TechNexus
VENTURE COLLABORATIVE

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3 Questions CEOs Want to Know About CVC but Don't Ask

What's in it for me? At some point, we all ask this question out loud or to ourselves. And, sometimes, we don't ask this question when we should. During our conversations with CEOs, we are asked some variation of the following three questions when we meet with them or their board members about venture investing for corporations. For as many people who ask these questions, we've found an equal amount that, for whatever reason, don't.. For as many people who ask these questions, we've found an equal amount that, for whatever reason, don't.

So, let's get them out in the open, shall we?

1.) How do we ensure we look broadly enough in our investments?

This becomes a question of focus. The best partners/ventures aren't always the ones knocking on your door. In fact, our partners find that only a tiny percentage of those who contact them become investments. Currently, VCs or CVCs pitch multiple ventures that might fit. This can become overwhelming and, in most cases, leads to mistakes. We take a different approach: 41% of TechNexus' investments come from our worldwide network and 43% from our active search. Only 6% are the ones that knock on our door.

2.) Why invest when we can just partner?

This is as much art as it is science. It ultimately comes down to commitment, having "skin in the game," as some say. When you invest, both the venture and the corporate partner have a higher level of commitment. What we've learned over the last decade helping corporations do this is to invest enough to get the venture's attention but not so much that they become distracted or "bought." Furthermore, if your corporation is going to work with the venture, you will be a kingmaker and should reap some of that reward.

3.) How do we effectively engage our business units and the venture without distracting our BUs from their day job?

This is likely the question on executives' minds most of the time, and when done well, it can have the most significant impact. Research by HBR shows that 42% of innovation projects stumble or fail when handed off to business units. The answer is to create true incentives and accountability at the BU level.

The best way that we've found to do that is to involve key leaders of the business unit in helping to shape the areas of focus, then back them up with a team of investment and collaboration professionals so that they don't become distracted from their "day job."

While these critical questions about CVC may not always be voiced, they are essential for CEOs and board members to address when considering venture investing for their corporations. Striking the right balance between investing and partnering while effectively engaging business units without distracting them is critical to corporate venturing success. By openly tackling these questions, businesses can pave the way for more focused and productive CVC endeavors to ensure a path toward growth and innovation.

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