 years to perform like a full mature business. This strongly contradicts the corporate one year budget cycles. Hence, a long-term commitment in terms of both strategic and financial terms should be considered (Leten & Van Dyck, 2012). Leten & Van Dyck (2012) argue that it is reasonable to provide the CVUs with a timeframe of at least 5 years in order to deliver on the objectives and expectations for CV activities.

#### Construction of the portfolio

In the construction of a portfolio for the CVU, the following elements are considered: Deal flow generation, Venture selection and selection criteria, type of innovation and venture stage.
The first element to consider is the generation of deal flow for the CVU. A CVU can improve their deal flow in two ways according to Kotha et al. (2015). Firstly, they should establish a good reputation in their industry as a valuable CVU that is well equipped to invest and nurture (develop and scale) ventures. Secondly, investment opportunities (i.e. deal flow) can be boosted by collaborating with more experienced external investment partners. This will be elaborated further in Paragraph 4.4. In constructing a portfolio, it is important to ensure the connection of the objectives of the CVU with the portfolio construction. Moreover, as (Chesbrough, 2002) argued, when a corporate wants to have a certain degree of learning (i.e. knowledge sharing) with its portfolio ventures, a higher level of operational relatedness is needed between the corporate Parent and the ventures in the portfolio.

The second crucial element in the construction of a portfolio is Venture selection and criteria. The selection of the ventures for the portfolio should consider three elements of ‘fit’. Namely, strategic, operational, and organizational fit (Sykes, 1986). The elements of strategic and operational fit are described more extensively in the category where the relation between the CVU and the venture is analysed (paragraph 4.3), more specifically, in the sub-category of Venture-autonomy. Selection criteria used by CVUs are rather equivocal in the literature. In several cases, a parallel is drawn with the criteria maintained by VC parties. However, in the case of CVUs, the strategic added value is a rather important element (in most cases the most important). In most of the cases, the selection of ventures is based on internal criteria rather than external criteria (such as the market environment). Furthermore, most CVU-investors argue that the fit of the venture with the corporate Parent has the highest importance. Furthermore, low initial investment, experienced venture champion, low competitive threat, experience with the product or service offered, patented technology, high level of gross margin, and high ROI are argued to be important selection criteria for CV investments (Desarbo, macmillan, & Day, 1987).

While selecting certain ventures, the CVU conducts a thorough due diligence of the start-up venture. Both the technology and business model of the venture are analysed, this is often done by leveraging the corporate’s internal technical know-how (i.e. R&D or innovation related employees). In addition, corporate executives are consulted to provide their strategic lens on business and market risks.

A third concept of portfolio construction that is argued to play a role in the venture selection, is the distinction made between architectural, radical, incremental, and disruptive innovations (Kuratko, Covin, & Hornsby, 2014). An illustration of the different concepts can be found in Figure 9. It is interesting to analyse how different types of innovation are ought to be strategically managed by the CVU. In the internal interviews to derive the intended CV objectives, conducted internal to ENGIE, it has been indicated that the focus should be on disruptive innovations (i.e. ventures employing new technologies in existing markets) for a CVU at EVIS. This element should be aligned with the general strategy of the corporate parent (Bleicher & Paul, 1987). This will be discussed in paragraph 4.2.

![Figure 9) Types of innovation a venture can be categorized in. Source: (Lopez, 2015).](image)

In addition, a fourth factor considered in the construction of the portfolio is the stage a venture finds itself in. This is crucial to the portfolio strategy and selection of ventures for a CVU. For instance, some CVUs focus their efforts purely on early-stage investment opportunities. These ventures require a relatively low investment (i.e. low ticket size) with the possibility of making a higher return in terms of both learning and financial terms (Kotha et al., 2015). During the internal interviews conducted to answer SQ1, it has
been argued that the focus of a CVU at EVIS should aim at early-stage investment opportunities. However, for the external interviews, it is interesting to gain an understanding on how the CVUs deal with either (or both) early stage or later stage ventures, and why their strategy focuses on one or the other.

Another factor that can be considered in the construction of a portfolio, is the concept of *diversification* of a CVU portfolio. However, it is argued that CVUs do not intend to diversify by means of different industry focus, as they often focus on the industry of their corporate Parent. The two types of diversification that remain are; geographic diversification, and diversification by investing in ventures that are in different stages of maturity (Gupta & Sapienza, 1992). Another benefit of a mere specialized portfolio, is that the ventures within the portfolio can benefit from each other’s technologies and expertise. In the construction of a portfolio, it is important to determine which ventures to invest in. This is referred to as the selection process. For the case of a CVU at EVIS, it is shown in the scope of the research that the Innovation & Incubation department serves as one of the two routes providing deal flow to the CVU.

**Monitoring of the portfolio**

Monitoring of the portfolio of ventures the CVU managers is found to be very important, as the CVU needs to identify and accept losses at a certain point in time and act upon these. Furthermore, adequate monitoring of the ventures in the portfolio influence the follow-up investment decisions, and decisions whether a venture should be exited (i.e. the CVU selling the minority share). Besides having a portfolio approach for the generation of a portfolio, it is also crucial to monitor the ventures on a portfolio basis rather than a project basis (Mcgrath et al., 2006). For instance, Mcgrath et al., (2006) argues that the monitoring of ventures in a portfolio should be done according to a milestone oriented model. In this model, stages are used to determine whether the investment in a certain venture is being continued or not. The foundation of this staged approach is that the next stage should only be entered when success in the next stage is found to be plausible. Block & MacMillan (1985) argue that the planning of a venture is significantly different compared to the planning of corporate incumbents, given the instability that is inherent to start-up ventures. A number of milestones, that a venture passes through, are identified each coming with their distinct challenges: Concept and product test completion, Finished prototype, First round of financing, Completing the of the first pilot test, Testing market assumptions, Starting production and a steady flow of the product that meets the quality requirements, Making the first major sale to a big and expected customer, Planning and making the first actions towards competition, etc. However, research is found to be rather scant in terms of what the CVU should consider in adequately monitoring their portfolio of ventures.

**4.1.3. The CVU Team**

From the exploratory interviews conducted at ENGIE, the *composition* of the team, in terms of skillset was argued to be seen as a factor of difficulty. Consequently, literature studies in this area have found that the importance of composing the CVU-team with the right people (Ernst et al., 2005; Dushnitsky, 2011). Ideally, the management of a CVU should have experience in two very contradicting worlds. On the one hand, the managers in the CVU should have entrepreneurial experience. This experience will aid in proper analysis of the prospects of certain portfolio ventures. This in turn, benefits the ventures, as they will receive better consultancy services in terms of their operations and business models. On the other side, it is argued to be of importance that the CVU managers have a high degree of understanding from the corporate parent’s strategy and organisational matters. This can optimize the navigation for certain resources and capabilities within the corporate parent’s walls, in order to benefit the venture. In addition, the transfer of both knowledge and technology (both ways) between the corporate Parent and the venture is enabled the most when the CVU management maintains a close relation with the corporate parent. However, in practice, the combination of entrepreneurial skills plus corporate experience and navigation within a specific Parent company are extremely hard to find (Ernst et al., 2005).

In the introductory section of the literature review, several waves of CV are identified. Dushnitsky (2011) argues that during earlier waves, a significant source of failure in CVUs was the inadequate
compensation of the CVU personnel. The financial incentives was by no means tied to the success of the CVU. Additionally, it is argued that the CVU compensation should be more in line with institutional VC parties in order to be competitive. A separate legal entity for the CVU could allow for this higher compensation, as this allows the unit to pay higher wages and use incentive pay that is different from the compensation structure at the parent company. Adequate compensation is seen as a critical component of a successful CVU, because poor staffing can lead to low managerial and investment competencies. However, the current wave of CV shows changes in this area, as CVU are increasingly managed and in order to minimize compensation matters (Dushnitsky, 2011). It is argued that the compensation of the CVU should be strongly tied to its objectives. And thus should strongly depend on whether the CVU operates with either strategic, financial, or a mix of objectives (Birkinshaw & Hill, 2005b). The implications of pursuing certain objectives with a CVU are that the compensation system should also be geared towards reaching these objectives (Ernst et al., 2005). For example, a survey of 356 CV programs of corporates shows that more than half of the CVUs use similar compensation structures as in the rest of the corporate. However, 23% uses custom incentives based on either the strategic or financial objectives that are reached. Only a small percentage of the CV arms use carried interest based on the financial returns of the fund (Growth Collective, n.d.). Furthermore, it is argued that, in order to remain competitive in the labour market, CVU should align the compensation levels with those of the market level at VC firms. When the CVU neglects to do this, the best of the industry will not work for them. In practice, the consideration of aligning the compensation with the objectives, and the market level often means that the pay at the CVU is significantly higher than for comparable functions at the mainstream BUs of the corporate parent (Ernst et al., 2005; Keil, 2000).
4.2. Factors in the Relation between CVU and the Parent firm

In this paragraph, the factors in the relation between the CVU and the Corporate Parent are analysed. Literature findings for the following factors are discussed: Autonomy of the CVU, internal commitment for the CVU, alignment of the CVU strategy with the corporate strategy and learning from the ventures via the CVU.

4.2.1. Autonomy of the CVU

It is argued in research that the autonomy of the CVU is an important factor in CVU success, as CVUs and the mainstream business of the corporate parent are strange bedfellows (Birkinshaw & Hill, 2005b; Dauderstädt, 2013). Research suggests that CVUs that experience significant levels of autonomy operate better, and are better able to reach their objectives. Birkinshaw & Hill (2005b) argue that autonomy entails two things; the availability of a dedicated investment ‘pot of money’ (i.e. Financial autonomy), and the autonomy of decision making about both investment- and management-related topics (i.e. Decision-making autonomy). However, in practice, corporate parents find it hard to determine how to meddle in with the activities and decision making of a CVU. Often, the short-term focus of a corporate parent is problematic in relation to the long-term support a CVU needs. Also, financial and decision-making autonomy ensures greater adaptability to changes in high-tech markets (Siegel, Siegel, & MacMillan, 1988). To avoid problematic interference of the corporate parent, it is argued that a first important step to balanced autonomy, is conducting CV activities in a separate organizational unit (i.e. structural autonomy of the CVU) as is focal in this MSc-thesis research. While low levels of CVU autonomy are argued to be inhibiting the flexibility and entrepreneurial mindset of the CVU, a certain degree of closeness and collaboration with the corporate parent by the CVU has its benefits too (Ernst et al., 2005). After the establishment of a CVU, building (operational) links with the corporate Parent’s mainline BUs is found to be valuable. These type of links, where business unit employees help with due diligence and perhaps take a seat on the board of the venture, should be established with the notion of a certain amount of separation in mind (Birkinshaw et al., 2002).

In determining the right level of autonomy the advantages (e.g. flexibility and speed) as well as the disadvantages (difficult collaboration with BUs) of autonomy should be taken into account. For example, research shows that senior corporate involvement with the CVU's daily business should be prevented (Birkinshaw & Hill, 2005b). In contrast, (Leten & Van Dyck, 2012) do argue that a certain degree of involvement is valuable, and building between the CVU and corporate parent BUs is very valuable (Birkinshaw et al., 2002). Too much autonomy could prevent knowledge spill-overs from the corporate parent and the use of corporate resources. Hence, a balance between complete separation and complete integration must be found, in order to ensure sufficient autonomy levels while in the meantime preventing complete isolation (Leten & Van Dyck, 2012). Hence, autonomy does not imply that there should be no accountability from the CVU to the senior levels of the corporate parent. Neither should the integration with existing business units be fully ignored.

In the remainder of this paragraph the concepts financial, decision-making, and structural autonomy are elaborated upon more extensively.

The separation of the CVU, in terms of financial autonomy, enhances the reaching of their objectives and thus their performance. The creation of financial autonomy for a CVU is argued to be obtained by having a separated and dedicated fund, instead of a fund that is managed by the corporate Parent or investments made through the budget of the corporate Parent (i.e. subject to review by corporate representatives) (Birkinshaw et al., 2002). Some authors, such as Siegel, Siegel, & MacMillan (1988), argue that a CVU should be established as being an independent unit with access to its own dedicated fund that is separated from the day-to-day business of the corporate. Hereby, the CVU is better able to respond to changes in its environment, and in economically bad times the decisions they make are more easily justifiable. The financial autonomy of a fund has been argued by several researchers to stem from the fact that CV at corporates should be managed similar to their institutional VC counterpart. These funds experience full autonomy over their financial resources (Birkinshaw & Hill, 2005b). However, CVU find it difficult to replicate this type of financial autonomy (Gompers & Lerner, 2000). The financial autonomy, or fund structure, of the CVU is an important factor as it provides the venturing initiative with
a stronger name in the market (Weber & Weber, n.d.). For example, it is indicated that an increasing number of CVUs in the pharmaceutical industry structure their venturing activities in a separate fund. Around 44% of the CVUs researched in this study indicate that they operate with financial autonomy from their corporate Parent. This means that their investments are not subject to additional internal reviews (Von Krogh, Battistini, Pachidou, & Baschera, 2012). It is argued that the majority of CVUs receive their funding from their corporate Parent. It is, however, also possible to raise (additional) funds from external investors. The funds provided by the corporate Parent are provided either as a yearly budget or a one-time fund injection. Additionally, some CVUs have to provide the executive board with an investment proposal for each of their investment opportunities. This however provides the CVU with the minimal amount of autonomy (Ernst et al., 2005).

In strong relation to the financial autonomy, is the element of funding. The CVU can have different sources of funding from within the corporate Parent. The two most common types of funding sources are Business Unit budget and a Standalone budget (Growth Collective, n.d.). It is advised that the budget of a CVU should not be linked with or based on the revenues (i.e. financial performance) of the corporate parent (Siegel et al., 1988). This might also prevent the indicated waves (see paragraph 1.1) that are often seen in CV activities in general. Having a dedicated budget is argued to be important for the autonomy of a CVU (Keil, 2000).

**Decision-making autonomy** is largely determined by the concept of separation versus integration of the CVU with the corporate Parent. Several researchers argue for a higher amount of autonomy (i.e. separation) of the CVU because it enables the CVU to react more aggressively (and quicker) to certain investment opportunities that arise in the market, as the decision-making is more autonomous and thus faster. When the CVU has more autonomy over their investment decisions, often, a more adventurous approach towards investments can be maintained which can ultimately lead to better strategic performance of the CVU portfolio. The CVU with higher autonomy is argued to be able to ignore the strategic intentions of the corporate Parent in some cases and ignore the interference of short-term financial objectives often maintained by the day-to-day business of the Parent (Lee, Park, & Kang, 2018). Moreover, higher degrees of autonomy is argued to lead to better performing CVUs due to the differences in long-term and short-term strategic focus and the role that risks plays in this matter (Birkinshaw & Hill, 2005b). Higher autonomy also plays a role in the competitiveness in terms of attracting employees. In order to attract the best people, CVUs need to be competitive with the VC parties in the market. A CVU should primarily be focused on investing and nurturing the ventures in their portfolio. Accordingly, the majority of their time should not be spent on doing paper work, and political processes. It is often the case that maintaining certain levels of autonomy are recognized to be of value when the venturing activities, undertaken by the CVU, tend to go wrong (i.e. the objectives are not reached) (Birkinshaw & Hill, 2005b). Whereas decisions in CV come with a certain degree of uncertainty, the day-to-day business of the corporate parent involves more risk-averse behaviour. Moreover, the speed of decision making is very important in CV. Higher levels of autonomy, result in less involvement of the corporate executives in the decision-making processes related to investments. Consequently, the speed of the investment decision should not be hampered and slowed down by a decreased level of autonomy provided by the parent. When CVUs want to compete with their institutional VC competitors, their decision-making process should not take substantially longer compared to that of the VCs (Birkinshaw & Hill, 2005b; Ernst et al., 2005).

Several CVUs indicated that they need to report on a monthly base about their activities to the corporate Parent (Ernst et al., 2005). Another study showed that almost half of all the surveyed CVUs (365) have to report either weekly or monthly to some sort of leadership form or an internal BU. In terms of decision-making autonomy, a survey study shows results that state that the majority of the deals are signed off by an investment committee, the CEO/CFO, and some by the BU sponsor. However, only 6% of the CV arms surveyed in this study (365) did not require any sign off. Also, 47% of organizations require the internal approval of more than 1 stakeholder (Growth Collective, n.d.).

In addition to decision- and financial-autonomy provided to the VU, it is argued that the actual **structural autonomy** of the CVU is also important to analyse as a factor (Lee et al., 2018). When a company aims to have a mere explorative strategic focus, it is argued that structural autonomy (i.e. setting the CVU up
as a separate entity outside the corporate) is favoured. However, in contrast, when the strategic focus of the CVU is exploitative, the CVU should be placed inside the corporate parent as a separate department. In the latter case, the resources of the parent can be used, such as expert skills and high-tech knowledge.

4.2.2. Internal commitment for the CVU

The top management of a firm (i.e. senior management or the executive committee) should be fully behind the rationale underlying the engagement with ventures, the CV objectives, and the way the CVU is setup (Bleicher & Paul, 1987). This stems mainly from the fact that CVUs are seen as being some sort of a misfit in the corporate organization. In general, these misfits are the first entities to be killed when corporate strategic change or problems are a topic of discussion. In order to survive these corporate waves, a high degree of top management commitment is preferred (i.e. internal traction). This type of commitment should not entail day-to-day involvement in the investment decisions made by the CVU, by the top executives, as the previous paragraph relating to autonomy described. However, when the time comes, they should be willing to stick out their neck (Birkinshaw et al., 2002). This concept is often referred to as ‘air-cover’ for the CVU (Birkinshaw et al., 2002). Literature, however, is scant about how this commitment, or internal traction, can be generated for CV activities.

4.2.3. Aligning the CVU strategy with that of the corporate

The alignment of the CVU strategy with that of the corporate parent is important. Of course, in developing the objectives of the CVU the corporate parent’s strategy is a strong influencer. However, the actual strategy of the CVU should be aligned with the strategic intent in terms of focus areas for technologies and business models of the corporate parent as well. Covin & Miles (2007), argue in their study that there are five modes of connecting the CVU with the Business Strategy (i.e. corporate Parent strategy). They distinguish: 1) weakly linked or unrelated, 2) a situation where the corporate strategy drives the CVU strategy, 3) the CV activities driving the corporate parent strategy, 4) a reciprocal causality between the CVU and the corporate parent strategy, 5) or an extreme situation where CV is the corporate parent’s strategy. The objectives, the CVU aims to pursue, are most often developed in collaboration with the corporate parent’s strategy in mind. A CVU can pursue a broad set of objectives at the same time, however, Dauderstädt (2013) argues that the strategic intent of the CVU should be aligned with the parents’ strategy and innovation needs.

4.2.4. Learning from the ventures

As learning is one of the prime objectives of CV in general (i.e. strategic objective of window on novel elements such as technology and business models), it is crucial to analyse this as a separate factor that interplays between the CVU and the corporate parent, as the CVU ensures the learnings from ventures by the corporate parent (Maula, 2007). A corporate parent can learn in two ways from new ventures. Through explorative learning, or exploitative learning as indicated in paragraph 4.1. The extent to which the CVU and thus the corporate parent is able to learn from the ventures it engages in, either through exploration (of what is not known already) or exploitation (knowledge that is already known in the firm), depends strongly on the absorptive capacity and knowledge diffusion between the CVU and the corporate parent. Consequently, the CVU must ensure learning by both the corporate parent from the portfolio ventures, and vice-versa. Mechanisms that allow the transfers of learnings to both sides are crucial in designing a CVU (Mcgrath et al., 2006). These learning transfer mechanisms employed by CVUs in practice can be very different in nature. For example, at Nokia, the founders/CEOs of discontinued or failed ventures were brought into the corporate parent’s training programs. By doing this, not only technological learnings can be derived from ventures, but also learnings from developing a start-up venture in general (Mcgrath et al., 2006). In order to increase learnings by the corporate parent, increased involvement of BU-employees can be considered. This can potentially be in the form of involvement in the CVU or investment committee (the board that approves investments), or through involving BU-people by means of board seats in the ventures. In essence, the CVU should emphasize on, and facilitate the liaison between the portfolio of ventures and the corporate parent’s BUs (Dushnitsky & Lenox, 2006). Furthermore, Dushnitsky & Lenox (2005) argue that a crucial element in learning from a venture, is the absorptive capacity the corporate parent possesses. Two considerations are important in this element. Firstly, when a firm lacks expertise related to the venture’s innovation and
technology, the transferring of knowledge becomes difficult. Secondly, a contradicting finding states that, too much overlap in the knowledge base provides a firm with the inability of gaining any new knowledge at all.

### 4.3: Factors in the Relation between CVU and External Ventures

In this paragraph, the factors in the relation between the CVU and the ventures are analysed. Literature findings for the following factors are discussed: Autonomy of the ventures and the venture’s team.

#### 4.3.1. Venture Autonomy

One of the most important reasons for failure of a CVU, argued by Ernst et al. (2005), is the absence of the right degree of collaboration and synergy between the corporate parent and the venture. However, as the CVU is clearly seen as a unit that operates in between these two entities, the relation with ventures is discussed in this paragraph. As a CVU is seen as the unit of analysis in this research, and not the corporate parent, the relation between the ventures and the corporate parent are not discussed separately, but included in this section where the fit of the ventures with the CVU is discussed.

The extent of autonomy a CVU and corporate parent provides to the ventures it engages with, through external CV, is strongly dependent on both the strategic and operational fit or relatedness to the parent’s resources, skills and BU’s activities. Consequently, first the concepts of strategic and operational fit of a venture with the CVU and the corporate Parent are analysed. Thereafter, the concept of venture autonomy specifically is elaborated upon.

In addition to the strategic and operational fit, influencing the venture autonomy, the factors of venture-origin, and stage (phase) the venture is currently in, are briefly discussed while considering the extent of autonomy of the venture. The stage of development the venture is in, is argued to be of importance. When the venture is in its early creative stages and the expenditures are relatively low, it is found to be harmful to impose low levels of venture-autonomy. However, when a venture is nearing its so-called growth-stage, a higher involvement of the CVU and the corporate Parent is argued to be favourable (Sykes, 1986). This decreased venture-autonomy in the later stages is important in order to, for example, prevent possible conflicts in terms of overlapping product and/or customer specification of the venture with the core-business of the corporate Parent. The origin of the venture should also influences the venture-autonomy, for which two options are considered in this research, namely; Internally originated Spin-off ventures (Route A), and externally originated ventures (both Route A and Route B). Thus, Sykes (1986) argues that the ventures that found their origins with internally developed ideas or technologies through Spin-off ventures should be treated differently in terms of autonomy levels in comparison with ventures that have their origins outside of the focal corporate Parent. The literature relating to spin-offs and autonomy can be found in paragraph 4.5.3.

The implications that the strategic fit between the venture and its parent (or Venturing Unit of the parent) has, can be analysed along two dimensions according to Thornhill & Amit (2001). The two dimensions studied by the authors are: a function of the needs of the venture and the resources of the parent firm (Economic dimension), and the organizational culture (Relational dimension). Some authors diversify these two types of fit as operational and organizational fit respectively. Hence, the notion of strategic fit is elaborated upon by analysing the concept from the viewpoint of operational fit and organizational fit.

Operational relatedness or fit of the ventures with the existing mainline business units of the corporate parent are also found to be of importance for venturing objectives (Napp et al., 2009). When the operational capabilities are strongly linked, the venture can make use of the corporate parent’s technology, distribution channels, or manufacturing capabilities and plants (Chesbrough, 2002). Furthermore, the operational fit of the venture with the corporate parent can be an important competitive advantage of a CVU when competing with institutional VC parties (Keil, 2000). From the ventures’ side, these days, there is more than enough capital in the market. However, the added value of a corporate in scaling a venture is significantly more than just the provision of capital. Consequently, corporations and their CVUs need to build the reputation of being able to successfully develop a start-up venture in order to attract future deal flow, develop a reputation in certain technology areas. When the reputation
of a CVU is absent, collaboration with VC parties can serve as solution, this is discussed in paragraph 4.4.

According to Chesbrough (2002), the operational relatedness of the venture with the corporate parent drives its investment strategy. When the operational relatedness is high, the strategy of the CVU should be aimed at either 'Driving' or 'Emergent' investments, depending on the financial or strategic objectives the CVU maintains. Driving investments have a strategic objective with high operational linkages between the venture and the CVU and Parent company, resulting in close cooperation of the existing BUs with the ventures through knowledge sharing. These Driving investments will sustain a corporates' strategy, however, it is unlikely to lead to disruptive new opportunities. Emergent investments also have a high operational link, however, the objectives maintained by the CVU are mere financial. These Emergent investments are not intended to enhance the current strategy of the corporate. The initial rational to invest in these ventures is financial, and through these ventures the corporate Parent is able to enter in uncharted markets. Ultimately, these can turn in strategic benefits to the company, however, this is not the initial intention. Through the operational linkages, the ventures can use sales channels, or production facilities of the Parent (Chesbrough, 2002).

Contrary, the investments in ventures with a lower degree of operational linkages also have two accompanying strategies in relation to the CVU's objectives (strategic or financial). Namely, 'Enabling' and 'Passive' investments. Enabling investments have a strategic objective with a low operational linkage to the corporate Parent. These type of investments are often done based on the concept of complementarity. This aligns with the specific strategic objective of Value-chain venturing (i.e. ecosystem venturing, and generating demand for your core products), as Intel, for example, engages in. Passive investments, as the name implies, are a strategy where the CVU engages with ventures in a passive way to generate financial returns. The link to the Parent’s operations is either loose or non-existent, which means that the company will not actively advance their own business and growth through these investments. The danger of this type of investment strategy is that, when a venture financially underperforming, no strategic benefit will be realised to compensate for this loss.

(Burgelman, 1984) looks at the importance of operational linkages between the new ventures and the corporate Parent. His study did this for internally developed ventures. However, his findings are found to be applicable to that of engagement with ventures originating both internally as well as externally to the firms' boundaries. The study argues several questions a corporate Parent, and the CVU, should ask themselves in terms of assessing operational relatedness of the ventures with the Parent company. What the capabilities are to make the venture successful? Where do we get these capabilities and at what cost, if we don't have them internally? What are corporates are able to do this (i.e. possess the operational capabilities)? How do the (perhaps) new capabilities needed affect the current capabilities of the mainstream business?

It is argued that CVUs need to guarantee the independence of the ventures from the influence of the corporate parent (Ernst et al., 2005). As argued above, the notion of autonomy is determined by the strategic and operational linkages a venture has to the corporate Parent. The concept analysed in this matter, venture autonomy, is identified as being a crucial element in successful venturing activities, in terms of the closeness of ties between the venture and the CVU (or corporate parent). Two streams exist; on the one hand, a very close connection (i.e. low venture autonomy) might enhance the way a venture is able to capitalize on the resources and capabilities of the corporate parent though interaction with the Venturing-Unit of this firm. However, a countervailing stream proposes higher levels of Venture-autonomy in order for the venture to prevent the corporate-inertia trap and accompanying bureaucracy that occurs when they interact more intensively with the corporate (either with the parent firm or CV-Unit) (Thornhill & Amit, 2001). One of the advantages of higher Venture-autonomy, provided as an example by Thornhill & Amit (2001), is the increased flexibility of the venture to be adaptive to changes in both the internal as well as external demands. However, not maintaining sufficient close connections with the corporate parent might result in missing competitive advantages based on resource-sharing. Also, Ventures that are managed by CVUs, should be provided with sufficient levels of autonomy, according to Shrader & Simon (1997). They argue that Corporate Ventures should be managed more like completely independent ventures (i.e. start-ups not experiencing any corporate involvement). Again,
Sykes (1986) argues that the autonomy in decision making by the portfolio ventures should depend on the stage of the venture (early/creative and growth stages). Furthermore, literature indicates the extent of Corporate involvement to be important. It is indicated that a mere equity based relationship will not suffice. When corporate investors (i.e. CV-Units) want to assure that knowledge flows from the venture into their own Business Units, a certain degree of involvement is necessary. This concept of involvement states that the relation between a CV-Unit goes beyond just providing capital to the venture. Greater involvement can result in a higher flow and integration of knowledge from the venture to the corporate, and vice versa (Wadhwa & Kotha, 2006). In order to ensure that value is captured from these knowledge flows, the corporate should develop a certain level of absorptive capacity. Hence, the degree of corporate involvement with the ventures (i.e. autonomy provided to the portfolio ventures) is of importance in reaching the objectives of a CVU.

4.3.2. The Ventures’ team

As argued in the selection criteria, the venture’s team is an important criteria used in selecting ventures for the CVU’s portfolio. The CVU is tasked with the interference in a venture’s team when necessary. The extent of corporate employees being involved with the venture cannot be identified through credible literature sources. Hence, the external interviews will have to provide insights as how to deal with a venture’s team and the corporate involvement. Besides the compensation of the CVU managers, based on the reaching of the objectives and the general market compensations at VC parties, there is also the element of compensating the involved venture employees. The compensation of the ventures’ team falls within the scope of this research, due to the fact that: a) Spin-off ventures originating from internal ideas may involve corporate employees/managers and b) external venture teams might be strengthened with the skills of a corporate employee, which means that this employee might be included in the venture team either fulltime or part-time.

The literature specifically analysed with regard to a spin-offs’ team, can be found in paragraph 4.5.4.

A difficulty, identified by Sykes (1992) is between two compensation principles: equity and equality. The equality principle is built on the fact that throughout the corporate, compensation is ought to be distributed equally. The concept of equity reflects the fact that pay should be linked to performance. Ideally, in the view of Sykes (1992), the compensation should not stress individual award systems, but rather focus on team awards. One of the major reasons for corporate parents to engage in the concept of equality, is that they are concerned with the situation where the compensation of the venture employees (being originally corporate employees, but involved with the day-to-day business of the venture) exceeds that of the regular corporate employees to such an extent in terms of money that it becomes unreasonable. It is argued that this equality barrier can be overcome by keeping the venture personnel separate from the corporate organization (Sykes, 1992). However, this is not possible for the corporate staff are involved in assisting the external ventures’ business and technology work as an advisor (Sykes, 1992).
4.4. Factors in the Relation between CVU and external investment partners

In this paragraph, the factors in the relation between the CVU and external investment partners are analysed. Literature findings for the following factors are discussed: collaboration with VCs, collaboration with strategic investors and investing in externally managed funds.

In order to spread risks, CV investments are often executed in collaboration with either VCs or industry (strategic) partners. Moreover, a division is made between equity-based (i.e. syndication) and non-equity elements within the collaboration with external partners.

Specifically, in CV around 90% of the investments are syndicated (Le Pendeven, 2018). This high percentage of deal syndication indicates the importance to analyse the collaboration of CVUs with external investment partners as a separate section of factors. Syndication of deals can be done by collaboration with other CVUs, investment funds, business angels, VCs, etc. Often, deal syndication is found valuable due to spreading of risk when the investment risk is perceived higher (i.e. disruptive ventures), high quality deals can be sourced via partners, the ticket-size exceeds the investment capacity of the focal CVU, etc. (Dauderstädt, 2013). However, in syndicating the deals, a CVU should always keep in mind that a reduced risk comes with a reduced level of control.

**Collaborating with VC parties**

In collaborating with VC parties, several ways were argued. One of them, encompasses the setting up of a CVU and asking advice from VC parties in doing so. For example, the VC party can aid in selection processes and selection criteria development. Another way of cooperation, is the involvement of VCs by CVUs in conducting the due diligence on their behalf, discussing trends, and sharing deal flows and investment opportunities. The VCs, having a strong position in their respective ecosystems, can expose the CVU to higher qualities of deal flows. As Keil (2000) argues, when a CVU does not have a very strong reputation in terms of developing ventures, or expertise in a technological area, the collaboration with VC parties can help. In other words, the CVU can learn in several ways from a top-tier VC party, and learn the necessary capabilities inherent to venturing-practices. An example is that 54% of the deal flow for a CVU comes from Venture Capitalists (Growth Collective, n.d.; Birkinshaw et al., 2002; Birkinshaw & Hill, 2005b).

Moreover, the most prominent way of working together with VC parties, is that of investing together. One of the ways to prevent failures of a CVU is to invest together with VC parties in investing in ventures. This phenomena is called syndication. However, in syndicated investments, the CVU should keep in mind that the decreased levels of risk also come with lower autonomy over the investment opportunities, loss of flexibility and control, and possible conflicts between the CVU and other parties in the syndicated deal (Birkinshaw & Hill, 2005b).

Having strong ties with the VC community provides strong value to the CVU. Amongst others, the view of the corporate Parent's executives, on new technologies and business models, is often formed through screening ventures together with VC parties. The co-investment together with top-tier VC parties can lead to the recognition of several promising ventures that are already backed by the VC party that the CVU collaborates with. It is argued that, in order to create a certain radar for new and discontinuous technologies, it is crucial for a CVU to engage in syndicated investments with VC parties with an additional effect of gaining a higher degree of trust from the corporate’s executive management. In other words, strong ties to the VC community is an important factor to analyse more closely (J Maula, Keil, & Zahra, 2013). However, it is crucial to note a fundamental difference that is present between most CVUs and their VC co-investors. At the base of a CVU, are often strategic objectives that are the primary goal of engaging in CV activities, this is also the case for EVIS as identified in the internal interviews. This predominant strategic focus of a CVU may possibly hamper the intended (often narrower, more short-term) financial objectives and gains that a VC intends to obtain (Dennis Park & Steensma, 2013).

**Collaborating with Strategic investors**

Besides working with VC parties, a CVU can work with other industry partners. The involvement of external partners provides the CVU fund with a certain degree of financial autonomy, especially with
regard to sudden changes in the corporate parent’s financial decision making and strategy. Moreover, the CVU can reap their intended strategic benefits at a possible lower investment cost by the corporate parent (Maula, 2007). However, it should be considered that a CVU’s strategic angle is often decreased as these strategic co-investors have their own agendas as well.

Investing in externally managed funds
As Maula (2007) indicates, several CVUs invest in CVC by means of investing in other funds that manage the investments for them. Thus, in addition to direct investing by a CVU, either with or without collaboration with VCs or other partners, there is also the option of indirect investments through an external fund that manages a portfolio of ventures. However, the investment in externally managed funds is merely used when the CV activities of a corporation are undertaken with a financial objective in mind, rather than a strategic objective.

An example of indirect investments by a CVU is that of KLM. KLM participates in the Mainport Innovation Fund. This fund is a combination of several partners (Leten & Van Dyck, 2012). However, in the case of EVIS, emphasis of the research is put on the development of a dedicated and self-managed CVU that directly, as requested by the people involved with the research. A self-managed fund can still invest together with external parties, however, the involvement of the CVU representatives is more than just a decision of which externally managed fund to invest in (Keil, 2000). As indicated above, the investment in externally managed funds should mainly be considered when the sole objective of CV activities is financial (Keil, 2000). This, however, is not the case for EVIS as extracted from the internal interviews concerning the CVU’s objectives.
4.5, Factors in the relation between CVU and Spin-offs

As indicated in the scope of the research the focus of this study is on two concepts (i.e. modes) of external CV; spin-offs and CVC investments in external ventures due to the fact that these modes fall under the concept of external CV. As the research concerning a CVU focusing on both spin-offs and external ventures is rather absent, the researcher has attempted to identify useful research relating to spin-offs and the CVU. Literature concerning the following is analyzed in this paragraph accordingly: Comparing spin-offs and external ventures and identifying types of spin-offs, motivations for doing spin-offs, spin-off autonomy and collaboration with the corporate parent, and external involvement of investors.

4.5.1. Comparing Spin-offs and external ventures

As explained in the scope (Paragraph 1.3) of the research, for the CVU at EVIS, two routes of ventures are considered. Route B are the ventures that are external to ENGIE and are invested in by the CVU. Ventures from Route A can be both external (immature) ventures that are incubated by the Innovation & Incubation team and the innovation funnel, or internal ideas that are eventually developed into a Spin-off entity. Which consequently is invested in and nurtured by the CVU. These spin-offs can benefit the corporate parent in terms of both financial returns on the investment, and possible future strategic benefits.

For the case of the CVU at EVIS the form of spin-offs, identified by (Keil, 2000), is relevant; when a corporate transforms an internal venture into an external venture in which it holds a minority stake. An example of a spin-off is when a corporate has developed a certain technology, and this is spun-off as an independent startup venture while the corporate remains a minority stake and does an additional investment in the first round of financing for the venture (with other investors) as well (Chesbrough, 2002). The (minority) ownership of a spin-off venture enables the corporate parent to follow the development of both technologies and business models of the spin-off venture at arm’s length. In practice, it is often seen that the corporate Parent’s investment is intensified after a VC party has provided the spin-off venture with additional investments as this captures the attention of the corporate parent in a more serious way (Parhankangas & Arenius, 2003). The corporate parent can continue to provide support for the spin-off venture by maintaining a minority share package, and providing products and services in terms of operational support, similar to the nurturing of external ventures.

The differences between CVC investments in external ventures and Spin-offs are important to consider. A Spin-off, in this case an internal venture being transformed into an external venture receives funding by the CVU of the corporate parent in which the venture originated (Keil, 2000). However, a Spin-off allows the (previously) internal venture to attract external capital resources from other investors as well, while the corporate (mostly) maintains a minority stake in terms of shares. Spinning off a venture allows the venture to raise additional capital by other investors than solely the corporate parent by issuing shares, and it allows the spin-off venture to better operate its own strategy without hampering involvement of the corporate Parent. Very often, the management of the spin-off venture comes from the corporate parent (Kenton, 2019).

Types of spin-offs

In order to discuss whether the external interviewees approach certain types of spin-offs in a different way than other types, it is interesting to develop an understanding of several types identified in the literature. Several authors base their study on the following types: assisted spin-offs, entrepreneurial spin-offs, and restructuring/management spin-offs. However, according to Parhankangas & Arenius (2003), it is important to distinguish between spin-offs originated as startups, and spin-offs as derivatives from already existing activities within the corporate. As the focus of this research is on external CV, as a tool for Corporate Entrepreneurship, the former (i.e. spin-offs as original startups) will be maintained for the remainder of the study. Assisted Spin-offs; In this spin-off type, the corporate provides the venture with support on an active basis. For example, a transfer of human or physical resources take place (e.g. use of manufacturing capabilities). Always have a form of corporate parent (minority) ownership (Fryges & Wright, 2013) (Parhankangas & Arenius, 2003). Entrepreneurial Spin-offs; Occur when a corporate
employee recognizes a certain opportunity in the market, also have corporate parent (minority) ownership (Fryges & Wright, 2013; Parhankangas & Arenius, 2003). Restructuring driven Spin-offs are driven by strategic choices of the corporate parent. When, for example, the product or services of an internal venture are not found to fit the corporate strategy, but either financial or future strategic value is still envisioned, the corporate parent can decide to spin-off the venture and maintain a (minority) share to track its developments (Fryges & Wright, 2013; Parhankangas & Arenius, 2003). Within the aforementioned categorization, the literature identifies several typologies of corporate spin-offs. Spin-offs serving new markets; the triggering factor for these type is the unwillingness of the corporate parent to diversify in a certain new market. In the technology industry, in most cases this is seen by new product applications of a technology developed by the corporate parent. However, the corporate parent does maintain/acquire a minority share in the newly founded spin-off, in order to ensure it participates in the future success of the spin-off firm (Parhankangas & Arenius, 2003). Spin-offs developing new-to-market technologies; this type of spin-off mainly means that a market is absent, as well as competitors, and no dominant design exists. These type of spin-offs can be seen as a form of restructuring spin-offs as the idea of the technology is often developed internally. The trigger for these type of spin-offs can be: uncertainty and tacit nature novel technology, lack of customers or insight in possible customers, and other uncertain factors. These uncertainties lead to a risk-diversifying decision of spinning-off the venture by the corporate parent. The minority ownership allows the corporate parent to keep on following the developments of the spin-off at arm’s length, while sharing the risk of the spin-off with other (external) investors (Parhankangas & Arenius, 2003).

4.5.2. Motivations for doing spin-offs

In addition to the objectives for external CV (both spin-off and external venture activities of a CVU), where the rationale behind engaging in external CV activities in general is translated into objectives (Chapter 3), the motives (i.e. reasons) behind doing a spin-off are researched from the literature in this section. It is interesting to analyse what literature says about motivations for spin-offs, in order for a CVU to develop their own version of these motivations. By doing this, it can be ensured that spin-offs are only conducted when it is valuable/necessary.

Thus, in the following situations, a spin-off can prove as a solution. As opposed to continuing the venture internally, or completely discontinuing the internal venture or project (Chesbrough, 2003b). Firstly, a strategic motivation is considered. Spinning off internal ventures to a spin-off venture is executed mostly when the internally developed venture deviates from the corporate strategy in terms of its technology, market or business model (Roberts & Malonet, 1996). When, for example, the mindset towards the idea developed by the internal venture has changed, the venture could still be turned into a success by spinning it off and allowing it to develop further outside the corporate organization. Mainly, the corporate looks for a return on the investment it does in the spin-off venture. Also, the corporate parent can keep an eye on developments and possible strategic insights (Chesbrough, 2002). Secondly, uncertainty is often a reason for spinning off a venture. When a high degree of uncertainty is perceived in terms of the commercial prospects of the venture, a spin-off is a good alternative for discontinuing the internal venture. Research shows that spin-offs formed with a novel technology as foundation are usually spun-off based on the resistance of the corporate parent to take a risk and diversify in new markets or new technological areas via internal ventures (Roberts & Malonet, 1996; Narayanan et al., 2009). Thirdly, when an internal venture is a threat to the corporation’s main brand reputation and image, but the venture’s technology is still valued, spinning off the venture can prove as a solution (Has Kot, 2018). Fourthly, an internal venture is not attractive for external parties to invest in and collaborate with as an external venture is. Thus, spinning off a venture can be done in order to attract external investments, or help (i.e. operational help) from external parties. Without spinning off the venture, these parties are less (or not at all) inclined to get involved with the venture (Has Kot, 2018).

4.5.3. Spin-off autonomy & collaboration with the corporate parent

As indicated in paragraph 4.3.1, the origin (internal or external) of the venture should influence the venture-autonomy and thus the degree of collaboration of the spin-off with the corporate parent. Sykes (1986) argued that the ventures that found their origins with internally developed ideas or technologies through Spin-off ventures should be treated differently in terms of autonomy levels in comparison with
pure external ventures. Hence, it is found interesting to analyse the literature related to spin-off autonomy and the collaboration with the corporate parent and CVU specifically. The intensity of the relationship (i.e. autonomy provided to the venture), and the provision of corporate resources (i.e. human capital) can be crucial in the growth of the venture after spinning it off.

The corporate parent should consider how intellectual property is transferred to the entrepreneur and spin-off venture, as this is paramount in technological innovations. Furthermore, the involvement of the corporate parent with the spin-off venture can be in the form of a client relationship. The corporate parent being the first client of a venture provides the spin-off with a certain credibility to outside investors and prospective clients (Fryges & Wright, 2013).

The autonomy, or relationship the corporate parent maintains with the spin-off venture, is argued to be reflected by the percentage of shares the corporate parent maintains in their spin-off. Fryges & Wright (2013) argued that certain types of spin-offs have a particular interest in their corporate parent maintaining a higher percentage stake in the venture. These types are the spin-offs where the corporate parent decided to do a spin-off (i.e. assisted spin-offs), and spin-offs where an internal entrepreneur starts a spin-off venture, but the corporate still supports the new venture due to interest in its developments. Spin-offs that are based on technological uncertainty – perceived by the corporate parent – can experience an increased level of integration or collaboration with the corporate parent when, over time, there is more discovered about the technology or commercialization has become more tangible (Parhankangas & Arenius, 2003). Thus, the level of autonomy decreases over time due to developments of the spin-off venture. Additionally, the place a spin-off's offices are based is said to be an indicator of the autonomy as well. Often, the majority uses its own location. The sharing of employees, for instance, corporate employees working at both the corporate and the spin-off is said to influence the autonomy strongly (Braaksma, De, & Zoetermeer, 2005). This is, however, considered to be a team aspect and will be discussed in the next paragraph.

4.5.4. Team aspects of a Spin-off

According to Roberts & Malonet (1996), the entrepreneurial team of a spin-off venture is crucial in the development of the venture's technology and commercialization in the spin-off process. The required capabilities of a spin-off team is said to change over time. Where on the short-term, venture building and product development are core, over the longer period of time production and commercialization aspects become increasingly important and different skills are necessary.

When corporate employees face the decision of being involved in a spin-off venture, they perceive an increased career risks. This career-risk is inherent to new ventures. Generally, people are not ready to lose their corporate salary and take on the risk of developing a spin-off outside the corporate walls (Covin & Miles, 2007). Research shows that this risk requires a certain compensation which will stimulate the corporate employees in taking these risks (Block & Ornati, 1987). These financial compensation types can prove to be a performance incentive for the entrepreneurial personalities needed in corporate ventures. These type of people often see performance incentives as a type of feedback they seek for. A difficulty, identified by (Sykes, 1992) is between two compensation principles: equity and equality. The equality principle is built on the fact that throughout the corporate, compensation is ought to be distributed equally. The concept of equity reflects the fact that pay should be linked to performance. Ideally, in the view of (Sykes, 1992), the compensation should not stress individual award systems, but rather focus on team awards. One of the major reasons for corporate parents to engage in the concept of equality, is that they are concerned with the situation where the compensation of the venture employees (being originally corporate employees, but involved with the day-to-day business of the venture) exceeds that of the regular corporate employees to such an extent in terms of money that it becomes unreasonable. It is argued that this equality barrier can be overcome by keeping the venture personnel separate from the corporate organization (Sykes, 1992). However, this is not possible for the corporate staff are involved in assisting the external ventures' business and technology work as an advisor, as was indicated in the previous paragraph to be part of the options (Sykes, 1992).

In terms of the spin-off's management, in practice often, this comes from the corporate parent (Kenton, 2019). In establishing a spin-off, the corporate employees involved with the internal venture need to be
transitioned to the spin-off, if necessary. However, it is argued that the CVU should critically consider whether a (former) corporate employee is most suitable to be the CEO of a spin-off venture. For instance, some benefits of installing a corporate employee as CEO are: connection to the corporate, better understanding of the corporate strategy and informal networks in the corporate. Whereas externally found CEOs do not have these connections. However, external CEOs are argued to have a better understanding of novel markets where the spin-offs are focusing on. This is especially valuable in spin-offs that are motivated by a loosened strategic fit with the corporate. However, in general, literature is found to be rather inconclusive with regard to whether an internal or external CEO should be selected for the spin-off venture.

4.5.5. External involvement of investors

As in this research, the scope has been limited to ventures (both spin-offs and external ventures) where the corporate holds a minority stake through their CVU, only situations where the majority of the shares from the spin-offs are held by either the spin-off management and external investors. The involvement (i.e. co-investment) that is done by corporate parents with external investors is done for several reasons, one of which is that the willingness of outside investors to invest in a previously internal venture proves as a prove/test of the spin-offs' potential. In other words, the involvement of others is not just a good means to diversify risk and attract additional capital, it also serves as a test for the venture as VCs often have strict due diligence in terms of growth capabilities for ventures (Birkinshaw & Hill, 2005b). Furthermore, as one of the most mentioned motivations in literature to do a spin-off is the decreased fit of the venture with the corporate's strategic focus, the corporate is often not willing to heavily invest thus other investors are needed (Parhankangas & Arenius, 2003). Other benefits of bringing in external funding are: risk sharing, resilience of the spin-off from corporate changes, critical commercial assessment of the venture by other parties (Tidd & Taurins, 1999).

Similar to the syndication a CVU does for investments with external ventures, the co-investors for spin-offs can be found in the form of strategic and financial (VCs) investors as well. The benefits of strategic and financial investors are similar as for external ventures. Outside investors are involved very often in the form of VCs in the case of spin-offs. These VCs have the advantage of imposing a strict management upon the ventures in a more disciplined manner than CVUs often do. For instance, follow-on investments are based on very strict milestones. These VCs are known to interfere actively with venture CEOs when performance is not met. For spin-offs this can be very relevant as these CEOs can potentially be less experienced (former) corporate employees (Chesbrough, 2003b).
4.6. Conclusive; Conceptual Framework from literature research

Based on extensive literature research, numerous factors have been identified that are of importance for a CVU to consider in engaging in external CV activities. As explained in the methodology section, this part of the literature research serves as a basis for the external interviews (i.e. topics of discussion).

In order to present the literature insights in a clear way, and to be able to present the insights to the external interviewees, Figure 10 provides a Conceptual Framework from literature research.

Additionally, it should be considered that the arrows in the framework do not represent a specific direction of how the factors interplay between the CVU, the corporate parent, external ventures, spin-offs and external investment partners. The arrows are used to indicate that the factors work both ways between these entities. When the researcher would have used unidirectional arrows, misunderstanding of the intention behind the arrows would arise.

Conclusive, the conceptual framework in Figure 10 is used as a first step to answering SQ2. In order to fully answer SQ2, framework of factors will be used in the external interviews to derive practical insights with regard to the factors that are important in develop a CVU that focuses on external CV.

Figure 10) Conceptual Framework from literature research
5. Data gathering and Interview Results

In this chapter, the results of both the internal interviews (CV objectives intended for EVIS based on SQ1), and the external interviews (factors based on SQ2) are showcased.

The results from the internal interviews, based on literature research from chapter 3, are processed in paragraph 5.1. The results from the external interviews, based on literature research from chapter 4, are processed in paragraph 5.2. The overview of the main take-aways from the interviews – both internally as well as externally – are provided in paragraph 5.3, where the resulting framework is showcased 5.4. The most striking and important differences between findings from literature and the interviews are analyzed in paragraph 5.5.
5.1. Internal interviews: Deriving External CV Objectives for a CVU at EVIS (SQ1)

As indicated in the methodology section, the purpose of the internal interviews was to gain insight in the external CV objectives intended by the interviewees for a CVU at EVIS. The literature of chapter 3 was used as a foundation for the interviews.

Ultimately, the intended external CV objectives for a CVU at EVIS resulting from the internal interviews, will be compared to the insights from the external interviews. Specifically, the part of the external interviews encompassing a discussion about how the external interviewees deal with the CV objectives of their CV unit/program is used for this. This can be found in chapter 5.4.

It is important to understand that the insights in this paragraph will not be used in the definitive framework of factors (paragraph Error! Reference source not found.). This framework contains the insights that are generalizable towards other CVUs. Whereas the insights in this paragraph are specific to the case of a CVU at EVIS.

Consequently, the results from the internal interviews (i.e. the main take-aways with relation to CV objectives) are analyzed in this paragraph. Ultimately, these insights are used in chapter 5.4, where the implications for a CVU at EVIS are discussed considering the insights from the external interviews (about the factors) as well. As indicated in chapter 3, the literature findings are kept as broad and generic as possible, in order for the interviewees to specify and elaborate their answers according to their insights.

As described in the methodology section, a more profound explanation of the exact content of the interview and usage of literature findings, can be found in the interview protocol used during the internal interviews in Appendix C.

The main results of the interviews are subdivided in the following way:

- **Intended External CV Objectives for a CVU at EVIS: Resulting from the internal interviews.** Containing the ultimate results of the discussions held in order to develop a set of intended CV objectives for a CVU at EVIS. This specific section contains the most valuable insights from the internal interviews, and is thus included in the main report below.

- **Value of CV in general, and the interviewees’ opinions on a CVU at EVIS.** These results provide an understanding of why a CVU at EVIS can be valuable and is important as a basis for developing the external CV Objectives. The main insights of this part of the internal interviews can be found in Appendix D, as these are not paramount in answering SQ1.

- **Current objectives for external CV activities at EVIS.** To gain insight in the rather scant status this currently has for external CV at EVIS, as indicated in the problem definition of the research. The main insights of this part of the internal interviews can be found in Appendix D, as these are not paramount in answering SQ1.

Ultimately, a visual overview is provided based on the literature findings and interview take-aways that is fit to the case of EVIS. This can be found in Chapter 5.4, where the implications of all findings (both SQ1 and SQ2) for a CVU at EVIS can be found.

*Intended External CV Objectives for a CVU at EVIS; Resulting from the internal interviews*

Balancing strategic and financial objectives and dealing with these objectives according to EVIS

Prior to elaborating upon the exact strategic objectives mentioned by the interviewees (and their preferred order of importance), the way a CVU at EVIS should deal with strategic, financial and societal objectives according to the interviewees is analyzed first.

All interviewees have the opinion that **strategic objectives** (in the broadest sense) should always be the primary objective of a CVU at EVIS. Where the **financial objectives**, of making a return on the investments in the portfolio, comes on a second place. For all interviewees, the financial objective, meaning the actual gains from the investment itself, and not the additional revenues created for the corporate through ventures or their technologies, should be considered as a second external CV objective for the CVU. The **societal objectives** are mentioned to be not important for a CVU at EVIS.
Additionally, it should be highlighted that the interviews showed that CV activities should never be conducted with a purely financial objective. As purely financial objectives are argued to be harmful for a corporate such as ENGIE. As this is too far removed from the core business and capabilities of a corporate strategic investor such as ENGIE. All interviewees at ENGIE were unanimous about this.

In considering the short- and long-term in terms of CV objectives, the following has been extracted from the interviews. In the short-term, financial objectives should be disregarded according to the interviewees. However, in the long-term, the reaching of certain financial objectives with the portfolio is argued to be crucial for the survival of the CVU at EVIS considering the tendency of corporate management. Generally, the interviewees indicate that, due to the main objective being strategic, the financial objective of the CVU should be provided with some room to take longer to reach. In accepting financial losses in the short-term, however, it should be considered that the internal interviewees indicated that the short-term financial losses should be compensated with additional revenues generated for the ENGIE BUs as a result of strategic synergies.

For individual investments, there is some ambiguity amongst the interviewees. As indicated, there is consensus about the fact that strategic objectives should be primary and financial objectives should be secondary for a CVU at EVIS. However, in terms of individual investments, there is ambiguity amongst the interviewees. Only one interviewee argued that every investment must be financially viable. However, the other interviewees indicate clearly that strategic objectives should outweigh the financial objectives. Meaning that not every investment must be financially profitable (e.g. some venture investments should be allowed to make a loss), but every investment must have a strategic contribution. It is also argued that a financial loss should be accepted, as long as it does not get out of hand. Strengthening this minor focus on financial objectives, and really placing it as a secondary objective, is the fact that the expected scale of a CVU at EVIS will only impact the ENGIE (NL) financials in a rather meaningless way. For instance, a ticket size of €5M is considered as rather large for a CVU at EVIS. However, even when this investment gets doubled over time, the profit is still considered as having a minor impact on ENGIE as a large corporate.

Conclusively, from the internal interviews, the researcher extracts the following main take-aways in terms of balancing strategic and financial objectives in the eyes of the internal interviewees:

- The primary objective of a CVU at EVIS is of strategic nature, with a financial element as a second. This results, amongst others, from the fact that ENGIE’s core business is not in financial investments and it is missing these specific capabilities.
- In the short-term, the financial objectives should be disregarded or investments should have some room to be loss-making when the strategic benefits are good. However, for the long-term financial elements should be considered more strongly in order to ensure CVU survival.
- In terms of financial viability, it can be concluded that not every investment should be financially viable according to the interviewees, and certain losses should be accepted. However, some ambiguity exists around this subject amongst interviewees.

**Specific strategic objectives and elaborating upon these strategic objectives**

The interviewees gave comparable and overlapping answers to the questions of what the specific strategic objectives should be at EVIS. Hence, the following strategic objectives and underlying insights were extracted from the interviews. The questions asked, and thus the resulting insights, are based on the foundation of strategic objectives from literature research chapter 3.

As the current state of CV at EVIS has the perceived objective of focusing too much on creating an innovative culture and image around EIVS, the future CVU should focus more on actual strategic added value in terms of new insights in general.

- It has been mentioned that the main objective should be the creation of new revenue streams with higher margins as a result of developing new BMs by learnings from ventures’ BMs and technologies. Gaining ace ss to innovative BMs and learn from new technologies should be the main objective, with the ultimate goal of creating new and improved BMs for ENGIE’s Services
proposition. The underlying rationale behind this is that people externally are smarter than ENGIE is internally.

- The CVU at EVIS should have the goal of identifying technological and BM innovations that can create an impact on the sustainable purpose driven strategy of EVIS.
- Specifically mentioned for the objective of creating insights; is the generation of better insights into the (digital) developments in areas such as smart maintenance, smart-building and data-driven Services. With the ultimate goal of improving the Assets as a Service proposition of ENGIE. The ventures bring new technologies and digital innovations that improve the digitization of ENGIE’s Services proposition.
- Triggering new business in a way that is not done at ENGIE yet, by keeping a sharp eye on technological and BM innovations
- The objective of creating insights is based on filling currently perceived gaps at the ENGIE BUs. However, it is also crucial to generate insights in missing pieces of the puzzle, in areas that ENGIE is not yet aware of.

**External CV should be done with the objective of creating visibility in the ecosystem and market with both EVIS and ENGIE as an innovative player (i.e. improved corporate image).** This creation of a stronger name in the ecosystem of startups and outside innovators is important. The collaboration with ventures through a CVU will strengthen this and will make EVIS a more seriously considered player, and consequently ENGIE. Maintaining this as a CV objective shows the ecosystem that you are a valuable partner to collaborate with. By generating involvement in the innovation ecosystem, and building an improved innovative image, for example, attraction on the job market will be improved. The improved image can generate increased high quality deal flow for both corporate innovation (i.e. external collaborations) and corporate M&A through collaboration with VCs, startup ventures and other strategic investors by the CVU.

The cultural change element should be considered as an important strategic objective as well according to the interviewees, as ENGIE is a company where disruptive innovation is not always easy or well-received. The ventures engaged with by the CVU can improve the way innovation is done and change is made within ENGIE BUs, and aid in corporate development in general. For example, the ventures in the portfolio can channel their innovation spirit to EVIS and to the entire ENGIE organization and will consequently improve the speed of innovation at ENGIE.

In addition to the elaboration of the identified categories of external CV objectives in the literature, the following CV objectives are mentioned by the interviewees that did not fit the categorization from the literature. A separate strategic objective of external CV at the CVU can be the acceleration of innovation through the ventures outside the corporate organization. According to several interviewees, this acceleration of innovation for the ENGIE BUs, that will ultimately benefit the clients, should even be one of the main CV objectives. The ventures, for example, can play a significant role in getting innovations of ENGIE into the market at an accelerated pace (e.g. through spin-off ventures). As the capabilities and developments ENGIE possesses do not always find their way at the right pace through the corporate processes. This means that the ventures can play a significant role, according to the interviewees, in getting the internal capabilities and innovations of ENGIE into the market through ventures at an accelerated pace. Furthermore, the creation of deal flow for corporate M&A should be treated as an objective for external CV as well. Meaning, through a CVU, EVIS and ENGIE can identify interesting parties to invest in. These ventures, if deemed suitable, can lead to an increased deal flow for potential M&A opportunities in terms of ventures that have a very high degree of fit with ENGIE.

Conclusive, the following strategic objectives are found to be important for a CVU at EVIS.

- Creating new insights through venture investments. Insights can be in technology, business models, market developments, digital. In general the aim is to generate learnings to find missing pieces of the puzzle for ENGIE through CV.
- Improving ENGIE’s visibility in the innovation and startup ecosystem, to improve the corporate image.
- Generating cultural change, in order to increase the facilitation of disruptive innovation within ENGIE.
Accelerating innovation through ventures and leveraging the internal capabilities and innovations of ENGIE at an accelerated pace through ventures.

Creating deal flow for ENGIE M&A

It is important to note that the order of importance will be considered in chapter 6.1, where the implications for a CVU at EVIS are discussed based on literature and internal and external interviews.

The objective of Value-chain/ecosystem venturing should not be considered at EVIS as this does not fit the Services propositions of ENGIE Services and the intended innovation character according to some interviewees. Also, the objective is not specifically mentioned by other interviewees to be of high importance. The intention of this objective, of improving the demand of the corporate’s products by means of investing in ventures down the value-chain, does not fit with the ENGIE Services proposition according to the interviewees.

The above results were all based on the insights provided by the internal interviewees. No learnings, best-practices, take-aways and insights from the external interviews (relating to CV objectives) have been used in this paragraph. Hence, these results of the internal interviews regarding external CV objectives will be compared to the insights from the external interviews regarding external CV objectives and how to deal with these.

Ultimately, this is processed into implications for the case of EVIS, in chapter 5.4, where a proposed set of CV objectives for a CVU at EVIS is showcased, using a visualization. Taking the insights from the external interviews into consideration as well in order to develop an order of importance for the specific strategic objectives.
5.2. External interviews: Discussing the Factors from literature research (SQ2)

The Conceptual framework (paragraph 4.6), developed through literature research, has been used as a basis to conduct the external interviews. The influencing factors from literature were used as guidance (i.e. topics of discussion) for the external interviews. A description of the semi-structured interviews can be found in paragraph 2.4 (methodology).

It is important to note that the results showcased in this chapter have already been digested by the researcher and processed in a way that they can be interpreted in a generalizable way by the reader. As explained in the methodology section, the transcripts of the external interview were analyzed using codes with the software Atlas.ti, provided by the TU Delft. Prior to the actual coding, an Initial Code Book was set up. This list is shown in Appendix E. Six code groups were used to group the codes, these groups can also be found in the Appendix as well. The codes and code groups are developed using the factors identified in the literature. While coding the transcripts, the Initial Code Book is improved with additional codes, using recurring answers and concepts mentioned by the interviewees. This resulted in the creation of a so-called Improved Code Book, which can also be found in Appendix E. This improved Code Book is used to tag certain quotations using the categorization of the six Code Groups. Ultimately, the researcher was able to identify several new factors through the Improved Code Book. These additional factors are processed in this results chapter, using an additional explanation that these are novel in comparison to the conceptual framework.

Figure 11 provides an example of how the coding of the transcripts was executed. Using Code Groups and Codes in order to structurally gain insight in the quotations from the interviewees.

![Figure 11) Example of coding the external interview transcripts](image)

This paragraph contains an aggregation of the most important take-aways (i.e. results) of the external interviews. For this results section, the take-aways are divided in two groups; The company-specific take-aways from the external case interviews, these results are moved to Appendix F. And the general take-aways, interviewee-opinions, and generalizable results. This latter group is shown in this chapter, as these are more important for the results section of the main-report.

The company-specific take-aways, in Appendix F, are showcased using the same structure as used in this chapter. With company-specific take-aways and results, the researcher means; elements that explain how a specific interviewed CVU approaches certain aspects of the factors discussed during the interviews, or elements mentioned by the interviewee that specifically hold for their CVU. For example: one of the interviewees mentioned their CVU has only done three spin-offs so far. This, however, is less interesting for the result section of the main-report.

Additionally, the coding and digestion of the interviews resulted in the identification of several new factors in addition to those generated by literature research. These are indicated specifically by the interviewees, or were identified after coding. These factors are discussed in the chapter as well, and if relevant, the accompanying text will explain whether the factor is novel compared to the conceptual framework. These novel factors, will be processed in the definitive framework as well. This updated version will be discussed in the concluding paragraph 4.6 of this chapter.
5.2.1 CVU Internal factors

The highlighted area in Figure 12 shows the literature insights, from the conceptual model, that were used as basis (i.e. topics of discussion) in this part of the interview.

In discussing the identified CVU Internal factors from literature with the interviewees. The elements of explorative and exploitative focus was briefly discussed. All interviewed parties indicated to be maintaining a purely explorative focus, as learnings from ventures are central to their strategic objectives.

Also, the literature proposed driving, emergent, enabling and passive strategic lenses for a CVU. Interviewees mentioned not to recognize these concepts in their strategic choices, or to be maintaining a hybrid approach where all elements were considered. Due to the fact that types of investments diverged over time. Consequently, these elements are disregarded for the remainder of the results section.

External CV Objectives and how to deal with these (i.e. balancing)

Insight in the exact CV objectives that each interviewed CVU intends to achieve, can be found in Appendix F, containing the company-specific results of the interviews.

All CVUs interviewed have both strategic and financial objectives. Where the main objective of a CVU is always to generate strategic returns of some sort. The different strategic objectives that have been mentioned are: Learnings (e.g. Conducting the pilots of the ventures internally) - Accelerating innovation in terms of both technologies and business models - Gaining insights in the world around corporate in terms of technological and market developments - Keep an eye on what might become important in the markets of all interviewed corporates that are typed by rapid changes. Measuring the effect or reaching of strategic objectives is mentioned to be a very difficult aspect of a CVU. Some strategic KPIs mentioned, that help in measuring the strategic objectives are: resell agreements, commercial agreements, # of ventures proposed to BUs, investments converted into partnerships, commercial collaborations with BUs, clients created through ventures.

An important insight from the external interviews is, however, that the financial objective is present stronger than expected despite the fact that the primary objective is always strategic. A CVU should not make an investment, regardless of the possible strategic benefits it can reap, when the financials of an investment will not meet or contribute to the financial objectives of the CVU. Several advantages of this way of dealing with financial objectives are mentioned. Firstly, by doing this (i.e. maintaining clear financial objectives and trying to reach these in each investment), a CVU prevents internal hassle and questioning of the purpose of external CV. In other words, ensuring some degree of financial returns (do not have to be huge) can serve as a catalyst for collaboration between BUs and ventures as the internal tendency towards ventures improves. Secondly, for a strategic investor, having a financial objective (i.e. aiming for proper financial returns on investments) is important. When this is absent, the quality of deal flow will be significantly lower. Communicating financial objective (and thus profitable
exits from your portfolio) will provide more scalable ventures in the CVU’s deal flow. Also, as mentioned earlier, showing financial returns is said to improve internal traction. Also external traction and credibility for the CVU is enhanced in the ecosystem when a CVU has more clear financial objectives and reaches these. As this shows to both ventures and potential partners that the CVU is knowledgeable, capable, and knows how to scale and invest with ventures.

In achieving both strategic and financial objectives the following should be considered. Firstly, it is argued that independence of a CVU is important when both long term strategic as well as short term financial objectives want to be achieved. CVU autonomy allow a CVU to make easier decisions and achieve a balance between financial and strategic objectives. Secondly, all CVUs balance their strategic and financial objectives by maintaining a portfolio approach. However, again all interviewees mention that a venture is only invested in when the investment financials look good. Despite this, the portfolio approach can serve as a buffer to absorb the impact of possible poor performing ventures in the financial sense. Thirdly, a CVU is said to become very enthusiastic about the strategic element of an investment. This is dangerous, as they will value the venture completely outside of the market. You have to be mindful about this (balancing strategic and financial objectives), this can be solved by collaborating with financial investment partners (i.e. VCs), this will be elaborated more profoundly in paragraph 5.2.4.

Additionally, for the financial objectives of a CVU, purely the financials of the Investment Management (IM) should be considered. The (financial) added value, for instance, generated by additional sales for BUs via ventures must be seen completely separate from the IM. This is considered the CM, and is the responsibility of the BUs. These so-called Chinese Walls will be discussed further in the following paragraphs.

**Focusing on both spin-offs and external ventures at the CVU**

In order to answer the proposition, the decision for CVUs to engage in both external ventures as well as spin-offs was discussed. All interviewees indicate that there is certain value in doing both as a CVU. The following reasons are discussed. Firstly, several activities that need to be done for spin-offs are overlapping with those that have to be done for external ventures by a CVU. More details can be found in paragraph 5.2.5. Secondly, CVUs are developed to manage minority stakes in ventures on behalf of the corporate. This holds for both spin-off as well as external venture minority stakes. The minority stakes are argued by the CVUs are argued to be comparable to that of external ventures. Except for cases where not enough external investors can be found and the CVU has no choice other than maintaining a higher stake. Thirdly, the CVU should always be responsible for everything related to both spin-offs and external ventures. Such as the decision to spinning off the venture and attracting external investors. This is where the expertise of the CVU is. The expertise and capabilities you need to manage a spin-off is similar to managing an external startup venture.

One crucial pitfall to consider for a CVU is that a potential loss of focus can occur when a CVU focusses on both spin-offs and external ventures. However, all interviewees mention that spin-offs only occur occasionally, as opposed to more regular CVC investments in external ventures. However, this potential pitfall, if taken into consideration, does not outweigh the mentioned benefits.

**Portfolio Management**

For the factor Portfolio Management, the following is discussed: Disruptiveness, Portfolio size and timeframe, deal flow, investment stage and early stage risks, selection criteria, monitoring of the portfolio, exit management and follow-on investments.

**Disruptiveness**

Investing in disruptive ventures is argued to be a crucial element for all interviewed CVUs. All interviewees mentioned that one of the strategic objectives is to get or stay ahead of developments that can knock over their current ways of doing business. When a corporate wants to gain insights into where developments might be heading in their markets – such as ENGIÉ intends considering the CV objectives of paragraph 5.1 – then disruptive investments (known market, new technologies) are crucial. In essence, this is considered one of the strategic objectives of external CV for all the interviewed CVUs, as well as the intended CVU at EVIS.
When a CVU wants to focus on disruptive investments the following elements are important to consider: more disruptive ventures ask for a higher level of autonomy and independence of the CVU from the corporate parent, less tight financial objectives and less focus on venture-BU collaboration. Additionally, when a CVU is more autonomous it is more easy to invest in technologies or BMs that are competitive with the current corporate’s business.

**Portfolio Size & Timeframe**
All CVUs argue that it is crucial to have a portfolio approach for venturing, meaning that bets should be placed on multiple ventures as the failure rate is often high despite the clear financial objectives. Working towards a portfolio of 20-35 ventures in total is mentioned several times as an ideal indicator. Decisions that can be considered in determining the portfolio size can be: that it is valuable to have at least 4-5 ventures per strategic area the corporate’s strategy focuses on, in order to have a healthy balance in the portfolio in terms of strategic and financial results. Furthermore, it has been indicated that a CVU should have a portfolio of at least 10 ventures, as this means that one venture has an average exposure of 10% when invested amounts are rather comparable. In relation to the CV objectives, maintaining a stronger financial objective as a CVU, leads to the situation where a CVU can generally survive with a smaller portfolio size as there are not as much financial bleeders in the portfolio.

The timeframe of the portfolio is strongly determined by the integration and adoption of a venture’s technology within the BUs (change component). One interviewee mentioned their corporate has similar decentralized structure as ENGIE (multiple entities), which makes this adoption more time consuming and difficult, this is important to take into consideration for a CVU at EVIS. The least amount of years mentioned for a portfolio, before actual decisions should be made, is three years. However, more conservative CVUs mentioned four to five years, whereas another CVU draws conclusions only after seven years.

**Deal flow**
Several (overlapping) important sources of deal flow mentioned by the interviewees: natural inflow, events/conferences, co-investors and VC network, fund-of-fund partners invested in by the CVU, internal events where ventures are invited for specific segments, via internal BUs that have collab./partnerships with ventures, and actively looking in the market in the strategic areas.

In terms of the deal flow, the reputation of a CVU is very important and the following should be considered:

- An independent image, and putting the best interest of the venture forward is important in this.
- Also showing that the CVU can continue investing when a venture performs less than expected enhances the reputation and increases deal flow.
- Communicating an investment budget leads to increased deal flow, because it shows that you are as serious investor.
- Having clear and communicating what your added value (i.e. technical, sales channels, network, etc.) as CVU is, is crucial to generate deal flow.
- Furthermore a good reputation with other investors (being quick, delivering what you promise, etc.) is crucial in receiving deal flow form other parties.
- When the CVU is building its portfolio, transparency towards ventures is very important in terms of and independent reputation, follow-on investments, goal of investment (involvement M&A), added value of the CVU and corporate, etc. in order to generate high quality deal flow.

In terms of the other sources of deal flow, the following is considered. Internal events, where the CVU invites several ventures (aimed a specific strategic areas), can be very valuable because the CVU can directly connect to the ventures and gain insights in how their teams operate. Furthermore, sitting together with internal BUs and creating internal exposure for your CVU is important as the BUs can provide high quality deal flow within relevant strategic areas based on insights in the market or collaborations they already have with ventures. Moreover, ventures prefer to work with CVUs that co-invest with VCs, this is thus an important considerations to increase the (quality and quantity) deal flow.
Investment stage & Early stage risks
All interviewed CVUs focus their investments on Series A and Series B investments. Two CVUs also focus on the more early Seed stage before that, but tend to move towards late-seed. Very early stage Seed investments are not done. However one interviewee mentioned that they are discussing a new separate fund to focus on very early stage seed investments to attract more young ventures to their offices.

The following disadvantages and arguments against investing too early stage were identified:
- Corporate stamp not healthy for young venture in terms of development and scares of other investors.
- Early stage ventures are often not (yet) ready for collaborations with corporate BUs. This contradicts the strategic objectives of learnings and collaborations of the BUs with ventures that all interviewed CVUs (and the CVU at EVIS) maintains.
- A venture must be large enough to have the corporate as a client, as this is the type of engagement that is seen most in the market with ventures. However, the early stage ventures are often not (yet) at this stage.
- The added value of the interviewed CVUs was mainly on commercial development (go-to-market, pricing, etc.) rather than early stage product development. A CVU must invest in a stage where they can add value. Mostly, CVUs add value in the (commercialization) phase.
- There must be a product market fit present in order to not be too risky of an investment. This is often absent in very early stage ventures.
- The financial analysis – consisting of multiples of EBITDA, preceding investments, and NPV – is impossible/difficult to conduct for early stage ventures. Thus it is hard to predict whether financial objectives will be achieved for the investment.
- Early seed stage ventures are difficult to ‘land’ in the BUs. Commercial traction, product-market fit, and shown use-cases simplifies this collaboration.
- The management of a lot of small early stage investments costs time, often not financially viable.

However on the other hand, the following benefits and arguments in favour of investing in early stage ventures are mentioned:
- Lower ticket-sizes for the investments. Valuations become too high to invest for reasonable amount in later stage ventures.
- As a strategic investor, you can be very patient and can be willing to take some risk with a more early stage venture for a higher return, this decreases in the later stage.

Thus, when weighing the benefits and disadvantages, CVUs should focus more on somewhat later stage ventures that are ready for collaboration with a corporate. However, to keep a foot in the door of ventures that are too early stage, a CVU could invest in other funds that invest in ventures that are too early stage for the corporate BUs to collaborate with. The CVU can, consequently, invest in these ventures when this venture is ready for this collaboration in a later stage.

Selection criteria
The most important selection criteria used by the CVUs are: management team, total market, potentials to expand into other markets, product and IP protection, financials of the venture, added value of corporate to venture, and how well the venture can be integrated or collaborated with for the corporate.

The following take-aways are important with regard to the selection criteria. Firstly, for an investment, the corporate or CVU must have an added value towards the venture. When this added value is absent, it is unlikely that strategic benefits can be reaped by the corporate. Secondly, ventures must be in a stage where it is somewhat able to scale as this is where the interviewed CVUs feel they can add value (commercial instead of technical help). Thirdly, a strategic link to the corporate as a selection criteria. It is argued that the venture should fit within the strategic areas of BUs. Ventures must have a link to the sales channel or technologies of corporate in order for the CVU and corporate to add the most value to a venture. Fourthly, specific financial criteria mentioned are: €50k MRR, and €1M in Annual Recurring Revenue, and €500k in revenue to date minimal. This shows the venture has market traction to some
extent. Also, being Post-revenue is mentioned as important criteria. This shows the venture is ready to scale. Fifthly, a venture should be large enough to have the corporate as a client. But preferably not the largest client of the venture for too long. It is mentioned multiple times that the ventures must be able to survive without the corporate as a client. This was also mentioned in the investment stage the CVU focuses on. Sixthly, the venture’s team is one of the most mentioned non-financial criteria; diversity in background, age, and cultural fit with the BU are important, also serial entrepreneurs are valued. Good team with OK-product is better than an OK-team with a good product. One CVU mentioned that they do not invest in poor-teams, but can invest in ventures where only a few changes to management/board are necessary to be made by the CVU. Seventhly, Commercial collaboration of venture with a BU must always be possible in order to add value to the venture, however, this should never be promised to a venture.

All CVUs always see the financial collaboration of the venture with BUs separate from their financial invest-analysis. Additional revenues generated are completely up to the BUs. For instance, the CVU does the pre-analysis (market, team, business model, etc.), and the BU does a specific analysis of market aspects and the idea.

One interviewee mentioned specifically that a strategic investor should never put competing ventures in a portfolio; in order to prevent difficult decisions in which venture you have to help when it performs less than expected.

**Monitoring**

All CVUs mentioned they analyze their portfolio on a recurring basis on financial and strategic objectives. It is argued several times that monitoring strategic objectives is very difficult and there is no one size fits all. Additionally, little insights have been gained with regard to monitoring of the portfolio.

KPIs mentioned to monitor a portfolio in a strategic sense are: resell agreements, commercial agreements BU-venture, number of ventures proposed to BUs, investments converted into partnerships or BU collaborations and clients created through ventures.

**Exit management**

The importance of the factor exit management of ventures in the portfolio was not considered in the literature research. However, during the first external interview, the interviewee mentioned the notion of exiting ventures, and the importance of thinking about this as a CVU. Leading the interviewer to include this in the interviews to come. Thus, exit management is considered as a novel factor in the results section.

A strategic investor should not aim for exits such as a VC does. But it is argued that a CVU should not block this important element for several reasons (mainly reputational enhancement). Firstly, is that when you communicate that you opt for a profitable exit, you generate higher quality deal flow. When you do not opt for exits, the ventures of which VCs are less enthusiastic will be left for you. Secondly, most founders always want to work towards a profitable exit. When a venture wants to work with other strategic investors, the focal CVU should try to take their financial gains and exit the venture. Thirdly, when the venture is deemed no longer strategically relevant, the minority shares are exited/sold in most instances.

An important difference compared to VCs: A CVU, can be very patient when it comes to exiting. When for example the market is not ready for an exit. Whereas a VC often has a preset timeframe of 2 years to make a profitable exit.

Showing a few exits from your CVU are important for both internal as well as external reputation. It shows externally that you are not only a corporate innovation arm and experimentation-unit (to the ventures), also it shows other investors that you are in it for the financial returns as well and this can foster new collaborations with VCs for example. Internally it shows that you can do a few good exits, this gains internal traction and shows that you can actually make real money rather than just expected/on-paper returns.
• Exits are often not shockingly profitable compared to the corporate revenues. However, it enhances internal traction and external traction; reputation towards VCs, reputation towards ventures, and can serve as a good marketing tool in the ecosystem.

**Follow-on investments**
The importance of the factor follow-on investments for ventures in the portfolio was not considered in the literature research. However, during the first external interview, the interviewee mentioned the notion of doing follow-on investments, and the importance of thinking about this as a CVU. Leading the interviewer to include this in the interviews to come. Thus, follow-on investments is considered as a novel factor in the results section.

Doing follow-on investments is crucial for a CVU's reputation in the market with regard to quality deal flow. It shows the ventures you are a committed investor. Especially relevant when corporate is a client of the venture, because being a client and not continuing investing provides a weird signal to the market. Furthermore, when a CVU is reluctant to do follow-ons, other investors will dilute your share to almost zero in following rounds. In addition to the reputation element it is important for your reputation (placing venture's best interest first) to look in your investor network when you are not able to do a follow-on round yourself.

For follow-on investments, you re-evaluate both the strategic and financial elements. When it is not financially viable to continue investing, a follow-on investment should not be considered despite strategic added value. Opposingly, it is argued that in the case for a venture, when there is no more collaboration with a BU and the strategic return is forgone, the CVU should still consider follow-on investments when the financial return is good. This has also to do with the signal you give to other investors, when the earlier investors do not do follow-on investments, then this comes across as a bad signal to other investors.

**CVU Team – Composition and Compensation**
The CVUs all gave overlapping, but sometimes different, answers to the composition question of a CVU's team. The overlap consisted of: Entrepreneurial background, VC/Financial expertise, knowledge of internal corporate network, knowledge of relevant markets, legal experience, deal-making/M&A experience, preferably experience in having board-seats in startups, knowledge of strategic direction BUs, and commercially driven.

An important take-away is that a CVU team should consist of people with diverse backgrounds. Putting all these people together creates the best view of the ventures. And creates an independent image to the ventures. It is argued multiple times that when a CVU has a strong financial objective, people with a VC or financial background are important for the CVU team.

In terms of compensation, none of the CVUs currently use anything like: carried interest, KPI based compensation, options to buy shares of portfolio ventures, etc. However, three interviewees mentioned that they do see the value of compensating the CVU team based on performance in order to create an incentive to work harder. As a corporate compensation will lead to corporate behavior, and you want to prevent this. Being a completely separate entity is mentioned as a solution to this (no corporate HR rules), but can also lead to less strategic benefits for corporate. A danger of compensating based on portfolio performance, mentioned several times, lies in that the focus will be too much on financial returns rather than on strategic added value and learnings. This is an expected consequence as the financial objective is more straightforward to measure using financial KPIs, compared to the (often) less measurable strategic objectives. Despite the mentioned danger, the value of compensating the CVU employees based on their performance is seen as valuable. The inherent risk should however be considered and be solved by implementing strong strategic KPIs that can measure the strategic performance.
5.2.2. CVU – Corporate Parent Factors

The highlighted area in Figure 13 shows the literature insights, from the conceptual model, that were used as basis (i.e. topics of discussion) in this part of the interview.

CVU autonomy in general

All CVUs mentioned that operating with a high degree of autonomy and independence is valuable for a CVU. However, the connection/support from BUs and maintain a lower autonomy to improve strategic value is mentioned once to be favored by a CVU. Too much autonomy will lead to CVU in ivory tower.

Arguments in favor of high autonomy levels: Structural autonomy leads to ability of compensating CVU team differently, more disruptive ventures ask for higher level of autonomy of the CVU thus autonomy allows for investments in disruptive ventures, CVU is less bothered by strategic agendas BUs, autonomy gives good reputation of CVU to ventures: they appreciate autonomous operating CVUs because autonomous CVU is able to act in best interest of ventures instead of solely corporate-interests, and without autonomy venturing will become a postponed M&A activity to just fill missing capabilities perceived at BUs. Also, VCs find autonomous operating CVUs more attractive to collaborate with. Finally, a higher degree of autonomy enhances the decision-making and operating pace of the CVU

Arguments against high autonomy levels: corporate wants to monitor where there money goes and too much autonomy prevents this, less connection to BUs leads to less strategic value and collaborations with ventures and there is always the risk of a CVU operating in an ivory tower.

In general, CVU autonomy is achieved by:

- Show that the CVU/fund is run by knowledgeable people in terms of markets, being board-member, and internal corporate knowledge (and internal credibility). Attracted mostly from external to the corporate.
- Sufficient decision-making autonomy. And clear internal reporting agreements.
- Showing that you are separate from corporate M&A (don’t be M&A buy-shop).
- Ensuring to a venture that internal politics will not hamper any investments.
- Have a dedicated investment budget. This shows the CVU is a serious investor, leading to an improved reputation that has positive consequences for deal flow.

The CVUs mentioned internal reporting in relation to CVU autonomy. Elements reported range from: financials of the investments, strategic objectives (such as BU learnings), or collaborations with BUs are presented. The following take-aways are most important in terms of internal reporting:

- Reporting on a high level internally, to an IC with high-level people involved, is perceived as positive by ventures (in terms of internal traction and commitment). Reporting done on a quarterly basis at all CVUs.
• As strategic learnings are objectives of all CVUs interviewed, a general take-away is that the actual learnings gained from the ventures should be reported on a recurring basis to the IC (or other departments) involved in investment decisions in order to improve the internal traction.

**CVU autonomy - Decision making autonomy**
Including BU-people in the CVU team allows better alignment with the BU strategy and better collaborations with ventures. However, the decision making autonomy decreases strongly and this will slow down the CVU’s processes.

No single CVU has full decision-making autonomy but no negative decision-speed effects are mentioned. All CVUs must approve every (follow-on) investment they do at an Investment Committee (IC), in some instances per meeting, in some instances per mail with a standardized slide-deck.

**CVU autonomy - Financial autonomy**
All interviewed CVUs invest from the corporate balance sheet. Investing from the corporate balance sheet does not result in any troubles, due to strategic added value, valued internally (i.e. not having own dedicated pot of money). It is argued that investing from the balance sheet allows for a more critical reflection of the added value of the investments to the corporate parent and is thus a beneficial element of lower financial autonomy.

While a CVU invests from the corporate balance sheet. Still having, or at least communicating (marketing), a dedicated investment budget enhances financial autonomy. This shows the CVU is a serious investor, leading to an improved reputation that has positive consequences for deal flow.

**CVU autonomy - Structural autonomy**
Being a separate unit (e.g. not falling under innovation) shows ventures that internal politics will not hamper the investments. Furthermore this SA is important for external reputation, as it shows you are not a pre-trajectory for M&A.

In achieving structural autonomy it is important to attract people external from the corporate instead of building the CVU team from existing corporate personnel. By doing this, the ecosystem will see that the CVU really is able to operate with a certain degree of autonomy from its corporate parent as opposed to when the CVU would be completely structured using employees from corporate-innovation and -finance departments.

Despite two CVUs mention that they are very close to corporate departments in structural sense (i.e. innovation, and corporate development + strategy), it is found that structural autonomy should be achieved or at least be marketed in some way in order to reap the reputational benefits of autonomy.

**Internal (corporate) commitment for the CVU**
Internal stakeholder management is crucial, a CVU has to stay in contact with BU-people with decision-making power in order to keep internal traction high. Showing internal commitment for the CVU activities and internal reporting-lines, to an IC with high level people involved, a ventures knows a CVU has proper internal traction/commitment and this is experienced as positive by ventures. Balancing autonomy with internal commitment and reporting is important.

The following is important to achieve increased internal commitment:

• Achieving both financial and strategic objectives contribute to an increased internal commitment. Especially showing some degree of financial returns on investments (meeting financial objectives) is crucial in creating internal commitment and a positive tendency towards our CVU.

• Collaborations with BUs, successful exits, learnings, etc. show that minority investments are a good mechanism to gain insights in a lot of new areas in a short time and learn from new markets. This improves the internal commitment.

• To prevent NIH-syndrome, you have to take BUs along in investments. A CVU is responsible for ensuring a proper culture and openness to ventures by the BUs.
Learning from Ventures

In terms of learnings for the BUs, two approaches were mentioned in the interviews. One where there is a dedicated person within the CVU responsible for the learnings by the BUs from ventures. And the other where the CVU leaves the learnings completely up to the BUs themselves, so the CVU can focus on investment related issues and their board seats. Furthermore, letting venture employees work at the corporate offices increases learning by corporate BUs significantly in an informal way. Also, Internal events/presentations can be used to ensure learning from the ventures by more than one BU.

When the CVU acquires learnings, it is not yet at the BU. To ensure this transfer, the CVU-people must simply have meetings with BU-people and do work-sessions. Sometimes, BU-people are involved more extensively in the IM, or even take a board seat at the venture. This improves learning at the BUs, however, it is important to keep Chinese Walls between IM and Commercial Management in place. In terms of these Chines Walls, product information should be shared as much as possible between the venture and BUs in order for mutual learnings. However, financial information (i.e. Investment Management information) is not shared (i.e. Chinese Walls between BU and ventures). This investment management is the responsibility of the CVU that is involved via a board seat.

One CVU mentioned their corporate has a similar decentralized structure to ENGIE) this makes learning/adoptions of a venture’s technology more time consuming. Learning from the ventures: about why they do/don’t have market traction, about their clients, our clients that work with the ventures. These learnings are compared to corporate’s current propositions. Most important learning is why venture has traction in a certain market and the corporate has no traction itself.

Learnings by the BUs are generally reported every quarter to the ICs in order to keep track of how well the strategic objective of learnings is reached.

CVU strategy alignment with corporate strategy

Generally, as a CVU has a primary strategic objective, a venture should always fit within the strategy of the corporate and their markets in order for the CVU to be able to reap strategic benefits. This can also be a subspace of these markets. Totally new markets (i.e. radical investments) can also be invested in through ventures in order to explore where the corporate wants to move towards in the long term. However, as indicated, disruptive investments is where the primary focus is.

Investing in competing ventures (with the corporate strategy) is argued to be confusing to both the BUs and the ventures and should thus not be done by a strategic investor such as a CVU at EVIS. When a CVU would be completely autonomous or separate from the corporate parent, they could be investing with less or no strategic alignment at all, and even maintain a strategic hedging scope to invest in ventures that could disrupt or cannibalize the current strategy of the corporate. However, this is not seen at any interviewed CVUs as they do have autonomy, however, this is still not full autonomy.

One solution to ensure strategic alignment and fit of the ventures with the corporate strategy, is using the strategic focus areas for innovation of the corporate as their main focus areas. One way to do this is develop and actively revise the CVU strategy by using input from the BUs. In some instances the CVU should advice the BUs on their strategy based on market insights/activities and venture technologies/BMs. For example, when the CVU notices that high amounts of money are invested in certain areas, this could be a good indicator for BUs to adapt/refocus their strategy towards this prospective area. Indicators that can be used by a CVU to advise a BU on strategy changes are: Market activities/insights, capital invested, technological developments, and business models are good indicators the CVU advises towards the BUs to change their strategy. However, in general, the CVU follows the BU/corporate strategies.

CVU – BU Collaboration

The importance of considering the collaboration between the CVU and corporate BUs for a CVU was not yet identified in the literature research of factors. During the external interviews, this was recurrently
discussed with the interviewees while asking questions pertaining to the relation between the CVU and the corporate parent. Thus, CVU-BU collaboration is considered as a novel factor in the results section.

Besides the role a CVU has in managing the collaboration between ventures and BUs, it also has to maintain a relationship with the BUs itself, for the following reasons:

- A lot of good deal flow comes from pilots/partnerships BUs already have with ventures, thus a CVU should tap into these BU partnerships for possible investments.
- For every investment one interviewed CVU does, a commercial agreement with venture must be (at least discussed) with the BUs. For instance, in the form of an endorsement signed by the BU where a possible way of (commercial) collaboration is underscored, however, not promised.
- In order to create most strategic value, the commitment of BUs is important, as they determine strategic value of the investments. As a CVU, you have to communicate with BU people that have decision-making power constantly. Responsibility for strategic learnings are generally placed at the BUs.
- Early-stage involvement of the BU is important to set expectations to both BU and venture.
- When a venture is identified that can be interesting for a BU (besides being interesting from a purely investment perspective), the BU is involved in the early stages of the investment management process. They are the experts in terms of market channels, sales, and technology therefor their involvement is important.
- To prevent NIH-syndrome, the CVU has to take the BUs along in the early stages of an investment and improve the corporate culture. This takes some time, as you have to clearly explain the BUs where a CVU adds value, this internal exposure is important.

The CVU is responsible for guarding the best intentions of the BU in collaborating with a venture, and ensure the collaboration also benefits the venture. In order to improve the CVU-BU collaboration, the CVU should do the following: Sit together with the BUs as often as possible (e.g. strategy workshops), appoint someone as liaison manager to improve link between the CVU and BUs, and internal exposure must be pushed.

Clearly separate between investment management (by the CVU), and the commercial/technical collaboration (of the venture with the BUs). The CVU should not meddle in with the venture-BU (commercial) collaboration, and the BU should not meddle in with IM. Chinese walls between venture financials and the BUs are important; imagine poor financial performance of a venture that endangers the commercial collaboration with a BU (as a client). If necessary the IM can be done in collaboration with BU-people. In most cases board-seat is taken by someone from CVU, in rare cases by a BU-employee, the latter improves BU-learning.

Involvement M&A

The importance of considering the involvement of corporate M&A for a CVU was not yet identified in the literature research of factors. During the external interviews, this was recurrently discussed with the interviewees while asking questions pertaining to the relation between the CVU and the corporate parent. Thus, involvement of M&A by the CVU is considered as a novel factor in the results section.

As indicated earlier, less autonomy of a CVU means that you will be a sort of postponed M&A activity; acquiring/investing where the corporate currently experiences gaps in capabilities instead of looking for disruptive ventures. This is not experienced as positive by ventures, and should thus be prevented by the CVU according to interviewees.

Hence, a CVU should not explicitly communicate to the outside world that the CVU intends to ultimately transfer the venture into an M&A trajectory. This can complicate collaboration with co-investors. Also this means that you can still work with competitors in co-investment. However, when a venture has become very strategically relevant, or when the venture board itself it considers an exit, the M&A department of the corporate should be involved in order to see whether the corporate can acquire the venture.
5.2.3. CVU – External Ventures Factors

The highlighted area in Figure 14 shows the literature insights, from the conceptual model, that were used as basis (i.e. topics of discussion) in this part of the interview.

![Diagram of CVU and External Ventures]

**Venture Autonomy**

A high degree of autonomy is argued to be an important aspect of CV and should be a healthy balance. Not pulling the ventures too close to the corporate works the best is generally argued. As the main reason to work with ventures is increase the pace of innovation, and ventures can innovate much faster than the corporate. Meaning that CVUs should not suffocate the venture with corporate processes and people. A corporate that has a say in every decision of the venture does not work.

Venture autonomy should be ensured for the following reasons: Low level of autonomy provided to the venture is argued to kill the entrepreneurial incentive at the venture’s founders. This can hamper the growth of the venture and is negative for all parties. Also, autonomy is important as the venture must be successful and grow regardless the corporate involvement. And not depend on corporate sales channels or BUs as a client. Furthermore, when you ensure higher degree of autonomy, and another venture in the market does something better than your current investment, you are free to invest in that venture as well (not stuck to ventures you have invested in. Thus high venture autonomy provides CVU with investment freedom). The interviewees’ experiences learn that high autonomy works the best for ventures; the CVU should not pull the ventures too close, but keep them at arm’s length. Arm’s length means: No access to corporate, only collaboration with BU (e.g. client relationship) and the involvement from the CVU or other corporate people is by means of a board seat. Finally, providing ventures with sufficient autonomy enables them to develop capabilities that ensure their viability without corporate involvement.

Considering these clear advantages of venture autonomy, clear governance must be developed about the involvement of the CVU and the BUs with venture day-to-day business. The CVU can ensure they provide the venture with sufficient autonomy by not only investing together with strategic partners, but also include an institutional VC. This ensures that the venture will be able to continue doing their own thing, as VCs emphasize the scaling aspect of the venture rather than the strategic added value for other investors.

However, besides providing the ventures with the ability to operate autonomously based on the inherent advantages, the ventures do appreciate ‘sparring’ with technical experts from the BUs (i.e. tech.-roadmap and product specifics).

**Determinants for degree of Venture autonomy**

A CVU should treat each venture with autonomy. However, there should be some customization involved. The following are mentioned as determinants for the level of autonomy provided to a venture:

- Early stage ventures should be treated with more autonomy according to one interviewee as they should not be hampered with corporate involvement, and are often not ready for corporate
collaborations yet. Also, the early stages of the venture is not where the corporate or CVU adds the most value, this is in the later commercialization stage. However, interviewees are rather ambiguous about this aspect, as one specifically argued that the stage of a venture should not influence the autonomy. Whereas another interviewee specifically argued that the more early stage ventures should be provided with more autonomy.

- Level of disruptiveness. More disruptive ventures require more autonomy.
- The venture’s demands/needs, when a venture has less necessity of corporate inputs they require more autonomy.
- The venture should be provided with sufficient autonomy in order for them to develop capabilities themselves, to be viable without any corporate involvement. The venture should not be dependent of the involvement of the corporate (e.g. sales channels, BUs as a client, etc.).
- When a corporate BU is a client of a venture, the venture should be provided with high autonomy levels. Meaning that there should be minimum BU involvement or BU-integration efforts.
- Pace of innovation is the main driver of venturing for numerous CVUs. Providing little autonomy will remove the pace of innovation as the venture will be slowed down by corporate processes and people. When it is sensed that the venture’s innovation pace is slowed down, the autonomy should be increased.
- Decrease autonomy when the involvement of the CVU will improve/accelerate the collaboration between a BU and the venture.
- When the strategic or operational fit of the venture with the corporate is bigger, often the level of autonomy is decreased in order to ensure the most strategic value is harvested for the corporate. In contrast, when the fit is less, the CVU must be transparent to the venture in terms of expectation management (collaborations). This means that a venture must operate more autonomously.
- When a CVU opts for a successful external exit for ventures, this means they do not want to pull the venture too close as it will kill the incentive and level of entrepreneurship of the founders. In other words, when the goal of the investment is to make a financial return, the autonomy should be higher.

As indicated. The operational and strategic fit of a venture is an important determinant in venture autonomy. Less fit, means more autonomy. Whereas a strong fit means a higher degree of interdependency. The CVUs interviewed indicated that a higher degree of fit ensures them to have an added value as a strategic investor for the ventures (both technical and commercial). However, all interviewees have indicated that this is a rather logic element, as investments in ventures that have no strategic fit, and some degree of operational fit are pointless to make.

**Involvement of the CVU with a Venture & Role in Venture Autonomy**

The importance of the involvement of a CVU with ventures and their role in venture autonomy specifically was not yet identified in the literature research of factors. During the external interviews, this was recurrently discussed with the interviewees while asking questions pertaining to the relation between the CVU and the ventures. Thus, this is considered as a novel factor in the results section.

The involvement of the representatives of a CVU, with a venture, are mentioned to be in the form of board seats. Besides that, the CVU-people play a role in the collaboration of the ventures with the BUs. Hence they are crucial in the autonomy level provided to a venture.

The board seat taken in the ventures can be observer or voter, depending on the type of investment and dedication. All interviewed CVUs always take board seats. Board seats by the CVU-people in a venture enable the CVU to be close to, and involved in, decision-making and gives the CVU short lines to understand the venture-needs (e.g. new investment rounds, BU collaboration, etc.) in the best possible way. With some exceptions, in terms of venture size/stage, or a BU-representative taking the board seat. When a venture is smaller or more early-stage, a CVU should not always take a board seat as this will make the venture's board too rigid and has negative pace-consequences for the venture. In these cases the CVU is just a delegated shareholder.
The CVU is responsible for maintaining Chinese Walls between the Investment Management and Commercial Management. This is especially important when someone from a BU is involved with the venture by a board seat, and collaborations with the BU and the venture are also intensive. A CVU should govern the autonomy provided to the ventures, as their venture-investment and -management experiences have learnt them how to best govern this. Additionally, the CVU-people often have venture board seat experience that allows them to challenge the ventures at the right moments in time.

To prevent the ventures being flooded with non-qualified requests/involvement from BUs, it is valuable to have a specific CVU-employee to mediate these collaborations, to ensure the right link between BUs and ventures.

Involvement and Collaboration of Business Units with ventures

The importance of the involvement and collaboration of BUs with ventures specifically was not yet identified in the literature research of factors. During the external interviews, this was recurrently discussed with the interviewees while asking questions pertaining to the relation between the CVU and the ventures. Thus, this is considered as a novel factor in the results section.

Careful consideration of BU-involvement is important. A venture’s success should be achieved regardless of the involvement of BUs (i.e. sales channels, operational help, BUs as client, etc.). A venture should not stop growing when they lose the corporate (BU) as a client. This provides investment freedom when new comparable ventures appear in the market. Also, early-stage involvement of the BU in the investment process is important to set expectations to both BU and venture. Let the BU and venture start the discussion of possible collaborations early. Furthermore, someone from a BU taking the board seat as opposed to a someone from the CVU improves learnings at the BUs from the venture. Also, this is beneficial when the venture needs market/technical input. However, keep Chinese Walls in mind; IM related information should not be known to BUs that are a client of the venture. It is argued that a CVU should decide between either the BU being a client of the venture or integrating the venture’s technologies or BMs in their own propositions, both is not optional as this will lead to conflicts. A BU can be a client of the venture, but preferably not to be the biggest or only client of the venture (for too long). In order to ensure self-sufficiency at the venture without corporate involvement. Furthermore, disruptive ventures require less focus on collaboration or involvement from the corporate BUs. A venture mostly has strong capabilities in technology development, but is often missing regulatory and commercial capabilities. Corporate experience and network can contribute to this significantly. Finally, and most importantly, the involvement of BUs with the ventures should be based on the venture’s needs and demands.

To prevent the ventures being flooded with non-qualified requests/involvement from BUs, it is valuable to have a specific CVU-employee to mediate these collaborations, to ensure the right link between BUs and ventures. Furthermore, a CVU should always be very transparent to the ventures to what extent the corporate (BUs) can be involved and helpful with the venture. For example, no added value in operational sense, but can provide meaningful sales channels, then this is good to be transparent about. Being transparent in this improves your image in the market of ventures.

As indicated, the Chinese Walls are important to consider in terms of a BUs involvement. The Commercial Management (CM) is often mentioned as being the responsibility of the BUs, whereas the IM is the responsibility of the CVU. Specifics of the financial situation (i.e. IM) of a venture should never be shared with the BUs that are a client of the venture, as this will weaken the negotiation position of the venture and can hamper the collaboration between the BU and the venture.

Commercial agreements between the ventures with Business Units

The importance of Commercial agreements between a venture and BUs specifically was not yet identified in the literature research of factors. During the external interviews, this was recurrently discussed with the interviewees while asking questions pertaining to the relation between the CVU and the ventures. Thus, this is considered as a novel factor in the results section.
As indicated, the CVU is responsible for the IM, and the BUs are responsible for the CM between ventures and BUs. The focus of CV on building commercial collaborations between the BUs and the ventures. As this is often where the corporate adds value (not in the operational/technical development). BUs should not focus on technical or operational collaboration, as the venture is often better at the technical element and does not need inputs here. However, the commercial element can be very helpful for the venture. These commercial collaborations hold elements like: resell agreements, clients created through ventures, the BU being a client of the venture, existing corporate clients introduced to the venture, etc.

Again, all CVUs mention the commercial collaboration to be mostly the responsibility of the relevant BU. The commercial agreements are seen completely separate from the IM (i.e. valuation, investment, etc.). The investment process takes 3-6 months, whereas the commercial agreements often take much longer. Thus, it is important to involve the BU at an early stage in the investment process to start the discussions about commercial collaborations, in this way both sides also know what to expect from each other.

Venture’s team

The venture’s team is recurrently mentioned as an important selection criteria for CV. Looking at elements such as diversity, backgrounds, and cultural fit with the corporate. The CVU should analyze case-by-case whether it is necessary to include an expert (i.e. technical, legal, etc.) from the BUs in the venture’s team. However, interference/replacement by BU/CVU people of the venture’s team is not mentioned as something that is done often.

It is argued several times that the venture’s teams are a difficult point in CV. Diversity in backgrounds and age, but also serial entrepreneurs are mentioned to be important. The best way for a CVU to interfere in this is difficult and not clear cut. Activities such as replacing the founder with a new CEO, determining whether the venture needs a CFO-role (and finding one), are defined by the CVU upon investment. This is continuously monitored through a board seat.

Replacing external venture employees (e.g. new CEO) should always be done by looking outside the corporate for new people, because you need entrepreneurs and these are (often) not available in the corporate. Ventures highly appreciate the involvement of BU-people in the role as external advisors, instead of making them part of the venture’s team. However, in cases where corporate employees are installed at the ventures, these Corporate employees of BUs involved with the venture never get any shares or stock-options at any of the interviewed CVUs. These people are involved from their corporate role.

5.2.4. CVU – External investment partners Factors

The highlighted area in Figure 15 shows the literature insights, from the conceptual model, that were used as basis (i.e. topics of discussion) in this part of the interview.

---

![Figure 15) Focus area of interviews for results paragraph 5.2.4](image-url)
During the interview, mainly the act of syndication with both VCs and other strategic investors was discussed. In addition, the interviewees elaborated upon the non-equity benefits of working together with VCs as well as with other strategic investors (i.e. industry partners). Prior to the interview, based on literature insights, the researcher expected that investment syndication was solely done with VCs. However, the interviewees pointed out that they do co-investments (i.e. syndicated investments) with both VCs as well as with other strategic investors.

**Syndicated investments**

The main reasons for a CVU to invest together with other strategic investors or VCs are: spreading risk, attract more capital for the venture, generating deal flow, improved selection (due diligence), improved valuation capabilities. In addition it was mentioned that the primary objective of CV is too gain insights in as much ventures as possible, and the collaboration with external partners makes it possible to invest in multiple ventures with a restricted budget. Furthermore, practice shows that ventures strongly value a syndicated investment, as each party can provide value in a different way to them (benefit of mixed capabilities and knowledge). Additionally, through syndication, a CVU can build a network that is valuable in; deal flow as indicated earlier and finding parties that can help in follow-on investments, etc.

When investing in syndicates, it is important for a CVU to analyze the other investors. When a venture has dubious investors, this can potentially say something about the ethics or value of a venture.

**Collaborating with Venture Capitalists**

It is argued that VCs find it difficult to work with CVUs. A CVU can solve this by being very transparent towards the venture and VCs about what the CVU wants to first negotiate about in terms of investments, collaborations, and exits with the venture. This can be done by drafting documents like a Right of First Refusal.

Investing and collaborating together with VCs is important for CVUs, for the following reasons:

- It is always valuable to have multiple parties look at a deal is always good. For example, missing crucial things in the due diligence. Specifically valuable in collaborating with VCs is that these VCs are specialized in the financials of due diligence.
- VCs have other skills than CVUs. VCs are, for example, often better at building a venture team
- Deal flow from VCs (often) has a good financial return, meaning the CVU can piggy-back on this and select the ventures that provide the best strategic return.
- Collaborating with VCs provides the CVU with a good reputation and credibility in the market of ventures. This has positive consequences for future deal flow.
- VC collaboration can improve the independent image of the CVU (from the corporate). This is important as the CVU autonomy is often mentioned as a reason by ventures to not engage with CVUs. Collaborating with VCs shows the ventures that your CV activities are not just an innovation-arm of the corporate. Collaboration with a VC removes the question at a venture whether the CVU has the best intentions for the venture high on your agenda (i.e. scaling the venture), instead of solely improving corporate innovation.
- Corporate investors have the tendency to get extremely enthusiastic about a technology or the strategic value of a venture, leading to a valuation that is completely removed from market mechanisms. A VC can be crucial in this, as they will downplay the strategic element of a valuation and look more rational/financial and short-term at the venture. VC collaboration means better balance between long term strategic benefits/enthusiasm and short term financial valuation.

**Strategic investors**

The benefits for a CVU in collaborating with other strategic investors are: spreading the investment risk, attracting more capital, providing more value to the venture (sales channels, capabilities, exit-reach, of the other strategic investor), different role in the value chain (e.g. a B2C focus instead of B2B) leading to better product-market fit, geographical added values, provide other added value to the venture based on their BUs, brand name, other distribution channels, access to other markets.
In investing together with other strategic investors, a CVU should consider several elements. Every strategic investor has its own agenda. Thus investing with only strategic parties can be challenging. This could be resolved by including a VC, as the VC can temper the strategic agendas. The other strategic investor should preferably not in the same industry, part of the value chain, or with similar propositions. Ideally, the strategic investor must bring something to the table that the CVU or corporate cannot bring (i.e. add value to the venture). Also, a CVU from a B2B focused corporate should ideally co-invest with other strategic investors that are more B2C focused. Then each investor brings added value in a different way to the venture (e.g. they can provide added value for the client focused issues of the venture). Furthermore, the extent to which the other strategic investor or CVU can operate autonomously and independent from their corporate, is an important condition to collaborate. For example, another CVU that serves as a postponed M&A activity of their corporate is not a good fit with your rather autonomously operating CVU as the intentions with a venture are different. Finally, making the venture leading in the selection of other strategic investors ensures that only parties are involved that will actually add value to the venture.

Investing together with parties that are in a similar industry, comes however with a difficulty in determining who gets what from the venture. In general, in collaborating with other strategic investors, a CVU has to be mindful and cautious for other strategic investors pushing their agenda forward (i.e. strategic conflicts).

**Investing in externally managed funds**

Investing in externally managed funds, or doing so-called fund-of-fund investments, is valuable for several reasons. One reason is that investing in externally managed funds can provide the CVU with a lot of learnings about investing in, and managing ventures. Especially valuable in the starting phase (e.g. first two years) of a CVU. Moreover, when a CVU experiences difficulties in attracting the right people with VC experience it can also be a valuable way to improve the skills of the CVU-employees that come from the corporate. Also, fund-of-fund investments in external funds, that focus on different venture stages than the CVU does, are especially valuable. It can provide a view on ventures that are in the stages prior to the venture-stages the CVU focuses on. This can lead to qualified deal flow and a foot in the door at these ventures. In addition, ventures coming to the CVU that are not in a stage that is focused on, can be forwarded to these external funds and can be invested in when they are more mature. This prevents a lot of time-consuming investments in very early stage ventures that are very high risk. Furthermore, it creates a network and footprint in the ecosystem. In this network the CVU can find follow-on investments for their portfolio ventures.

However, CVUs that invest in other funds should consider the following as well. Firstly, analyzing a fund is totally different from analyzing ventures. Meaning you need different capabilities for this, and this will lead to a loss of focus. Secondly, a CVU is always a small Limited Partner in such a fund, this means that you have little influence on the strategic direction of a fund. And cannot steer ventures via a board seat. This also leads to less strategic benefits for the CVU. Thirdly, these type of investments often provide a more financial angle rather than a strategic added value for the corporate.
5.2.5. CVU - Spin-offs Factors

The highlighted area in Figure 16 shows the literature insights, from the conceptual model, that were used as basis (i.e. topics of discussion) in this part of the interview.

![Figure 16](image)

Focus area of interviews for results paragraph 5.2.5

Initially, the interviews were mainly focused on the CVU and their activities with external ventures, as this was discussed mostly during the interviews and all interviewees mainly had their activities in the field of external ventures. However, as the methodology (paragraph 2.7) explained, several interviews and a follow-on interview have provided insights relating to spin-offs. In result, the take-aways from the interviews with regard to Spin-offs and the CVU, are less extensive.

All interviewees mention that the activities for a CVU with regard to spin-offs and external ventures are rather similar. Besides the specifics mentioned in the following headers, the interviewees argued that from the moment the internal venture is a spin-off, they treat them the same as the external ventures in their portfolio and the same factors are important as for external ventures.

The take-aways from the interviews, that are specifically relevant for the CVU with spin-offs are assessed in this paragraph. When an overlap or comparison is mentioned by the interviewees with external ventures, then the results of paragraph 5.2.3 can be consulted again by the reader to gain additional insights.

Activities of the CVU in a spin-off trajectory

The interviewees indicated that their CVU were not engaged in spin-offs on a very regular basis. However, the following activities were indicated by them to be unique for a CVU when engaging with spin-offs compared to engaging with external ventures:

- Assessing whether a spin-off is the best step for the internal venture (i.e. motivation to spin-off).
- Looking for other (external) parties that want to invest in the spin-off
- Finding a CEO that is fit to lead the venture, and is able to build a team
- Other team aspects; other team members that must be attracted and dealing with corporate people already involved before the spin-off.
- A proposal to negotiate must be developed, this holds: Royalties or other compensation towards the corporate in terms of the spin-off using a technology that was initially developed within the corporate walls, equity stake the corporate wishes to maintain in the spin-off, and amount of funding needed from external parties.

The approach and governance for spin-offs and external ventures from the viewpoint of a CVU is not identical, however, it is very similar. The interviewees all indicated the following as overlapping activities for the CVU relating to both spin-offs and external ventures:

- Attracting capital (i.e. co-investors)
• External investor network and other parties (e.g. venture builders) that work with ventures
• Venture valuations
• Growing and scaling ventures
• Deciding whether a venture is ready to spin-off (i.e. how viable is the venture is based on similar terms as for external ventures)
• Investments of the CVU in the spin-off venture. Both initial and follow-on investments
• Managing the venture’s team and interfering where necessary
• Managing the minority stake portfolio
• Collaborations with the corporate BUs
• Investment management, exits, etc.

CVUs should be even more critical on spinning off a venture compared to investing in an external venture. Mainly because the reputational risk for the corporate is large. Also, outside investors can be suspicious with regard to investing in a corporate spin-off. They can think that the corporate needs the spin-off to be successful, and this will lead to a more critical view of outside investors.

Motivations for Spin-offs

The following motivations to spin an internal venture off are provided.

Firstly, you do a spin-off when the venture is no longer core to your strategy but the technology still represents value. Secondly, a spin-off allows for the involvement of external investors. The added value of external capital is wide-ranging. For the venture to attract additional external capital from other sources than their corporate parent, it de-risks the corporate parent's involvement. Finally, it decreases the corporate parent's involvement in the venture, this can be beneficial for its development and speed of innovation. Thirdly, A spin-off can de-risk the corporate parent's involvement with, for example, an uncertain novel technology. Fourthly, taking the corporate idea of the internally developed venture. Remove the corporate character is beneficial for the venture in terms of growth and innovative capabilities. Fifthly, internal ventures are not as attractive for possible external clients. Due to the strategic control the corporate parent can exert. These clients can perceive a barrier as the risk of the corporate pulling the plug for the venture is sometimes high. When these clients depend on the venture's product, this can pose as a significant risk. When a venture is spun-off, the corporate parent cannot exert this amount of strategic power and the venture can attract clients more easily. Sixthly, the ventures cannot scale fast enough and to a large scale internally. Because this would create a large company within a large corporate. Finally, it is possible that a corporate can earn more from an external spin-off venture in the outside world rather than keeping it internal (i.e. financial returns).

Involvement of External parties

In spin-offs not involving external investors is no option. When you do not find co-investors for a spin-off, the spin-off can become a farce, because you pretend the spin-off is a separate company while it is still 100% corporate owned. This does not fit the motivation, and intended benefits of spinning off a venture as the corporate can still exert full strategic control and the venture will never reap the autonomy/entrepreneurial benefits of an actual spin-off venture.

For a spin-off where other investors are involved, it is argued to be crucial to determine who (of the involved parties) does what in terms of collaboration with the venture. When a spin-off is done, and other financial or strategic partners are involved, their added value should be carefully considered.

Share distribution between the investment parties is ideally 40% for the two investors and 20% for the venture management, or 33% for both co-investors and venture management. Equal distribution of shares helps in smooth governance and equal strategic control. It is argued that the corporate should at least maintain a minimum of 20% in the spin-off.

When a spin-off is done because a strategic fit with the corporate parent has decreased or is absent, the external investor should be a strategic investor that has more knowledge of the strategic area the
venture is in. This strategic investor can provide the spin-off venture with the necessary help to scale as they are more familiar with the spin-off’s business. This requires critical reflection by the corporate parent whether their capabilities be of value to the spin-off.

The CVU is responsible for attracting external investors. But also for ensuring that the spin-off has a certain degree of maturity before spinning it off. otherwise, external investors will not be interested in investing. In involving external investors for a corporate spin-off, it is argued that a mixture of both strategic and financial VCs is ideal, as different skills are brought to the table.

**Strategic investors** can help with business development. When a certain market segment or industry wants to be entered by the spin-off, an investor from that segment is valuable for their expertise and knowledge. Strategic investors are mainly considered by the CVUs when the spin-off wants to enter an unknown market for the corporate parent, then the investor ideally comes from this market. Also, the involvement of a strategic investor is a good first test of the value and viability of the spin-off in that market. An external validation of the growth capabilities of the venture in a certain market, this consequently attracts other financial investors as well. However, a disadvantage of working with a strategic investor, is that they can block the possible agreements the corporate parent has made with the spin-off. Especially strategic investors from similar markets want to discuss similar agreements, and this does not work.

**Financial investors (i.e. VCs)** are mostly valued the highest by the CVUs as co-investors as they provide complementary added value considering they are strategic investors themselves. The financial investors help to bring some structure and discipline to the spin-off, based on their experience of building and scaling ventures. The financial and growth aspects are were financial investors can best help (i.e. financial and scaling fire power). When the spin-off wants to develop cross several industries, a financial investor can add the most value.

Both the CVU and the corporate parent really have to cut the ties as much as possible and give up strategic control. This means that in a successful spin-off, the corporate parent must ensure that they fully transfer IP and the relevant people/experts to the spin-off and ensure autonomy. Otherwise, external investors will not be interested in investing in the spin-off venture.

Potential other forms of external involvement can be with a so-called Venture-Builder party. This party prepares the internal venture for a spin-off and organizes, amongst others, an external entrepreneur to become CEO as they have a bigger network to tap into for these type of persons. Also, the CVU can collaborate with parties that are specialized in managing the process of finding external investors due to their large networks.

**The Spin-off’s team**

Crucial in a spin-off is to include the following two types of people: Someone with entrepreneurial experience in order to scale the venture and someone with specific market/technology knowledge. All CVUs mention they always want to include an entrepreneur that has experience in leading a venture (preferably a serial entrepreneur). This person does not necessarily have to come from outside the corporate, but mostly is. Sometimes the CVUs let a spin-off start with a corporate employee leading it, however, he will be replaced when the venture scales and need more entrepreneurial experience. It is, however, highly advised to attract an external entrepreneur to lead the spin-off venture, as corporate employees are often not fit for running a startup venture. However, it is highlighted that in rare cases the entrepreneur can be found within the corporate in the form of someone with previous entrepreneurial experience. The externally attracted entrepreneurs should always immediately receive shares in order to create the right incentives. Spin-off continuous team due diligence is the same as for an external venture (via board seat involvement). The CVU closely monitors the whether the team performs well, people are fit to lead a venture, are able to scale it, and whether interferences must be made.

To ensure continuity, after spinning the venture off, it is crucial to keep certain corporate employees/experts that were already involved with the internal venture involved in the spin-off as well. Dealing with the (corporate people) involved with the spin-off venture is very important; What does the
move from internal venture to external spin-off means for the venture’s management. The CVU has to educate and do expectation management towards the corporate employees. As corporate employees often perceive a risk in joining a spin-off and leaving the safe haven of a corporate. The corporate people (e.g. a Chief scientist that developed the core product of the venture) must be willing to join or stay at the venture when it is spun-off. You can never force someone to become an entrepreneur. However, others see it as an adventure.

When these corporate employees do not spin-off with the venture, the harnessing internal expert knowledge from corporate employees is often highly valued by spin-off ventures in the form of an advisory role by the corporate expert. By facilitating this, you are able to harness expert knowledge while reaping the benefits of spinning off a venture.

Despite the fact that is argued in the interviews that the financial discussion (e.g. shares of spin-off) is not the most important, as people enjoy escaping the corporate processes for example by being part of a spin-off. The compensation of involved people should be critically considered. The following should always be present more shares when the venture performs well. The CVU has to think about compensation packages that incentivize the corporate employees enough to join the spin-off and work hard to scale the venture. When the spin-off team is compensated in a corporate way, rather than incentive driven lower salary structures, external investors are not interested to invest in such spin-offs. Also, including corporate people fulltime with a spin-off whilst providing them with a corporate salary diminishes the entrepreneurial incentive. This should be prevented at all times, as one of the motivations for spinning off a venture is often to break away from the corporate.

*Spin-off autonomy – engagement and collaboration with the spin-off*

Doing a spin-off means that the corporate parent has to realize it has to let go of strategic control. Corporate parents often have the misconception that they can continue to have strategic control over the venture after spinning it off. This is not the case, as spin-offs benefit the most from more autonomy and operating at arm’s length of their corporate parent.

More specifically, the following reasons to provide autonomy to the spin-off are considered to be important:

- In a spin-off, very high degrees of autonomy are crucial for the ventures. As you mostly decide to spin-off a venture due to a decreased strategic relevance of the venture for the core-business of the corporate. When you don’t ensure high autonomy levels, the spin-off will not reach its purpose for which it is spun off initially, cutting ties is crucial.
- Chinese walls between the IM and Commercial Management is crucial when collaborating with both spin-offs and external ventures. As conflicted interests can be harmful for the reputation of the venture in the market.
- External investors are more keen on spin-offs that have a higher degree of autonomy from their corporate parent. As these external investors need to have assurance that the spin-off can survive without the involvement of the corporate parent. Otherwise they are less inclined to invest when this dependency is too high, as they perceive a risk of the corporate parent pulling the plug or exerting too much strategic influence. Also, the other external investors want to be treated equally by the venture, and do not allow a position of advantage for the corporate ‘founder’. This mainly holds for other strategic investors that want to reap certain strategic benefits/collaborations from their investment.

In terms of governance for the spin-off the extent of collaboration with corporate BUs will be with the spin-off has to be determined. How the corporate (BUs) will collaborate with the spin-off (what the corporate pays for as a client, help from the corporate, create image of the involvement of co-investors as well) need to be considered. An important take-away from the interviews is that is has been found that spin-off autonomy should be the same as external venture autonomy. This is crucial as one reason of spinning off a venture can be that the venture can reap the benefits of being a start-up venture, autonomy must be high in order to achieve these benefits. Meaning that the extent should be determined based on things like; venture performance, venture need, and strategic linkage.
One CVU specifically mentioned the minority share the CVU has in spin-offs is larger than the share in external ventures. External investors look at this aspect. When an external investor sees that the corporate parent only has a small share in their spin-off, they will question the value and trust in the venture and are less inclined to invest. Also, sometimes the CVU is just not able to attract more external investors that are willing to invest in the spin-off. Thus, the CVU’s share will be larger when the funding need of the spin-off has to be met. Finally, the CVU wants to reap a financial return from the spin-off growth over time, as this can be one of the reasons to spin an internal venture off.

5.2.6. Emphasized Factors mentioned by the interviewees

In the concluding phase of the interview, the interviewee is asked if the researcher has missed any crucial factors during the interview or wants to emphasize certain answers given. In general, the interviewees indicated that the discussed factors encompassed most of what is important for a CVU. No specific take-aways were derived in terms of missing factors.

The question whether the interviewee wanted to emphasize on certain answers was asked in order to ultimately aid in developing a conclusion highlighting the most important factors based on both interviews and literature insights. Also, by doing this, the researcher ensured that there were no factors missed in the interviews. The ultimate identification of the most important factors in the conclusion is not only done based on the answers to this specific question, but is also based on recurring answers across interviews, emphasized answers during the questions, and indicators such as words used.

The results of the final phase of the interview, where the above was discussed, can be found in Appendix G.
5.3. Resulting Framework; overview of interview insights

The Resulting Framework is based on the conceptual framework as derived from the literature study in chapter 4. The findings from the external interviews, as shown in paragraph 5.2, are added to this conceptual version. This framework should be considered as an overview where the literature and practical findings are aggregated.

Consequently, the framework as is shown in Figure 17 below, can be used as guidance (i.e. overview). It should be emphasized that the framework is meant to provide the reader with insights with regard to all identified factors, rather than specific directions. When the reader wants to know more about the specifics of a factor that is shown in the framework, the interview insights of paragraph 5.2 should be consulted.

All factors that occurred during the interviews, that were not yet considered in the literature review of chapter 4 were: Exit-management of portfolio ventures, Follow-on investments of portfolio ventures, Involvement M&A, CVU-BU Collaboration, Commercial agreement ventures and BUs, Involvement and Collaboration of BUs with ventures. These are included as novel factors in the framework compared to the conceptual framework.

Several factors, initially expected to interplay between the CVU and the corporate parent, have been placed directly between the corporate parent and the ventures in the framework. Where the interference of the CVU is placed between the corporate parent and the ventures.

Additionally, it should be considered that the arrows in the framework do not represent a specific direction of how the factors interplay between the CVU, the corporate parent, external ventures, spin-offs and external investment partners. The arrows are used to indicate that the factors work both ways between these entities. When the researcher would have used unidirectional arrows, misunderstanding of the intention behind the arrows would arise. Making the arrows bidirectional also shows that the four parties identified (CVU, external ventures, spin-offs and external investment partners) are both influenced by the factors. however, as the unit of analysis of this research is the CVU, the factors are all analyzed from the CVU's perspective.
Figure 17: Definitive Framework resulting from external interviews

**External Investment partners**

**Collaborating with VCs**
- CVUs can be transparent – complementary added value to venture – Financial skills – deal flow – financial return ventures higher.
- Independent image CVU – downplay strategic value of investment.

**Collaborating with Strategic Investors**
- Venture leading in selection – complementary added value to venture – different role in deal – brand name – distribution channels – Consider their strategic agenda, added value, industry focus, level of autonomy of the other CVU – Mindful on strategic conflicts.

**Investing in Externally managed Funds**
- Valuable in first phase of CVU to learn about CV and investments – invest in funds focusing on ventures in other stages – deal flow more financial angle – analyzing a fund – little strategic control of venture.

**Corporate Venturing Unit (CVU) - Internal**

**External CVU Objectives & CVU Strategy**
- Explorative focus when learnings want to be achieved – Strat. Obj. outweigh the FO, CVU should not become a purely financial investor – FO increases internal traction and quality deal flow – No investment when financials do not meet – Disruptive focus means less tight FO – Long term strategic & short term financial objectives achieved through portfolio approach – CVU must be mindful of strategic value and not over-value this – For FO, only consider IM, not CM (e.g., extra revenue for BU created through collaboration with venture).

**Focus on both Spin-offs & External Ventures**
- Governance for EV & SO very similar – Expertise, capabilities and activities overlapping for CVU – Interviewed CVUs either already focus or on the see value in doing both – involvement in minority investment for both – CVUs should manage minority portfolio – Potential loss of focus – CVU more critical on SO risk of reputation damage corporate.

**Venture Autonomy**
- High autonomy very important – Innovation pace, entrepreneurial incentive, viability/growth without corporate involvement – low venture autonomy decreases investment freedom CVU – Arm’s length – Influence VCs – Determinants for venture autonomy identified.

**Venture’s team**
- Important selection criteria – Interchangeability needed by CVU constantly monitored – look outside corporate for new employees – BU involvement in advisory role.

**Involvement CVU with venture & Role in Autonomy**
- Board seat – Role of CVU in BU – Venture collaboration – small ventures no board seat – CVU responsible for Chinese Walls between IM and CM – CVU govern autonomy based on experience – Board seat to better understand needs of venture.

**Spin-offs [SOS]**
- Spin-off decision based on motivations – Attract investors – Attract CEO/team members – proposal to negotiate (e.g., corporate royalties, usage IP, etc.).

**Motivations for a Spin-off**

**Involvement of external parties**

**The Spin-offs team**

**Spin-off Autonomy and collaboration**
- CP let go strategic control – SOA similar to EVAs to perceive spin-off benefits – SOA important to attract external investors – SO able to survive without CP involvement – CVU must maintain higher stake in SO than in EV.

---

**Abbreviations**
- FO = Financial Objective
- SO = Spin-off
- EV = External Venture
- EY = Early stage venture
- CVU = CVU Autonomy
- D&MA = Decision-making Autonomy
- SA = Structural Autonomy
- IM = Investment Management
- CM = Commercial Management
- CA = Commercial Agreement
- SOA = Spin-off Autonomy
- EVA = External Venture Autonomy

**Corporate Parent [CP]**
- Arguments for and against higher CVU autonomy – No full DMA. Low FA ensures critical selection. SA important for external reputation – Achieving CVU identified.

**Internal commitment and support for the CVU**
- Stakeholder management, BU people contact – High level reporting – Prevent NIH-syndrome – Show financial and strategic benefits.

**CVU & Parent strategy alignment**
- Follow BU strategy advice BU based on developments – CVU Autonomy needs less alignment.

**CVU-BU Collaboration**

**Involvement M&A**
- Prevent becoming M&A-busy shop – Involve M&A when strategic relevance venture becomes very high.
5.4. Most important factors based on interview insights

Based on the external interviews, a selection has been made showcasing the most important factors based on findings from practice. In this paragraph, the analysis of the most important factors is based on a discussion with each interviewee at the end of the external interviews, recurring insights across interviews, emphasized answers and indicators in answers (e.g. usage of ‘important’, ‘crucial’, etc.). Making it an objective list of factors. The following factors are discussed as being most important based on the interview results, in no specific order of importance:

- Corporate Venturing Objectives and dealing with these objectives
- CVU Team
- Portfolio Management (selection criteria, portfolio size and timeframe, early stage ventures, disruptive ventures, deal flow, exit management and follow-on investments)
- CVU Autonomy
- CVU-BU Collaboration
- CVU and BU Involvement with a venture and venture autonomy
- Investment syndication with VCs and other strategic investors
- The CVU and Spin-offs

The view of the researcher, regarding the most important factors, will be provided in the conclusion of the report. The following factors have been found to be most

Corporate Venturing Objectives and dealing with these objectives

Despite the fact that both internal as well as external interviewees indicated that for a strategic investor (such as the CVU at EVIS) the most important objective is that of generating some form of strategic returns. For the CVU at EVIS, these intended strategic objectives based on the internal interview results are, in short and in order of importance:

A. Strategic corporate renewal and a window on new technology, Business Models, and capabilities. With the main intention of learning through ventures in order to prevent failing behind technology trends by keeping an eye on disruptive technologies and BMs.

B. Promoting the ENGIE’s innovative and entrepreneurial image. To generate a stronger name in the (innovation and startup) ecosystem, and show that ENGIE is a serious partner to collaborate with.

C. Develop an innovative and entrepreneurial culture within the EVIS and ENGIE. In order to improve the way disruptive innovation is perceived within ENGIE, the ventures can serve as a positive influence toward improving the tendency towards innovation.

D. Accelerating innovation and leverage internal capabilities and innovations through ventures. Meaning that ventures can innovate much faster than corporate BUs. This can, for instance, result in an ENGIE innovation that is brought to market via a venture.

E. Creating deal flow for corporate M&A. In order for ENGIE to be able to identify serious acquisition candidates, early stage involvement is important.

A more profound overview of the intended CV objectives for the CVU at EVIS is provided in Figure 18 in paragraph 6.1, where the implications of all factors for a CVU at EVIS are provided based on the results from chapter 5.

Despite the fact that strategic objectives for a CVU at EVIS is the most important, the external interviews provided insights that every investment a CVU does should be financially viable and some degree of financial returns should be made. The interviewed CVUs also had a primary strategic objective, similar to the intended CV objectives for the CVU at EVIS. However, this financial objective was present stronger than expected prior to the external interviews. In result of maintaining this stronger financial objective and reaching financial returns, a CVU ensures resilience from corporate politics, increased internal traction (and thus longevity of the CVU), an improved external reputation leading to increased deal flow and enhanced collaborations with VCs. In summary, this financial objective strongly enhances internal and external traction and the reputation of the CVU, and can be used as a marketing tool to the ecosystem. For the financial objectives, a CVU should only consider the investment management, and not consider any commercial management (i.e. additional revenue for BUs). In balancing the strategic and financial objectives, all interviewed CVUs maintain a portfolio approach, however, only invest when
the financials of the investment are adequate. Additionally, an important take-away from the external interviews with regard to the CV objectives, is that often, strategic investors tend to over-value a venture completely outside of its market value based on the perceived strategic benefits. A CVU has to be mindful about this, and closely collaborate with VCs to prevent this as VCs have a more rational financial view.

**CVU Team**

In terms of building a team for the CVU, it is very important to attract a mixture of the right skilled diverse people. The following characteristics of profiles need to be included in a CVU team: Entrepreneurial/VC background, internal corporate network, experience in board seats, legal experience, deal making or M&A experience, knowledge of BU-strategies and commercially driven. VC experience enhances external credibility (trust from co-investors, and increased interest by ventures) and reaching of financial objectives. This VC experience is especially valuable when a CVU wants to maintain a stronger financial objective and financial returns are very important. As indicated, financial objectives weigh stronger than expected, thus including someone in the team with VC experience is very important. The mixture of internal and externally attracted people enhances respectively the necessary internal corporate network and the autonomous image of a CVU. For a CVU’s team, performance based compensation is valued, as corporate compensation leads to corporate behavior. Considering the objective of improving the innovative and entrepreneurial culture of a CVU, this is not wishful, as it would be counterproductive when the CVU, responsible for bringing in ventures that improve the innovative culture, show corporate behavior themselves. However, a danger of too much focus on financial returns rather than strategic objectives, must be kept in mind. This results from the fact that strategic benefits are less straightforward to measure compared financial benefits. Clear strategic KPIs can solve this problem. No interviewed CVUs, however, use this type of compensation despite seeing value in it.

**Portfolio Management**

*Portfolio Management* is considered one of the most difficult elements for a CVU. Several selection criteria have been analyzed. Of which the venture’s team (background, diversity, serial-entrepreneurs), and a form of financial criteria (i.e. ARR/MRR, or revenue to date) to show market traction are most important. Additionally, the CVU or corporate parent must have some added value towards the venture, otherwise the corporate will not reap any strategic benefits. This added value is mostly found in the scaling/commercialization phase. Furthermore, a CVU should never select competing ventures for its portfolio as this will lead to conflicts of interest. The financial analysis of a venture is purely investment based and is seen separate from the possible additional revenue generated for a BU (this CM is the responsibility of the BUs).

In relation to the CV objectives, when the CVU maintains a stronger financial objective, it can survive with a smaller portfolio size. For this portfolio size, no consensus could be extracted from the interview results. However, having 3-4 ventures per strategic focus area, or a total of 10 ventures in the portfolio (10% exposure per venture) were mentioned. Additionally, the timeframe for a portfolio is strongly determined by the adoption and integration of a venture’s technology by BUs.

In terms of deciding between early stage or later stage ventures a CVU should focus on, the following disadvantages of early stages ventures are most important: the corporate stamp is not healthy for young ventures, early stage ventures are often not yet ready for collaborations with a corporate BU or able to land in a BU, often early stage ventures are not large enough to have the a corporate as client, added value of CVUs is often not in the early stage development but in the later stage commercialization and managing a lot of small early stage investments costs time and is not financially efficient. Opposing to these arguments against early stage ventures, the lower ticket-sizes and patience a strategic investor can exert are in favor of investing in the early stage. However, in weighing the arguments, somewhat later stage ventures are more suitable for CVUs, especially when the strategic objectives of learning and collaborating with the ventures are considered. Keeping a foot in the door with the very early stage ventures can be done by investing in other externally managed funds.

When a CVU wants to be ahead of developments, disruptive ventures are important. As creating a window on novel technologies is an important objective of all interviewed CVUs, investing in disruptive
ventures is crucial. This also holds for the CVU at EVIS considering their strategic objectives. However, disruptive ventures ask for less tight financial objectives, less focus on venture-BU collaboration (high venture autonomy) and high CVU autonomy.

It has been found that in managing a portfolio, the CVU reputation strongly influences the (quality and quantity) of deal flow. This reputation is enhanced by: CVU-autonomy, doing follow-on investments, continue investing when a venture performs less, communicating investment budget, communicate added value of CVU (e.g. technical/commercial, etc.), and delivering what you promise to enhance the reputation with co-investors. Also, ventures prefer to work with CVUs that collaborate with VCs, thus CVUs should do this in order to increase the quantity and quality of deal flow.

Exit management of portfolio ventures is also seen as crucial. Mainly for reputational concerns profitable exits are valuable. Firstly, it fosters collaborations with other investors as it shows them you can make good investments. Secondly it shows internally that CV can make actual money instead of on-paper strategic returns. Thirdly, towards ventures, its shows that the CVU is not just a corporate innovation arm but is willing to exit ventures when the founders want to do that. Often, founders want to sell their shares over-time, at that point, corporate M&A should see whether they can fully acquire the venture. Additionally, Follow-on investments are considered especially crucial when the venture is a client of the corporate. Because when the CVU would be reluctant in such a situation to do a follow-on investment, a weird signal is provided to the market. Furthermore, the CVU’s reputation is strongly influenced by doing follow-on investments as it shows to ventures that the CVU is a committed investor. In follow-on investments, the financials should be considered strongly. For instance, when there is no more strategic benefit in continuing investing, but the financial benefits are high, the CVU should do follow-on investments.

**CVU Autonomy**

The CVU autonomy, or rather the absence of this, is mentioned to be a showstopper for ventures to engage with CVUs or strategic investors very often. The following effects of higher CVU autonomy are most important:

- Decision making and operating agility of the CVU, that is needed in the field of CV,  
- Ability of compensating the CVU team differently,  
- Improved reputation in the ecosystem/market: Ventures value autonomous CVUs because these investors place the interest of the ventures high on the agenda instead of the sole corporate interest. Also VCs are more interested to collaborate with autonomous operating CVUs,  
- Less bothered by corporate strategic agenda,  
- The ability to invest in more disruptive ventures as the CVU is less bothered by the corporate’s strategic agenda.

In achieving the right level of autonomy, the following is found most important for a CVU to consider. Firstly, the CVU should show that the CVU is run by knowledgeable people, that are primarily attracted externally from the corporate. Secondly, in order to increase BU-learning and venture-BU collaborations, including BU people in the CVU’s decision making is tempting. However, this strongly decreases the CVU’s decision making autonomy. In order to maintain the right balance between decision making autonomy and BU collaboration, an endorsement should be signed by BUs in which they underscore the value and specifics of the collaboration with a venture. Also, every investment should be approved by an IC (e.g. per standardized slide-deck). Thirdly, the right financial autonomy can be achieved by having a dedicated investment budget, however, this can still be balance sheet investing. This means that the CVU has no own ‘pot of money’, however, the dedicated budget from the corporate balance sheet serves as a marketing tool to the ecosystem and enhances the autonomous reputation. Fourthly, achieving a degree of structural autonomy is important as it shows ventures that the CVU is not an M&A or Innovation trajectory. Again, this type of autonomy is also enhanced by attracting people from outside the corporate.

High decision-making autonomy is important, however, BU people should be included to some extent in the decision making process and high internal reporting lines are important (internal traction and external
reputation). Structural autonomy leads to increased reputation (e.g., no difficulties with internal politics). Financial autonomy enhances the reputation and can be achieved through balance sheet investing with a dedicated budget as a marketing tool. Autonomy in general must be as high as possible, however, the right degree of collaboration with BUs should be sought for in order to add value to ventures and generate strategic returns for BUs.

**CVU-BU Collaboration**

Good CVU-BU collaboration is found to be important as it prevents the NIH-syndrome at BUs, and improves the corporate culture towards innovation and ventures in general. Also, early stage involvement of BUs in the investment process allows for early expectation management as to what BUs and ventures can expect from each other. This collaboration can result in deal flow coming from BUs, and is beneficial for the CVU as BUs have the best market/technology insights. Communicating with BU people that have decision-making power is also important as they ultimately determine the strategic added value of ventures. The CVU builds this collaboration with BUs by creating internal exposure and understanding of the CVU’s activities and added value. Furthermore, appointing someone as a liaison manager between the CVU and BUs can prove as a tool to improve this. But most importantly, the CVU should just sit together often with BUs in the form of, for instance, strategy workshops.

Again, Chinese Walls should be ensured between the IM (by the CVU), and CM (responsibility of BUs). Where the commercial collaborations are the responsibility of the BUs and the Investment related activities that of the CVU. The IM process often takes about 3-6 months, whereas the CM process is much more time consuming. Meaning that early involvement of the BUs in the process is important.

**CVU and BU Involvement with a venture and venture autonomy**

It is important for a CVU to have clear governance over the BU’s, and its own, involvement and collaboration with a venture in order to ensure the right venture-autonomy levels. The right degree of venture autonomy has the following most important benefits: venture autonomy maintains the innovative pace and entrepreneurial invective of the venture, ensures growth regardless corporate involvement, it enables the ventures to develop capabilities themselves decreasing the dependency on the corporate, and in generally is argued to improve a venture’s performance as operating at arm’s length (collaboration with BUs and board seat involvement with ventures) is said to work the best for ventures.

Despite the venture’s demand and need being the main determinant in the degree of autonomy, the autonomy provided to a venture is also customized slightly per venture depending on:

- The venture stage, (early stage ventures more autonomy, as they are not ready for collaboration with BUs yet),
- Disruptiveness of the venture as they require higher autonomy
- Ability to develop capabilities themselves (venture), and when a BU is a client the autonomy should be higher otherwise conflicts of interest will occur.
- When the strategic or operational fit of a venture with the corporate is higher, autonomy must be decreased in order to reap the most strategic benefits. However, the CVU must be transparent towards the venture when this fit is less.

In venture autonomy, it is important that a CVU critically reflects where the corporate has added value for the venture. It has been found that corporate BUs add value in the commercialization phase of the venture rather than the (technology) development phase, as this phase often thrives with the venture’s innovation pace (i.e., higher autonomy). The CVU has an important role in guarding the autonomy via their board seat. The **BU involvement**, must be carefully considered (i.e., self-sufficiency of venture must be ensured regardless collaboration with BUs). For instance, a BU can be a client of the venture, but preferable not the largest (for too long) to ensure this self-sufficiency. The CVU is responsible for maintaining the right level of venture autonomy through their board seat in the venture’s board. CVU-representatives should take the board seat due to their investment- and board seat-experience, except for situations where; board seats will make smaller ventures too rigid (no board seat is advised), or when someone from a BU takes a board seat (improves BU-learning). The CVU is responsible for Chinese Walls between IM and CM, this is especially relevant when someone from a BU has a board seat in the venture.
To govern venture-autonomy and BU involvement, someone from the CVU that manages the degree of **BU-venture collaboration** can be appointed; as the venture should not be flooded by the BU with requests and should not become dependent on the BU as a client. Additionally, a CVU should collaborate as much as possible with VCs as these financial investors emphasize the scaling aspect of ventures rather than collaboration, leading to the right venture autonomy.

**Investment Syndication with VCs and other strategic investors**

It is found that a CVU should always **syndicate** all its investments based on several advantages (e.g. spreading risk, attracting more capital, building a network of partners (deal flow and partners that can do follow-on investments in CVU's portfolio ventures) and doing multiple investments with a restricted budget allows for a window on more developments. Also, practice shows that ventures highly value CVUs that collaborate with other investors as this provides a mixture of capabilities to the venture.

Specifically, the **collaboration with VCs** brings a lot of benefits, for instance: ventures with good financial return as this is their area of expertise and focus, improved autonomous image of the CVU, and a VC is able to rationally downplay the strategic element of an investment and provide a better due diligence of the financial side as this is their area of expertise. The two most important benefits are: firstly, the improved autonomous reputation is important, as this is often a showstopper for ventures to engage with CVUs. And Secondly, VCs can rationally downplay the perceived strategic benefits a CVU has with a venture (leading to over-valuations of a venture outside market value), as VCs look more at short term financial aspects rather than long term strategic aspects. Despite all these inherent benefits for a CVU, the VCs find it often difficult to collaborate with strategic investors. Leading to a better balance between strategic and financial benefits. The CVU can overcome this difficulty by being very transparent towards the VC about what the CVU wants to negotiate first about in a document called Right of First Refusal (stating collaboration agreements with ventures, etc.).

The most important benefits collaboration with other **strategic investors** brings are: different added value to ventures (e.g. technical capabilities), corporate brand name, access to other markets or distributions channels, different role in the value chain (B2B corporates should collaborate with B2C corporates). However, CVUs should be mindful about other strategic investors pushing their agendas forward. This risk makes investing only with strategic partners difficult and can be solved by always including a VC partner. Also, the CVU should look for strategic partners that bring something to the table that they themselves cannot. Furthermore, the strategic investors collaborated with must operate with a similar degree of autonomy as the focal CVU.

Additionally, investing in externally managed funds can provide a CVU with a foot in the door for ventures that are currently too early stage to invest in. This is very valuable as the practical insights provided that very early stage ventures are (often) not yet ready for collaboration with a corporate and this collaboration can be harmful for them. Consequently, these other funds provide deal flow over time when the too early stage ventures are growing. Another benefit of investing in externally managed funds are the learnings about the world of CV a CVU can acquire. These are necessary in the first years after starting a CVU. These learnings are especially relevant when a CVU does not attract people from externally with the right financial experience.

**The CVU and Spin-offs**

The most important insight in **spin-offs** is that, once the venture is spun-off, the activities for a CVU are similar as for external ventures. Making the case for CVUs that focus on both spin-offs and external ventures and the involved activities as the capabilities needed for both are overlapping. However, a CVU should carefully consider the motivations for spinning a venture off. Unique activities for a CVU in spin-offs are: assessment of the motivation to spin internal venture off, find external investors, find a CEO to lead spin-off and other team aspects and share distribution with spin-off team and external investors. Early involvement of **external investors** is valuable in spin-offs as they can serve as a test of the venture’s viability in the outside world, several other advantages of both strategic investors and VCs have been mentioned and are similar as for external ventures.
The corporate parent really has to let go strategic control over the spin-off; *Spin-off autonomy* must be treated similar to external ventures in order to reap the benefits of spinning off. Also, external investors prefer to invest in corporate spin-offs with higher autonomy as they want to be treated equally as the corporate parent, and do not allow constructions where the corporate parent has certain benefits over other investors.

The *team aspects of a spin-off* turned out to be crucial. Two types of people must be included in a spin-off's team: an entrepreneur, and someone with market/technical knowledge. In the beginning, the CEO can be a former corporate employee, however, over time a more experienced CEO must be found by the CVU. As the corporate people are (often) not capable of scaling a venture. Additionally, to ensure continuity, corporate experts should spin-off with the venture, or should be involved via a contractual advisory role. Compensation in terms of providing shares to the spin-off team is paramount to its success and will prevent corporate behavior.
5.5. Comparing literature and interview insights

The most striking differences between theory and practice (i.e. interview insights) identified by the researcher, are highlighted in this section. This is done as several contradictions were found, and some ambiguities of literature have been answered in the interviews.

Firstly, in literature it is argued that, for the CVU strategy, external CV objectives (paragraph 4.1), the financial objective should be seen as a hygiene factor for strategic investors. Whereas one study indicated that strategic objectives should always be dominated by the financials of an investment. Looking at the practical insights, interviewees argued that investments should only be made when the financials of the investment look good (i.e. meeting the financial objectives of a CVU). In general, the financial objective is present stronger in practice than was expected prior to the interviews based on literature insights. It can be concluded that literature is rather ambiguous about the balancing of strategic and financial objectives, whereas the interviews provided more clear insights in this matter.

Secondly, literature (paragraph 4.2.1) argues that a separate pool of funds is needed to achieve CVU (financial) autonomy. However, all the interviewed CVUs perceive sufficient autonomy despite investing from the corporate balance sheet. However, the interviewees indicate that they have a dedicated budget as CVU. Several interviewees indicated that the budget is not really a budget, but serves as a marketing tool to the venture-ecosystem to show the CVU is a serious investor.

Thirdly, literature (paragraph 4.3.1) indicated that the venture-autonomy should be dependent on the venture’s stage (of development). However, interviewees were rather ambiguous about this matter. Several insights aligned with literature (providing early stage ventures more autonomy), whereas it has been argued during interviews, as well, that there should be no difference. The researcher concludes that, based on practical insights, the more early stage ventures should be treated with more autonomy, as they are often not ready for collaboration with a BU, and the corporate will not gain anything from the collaboration, yet.

Fourthly, according to literature (paragraph 4.1.2), operational fit was argued as an important selection criteria and determinant for venture-autonomy. However, the interviews indicated that the main added value of a CVU and corporate towards a venture is found in the commercialization phase, for instance; sales channels instead of sharing technology and operational capabilities. Practice showed less importance of an operational fit for ventures with a corporate parent.

Fifthly, the literature with regard to the composition of a CVU’s team, primarily advocated the need of both entrepreneurial and corporate network as skills that were necessary (paragraph 4.1.3). However, the external interviewees indicated that financial- or VC-experience is highly valued within a CVU team. Additionally, this practical insight was strengthened due to the fact that two interviewees had a financial background, and indicated that they benefited significantly from this in terms of due diligence of ventures, especially considering stronger financial objectives for the CVU. Furthermore, literature advocated the incentive or performance based compensation of the CVU’s management. Due to a potential risk of not being able to attract the most capable employees. However, practice showed that compensating the CVU team based on performance or reaching the objectives, will result in too much focus on the financial objective, as this objective is more straightforward to measure compared to strategic objectives. This is despite the fact mentioned during the interviews that corporate compensation will lead to corporate behavior at the CVU. Despite this, none of the CVUs use any type of carried interest or performance based compensation, however, they do see value in this.

Sixthly, in literature it is argued that studies are inconclusive with regard to the decision a corporate or CVU as to make whether an internal or external entrepreneur is best for the spin-off. the external interviews, however, provided the advice to look for an external entrepreneur, preferably with entrepreneurial experience. Especially in the commercialization phase of the venture, external entrepreneurs are argued to be necessary. However, it is seen in practice that in some situations an internal entrepreneur will suffice, when development of the venture’s technology is the focus.
Seventhly, literature (paragraph 4.5.3) argued spin-offs to be treated differently in terms of autonomy levels in comparison with pure external ventures (i.e. less autonomy for spin-offs). Whereas from the interviews, it can be concluded that spin-off ventures (internally originated) are treated, and should be treated, in the same way as external ventures in terms of autonomy, in order to reap the full benefits that come with the decision of spinning off a venture.

These inherent differences between literature and practice can, according to the researcher, be attributed to the fact that the way a CVU deals with the factors is rather case-specific and depends on several elements that can differ per corporate (i.e. tendency towards innovation, or reputation in the market).
6. Deriving Implications for EVIS

As explained in the research approach phases, specifically phase 4 (paragraph 2.1.1), in this chapter, SQ3 is answered. The researcher has derived implications for a CVU at EVIS. The implications for the CV objectives (SQ1), and the implications for the factors (SQ2) are based on the literature findings (chapter 3 and 4), and the internal and external interview results. These implications can be found in paragraph 6.1.

Ultimately, these implications will be discussed with certain representatives of EVIS in a workshop setting. Their views, opinions, proposed alterations, and take-aways based on this discussion can be found in paragraph 6.2.

It is important to note that, in hindsight, the implications that are included in the main report are those that were discussed during the workshop (of which the results are shown in paragraph 6.2). The drafted implications considering the factors that were not discussed during the workshop (due to a time constraint), are moved to Appendix H.
6.1. Deriving Implications for EVIS - Based on Literature and Practical insights

The implications developed by the researcher are subdivided in five paragraphs, similar to the structure of chapter 4 and 5. These implications are based on the insights from literature, internal interviews and external interviews.

Paragraph 6.1.1 shows the implications developed for the CVU internally. Here, both the intended CV objectives for the CVU at EVIS are discussed, as well as the insights from the external interviews relating to dealing with CV objectives and the CVU strategy. Furthermore, this paragraph contains the implications for the factors; CVU Team and Portfolio Management.

Paragraph 6.1.2 shows the implications for the factors between the CVU and the corporate parent. The following is discussed: Autonomy of the CVU at EVIS, Funding the CVU, CVU-BU collaboration, Internal commitment for CV, ensuring learnings from ventures by ENGIE, aligning CVU strategy with parent strategy.

Paragraph 6.1.3 shows the implications for the factors between the CVU and the ventures. The following is discussed: Venture autonomy, Involvement and collaboration of ENGIE BUs with ventures, commercial agreements with between ventures and BUs.

Paragraph 6.1.4 shows the implications for the factors between the CVU and external investment partners. The following is discussed: Investment syndication and co-investing in general, collaborating with VCs, collaborating with strategic investors, Investing in externally managed funds.

Paragraph 6.1.5 shows the implications for the factors between the CVU and spin-offs. The following is discussed: Activities of the CVU in spin-offs, Motivations to decide to do a spin-off, External involvement with ENGIE spin-offs, Team aspects of a spin-off, spin-off autonomy.

6.1.1. CVU Internal factors

The implications for the factors internal to the CVU encompass: CV objectives some CVU strategy considerations, the CVU team and portfolio management.

External Corporate Venturing Objectives intended for the CVU at EVIS

The overview in Figure 18 has been generated combining literature findings (chapter 3) with the most important take-aways from the internal interviews (paragraph 5.1), showcasing the intended external CV Objectives for a CVU at EVIS. Two CV objectives (mentioned in the internal interviews) did not fit the categorization developed through literature research, these are mentioned separately (i.e. Accelerating innovation through ventures and Creating deal flow for corporate M&A). The objective of value-chain development has been completely disregarded as several interviewees specifically mentioned this not to be of relevance for a CVU at EVIS.

The order of importance in Figure 18 is based on discussions during the internal interviews. Where Strategic CV objectives in general is argued to be of primary importance, including an order of specific strategic objectives. Second is the financial objective.
#1: Strategic Objectives

A) Strategic corporate renewal and a window on new technology, Business Models, and capabilities

- Learnings through ventures from insights in innovations in BMs and technologies. Absorb future omission of revenue models at ENGIE, create higher levels of distinctiveness compared to competitors by early discoveries of innovation.
- ENGIE must innovate and tap into external resources as people outside a corporate are always smarter than the ones within.
- Prevent falling behind technology trends by keeping an eye on disruptive technological innovations and BMs.
- Identification of innovations that can positively impact the purpose driven strategy of ENGIE, to make an impact on the sustainability of society and foster the role of ENGIE in this.
- Discovery and early access to technologies and BMs that fill current gaps at BUs to create an integrated Services proposition. Specifically, discovering digital innovations to improve the Assets-as-a-Service area of ENGIE.
- Identifying new areas (technologies or BMs) ENGIE was not aware of yet.

B) Promoting the ENGIE’s innovative and entrepreneurial image

- Generate a stronger name in the innovation ecosystem of startups.
- Continuous investments and meaningful collaborations will lead to better deal flow for other type of collaborations and new investments.
- CV should put the purpose driven sustainability strategy of ENGIE in practice. Investments can accelerate the sustainable strategy and character.
- Show the innovation ecosystem that ENGIE is a serious partner to collaborate with through the CVU at EVIS.

C) Develop an innovative and entrepreneurial culture within EVIS and ENGIE

- Ventures can positively change the way innovation is done at ENGIE BUs
- Ventures in the portfolio of the CVU can channel innovation spirit to ENGIE in general. Improving the speed of, and acceptance towards innovation.

D) Accelerating innovation and leverage internal capabilities and innovations through ventures

- Getting innovations from the market at an accelerated pace within the walls of ENGIE
- Getting innovation from within ENGIE into the market at an accelerated pace, when the BUs lack this commercialization skill or are slowed down by internal processes.
- The distinctive capabilities and internal innovations ENGIE already possesses can be leveraged through external ventures at an accelerated pace compared to when conducted by BUs.

E) Creating deal flow for corporate M&A

- ENGIE can identify serious candidates for acquisitions through early stage involvement with CV.
- This should, however, not receive too much importance considering the autonomous image of the CVU.

#2: Financial Objectives

- First years (short-term), investments of the CVU must have the room to be loss-making.
- On the long-term, the portfolio should be profitable as this is crucial for long term survival of the CVU.
- Purely financial objective for CV is thought to be harmful as it is too far removed from ENGIE core-business.
- Interviewees ambiguous over whether every investment should be financially viable, or a certain loss should always be accepted as long as this does not get out of hand.

The following implications, with regard to dealing with external CV objectives as a CVU, were extracted from the external interviews. These implications are important for EVIS to compare to the intended external CV Objectives as shown in Figure 18. This will be done in the discussion in paragraph 6.2.

Dealing with External Corporate Venturing Objectives

Financial element should be present stronger than expected. No investment made when no proper financial return is to be expected from the investment. These returns do not have to be huge. EVIS should develop and communicate their financial objectives externally; this will improve the quantity and quality of deal flow and improve internal traction (prevents questioning by BUs of the value of CV).

The CVU must develop clear strategic KPIs as this objective is harder to measure than the financial element. KPIs proposed are: resell agreements, commercial agreements, # of ventures proposed to
BUs, investments converted into partnerships, commercial collaborations with BUs, clients created through ventures.

The CVU must ensure autonomy in order to achieve both short-term financial and long-term strategic objectives.

The CVU should be mindful about balancing strategic and financial objectives, often the strategic element is over-valued and leads to a valuation of ventures that is not in line with the actual value. Prevent by collaborating with VCs.

Balancing the strategic objectives must be done by maintaining a portfolio approach. Whereas the internal interviews at ENGIE, for the external CV objectives, highlighted that a loss should be accepted for individual investments and the overall portfolio profitability is mentioned to be relevant on the long-term only. This contradicts with the above statements of the interviews, and should thus be adapted to the above.

For the financial objectives of a CVU, purely the financials of the IM should be considered. The (financial) added value, for instance, generated by additional sales for a BU via ventures must be seen completely separate from the financials of each individual investment. Namely, this is considered CM, and is the responsibility of the BUs. These so-called Chinese Walls will be discussed later in this paragraph.

In comparing the intended CV objectives (Figure 18) from the internal interviews, with the insights from the external interviews, several differences were identified. Firstly, the internal interviews as shown in Figure 18 argued that the strategic objectives are more important than a financial objective. However, the external interviews indicated that they should be equally important despite the fact that CV is undertaken based on a strategic rationale. Secondly, the external interviews highlighted the importance of a stronger financial objective, even stating that the financials of each individual investment should be adequate. Whereas the internal interviewees argued that they are rather ambiguous about this matter and potential losses should be accepted for individual investments. Thirdly, in the interviews it was argued that for the financial objectives, financial benefits such as more revenue for a BU should be considered as well. However, the external interviews indicate that this is considered to be part of IM which is the responsibility of the BUs, and should be seen completely separate from the financial objectives IM done by the CVU.

For the remainder of paragraph 6.1.1, considering CVU Internal factors, implications for the CVU Team and the CVU Portfolio Management are discussed.

CVU Team

Composition and Compensation

The CVU’s team must ideally consist of diverse mixture of people. As this diversity creates the best and most critical view on the ventures, and enhances the independent image of the CVU externally.

- Entrepreneurial background,
- VC/Financial expertise,
- Knowledge of internal corporate network, and strategic direction BUs.
- Knowledge of relevant markets,
- Legal/deal-making/M&A experience,
- Preferably experience in having board-seats in startups,

CVU at EVIS decides to maintain a stronger Financial objective, based on implications from practice: Including someone with either a VC- or financial-background should be considered stronger.

No interviewed companies use incentive driven compensation. Due to the fact that this can lead to too much focus on financial objectives and less on strategic added value.

The value of incentive driven compensation must, however, be considered as corporate compensation leads to corporate behavior.

- When this appears to be too much present in the CVU over time, this form of compensation can be used as a solution taking the risks into account.
- Monitor this over time, and interfere when necessary.
Portfolio Management

For the factor Portfolio Management, only the underlying factors of Disruptiveness and investment stage (early versus later stage ventures) has been discussed during the workshop. Meaning that these implications are only shown in this paragraph.

The implications with regard to size & timeframe, deal flow, selection criteria, Exit-management and Follow-on investments can be found in Appendix H.

Disruptiveness

When the CVU wants to be ahead of developments and wants to discover future opportunities, more disruptive ventures should be invested in. Disruptive ventures align with the intended CV objectives. Meaning the CVU should focus on ventures that develop new technologies in, for ENGIE, existing markets.

Disruptive ventures need a CVU that is more autonomous and separate from the corporate (allows for cannibalizing/competing ventures), less tight financial objectives for the CVU, and less focus on venture-BU collaboration.

Investment Stage & Risks of early stage investments

As the strategic objectives for a CVU at EVIS focus on the collaborations and learnings between ventures and BUs, somewhat later stage ventures should be focused on; When the venture is too small/early stage, collaboration with BUs is difficult. Also, the corporate becoming a client of the venture is often not possible as very early stage ventures cannot manage this.

The practical insights also vouch for later stage ventures: corporate stamp not healthy for the early stage venture, CVUs often add value in the commercialization/scaling phase, financial analysis of investment difficult for early stage ventures (jeopardizes financial returns), early stage ventures are difficult to ‘land’ in the BUs, management of multiple early stage ventures costs time and money.

When the CVU focuses on later stage ventures, but wants to keep a foot in the door for early stage ventures; it should invest in other funds that focus on earlier stage ventures.

However, due to the lower ticket-sizes and possibility of being a patient investor due to the primary objective being strategic, the CVU at EVIS can potentially focus on more early stage ventures as well considering the earlier disadvantages.

6.1.2. CVU – Corporate parent Factors

Implications derived from the following factors between the CVU and the Corporate parent (ENGIE) are discussed: Autonomy of the CVU at EVIS, Funding the CVU, CVU-BU collaboration, Internal commitment for CV, ensuring learnings from ventures by ENGIE, aligning CVU strategy with parent strategy

However, due to the time constraint, only the factor of CVU autonomy has been discussed during the workshop presented in paragraph 6.2. Meaning that the other factors: Funding the CVU, CVU-BU collaboration, Internal commitment for CV, ensuring learnings from ventures by ENGIE, aligning CVU strategy with parent strategy are left out of this implications paragraph in hindsight and can be found in Appendix H.

Autonomy of the CVU at EVIS

As the CVU at EVIS wants to focus on more disruptive ventures, a high degree of CVU autonomy is advised. Other benefits of CVU autonomy (e.g. reputation towards ventures, attractive for VC-collaboration, etc.) can be found in paragraph 5.2.2.

Autonomy levels should, however, not become too high (i.e. CVU in ivory tower). Connection with the BUs should be maintained in order to meet the intended strategic objectives.

The CVU should ensure the following in order to achieve the right degree of autonomy: CVU must be run by knowledgeable people (in terms of markets, board-membership and corporate knowledge and network. It must be ensured that corporate politics will not hamper the CVU’s course. Clear
**separation from corporate M&A.** Also, the CVU needs a **dedicated budget** in order to actually be autonomous. **High level internal reporting** only on a quarterly basis is important (e.g. ENGIE Investment Board (IB)). Furthermore, showcase to the outside world that the CVU is a **separate operating entity** and does not fall under corporate innovation or M&A. **People should be attracted from externally** in order to manage the CVU as well (instead of only former ENGIE), this enhances the independent image of the CVU.

It is advised to oblige every investment proposal to be run by the IB, by means of a standardized slide-deck as this is the quickest way. The CVU should **not have sole decision-making autonomy**, however, the IB should not slow the investment process down.

**The endorsement of BU-venture collaboration** should be drafted by the BU for every investment. However, **BU's should not be taken along in the decision-making process** as this slows down the CVU.

**Balance sheet investing will suffice** (i.e. no own budget) for sufficient autonomy. However, there should be a **dedicated budget** available each year for the CVU, as this serves as a marketing tool generating deal flow.

### 6.1.3 CVU – Ventures Factors

Implications derived from the following factors between the CVU and ventures are discussed: **Venture autonomy**, **Involvement and collaboration of ENGIE BUs with ventures**, **commercial agreements with between ventures and BUs**.

However, due to the time constraint, only the factor of **Venture autonomy** has been discussed during the workshop presented in paragraph 6.2. Meaning that the other factors: **Involvement and collaboration of ENGIE BUs with ventures**, **commercial agreements with between ventures and BUs** are left out of this implications paragraph in hindsight and can be found in Appendix H.

<table>
<thead>
<tr>
<th><strong>Venture Autonomy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>In general, the CVU should provide the ventures with as much autonomy as possible and let the ventures operate at <em>arm’s length</em>, however, providing the ventures with the ability to have sparring-sessions with BU-/domain-experts are highly appreciated. Clear agreements have to be drafted for each investment.</td>
</tr>
<tr>
<td>The following <strong>advantages of a higher degree of autonomy</strong> should be considered: the venture can maintain its innovation pace (too much involvement can suffocate the venture), the venture can develop capabilities and be successful regardless of corporate involvement (low autonomy makes the venture dependent on the corporate), it allows the CVU to invest in comparable ventures.</td>
</tr>
<tr>
<td>The CVU should have a <strong>customized level of autonomy per venture</strong>, depending on: the stage of the venture (early stage ventures need higher autonomy to grow as a startup). More disruptive ventures need more autonomy. When the corporate is a client of the venture, the autonomy must be very high to prevent conflicts of interest (aim for a client-supplier relationship). A venture with higher degree of strategic/operational fit with an ENGIE BU, the autonomy should be lower as this allows ENGIE to reap the most strategic added value from the venture but also to add commercial/technical value to the venture. However, the ventures’ demand should always be leading in this as the CVU must place the ventures’ best interests first. Finally, when the CVU wants to make profitable exits (i.e. financial objective), then the autonomy should be very high, as otherwise the level of entrepreneurship will be killed at the venture and the incentive to scale diminishes.</td>
</tr>
<tr>
<td><strong>The role of the CVU is to govern the venture’s autonomy</strong> in the best interest of the venture. The CVU should do this from their <em>board-seat</em> position they have in the venture. In rare occasions as indicated to improve BU learnings, a BU-representative can take the board-seat, this is however not advised considering the Chinese Walls between IM and CM.</td>
</tr>
<tr>
<td>The CVU-representatives are best suited to govern this based on their venturing-, investment-, and board-seat-experience. They should maintain short lines to understand the venture’s needs.</td>
</tr>
</tbody>
</table>
6.1.4. CVU – External Investment partners

Implications derived from the following factors between the CVU and external investment partners are discussed: *Investment syndication and co-investing in general, collaborating with VCs, collaborating with strategic investors, Investing in externally managed funds.*

During the workshop, the discussion concerning the factors between the collaboration with external investment partners by the CVU at EVIS was very brief due to a time constraint at the end of the workshop. Thus, the discussion with regard to the implications of factors between the CVU and external investment partners did not provide very rich insights. Thus, in hindsight, the implications with regard to these factors are all moved to Appendix H.

6.1.5. CVU – Spin-off Factors

Implications derived from the following factors between the CVU and spin-offs are discussed: *Activities of the CVU in spin-offs, Motivations to decide to do a spin-off, External involvement with ENGIE spin-offs, Team aspects of a spin-off, spin-off autonomy.*

During the workshop, the discussion concerning the factors that are important for the CVU in dealing with spin-offs was very brief due to a time constraint at the end of the workshop. Thus, the discussion with regard to the implications of factors between the CVU and Spin-offs did not provide very rich insights. Thus, in hindsight, the implications with regard to these factors are all moved to Appendix H.
6.2. Results Workshop implications for a CVU at EVIS

As indicated, a discussion has been held in a workshop setting. During this discussion, the researcher presented the most important implications for EVIS. The goal of this discussion was to extract certain take-aways based on the opinions and thoughts of the involved people (Table 4).

Table 4) Interviewees part of workshop

<table>
<thead>
<tr>
<th>Interviewees part of workshop</th>
<th>Role / Job-title</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Manager &amp; Innovation Officer EVIS / Innovation &amp; Incubation</td>
</tr>
<tr>
<td>#2</td>
<td>Manager Ventures (i.e. all venturing-related activities) at EVIS</td>
</tr>
<tr>
<td>#3</td>
<td>Innovation Officer Innovation &amp; Incubation</td>
</tr>
</tbody>
</table>

As the opinions of EVIS employees, considering the specific situation of a CVU at EVIS, are found to be very interesting for the academic perspective and in answering SQ3, the results of the workshop is showcased in this paragraph. For EVIS’ management, this can be used as insightful regarding their way of dealing with certain factors identified in this research.

However, it is important to note that not all factors, found to be of importance in chapter 5, will be discussed in this paragraph. The reason for this is that the workshop lasted for an hour and a half, however, as a result of the rich discussion that occurred in the workshop, not all factors have been discussed due to a time constraint. The factors, however, that have been discussed are:

- External CV objectives and dealing with these objectives
- CVU team
- Disruptive ventures and dealing with these as a CVU
- Venture stage
- CVU autonomy
- Collaboration with external investment partners
- Spin-offs

**External CV Objectives and dealing with these objectives**

In the workshop, the intended list of CV objectives for the CVU at EVIS was presented. This list, as shown in Figure 18, shows the CV objectives that were derived from the internal interviews. In addition, the insights from the external interviews, with regard to the CV objectives were presented in the workshop as well. This lead to the following insights and altered implications.

Firstly, an important difference between the intended CV objectives from the internal interviews, in comparison with the insights from the external interviews was discussed. The difference that became apparent was that of the financial objective and its importance. Whereas the internal interviews mentioned the financial element of investments to be secondary, and of lesser importance, the external interviews provided the insights that only investments should be done when the financials are adequate.

This difference between the intended CV objectives for a CVU at EVIS from the internal interviews, and the take-aways from the external interviews and how to deal with these, can be explained due to the different roles of both people interviewed internally as well as externally. In the discussion, it is argued that the opinions with regard to the intended CV objectives from people involved with actual venturing should be weighted the most at EVIS.

In result, the intended CV objectives at EVIS, as showcased in the figure in Figure 18 should be added with the insights from the external interviews where it was argued that the financial element should be present stronger. Thus, at the CVU at EVIS, each investment is supposed to be financially viable as well. This is a difference with the initial internal interview results. The following are the main take-aways with regard to the discussion about the CV objectives during the workshop:

- The CVU at EVIS with regard to the external CV objectives should place more emphasis on the financials of an investment (not taking any added commercial value for BUs into account). For
the CVU at EVIS, each investment should be robust and viable purely based on the financials of the investment as well.

- However, the strategic element should still be leading. KPIs should be developed to measure the strategic objectives in order to assess to what extent these are achieved. Also, (qualitative) measures should be developed to assess the extent to which BUs benefit from an investment. As EVIS recognizes the fact that the financial benefits that accrue to a BU, as a result from collaboration with a venture, should be seen separately from the financials of the investment. However, these (strategic) benefits should be weighed in the investment decision as well.

In addition to the above, the insight from practice of the risk of over-valuing ventures, due to the perceived strategic benefits (i.e. emphasis on strategic objectives), is recognized but not as a possible danger specifically during the workshop. The following are the most important take-aways from the workshop with regard to the discussion of over-valuing ventures:

- It is said that standard valuation-tools (i.e. multiples, cash flows, etc.) are not useful for early stage ventures. Meaning that you have to take the strategic value into account in some way. Non-financial criteria are often very important for a strategic investor, and these are valued strongly in investments.
- A mixed response is given towards the collaboration with VCs to prevent over-valuing ventures based on possible strategic benefits. However, the value is found to be logical, but not very necessary.
- Also, it is said that a strategic investor can potentially valuate a venture better and more thoroughly than a VC. Based on market and technological insights it has. The interviewees argue this to be an advantage strategic CVUs have over VCs.

**CVU-Team**

In discussing the concept of compensating the CVU-team based on performance, the argument from the external interviews; where compensation will lead to too much focus on doing financially viable investments instead of strategical investments is discussed.

For the CVU at EVIS, despite the inherent danger of focusing too much on financially viable investments, value is still seen in this performance based compensation. As it removes corporate behaviour in the CVU. This corporate behaviour is seen as a pitfall in terms of innovation at ENGIE in general and should thus be tackled wherever possible, including in terms of compensation. This does, however, mean that the CVU at EVIS should, as indicated before, clear KPIs should be developed for the strategic objectives in order to measure the performance of the CVU on this aspect as well.

An example provided of a venture that EVIS collaborated with is provided by one attendee of the workshop. Where the venture allowed other BUs to win certain contracts due to the venture's technology. This is strategic value that should be measured in some way in order to compensate the CVU-team in a different way. As it led to significant value created for ENGIE, as a results of CV activities.

**Disruptive ventures**

As indicated in the implications of paragraph 6.1, dealing with disruptive ventures has certain implications and comes with difficulty. Despite this difficulty, the value of investing in disruptive ventures is emphasized in the workshop, and should always be part of the portfolio of the CVU despite the risks. Specifically it is argued that, when a CVU does not aim on disruptive investments, a barrier for innovation in general is build.

The following main take-aways with regard to dealing with disruptive ventures and its implications for the CVU at EVIS are extracted from the workshop:

- Disruptive investments should always be part of the portfolio to overturn innovation barriers at ENGIE.
- When the CVU wants to focus on disruption, the previously discussed CVU-team's compensation is said to be jeopardized. Thus the compensation should not discourage disruptive investments. Meaning that somehow, disruption should be incentivized.
When the CVU would collaborate or listen too much to BUs, it is argued that you cannot invest in disruptive ventures. Thus, the CVU should be able to make these investments decisions autonomously.

In general, the tendency of ENGIE towards disruptive innovation is argued to be poor. Thus, the CVU should break loose from this and be provided with the room to do disruptive investments. This means that it should be considered that not every investment must necessarily have a fit with an ENGIE BU immediately.

The CVU at EVIS should not aim for disruptive ventures from the start of the CVU. First, a solid foundation should be laid with a less disruptive focus. To prove it can invest successfully and show some returns. This enhances internal traction and paves the way for more disruptive investments in the future.

Ultimately, the portfolio should consist of a healthy mix between disruptive and less disruptive (incremental) ventures.

Venture stage

The tendency within ENGIE, mainly coming from the Executive Committee, is not very favourable towards early stage ventures for the following reasons mentioned in the workshop:

- Culture within ENGIE is focused on projects where a return is generated within 2-3 years. This is not the case for early stage ventures.
- Investments take longer, and the CVU must be patient with early stage ventures. This time is not always available considering waves in corporate management.

However, it is discussed that the CVU at EVIS should consider that through CV, EVIS and ENGIE want to learn as much as possible about as much as possible innovations. Some benefits of early stage ventures that were acknowledged during the workshop:

- Lower ticket sizes, betting on multiple ventures and technologies with a lower budget for the CVU.

Whereas oppositely some advantages of more early stage ventures are that later stage ventures do not need ENGIE or any strategic investor but just need scaling capabilities and funding whereas early stage ventures do need ENGIE. Also at early stage ventures, ENGIE can still add value as a strategic investor.

Considering the pros and cons of early stage ventures, and the ENGIE culture, the following solutions are discussed:

- Focus on ventures that are somewhat further in their development stage, not the very early stage. As ENGIE can add the most value in the transitioning between technological development and commercialization where their corporate sales channel, or ENGIE as a client can help a venture.
- A criteria mentioned for the early stage ventures: a degree of collaboration with ENGIE BUs should always be possible.
- Considering the culture at ENGIE, more later stage investments should be started with in the beginning phase of the CVU, to improve the venturing tendency and gain internal traction. This should be added with some more early stage investments to gain window on new technologies, similar to the solution for disruptive ventures.
- The CVU should predominantly focus their own portfolio on later stage ventures, and invest in other funds that invest in the very early stage ventures.

The general take-away from the discussion relating to the stage of ventures the CVU at EVIS should focus on is that the CVU should not disregard either later or more early stages of ventures. And that a balance should be found by investing in ventures that are still developing their technologies and ventures that are ready for market entry and commercialization. By doing this, the window on technologies that can potentially disrupt ENGIE is ensured, while keeping the ENGIE culture in mind plus sufficient internal traction is gained by some later stage investments, while investments in externally managed funds can provide a window on new technologies through early stage venture investments.
CVU Autonomy

It was argued that the CVU in an ivory tower is not necessarily bad. This is however meant in an operational way; the way the CVU executes the way it does CV should be left completely up to them (i.e. full decision-making and operational autonomy). However, the investments the CVU makes have to align with ENGIE in a strategic sense. Also, a certain degree of communication and approval must always be present, as with CV you get ahead of a corporate very quickly and this is not the intention.

In terms of financial autonomy, the value of the proposed implication by the researcher of a dedicated investment budget is agreed with due to the inherent benefits (autonomy, reputation, marketing tool, deal flow). This dedicated budget can potentially be arranged in the following way (thought experiment): The CVU at EVIS is funded by ENGIE NL and ENGIE Global for circa €5M, when this budget is exceeded, the further investment-plans should be run past the ENGIE New Ventures board (global CV fund). Meaning there is a certain high degree of financial autonomy up to a capped amount of budget. When this amount is exceeded after several investments, the financial autonomy decreases and more intensive cooperation with ENV is needed.

By engaging in this type of funding to achieve a dedicated investment budget, a mistake from the past CV activities mentioned at EVIS will be prevented. This mistake was that everything (in terms of funding) was done from the EVIS budget. This is too opportunistic, as the poor performing ventures directly hit the small budget of EVIS. Collaboration with both ENGIE NL and ENGIE Global is crucial in terms of funding. Amongst others, including other funding channels within ENGIE other than EVIS prevents that the performance of EVIS influences the tendency towards the CVU directly as it does currently.

Venture Autonomy

In finding a balance between giving the venture enough autonomy and ensuring the venture does not depend too heavily on ENGIE as a client or partner, a balance should be found according to the involved people in the workshop. During the workshop the following was specifically highlighted:

- The venture should not fail when ENGIE decides to quit. So it should be able to survive without ENGIE sales channels.
- When the focus is placed on more independent operating ventures, automatically the CVU’s financial objectives will become more important. Because less focus will be placed on collaboration and strategic benefit. The CVU should balance this as the initial goal of CV is to gain strategic benefits.

One example of a venture is mentioned where ENGIE found the strategic benefits to be diminished over time. However, pulling the plug was difficult as the venture has become very dependent on ENGIE as a provider of sales channels. This should be prevented in the future venture investments the CVU at EVIS makes.

One solution to ensure sufficient venture-autonomy, and prevent dependency by ventures on ENGIE, is proposed: the CVU could perhaps focus on totally different markets by means of venture investments while looking for a window on new technologies. This ensures that no dependence of ventures on ENGIE will be created. As the initial investment focus is on Disruptive ventures (New Technology, Known Market), this means that Radical investments (New Technology, New Market) should be considered to diminish value of collaborations and thus a decreased dependency of the ventures on ENGIE. In any case, the balance should be maintained in terms of autonomy. When a venture starts behaving like an ENGIE BU, then the dependency is too large. You don’t want this as this removes the entrepreneurial character of a venture.

Collaboration with external investment partners

In the past venturing activities at EVIS, only collaboration was sought in problematic situations. Thus, for the future CVU at EVIS, the value of deal syndication and extensive collaboration with other investment partners (proposed by the researcher) is found to be valuable.
Also, the CVU at EVIS should invest in other funds according to the people involved in the workshop. Mainly in funds that focus on higher levels of disruption and more early stage ventures, considering the ENGIE culture and tendency towards CV. This became apparent as well in the discussion between early stage or later stage venture focus. By doing this, the CVU at EVIS can develop a healthy balance between early and later stage ventures. However, these funds must be in their starting phase as well. In order to allow some strategic steering of the fund by EVIS. Both the team, as well as the investment strategy of the fund should be analysed an match with the EVIS CVU.

Spin-offs
The most important motivation to spin internal ventures off, recognized by interviewees in the workshop, is that of gaining additional clients; a spin-off should be done when this allows a venture to work with competing corporates (from ENGIE).

It is discussed that more internal ventures at ENGIE should be spun-off. As it allows ENGIE to make the pie larger (more potential clients), while maintaining a smaller piece of that pie, and thus having less risk. The CVU should play a significant role in this as the overlap in activities and capabilities for external ventures and spin-offs, proposed by the researcher, were recognized during the workshop. The following motivations to spin internal ventures off result from the workshop:

- The venture has more opportunities as a spin-off in terms of clients and other investors.
- ENGIE can track more developments when it decreases its involvement by spinning-off a venture. This fits the strategic objective of having a window on technology.
- It is also argued that ENGIE perceives difficulty with corporate behaviour in its internal ventures. Spinning off should remove this type of behaviour.

It is discussed that the CVU should develop criteria in assessing the Technology Readiness Level (TRL) of an internal venture before spinning it off. However, ideally, a venture should spin-off in the commercialization phase as this allows the ventures to work with clients that would otherwise not work with the venture when it is still an ENGIE venture. Furthermore, when TRL levels are higher, the corporate employees do not have to remain involved with the spin-off generally. And external entrepreneurs can be attracted that are often more suited to build and scale a venture and work on commercial elements.

The CVU must be very critical on the involved technical brains in a spin-off. The interviewees recognize that these people often stay involved for too long. This means that in most cases, the ENGIE people involved in a spin-off should be replaced by external entrepreneurs as much as possible in order to reap the benefits of a spin-off. These ENGIE people can have, however, an advisory role.
7. Conclusion

The focal research started with the main question: “Which factors are important for EVIS to develop a Corporate Venturing Unit (CVU) that meets the intended External Corporate Venturing objectives?”. In answering this question, the researcher has identified the intended external CV objectives for a CVU at EVIS, and what it takes to deal with these for a CVU (i.e. balancing strategic and financial objectives). Furthermore, several factors have been identified and a deeper understanding on how to deal with these factors has been developed for a CVU internally and for the factors that interplay between the CVU and the corporate parent, external ventures, spin-offs and external investment partners. Hereby, the problem identified in literature (i.e. difficulty with developing a CVU that focuses on external CV activities), that was also perceived at EVIS, is tackled. The concluding chapter contains the following. Firstly in paragraph 7.1, answers to the MQ and the SQs are provided. Secondly in paragraph 7.2, a reflection on the proposition posed in the research scope is provided. Thirdly in paragraph 7.3, a discussion is provided regarding the research contribution and a reflection on the limitations (e.g. validity and reliability) of the research.

7.1. Answering the research questions

MQ: What is important for EVIS in developing a Corporate Venturing Unit (CVU), that meets the intended external Corporate Venturing Objectives?

In answering this research question, a wide-ranging array of factors has been researched. These factors are divided in the categories; CVU internal, between the CVU and corporate parent, between the CVU and ventures, between the CVU and external investment partners, and between the CVU and spin-offs. The factors that were found to be most importantly, in an objective sense, are: developing external CV objectives and dealing with these objectives, building a CVU team, disruptive ventures, early and later stage ventures, CVU autonomy, venture autonomy, collaboration with external partners, and the overlap between capabilities and activities for spin-offs and external ventures. Additionally, research into the CV objectives showed numerous possibilities of rationales a CVU can use as foundation for their activities, consequently these insights are used to develop a set of CV objectives for the CVU at EVIS.

In essence, the answer to the MQ is that, for the CVU at EVIS, it is important to consider factors that interplay between them and ENGIE, external ventures, spin-offs and external investment partners. By focusing on the factors identified in these categories, by focusing on the extracted take-aways per factor from the interviewed CVUs, the CVU at EVIS is able to create the best circumstances in order to fulfill the developed CV objectives for their CVU. Where despite the fact that strategic objectives are most important, the financial element should be present stronger, and in a more externally communicated way than expected. Where for each factor, whether it encompasses strategic or organizational choices, finding the right balance and thinking about the factor is more important than approaching the factor in one specific way. Also, focusing on both spin-offs and external ventures is found to be very valuable for a CVU due to overlapping capabilities, activities, and necessary expertise.

Based on the findings the researcher concludes that, despite the attempt to find one, there is no one size fits all approach to the identified factors. This is attributed to the fact that both the corporate character (e.g. tendency towards innovation) and environmental influences strongly determine how a corporate should deal with the individual factors for their CVU. Therefore, the researcher argues that there is no best practice approach for all factors identified to develop a CVU engaged in CV activities. The rather static conceptual framework of factors, gained a much more dynamic outlook due to the different insights from the externally interviewed CVUs. This can be concluded due to the differences that were found between literature and practice, showing that the way a CVU deals with factors is very case-specific. This was strengthened by the fact that there was not always consensus on how to deal with each factor in the best way by the external interviewees of the CVUs. For a CVU at EVIS, this means that the insights of this research should be used as a guidance, rather than as a clear cut plan for each factor. In addition, it has been found that the factors do not all directly lead to achieving the CV objectives, however, by considering all factors, the CVU is created in the best way leading to a better organized entity that is able to reach the CV objectives in the best way. For a CVU at EVIS the factors that focus on building a CVU and enhancing the reputation of the CVU (both internally for traction, as
well as externally in the ecosystem) are found to be most valuable as this is where the most can be won in the short term for EVIS. Several factors are found to be interlinked, emphasizing the need to consider all factors that were identified in the researcher to some degree. By doing this, management responsible for a CVU ensures that each factor is considered from their perspective, leading to the right decisions. For instance, performance based compensation is valued as it incentivizes the CVU team, removes the corporate character and attracts higher skilled people. However, opposingly this type of compensation leads to too much focus on financial objectives, meaning that despite rich insights, CVU’s must still weigh their own choices based on their organization and environment. Another example can be found in the concept of CVU reputation. This reputation is influenced by numerous factors and occurred to be very important. This reputation is influenced by the strong financial objective, having a dedicated budget, collaborating with VCs, having sufficient autonomy as a CVU, doing follow-on investments. In return, this reputation enhances the deal flow, ability to collaborate with other parties and the internal traction or tendency of the corporate towards CV activities conducted by the CVU. Besides this reputation, autonomy is a factor that is concluded to be very important. In terms of autonomy of the CVU, having a clear financial objective, attracting people externally, and collaborating with VCs are crucial. Also, the concept of autonomy is found in the way a CVU deals with the ventures, and the extent of collaboration it allows with corporate BUs.

Also, the inherent differences between literature and practice can, according to the researcher, be attributed to the fact that the way a CVU deals with the factors is rather case-specific and depends on several elements that can differ per corporate (i.e. tendency towards innovation, or reputation in the market). As the other researchers have attempted to find best-practices, however, again this can be concluded to be very difficult for a CVU that is engaged in external CV activities.

The following conclusions for each SQ provide more detailed insights into the CV objectives and factors and the ultimate implications for a CVU at EVIS to deal with this, according to the insights of the researcher.

**SQ1: What are External Corporate Venturing Objectives for a CVU?**

The identification of a clear set of CV objectives is paramount to a CVU’s success, as it denotes the underlying rationale for a corporate to engage in external CV through a CVU. At EVIS, prior to starting this research project, a clear set of CV objectives was absent. Literature research pointed out that the most important two categories of CV objectives are strategic and financial.

For the financial objectives, the actual financial gains a CVU makes with their investments is considered. For the strategic category, for most CVUs the primary objective, the following strategic objectives have been found to be most pursued:

- Strategic corporate renewal and a window on new technology, Business Models and capabilities
- Expanding and developing the Ecosystem, in other words, Value chain venturing
- Leveraging internal capabilities, competences and ideas to create new business through ventures
- Promoting the innovative and entrepreneurial image of a corporate
- Developing the innovation and entrepreneurial culture within a corporate
SQ2: Which factors are important to consider for a CVU engaged in external CV?

In answering SQ2, the research provided an overview (i.e. resulting framework) of factors, of these factors, Figure 19 shows the most important factors.

Following from the list of most important factors, in the view of the researcher, the following factors are concluded to be most crucial in developing a CVU. The categorization of factors: CVU Internal, CVU-corporate parent, CVU-ventures and CVU-external investment partners is emphasized.

The following factors, internal to the CVU prior to starting the CVU are most important to consider for management responsible for developing the CVU:

In terms of the Corporate Venturing objectives for a CVU, and dealing (i.e. balancing) with these objectives, identifying a clear set of CV objectives is crucial for a CVU to define its rationale for engaging in external CV. Whereas literature argued financial objectives to be a hygiene factor for CVUs, external interviews provided insights that strong financial objectives are paramount to a CVUs reputation and longevity. Internal interviews within ENGIE initially resulted in ambiguity with regards to this, however, the workshop provided that the every investment should be financially viable. The researcher concludes that a CVU should focus on both strategic and financial objectives, where the primary objective is of strategic nature. However, the financial element is present stronger in practice than expected. Meaning, a CVU should aim to only make investments that are considered to be financially viable from an investment perspective. Maintaining this stronger financial objective enhances internal and external traction and the reputation of the CVU, and can be used as a marketing tool in the ecosystem. A potential danger of CVUs with a primary strategic objective is over-valuation of ventures due to perceived strategic benefits, this is prevented through collaboration with VCs.

For the CVU Team, ideally, a mixture of internal and external people is attracted for the CVU. However, as the financial objective should be present stronger than expected, emphasis should be placed on attracting VC experience from outside the corporate in addition to internal people. Herby enhancing both the necessary internal network as well as the autonomous image and aimed for financial objective. In comparing literature and practice, research showed ambiguity in the compensation of a CVU’s team. On the one hand, corporate behavior should be prevented as one of the objectives of CV is enhancing innovation and entrepreneurship at a corporate. On the other hand, performance based compensation houses the danger of too much focus on financial objectives as strategic objectives are more difficult to measure. The researcher concludes that some degree of performance based compensation should be...
maintained, in order to be able to attract capable people with the right VC experience. This is enabled by developing clear KPIs for the strategic objectives. This does not align with the current approach of interviewed CVUs, however, it does align with the opinions of the interviewees that argue there is value in doing this.

For portfolio management, concepts from portfolio construction to portfolio monitoring have been analyzed. The following is concluded to be most important for a CVU. CVUs should maintain a portfolio approach to absorb the potential loss-making ventures, however, the advised stronger financial objectives allows for a smaller portfolio size of c.a. ten ventures. A CVU, that focuses on strategic learnings and collaborations, should not invest in early stage ventures as these ventures are not ready for this type of collaboration and the corporate stamp is harmful for their scaling capabilities. Consequently, later stage ventures are more suited for strategic collaborations, also the CVU has more added value in this commercialization phase. In terms reaching the window on novel technologies, creating an environment for disruptive ventures at the CVU is achieved by less focus on venture-BU collaboration, and a CVU with a higher degree of autonomy where less emphasis is placed on the financial objectives.

In terms of factors between the CVU and the corporate parent, the following is most important for management to consider:

For the CVU Autonomy, financial autonomy and decision making autonomy are crucial as this allows the CVU to maintain the needed speed, ability to invest in disruptive ventures and enhances the reputation. The right autonomy level is achieved by attracting CVU team from outside the corporate, have a dedicated investment budget, high internal reporting to an IC, BUs should not be included in decision making but should provide an endorsement of collaboration for every investment, and the CVU should be a separately operating entity. A dedicated investment budget means the CVU invests from the balance sheet of the corporate. However, by providing a dedicated amount, the CVU can use this as a marketing tool for reputational enhancement in the ecosystem.

Developing the right CVU-BU collaboration is also very important in order to prevent the NIH-syndrome often experienced by BUs, and to improve the general tendency towards innovation and ventures at the BUs. Furthermore, BUs can provide deal flow and often provide better market and technology insights than a BU. This collaboration is strengthened by creating understanding of the added value of CV activities, appointing a liaison manager in the CVU team and sitting together often. However, Chinese Walls must always be maintained between IM (responsibility of the CVU) and CM (responsibility of the BU).

In terms of factors between the CVU and the ventures, the following is most important for management to consider:

The venture autonomy should be customized per venture. Where very early stage and more disruptive ventures especially need high degrees of autonomy. Also, the ability of the venture to develop capabilities (e.g. sales channels) influences this autonomy, as low degrees of autonomy comes with the risk that a venture is not self-sufficient. When a BU is a client of the venture, high autonomy is very important, to prevent conflicts of interest and information asymmetry to other clients. When ventures are provided with autonomy: innovation pace, entrepreneurial incentive, growth regardless corporate’s involvement, and the possibility of the CVU to invest in comparable ventures are ensured. The CVU is responsible for this autonomy, in the form of their board seat. This board seat should be taken by CVU employees or in rare occasions, by a BU employee to improve BU learnings. However, Chinese Walls should be safeguarded in these occasions.

In terms of factors between the CVU and the ventures, the following is most important for management to consider:

The Syndication of investments or collaboration with VCs and other strategic investors should be done for every investment case, as it brings numerous benefits (e.g. deal flow, partner network, risk
spreading, etc.). Also, ventures highly value syndicated investments, ideally a mixture of both strategic and financial (VCs) investors. Especially collaboration with VCs is advised, as this improves the autonomous image of the CVU and VCs are able to look at deals more rationally/financially (downplaying perceived strategic benefits). Strategic investors are valuable as they bring something different to the table than the CVU (e.g. market channels, technical capabilities, etc.). However a CVU should be mindful about other strategic investors pushing their agenda forward.

**Investing in externally managed funds** is valuable for CVUs that perceive difficulty with attracting the rights skilled employees (i.e. VC experience) from outside of the corporate. Investing in other can provide the starting-CVU with the necessary learnings of CV investments. Also, as early stage ventures are not advisable to invest in for a strategic CVU, the CVU should invest in externally managed funds that focus on more early stage ventures. Eventually leading to deal flow when these ventures mature over time.

In terms of factors between the CVU and spin-offs, the following is most important for management to consider:

**Spin-off autonomy** provided by the CVU and corporate must be similar to that of external ventures. This allows the venture to reap the benefits of spinning off. Also, a higher degree of autonomy is highly valued by external investors.

These **External investors**, both strategic and VCs, have the same advantages as for external ventures. However, for spin-offs, it is crucial that the corporate parent and CVU realize they have to let go of strategic control. These external investors should be involved as early as possible in the spin-off process, as they can serve as a test/gauge for the venture’s viability in the outside world.

The CVU actively interferes with the **spin-offs team**. Often, when the venture is spun off, a corporate employee can lead the spin-off. However, when the venture scales, a serial entrepreneur should be found to run the venture, as corporate employees are not fit for scaling a venture. Immediate provision of shares or option packages is highly advised in order to create the right incentives at the spin-off’s team.

**SQ3: What are the implications for EVIS with regard to the identified factors?**

In order to answer the MQ, the answers to SQ1 and SQ2 are combined, and applied to the case of a CVU at EVIS. In result, implications were derived for a CVU based on the intended external CV objectives and identified factors. In essence, this third SQ provides the ultimate EVIS-lens towards the research results, by developing insights into what the findings of SQ1 and SQ2 mean for a CVU at EVIS.

In the current situation, EVIS is engaged in external CV without a clear set of CV objectives underscoring the rational of external CV activities. Answers to SQ1 and SQ2 pointed out the following with regards to external CV objectives for a CVU at EVIS, where the following strategic CV objectives are pursued (in order of importance):

A. **Strategic corporate renewal and a window on new technology, Business Models, and capabilities.**
B. **Promoting the ENGIE’s innovative and entrepreneurial image**
C. **Develop an innovative and entrepreneurial culture within EVIS and ENGIE**
D. **Accelerating innovation and leverage internal capabilities and innovations through ventures**
E. **Creating deal flow for corporate M&A**

For a CVU at EVIS, the financial element should be present stronger than proposed by the internal interviewees. As a matter of fact, despite the strategic objectives mentioned above being the most important rationales for the CVU, every investment the CVU does should be financially viable, and the financial objective of the CVU at EVIS should be communicated externally as a marketing tool. By maintaining a stronger financial objective, traction is enhanced internally, and externally the CVU’s reputation is boosted. For this financial objective, the CVU should purely consider the IM related financials, and disregard potential gains for BUs in financial sense. This is the responsibility of the BU itself, and is considered a strategic benefit. The CVU at EVIS should be provided with sufficient
autonomy in order to be able to make balancing decisions between strategic and financial objectives. Also, the CVU at EVIS should collaborate with VCs in order to prevent over-valuing certain ventures due to enthusiasm concerning perceived strategic benefits.

In terms of the most important factors identified in this research, the following implications are concluded to be paramount with regard to the identified factors considering the four categories of factors: CVU internal, between the CVU and ENGIE, between the CVU and ventures and between the CVU and external investment partners.

For the implications with regard to the factors that are important internally to a CVU at EVIS, the following is concluded. Firstly, the CV objectives for a CVU at EVIS should be dealt with as indicated above. Secondly, for the EVIS CVU Team, performance based compensation should be used, in order to prevent corporate behavior. This corporate behavior is a pitfall of innovation activity within ENGIE and should be tackled in every way possible. This needs clear KPIs to measure strategic objectives (e.g. BUs winning contracts due to venture’s technology), in order to prevent too much emphasis on reaching financial objectives by the CVU and disregarding strategic objectives. Thirdly, disruptive ventures should be part of the portfolio for the CVU at EVIS, in order to overturn innovation barriers at EVIS. In the early days of the CVU, less emphasis must be placed on disruptive ventures as the tendency within ENGIE for disruption is not very good. Hereby, a foundation (i.e. internal traction) is generated, paving the way for disruptive ventures. While focusing on disruptive ventures, the CVU should have sufficient autonomy and less focus on collaboration or fit of ventures with BUs and performance based compensation should encourage disruptive investments. Ultimately leading to a healthy balanced portfolio of incremental and disruptive ventures. Fourthly, the CVU at EVIS should find a balance in early and later stage ventures in a similar way as for disruptiveness. Meaning, a balance can be found by investing in both ventures that are still developing their technologies (early stage) and ventures that are in their commercialization phase (later stage). Especially in the early years of the CVU, more later stage ventures should be focused on, to enhance internal traction for CV considering the rather conservative culture within ENGIE. This is then complemented with early stage ventures to increase the window on very novel technologies over time. However, for both early and later stage investments, some degree of collaboration with an ENGIE BU should always be possible as the most important strategic objective is learning from and collaborating with ventures. In order to keep a foot in the door for early stage ventures, the CVU at EVIS can invest in externally managed funds that focus on ventures in earlier stages, allowing the CVU to invest in these ventures once they have matured.

For the implications with regard to the factors that are important between the CVU at EVIS and ENGIE (corporate parent), the following is concluded. Looking at the CVU Autonomy, based on inherent benefits (operating agility, reputation, ability to invest in disruptive ventures, etc.) it is concluded that CVU autonomy is valuable and should be achieved in the following way at EVIS: attract people from externally with VC experience, do not included BU people in the decision making but make an endorsement that underscores possible collaborations with a venture compulsory for each investment, have a dedicated budget that serves as a marketing tool externally, and show to the external world that the CVU is not an extension of ENGIE M&A but is structurally autonomous. However, every investment must align with the ENGIE strategy, preventing the CVU to operate in an ivory tower. Otherwise, the CVU can get ahead of a corporate very quickly and this is not wishful. The CVU at EVIS should have a dedicated budget to achieve the right financial autonomy and inherent benefits (e.g. autonomy, external reputation, marketing tool, deal flow). This dedicated budget is provided from the balance sheet of ENGIE NL and ENGIE Global for circa €5M, after exceeding this amount, collaboration must be sought with ENGIE New Ventures. This approach prevents the mistake from the past (investing from EVIS balance), leading to poor performing ventures directly hitting the EVIS budget resulting in a negative tendency towards venturing.

For the implications with regard to the factors that are important between the CVU at EVIS and the external ventures, the following is concluded. For the autonomy the CVU at EVIS provides to a venture (i.e. venture autonomy), the most important aspect in determining the right degree is that the venture should be able to survive without the CVU and ENGIE’s involvement. The CVU at EVIS must provide ventures with high degrees of autonomy in order to prevent suffocating the venture, allow it to develop
capabilities itself, and it allows the CVU to invest in comparable ventures. The exact degree of autonomy should depend on the stage, and disruptiveness of the venture. The CVU at EVIS always focuses on disruptive ventures, these need high degrees of autonomy. However, both early and later stage ventures are focuses on; early stage ventures need more autonomy compared to later stage ventures that are able to collaborate more. Also, the CVU at EVIS will maintain a stronger financial objective, in order to reach this financial objective, profitable exits are pursued that need the right entrepreneurial incentive at venture founders. This incentive is strengthened by providing more autonomy. Conclusive, the CVU at EVIS should let the ventures operate at arm’s length, maintain their entrepreneurial incentive, and collaborate only if the venture needs this. However, a client relationship between the venture and BUs can always be present. In allowing for more autonomy, the CVU at EVIS should safeguard the strategic objectives, as higher degrees of venture autonomy can lead to less collaboration and learnings between the ventures and ENGIE BUs. However, these learnings and collaborations are one of the main strategic objectives for the CVU at EVIS. This can potentially be solved by letting the CVU focus on totally different markets than ENGIE does (radical investments), this allows for learning while no dependency by the venture on ENGIE is created in terms of, for instance, sales channels.

For the implications for the factors between the CVU and external investment partners, the following is concluded for a CVU at EVIS. The CVU at EVIS should syndicate all of the CV investments it makes, due to the inherent advantages. Especially the collaboration with VCs is valuable, when the CVU at EVIS does not attract the right people from external to the corporate for their CVU team (VC/financial experience), but decides to start with internal people. The VC provides complementary skills in this situation. Furthermore, VCs often generate a better financial return with their investments and this helps the stronger financial objective of the CVU at EVIS. Collaborating with VCs also enhances the (autonomous) reputation of the CVU at EVIS, as this shows that the CVU has the scaling of the ventures high on the agenda, and not only focuses on strategic benefits. Finally, the most important reason for the CVU to collaborate with VCs is that this solves the danger of over-valuing ventures due to the predominant strategic objectives. In terms of collaborating with strategic investors, the CVU at EVIS should focus on B2C parties that are in different industries, as this aspect is complementary to the capabilities of ENGIE that is rather B2B focused. These other strategic investors must always operate with a similar degree of autonomy from their corporate parent as the CVU at EVIS does in order to prevent conflicts. Despite the mixture of both strategic investors and VCs are the most ideal collaboration for the CVU, in the case of EVIS, collaborations with VCs is the most important based on complementary capabilities.

As indicated, the CVU at EVIS predominantly focuses on later stage ventures. This means that a valuable way of collaborating with externally managed investment funds (i.e. fund of fund investments) is in the form of the CVU investing in funds that focus on ventures that are too early stage for the CVU at EVIS. by doing this, a foot in the door is created, leading to deal flow when these ventures mature over time. Also, in the early phase after starting the CVU, EVIS can extract important learnings from these other funds on how to do CV investments. These learnings are especially needed when EVIS fails to attract people externally with VC experience. These external funds must be in their starting phase as well, as this allows for strategic steering by EVIS.

For the implications for the factors between the CVU and spin-offs, the following is concluded for a CVU at EVIS. The CVU at EVIS must focus on both spin-offs and external ventures due to the overlapping capabilities needed for the two forms of external CV. The most important motivations for EVIS to spin an internal venture off is that it allows the venture to gain additional clients (e.g. competitors of ENGIE). Two other important motivations to consider a spin-off are that a spin-off allows for EVIS to track more developments with less effort (i.e. window on technologies) and it removes the corporate behaviour often experienced in internal ENGIE ventures. Furthermore, the ENGIE employees often remain involved for too long with spin-offs, maintaining its corporate character. This should be solved by attracting external (serial) entrepreneurs to reap the intended benefits of spinning a venture off. The CVU should always include external investors with their spin-off to prevent it becoming a farce. VCs should be included when the spin-off needs structure, discipline, scaling capabilities or when it wants to expand to other industries. Strategic investors should be included when the spin-off is done due to the fact that the venture was no
longer core to ENGIE’s strategy, or when the venture needs validation in a certain market. However, ideally, a mixture should be aimed for between strategic and financial investors.

7.2. Reflecting on the Proposition

The following proposition was posed in the scope of the research (paragraph 1.3): “It is possible for a CVU to focus its activities on both external ventures, as well as on spin-offs.”

A CVU, focusing on both spin-offs and external ventures in the CVU's portfolio might result in a loss of focus, due to the fact that you need a certain degree of buy-in (money and time) for both type of ventures. However, oppositely it was argued that there is significant value for a CVU in focusing on both spin-offs and external ventures in their portfolio, due to several reasons. Firstly, the capabilities and expertise needed to invest and nurture spin-offs and external ventures is rather similar. Emphasizing this, is the insight that activities of a CVU for both type of ventures are very much overlapping. Although there are some differences (i.e. specific activities of a CVU for spin-offs). Secondly, the CVU can provide linkages to corporate BUs, corporate clients, corporate technologies, and facilities. These are valuable for both external ventures as well as spin-offs. Thirdly, the CVU should, in the eyes of interviewees, be responsible for the management of minority stakes maintained by the corporate.

Conclusive, it is argued to be valuable for a CVU to focus on both spin-offs and external ventures in their portfolio, as capabilities and expertise needed are very similar and overlapping. A potential loss of focus is disregarded as spin-offs occur only occasionally.

Additionally, a CVU should be more critical on spin-off ventures compared to external venture investments. As spin-offs pose the risk of damaging the corporate’s reputation.

7.3. Discussion

The contribution of the research and its limitations are discussed accordingly.

Contribution of the research

In reflecting on the relevance of the study in retrospect, the research has brought the following to both theory and practice. It can be concluded that the research provided both theoretic as well as practical insights into external CV objectives, the role of these for a CVU and what a CVU should consider in dealing with the objectives it intends to pursue (i.e. balancing strategic- and financial-objectives). For EVIS, specifically, the aggregation of the intended CV objectives for their CVU (from internal interviews), plus the insights from external interviews as how to deal with these, provided them with a fruitful basis to continue discussing how to develop and pursue their intended external CV objectives. Furthermore, a research gap was identified stating the absence of an aggregation of factors that are important in developing a CVU responsible for external CV activities. The results of this research contributed to academics by using this scattered research encompassing the factors, and aggregating them into one conceptual overview (i.e. framework). While using the categorization of the relations the CVU has with: the corporate parent, external ventures, spin-offs and external investments partners, but also considering the factors that are important internal to a CVU. Consequently, this conceptual framework was tested empirically by means of external interviews, enriching the factors identified in literature with practical insights. Academics can use the resulting definitive framework, being new theory, of factors as a guidance to gain insight in the several factors that are important for a CVU, based on take-aways from a total of nine external interviews. For EVIS, this definitive framework, in addition to the insights in the CV objectives, provides a basis to develop their CVU in such a way that ensures longevity and resistance to waves that threaten CV. All factors can be consulted, and should be ticked in order to ensure the success of a CVU.

For other corporates, intending to develop a CVU, this research poses as a useful guidance of what their management should consider when starting this endeavour. The only difference for them, in comparison to EVIS, is that these corporates should develop their own version of the intended external CV objectives. The insights as to how to deal with these, and the definitive framework of factors can be used in a similar fashion as EVIS’ management does. Additionally, corporates employing more mature
versions of a CVU. For instance, the ones interviewed in the external interviews. Can consult the insights of this study as a reality check to see whether they have to reassess certain factors in order to improve their CV activities.

Reflecting on the limitations
As discussed in paragraph 2.6, several limitations of the chosen research approach were considered in advance. Retrospectively, the researcher concludes the following in relation to the limitations of the research.

As the reliability of the research approach is considered upfront, the replicability is achieved as much as possible. Considerations that were taken into account for the external interviews, were: structured approach to data collection, using same set of questions, selecting interviewees in a similar way for each company. However, as the research was qualitative of nature, replicability is always difficult. The same holds for this research. The researcher argues that it is possible to continue the research using the same interview protocols and selection criteria. However, still different answers can be expected by the interviewees. This can occur, despite the extensive literature research preceding the interviews. Occasionally, the researcher sensed that the interviewee gave answers that related too much to his expertise rather than the general value of a factor. For instance, the interviewee with a finance related background discussed more financial concepts, as opposed to people with a strategic background. This can be considered as a potential weakness of the chosen approach with regard to the external interviews. To improve this in hindsight, the researcher would have changed one element to the chosen research approach. Namely, to interview two, instead of one, persons per external CVU. In order to gain insight from multiple roles. These roles would have to be significantly different.

In terms of validity, the researcher would conduct the study using the same approach if the study would be conducted again. For instance, the chosen approach can be directly copied to another case than a CVU at EVIS. Only the intended CV objectives for a CVU at EVIS, have to be adjusted, making the research generalizable. The decision made by the researcher, in chapter 5.2, to distinguish between generalizable results and company-specific results aided significantly in this. However, despite the generalizability, repeating the research, still other results can be expected, as this is always the case with qualitative research. Also, relating to the construct validity, the researcher used the conceptual framework to develop the questions for the external interviews. The questions posed in these interviews were added with some explanations by the researcher (e.g. providing examples to explain the factor). A possible limitation is that these explanations about the concept pushed the interviewee too much towards giving a certain confirmative answer. The researcher challenges whether he has gone too far in explaining the concepts focal to the research during the interviews. In order to prevent the posed limitation with regard to validity in the future, the researcher suggests that less time should be spend developing constructs form literature. By doing this, the researcher is able to extract more blunt insights from the interviewees and will not blur the interviewees’ mind with questions and explanations.

Furthermore, the researchers way of interpreting the data, and the fact that only nine interviewees were consulted for the external interviews, makes the results potentially less generalizable. Respectively these could be solved by including other researchers in data analysis (i.e. second opinions), and by conducting more interviews. However, the in-depth nature of the interviews does not urge for quantity, however, the current quality achieved is highly valued.
8. Recommendations

In this chapter, recommendations to scientists, concerning areas for future research, are suggested. Additionally, as the research included a strong practical focus, recommendations for practice are provided as well.

Recommendations for future research

Firstly, the researcher recommends other academics to consult the preceding discussion (paragraph 7.3) in order to learn about the limitations of the focal research that were considered upfront this research in paragraph 2.6. In terms of recommendations to circumvent these identified limitations, the following is advised to other researchers (as was indicated in paragraph 7.3 as well): interview at least two interviewees per external CVU with different roles in the teams, spend less time conducting literature research to have a more open discussion during the interviews, include other researchers in data interpretation, and conduct more interviews than was done for this research (nine).

Secondly, the chosen research approach was of qualitative nature. This was decided in order to gain in-depth insights in both the external CV Objectives, as well as the factors a CVU should consider. However, the researcher encountered several times the need to develop an order of importance; for the CV Objectives based on the internal interviews, and for the most important factors based on the external interviews. For future research, it is advised to take a Mixed Method approach, were the initial exploratory phase is conducted in a similar way, using semi-structured interviews. Consequently, the insights should be processed by the researcher and a quantitative step must be taken using surveys. These surveys should be twofold: encompassing the CV Objectives indicated by the internal interviews and the factors identified through literature and external interviews. The interviewees should be presented with the survey in order to derive a more rigorous order of importance for both the intended CV objectives, as well as for the order of importance of identified factors.

Thirdly, the research project focuses on a multitude of factors. Comprising its strength (i.e. an aggregation of factors to fill the research gap), but also a potential weakness. Meaning, the definitive framework of factors mentions a lot of factors and provides insights based on literature and interviews for all of them. However, to really get to the bottom of how a CVU should deal with certain factors, future research is proposed. These future research endeavours should focus on the factors that were identified in the conclusion of this study to be the most important. Potentially resulting in richer insights for both theory and practice.

Fourthly, the researcher interviewed only one person for the external interviews per company/CVU. This interviewee was selected, amongst others, based on the seniority and experience within the company. Interviewing only one person per company potentially resulted in subjective insights or narrow insights due to the expertise or specific role the interviewee at the CVU. Thus, future research, building on the insights formed in this research, should be conducted where multiple interviewees are consulted per company/CVU. For starters, these interviews can be conducted in the form of follow-on interviews with the same parties interviewed in this research using other interviewees. This aligns with the discussion (paragraph 7.3) on the reliability of the research, considering the answers differed based on the expertise of the interviewee within the CVU. This recommendation taps into that reliability limitation, and the first recommendation as well.

Fifthly, as the researcher focused on a CVU as unit of analysis, only representatives of CVUs are interviewed for the external interviews (including a domain expert formerly employed at a CVU). This was done in order to generate insights for the relations of a CV with ventures, external investment partners and the corporate parent. An interesting angle for future research could focus on conducting interviews with representatives from all identified relations of a CVU. Consequently, interviews with VCs, ventures, former corporate spin-offs and perhaps with corporate parents employing a CVU can be conducted using a similar approach as this study did.

Sixthly, this research has developed insight into the intended external CV Objectives for a CVU at EVIS, by means of internal interviews. For this specific topic, the external interviews provided additional
insights in dealing with both strategic and financial objectives as a CVU. During these external interviews, it became apparent that measuring the achievement of the developed strategic objectives are difficult for a CVU. The identification of so-called Key Performance Indicators (KPIs), have been briefly touched upon in the results section by the researcher. However, due to a time-constraint, no further elaboration could be provided. Thus, an interesting area of future research for scholars in the CV domain, should be aimed at the development of specific KPIs for strategic objectives maintained by a CVU.

Seventhly, the reputation of a CVU and its importance in, for instance deal flow, collaborating with VCs, and internal traction surfaced recurrently in the external interviews. However, the researcher could not find specific academic research focusing on the importance of the reputation of a CVU. Thus, an interesting area for future research is to identify measures to assess the reputation of CVUs in similar markets, and to identify what influences this reputation using the findings of this research.

Eighthly, this research had a cross-industry focus. Possibly, interviewing CVUs from ranging industries provided heterogeneous insights. In order to gain more homogeneous results, future research should conduct the same research (i.e. similar scope and method), however, solely CVUs from the energy industry should be interviewed.

**Recommendations for practice**

The recommendations for practice are aimed at managers at EVIS, corporates that have intentions to start exploring the possibilities of conducting external CV activities by developing a CVU, and readily established CVUs that want to reflect their status-quo using the factors. For EVIS, these recommendations are an extension of the answers on SQ3, as answering SQ tailored the findings of SQ1 and SQ2 to the situations of a CVU a EVIS.

As this research was conducted with EVIS as a case, the following recommendations are developed for EVIS. These recommendations are based on both the implications specifically derived for EVIS (chapter 5.4), as well as on the general conclusion for SQ3 (chapter □). While discussing the implications developed by the researcher with EVIS, in a workshop setting, the following concepts were most extensively discussed: External CV Objectives, CVU-Team, Disruptive ventures, Venture stage, CVU Autonomy, Venture Autonomy, Collaboration with external investment partners, Spin-off motivation and corporate employees involved with a spin-off. The researcher recommends EVIS-management to focus on the next step of the CVU, by using the above mentioned factors as a starting point. The results of chapter 6 should be consulted. Furthermore, the factors that have not been discussed during this workshop, due to a time constraint, are recommended to be discussed in a new workshop in order to gain additional insights into what the factors mean for a CVU at EVIS. Additionally, it is recommended to specifically discover the internal possibilities of attracting funding from other BUs or ENGIE Global, as this is mentioned numerous times to be important. The local and global collaboration should be sought and intensified in order to ensure resilience of the CVU’s budget from EVIS performance. Furthermore, the reputation of a CVU, in both internal as well as external sense are found to be very important. The researcher perceives that the reputation of ENGIE and EVIS as a CV investor is not at its best yet. It is thus recommended for EVIS to pay special attention to the factors that enhance both internal traction (e.g. financial objectives and obtaining financial returns) and the external reputation (attracting people from externally, collaborating with VCs, having a dedicated budget, etc.).

The following recommendations are aimed at corporate management in general, that is in the midst of developing a CVU to engage in external CV activities. The short-term focus should be on the following factors mentioned in the conclusion to be most important:

- A clear set of CV objectives (both strategic and financial),
- Building a team for their CVU,
- Thinking about portfolio management (e.g. selection criteria, early stage ventures, disruptive ventures, follow-on investments, etc.),
- The CVU autonomy,
- Clear governance about the collaboration and involvement of BUs and the CVU with ventures,
• CVU-BU collaboration must be good,
• Syndication with external investment partners and especially VCs,
• The way it deals with spin-offs should be considered.

The long-term focus should consider all factors identified in addition to the short-term focus on the most important factors.

Moreover, CVUs that have been active for a considerable period of time, such as the ones interviewed for the external interviews, should critically reflect the activities of their CVU, using the identified factors. This is especially interesting as the external interviews it became apparent to the researcher that there is not consensus for each factor. All external interviewees argued that there is no one-size fits all approach to external CV by means of a CVU. However, the researcher recommends these managers to consult the aggregation of factors, containing theoretical and practical insights, to develop their own view on possible improvements for their CVU.

In general, the researcher recommends to managers of large corporations, that are involved with innovation and CV, to open up to other corporations and be transparent about how they deal with their external CV activities. This transparency can enhance the way CV is done. This is especially valuable due to the fact that, as concluded, there is no one size fits all to a CVU. However, by combining forces with other corporates (preferably in other industries), CVUs can learn from each other, without fishing in the same pond of ventures. This transparency and collaborative effort can solve some ambiguities that the researcher found among interviewed CVUs, potentially leading to best practices.
References


Appendix A) Practical context; EVIS and ENGIE

This chapter provides a practical context (paragraph 1.2) in addition to the theoretical context. Primarily, the focus will be at the Business Unit (BU) EVIS, as the research is predominantly focused at the venturing activities here.

Prior to developing a research scope, and extracting the problem definition at EVIS, the following initial motivations in deciding to conduct this MSc thesis research project at ENGIE (specifically EVIS), were considered by the researcher. Firstly, the energy industry is experiencing rapid changes in terms of technological innovation due to the current focus on climate change. Making the industry interesting for innovation related research in multiple ways. Secondly, the energy industry is rather old-fashioned and classic (compared to, for instance telecom industries), making it interesting to discover how a rather novel concept such as CV works in this industry. Thirdly, EVIS is a BU that is still in its infancy, discovering several innovation related tools and concepts. Of which CV is one, making it a more interesting case compared to a BU that has ample experience in this.

ENGIE is a French multinational energy company operating in the sectors of energy production, maintenance of large (energy) installations, distribution of energy (i.e. electricity and natural gas), and energy-related technical services in general. The structure of ENGIE in the Netherlands can be subdivided in ENGIE Services and the ENGIE Energy. Both of these parts have their own profit and loss statements and operate as separate legal entities.

In comparison to sectors such as IT and telecom, the Energy and Services industry, in which ENGIE operates, is a rather traditional industry when it comes to radical innovation. As indicated, the call for CV is especially pressing in industries that experience rapidly changing environments. Accordingly, the need for innovation at large incumbent firms is an especially pressing matter in the energy industry. Environmental concerns (i.e. the energy-transition in general) in combination with novel technological opportunities acknowledge the interest of numerous energy-related incumbent firms to initiate CV activities (Teppo & Wüstenhagen, 2009).

Due to the fast-changing nature of the energy industry in reaction to the transition at hand, in combination with the strong digitization trend that high-technology industries experience, ENGIE experiences an obligatory urge to stay innovative. Hence, this paragraph describes the way ENGIE uses their separated department Engie Ventures and Integrated Solutions (EVIS), in order to pursue their (Open) Innovation and Venturing efforts with the ultimate goal of staying innovative and relevant in the future.

In order to stay innovative, and remain relevant in the future, ENGIE undertakes several innovation efforts. Of which the concepts of Open Innovation and the cooperation with ventures are part. In order to manage these efforts, the separate legal entity ‘ENGIE Ventures and Integrated Solutions’ has been set up. This department, hereafter referred to as EVIS, has its own profit and loss statement and is responsible for the following activities: Innovation & Incubation of new innovations and business opportunities – Collaboration with external ventures – New Smart Digital Solutions – New Energy Solutions.

For this research project, the activities of EVIS concerning the engagement with external ventures are relevant. This is captured within the ‘Innovation & Incubation’ and ‘Ventures’ teams within EVIS. The overall structure of EVIS, and how this department is situated within ENGIE, is showcased in Figure 20. The themes, concerning the current energy transition, towards which EVIS focuses their activities are highlighted horizontally; Smart Area, Smart Building, and Smart Maintenance.
As mentioned previously, EVIS is responsible for new innovation efforts and collaborations with ventures through the Innovation & Incubation and Ventures teams. EVIS uses an Open Innovation funnel in order to harness innovations from both internal as well as external sources.

When a venture (either originated internally or externally) is taken through the process of the Innovation Funnel of EVIS, the investment amount is rather low. An external venture/opportunity is entered in the beginning of the funnel, and assessed in a similar way as the internal ideas/opportunities. However, an external venture can also enter the funnel in various later stages of the funnel, when a higher level of market- and/or product-maturity is prevalent. Resulting in lower resulting costs of the funnel activities due to the fact that the preceding phases (e.g. Idea and Research) are executed often in a ‘light’-version to analyse the feasibility of the technology and the business case of the externally attracted venture.

The innovations exiting the Open Innovation Funnel as new ventures, serve as input for the ventures that are managed by the Ventures team (i.e. managing the Spin-outs of the Innovation funnel). Moreover, the Ventures team also engages in collaborations and acquisitions (i.e. external venturing) with more mature ventures. These ventures are fully excluded from the Open Innovation funnel and Innovation & Incubation activities, and are managed by the Ventures team. However, it is important to understand that the activities undertaken by the Ventures team is still in its infancy. The current FTE allocation is one fulltime person, and for several activities, the Ventures team falls back on expertise of the I&I team and other innovation departments within ENGIE. The magnitude of investments and several venturing examples undertaken, are showcased in Paragraph 1.3.

According to BCG (2017), the activities from I&I can be placed in the ‘Corporate Incubator’ category. The activities of the Ventures-team predominantly belong to that of the ‘Corporate Venture Capital’ category. The Incubation activities (of the I&I team) are different from the Venturing activities, in the sense that I&I focusses more on the business support provided to the very early start-up ventures. Whereas the external CV activities focus on investment related aspects with more mature ventures.
Appendix B) Past Venturing and practical examples at EVIS

In order to provide a more profound understanding of the venturing context at EVIS, in addition to the identified scope and area of research (i.e. the Ventures-space), a rough indication is provided of the expenses and two examples are given of Ventures (Route A and Route B). The information provided will provide the reader with a better foundation in order to understand the problems and challenges at EVIS. And the resulting research objective that follows in the next paragraph.

The engagement of I&I with start-ups, in terms of both their early investments as well as the FTEs spent, sums up to a total budget of around €1M-€1.5M per year over the past few years. These expenditures, encompass both FTEs (for the funnel activities) as well as early-stage investments in start-ups. The allocation of funds towards the Ventures team is rather ambiguous. The venturing activities are, as of now, done on a case-by-case basis. This means that no dedicated budget is made available at the beginning of each year. However, the investments and the amount are analysed independently and a decision is made accordingly. As explained in the problem definition, the activities in the Ventures-space are in its infancy, resulting in a low amount invested up to this point in time. Hence, the best way to showcase the investment amount is by means of two examples of ventures entering the Venture-space through both Route A and Route B.

In order to provide a better understanding of the research scope and the magnitude of investments in the Ventures-space, two practical examples are briefly described. The two examples are entered into the ventures-space through Route A and Route B. As indicated previously, the external venturing activities in the Ventures-space are still in its infancy, this means that the examples provided might not align fully with the exact concept of External Corporate Venturing (i.e. minority investments in external ventures, or Spin-out ventures).

**Route A)** *Sensorfact* is a new venture, which originated from an idea of an external entrepreneur. Sensorfact is a venture that aims at building a smart and sustainable (SME) industry. However, they identified that the SMEs do not always have the resources available to become more sustainable in their manufacturing process. Hence, Sensorfact is the smart advisor for the industry, translating sustainability in specific actions. Sensorfact makes sustainability in the manufacturing process transparent and understandable by implementing wireless sensors that measure the energy consumption on a machine level. The data from these sensors is analysed with a self-developed smart software package and provides the SME with actionable insights on savings potential. Through I&I and later the involvement of the Ventures-team at EVIS, a shareholder package of initially 80% (currently downgraded to 25%) was obtained by an investment over a longer period (1-2 years) of €1M. This invested amount encompasses both investments from a Ventures-perspective and FTEs of I&I employees at EVIS. No further specification is provided of this amount due to confidentiality.

**Route B)** A second example, *Fire Away*, is an internally developed venture developing fire-proof solutions for walls (i.e. the let-through). The venture Fire Away is currently in the latest development stage to really scale the business and develop the product. To accelerate this, two entrepreneurs are attracted to lead these efforts of the internal venture. The reasons of mentioning this venture, is that currently, discussions are held within EVIS to Spin-off the venture. Making the scope of the research, including spin-offs, very relevant for EVIS.

**Route B)** For Route B, *Semiotic Labs* embodies the best example to describe the venturing activities following from Route B. Semiotic Labs is a high-tech energy venture that provides sensor, hardware, analytics, and dashboards services with the aim of monitoring the performance and energy-usage of connected assets. The investment that is done by the Ventures-team, is rather difficult. As it was done through a convertible loan. The goal of this convertible loan was to convert the provided loan into a set of shares after a certain period. However, Semiotic Labs was able to pay off the loan before the end of this period. Consequently, EVIS owns no shares of this venture. The case of Semiotic Labs is full of learnings from mistakes made in the contractual arrangements of a CV investment. However, through a contractual arrangement, EVIS still profits from the future success of Semiotic Labs in a financial way. The exact details of this deal will not be specified any further due to confidentiality.
Appendix C) Interview Protocols – Internal & External Interviews

Interview protocol internal interviews

Corporate Venturing

- Large corporates look to acquire outside organizational entities that are innovative
- Research and Development (R&D)
- Corporate Venture Capital Investments

Interview protocol external interviews

Research Problems, Objective & Questions

Research Objective

“Describe your current or past experience with a Corporate Venture Capital (CVC) investment and the impact it had on the company’s corporate and external objectives.”

Internal & External Interviews

Interview Questions (Part 1/2)

1. Before going into the interview, do you agree?
   - The company’s mission is to innovate and meet the needs of the market.
   - Their clients are primarily in the tech industry.
2. In your opinion, what are the key reasons for the company’s success?
   - The company’s mission is to innovate and meet the needs of the market.
   - Their clients are primarily in the tech industry.
3. If a new product is introduced, how does the company evaluate its success?
   - The company’s mission is to innovate and meet the needs of the market.
   - Their clients are primarily in the tech industry.
4. How does the company ensure that its products meet the needs of its clients?
   - The company’s mission is to innovate and meet the needs of the market.
   - Their clients are primarily in the tech industry.

Underlying Corporate Venturing Objectives - Literature insights

What do we want to reach with CVC activities?

External Corporate Venturing Objectives

1. Strategic opportunities to enter new technology markets and industries
2. Leveraging internal capabilities, competencies, and ideas to pursue new opportunities and new business models
3. Driving innovation and entrepreneurial culture within the firm

Research Scope and ENGIE / EVIS context

Intervention Scenarios

1. 2G2 is partly answered by conducting a brokers review
2. 2G2 is partly answered by conducting a brokers review
3. 2G2 is partly answered by conducting a brokers review

Introduction to the Interview

1. 2G2 is partly answered by conducting a brokers review
2. 2G2 is partly answered by conducting a brokers review
3. 2G2 is partly answered by conducting a brokers review

Interview Questions (Part 2/2)

1. What is your role within ENGIE and how does it relate to the current project?
2. What are the main challenges you face in your role?
3. What has been the most significant accomplishment you have achieved in your role?
4. What are your future career aspirations within ENGIE?
5. What are your future career aspirations within ENGIE?
6. Are there any other topics you would like to discuss?
Interview protocol used in the external interviews:

### Phase 1 - CVU Internal Factors (20)

**Factor** | **Question**
--- | ---
Innovation & Creativity | How do you work on innovation and creativity? How do you foster an innovative culture? How do you promote creativity? How do you support innovation initiatives? How do you ensure that the CVU stays relevant in the industry? How do you encourage employees to think outside the box? How do you ensure that ideas are translated into concrete actions? How do you evaluate the impact of your innovation efforts? How do you address challenges and failures in innovation? How do you collaborate with external partners to enhance innovation?

### Phase 2 - Factors in the relation between the CVU & the Corporate Parent (36)

**Factor** | **Question**
--- | ---
Strategic Alignment | How do you ensure that the CVU’s strategies align with the Corporate Parent’s strategies? How do you leverage the Corporate Parent’s resources and capabilities to support the CVU’s goals? How do you collaborate with the Corporate Parent to identify and address emerging opportunities and threats?

### Phase 3 - Factors in the relation between the CVU & the ventures (48)

**Factor** | **Question**
--- | ---
Resource Allocation | How do you allocate resources to support the ventures? How do you prioritize investment decisions? How do you ensure that the ventures have access to the necessary resources to succeed?

### Phase 4 - Factors in the relation between the CVU & external investment partners (56)

**Factor** | **Question**
--- | ---
Value Propositions | How do you define and communicate the value proposition of your CVU to external partners? How do you differentiate your CVU from competitors? How do you ensure that the value proposition aligns with the needs and expectations of potential investors?

### Interview Questions [6/6]

- What do you consider to be the biggest success factor for a CVU, and how do you measure it?
- How do you ensure that the CVU’s performance is sustainable over time?
- What role does collaboration and networking play in the CVU’s success?
- How do you address changing market conditions and trends?
- What strategies do you use to attract and retain top talent?
- How do you balance the need for innovation with the need for profitability?
- What are the key challenges you face in managing the CVU’s resources?
- How do you adapt and evolve the CVU’s strategy over time?
- What are the key lessons learned from past successes and failures?
- How do you ensure that the CVU’s activities are aligned with the Corporate Parent’s strategic goals?
External interviews – Additional questions asked relating to spin-offs

**Interview Questions [1/6]**

1. What are the motivations for spin-offs in general?
2. What are the characteristics of spin-offs that become different stages of spin-offs usually?
3. How do external investors interact with spin-offs, usually? What type of business are you looking for?
4. How do you differentiate your spin-offs make them unique, and what does this imply for the spin-off or the technology that underlies the spin-off?
5. What are the opportunities for a spin-off from a DUT perspective?
Appendix D) Additional interesting insights from the internal interviews

The internal interviews consisted for the majority about discussing the intended external CV objectives for a CVU at EVIS. However, the following has been discussed during the internal interviews as well:

- **Value of CV in general, and the interviewees’ opinions on a CVU at EVIS.** These results provide an understanding of why a CV at EVIS can be valuable and is important as a basis for developing the external CV Objectives.
- **Current objectives for external CV activities at EVIS.** To gain insight in the rather scant status this currently has for external CV at EVIS, as indicated in the problem definition of the research.

**Value of CV in general, and the interviewees’ opinion on a CVU at EVIS**

CV, as a mechanism, is argued to be valuable for a corporate like ENGIE by the interviewees according to several reasons:

- CV can ensure renewal and support for a fast moving organization.
- Through CV activities, new propositions for ENGIE can be discovered.
- With CV, the corporate creates the ability of keeping an eye on new developments (technological and BMs) in the market.
- To stay relevant in the market and innovate with pace, a corporate like ENGIE needs feeding from the outside world. CV can be one of the means (i.e. mechanisms) to acquire this feeding.
- The value of CV lays in the fact that it is a quick way of bringing outside developments closer or to the corporate ENGIE.
- The evolution of technologies happens extremely fast, mostly outside large corporates. These large corporates have difficulties with keeping up with the pace of change. To stay innovative and keep up with the technological disruptions, you have to look outside your walls as not all smart people work for you.

In general the tendency towards a CVU at EVIS was received as very positive and valuable:

- A CVU at EVIS is argued to be a good tool for innovation. Especially due to the fact that there is a lot of innovation happening in the Dutch startup ecosystem.
- A CVU at EVIS is valuable as it provides internal ventures with a landing spot when these ventures are put on their own legs (i.e. spin-offs).
- A CVU at EVIS can increase the pace for investments as it improves the autonomous decision-making with regard to investment decisions for ventures.
- A CVU can seal the connection with external ventures, CV (i.e. equity stake) is the ultimate form of a dedicated relation towards ventures with which the corporate wants to collaborate.
- A CVU at EVIS helps being able to live up to the responsibility (to the ventures) EVIS has when it engages with ventures, in terms of (continuous) financing.
- CV provides the corporate with an external sense for innovations in the market that might be relevant

**Current objectives for external CV activities at EVIS**

- All interviewees highlighted the importance of a clear set of CV objectives when engaging in CV activities. Consequently, it is very surprisingly that all interviewees mention that there is no clear and communicated set of CV objectives available within EVIS.
- In general, engagement with external ventures by EVIS (both through venturing and earlier collaborations by I&I) are aimed at generating new revenue with higher margins as a result of getting new innovations into the corporate.
- One interviewee assumed in the interview that the intentions of venturing activities at EVIS are started with the underlying objective of generating more exposure for EVIS in the ecosystem as an innovative player. The interviewee also mentioned that in the past venturing activities of EVIS, the focus was too much on creating a buzz around the innovative intentions of EVIS rather than on generating actual strategic benefits.
Appendix E) Coding of the interviews

This Appendix contains the initial Code Book (Figure 21), and the Improved Code Book (Figure 22), where the novel factors identified through coding are marked in red text.

It is important to mention that the spin-off related information is not coded. Due to the fact that the researcher has decided to not continue the act of coding, after the coding first four interviews did not provide the intended efficiency gains. Thus, no spin-off related quotes can be found in the below images.

<table>
<thead>
<tr>
<th>#</th>
<th>Code Groups</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spin-off and external ventures:</td>
<td>How - Spin-off focus</td>
</tr>
<tr>
<td>2</td>
<td>Spin-off and external ventures:</td>
<td>Why - Spin-off focus</td>
</tr>
<tr>
<td>3</td>
<td>CVU Internal factors</td>
<td>CVUS - Balancing CV objectives</td>
</tr>
<tr>
<td>4</td>
<td>CVU Internal factors</td>
<td>CVUS - CV objectives</td>
</tr>
<tr>
<td>5</td>
<td>CVU Internal factors</td>
<td>PM - Monitoring - funding continuation</td>
</tr>
<tr>
<td>6</td>
<td>CVU Internal factors</td>
<td>CVUS - Exploration / Exploitation</td>
</tr>
<tr>
<td>7</td>
<td>CVU Internal factors</td>
<td>PM - Construction - Operational &amp;</td>
</tr>
<tr>
<td>8</td>
<td>CVU Internal factors</td>
<td>PM - Construction - deal flow</td>
</tr>
<tr>
<td>9</td>
<td>CVU Internal factors</td>
<td>PM - Timeframe</td>
</tr>
<tr>
<td>10</td>
<td>CVU Internal factors</td>
<td>PM - Size</td>
</tr>
<tr>
<td>11</td>
<td>CVU Internal factors</td>
<td>PM - Construction - selection criteria</td>
</tr>
<tr>
<td>12</td>
<td>CVU Internal factors</td>
<td>PM - Construction - invest stage</td>
</tr>
<tr>
<td>13</td>
<td>CVU Internal factors</td>
<td>CVUT - Composition</td>
</tr>
<tr>
<td>14</td>
<td>CVU Internal factors</td>
<td>PM - Construction - disruptiveness</td>
</tr>
<tr>
<td>15</td>
<td>CVU Internal factors</td>
<td>CVUT - Compensation</td>
</tr>
<tr>
<td>16</td>
<td>CVU Internal factors</td>
<td>PM - Monitoring - measure objectives</td>
</tr>
<tr>
<td>17</td>
<td>CVU Internal factors</td>
<td>CVUT - Composition - Skills</td>
</tr>
<tr>
<td>18</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Strategy alignment with corporate</td>
</tr>
<tr>
<td>19</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Learning from ventures</td>
</tr>
<tr>
<td>20</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Importance Autonomy</td>
</tr>
<tr>
<td>21</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Financial autonomy</td>
</tr>
<tr>
<td>22</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Funding - How</td>
</tr>
<tr>
<td>23</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Autonomy</td>
</tr>
<tr>
<td>24</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Funding - External involvement</td>
</tr>
<tr>
<td>25</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Decision making autonomy</td>
</tr>
<tr>
<td>26</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Structural autonomy</td>
</tr>
<tr>
<td>27</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Autonomy Dependance</td>
</tr>
<tr>
<td>28</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - CVU interference</td>
</tr>
<tr>
<td>29</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Compensation</td>
</tr>
<tr>
<td>30</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Skills</td>
</tr>
<tr>
<td>31</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Compensation - Diff spin-off &amp; ext</td>
</tr>
<tr>
<td>32</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Diff spin-off &amp; ext venture</td>
</tr>
<tr>
<td>33</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Spin offs - team</td>
</tr>
<tr>
<td>34</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Autonomy</td>
</tr>
<tr>
<td>35</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Involvement BUs</td>
</tr>
<tr>
<td>36</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Strategic / Operational linkage</td>
</tr>
<tr>
<td>37</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Role CVU</td>
</tr>
<tr>
<td>38</td>
<td>CVU &amp; External Invest. Partners</td>
<td>VC - Selection process</td>
</tr>
<tr>
<td>39</td>
<td>CVU &amp; External Invest. Partners</td>
<td>VC - Deal flow</td>
</tr>
<tr>
<td>40</td>
<td>CVU &amp; External Invest. Partners</td>
<td>VC - Collaboration VCs</td>
</tr>
<tr>
<td>41</td>
<td>CVU &amp; External Invest. Partners</td>
<td>VC - Syndication</td>
</tr>
<tr>
<td>42</td>
<td>CVU &amp; External Invest. Partners</td>
<td>IP - Co-investing/financing</td>
</tr>
</tbody>
</table>

Figure 21) Initial Code Book
<table>
<thead>
<tr>
<th>#</th>
<th>Code Groups</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spin-off and external ventures: differences</td>
<td>How - Spin-off focus</td>
</tr>
<tr>
<td>2</td>
<td>Spin-off and external ventures: differences</td>
<td>Why - Spin-off focus</td>
</tr>
<tr>
<td>3</td>
<td>CVU Internal factors</td>
<td>CVUS - Balancing CV objectives</td>
</tr>
<tr>
<td>4</td>
<td>CVU Internal factors</td>
<td>CVUS - CV objectives</td>
</tr>
<tr>
<td>5</td>
<td>CVU Internal factors</td>
<td>PM - Monitoring - follow on investments</td>
</tr>
<tr>
<td>6</td>
<td>CVU Internal factors</td>
<td>CVUS - Exploration / Exploitation</td>
</tr>
<tr>
<td>7</td>
<td>CVU Internal factors</td>
<td>PM - Construction - Operational &amp; Strategic fit</td>
</tr>
<tr>
<td>8</td>
<td>CVU Internal factors</td>
<td>PM - Construction - deal flow</td>
</tr>
<tr>
<td>9</td>
<td>CVU Internal factors</td>
<td>PM - Timeframe</td>
</tr>
<tr>
<td>10</td>
<td>CVU Internal factors</td>
<td>PM - Size</td>
</tr>
<tr>
<td>11</td>
<td>CVU Internal factors</td>
<td>PM - Construction - selection criteria</td>
</tr>
<tr>
<td>12</td>
<td>CVU Internal factors</td>
<td>PM - Construction - invest stage</td>
</tr>
<tr>
<td>13</td>
<td>CVU Internal factors</td>
<td>PM - Ext Management</td>
</tr>
<tr>
<td>14</td>
<td>CVU Internal factors</td>
<td>CVUT - Composition</td>
</tr>
<tr>
<td>15</td>
<td>CVU Internal factors</td>
<td>PM - Construction - disruptiveness</td>
</tr>
<tr>
<td>16</td>
<td>CVU Internal factors</td>
<td>CVUT - Compensation</td>
</tr>
<tr>
<td>17</td>
<td>CVU Internal factors</td>
<td>PM - Monitoring - measure objectives</td>
</tr>
<tr>
<td>18</td>
<td>CVU Internal factors</td>
<td>CVUT - Composition - Skills</td>
</tr>
<tr>
<td>19</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Portfolio Management [PM]</td>
</tr>
<tr>
<td>20</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Strategy alignment with corporate</td>
</tr>
<tr>
<td>21</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Learning from ventures</td>
</tr>
<tr>
<td>22</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Importance Autonomy</td>
</tr>
<tr>
<td>23</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Financial autonomy</td>
</tr>
<tr>
<td>24</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Funding - How</td>
</tr>
<tr>
<td>25</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Autonomy</td>
</tr>
<tr>
<td>26</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Funding - External involvement</td>
</tr>
<tr>
<td>27</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Decision making autonomy</td>
</tr>
<tr>
<td>28</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>CVUA - Structural autonomy</td>
</tr>
<tr>
<td>29</td>
<td>CVU &amp; Corporate Parent factors</td>
<td>Involvement M&amp;A</td>
</tr>
<tr>
<td>30</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Autonomy Dependance</td>
</tr>
<tr>
<td>31</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - CVU interference</td>
</tr>
<tr>
<td>32</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Compensation</td>
</tr>
<tr>
<td>33</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Skills</td>
</tr>
<tr>
<td>34</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Compensation - Diff spin-off &amp; ext venture</td>
</tr>
<tr>
<td>35</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Diff spin-off &amp; ext venture</td>
</tr>
<tr>
<td>36</td>
<td>CVU &amp; Ventures factors</td>
<td>VT - Spin offs - team</td>
</tr>
<tr>
<td>37</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Autonomy</td>
</tr>
<tr>
<td>38</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Involvement/collaboration BUs</td>
</tr>
<tr>
<td>39</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Strategic / Operational linkage</td>
</tr>
<tr>
<td>40</td>
<td>CVU &amp; Ventures factors</td>
<td>VA - Role CVU</td>
</tr>
<tr>
<td>41</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>Commercial agreement - BU</td>
</tr>
<tr>
<td>42</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>Involvement/Collab BUs with venture</td>
</tr>
<tr>
<td>43</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>VC - Selection process</td>
</tr>
<tr>
<td>44</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>VC - Deal flow</td>
</tr>
<tr>
<td>45</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>VC - Collaboration VCs</td>
</tr>
<tr>
<td>46</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>VC - Syndication</td>
</tr>
<tr>
<td>47</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>IP - Co-investing/financing</td>
</tr>
<tr>
<td>48</td>
<td>CVU &amp; External Invest. Partners factors</td>
<td>Invest in ext. funds</td>
</tr>
</tbody>
</table>

Figure 22) Improved Code Book
Appendix F) Company-specific Results of the external interviews

In this appendix, the company-specific take-aways from the external case interviews are showcased. These results are moved to the appendix, as the general take-aways, interviewee-opinions, and generalizable results are more important for the results section of the main-report.

With company-specific take-aways and results, the researcher means; elements that explain how a specific interviewed CVU approaches certain aspects of the factors discussed during the interviews. For example: one of the interviewees mentioned their CVU has only done three spin-offs so far. This, however, is less interesting for the result section of the main-report.

The company specific take-aways are structured according to the same structure as the results in the main-report in Paragraph 5.2.

F 1) CVU Internal factors

The most important take-aways with regard to the factors internal to the CVU are considered below.

CV Objectives

- A) CV objectives are twofold. A financial objective like a VC firm, and a strategic objective. The strategic objective is strongly valued internally. The strategic objective is based on insights from the market in terms of business models, technologies, and learnings in general.
- B) The most important CV objective is accelerating innovation for the corporate and gain a window on the developments in the markets around the company. In addition to this strategic element, we never want to make a loss on the financial side of an investment. This prevents internal questioning of the value of external CV.
- C) The objective of CV is to create a shell outside the corporate to keep an eye on what might become important. Additionally, the CVU has a strong financial objective.
- D) The CVU has a financial objective, meaning it always opts for a profitable exit. Also, the venture must bring a strategic added value to the corporate. The objectives are both equally important.
- F) The CV objectives are strategic added value for the corporate and making financial returns (IRR money multiple). In the opinion of the interviewee a CVU needs to do both. Strategic added value should either generate new revenue for the BUs, reduce costs, or it should be something that the BUs should do that they do not do yet. In addition to these strategic objectives, the following are all additional benefits that are also valuable: marketing, exposure, brand reputation, creating an innovation culture, a lens to the outside world as a result of seeing a lot of ventures as a CVU.
- G) Window on new technologies and a look in the future through ventures is the main objective. Through CV, the corporate does multiple bets on whether the market will move towards in the future. Balancing strategic and financial objectives is considered to be difficult. However, the financial element is of lesser importance. The CVU should ideally be able to keep up its own pants by the financial returns from their investments, however, this can only be determined after several years (currently too soon).

CVU Team – Composition and Compensation

- F) The CVU consists of three people. All three attracted externally form the corporate. The composition of the team should ideally be a mix of internal or external people, mostly external due to capabilities but internal is important to keep the link to the corporate. The CVU employees have a regular compensation. The interviewee believes that when you want carried interest, you should go and work at a VC. No hiring barriers are experienced based on this.
• B) In contrast with the others, argued that it is not necessary to have any entrepreneurial experience to work with external ventures, as they think you can level with them without having the startup experience yourself.
• C) Does not put corporate employees in their CVU team, but prefer to attract them from externally. In order to prevent the incorporation of corporate processes and sluggishness. They do involve they BU people in the venturing process when relevant.
• B) Is currently discussing about providing the CVU employees with the option of investing in portfolio ventures, in order to create an even greater incentive to work hard and do good investments.

Disruptiveness
• A) There is a healthy mix between very disruptive and ventures that are more close to our current business.
• B) The CVU really looks for ventures with disruptive BMs or technologies, in order to discover new opportunities they have not identified yet. However, disruptive investments should have some degree of adjacency in relation to current BU activities.
• C) Disruptive ventures play an important role in the portfolio, ventures should shake up a market but the risks should not become too high.
• D) The CVU always looks for the next big thing, however it should not be radically new to the corporate.

Portfolio Size & Timeframe
• A) The timeframe of the portfolio is strongly determined by the integration/adoption of a venture’s technology within the BUs (change component). One interviewee mentioned their corporate has similar decentralized structure as ENGIE (multiple entities), which makes this adoption more time consuming and difficult.
• B) The CVU aims to get a minimal of 4-5 ventures per strategic area.
• B) The CVU is typically in a venture for 7 years. They focus on disruptive ventures, and thus have to be patient investors. After these c.a. seven years, when a venture has become specifically relevant, the investment will be transitioned to an M&A acquisition if possible.
• C) & D) On the other hand, argued that they do not see value in diversifying per strategic area with a minimal portfolio size goal, they are mere opportunity driven.
• D) No difficulties are experienced in the early stages of the portfolio as a result of the smaller portfolio size. This is mainly attributed to the strong financial objective maintained and high autonomy level the CVU has.
• F) We see that the size of a portfolio should be minimum of 10 in the opinion of the interviewee. This is because we want to have a maximum of 10% exposure to a venture. We are working towards 15-20 portfolio ventures. A CVU needs around 3-5 years to build a decent portfolio and draw conclusions. Especially taking the added revenue you want to create for your BUs with investments, takes a long-term focus.
• C) Argues you need about 4-5 years to draw conclusions on your portfolio due to its dynamic nature.

Deal flow
• F) Networking by talking a lot with other corporates and VCs. Being present is very important. You have to build a reputation and be reliable because deals have to be given to you, meaning that you need to build a reputation of delivering results in order to generate deal flow. Ensure
that you can be quick enough (i.e. doing a deal in a month instead of a year) is also crucial to
gain deal flow. The best quality of deal flow comes from sourcing ourselves our through VCs.

**Investment stage & Early stage risks**
- A) Focuses on investing in ventures that can already somewhat scale and is further than just an idea.
- C) The venture must be of sufficient scale to have the corporate as a client, too early stage (smaller) ventures cannot handle this.
- F) Seed investments are often not ready to collaborate with our BUs. This results from things like their security related issues are not up to par yet. The CVU mostly does Series A and B.
- D) To keep a foot in the door of more early stage (seed) ventures, the CVU invests in funds that focus on this investment round. By doing this the CVU can forward ventures that they deemed too early stage to these funds and later consider them again.

**Selection criteria**
- B) When a venture is deemed strategically interesting, but financial element of investment are not good enough, they propose a collaboration between the venture and a corporate BU instead of a minority investment.
- A) & D) F) Mentioned specific financial criteria: €50k MRR, and €1M in Annual Recurring Revenue, and €500k in revenue to date minimal. This shows the venture has market traction to some extent.
- C) Specifically mentioned that the venture should be post-revenue. Also, the venture should be large enough to have the corporate as a client. But it prefers to not be the largest client of the venture for too long. It is mentioned multiple times that the ventures must be able to survive without the corporate as a client.
- F) The CVU needs senior business sponsorship from a senior business person that is behind the investment. In each investment, the why is very important. The question of how the corporate can add value to the venture is crucial in this, because this determines to a large extent the strategic added value that can be reaped.

**Operational & Strategic fit**
- B) When the strategic relevance of a venture diminishes over time, they will move the investment to plan B; optimize for financial returns.

*Portfolio Management – Monitoring*
- A) & B) Analyze their portfolio every quarter. Then they meet with both the Investment committee, and the BUs. They discuss the learnings and strategic benefits, but also the commercial aspects the BUs gain from the ventures.

*Exit management & Follow-on investments*
- B) The CVU argued that, when in their quarterly portfolio analysis, a venture is not deemed strategically relevant anymore, they will optimize the investment for a profitable financial exit. For this CVU, the strategic relevance of ventures is determined by the relevant BUs. For every new investment round for a venture, a new discussion with the relevant BU is held (because the investment money comes from the corporate balance).

**Exits**
- F) The CVU always thinks about an exit. Therefore they always work together with VCs. When the VC wants to exit a venture, and the CVU has been able to reap strategic benefits from the venture, then an exit is fine.
• B) The exit decision is determined by the venture’s board. When the board wants this, the CVU will discuss this with the relevant BU’s and also involve M&A to see whether an acquisition is interesting in order to ensure that the exit is done by the corporate buying all the shares instead of maintaining a minority share.

F 2) CVU – Corporate Parent factors

The most important take-aways with regard to the relation between the CVU and the corporate parent are discussed in this paragraph.

CVU autonomy in general

C) The interviewee argues the value of an autonomous CVU. However, their CVU does not operate very autonomously according to the interviewee’s standards.

F) The CVU can operate fairly autonomously. They always need senior business sponsorship for every investment. The interviewee argues that this obliged senior business sponsorship is important. Otherwise the CVU could become a completely separate investment entity without connection to the corporate parent, and it would become more difficult to create strategic added value.

CVU autonomy - Decision making autonomy

B) Thinks of including BU-people in their CVU team, to better align investment with BU strategy. However, interviewee hopes this will not happen as it will slow-down decision-making. They currently do discuss every investment decision with relevant BU.

C) Another CVU has to include the following people in their investment decision-making: find a business owner from a BU, corporate strategy, IC, finance department (due diligence, and the works council OR).

F) A separate IC decides on every investment. The approval by the IC has two levels. Firstly an engagement proposal must be signed off by them, 3 pages containing the why, what, and how of the investment. Secondly, the due diligence is provided in an investment proposal/memorandum is provided to the IC.

G) The CVU needs an endorsement from a BU for every deal that is done. This endorsement can contain, for example, how the BU will be committed to a collaboration with the focal venture. This endorsement is not set in stone, however, should be present for every deal to some extent. Besides a viable investment case, the CVU has to show a business case for BU-venture collaboration, and how this collaboration will benefit the corporate BU in terms of additional revenue created (different from financials of the investment).

D) In some instances, a BU sometimes does not see the value of an investment, but then the CVU can still decide to do the investment with the IC-approval, and without BU approval.

CVU autonomy - Financial autonomy and funding

D) Explicitly mentioned they are a revolving fund. All investment gains are re-invested in new ventures.

The following is specifically mentioned about the funding of the CVU by the corporate parent:

o A) Balance sheet investing with a budget of €50M. The budget also serves as a communication tool to the outside world to show ventures that you are a serious investor.

o B) Balance sheet investing. This does not result in any delays compared to having your own pot of money.

o C) Balance sheet investing with a yearly pre-set investment budget.

o D) Balance sheet investing. Started with a €35M budget, currently upgraded to €70M. The CVU is a revolving fund, all investment proceedings are re-invested.

o F) Balance sheet investing.
CVU – BU Collaboration

- A) This CVU has a dedicated person in their team responsible for BU-venture collaboration. To prevent flooding the venture with requests. Mediates for example sales opportunities for ventures via BUs, also ensures learning by BUs. Consequently there are no BU-people involved in the CVU. BU-experts are involved on a case-by-case level if necessary. Communication to BUs (portfolio, learnings, etc.) is mere push-activity from the CVU through internal website and events.

- B) The CVU distinguishes between financial analysis they as CVU do for the investment. And additional revenue-generation by the BUs though venture collaboration, this part is responsibility of the BUs. A quarterly meeting is held with BUs to see if/how they still value the portfolio ventures as BUs ultimately determine strategic value. When strategic value is absent, the CVU optimizes investment for financial return. Also this discussion is held with BUs for every follow-on investment (support-letter). The CVU follows the BU strategy to direct investments, but sometimes does advise on strategy changes for the BUs. The interviewee mentions they discuss including BU-people in the CVU to better align investments with BU strategies. However the opinion of the interviewee is that this will only slow down the processes.

- C) A lot of good deal flow comes from pilots/partnerships BUs already have with ventures. For every investment this CVU does, a commercial agreement with venture must be (at least discussed) with the BU. Instead of incorporating BU-people in their CVU, they sit together with the relevant BUs as much as possible. To transfer the learnings from the CVU to the BUs, work-sessions are held with the BUs.

- D) The CVU also mentions good deal flow from BUs from their partnerships. This is achieved by pushing internal exposure. Send out survey to BUs to assess perception of CVU’s work. This CVU can work with a special New Business/liaison team to improve collaboration with BUs. Furthermore monthly discussions with the BUs are held to see where they want to head with their strategy and create search segments. When a venture is identified that can be interesting for a BU (besides being interesting from a purely investment perspective), the BU is involved in the early stages of the investment management process. They are the experts in terms of market channels, sales, and technology therefor their involvement is important.

- D) The investment management is the responsibility of the CVU, and the collaboration between the corporate and the venture is the responsibility of the BUs. However, there can be an overlap or a situation where the CVU includes a BU in the investment management.

Involvement M&A

- B) When, after the average timeframe of 7 years of portfolio ventures, the venture has become very strategically relevant, we transition into an M&A trajectory. Transferring the responsibilities to the M&A department.

Internal commitment

- A) Showing financial returns on investments (meeting financial objectives) is crucial in creating internal commitment and a positive tendency towards our CVU.

- B) Internal commitment/traction currently very large, BUs see value of CVU due to successful collaborations with ventures, strategic benefits, and successful exits.

- C) Internal traction and buy-in is mentioned as difficult. Try to improve this by showing what is learnt from ventures and what BUs gain from ventures.

Learning from Ventures

- A) Change element (integration/adoption at BUs of venture’s technology) more important than the development of the technology itself. This adoption element strongly determines the timeframe of an investment. Due to the similar decentralized structure of the corporate (similar to ENGIE) this learning/adoption of a venture’s technology is often time consuming. We learn from the ventures: about why they do/don’t have market traction, about their clients, our clients that work with the ventures. These learnings are compared to corporate’s current propositions. Most important learning is why venture has traction in a certain market and the corporate has
no traction itself. The CVU has a dedicated person that is responsible for use-cases within the corporate, and learning by the BUs from the ventures.

- B) Product information is shared as much as possible between the venture and BUs. However, financial information is not shared (i.e. Chinese Walls between BU and ventures). Only the CVU is aware of the financials of the venture as they have a board seat. This CVU tries to ensure that venture-employees work as much at the corporate offices to improve learning and collaboration, this works very well for them. However, the CVU does not meddle in with the learnings at the BUs, this is the responsibility of the BUs.

- C) When the CVU acquires learnings, it is not yet at the BU. To ensure this transfer, the CVU-people simply have meetings with BU-people and do work-sessions. Sometimes, BU-people are involved more extensively in the IM, or even take a board seat. This improves learning at the BUs.

- F) Learning alone as an objective is not enough. How you want to learn, who learns, and what is learnt should be clearly indicated and be analyzed. The CVU reports two times a year back to the IC what they have learnt.

**CVU strategy alignment with corporate strategy**

- A) Processing the corporate strategy in the CVU is important and is done with a strategic mandate, determining what ventures we invest in. Never invest in competing businesses, this is confusing to both the BUs and the venture itself. A venture should always fit within the strategy of the corporate and their markets. This can also be a subspace of these markets. Totally new markets can also be invested in through ventures in order to explore where the corporate wants to move towards in the long term.

- B) The CVU follows the strategy of the BUs, based on 4 identified strategic investment areas. In some instances the CVU advises the BUs on their strategy based on market insights/activities and venture technologies/BMs. Moreover, when the CVU notices that high amounts of money are invested in certain areas, this is a good indicator for BUs to adapt/refocus their strategy.

- C) We sit together with the strategy department to determine the strategy. BUs play a minor role in this.

- D) The CVU has certain segments in which they look for ventures. Besides this, they meet with the ventures monthly to discuss where the BUs want to head in terms of strategy and where gaps are perceived. These gaps result in new strategic search segments.

- F) All our investments are fully aligned with the three corporate strategic pillars. All investments the CVU does should fit within these strategic pillars. When you would be completely autonomous or separate from the corporate parent, you could be investing with less or no strategic alignment, and even maintain a strategic hedging scope to invest in ventures that could disrupt or cannibalize the current strategy of the corporate.

**F 3) CVU – Ventures factors**

The most important take-aways with regard to the relation between the CVU and the ventures are discussed in this paragraph.

**Venture Autonomy**

- A) Autonomy is important. The autonomy level is determined by the venture. Sometimes the CVU influences/encourages certain discussions about strategic direction. The CVU is sometimes questioned internally why the ventures are provided with a lot of autonomy. One of the main reasons for high degree of autonomy provided to the ventures by the CVU is that the corporate BUs are always a client of the venture, and they clearly distinguish between the BU being a client of the venture or integrating a venture in your BUs.

- B) Experience learns that high autonomy works the best for ventures; the CVU does not pull the ventures too close, but keep them at arm’s length.

- C) Autonomy level depends strongly on the stake (percentage) we have in the venture, a lower stake means more autonomy. Also the level of autonomy is agreed on in the shareholders agreement. In smaller (early stage) ventures, the level of autonomy is kept higher as our
involvement will only slow down the venture. This can result in not taking a board seat, but only being a delegated shareholder. The CVU-people that have a board seat in the venture want to have a say in, for example, investment- and hiring-activities the venture wants to make.

- **D)** The CVU ensures they provide the venture with sufficient autonomy by not only investing together with strategic partners, but also include an institutional VC. This ensures that the venture will be able to continue doing their own thing. The CVU always opts for an external exit, this means that the incentive and level of entrepreneurship of the founders should not be killed by too much corporate involvement and no autonomy.

- **F)** The CVU prefers to keep the ventures at a distance. However, the BUs can have more interaction, this is however on a mere client-supplier base.

- **H)** Ventures are treated as a completely stand-alone venture that is kept at arm’s length.
  - No access to corporate
  - The CVU is involved by means of a board- or observer-seat
  - No changes in autonomy are made over time

**Determinants for degree of Venture autonomy**

- **A)** The demand of a venture is always leading in terms of autonomy and involvement of the CVU and the BUs with the venture. When a corporate BU is a client of the venture, we let the venture operate as autonomously as possible. As integrating the venture in your BUs at the same time will result in conflicts.

- **B)** Early stage ventures are treated with more autonomy than later stage (larger) ventures.

- **C)** Early stage ventures are treated with similar autonomy levels as we do with later stage (larger) ventures. Also, the CVU mentions that the autonomy level is higher when their invested percentage (stake) is lower. When the strategic fit of a venture with a BU is higher, the CVU meddles in more with the operations and strategy of the venture to enhance the strategic value.

---

**Role of the CVU in autonomy and involvement with a venture**

The involvement of the representatives of a CVU, with a venture, are mentioned to be in the form of board seats. Besides that, the CVU-people play a role in the collaboration of the ventures with the BUs. Hence they are crucial in the autonomy level provided to a venture.

All interviewees mentioned the concept of board seats numerous times in terms of their role in a venture. Hence, board seats are considered as a separate factor in this header.

- **A)** Some discussions in terms of strategic direction of the venture are influenced/encouraged by the CVU. The CVU advises the venture in terms of their BM, use-cases, pricing strategy, etc. Only people from the CVU have a board seat within the ventures, to ensure sufficient autonomy for the ventures (opposed to someone from a BU having a board seat).

- **B)** The CVU explicitly chooses for CVU-people only in the venture boards, to ensure Chinese Walls between the ventures and the BUs in terms of financial information. The CVU-people taking a board seat at the venture only meddle in with the venture when they believe this can improve/accelerate the collaboration of a BU with the venture.

- **C)** Besides CVU-people acting as venture board members, we occasionally allow BU-people to take the board seat. When a venture is smaller or more early-stage, the CVU does not always take a board seat as this will make the venture’s board too rigid and has negative pace-consequences for the venture. In these cases the CVU is just a delegated shareholder.

- **F)** The CVU interferes as little as possible with every venture. The board seats in a venture are taken by someone from the CVU.

- **H)** The board-seat in the venture is in most cases done by someone from the CVU. However, it happens that a BU-representative takes the board seat; this happens in cases where VCs are part of the investment as well, and instead of more venturing input, market/technology knowledge is needed.
Involvement and Collaboration of Business Units with ventures

- A) Collaboration of BUs with ventures is difficult due to decentralized structure of the corporate, similar to ENGIE. The discussion about the exact advantage for a BU from the venture can consume a lot of time. The CVU has a dedicated employee responsible for the mutual collaboration of the ventures in the portfolio, and between BUs and the ventures. The involvement of the BUs is determined case-by-case based on the needs of the venture. For example to what extent it is necessary to include BU-experts (technical, legal, etc.). The ventures are often more technologically capable than we are, thus our BUs are not operationally involved but in a mere commercial sense.

- B) Explicitly choose to only put CVU-people in the venture boards and no BU-people. In order to ensure Chinese Walls in terms of financial information of the venture, this type of information is not necessary for BUs/corporate to achieve strategic objectives. Predominantly, the BUs help in setting up venture sales and links to existing corporate clients.

- C) The BUs can be a client of the venture, but we prefer not to be the biggest or only client for too long. In order to ensure self-sufficiency at the venture without corporate involvement. In some cases, someone from a BU takes the board seat in a venture, this can improve strategic learnings at the BUs.

- D) Always look for a win-win in terms of collaboration between BUs and ventures, where not only the corporate benefits. The venture can gain infrastructure and expertise from the BU, and help with strengthening their proposition.

Commercial agreements of the ventures with Business Units

- A) The CVU never promises to a venture they can get commercial deals from the corporate as a client. BUs rarely collaborate on an operational/technical level with ventures as our expertise is not in this area. Commercial inputs, sales channel generation, and being a client is where the BUs provide value.

- C) For every investment, a commercial collaboration must be possible/expected with the venture and a BU (e.g. being a client). But this is not necessarily signed by the BU during the investment. The CVU does not meddle in with the commercial agreements between the venture and the BU, and the BU does not meddle in with the IM conducted by the CVU.

Venture’s team

As both literature and internal conversations show that a venture’s team is crucial in both Spin-offs as well as investments that are done in external ventures,

- A) The CVU analyses case-by-case whether it is necessary to include an expert (i.e. technical, legal, etc.) from the BUs in the venture’s team.

- B) The employees of a corporate BUs that become part of the venture’s team do not get any shares/stock-options in the venture. The CVU has not experienced any resistance or questioning, mainly because they enjoy working with the startup ventures.

- C) Replacing venture employees (e.g. new CEO) is always done by looking outside the corporate for new people, because you need entrepreneurs and these are (often) not available in the corporate.

- D) When, during an investment decision, it is seen that a venture’s team is not appropriate, they do not invest (team is important selection criteria). However, when it becomes apparent in due diligence that certain management positions must change in the venture, then the CVU can interfere/help in that by attracting new people from outside.

- When the CVU sees that the BU-people can add value to the venture, they can be integrated in the venture’s team. A venture mostly has strong capabilities in technology development, but is often missing regulatory capabilities. Our corporate experience can contribute to this significantly.

- G) Argued that ventures find it highly attractive to pay for corporate employees serving as external advisors to their venture for specific knowledge and help.
F 4) CVU – External investment partners factors

During the interview, mainly the act of syndication with both VCs and other strategic investors is discussed. In addition, the interviewees elaborated upon the non-equity benefits of working together with VCs as well as with other strategic investors (i.e. industry partners). Prior to the interview, based on literature insights, the researcher expected that investment syndication was solely done with VCs. However, the interviewees pointed out that they do co-investments (i.e. syndicated investments) with both VCs as well as with other strategic investors.

Moreover, in the literature research, no emphasis has been placed on investing in externally managed funds by the CVU (i.e. fund-of-fund investments). However, in a few interviews the act of investing in other funds came forward while discussing external investment partner factors, and is consequently included in this section.

Syndicated investments

The concepts that relate to investment syndication in general mentioned are:

- Reasons to invest together with other strategic investors or VCs are: Spreading risk, attract more capital for the venture, generating deal flow, improved selection (due diligence), improved valuation (downplaying strategic element). In addition one interviewee (G) mentioned that the primary objective of CV is too gain insights in as much ventures as possible, and the collaboration with external partners makes it possible to invest in multiple ventures with a restricted budget.
- A consortium determines who becomes the lead-investor based on amongst others ticket sizes (amount invested per party), and value provided to the venture.
- Ventures strongly value a syndicated investment, as each party can provide value in a different way to them (benefit of mixed capabilities and knowledge).
- Through syndication, a CVU can build a network that is valuable in; deal flow, finding parties that can help in follow-on investments, etc.

Venture Capitalists

- A) Very important to co-invest and collaborate with VCs. The CVU can be both leading and co-investors. For investments in ventures abroad, the CVU collaborates with a local VC. This local VC arranges legal elements, terms sheets, etc. The CVU believes that if they would not work with VCs, they would be unable to work with the highest quality of deal flow, because ventures prefer VC involvement.
- B) We do almost all our investments together with VCs. The CVU sees that VCs find it difficult to work with CVUs. The CVU tries to solve this by being very transparent towards the venture about what the CVU wants to first negotiate about in terms of investments, collaborations, and exits with the venture. This can be done by drafting documents as Right of First Refusal.

Strategic investors

- A) The CVU is not set-up as an M&A pre-trajectory, meaning the CVU can work well with other strategic investors due to the independent/autonomous nature of the CVU. In practice, however, this does not occur very often but the value is recognized. The interviewee believes that their CV objectives (strategic learnings and financial returns) will not be jeopardized by the collaboration. The CVU does not actively approach other strategic investors. The focal venture requests is leading in this matter. The interviewee mentions that making the venture demand leading in this, ensures that only parties are involved that will actually add value to the venture.
- B) Collaborating with a strategic investor that has a mere B2C focus provides us, as a B2B focused company, with confidence that the venture's product will find its way to clients more easily and that a product-market fit will be reached. The CVU also invests with strategic investors that have a B2B focus as well, but only when they are in a different part of the value chain.
- C) The reason for investing with other strategic investors is that you can all bring something different and valuable to the table for the venture. Ultimately the collaboration will benefit the ventures. We do not invest together with parties that are in similar market segments.
• D) Always invest together with other parties, but the CVU never invests only with other strategic investors (also include a VC). Because all strategic investors have their own strategic agenda and want to push this forward. A VC can be very independent in this.

**Investing in externally managed funds**

• A) The CVU was initially started by doing investments in other funds. With the aim to learn as much about investing in, and working with ventures. However, it provided the CVU with lower strategic control over the ventures (e.g. no board seat), and this was not appreciated within the CVU and became the reason to decrease this activity. The interviewee argues that they learnt a lot from fund-of-fund investments, and advice to do this especially in the first two years of the CVU.

• B) The CVU does not do investments in external funds. The reasons is that in their opinion, the CV activities then move too much towards financial objectives and the strategic angle decreases.

• C) The CVU does a lot of fund-of-fund investments, especially in funds that focus on ventures in a stage before the ones we focus on. This provides us with a foot in the door. Also, the investments in external funds allows us to have a window on a lot of technologies and developments in the outside world.

**F 5) CVU - Spin-offs factors**

The most important take-aways with regard to spin-offs in relation to a CVU are considered below. The interviews were mainly focused on the CVU and their activities with external ventures, as this became apparent during the interviews and all interviewees mainly had their activities in the field of external ventures. However, several interviews and a follow-on interview have provided insights. In result, the take-aways from the interviews with regard to Spin-offs and the CVU, are less extensive.

All interviewees mention that the activities for a CVU with regard to spin-offs and external ventures are rather similar. Besides the specifics mentioned in the following headers, the interviewees argued that from the moment the internal venture is a spin-off, they treat them the same as the external ventures in their portfolio and the same factors are important. 

The take-aways from the interviews, that are specifically relevant for the CVU with spin-offs are assessed in this paragraph. When an overlap or comparison is mentioned by the interviewees with external ventures, then the results of paragraph 0

**Focusing on both spin-offs and external ventures at the CVU**

• A) & F) argued that doing both spin-offs as well as external venture investments and nurturing from the same CVU might result in a loss of focus, because you need a certain buy-in to foster relations with external ventures.

• B), C), D) G) H) & I) argued in some way that the governance or expertise for spin-off minority investments and nurturing is similar to that of external ventures. These interviewees see the logic and value of one CVU responsible for both spin-offs and external ventures, and argue that a successful CVU focuses on both modes of CV.
  o They use their venturing capabilities and expertise, build through CVC investments in external ventures (e.g. legal aspects, scaling advice, BU linkages, etc.)
  o The CVUs provide the linkages to the corporate client channels, BU collaborations, technologies, corporate facilities, etc.

• B), C) G) & H) the activities for spin-off and CVC investments in external ventures are already conducted by the focal CVU.

• C) Mentioned the reason for managing the investments for both spin-offs and external ventures to be that they are both minority investments, and the portfolio of minority investments is managed by their CVU.

• D) CVU did not engage in spin-off investments and nurturing, however, sees value in doing it from the same CVU instead of by another corporate division.
H) The CVU has, so far, done three spin-offs. The terms (i.e. how viable/valuable the venture is) used to assess a spin-off do not differ from those used to assess an external venture. The interviewee argued that the approach for spin-offs and external ventures for the CVU is not identical, but very similar. The CVU is responsible for everything related to both spin-offs and external ventures.

H) When we as CVU invest in the spin-off at the moment of the spin-off, then this means there is an internal transfer of money, as the CVU buys a percentage of shares from a venture that is 100% owned by the corporate parent. The rest of the equity is for other investors and spin-off personnel.

Activities of the CVU in a spin-off trajectory

B) So far, three spin-offs done by the CVU. For the CVU, the activities involved:
- Looking for other (external) parties that want to invest in the spin-off
- Finding a CEO that is fit to lead to venture, and is able to build a team
- Other team aspects; other team members that must be attracted
- Furthermore, the activities are similar to the ones we have with external ventures. The board seat is the same as what we have with external ventures and realizing collaborations with the corporate BUs.

G) Activities of the CVU involve solving the following challenges:
- Who does what (of the involved parties)
- How do you deal with the people involved
- Assessing the reason/motivation of spinning-off the venture
- What are important financial/strategic partners
- How large should the stake be the corporate maintains
- How much collaboration with BUs will be maintained
- How autonomous do you let the novel spin-off operate
- Besides that, similar challenges as with external ventures must be solved

H) The CVU mentioned two steps within their involvement for spin-offs:
- The CVU starts with preparing the possibilities of creating an actual venture outside the corporate, in order to make a first estimate of the venture’s viability
  - People involved with the internal venture. What people do you bring along with the spin-off and what other people do you want to involve.
  - Look at the total market outside the corporate. What other industries or verticals of the corporate can the venture enter as a result of spinning it off.
  - Estimate how likely the success of the spin-off is based on venture criteria comparable to CVC investments in external ventures.
- When the decision is positive, the standard process for venture investments is maintained. The decision is made whether it is valuable to spent more time on discovering the valuation and growth opportunities of the venture and determine investment decisions.
  - Proposal to negotiate is developed. This is a mandate that holds things like; equity stake of the corporate parent, amount of funding from other parties that is needed, royalties the corporate parent wants to receive on future sales, etc.
  - When outside investors are found, agreeing with the proposal, then an agreement is signed with them and the spin-off people.

Motivations for Spin-offs

B) The three spin-offs done by the CVU were motivated by the following:
- Conclusion there is value in the venture, but it is not core to the corporate’s strategy. Thus, viability is seen in continuing the venture outside the corporate, and still being able to track developments of the venture and its technology
- Large internal projects or ventures can become too big to grow fast enough. In order to scale and innovate faster, the ventures are spun off.

G) A spin-off is considered when the strategic attention or fit with of the venture is decreasing. When a venture is developed internally at this corporate, the research aim is much broader
than their actual market positions. Also, the business strategy changes over time. Initiatives developed internally can become removed from the strategy. You can then do several things: Sell the IP, sell the product or service, partnerships, or a Spin-off. With a Spin-off you are able to still follow the developments (i.e. objective of gaining insights in developments), and eventually when you let the spin-off completely go (sell all shares) you can make a financial gain.

- **H)** The CVU considers three factors that motivate them to spin-off an internal venture. They are, as a CVU, responsible for the spin-off decision.
  - The main reason for a spin-off is that their technology is no longer core to the corporate strategy. It is no longer important enough to keep the venture internally.
  - The ventures cannot scale fast enough and to a large extent. Because this would create a large company within a large corporate.

- **I)** External investors are not interested to invest in internal ventures/projects. When external capital or clients are needed, a spin-off can prove to be the solution.
  - We think that we can earn more from an external spin-off venture in the outside world rather than keeping it internal (i.e. financial returns).
  - Attracting additional capital from outside investors can also be valuable and a reason to do a spin-off.

**Types of spin-offs**

**External involvement**

- **B)** For a spin-off the CVU always looks to work with other investors. These can be strategic or financial, or local investment parties (e.g. Innovation Quarter)
- **B)** The CVU mainly looks for VCs as co-investors as they have complementary added value compared to them as a strategic investor.
- **G)** For one internal venture, that is intended to spin-off, they are currently working together with a so-called venture-builder party. This party prepares the internal venture for a spin-off and organizes, amongst others, an external entrepreneur to become CEO as they have a bigger network to tap into for these type of persons.
- **G)** The CVU critically analyses the added value they (and/or the corporate parent) has for the spin-off. Often, other industry parties have more knowledge of certain areas then they do. This consideration often means that their spin-offs are often co-funded by strategic investors and not by VCs.
- **H)** Look for external investors in the network the CVU has built. Sometimes the CVU attracts a party that is specialized in managing the process of finding external investors and has an even bigger network.
- **H)** The CVU does not specifically distinguish between financial or strategic investors. Ideally, they want a mixture.
Spin-off process

- G) argues that there is never a standard spin-off process
- H) The spin-off process for the CVU is similar to that of external ventures. Except for the steps that are unique to a spin-off: creating the possibilities of spinning off the venture, involvement of internal and new external people, attracting external investors.

Team aspects of a Spin-off

- C) Entrepreneurs to lead the spin-off are mostly found externally. However, in rare cases the entrepreneur can be found within the corporate in the form of someone with previous entrepreneurial experience.
- B) The spin-off employees have a market conform salary (startup conform), and always immediately receive shares at the moment of the spin-off when people are attracted externally.
- B) Sometimes the CVU lets a spin-off start with a corporate employee leading it, however, he will be replaced when the venture scales and need more entrepreneurial experience.
- B) & G) The interviewees see that corporate employees themselves realize whether they are fit and ready, or not, to lead the spin-off venture as the CEO.
- G) Specified a situation in which external entrepreneurs are already involved while the venture is still an internal venture. In this stage, the external entrepreneurs should be provided with a salary plus performance based bonus to create the right incentive. After spinning-off the venture, these entrepreneurs should be provided with shares.
- H) Argues that the team element and corporate employees are the most challenging aspect of spin-offs. The CVU experiences that they have to educate the corporate employees on what the spin-off means for them (e.g. in terms of compensation) as several aspects will be completely different in the spin-off compared to the safe haven a corporate is. So far, no resistance received based on people spinning off with the venture.
- H) The compensation package to both former corporate employees as well as for externally attracted spin-off employees contains: a base-salary (conform the startup market), share package, and the possibility to receive or buy more shares in case of good venture performance.
- H) No formal approach exists for the spin-off team. One spin-off example done by the CVU still exists 100% of former corporate employees.
- H) Spin-off continuous team due diligence is the same as for an external venture (via board seat involvement). The CVU closely monitors the whether the team performs well, people are fit to lead a venture, are able to scale it, and whether interferences must be made.

Spin-off autonomy – engagement and collaboration with the spin-off

- B) Autonomy provided to spin-offs is the same as for external ventures in the portfolio.
- G) The extent of collaboration the corporate parent has with the spin-off is one of the main challenges that a CVU has to manage.
- H) No difference for autonomy and collaboration of spin-off ventures with BUs compared to external ventures. Both venture types are kept at arm’s length where there are commercial agreements, and the corporate is often just a client.
- H) The minority share the CVU has in spin-offs is larger than the share in external ventures. The reason for this are:
  - External investors look at this aspect. When an external investor sees that the corporate parent only has a small share in their spin-off, they will question the value and trust in the venture and are less inclined to invest.
  - Also, sometimes the CVU is just not able to attract more external investors that are willing to invest in the spin-off. thus the CVU’s share will be larger when the funding need of the spin-off has to be met.
  - The CVU wants to reap a financial return from the spin-off growth over time, as this can be one of the reasons to spin an internal venture off.
- H) The CVU’s minority shares in spin-off are slowly diluted over time as new funding is attracted. Only when the venture is a real Rocketship, the equity percentage will be maintained. In this, the CVU acts as a sort of founder of the venture.
• H) Spin-offs get treated the same as external ventures in the portfolio in terms of autonomy. As a completely stand-alone venture that is kept at arm’s length.

• H) The board-seat is the same as for external ventures. Mostly by a CVU-representative, and occasionally by the BU-representative.

• H) The collaboration with BUs is the same for spin-offs as it is for external ventures.
  - For spin-offs there are often royalty-agreements, as the spin-off uses a corporate developed technology.

• I) Corporate parents often have the misconception that they can continue to have strategic control over the venture after spinning it off. This is not the case, as spin-offs benefit the most form more autonomy and operating at arm’s length of their corporate parent.
Appendix G) Emphasized factors mentioned by interviewees

Emphasized factors – according to the interviewees

- **A)** Argues the investment terms offered to the venture should be emphasized more. What specific investment terms can a CVU have while investing in a venture. Terms mentioned are: first to decide about the venture’s budget for next year, or abilities to block investments from other investors.
- **B)** When the strategic element of an investment is good, but the financial side of the investment is not adequate, then other types of collaborations should be considered.
- **C)** The PR side of how to position the CVU in the market towards the ventures has not been discussed but this is mentioned to be crucial. The strategy mentioned by the interviewee (used for their CVU); show to the venture ecosystem that you are good at working with startups and place their growth and development central in your CV activities. This will give positive signs to the ventures and generate deal flow.
- **D)** Ensuring proper board backing from within the corporate is crucial in a good CVU. You need internal traction.
- **F)** Transparency and sharpness in the added value as a CVU towards ventures is very important. When you know where you can add value, you can better source and select the right ventures/deals and generate better strategic returns and financial returns.
- **I)** A corporate should always consider whether an investment is the best way to collaborate with the venture. Perhaps other things like including it in the incubation program, or providing the venture with in-kind things can be equally or more valuable and less risky. This is especially relevant for very early stage ventures, and ventures with more novel/uncertain technologies.
- **D)** When the decision for a spin-off is made, consider the following: Spin-off should have enough body (e.g. to work with the corporate as a client).
- **G)** Generally doing spin-offs is mentioned as being extremely difficult as it is very dynamic. You have to deal with things like a team that has to transition from working internal to the corporate to working in the outside world in a spin-off venture.
- **I)** Corporate parents often misunderstand the fact that they have to do continuous investments in the spin-off investment rounds when they want to sustain their stake in the spin-off (i.e. 20%).
- **A) & D)** separation/autonomy of a CVU, program or fund is very important. Both internally as well as externally. Attracting people from outside the corporate and having a clear image about how the governance and internal reporting is arranged are crucial in this.
- **B)** Within selection criteria, the venture’s team and its diversity is very important for us in doing minority investments in startup ventures.
- **C)** Important in a smooth spin-off process is really setting the venture outside the organization. Crucial to consider is in this governance is: expectation management, what the spin-off means for people involved with the venture, how the corporate (BUs) will pay as a client, the help/collaboration between the corporate and the spin-off, involvement of other co-investors that are logical to attract (both strategic and financial), share distribution with co-investors and spin-off employees.
- **F)** Be transparent as a corporate where you can add value for a venture as an investor, when you have your added value sharp, then a CVU can better source and select the best ventures. Ensure that you, as a CVU, always make good financial returns on your investments. Focusing only on learning, or showing only the learnings internally are difficult to measure and when the people that have acquired those learnings leave the learnings are lost. Showing financial returns can ensure resilience and longevity of a CVU and generates internal traction.

Factors not (or rarely) discussed

During the interviews, the factors mentioned below have not been discussed at all or very briefly and were not recognized to be of important by the interviewees. Hence, these are left out of the main report and removed to this appendix.
**Explorative vs Exploitative:** The concept of explorative and exploitative focus of the CVU is not discussed in detail with the interviewees. As some argued to not be familiar with these concepts in this context, or have not given it any special consideration in their strategic choices. However, all interviewed CVUs argued in some way that they have an explorative focus rather than an exploitative focus, as they want to discover: novel and disruptive ventures, things they miss in their internal developments, things they missed and will make them fall behind in the market.

- Strategic focus Ecosystem venturing/innovation venturing and other types of strategic approaches were mentioned to not be an important topic of discussion in practice.

**Types of spin-offs**

- The spin-offs are all technology driven, but with different markets than the corporate parent.
- H) not necessarily different types of spin-offs identified. The spin-offs done in the past (three examples) are all technology driven. The CVU has no different approach for different types of spin-offs.
- Also, cases exits where a venture is internally developed in incubator program with the intention to develop it into a spin-off from the start.
- All spin-offs were based at idea generation and a novel technology.
Appendix H) Implications for the CVU at EVIS – SQ3

This appendix contains the implications that were derived to answer SQ3. These implications have been moved to the appendix, as these are not paramount to understanding the results and conclusions of the main report and were not discussed during the workshop due to a time constraint.

H1) Implications for CVU Internal Factors

<table>
<thead>
<tr>
<th>Portfolio Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disruptiveness, size &amp; timeframe, deal flow, Investment stage, selection criteria, Exit-management, Follow-on investments</strong></td>
</tr>
</tbody>
</table>

**Disruptiveness**
When the CVU wants to be ahead of developments and wants to discover future opportunities, more disruptive ventures should be invested in. Disruptive ventures align with the intended CV objectives. Meaning the CVU should focus on ventures that develop new technologies in, for ENGIE, existing markets.
Disruptive ventures need a CVU that is more autonomous and separate from the corporate (allows for cannibalizing/competing ventures), less tight financial objectives for the CVU, and less focus on venture-BU collaboration.

**Portfolio Size and Timeframe**
The CVU should maintain a portfolio approach, aiming for at least 10 ventures. When similar ticket-sizes are used, this results in a maximum exposure of 10% per venture.
The CVU should adopt the four strategic focus areas of ENGIE for innovation for its portfolio. Aim for four-five ventures per strategic area. This results in a healthy balanced portfolio.
When the CVU adopts stronger financial objectives, as advised by external interviewees, it can survive with a smaller portfolio size.
The decentralized structure of ENGIE is said to slow-down the adoption/integration of the venture’s technology by the BUs, strongly determining the timeframe for ventures. A minimum of 4-5 years should be considered before decisions about the portfolio should be made.

**Deal Flow**
The following sources of deal flow should be actively focused on: natural inflow of deals, internal and external events/conferences, co-investors and VC network, fund-of-fund partners invested in by the CVU, internal events where ventures are invited for specific segments, via internal BUs that have collab./partnerships with ventures, and actively looking in the market in strategic areas.
When the CVU disregards very early stage ventures. It should invest in other funds that invest in these early stage ventures. As this provides a foot in the door, when the ventures are grown to the next stage later.
To generate natural deal flow, the CVU must develop the following: A reputation in the market displaying the CVU operates autonomous and puts the venture’s interest first. Continue investing when ventures performs less than expected. Communicate dedicated investment budget externally, this shows EVIS is a serious investor. Develop and communicate added value of ENGIE and the CVU to the ventures. The CVU must be transparent to the ventures about follow-on investments, goal of investments and venture autonomy as ventures value this. Also, the CVU must be quick in the deal-making process and deliver what it promises in order to gain trust from other investors that consequently provide deal flow.
The CVU must liaise often with ENGIE BUs. The BUs already co-operate with several startups, and have the best view of developments in the market. This provides relevant deal flow.
The CVU should cooperate with VCs as much as possible, as ventures prefer to engage with strategic investors that work with VCs, consequently leading to more quantity and quality deal flow.

**Investment Stage & Risks of early stage investments**
As the strategic objectives for a CVU at EVIS focus on the collaborations and learnings between ventures and BUs, somewhat later stage ventures should be focused on; When the venture is
too small/early stage, collaboration with BUs is difficult. Also, the corporate becoming a client of the venture is often not possible as very early stage ventures cannot manage this.

The practical insights also vouch for later stage ventures: corporate stamp not healthy for the early stage venture, CVUs often add value in the commercialization/scaling phase, financial analysis of investment difficult for early stage ventures (jeopardizes financial returns), early stage ventures are difficult to ‘land’ in the BUs, management of multiple early stage ventures costs time and money.

When the CVU focuses on later stage ventures, but wants to keep a foot in the door for early stage ventures; it should invest in other funds that focus on earlier stage ventures.

However, due to the lower ticket-sizes and possibility of being a patient investor due to the primary objective being strategic, the CVU at EVIS can potentially focus on more early stage ventures as well considering the earlier disadvantages.

**Selection criteria**

The CVU at EVIS should **consider the following criteria** (and develop parameters) for a venture at least: diverse management team, total addressable market, potential to expand to other markets, IP protection, possibilities of collaboration/integration with BUs or ENGIE as a client, there must be a link to sales channels of ENGIE in order for ENGIE to add value (e.g. commercial help), the venture must be post-revenue (i.e. ready to scale) as this is where ENGIE can add value.

The **venture should be large enough to have ENGIE as a client** preferably not the biggest for too long in order to ensure independency of the venture.

**Financial criteria** the CVU should consider are degrees of Monthly/Annual Recurring Revenue, and/or revenue to date. This ensures the financial objective is reached. Examples from the interviewees can be found in the results section.

For the CVU at EVIS, considering the strategic objectives, a **strategic and operational fit must always be present with the venture and ENGIE BUs**. This allows the BUs to add value to the venture, and to reap the most benefits of the collaboration. When strategic fit is absent, an investment can still be done purely for financial gains.

**Exit-management**

Even for the strategic CVU at EVIS, **profitable exits are important.**

Showing/doing a few profitable exits generates: Internal traction (shows the CVU can make actual money and not just expected/on-paper returns). Also it shows VCs that you can **generate financial returns** and this fosters collaborations with them. Externally it shows ventures that you are not just a corporate innovation-arm, and profitable exits are a good marketing tool in the ecosystem and leads to high quality deal flow.

Be **patient** with exits. As a strategic driven investor, the CVU can wait until the market is ready for an exit and do not have to push for a profitable exit within two years like a VC does with their (often) two-year window.

**Follow-on investments**

The CVU at EVIS should always consider follow-on investments when the financials of the investment are good (even when strategic added value has declined over time).

Follow-on investments are crucial for the **CVU-reputation**. It shows to other ventures that you are a committed investor (improved deal flow), when no follow-on is done other investors will dilute the CVUs share to zero quickly.

When the CVU is not able to do a follow-on investment itself, it should look in its network to find a suitable investor. Doing this places the venture’s interest first and improves the CVU’s reputation.
H2) Implications for Factors between CVU and Corporate Parent ENGIE

Autonomy of the CVU at EVIS

As the CVU at EVIS wants to focus on more disruptive ventures, a high degree of CVU autonomy is advised. Other benefits of CVU autonomy (e.g. reputation towards ventures, attractive for VC-collaboration, etc.) can be found in paragraph 5.2.2.

Autonomy levels should, however, not become too high (i.e. CVU in ivory tower). Connection with the BUs should be maintained in order to meet the intended strategic objectives.

The CVU should ensure the following in order to achieve the right degree of autonomy: CVU must be run by knowledgeable people (in terms of markets, board-membership and corporate knowledge and network. It must be ensured that corporate politics will not hamper the CVU’s course. Clear separation from corporate M&A. Also, the CVU needs a dedicated budget in order to actually be autonomous. High level internal reporting only on a quarterly basis is important (e.g. ENGIE Investment Board (IB)). Furthermore, showcase to the outside world that the CVU is a separate operating entity and does not fall under corporate innovation or M&A. People should be attracted from externally in order to manage the CVU as well (instead of only former ENGIE), this enhances the independent image of the CVU.

It is advised to oblige every investment proposal to be run by the IB, by means of a standardized slide-deck as this is the quickest way. The CVU should not have sole decision-making autonomy, however, the IB should not slow the investment process down.

The endorsement of BU-venture collaboration should be drafted by the BU for every investment. However, BUs should not be taken along in the decision-making process as this slows down the CVU.

Balance sheet investing will suffice (i.e. no own budget) for sufficient autonomy. However, there should be a dedicated budget available each year for the CVU, as this serves as a marketing tool generating deal flow.

Funding the CVU

It is advised to do balance sheet investing for the CVU at EVIS. However, the CVU should be provided with a dedicated budget that can be used as an external marketing tool towards ventures (increases deal flow and reputation of being a serious investor).

A revolving fund should be considered as this allows the CVU investment budget to grow when it performs profitable exits.

Considering ticket-sizes of around €250.000-500.000 and a portfolio size of around 10 ventures, a dedicated budget of €3-5 Million should be considered.

CVU-BU Collaboration

The CVU should involve the ENGIE BUs in the early stages of an investment. Good collaboration between the CVU and BUs is important: preventing the NIH-syndrome, the BU has the best view on sales channels and other forms of (commercial) collaborations possible with the ventures, it allows for transparency towards the ventures as to what they can expect in terms of collaborations. The BUs should never be involved with the Investment Management, this must be purely done by the CVU (ensure Chinese Walls). The Commercial agreements (endorsements) must be discussed actively with the BUs by the CVU. Ultimately, the CM is the responsibility of the BU, and the IM is the responsibility of the CVU.

In practice, this collaboration must be enhanced by: Sit together with the BUs as often as possible (e.g. strategy workshops), appoint someone as liaison manager to improve link between the CVU and BUs, and internal exposure must be pushed.

Internal commitment by the corporate parent for CV

Internal commitment is valued by ventures, and must be established and communicated externally. Internal commitment can be achieved by: High internal reporting lines, showing some degree of financial returns from the investments (i.e. profitable exits), take the BUs along in the early stages of
the investment process (prevent NIH-syndrome), communicate previous venture-BU collaborations and learnings internally. The CVU must find a healthy balance between sufficient **CVU-autonomy and high internal reporting**.

<table>
<thead>
<tr>
<th>Ensure Learnings from the Ventures by ENGIE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to the decentralized structure of ENGIE, learnings from ventures and adoption of their technologies can be difficult. However, as learning is one of the strategic objectives for the CVU, emphasis should be placed on this matter.</td>
</tr>
<tr>
<td>Learning enhanced by: The CVU hosting <strong>internal events</strong> to broadcast ventures to multiple BUs. Also, the CVU must conduct <strong>workshops/meetings with the BUs</strong> in order to transfer learnings from the CVU to the BUs. Furthermore it is advised to let <strong>venture-employees work at ENGIE offices</strong> in order to enhance a more <strong>informal transfer of learnings</strong>. The CVU must, additionally, have someone that is responsible for the learnings by the BUs from the ventures.</td>
</tr>
<tr>
<td><strong>BU</strong>-people can be involved more intensively in the IM (i.e. board seats) in order to increase learnings. However, Chinese Walls must be ensured between Commercial Management and IM of the ventures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aligning the CVU strategy with the ENGIE strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>As the CVU at ENGIE will not operate completely autonomous, it should <strong>follow the corporate strategy</strong> to a certain extent. The four strategic focus areas of innovation should be adopted by the CVU as well: Health care, Food and Beverage, Sustainable grids and infrastructure, and commercial real-estate/buildings. This decision aligns with Covin &amp; Miles (2007) and one of the modes they propose; a situation where corporate strategy drives the CVU strategy.</td>
</tr>
<tr>
<td>Investing more autonomous would allow the CVU to do investments with a hedging scope or ventures that cannibalize the corporate’s current business. This, however, does not fit the intended objectives of the CVU.</td>
</tr>
<tr>
<td>The input from the BUs must be acquired structurally in order to keep the CVU strategy up-to-date with market developments.</td>
</tr>
<tr>
<td>The CVU can advise the BU strategy. Based on activities they see in the market of ventures. Amount of capital invested, technological developments, and business models are good indicators the CVU advises towards the BUs to change their strategy.</td>
</tr>
</tbody>
</table>
H3) Implications for Factors between CVU and Ventures

<table>
<thead>
<tr>
<th>Venture Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>In general, the CVU should provide the ventures with as much autonomy as possible and let the ventures operate at arm’s length, however, providing the ventures with the ability to have sparring-sessions with BU-/domain-experts are highly appreciated. Clear agreements have to be drafted for each investment.</td>
</tr>
<tr>
<td>The following advantages of a higher degree of autonomy should be considered: the venture can maintain its innovation pace (too much involvement can suffocate the venture), the venture can develop capabilities and be successful regardless of corporate involvement (low autonomy makes the venture dependent on the corporate), it allows the CVU to invest in comparable ventures.</td>
</tr>
<tr>
<td>The CVU should have a customized level of autonomy per venture, depending on: the stage of the venture (early stage ventures need higher autonomy to grow as a startup). More disruptive ventures need more autonomy. When the corporate is a client of the venture, the autonomy must be very high to prevent conflicts of interest (aim for a client-supplier relationship). A venture with higher degree of strategic/operational fit with an ENGIE BU, the autonomy should be lower as this allows ENGIE to reap the most strategic added value from the venture but also to add commercial/technical value to the venture. However, the ventures’ demand should always be leading in this as the CVU must place the ventures’ best interests first. Finally, when the CVU wants to make profitable exits (i.e. financial objective), then the autonomy should be very high, as otherwise the level of entrepreneurship will be killed at the venture and the incentive to scale diminishes.</td>
</tr>
<tr>
<td>The role of the CVU is to govern the venture’s autonomy in the best interest of the venture. The CVU should do this from their board-seat position they have in the venture. In rare occasions as indicated to improve BU learnings, a BU-representative can take the board-seat, this is however not advised considering the Chinese Walls between IM and CM.</td>
</tr>
<tr>
<td>The CVU-representatives are best suited to govern this based on their venturing-, investment-, and board-seat-experience. They should maintain short lines to understand the venture’s needs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Involvement and Collaboration of ENGIE BUs with ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td>As one interviewee argued, the decentralized structure of ENGIE can make the BU-venture collaboration difficult.</td>
</tr>
<tr>
<td>The IM should be the responsibility of the CVU, however, the BUs should be responsible for the Commercial/collaboration agreements with ventures. Chines Walls must be maintained.</td>
</tr>
<tr>
<td>The CVU should appoint someone in their team that manages BU-venture collaboration. This prevents a venture being flooded with non-qualified requests for collaborations and ensures the right linkages.</td>
</tr>
<tr>
<td>A clear distinction should be made between a BU being a client of the venture, or the BU integrating/using the venture’s technology in its Services-proposition. The CVU should govern this.</td>
</tr>
<tr>
<td>A venture must never become dependent on an ENGIE BU being a client. The venture must be successful regardless the involvement of ENGIE. The CVU must govern this.</td>
</tr>
<tr>
<td>The degree of involvement of a BU should be based on the venture’s needs predominantly. The CVU must manage expectations at the BUs as this can sometimes lead to internal questioning when collaborations with ventures is very low.</td>
</tr>
<tr>
<td>The CVU must develop a transparent offering towards the venture-ecosystem in what areas collaborations with BUs can be expected. This transparency is highly valued by ventures and improves the CVUs reputation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial agreements between ENGIE BUs and ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Commercial collaboration is the responsibility of the BU, however, the CVU should facilitate this. The CVU should involve the BUs early in the investment process. Because the IM (CVU responsibility) takes up about 3-6 months, whereas the CM/agreements (BU responsibility) takes much longer.</td>
</tr>
<tr>
<td>The CVU should emphasize on building commercial collaborations/agreements between the BUs and ventures, as this is where ENGIE can add value to the ventures (e.g. sales channels, resell agreements, clients created through ventures, the BU being a client of the venture, existing corporate clients introduced to the venture, etc.). Instead of focusing on operational/technical collaboration, as this is often where the ventures are stronger than the corporate due to their innovative characters.</td>
</tr>
</tbody>
</table>
H4) Implications for Factors between CVU and External Investment Partners

**Investment syndication and co-investing in general**

The CVU should always aim to do all its investments in **syndication**. For the **following reasons**: it spreads risk, they can attract even more capital for the venture, collaborating with other parties creates deal flow for the future, the parties part of the syndicate can help in due diligence, other parties often have a more rational view on the strategic benefits of an investment and can downplay these. Also, collaboration with other investors allows the CVU to invest in more ventures with a restricted budget.

Ventures highly value syndicated investments as every party in the investment can add value to the venture.

Through syndication, the CVU should build a network. This network can help with deal flow, follow-on investments when the CVU cannot do it anymore, or invest in ventures that do not fit the ENGIE-criteria yet (e.g. in terms of scale).

The collaboration with both VCs and other strategic investors is highly advised. **Ideally a mix between financial (VCs) and strategic investors** should be aimed for in deal syndication.

**Collaborating with Venture Capitalists**

The CVU should **always try to co-invest with a VC**, for the following reasons: Deal flow from VCs often has a good financial return, meaning the CVU can focus more on the strategic benefits of the deal. VCs have complementary skills to a CVU (e.g. building a venture's team, scaling ventures, etc.). Collaborating with VCs increases the CVU’s reputation towards ventures and generates more deal flow. It enhances the independent/autonomous image of the CVU, and convinces ventures that you place your best interest first instead of the corporate innovation, because VCs purely focus on the scaling of a venture.

In addition, the CVU at EVIS focuses predominantly at strategic objectives. Interviewees argued that this can lead to the **over-valuing ventures** as a result of being too **enthusiastic** about a venture’s **strategic benefits**. A VC can **downplay this** by rationally looking at the financials of an investment and proper due diligence.

**VCs find it difficult to work with strategic investors** such as the CVU at EVIS. The CVU can solve this by being very transparent about what elements the CVU wants to negotiate about with the venture (e.g. commercial collaborations). The CVU should draft this in a document called **Right of First Refusal**.

**Collaborating with Strategic Investors**

The CVU should make the ventures leading in the selection of other strategic investors, in order to ensure that only parties are involved that can **add value** to the venture’s growth.

The CVU should find strategic investors that can **add value in the form of**: providing other value to the venture (sales channels, technological capabilities, exit-reach, of the other strategic investor), different role in the value chain (e.g. a B2C focus instead of B2B) leading to better product-market fit, geographical added values, brand name, other distribution channels, access to other markets.

The CVU must be mindful about the fact that each strategic investor has its **own agenda** with the venture. This can be **resolved by including a VC**.

For the CVU at EVIS, it is especially interesting to discover strategic investors of which the corporate parent has a **B2C focus**, this can be **complementary to the B2B focus of ENGIE** in terms of customer-focused issues of ventures.

One condition that must always be considered in selecting other strategic investors, is that their CVU must be able to **operate as autonomously as the CVU at EVIS** can. Otherwise, **conflicts** can arise (i.e. the other party might be a pre-trajectory of corporate M&A).

**Investing in externally managed funds (fund-of-fund investments)**

The CVU should consider **investing in an externally managed fund** in the **first two years** after starting the CVU for the following. It provides the CVU with a lot of **learnings** about investments (e.g. how to do due diligence) and managing ventures. Especially when the CVU experiences difficulty in attracting people from external to ENGIE (with VC experience), this can improve the skills of the CVU-employees coming from within ENGIE.
As the CVU of EVIS should focus on somewhat later stage ventures, it should invest in an external fund that focuses on very early stage ventures. By doing this, the CVU gains a foot in the door for these early stage ventures via fund-of-fund investments and can later (when the venture matures) invest in the venture itself.

Investing in funds that focus on these more early stage ventures creates deal flow, a network, and a footprint in the venture ecosystem.

When the CVU decides to invest in external funds, it should consider: attracting other capabilities (as investing in other funds needs different capabilities than investing in ventures), the CVU must be aware of the fact that this allows little to no strategic control (and thus less strategic benefits) over the ventures in the fund and these type of investments provide a more financial angle rather than a strategic.
H5) Implications for Factors between CVU and Spin-offs

**Activities of the CVU in spin-offs**

The interviewees all specifically highlighted that there is a lot of overlap in activities by the CVU for spin-offs compared to those for external ventures. This will be elaborated upon in the conclusion of the report more profoundly. However, **activities the CVU should consider that are unique to spin-offs** are the following:

- Looking for other (external) parties that want to invest in the spin-off
- Finding a CEO that is fit to lead to venture, and is able to build a team
- Other team aspects; other team members that must be attracted and dealing with corporate people already involved before the spin-off.
- A proposal to negotiate must be developed, this holds: Royalties or other compensation towards the corporate in terms of the spin-off using a technology that was initially developed within the corporate walls, equity stake the corporate wishes to maintain in the spin-off, and amount of funding needed from external parties.

**Motivations to decide to do a spin-off**

The CVU at ENGIE, should decide to spin an internal venture off (as an alternative to discontinuing the venture, turning it into a new proposition at an existing BU, or developing a new BU) based on the following reasons that can motivate spinning of a venture:

- When the venture is no longer fit with ENGIE’s innovation strategy, but the technology still represents value a spin-off can prove valuable as an alternative to discontinuing the venture.
- A spin-off allows for the involvement of external investors. The added value of external capital can be: more capital for the venture, de-risking ENGIE’s involvement, other investors can add value to the venture
- When the venture’s technology or commercial prospects are too novel/uncertain for ENGIE, spinning it off de-risks ENGIE’s involvement. While still allowing it to track and benefit the developments.
- When an internal venture poses the risk of brand-reputation towards ENGIE, but the technology or business model of the venture are still valued, a spin-off can prove as a solution.
- When a venture does not scale fast enough internally, spinning off the venture removes the corporate character and increases innovation pace. A spin-off also removes the growth-cap a venture has internally (it can never outgrow the corporate itself).
- Internal ventures are less attractive for external clients, as a result of the strategic control ENGIE can exert on the internal venture. Spinning it off removes the barrier for these potential clients, and more clients will be attracted.

**External involvement with Spin-offs**

For a spin-off, **external investors must always be involved.** Otherwise, the spin-off becomes a farce (as the corporate would still own a majority share and still exerts full strategic power), this does not fit the motivation and intended benefits of spinning off an internal venture.

In order for **external investors to be interested in an ENGIE spin-off**, the following must be done:

- The CVU and ENGIE should really cut ties with the spin-offs and keep it at arm’s length similar to external ventures. This means fully transferring IP rights and relevant experts to the spin-off and providing the spin-off with sufficient autonomy (similar to external ventures).
- Also, the CVU is responsible for ensuring the internal venture has a certain degree of maturity before spinning it off.
- **Share distribution** should be as equal as possible. This prevents ENGIE from maintaining too much strategic control (considered as a disadvantage by other investors). See the interview results for proposed distributions.

When the above are not in place, external investors are less or not at all inclined to invest in an ENGIE spin-off.

A **strategic investor** should be involved when: The motivation for spinning the venture off was that it is no longer core to ENGIE’s strategy, in this case a strategic investor that has more knowledge of the spin-off’s technology or market segment should be attracted in order to help the venture scale. Furthermore, a **strategic investor can serve as an external validation** for the growth opportunities
of a venture in other markets. Especially when the spin-off wants to enter an unknown market (to ENGIE), a strategic investor from that market should be involved.

A possible disadvantage of working with strategic investors that should be considered, is that these strategic investors can **disagree with and block possible agreements/collaborations** (proposal to negotiate) ENGIE wants to sign with its spin-off.

A **financial investor** should be involved when: structure and discipline is needed for the spin-off (i.e. venture building and scaling capabilities), as VCs have more experience in scaling ventures. Also, when the venture wants to develop across multiple industries/markets, a VC can add more value than strategic investors that are often knowledgeable in specific markets.

Ideally the CVU should aim for a **mix between strategic and financial investors** for an ENGIE spin-off.

In order for the CVU and ENGIE to be able to select the right external investors, it is crucial to **critically reflect on its own capabilities** and whether these are sufficient to help a spin-off scale or not.

---

**Team aspects of a Spin-off**

**Composition & Compensation aspects.**

**Composition aspects**

The CVU has the important responsibility of educating ENGIE-employees that are part of the spin-off about what it means for them in terms of leaving the safe ENGIE haven (compensation, obligations, shares, job-security, etc.), as interviewees argued that corporate employees perceive significant risks.

In a spin-off, the CVU must **analyze the internal venture’s team** for the following two **skills: entrepreneurial experience** in order to scale the spin-off, and expert **market/technology knowledge**.

The spin-off CEO should be – in most cases – **found outside the ENGIE walls.** As the **entrepreneurial skills** needed are not abundant within ENGIE. In rare occasions, the spin-off CEO can potentially come from within ENGIE. Mostly, **after the spin-offs scales**, the CVU should replace this person with a more experienced **serial entrepreneur** that knows how to scale a startup.

The development phase (e.g. developing the spin-off’s technology.) can be done with a former ENGIE-employee as spin-off CEO. However, when the **commercialization/scaling phase is entered**, attracting an external entrepreneur is advised.

To ensure **continuity after spinning off a venture**, the CVU should ensure that certain technical/市场 experts part of the internal venture stay involved with the spin-off. In case these people are not willing to join the spin-off, an **advisory role** should be considered where they remain ENGIE-employees.

- An advisory role harnesses the necessary knowledge without jeopardizing the entrepreneurial culture of the spin-off by including people that are potentially unfit or perceive too much risk of being part of a spin-off venture.

**Compensation aspects**

The CVU should consider the ENGIE-employees that spin-off with the venture in terms of their compensation, as these people **perceive a risk** leaving the corporate organization.

The ENGIE-employees joining the spin-off should **always be compensated based on incentive driven packages** (including startup conform salary, shares, and option to buy more shares in the future). To compensate the risk of leaving the safe ENGIE-haven.

Compensating the ENGIE-employees based on their **ENGIE salary will lead to corporate behavior**, this does not align with the potential benefits of spinning off a venture (removing corporate character).

Additionally, one interviewee argued that the external entrepreneurs, involved with the **internal venture (prior to spinning it off)**, should always be **incentivized with a bonus structure.** When a spin-off is done, these people should receive shares.

---

**Spin-off Autonomy and Involvement with Spin-offs**

ENGIE has to **realize** it has to **let go off strategic control** over a venture when it is spun-off. Often, this is a **misconception** for corporates with spin-offs. The CVU at EVIS is responsible for ensuring **sufficient autonomy towards the spin-off**, as it is argued by the interviewees that spin-offs thrive when they can operate autonomously at arms’ length.

The CVU should ensure that a **spin-off is treated the same as an external venture in terms of autonomy.**
The **same high autonomy levels (compared to external ventures) are advised for Spin-offs** for the following reasons:

- In order for the spin-off to reap the intended benefits of becoming a separate startup venture, autonomy is crucial.
- External investors prefer high autonomy levels, as they do want similar strategic control over the venture as the corporate ‘founder’ ENGIE has, to be willing to invest. These external investors do not accept a level of advantage for ENGIE over the spin-off.
- Dependency of the Spin-offs on ENGIE should be minimized as much as possible. As external investors are less inclined to invest in spin-offs that depend/collaborate too much with their corporate parent.

It is advised to the CVU to (be willing to) maintain a **higher minority stake in spin-offs than is done for external ventures in the CVU’s portfolio**, for the following reasons:

- Small stake will make external investors question the trust the corporate parent has in its spin-off (i.e. bad signal to the market).
- In some spin-offs it is argued that simply not enough external investors can be found, however, the spin-off is still done as the alternative (discontinuing the venture, or continuing it as an internal venture) are not optional.

Ensure **Chinese Walls** between Investment Management and Commercial Management are even more crucial for a spin-off compared to external ventures. Because conflicting interests can be harmful for the spin-off’s reputation in the market.