

FUNDAÇÃO GETULIO VARGAS

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**HOW DOES CORPORATE VENTURE CAPITAL SPUR INNOVATION? A CROSS-
COUNTRY ANALYSIS BETWEEN THE BRAZILIAN AND AUSTRALIAN MARKETS**

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Empresas de São Paulo of Fundação Getulio Vargas,
as a requirement to obtain the title of Master in
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Knowledge field: Internacionalização de Empresas

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RESUMO

Corporate venture capital consiste em uma poderosa ferramenta para empresas gerarem inovação. Esse estudo teve como objetivo identificar quais são os mecanismos e condições que melhor exploram todo seu potencial de inovação para maximizarem os benefícios dos investimentos que empresas realizam em startups. Baseado na literatura de inovação e corporate venture capital, o estudo conduziu uma comparação entre os mercados brasileiro e australiano combinando os métodos de entrevistas semiestruturadas com empreendedores e executivos de corporate venture capital, com uma revisão atualizada da literatura da prática de corporate venture capital em ambos os países. Os resultados indicaram que, apesar de diferenças estruturais entre as práticas de corporate venture nesses países, alguns aspectos sistematicamente contribuíram para geração de inovação. Primeiramente, as corporações precisam ter um entendimento sólido do que constitui a prática de corporate venture, estabelecendo objetivos claros e indicadores de performance. Além disso, elas precisam considerar fatores externos que impactam no resultado, tais como as especificidades das indústrias nas quais elas estão inseridas. Finalmente, é necessária uma gestão ativa da inovação partindo dos altos executivos da empresa para garantir que a empresa está aberta e apta para receber práticas e produtos inovadores vindos de suas investidas.

Palavras-chave: Estratégia de inovação, Fontes Externas de Inovação, Corporate Venture Capital e Financiamento de Startups.

ABSTRACT

Corporate venture capital consists of a powerful tool for companies to innovate. This research aimed to identify the set of conditions and mechanisms which makes corporations get the most innovative outputs from investments that they realize in startups through their venture arm. Based on a literature review on innovation and corporate venture capital, the study conducted a cross-country comparison between the Brazilian and Australian markets mixing methods of semi-structured interviews with entrepreneurs and corporate venture capital executives, with a systematic literature review about corporate venture capital practices in both countries. The results indicated that despite structural differences between corporate venture capital practices in both countries, some aspects systematically produced innovative outputs for their parent companies. Firstly, corporations need a solid understanding of corporate venture capital's functioning before engaging in venture activity, setting clear objectives and performance indicators to it. Secondly, they need to consider environmental factors, such as industry specificities that can affect the venture arm's performance. Furthermore, they need an active top-down innovation management to guarantee that the parent company is opened and able to absorb innovative practices and products from their investees.

Keywords: Innovation Strategy, External Innovation Sources, Corporate Venture Capital, Startups Financing.

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CVC	Corporate Venture Capital
IVC	Independent Venture Capital

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1. Introduction

Innovation capability has demonstrated to be a vital resource for companies to adapt to a corporate environment currently characterized by change and the disruption of traditional business models once taken for granted (D'Aveni et al., 2010). To remain competitive, therefore, companies have put innovation in the center of their corporate strategy and developed specific frameworks to achieve the most outcomes from realized investments in innovation (Amit, 2010) in the form of practices, people, processes, patents, and synergies. The way companies apply this framework, however, differ a lot. A firm may recur, for instance, to a combination between a more internal set of innovation, such as investments in R&D, and external sources, by the collaborative knowledge-sharing relationships that they have with one another (Wadhwa, 2015), such as mergers, acquisitions, partnerships, and corporate venture capital.

Current literature (Dushnitsky & Lenox, 2005; Yu et al., 2017) presents an extensive understanding of how developing innovation through internal sources using R&D is beneficial for companies competitiveness. However, external sources, especially corporate venture capital, is far less explored. The most recurrent understanding of the term consists of direct equity corporate investments by established corporations in entrepreneurial ventures (Dushnitsky & Lenox, 2006). Furthermore, existing literature explains mostly quantitative, rather than qualitative, aspects of the CVC, focusing on when (Basu, 2011) and why (Dushnitsky, 2006) a company is more likely to create a venture arm to invest in startups, rather than how this relationship works.

Corporations maintaining some type of corporate ventures subsidiaries demonstrate having more innovation productivity and also higher firm values (Dushnitsky & Lenox, 2006). Hence, this study aims to contribute to the field of external innovation sources by addressing the gap of a more qualitative approach to understand the mechanisms and conditions responsible for transferring innovation from startups to the investor corporations. The research question in this study is, therefore, "what are the set of conditions which make corporations get the most innovation potential from the ventures that they invest in the perspective of the Brazilian and Australian ecosystems?". Ultimately, it aims to help managers in corporations to make decisions regarding innovation policies to maximize the long-term value of the firm.

The methodology employed in this study consists of the qualitative method, mixing in-depth semi-structured interviews with the primary stakeholders of a CVC investment in Brazil and Australia, with a systematic literature review about the current corporate venture capital practices, and an analysis of key CVC players in these countries. The research interviewed three Brazilian and two Australian entrepreneurs, as well as four Brazilian and three Australians CVC executives. By mapping these stakeholders' perspective, the research expects to triangulate their incentives and develop a holistic view of how the corporations manage to absorb the innovative capabilities from their investees. The study utilizes the Brazilian and Australian CVC environment, constituting a cross-country analysis to understand the impact of the economic development in corporate venture capital outcomes and to enable broader assumptions about CVC. The selection of countries also facilitated access to critical data for the study, as Brazil is the author's home country, and Australia is where he was living and had an extensive industry network through the university during the development of this work.

To explore and develop the research question further, the thesis presents the following format: (2) Literature review, exploring the importance of innovation for reaching sustainable competitive advantages and how corporate venture capital can help companies to be more innovative by absorbing startups capabilities; (3) Methodology, which exposes the aim and objectives of the study, as well as its research design, the methodological approach and an analysis of the current Brazilian and Australian CVC market; (4) Discussion of results; (5) and finally, the conclusion.

2. Literature Review

2.1 Innovation for sustainable competitive advantages

With the rise of turbulence and dynamism in the business environment, explaining different performance among competing firms and why some of them seem to maintain a sustainable competitive advantage is not as easy as it once was. What we do know, however, is that companies which achieve sustainable competitive advantages reach this position, because firstly, they obtained some temporary competitive advantages by maintaining a superior position in technological resources and capabilities (Li & Liu, 2014). By accumulating a series of these temporary advantages, a company can sustain a strong market position in comparison to the competition and therefore, use its leverage in capital and resource to invest more in technology and extend its resources and capabilities even more, creating patents and hard-to-replicate technology (Huang, 2015) that will drive to sustainable advantages in a virtuous cycle.

When one speaks of technology investments and new capabilities, innovation rapidly comes into mind. Indeed, innovation demonstrated to function as a critical mediator to achieve sustainable competitive advantages (Yu et al., 2017). For instance, an innovative culture, with the proper knowledge on how to manage innovation, enables products and services improvements for customers, first-mover advantage in releasing new products (Urbancova, 2013), and unlocking more value through distinctive and hard-to-imitate strategic assets (Camisón & López, 2014). Oslo manual (2018) is the OECD's initiative which sets global standards for innovation's definition and measurement by utilizing world accepted statistical frameworks and guidelines. Its standard definition of innovation stands for "a new or improved product or process (or a combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)".

Moreover, within the broad definition, the Oslo Manual (2018) defends separating innovation into two concepts further: innovation activities and business innovation. The former stands for innovation as a process, with "all the developmental, financial, and commercial activities undertaken by a firm that is intended to result in innovation for the firm." While the latter means the outcome, such as "a new or improved product or business process that has been introduced to the market or brought into use by the firm." That definition represents progress in comparison to

previous ones acknowledging four types of innovation: product, process, market and organizational (Edison, Ali & Torkar, 2013), once it reduced the complexity and ambiguity concerning the concept.

Despite innovation seeming like an intangible asset, establishing an objective measurement over it is not only possible but essential for firms that want to obtain a superior competitive position. Companies can evaluate their innovation performance by separating it into input variables, processing variables, and output variables. Input variables consist of "the percentage of the gross value added of industrial firms spent on R&D and the percentage of the turnover of industrial firms spent on innovations" (Hesen, 2001). Processing variables, such as the number of different sources of information or the presence of collaboration with other firms to invest in innovation projects. Furthermore, some output variables consist of patents granted, the number of ideas converted to products, the number of improvements in the existing products, and the perceived product quality. Finally, Subjective measures are also available, such as whether the company fosters a creative environment in the employees' perspective (Edison, Ali & Torkar, 2013).

There is extensive literature about how firms innovate. The first and most uncertain and risky form of innovation consists of an exploration of new capabilities through the creation of new knowledge, technologies, and products for unexplored demands. On the other hand, a firm can exploit innovation, by being more conservative and making incremental improvements and changes in existing products and technologies (March, 1991). Companies explore both paths, even though there are more incentives to explore the easiest and incremental type of innovation. Still, there seems not to exist any trade-off between choosing, exploration, exploitation, or both and organizations adjust the rates according to the organizational learning theory (Greve, 2007). In fact, ambidextrous organizations that maintain several innovation strategies are often the most successful, and many times the only ones that survive in a disruptive industry (Andriopoulos & Lewis, 2009).

Furthermore, the exploration and exploitation innovation strategies are achieved with two possible sources to generate innovation: utilizing internal or external sources, or a mix between the two. Dushnitsky and Lenox (2005) are among the authors who studied innovation strategies the most and suggest that these sources are complementary, rather than substitutes. In any case, the degree of utilization of each source depends on contextual elements of the firms' strategy and its

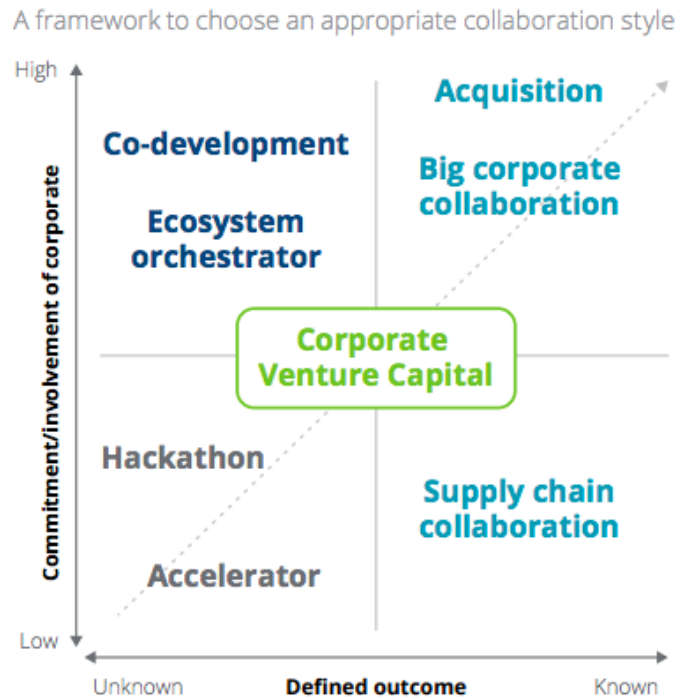
geographic location. More recent work corroborates with this view, highlighting that the decisions about developing in-house or outsourcing innovation are, in fact, not correlated, having the majority of companies a combination of both “make” and “buy” strategies, depending on its resources’ availability (Materia, Pascucci & Dries, 2017). Therefore, it is possible to measure the innovation outputs from the innovation sources and develop an optimal strategy, combining internal and external sources.

The set of conditions that can influence on the firm’s probability of outsourcing or develop in-house innovation appears throughout the resource-based view (RBV), transaction cost economics and dynamic capabilities literature. The firm’s strategy will determine whether the in-house development of innovation is a strategic asset, inclining it to develop more internal sources, such R&D when a firm develops new technologies with an internal team with that specific purpose (Cassiman, 2006).

On the other hand, more recent work explores how firms also aim to external sources in the form of alliances with other corporations (Lin et al., 2012), universities, professional network, mergers and acquisitions (Ozcan, 2015; Tong & Li, 2011), open innovation (Chesbrough, 2006), and corporate venturing. Facing that amount of options, the chosen external source depends on several environmental pre-conditions, such as the firm’s architectures and government regulation, the size of the organization, and high information technology capabilities, which makes it more likely for a firm to absorb new capabilities (Materia, Pascucci & Dries, 2017).

Among the most relevant external innovation sources, the open innovation model and corporate venturing stand out. The former consists in the "use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively" (Chesbrough, 2006). While the latter englobes several activities, such as innovation labs, hackathons, incubators, accelerators, partnerships, investments (Corporate venture capital) and acquisitions (Deloitte, 2019). In figure 1 below, it is possible to understand each of these corporate venturing instruments within a matrix with the level of commitment and certainty of expected outcomes.

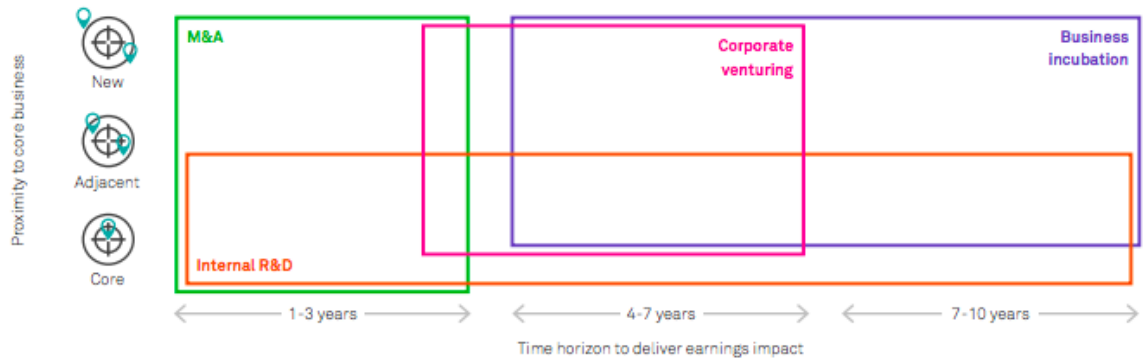
Figure 1 – Framework to choose an appropriate collaboration style



Source: Deloitte (2019)

The innovation' outcomes in terms of profitability are noticeable from the short-term but are even more evident in the long term. In the short term, "implementing an effective innovation program can also indirectly contribute to an increase in profitability by improving R&D efficiencies" (Zhang, Yu & Xia, 2013). Still, if the time frame is eight years, firms with an effective innovation strategy outperform the average by 39.1% (Zhang, Yu & Xia, 2013). Considering the high impact that innovation causes on performance, it is critical to understand how it works and how to properly manage it (Urbancova, 2013). In this regard, figure 2 shows when corporate venturing is expected to give innovation related results. For this reason, having a long-term oriented corporate governance with a board that has multiple board mandates and institutional ownership assures the company will choose the best innovation strategy method, accordingly with its characteristics (Anokhin, 2016).

Figure 2 - Corporate innovation Toolkit



Source: Boston Consulting Group (2011)

2.2 Corporate Venture Capital

Within the corporate venturing, one of the most prominent external innovation sources is corporate venture capital (CVC). The business environment currently employs the term for a different set of interactions between big, small and medium firms with startups. Many of these companies are still testing the best configuration for this interaction (Menezes, 2018). Still, the most accepted definition consists of direct equity venture investments that established corporations make on entrepreneurial ventures (Dushnitsky & Lenox, 2006). Furthermore, current studies employ the term CVC in a broader meaning as any financing method utilizing "CVC arms or corporations making equity investments off-balance sheets or whatever other non-CVC method employed." (KPMG, 2018).

The activity that originated the term first appeared in the 1960s and since then, has had many waves of significant expansion and drops in operation. Since 2010, corporate investments have shown an ascendant trend, and by 2018, it already represents more than a fifth of total venture capital investment in the world, participating in investment rounds exceeding 52\$ billion dollars worldwide (CB Insights, 2018). Considering only the year to year from 2017 to 2018, there was a 47% growth in absolute terms, showing that this is still a growing market with 264 new CVC firms investing for the first time in 2018 globally. This growth is especially pushed by industries such as the internet, mobile, and healthcare. However, AI, cybersecurity, and digital health consist of one of the most relevant trends. According to CB Insights (2018), China pushed Asia to become the fastest-growing market, with a share of 38% versus 41% in North America. While the more active

corporations were Google Ventures, Salesforce Ventures, Intel Capital, Baidu Ventures, Legend Capital, and SBI Investment.

Many firms create Corporate Venture Capital with the purpose of increasing its innovation rate by seeking new technologies and scanning new business models that complement or possibly become a threat to its own core business. Dushnitsky (2006) confirms the effectiveness of the CVC by providing empirical evidence that firms which make corporate investments generate more value (regarding company value). Indeed, even a voluntary investment disclosure, such as an announcement of a possible startup investment may influence on the parent company's value, providing abnormal returns because of an increased perception of innovation, that could potentially generate more future revenues for the company in the future (Mohamed, 2016).

Basu (2011) demonstrates that firms are more likely to develop a venture section when operating in dynamic environments categorized by high technological change, weak intellectual property protection and need for portfolio diversification, all characteristics of highly competitive industries (Dushnitsky & Lenox, 2005). Logically, other factors contribute significantly to venturing activity, such as the parent company's resources availability. A resource-rich, especially cash-rich, company, is more likely to diversify their investments in innovation through a CVC, especially if the firm has had prior successful venture investments, inducing their corporate venture arm to continue its CVC activity. On the other hand, previous negative results or experiences that are taking long to show any result cause the opposite effect (Dushnitsky & Lenox, 2005).

CVCs are effective in bringing innovation when they can scan the market to find new technology and increase the information flow between both investor and investee company (Daft & Lengel, 1986), helping them to adapt to a changing environment (Maula, 2007). Dushnitsky (2006) suggests that this window on technology is the result of practices and routines that happen between the CVCs and the investee that facilitate the coordination and knowledge transfer to the parent company. For instance, as new ventures are naturally technology-rich, opportunities in acquiring, licensing or even imitating the venture services, products and patents raise. Also, managers, while dealing directly with the ventures can learn the capability to foresee the market trends and bring up new ideas and projects to the parent company.

Still, current literature does not describe systematically how the investee startups deliver innovation to the parent company and what role the CVC plays in this intermediation. Many times, the reasons that led companies to create a corporate venture are counter-intuitive and paradoxical (Basu, 2011). The reasons that pointed to this lacuna are mainly lack of available data disclosed by corporate investors and a dominant focus on the organizational level of a CVC, instead of their specificities on investment selection criteria or treatment effect after the investment.

This situation raises the necessity to understand not only why and when a company decides to make corporate investments, but also which set of conditions maximizes this investment's outcomes, making sure the strategy is coherent with the company conditions and available resources. The lack of understanding result in many firms relying on CVCs even with little systematic evidence through which mechanism they, in fact, create value for the parent company. They, therefore, end up making arbitrary decisions over what could potentially bring more benefits. Indeed, the value generation is proven only under circumstances when the investor firm explicitly pursue their invested corporate ventures with a strategic orientation in bringing new technology, over financial returns, a situation held by the majority, but not all the corporate venture capitalists (Chemmanur & Outskina, 2014).

2.3 Corporate venture capital versus independent venture capital

Corporate venture capital and independent venture capital firms have several differences, being the most notable regarding the poorer financial returns obtained by Corporate Venture Capitals in comparison to independent ones. Basu (2011) explains that part of this contrast is due structural deficiencies that corporate venture capital has, and for this reason, are subjected to pay a premium in relation to independent venture capital to secure the same equity stakes in entrepreneurial ventures. Still, the poorer performance obtained by CVCs indicates that they seek not only financial returns on corporate investments, but also other possible strategic benefits that could offset the financial performance and justify the investment made.

Concerning its structure, some CVC follow what Independent venture capital do, by separating themselves from the investor corporation, with a whole staff of managers exclusively dedicated to the fund and, the most important, with full investment discretion. On the other hand, some CVC are more integrated to the investor corporation and need to ask for approval for a series of

investment decisions. Notably, the comparative advantage of independent corporate funds is offering on most times better financial returns, while independent ones are serving the investor corporation strategic benefits (Drover, 2017).

Considering that there are different drivers motivating equity investments in startups, in a mixture of financial returns, strategic synergies or a combination of both, CVCs and traditional Venture Capital employ different selection criteria for the invested ventures. The differences are evident not only in the selection criteria but also in the internal organization of a CVC versus a traditional one. As Corporate Ventures consist in a subsidiary of the parent organization, its compensation must not differ much from what managers have on their parent company to avoid internal conflicts and interdepartmental jealousy (Birkinshaw, 2002). Therefore, a typical CVC fund manager receives a higher proportion of fixed salary rather than variable compensation, sometimes leading to lack of incentives and motivation to pursue the best selection criteria for their invested firms. Finally, a CVC must compete over the same scarce resources with other departments from their parental company, so managers who don't show short-term results are susceptible to have their corporate venture funds abolished (Sykes, 1986), invoking agency problems regarding the investment selection criteria.

CVC also differentiates itself from IVC for nurturing higher levels of innovation in the entrepreneurial firms backed by them, as Chemmanur, Loutskina, and Tian (2014) demonstrate by comparing their number of registered patents. The better performance is a result of a selection effect due to a higher technological fit between the parent and entrepreneurial firms and treatment effect, explained by the facilitated access entrepreneurs might have to strategic alliances and resources, leveraged by their increased bargaining power provided by the parent company. Despite the better performance in innovation, CVC backed ventures are on average younger, riskier and less profitable. However, CVCs have greater failure tolerance by the CVC in comparison to the regular VC, once they are not backed by financial institutions (Ozmel, 2017).

Another particularity of corporate venture capital is a possible information asymmetry between the investor and investee, what could diminish the positive effects of the partnership. This problem originates in the fear that ventures have of their products and processes being possibly expropriated by the investor firm, and for this reason, the entrepreneur is less likely to disclose information to a CVC. Dokko and Gaba (2012) confirms that, indeed, in CVC activity it is more likely for the

corporations to acquire their investees. This implicates that many possible mutually beneficial investment relationships are not accomplished because while the investors will want full technological disclosure from the invested company, the ventures are reluctant in sharing all information (Dushnitsky & Shaver, 2009). In low intellectual property protection cases, possibly leading to technology exploitation and imitation, leaving the entrepreneur empty-handed, corporate venture activity between companies with the same core business is less likely to happen.

Indeed, this possibly conflictual relationship also affects the likelihood of successful exits, especially considering times when corporate venture capital co-invests with independent venture capital. In this regard, syndication has a strong impact on the desired outcomes. While syndication has always been associated with an enhanced likelihood of ventures' successful exit when one considers a co-investment between CVC and IVC, the outcomes are positive for both the venture and the investors only in a restricted set of conditions (Kang, 2019). The ventures and funds tend to succeed in an exit long as reputable IVC investors are present in the syndicate, meaning that the IVC would lead the round when there is a co-investment situation.

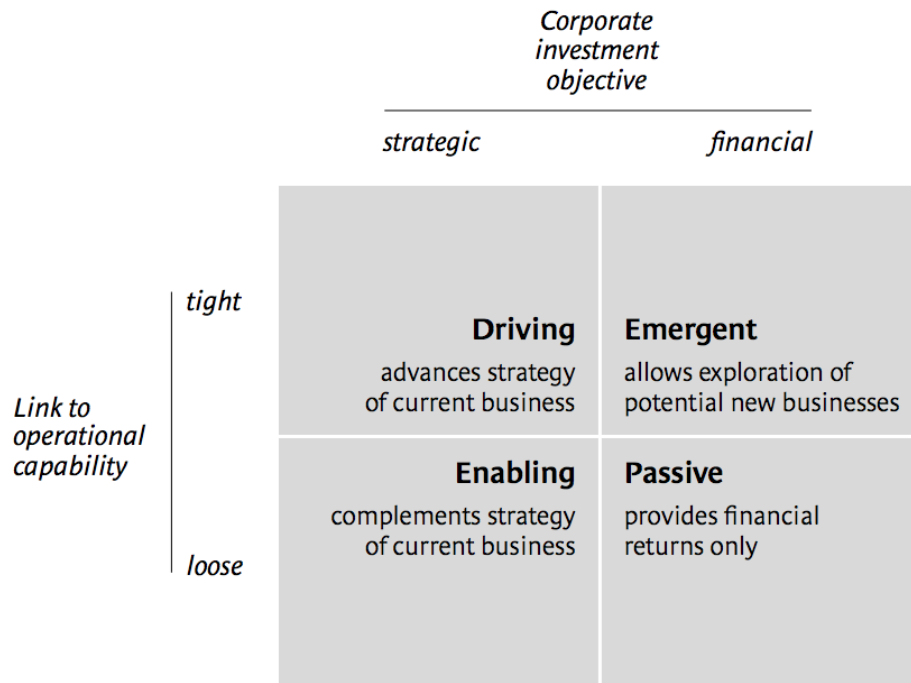
2.4 Drivers of a CVC investment

There are four primary motivations for a non-financial corporation to be willing to invest in independent startups, and they are a combination of strategic and financial objectives with high and low similarities with the investor company's core business. Regarding strategic benefits, the first motivation is a move aiming to invest in companies with low similarities between the organizations, driving the corporation in the direction that it wants to be positioned, looking at their investee companies as resources and acquiring their patents, intellectual property, and other assets. The second motivation focuses on strategically complementing the company's core business with high similarities between the companies, embracing the opportunity to extend the product portfolio. It works as a substitute or complement for the internal R&D strategy as an optimal innovation strategy (Chesbrough, 2002).

Regarding financial benefits, a third motivation for creating a CVC focuses on the search for possible financial returns on other markets that are non-related to the company's core business. A fourth motivation consists of the pure financial performance of the investee companies, focusing on the

selection criteria that optimizes the chance of investing in a startup and obtaining a high-flyer exit, adopting a strategy similar to independent venture capitals (Streletzki & Schulte, 2013).

Figure 3 - Corporate VC investments objectives



Source: Chesbrough (2002)

Finally, it also exists a fifth not previously listed motivation, which is benchmarking. If a firm feels that its innovation strategy is underperforming those of their competitors, they are more likely to develop a venture department, and vice versa (Gaba & Bhattacharya, 2012). Despite this strategy not taking into consideration the particularities of each business model, it is essential to realize that the lack of knowledge about CVC lead firms to launching it without a clear framework for innovation, potentially bringing inferior returns on investment.

It is also interesting to notice that the CVC's maturity level in the country affects the major driver for investing in CVC. Developing countries, such as Brazil tend to utilize it to access new markets more frequently in comparison to developed markets, such as in the US, where innovation and learn about new technologies constitute the greatest drivers (ABDI, 2012). When ranking the most

recurring reasons for companies to create a venture arm, the ones which stand out are providing access to new markets, expanding the value chain, source of innovation, and learning about new technologies for products and services (ABDI, 2012).

Still, regardless from what is the leading investment driver, CVCs utilize a combination of both selection and treatment effect on their investees aiming to achieve the strategic goals set by the parent firm's motivation and to succeed in the investments. The selection effect, for instance, perform a crucial role, intending to identify ventures with higher innovation potential by identifying promising alliances, intellectual and human capital (Chemmanur, Loutskina & Tian, 2014), while the treatment effect offers the CVC's managerial expertise in order to extract the maximum potential for the invested startups (Baum, 2004).

To obtain the best company selection process in financial terms, a VC defines their investment criteria to increase the chance of identifying a high-flyer exit potential, that is, a return which pays at least five times the invested capital (Streletzki & Schulte, 2013). The best practices while choosing a portfolio regarding financial returns are to invest in early-stage startups without proof of concept, look for the presence of strategic partners, such as an incubator and be located in a big city no more than 50 KM distant from the first lead investor. However, the variable that explained high-flyer exits the most was the segment; the B2C segment was responsible for most of the successful exits.

On the other hand, there are classic mistakes that entrepreneurs end up committing and indicate that a startup will not have successful financial returns beforehand. Some examples are spending too much time building and developing the wrong product, scaling in marketing spending too early without a Product-market fit, lack of flexibility to change based on customers' feedback, lack of human and financial capital, and lack of business education. Also, the lack of interpersonal relations between the founders and the investors were the primary cause of failure of early-stage startup (Lemos, 2014).

2.5 Best Practices in CVC

By studying many success CVC around the world, several authors have come up with some best practices for when companies are considering the creation of a venture arm and to properly manage

it after its implementation. Lanhenke (2008) pointed out that most CVC programs fail because they lack a precise understanding of the major objectives of the venture arm, or when companies just create it out of an arbitrary decision. Furthermore, when planning the objectives, a stronger focus on the strategic benefits rather than the financial ones consist of another clear success factor (Gompers and Lerner, 1998; Chesbrough, 2002). The objectives within strategic benefits are numerous and its selection will also determine the structure that the CVC operation will have. For that reason, companies that build a tailor-made model accordingly with its objectives are also more likely to succeed (Inventta, 2014).

By analyzing some of the best practices, Inventta (2014) also highlights the importance of constant learning for the investor corporation with its corporate venturing experience. The entire sustainability cycle also needs to be put in the long-term perspective. The success cases have shown that corporations that could employ their resources and capabilities in their venture arm while still keeping decision-making autonomy and independence are more likely to succeed.

Another critical factor consists of relationship management. Maintaining a good relationship with independent venture capital funds is extremely important for CVCs, once it gives access to their knowledge to use as a benchmark, to their deal-flow and also to some exit opportunities. Furthermore, team management shows great importance as a CVC needs to combine profiles that at the same time know a lot about the investor corporation's business, venture capital management skills, and innovation and entrepreneurship knowledge (Inventta, 2014).

3. Methodology

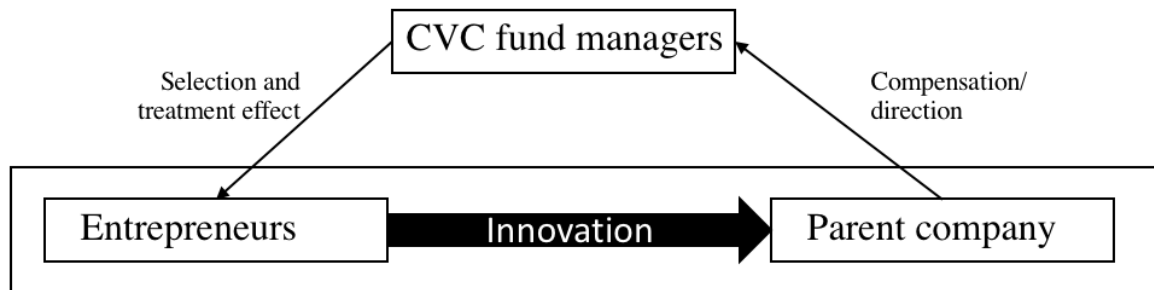
3.1 Aim and objectives

The purpose of the present study is to map the best practices for generating the most innovative outcomes in the form of practices and processes for companies that utilize corporate venture capital as part of their innovation strategy. Thus, the research problem consists of "what are the set of conditions which make corporations get the most innovation potential from the ventures that they invest," applied in the context of developing and developed economies, represented by the Brazilian and Australian markets. With the question above, the author aims to analyze the interactions between the primary stakeholders involved in the corporate investment process, such as entrepreneurs and CVC executives. By mapping and triangulating each stakeholders' incentives and perspectives (Jonsen & Jehn, 2009), it is expected to fill the gap in the research focused on the innovation mechanisms and determine the best practices to extract the highest innovation potential from a CVC investment.

3.2 Research design

The unit of analysis of the study are the mechanisms and conditions responsible for transferring innovation from the startups to the investor corporation inside a corporate venture capital context. The study followed a qualitative approach, mixing in depth surveys and systematic literature review. Previous literature developed, on its majority, a quantitative approach over the subject, demanding a more exploratory method to complement and adequately understand the phenomena of acquiring innovation through CVC (Morse, 1991). The study analyzes each of the primary CVC stakeholders' perspective of how the innovation is given in the process, thus by interviewing startup entrepreneurs (who already had some relationship with CVC), and CVC executives involved in the company's investment decisions. The study considers the Brazilian and Australian CVC to diversify the markets and enable a comparison between the contexts of a developing and developed economy, therefore, helping to isolate the mechanisms responsible for fostering innovation regardless of cultural and economic factors.

Figure 4 – Research Design



Source: developed by the author

3.3 Data collection

The methodology employed in this study consist of a mixed-method, including the survey method centered on semi-structured qualitative interviews and the systematic review method (Tranfield, Denyer & Smart, 2003). For the survey method, the interviewees consist of the corporate venture capital's primary stakeholders, once it offers a looser structure with open-ended questions enabling the interviewee to come up with possible new relevant information for the study. However, this method presents some limitations, such as getting access to sufficient key people within different corporate venture capital industries to allow a reliable cross-country comparison. Therefore, the study applied the systematic review method in the current Brazilian and Australian corporate venture capital markets as a complementary manner to increase its methodologic rigor by "providing collective insights through theoretical synthesis into fields and sub-fields" (Tranfield, Denyer & Smart, 2003).

Qualitative methods aim to obtain an in-depth understanding of a phenomenon and give it a meaning, often generate answers to why and how of a particular issue, process, situation or scene (Dworkin, 2012). As existent studies concerning corporate venture capital are not focused on the specific topic of how they generate innovation for the parent company, in-depth semi-structured interviews can both give a fresh perspective of current trends for this growing market and also an orientation on to what are some other research gaps that may exist in the field of CVC. In a

complementary manner, the systematic review of the Australian and Brazilian CVC markets will provide an overview of the existing players and structural differences between these countries.

For a qualitative survey, the number of interviewees is often smaller in comparison to the ones in quantitative methods. The reason for the smaller number is because "In-depth interview work is not as concerned with making generalizations to a larger population of interest and does not tend to rely on hypothesis testing but rather is more inductive and emergent in its process" (Dworkin, 2012). There is no specific number of interviewees that maximizes the reliability of the research, however, a good indicator is "when gathering fresh data no longer sparks new theoretical insights, nor reveals new properties of your core theoretical categories" (Charmaz, 2006). The utilized selection criterion was to interview professionals from both perspectives of a CVC investment - the entrepreneurs and the investor company's executives - to obtain a holistic view of the information flow and innovation transferring mechanisms between the parties. This study, therefore, conducted in-depth interviews with twelve executives and entrepreneurs - seven from Brazil, and five from Australia (see table 1), until when the given insights were saturated.

The selection of countries represents the diversity of a developed and a developing economy, which not only enables an analysis of the impact of external economic and institutional factors in CVC's innovative performance but also permits externalizing these variables and focusing solely on the internal mechanisms that stand within the management team's control. Indeed, when studying the generality of a phenomenon among countries, utilizing the countries' choices as a context for the study, it is important to maximize the diversity of the dimensions to explore the phenomena's universality (Mangen, 1999). Still, it is critical to pay close attention to the selection of countries for the study. As Sartori (1991) stresses, at the same time that there is no point in comparing countries that are so different to the level that the comparison will be pointless, there is also no point in comparing countries that are too similar. In this regard, the choice of Brazil and Australia provides developed financial markets, still with structural cultural and economic differences, bringing diversity for the study.

Most of the data was gathered through the author's network with startups and corporate venture capital funds in Brazil and Australia. Due to the proximity to the startup founders; they were not reluctant in disclosing any data or answering any question, providing a lot of clarity to the discussion. The author also complemented the selection by contacting participants of the event

"Apex Brasil Corporate Venture." Finally, the author contacted the incubator of the University of Sydney, which provided many entrepreneurs who had had experiences in the field. In all cases, the internet also had a central role in the study, enabling the record of interviews by distance, therefore, facilitating the access and increasing the number of interviewees that could participate

Table 1 - Interviewee's profiles

	Entrepreneurs	CVC Executives
BRAZIL	Entrepreneur A: Creator of a healthcare startup for wearables technology in Brazil, accelerated by a major global pharmaceutical company	Executive A: Former innovation manager for a large corporations and experience in connecting startups to corporations that are looking for new technologies
	Entrepreneur B: Creator of a fintech startup of payments solutions in Brazil, accelerated by a major global tech company	Executive B: Innovation management executive for a global tech company with a research lab in Brazil
	Entrepreneur C: Creator of a construction tech startup for apartment renovations in Brazil, developing partnerships and exclusivity agreements with a large incorporator	Executive C: Innovation Executive and creator of the investment arm of a major Brazilian healthcare company Executive D: Board member and new business acquisition executive for a medium commodities industry in Brazil
AUSTRALIA	Entrepreneur D: Creator of a tech startup for data analytics in Australia, accelerated by	Executive E: Former Silicon Valley Innovation Executive and creator of a finance platform for individual investors to

a major CVC originated from a telecom company	make decisions for the Australian and American market
Entrepreneur E: Creator of a tire's startup headquartered in Sydney looking for investments within big players in the industry	Executive F: Head of Australia's major telecommunication corporate venture capital fund
	Executive G: Mentor within Australia's major telecommunication corporate venture capital fund. Helps startups with their business models and funding strategy

Source: developed by the author

The interviews lasted on average thirty minutes and their majority was recorded with the help of an application after the interviewee's previous authorization. There were a few exceptions of interviewees who were not authorized to give interviews without a public relation staff with them. In that case, they accepted to contribute as long as they were not being recorded, and the author took notes of important insights. The recorded interviews were later revised in the same day to enable the extraction of translated insights in the form of bullet points, which were then separated by topics, as displayed in the results session (see chapter 4.0). The interviews were not wholly transcribed, as only the relevant topics for the research entered in the results session. In the case of interviews in Portuguese, the direct quotations in the results sessions consist of a free translation to English.

The questionnaire contains six questions (see table 2) that were tailored according to the interviewees (CVC executives and entrepreneurs) still leaving space for any other significant contribution that may arise during the interviews. The questions were designed to understand if their perception regarding the innovative objectives were aligned, or if they share the incentives to pursue innovation through the relationship and what they think is the best way to obtain it. The

answers generated comparable outputs that enabled the triangulation of each part's incentives and perceptions in order to form a big picture of how CVC spur innovation.

Table 2 – The interview guide

Current literature reference:	Questions for the entrepreneurs:	Questions for the CVC Executives
<i>Innovation for sustainable competitive advantages:</i> Camisón & López (2014); Cassiman, (2006); Edison, Ali & Torkar (2013); Huang (2015); Yu et al. (2017); Materia, Pascucci & Dries (2017); Urbancova (2013).	Do you consider that innovation is the base of the competitive advantage of your company in relation to possible competitors?	Do you have any performance indicators over which you can measure the innovative outcomes from investments realized on innovation, such as number of projects implemented?
<i>Role of corporate venture capital:</i> Basu (2011); Chemmanur & Outsina (2014); Daft & Lengel (1986); Dushnitsky & Lenox (2006); Maula (2007); Menezes (2018); Wadhwa (2015).	Do you believe that a CVC can give you access to key resources from the parent company which you wouldn't have otherwise?	Do you have a perception that financial returns are not the main driver for a corporate venture capital? What is an ideal balance between financial returns and strategic benefits in the invested companies?
<i>Differences between corporate venture capital and independent venture capital:</i> Basu (2011); Drover (2017); Sykes (1986); Ozmel (2017); Dokko and Gaba (2012); Dushnitsky & Shaver (2009).	Do you perceive any difference in the relationship with corporate venture capitalists in relation to independent venture capitalists? Do you just look for financing or also “smart money”?	Why did you opt for having an own corporate venture arm instead of establishing partnerships with already existing independent venture capital funds?
<i>Selection effect:</i> Chemmanur, Loutskina & Tian (2014); Streletski & Schulte (2013).	Do you have any preference on the exit strategy of you company, for instance an IPO, an acquisition by an investment fund	Do you practice a differentiated selection effect on the invested companies based on which is the corporation's core business, for

	or a corporation working in the same field?	instance, a similar or complimentary activity from the parent company one
<i>Treatment effect:</i> Baum (2004).	Do you consider the active management and decision power of investors (“smart money”) beneficial for your company’s growth?	How much influence would you like to have on the investee companies? Would you consider a more intense interaction during the investee’s early stage or only after an eventual acquisition or investment round?
<i>Drivers of a CVC investment:</i> Chesbrough (2002); Streletski & Schulte (2013); Gaba & Bhattacharya (2012).	How do you manage possible conflict of interests when an invested company fear that their innovative project or idea might get “stolen” by the investor corporation?	How do you manage possible conflict of interests when an invested company fear that their innovative project or idea might get “stolen” by the investor corporation?

Source: Developed by the author (2019)

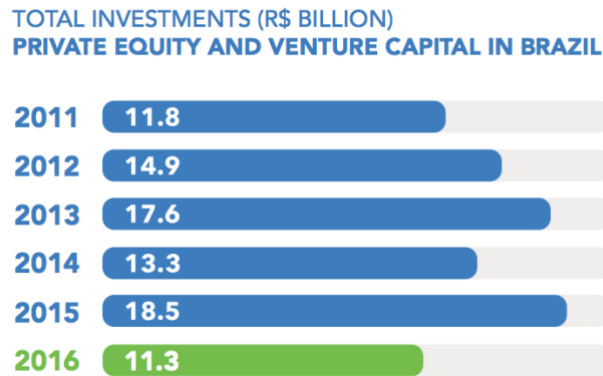
3.4 Backgrounds from Brazil and Australia

The chosen markets that contextualize the research, the Brazilian and Australian corporate venture capital markets, have striking differences regarding its demographics and venture capital industry. While Brazil is considered a developing country, with structural deficiencies despite its developed financial and banking sector, Australia always figures between the top list in the development rankings and count with numerous governments incentives to foster research and innovation. This comparison will enlighten how these external factors impact on the innovation generation through CVC, as well as will enable the identification of mechanisms that generate innovation regardless of environmental factors.

According to the Economist Intelligence Unit, by 2017, Brazil had a population of more than 200 million inhabitants, with a per capita GDP (in US\$, considering purchase power parity) of USD 15,605, therefore positioned around the 78th place in the world. Its slow recovery from a recession, complicated tax system, poor infrastructure, deficiencies in the factor market and a shortage of skilled workers also represent obstacles for the installed companies. Still, Brazil has by far the most developed financial sector in Latin America and shows rapid expansion of private equity and venture capital market, also improving its regulation. According to the Associação Brasileira de

Private Equity e Venture Capital, the 84 venture capital companies in the industry (including CVC) invested more than USD 11 billion in the country, USD 2 billion only in VC, with a high focus on the so-called agrotech companies.

Figure 5 – Historical of equity investments industry in Brazil



Source: Associação Brasileira de Venture Capital e Private Equity

Figure 6 - Venture capital and Private equity industries in Brazil in 2016



Source: Associação Brasileira de Venture Capital e Private Equity

There are many players in the Brazilian venture capital industry, including non-governmental and governmental actors. Among the former, the country includes the Brazilian Private Equity and Venture Capital Association (ABVCAP) and GVcepe among the most relevant and influential players. While the latter counts with governmental agencies, such as the Brazilian Industrial Development Agency (ABDI), the Financier of Studies and Projects (FINEP), and the National Economic and Social Development Bank (BNDES), the Brazilian Micro and Small Business

Support Service (SEBRAE). Working together, these agencies provide a fertile environment for a growing venture capital activity (GVcepe, 2012).

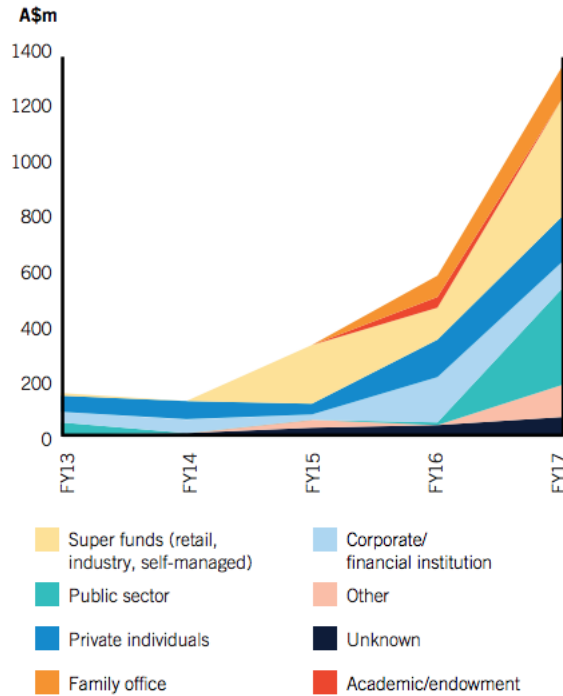
To understand a little bit more about the Brazilian corporate venture environment, among the most established players are Inovabra, a subsidiary of one of the leading Brazilian banks. It deploys R\$ 200MM from its parent company to invest equity in minority shares between R\$ 1MM and R\$ 5MM per startup in seed and Series A stage. The industries of interests consist of fintechs, healtechs, and insurtechs, that its, companies related to the bank's core business model. It also maintains a close relationship with the investees, providing incubation, mentoring and strategic advice (Inovabra, n.d.).

Another Brazilian initiative consists of Inove Positivo, created by one of the Brazilian technology manufacturers. The corporate venture also invests minority equity of flexible value, depending on the investment need, in startups that have synergies related to their core business, including medical technology, educational technology, the Internet of Things, and smart cities. The company also explores its existing channels and customer base to benefit startups that they invest in, providing a quick path to growth (Positivo, n.d.).

Finally, another Brazilian company with a corporate venture capital initiative is BMG through BMG Tech. The bank associated with an existing Investment fund to search for opportunities in startups from several segments and industries, such as agribusiness, energy sector, tech startups, and real estate market. It intends to provide not only financial capital but access to its existing resources and connections to enable the venture's growth (BMG, n.d.).

Australia, on the other hand, had a population of only 24.5 Million and figures among the top 20 highest per capita GDP in the world, with around USD 50,000 per year. Its economy has been stable for the last years and forecasts a 2.3% economic growth from 2018 until 2022. The financial industry is highly developed and the largest in the country, accounting for nearly 8.9% of the GDP by 2017. Furthermore, the Australian government has been using R&D tax credits to boost investments in innovation and technology and using a friendly regulatory environment to attract startups. So far, it has successfully increased the venture capital market from USD 300 million in 2015 to more than US\$ 1.3 billion in 2017 split in 21 funds and growing at a fast rate.

Figure 7 – Sources of Venture capital fundraising in Australia



Source: Australian Private Equity and Venture Capital Association Limited

On the Australian side, one of the most relevant corporate venture capital firms is Telstra Ventures. It consists of a "strategic growth investor in lighthouse technology companies that are commencing scale" by providing capital for investments with a "Strategic Growth Investment" approach (Telstra Ventures, 2019). It has already invested more than US\$300 million in more than 60 ventures, with a successful exit in 16 of them. Its investment thesis consists of small equity investments in the very initial stage in the areas of cloud, security, network, consumer, media, and mobile. One of the major differentiators for the firm is to provide startups that they invest access to people, such as the most senior levels of the Global 2000, talent and capital of the parent company: Telstra.

Another major Australian corporate venture capital fund comes from Westpack Banking through a subsidiary called Reinventure. Its investment thesis is providing smart capital and strategic partnerships with a capital availability of \$150MM to invest in startups within the fintech industry-only, especially modularization and embedded financial services. The main objective is to follow the investees in upcoming investment rounds and stay engaged with them as they grow. One of the

biggest differentiators is only searching for startups which can benefit from the parent company's network (Reiventure, n.d.).

3.5 Analysis criteria

Qualitative research demands interpretation mechanisms to isolate possible biases that the author might have, such as values, personal background, gender, history, culture, and socioeconomic status (Creswell, 2017). Despite sometimes considered infertile by some researchers for not being easily reproducible, the content analysis of the hard evidence collected in the in-depth interviews is able to provide rich data in order to understand a phenomenon in a broader context (Vaus, 2013), which is highly valuable for an area that lacks more explanations on how and why this phenomenon happens.

The conducted in-depth survey produced biased outputs over each stakeholder's perspective of the innovation potential in a CVC investment relationship. The entrepreneurs want to grow the value of their innovative startups by exploiting the parent companies' resources, while the parent companies' executive team is interested in exploring the startups' innovation potential, once, if successful, can directly increase the firm value (Dushnitsky & Lenox, 2006). These incentives show that innovation sometimes means giving up the technology to the parent company (Dokko & Gaba, 2012) consisting in a potential conflict of interest and highlighting the importance of understanding each part's motivations in a CVC, as well as the available institutional IP protections.

Considering all the different stakeholders' incentives in a CVC investment, the research applied a treatment to separate these incentives by topics, enabling a clearer analysis of what were the mechanisms spurring innovative capabilities in the investor corporation.

4. Results

This chapter addresses the discussion of results from the in-depth interviews conducted between November 2018 and August 2019 in the Australian and Brazilian markets with five entrepreneurs with previous CVC experience, and seven CVC executives. The following table (table 3) summarizes all the relevant discussion brought by the interviewees according to their associated topics, also enabling a comparison between the Brazilian and Australian corporate venture capital market.

Table 3 – Summary of Results

Relevant Topics for the Discussion of CVC's Innovation Outputs	Brazilian Market	Australian Market
Innovation's importance for sustainable competitive advantages	Corporations systematically search for innovation sources to keep up with the increasing competition and industry disruption	Corporations systematically search for innovation sources to keep up with the increasing competition and industry disruption
Strategic motivation for companies to engage in venture activity	Innovation over financial returns, but programs that do not present positive returns are heavily opposed	innovation over financial returns, but financial returns are still relevant in the long term
Configuration of Corporate venture capital	Varies from industry to industry, but cheaper hybrid alternatives to CVC are popular	Co-investments with IVC and small equity investments in startups in their early-stage
Entrepreneurs' motivation to partner with corporations	Usually recur to any type of financing available. Still, IVC is in the top of mind, despite CVC having its space in specific industries	Recur to CVC already thinking of their distribution channels, customer base and expertise the corporations, being that form of financing very popular in the country
Short term X Long term	Companies put short-term pressure for results (either financial or strategic) in their venture arms, despite the longer-	Results coming from the venture arm in financial or innovation terms are expected to be long-term (up to 7 years), existing no

	term nature from these investments	pressure over short term liquidity of investments
Equity Stake	Some corporations want to acquire full control of the startups, despite the entrepreneurs' resistance of selling more than 20, 25% in the first rounds	Corporations invest small amounts of equity and share risk with other co-investors
Financing Terms	Abundant resources availability among IVC, Angel investors, and CVC, but high discount rates	Extremely high-interest rates in comparison to other developed countries and reduced startups valuation, making entrepreneurs delay the financing decision
Intellectual Property	Sometimes the patents are problematic, and entrepreneurs avoid disclosure, but in general, there is a mutual trust relationship	There are legal mechanisms that mitigate IP risks, on top of mutual trust in the relationship

Source: Developed by the author

4.1 Innovation Strategies

4.1.1 The Growing Innovation's Importance in Current Corporate World

Corporations from both Brazil and Australia acknowledge the importance of innovating by adopting new technologies and products and systematically search for innovation sources to keep up with the increasing competition and industry disruption. Executive A (refer to table 1), who pursued a two-decades career within innovation in Brazil stated that it indeed ranks high on most corporations' agendas. Still, he says that especially large corporations can sometimes find themselves trapped in so-called “innovator's dilemma”, a phenomenon that *“happens when companies report strong balance positions and profits in their long-standing business model, therefore, generating higher resistance for investing in disruptive technology that could paradoxically harm or affect the current thriving business model”*. Executive D complemented this view, adding that it is essential to acknowledge that innovation's importance differs across industries. In some sectors, such as the low margin commodity business, on which he is partner

and board member of an aluminum producer, there is not much space for product innovation, but rather “*process innovation in a way to improve its efficiency and effectiveness through new machinery and process improvement*”, a rarely disruptive change.

Two interviewees, Executive A, and Executive B highlighted that from their experience in the innovation field, the Brazilian macro environment offers active mechanisms to incentivize the generation of innovation by companies. They mentioned a significant governmental interference through tax benefits, incentives laws, and free economic zones. The energy sector in the country, for instance, provides 0,5% tax benefit for investing in innovation-related fields by determination of ANEEL (Agência Nacional de Energia Elétrica). Executive B also raised the “Lei da informática,” which “*allows companies to convert the due taxes to internal research and development and innovation spending*”. These incentives enabled the tech company she works for to create a Brazilian research lab funded 80% with tax benefits. The Australian government is also concerned about stimulating innovation within the country. Executive G mentions tax benefit incentives for smaller companies to invest in R&D in the same line as the Brazilian government. There, venture capital firms also receive several tax exemptions from investing in innovative startups to facilitate the inflow of capital to these innovative ventures.

On the other hand, Entrepreneur A highlighted that, despite the given incentives mentioned by the Brazilian entrepreneurs, the governmental regulation many times constitutes a barrier for innovation in some industries. He exemplified that his pharmaceutical sector, for instance, is very regulated, making it much more inhospitable for new business and disruptive ideas; or “*innovation comes before regulation*,” as he likes to say.

In the startups’ side, when entrepreneurs were asked how they see innovation, the Brazilian Entrepreneur B explained that they are the ones who best perceive some market niches that are still to be explored by attending some suppressed demand, which established corporations either do not have interest in exploring or have not yet recognized the opportunity at all. Not surprisingly, by being the first ones to explore any new market, not only these startups have the first-mover advantage, but its technology might also be hard to copy, or even protected by IP. He continued saying that these circumstances create a stable source of competitive advantage for them, and consequently, constitute a target for corporations that want to bring some external sources of innovation. The Australian Entrepreneur E, on the other hand, remembered that innovation does

not necessarily need to be a completely new solution, but rather the use of an existing solution brought to a new market where it was not explored, as exemplified by his own company.

Even though all interviewees from both countries agreed on the importance of innovation for companies, Executive C highlighted that most companies do not have a specific framework able to measure their innovation outputs and only more recently started to understand the importance of establishing an objective measurement over it. To measure innovation in a CVC perspective (which will be discussed in the next chapter further), he mentioned that some business are using metrics, such as the number of investee companies, the number of jobs that they create and the tax they generate. Still, *"these key performance indicators are only used by the restricted group of companies that prioritize corporate social responsibility."* Other interviewees also gave suggestions on possible performance indicators, such as Executive B, who supported the measuring of the company's level of investments in R&D or the number of projects invested in a determined period, and Executive A, who defended analyzing the generated revenues and profits from the investees.

4.1.2 Utilizing Corporate Venture Capital as an Innovation Strategy

Interviews with all executives revealed the strategic benefits behind the corporation's venture arm. Executive A and Executive B, for instance, stressed that companies are now pursuing more external sources of innovation within corporate venturing, such as open innovation and corporate venture capital. The first mentioned external source, open innovation, is a model that emerges in several industries on which "a company commercializes both its ideas as well as innovation from other firms and seek ways to bring its in-house ideas to market by deploying pathways outside its current business" (Chesbrough, 2006). The second source, Corporate venture capital, was at the center of discussion for executives from both countries. However, executive C noted that due to its high implementation cost, many companies in the Brazilian market are recurring to cheaper alternatives to CVC within corporate venturing, such as specific programs to scan for new technologies and still interact with startups, constituting a more exploitative innovation model, with incremental improvements in existing products and processes (Greve, 2007). Therefore, he stated that *"it is more common to see hybrid models on which companies still utilize external sources of innovation, yet without having to build corporate venture capital's whole infrastructure"*. In the same line, Executive D mentioned her company's practical example of a possible corporate venturing

configuration. In her case, a major tech company in Brazil follows a product cycle acceleration model, which means “*giving the startups cash to develop a product, and in exchange, receiving exclusive supply agreements to use the finished version of the product*”.

Executive A continued, saying that in Brazil, CVC happens more than we hear about, considering that “*media usually covers only large multinationals' venture investments, while it is also frequently practiced by companies in different levels of maturity, varying from small and medium businesses to large corporations.*” Also, the lack of transparency in the deals when the investor companies are not publicly listed, and the confidentiality of the terms makes it very hard to track all CVC activity. He adds that it doesn't seem to exist a single consolidated strategy for companies to run a venture arm, and they, therefore, try to develop their formula according to their particular objectives and size. Not surprisingly, the definition of corporate venture capital is broadening its meaning to represent the several configurations of companies financing startups using direct equity investments or any other off-balance sheet type of investment (KPMG, 2018).

All the executives agreed that developing strategic benefits, such as innovation, over simple financial returns, were the primary objective of a corporation's venture investment arm. Indeed, the Brazilian Executive A stressed that CVC has the function of working as a bridge between new and innovative startups and consolidated business, which usually have a “more closed culture.” This contact with startups, he continued, enables its innovative practices to be transferred to the companies' processes and, therefore, improving their operational performance as a whole. The Australian CVC market seems to share this perspective, exemplified by Executive F, who explained that the venture arm from a major telecom that she leads prioritize “*a combination of both (strategical and financial), but would put innovation a little bit ahead,*” highlighting that investments are expected to have positive returns, but they are focused on the long term.

On the other hand, Brazilian Executive B said that despite the acknowledgment inside a CVC that innovation strategies, rather than financial returns, are a priority, internally, innovation-related investments that seemingly do not present positive returns are heavily opposed. That conflict not only highlights the importance of financial returns for maintaining a sustainable operation but also exposes the mindset of a large corporation behind the CVC, expecting a shorter time frame for results, “which does not necessarily correspond to the long-term reality of investments from this nature.”

4.1.3 How is Corporate Venture Capital Different from Independent Venture Capital?

Several interviewees hinted possible differentiations of corporate venture capital from the independent ones. According to Executive C, who initiated one of the most relevant Brazilian CVCs from scratch, corporations usually do not realize equity investments until the team is fully developed, and several rounds of startups are analyzed. Also, even though the stake of equity a regular CVC would invest would not differ much from independent venture capital, varying from 10%-30%, the discussion of whether or not buying a stake and during which stage is stretched for longer. Also, a CVC has indeed more chances of acquiring the full control of the startup, but still, the percentage remains relatively low, with a 4% acquisition rate by the investor companies.

He continued, adding that the differences go on with the timeframe. In CVC, decisions are considerably slower; once there is usually an extra level of accountability. Executive B enlightened that issue, explaining that *"not only the startups need to report to the CVC, but also the CVC needs to communicate and keep a precise track of the projects and investments to the parent company, or holding."* Executive C closes the discussion saying that *"because the CVC would become partners in limited liabilities companies (startups), it means that every modification in society matters, such as partnerships, will need to be approved by the board,"* and this is a very bureaucratic and slow process.

Executive F touches the same point when talking about the Australian board and the investment approval's process: Any decision needs to be approved by the whole CVC board, on which both executives from the parent company and internal managers from the fund participate. Despite this board having reasonable autonomy, it also slows the process, eventually making it lose the "timing" of a promising investment due to competition from other VCs.

4.2. Corporate Venture Capital: The Corporation's Side

4.2.1. The Strategic Motivations Behind CVC

Executives from Brazil and Australia pointed out a few strategic motivations to engage in venture activity, many of those consisting of stereotypes that don't necessarily have fundament on previous innovation research. Brazilians, for instance, systematically brought technology screening as a major reason. Executive B exposed that some companies treat investments in innovation just like

sunk costs, not expecting anything in return, but rather utilizing it as an attractive way to screen new technologies, as if bringing innovation was an automatic and natural outcome from it. Entrepreneur B remembered that one of the largest Brazilian banks, for instance, has developed and invested in an entire platform to develop startups only to observe new companies and to recognize the industry trends, especially among fintechs. Entrepreneur A adds that another major pharmaceutical runs specific and sporadic challenges for its industry to attract new ideas and see where the market is going by offering a prize, such as a year paid salary for the founders to develop the business.

Besides working as a window on technology, the two countries presented CVC as an innovation outsourcing strategy, as if CVC and R&D consisted of a trade-off model, rather than complementary (Dushnitsky and Lenox, 2005). In Brazil, Executive C exposed that a leading global tech company, for instance, although having a steady internal source of innovation, "*cannot bear to develop every single new technology in-the-house*" to keep its leadership position. Therefore, it scans new technologies in the market through its venture investment arm and acquires equity in more matured stage companies, with an already developed product. Executive D goes in the same direction, by saying that outsourcing might also be the case for industries with no innovation culture, such as commodities-related business. For them, "*it makes much sense to take stakes or to acquire new companies which have a disruptive technology that could potentially become a substitute product, constituting a sort of defense mechanism to avoiding competition.*"

Companies from both countries also highlighted that some companies make use of CVC to advance the strategy of their current business model by incorporating the investee's technology and operation into their own. Australian companies particularly benefit from this synergy, as a major telecom uses investee's minority stakes to leverage their technology to improve processes internally, while also opening a broader consumer base for the startup, as shown by several success cases pointed by Executive F. In the meanwhile, Executive B, for instance, explained that the startups do not necessarily have to be part of the investor company's related core business, but they still need to have some level of fit and synergy for the investment to make sense. She gave her company's example, on which the parent is a tech company that only invests in software-based Brazilian startups. Executive C added another example of a leading consultancy in Brazil, which realizes startups' screening to find a perfect fit for their clients to invest or realize close partnerships

to incorporate them into their operation. Indeed, *"the consultancy even has a specific position called 'innovation manager,' whose job is to connect startups to their clients."*

Executive A also mentioned the possibility of corporations reaping some strategic benefits from CVC not by advancing the core business capabilities, but rather diversifying their current business model, therefore, *"reducing their market risk by operating in several industries."* Still, even though he raised this possible arrangement, that was not the case of any of the project he has worked, nor could he remember or give some other practical examples. The lack of concrete cases utilizing this configuration among the interviewees indicates that the strategy to diversify the business model though CVC might be rarer in comparison to other mentioned strategies. Australian companies, on the other hand, have more concrete cases of this application. The country's major telecom invests minority equity in accessing new technologies and in entering in business models other than their core's. That means new business ranging from wireless connectivity to video streaming platforms.

A particular motivation that was only brought in the Brazilian side by Entrepreneur B, who noted that there are more straight forward motivations for companies to engage in a venture investment activity. He clarified that, through his experience in roadshows with many CVC and IVC, among other financing sources, many corporations create CVC program only to improve its a brand image, relating to a more innovative and open company in the perception of their investors and other stakeholders. They expect that this would attract the media and consolidate their status as an innovative company, also impacting on their value.

Interestingly, Executive C also presented cases in which the motivation to create a venture arm are not necessarily obvious. A major global tech company, for instance, says that *"the reason for its venture arm existence is to provide current startups with the infrastructure they wish they would have in the early days in Silicon Valley."* He continued, adding another example on which a leading Brazilian bank started engaging in venture activity, and yet so far has barely reaped any benefits from it and neither it is actively exploring the arm. Indeed, the bank has currently outsourced the management and curatorship of the acceleration platform. These two cases corroborate Basu's (2011) contribution to the topic, highlighting that only resource-rich and companies with plenty of cash can afford dedicating to a venture arm.

4.2.2 How Corporations Configure their Venture arm?

Especially in Brazil, the concept of corporate venture capital was many times misunderstood with the concept of corporate venturing, as if they were the same. While CVC is a form of corporate venturing, Executive C and Entrepreneur A reinforced the use of alternative models to CVC, either because a similar structure of independent venture capital would not work in their particular industry, or because they were looking for a less costly structure. In practice, however, they still call this mix of different and hybrid methods to get in touch with startups and new technologies as corporate venture capital, creating some confusion regarding the term in the country.

Within the Brazilian pharmaceutical industry, Executive C gave an example of some hybrid configuration, on which the CVC arm would customarily acquire 100% of the project in the earliest stage, during the development of tests when cash is needed the most. Venture investments, in that case, *"are part of companies' business models, and they utilize the startups' best projects to launch to market."* He added that, as companies in the pharmaceutical sector already steadily designate a relevant part of their investments to innovation, they can establish a more stable and predictable venture structure, meaning they think their projects for the long term and can maintain several parallel projects in the pool knowing that some will work and some will not.

Executive C also presented another similar model to the pharmaceuticals in the sense of "outsourcing" part of the R&D development and acquiring early-stage companies and startups that they intend to integrate into their platform. He gave an example of the Brazilian operation of a leading global tech company, offering two distinct programs involving startups. The first one is to have resident startups working inside its designated working place, just like a regular corporate office. The second is to have an acceleration program operating several venture funds across the globe through a local partner while utilizing its expertise and products. Executive B complemented this view by claiming that Another leading global tech company invests cash in startups not with equity exchange, but with exclusive supply agreements to use the finished version of the product in a so-called cycle acceleration model

Finally, Co-Investing with Independent Venture Capital was a source of opposing views between executives from the two countries. Executive C exposed a negative perception of in Brazil. He concluded his explanation about possible CVC configurations by mentioning one on which

corporations co-invest with IVC, working as a sort of CVC, still, without internalizing all the infrastructure of a formal CVC. He also emended that, despite this structure looking very promising for the corporation side for being lighter, the cases on which it happened were not beneficial for the independent venture capitalist. the reason is "*IVC usually consists of a small team of well-paid individuals and, therefore, they are not very prone to take risks by restricting their investment thesis to industries according to the demands of the investor corporations.*" Furthermore, considering that the corporation would have to approve the investees in a time-consuming process, the entire investment would become unfeasible.

On the other hand, the Australian telecom developed a co-investing strategy that goes in line with the latest research regarding its benefits (Kang, 2019) and that, according to Executive F, has actually improved its venture arm's reach. It connected to a major global venture capital platform with more than 400 employees, being great part dedicated to Asia. With this partnership, the Australian-based company looks for access to long term relationships and underlying results.

4.3 Corporate Venture Capital: The Entrepreneur's Side

Brazilian and Australian entrepreneurs have quite different motivations while obtaining financing with corporate venture capital. Starting off in the Brazilian side, Executive A, who mentored dozens of first-time entrepreneurs in their companies' early years suggested that at the beginning of their business, founders typically recur to their private capital and they soon reach a stage when they need external financing to develop and scale their ideas. When the entrepreneurs were asked the same thing, Entrepreneur C answered startup founders are born thinking of the traditional independent venture capital for funding, with a seed-stage followed by a series A and a Series B, preferably with "smart money", coupled with an investor team that can potentially bring expertise and synergies to the startup.

However, Entrepreneur C revealed that they actually did not look for a single specific source of financing but rather the funding itself, recurring to any available source, especially in the early stage when funding is needed the most. Furthermore, if considering the immediate necessity for cash, CVC is in a disadvantage in comparison to IVC, considering that CVCs are usually very slow in identifying market opportunities and coming forward to invest in, due to the parent corporation bureaucracy. The disadvantage is even supported by Executive C, who created his former

corporation's CVC program, saying that the contracts are indeed very rigid, sometimes taking up to 90 days for the investment to be transferred, which for a startup can be critical. For these reasons, he mentioned that for the startups, corporate investment is *"just not worse than not having any investments at all"*.

Entrepreneur B also clarifies that CVC could even potentially be harmful to startups, especially to the ones in the early stage, if they incorporate the startups to their business model too soon. That occurs because, *"at that stage, the startups are still working on scaling their products by improving their minimum viable product, and if there is an immediate increase in demand, the startups would most likely not be prepared."* He then followed with his company's own example and how he would not be prepared to receive an abrupt increase in demand.

Still, even with inherent difficulties in finding the perfect match between startups and investors, Entrepreneur A adds that CVC might offer specific mentoring on the startup's field and give insights on how to improve its business, while independent venture capital would only provide capital and general management expertise. Entrepreneur B then rises an excellent example of this benefits, telling that a primary payment system in Brazil provides startups access to their resources and also many of their relationships since the early stage. Furthermore, being related to consolidated corporations exposes the startup to other potential investors in the ecosystem, facilitating the rise of further investment rounds.

Executive C still pointed another recurrent CVC benefit, that is the eased access to the corporation's resources. That was especially prevalent in extremely regulated industries, such as the pharmaceutical one. In that case, being in a partnership with established companies *"can help to overcome regulation, making it more advantageous to recur to a corporate type of investment."* Furthermore, the new projects in that field need substantial funding since the early-stage and benefit from having access to the established parent company's resources.

Executive A finally adds that for the entrepreneur, there exists an intangible value for their branding, which the association with the name of the investor corporation might bring. In other words, the startups automatically gain more legitimacy and bargaining power in all areas for being linked to a larger and established name in the industry. In that case, a CVC can potentially bring a significant comparative advantage in relation to IVC.

The Australian entrepreneurs, on the other hand, only focus on the positive side of connecting with corporations, and they would typically recur to this option if they see clear potential synergies and benefits. Entrepreneur D was the first one to raise such benefits, by mentioning the networking and mentoring effect. In her case, despite the CVC only providing a small amount of money, it was the connection with a highly developed network of mentors and industry professionals that brought most value. Entrepreneur E continues, saying that that CVCs can provide distribution channels and access to their existing customer base, as well as their technical expertise. Executive F also puts herself on the entrepreneurs' side to better manage her fund. She says that the value a CVC provides is different than a regular independent venture capital. While the former would generally offer more general management expertise, a CVC *"puts a small amount of equity, but also provides a full development program,"* leveraging its parent company's own resources, customer base, and expertise.

4.4 Aligning Motivations Between Corporate Venture Capital and Startups

4.4.1 Short-term versus long-term

CVCs and Entrepreneurs throughout the countries have a conflicting view regarding the time frame of returns on investments and it is clear that the Australian market has a longer term strategy and the funds operate for longer, while the Brazilian market still suffers short term pressure from stockholders, despite the innovation department's intent of also focusing on the long term. Entrepreneur D stressed that an investment partnership needs to be a long-term relationship, being *"very important to get to know your investors and to have a clear understanding of the role you want them to play in your business."* On the other hand, Executive B highlighted that while *"investments in innovation have a horizon from at least two to three, reaching up to fifteen years, the corporations behind the CVC have a way shorter time frame for results."* Therefore, the pressure coming from stockholders and the annual targets in these companies do not necessarily correspond to the long-term reality of investments from this nature. Executive F highlighted that despite the need to be financially sustainable, there is no pressure on liquidity from the investments, considering that the parent company understands that *"investing in early-stage startups is a long-tail game."*

4.5.2 Equity Stake

The amount of equity regarding the investment was another notable discussion among the interviewees, exposing the difference in education regarding best practices from both markets. The Australian corporations show more education, reflecting a longer-term corporate investing practice. Entrepreneurs from Brazil and Australia agreed that they didn't want to give out much equity in the beginning. Entrepreneur C defended that founders *"don't want to sell more than 20, 25% of the company in the first round and a percentage higher than that would probably melt the negotiations."* Executive E supported this view by saying that *"it is essential for the entrepreneurs to have full autonomy of their projects and to make any decision that they feel like making."* Still, Brazilian CVC Executive C highlighted how hard it is for them to *"convince the parent company executives to be a minority partner and only to observe the company,"* as would do the best practices of an IVC. They usually want, instead, to establish a traditional acquisition and subordinated relationship with more than 50% equity. On the other hand, Australian companies are in a certain way more educated concerning the mechanisms of venture capital, as Executive F illustrated that minor equity positions give the benefit of sharing the risk with more investors and therefore be present in a higher number of investments.

4.5.3 Financing terms

While Entrepreneurs A, B, and C from Brazil seem to have found many possible ways and ventures to finance their startup either through IVC or CVC, in Australia, Entrepreneur E revealed a lot more challenging journey to get financing for their ideas. As a matter of fact, he argued that most entrepreneurs from the last country complain about the low valuations given by the venture funds, at the same time that debt financing is prohibitive due to its extremely high-interest rates that could go further than 20% per year, an extremely high rate in comparison to other developed economies. Going against the perception that developed markets always mean more abundant sources of financing, the venture capital market in Australia has only currently started to blossom (KPMG, 2018). Indeed, Executive F admitted that her CVC has to reject most of the startups that present them ideas. Even though, for entrepreneurs D and E in Australia, the CVC is on the top of mind financing option, led by the country's major airline and telecom company's venture arm.

4.5.4 Intellectual Property

Intellectual property issues were only brought by Brazilian interviewees. Executive A revealed that the relationship between startups and larger corporations is very problematic, making some entrepreneurs even avoiding receiving investments on which they might have to provide patents to the parent company, at the same time that the corporations feel the need to protect their innovative outputs. Executive B completes by saying that particularly in the early stage, startups fear that the investor company is going to steal their idea, considering it has a lot more resources to develop it internally.

On the other hand, three of the entrepreneurs did not see corporations willing to take advantage of their ideas. Entrepreneur A thinks that the *"investor corporations usually respect their work and want to have a positive win-win relationship."* Entrepreneur C also mentioned that their learning curve and unique trajectory are so determinant that they are the best ones to develop the idea further. Executive A sees that entrepreneurs usually have nothing to lose and perceive the available financing as one of the only viable options to implement their business plan and grow the business.

Entrepreneur B is more pragmatic, saying that entrepreneurs should not be afraid of conflict of interest regarding intellectual property; once *"if the investor corporation wanted to develop the startup technology, they would have already done so."* Interestingly, he believes it is, in fact, the other way around: the corporations are the ones that have more to fear in this relationship in case they disclose too much information about their technology that they have spent capital to develop. Still, Executive D reminded of the legal mechanisms to mitigate the intellectual property risk, such as non-disclosure agreements and IP, enabling a trustier relationship between companies and entrepreneurs.

4.5 Success Cases in Corporate Venture Capital

Going through the interviews from Brazilian and Australian entrepreneurs and CVC executives, it was possible to list some success cases on which CVC reached the most strategic outcomes in terms of developing innovation capabilities. Executive C, for instance stated that CVC would work best in industries that are already innovative and presents high-profit margins resulted from investments in innovation. The reason is that *"only profitable sectors will be able to fully support an expensive*

program with an extra infrastructure dedicated to innovation." Executive D endorsed this view by saying that on the other hand, commodities businesses, which are more mature with smaller margins, such as his, would not have much room for innovation.

Executive C continued by saying that the riskiness of the industry also matters: industries with high uncertainty regarding R&D, such as pharmaceuticals and tech, benefit more from CVC, because they usually *"already designate a considerable percentage of investments to high-risk R&D and, therefore, are more likely bear the risk and keep a long term and sustainable CVC operation"*. He added that on the other hand, in more predictable industries the nature of investments in R&D do not correspond to the CVC one, once it is not part of their business model to bear that risk. Therefore, the stockholders and executives would not tolerate the downfalls that the CVC would unavoidably have.

Not surprisingly, Executive A concluded that the level of performance of the CVC correlates directly to its level of maturity. More developed and consolidated ventures that already have the specific knowledge of transferring the capabilities from the startups to the investor companies, such as the previously cited giant techs and the pharmaceutical industry, are more successful in their CVC business model. The advantage arises due to decades of experience and continuous improvement in these segments on how to manage and transfer innovation capabilities. Therefore, more developed markets, which have corporate venture capital firms operating for longer tend to present better performance for both strategic and financial benefits.

Still, Executive A stands out that the environment and industry are not enough to guarantee that a CVC is going to succeed in reaching its strategic objectives of generating innovation in the parent company. He completes that for it to succeed, the CEO needs to support the implementation of innovative ideas coming from the startups actively, meaning that:

The entire senior management team must be on the same page regarding the corporation's innovation strategy. For instance, the RH department needs to implement an innovative culture that embraces new ideas and even the influences from the external company's culture. In the meantime, the financial department needs to study whether the implementation of innovative practices has the potential to bring medium and long term

returns to justify the investment made. Finally, the Innovation department, also responsible for the R&D needs to have a clear strategy balancing internal and external innovation sources

That perspective goes in the same line of Australian Executive F's thoughts that the most senior levels of the company need to sponsor the program and keep the same pace of startups to ensure the adoption of technologies developed externally.

In the Brazilian side specifically, regulation can many times be a barrier for innovation. Therefore, Entrepreneur A suggested that innovation reaches the most outcome when combining new ideas from startups with larger corporations' bargaining power and political influence to overcome regulation. His case is an excellent example of when corporate venture capital works at its best, with large corporations providing a whole infrastructure, platforms, connections, advisory councils, and support in key hires for startups to reach the most innovative potential. Executive E also sees many benefits in leveraging the parent company's resources in the Australian side when there is more commercial value in the relationship rather than just funding. For that reason,

Finally, Australian executive F claims that one of the primary reasons why many CVC fail is because the companies just do not dedicate enough investments to their venture arm. Therefore, she stresses the importance of having a structured and serious CVC program with relevant available capital so that the company can also have a relevant access to the technology ecosystem.

5.0 Conclusion

According to Brazilian and Australian entrepreneurs and CVC executives, corporations are better able to spur innovation through the creation of corporate venture capital when they hold a combination of a solid understanding of CVC's functioning, favorable environmental factors, and active management to incentivize the innovation transferring. When CVC executives and managers acknowledge these factors and apply the right framework in the relationship with the startups, they exponentially increase the chances of settling the corporation in the forefront innovation, while also providing the startups a path to sustainable growth.

Firstly, corroborating with Lanhenke's findings (2008), it is vital to understand the CVC dynamics to make sure corporations are not engaging in venture activity because of mere branding within their shareholders and society, or just because they do not know what to do with its spare cash and so they mimic the competition. In reality, CVC's essence is a lot different from IVC, and despite the latter constituting several benchmarks for startups management, the corporation behind the CVC, and its specific industry-related interests need to be deeply considered. For instance, CVCs would usually only look for ventures that show synergies with their core business in a complementary or substitute manner. They also need to let the corporate M&A mindset go to invest in startups with minority equity and no control, only expecting results in the long run, despite shareholder's short-term pressure. Furthermore, a CVC cannot be a mere place to experience with startups and to have a look at the technology that is around. For it to work and generate genuine benefits, a CVC program needs to be throughout structured and dedicated a considerable amount of investment and capital to have a material impact on the new technology ecosystem. In conclusion, for the longer a company practices corporate venture capital activity, the more experienced it gets in taking into account all the listed factors and its learning curve enables it to better explore and leverage its investee's resources and capabilities.

Secondly, some industries are more likely to support corporate venture capital activities better, therefore, corporations need to consider the macro environment and understand whether venture activity makes sense in their specific case. One relevant aspect to look at is the industry riskiness. Likely, shareholders from a stable industry would not be happy to see their investments going to small and risky ventures. On the other hand, in some sectors, such as the technology and pharmaceutical ones, investors already expect and would require a high proportion of investments

dedicated to R&D in a mix of innovation sources. In that case, the unavoidable downfalls of a CVC would not only be understood, but also compensated with actually more investments in more ventures to diversify the risk and reach the desired outcomes.

The same logic applies to industry profitability. Commodities-like sectors with small margins would probably have a lot to lose by dedicating a large proportion of investments to innovation. On the other hand, tech companies, for instance, offer high profitability precisely because they have superior technological capabilities acquired through previous systematic investments in innovation. Therefore, they have much available cash to scan for new technologies and incorporate them into their business model, generating a virtuous cycle of investments and growth.

Finally, CVCs need to offer active management to transfer innovative capabilities from startups for investor corporations. This goes in line with Baum's (2004) proposed a treatment effect to better leverage the resources from the invested startups. A good start is by offering IP and legal protection for both the corporate and the entrepreneur side, as clearly both parties not only have a lot to lose without this protection but also have no incentives in sharing all the technology, making the whole investment process ineffective. With their IP secured, it is essential to guarantee that the whole top management team from the investor corporation is aligned, understand the purpose of their CVC and actively engage in bringing and implementing the startups' ideas into their respective areas. This top-down approach may sound counterintuitive in comparison to the bottom-up innovative culture mindset; however, if any of the top management team opposes to the CVC, the full innovation potential is compromised.

This conclusion was supported by a cross-country analysis between the Brazilian, a developing economy, and the Australian, fully-developed. The results show that the level of economic development indeed affects a CVC performance of reaching its desired strategic outcomes in the form of innovation. A developed economy, such as Australia, still offers better coordination of factors and institutional security so that the interests of startups and corporations are more aligned, thus avoiding conflict of interests and providing a win-win situation in most of the studied cases. Still, CVC innovation performance appears to behave like a learning curve; for the longer a company does it, the better it gets. Therefore, companies that are only recently engaging in venture activity in developing markets have the chance to catch up using the developed market's benchmark until they reach a more mature stage.

Furthermore, the selected research design with mixed methods diversified the interviewees' sample in two different levels of maturity, neutralizing some country-specific economic and cultural aspects to understand mechanisms within CVC managers' reach that systematically brought innovation to the investor company. Also, the questionnaire with opened questions has many times allowed for the interviewees to bring new topics that they found relevant to the discussion, enriching the understanding of the CVC's mechanisms. By combining the in-depth survey method with the systematic literature review a more reliable comparison among Brazil and Australia was possible.

This research contributed to the field of external innovation sources, by giving a better understanding of how corporate venture capital works in providing corporations with strategic benefits, such as generating innovation outputs. As the author expected, there is not a single magic formula that automatically puts corporations at the forefront of innovation. However, we have seen that by following best practices and systematically applying the right frameworks and aligning the corporations to the startup's incentives, companies from several industries could reach the desirable outcomes through CVC.

Still, the present research has several limitations that can be pointed out. Firstly, although the author brought two perspectives by diversifying the analyzed market and conducted a systematic literature review about the current CVC scenario in Brazil and Australia, it only explores both countries' corporate venture market. Therefore, it lacks a unified global vision of the functioning and incentives of CVC, once it is still not possible to be sure that whether it is replicable in other economies. In fact, the interviewees suggest structural differences in the corporate venture market in both countries, signaling a significant discrepancy worldwide in a way that the findings cannot be expanded to a broader level without careful consideration.

Also, this study counted with a limited sample size of twelve people spread across two countries, due to the difficulty of access to relevant players in the relatively small Brazilian and Australian corporate venture capital market. For that reason, the author brought a complementary method of systematically revising the venture capital literature in those counties. Furthermore, as different industries were compared, it is not possible to generalize the assumptions to all other industries. Despite this selection giving a tangible direction of the functioning of innovation in the CVC

market, more people from different industries and countries would need to be interviewed to make more general conclusions.

As for suggestions to next studies in the field of innovation in Corporate Venture Capital, the author recommends replicating this research's framework at a global level, counting with more interviewees within a broader range of countries to neutralize the localization effect and isolating the mechanisms that companies can utilize to bring the most innovation from the ventures they invest in. Also, it would be relevant to gather sufficient data on a global level in the CVC market and compare the innovation performance of by industry, once it has shown to have a significant impact on achieving the strategic objectives of the CVC.

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