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Why a Weakened VC Market Is a Huge Opportunity for Corporations

Venture funding has seen a notable downturn over the past 12 months, opening the door for corporations with strong capital bases to seize a larger share of deals.

The market situation also presents a favorable moment for corporations to revisit opportunities that they passed on previously because the price was too high.

These corporations are not merely filling a void left by cautious VCs but also stepping up to bring value to ventures and themselves.

This is good for the ecosystem: as Bill Gurley recently pointed out, if corporations continue to be the strategic drivers for ventures, you will also see a smarter, better venture community.

Corporate CEOs, take a key look at ventures to see where there are opportunities to acquire a company at a reduced cost that fills a product or market hole.

Using a strategic venturing orientation, CVCs can unearth technologies or business models that heighten the value and profitability of a corporation's existing products. A boat company might discover the future potential in electric motors, while an RV company could adopt a lucrative subscription model (as opposed to relying solely on sales). Moreover, partnering with a venture can allow corporations to penetrate markets previously inaccessible due to generational or geographical limitations.

Traditionally, CVCs have made few high-stakes investments per year, akin to betting everything on red or black at a casino. A more balanced approach involves distributing the same amount of money across various ventures, each representing a different idea and opportunity. This allows the corporation to test and capitalize on a range of strategic options.

Companies like Meta, Toyota, and GM have excelled at this because of their ability to draw on various ideas, their startup mindset, or simply the amount of capital at their disposal.

The current state of the VC market paves the way for corporations to engage in more active mergers and acquisitions. Companies previously unwilling to sell may now be more open to such opportunities.

CVC leaders that check their investments for strategic viability will come out ahead.

CVCs focusing on strategic opportunities that can truly integrate with the corporation's business model will create long-term value. (If investments are purely financial, it’s helpful if handed over to the CFO.)

To the CEOs and rising leaders of corporations: If the head of your CVC unit can't show how they will drive growth for you in the next 12 to 18 months, you might suggest they update their resume— or move them into a different role. But if there's potential for developing an ecosystem strategy, seek an entrepreneurial partner who can provide expertise and advice for strategic, growth-focused investments.

With general venture activity decreasing, corporations have a real opportunity to make their CVC units a catalyst for future growth, creating a narrative that their regular course of business wouldn't permit.

The right moves **now** will help ensure that your company remains relevant **now and for the next decade.**

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