

DEVELOPMENT OF CORPORATE VENTURE CAPITAL UNDER THE CONDITIONS OF INTENSIFICATION OF INNOVATIVE ACTIVITY

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Abstract. In recent years, corporate venture capital has gained popularity in all areas of the economy in different countries of the world. Along with traditional venture capital funds, business angels and accelerators, traditional corporations also invest in startups around the world. Most often, these processes take place according to the corporate venture capital model. This makes it possible to remove restrictions on the participation in corporate venture funds mainly of legal entities, will open up opportunities for the participation of various subjects in corporate venture funds, and promotes the investment of funds in innovative structures. The purpose of the article is to analyze corporate venture capital, to identify structural characteristics of corporate venture capital and peculiarities of corporate venture investing in Ukraine. During the research, the method of synthesis and analysis, induction (in the study of corporate venture capital, structural characteristics of corporate venture capital and peculiarities of corporate venture investing in Ukraine); the method of schematic, graphic images (for the visual display the received results of the study) has been used. The main structural characteristics of corporate venture capital have been singled out. The signs of structural characteristics of corporate venture capital include the parameters of the corporate venture capital investment model, the types of corporate venture investment goals, criteria for deciding on financing a startup for investors and analysts of corporate investment funds, the types of corporate venture capital investments, the main motives for investment by corporate venture capital funds, ways to promote business growth through corporate investment in venture capital funds, the main financial parameters of the sustainability of corporate venture capital. Ukrainian investors appeared in this field literally 5-7 years ago, but their interest in global international startups is already marked. It was established that for Ukrainian businessmen venture investments at the stages of the B+ series are a new stage of expansion of the investment portfolio. The amount of investment depends on the investor's faith in the project and the arrogance and talent of the startup. If «seed» and «angel» investments are calculated on average in hundreds of thousands of dollars, then capital investments in the innovative business are measured in millions and tens of millions. The main goal of corporate venture capital is strategic innovative business development. Activation of activity through corporate venture capital investments in Ukraine is only developing, and much depends on the business reputation and personal characteristics of managers. Ukraine's economy needs integration into global economic processes through the development of corporate venture capital.

Keywords: investors, corporate venture capital, corporate venture capital investments, business, innovative.

JEL Classification: E 22, G 24, O 31

Formulas: 0; **fig.:** 0; **tabl.:** 1; **bibl.:** 10

Introduction. In recent years, corporate venture capital has gained popularity in all areas of the economy in different countries of the world. Along with traditional venture capital funds, business angels and accelerators, traditional corporations also invest in startups and innovative businesses around the world. Most often, these processes take place according to the corporate venture capital model (corporate venture capital, CVC). The development of corporate venture capital in the country contributes to the development of the financial market and raises the level of corporate culture. This makes it possible to remove restrictions on the participation in corporate venture funds mainly of legal entities, will open up opportunities for the participation of various subjects in corporate venture funds, and promotes the investment of funds in innovative structures.

Since 1974, more than 41% of public companies in the US have been financed by corporate venture capital. Together, they generated 86% of all R&D spending, creating 65% of the total capitalization of public companies.

The development of corporate venture funds is just beginning in Ukraine. In the post-war economy, this phenomenon will become widespread.

Literature review. The scientific works of Belderbos R., Jacob J. and Lokshin B. (2018) [1], Döll L., Ulloa M., Zammar A., Prado G., Piekarski C. (2022) [5], Gaddy B., Sivaram V., Jones T., Wayman L. (2017) [6] are devoted to the problem of the development of corporate venture capital investments and the analysis of technological performance. Considerable attention was paid to the issues of venture capital managerial incentives processes by scientists such as Buzzacchi L., Scellato G., Ughetto E. (2015) [2], Cumming D., Henriques I., Sadorsky P. (2016) [3]. The question of the practical foundations of the activities of venture capitalists is revealed in the scientific works of such authors as Gompers P., Gornall W., Kaplan S., Strebulaev I. (2020) [7], Gornall W., Strebulaev I. (2020) [8], Weber C., Bauke B., Raibulet V. (2016) [9].

Therefore, the structural characteristics of corporate venture capital and the peculiarities of corporate venture investing in Ukraine should be a key focus for venture capitalists.

Aims. The purpose of the article is to analyze corporate venture capital, to identify structural characteristics of corporate venture capital and peculiarities of corporate venture investing in Ukraine.

Methods. During the research, the method of synthesis and analysis, induction (in the study of corporate venture capital, structural characteristics of corporate venture capital and peculiarities of corporate venture investing in Ukraine); the method of schematic, graphic images (for the visual display the received results of the study) has been used.

Results. Venture financing stimulates the development of scientific and technical progress and contributes to the acceleration of the introduction of the latest achievements of science into production. Sources of venture capital are:

- wealthy individual investors, branches and subsidiaries of banks and other corporations, which are organized into small investment companies;

- groups of investment banks and corporations that create a pool of investments or so-called venture capital investment partnerships;
- some large banks and some foreign investors.

One of the important methods of venture investing is the process of developing corporate venture capital to finance start-up external enterprises (ventures) [1].

Corporate venture capital (CVC) is a form of collective investment by a large company aimed at the innovative development of a corporation through financial investments in external firms, most often start-ups, through a corporate fund.

Corporate venture investments are made by operating corporations that finance or invest in start-ups with high technological potential for their strategic goals. CVCs can only be afforded by large companies with stable cash flow, as they use their cash reserves to supplement in-house R&D.

Airbnb, Uber, Stripe, TransferWise, Alibaba – all these startups are united not only by the status of the most outstanding startups of our time, which have changed the world. They also have corporations among their investors. CVC investments average \$35 billion per quarter, and the share of financing with corporate participation is 20%. In the field of financial services (fintech), the participation of corporate venture capital in startups grew by 500% between 2014 and the beginning of 2020 [5].

Innovative companies (Intel, Google, SoftBank), global giants (Airbus, BMW, Siemens, Merck, AXA, JP Morgan), and medium-sized companies (manufacturer of boilers Viessmann and car optics Hella) have their corporate venture funds.

To get started, you need to understand how an ordinary fund works. He collects money from external investors (limited partners, LP) in management for 10 years and invests in start-ups to then sell his share (exit) at a higher price.

Venture capital funds are inherently high risk (since most startups fail). These forces venture capitalists to look for startups that have the potential (to grow 10-100 times with a valuation higher than \$1 billion) and can compensate for losses from 80% of failed investments.

Table 1 shows the main structural characteristics of corporate venture capital.

Corporate venture funds exchange strategic ideas with the parent company. A special process is created for this. While investments are sprouting, the company is engaged in obtaining strategic information about the startup ecosystem. Sometimes Corporate venture funds are involved in inventing new products or developing a business strategy.

The corporate venture capital investment model is characterized by two parameters:

- purpose,
- the connection between the operations of the investor company and the start-up enterprise.

With a strong connection, the new enterprise can rely on the investor company's production capacity, its sales channels, technologies or trademarks, and use its business methods for the development, sale or service of products. At the same time, an external venture can provide the investor company with the opportunity to create

new potential with less risk. If the activity of the venture will be successful, the corporation can assess the possibilities and ways of mastering its methods or even its absorption.

Table 1. The structural characteristics of corporate venture capital

Signs	Characteristic
The parameters of the corporate venture capital investment model	<ul style="list-style-type: none"> - purpose, - the connection between the operations of the investor company and the start-up enterprise
The types of corporate venture investment goals	<ul style="list-style-type: none"> - strategic investments aimed primarily at increasing sales and profits of the investor's own innovative business due to interaction with a new venture, - financial investments aimed at obtaining an attractive income
Criteria for deciding on financing a startup for investors and analysts of corporate investment funds	<ul style="list-style-type: none"> - the level of talent and balance in the team, - the level of talent of the manager who leads the startup, - the degree of conformity of the product to the needs of the market, - the degree of consistency of the project with the concept of the whole company, - the level of potential benefit for the company from capital investment and project implementation
The types of corporate venture capital investments	<ul style="list-style-type: none"> - stimulating, - managers, - complementary
The main motives for investment by corporate venture capital funds	<ul style="list-style-type: none"> - companies invest mainly for strategic reasons due to existing financial problems; - companies invest mainly for financial reasons, due to existing strategic problems; - companies invest for purely financial purposes
Ways to promote business growth through corporate investment in venture capital funds	<ul style="list-style-type: none"> - promotion of the standard, - demand stimulation, - use of unfinished technologies, - experimenting with new features, - development of backup technology, - exploring strategic gaps
The main financial parameters of the sustainability of corporate venture capital	<ul style="list-style-type: none"> - strategic goals, - succession, - financial stability

Source: developed by the authors based on [1-4; 6-10]

According to corporate venture investment goals, the following are distinguished:

- strategic investments aimed primarily at increasing sales and profits of the investor's own *innovative* business due to interaction with a new venture (for example, a company that produces telecommunications equipment invests in a new infrastructure or service enterprise),

- financial investments aimed at obtaining an attractive income. In this case, the investor company expects to receive results no worse than those of private venture capital investors, counting on its knowledge of the market and technology, financial strength, trademark, etc.

Corporations focus on projects that are most relevant to their corporate business. For example, the Viessmann, Siemens, Airbus, Allianz, and Hella funds have the task of opening areas adjacent to the main innovative business.

Investors and analysts of corporate investment funds pay attention, first of all, when deciding on financing a startup, to the following parameters:

- the level of talent and balance in the team,
- the level of talent of the manager who leads the startup,

- the degree of conformity of the product to the needs of the market,
- the degree of consistency of the project with the concept of the whole company,
- the level of potential benefit for the company from capital investment and project implementation.

The main goal of CVC is to develop technological entrepreneurship. CVCs, having quick access to new technologies, can dramatically change the structure of the industry and are both a potential threat and a source of income for market leaders [3].

There are three types of corporate venture capital investments:

- stimulating,
- managers,
- complementary.

The main motives for investment by corporate venture capital funds:

- companies invest mainly for strategic reasons due to existing financial problems;
- companies invest mainly for financial reasons, due to existing strategic problems;
- companies invest for purely financial purposes.

There are six ways in which different types of corporate investments in venture capital funds can contribute to business growth [4]:

- promotion of the standard (when a company invests in start-ups that produce products and services that promote the implementation of the corporation's standard technologies);
- demand stimulation (investing in start-ups that develop additional products and services that increase demand for the investor's products);
- use of unfinished technologies;
- experimenting with new features;
- development of backup technology;
- exploring strategic gaps.

For many large corporations, CVC is becoming an increasingly popular diversification and hedging tool.

The success of Google Ventures, which has funded startups like Uber, 23 and Me, Nest, Slack and Jet, has inspired firms to follow in their footsteps. Additional CVCs will only intensify the growing competition to fund the best startup ideas, but it remains to be seen whether other CVCs will have the same success [5].

Researchers identify the following main financial parameters of the sustainability of corporate venture capital [9]:

- strategic goals,
- succession,
- financial stability.

The most important parameter is financial stability, which is a complex combination of financial balance and growth in the value of capital, which is ensured by the rational use of technical, material and human resources [7]. However, according to most experts, CVCs are mainly aimed at achieving the strategic goals of

the corporation, in contrast to institutional venture capitals, which make only focus on financial returns [8].

For Ukrainian businessmen, venture investments at the Series B+ stages are a new stage in expanding their investment portfolio.

A startup comes with its idea or a prototype of an invention and asks an investor for «lifts» to, for example, collect a staff of employees, rent an office, conduct market research, try to launch the product and test it in real conditions. Most often, at this stage, the investor is ready to invest from 10 thousand to 1 million dollars. The amount of investment depends on the investor's faith in the project and the arrogance/talent of the startup. But recently, at an early stage, the maximum checks have grown to 5-10 million dollars. This is due to the general growth of capital investments in innovation. B+ investment rounds are investments in startups that have proven their relevance and ability for the market. The money goes to scaling the company (expanding the staff, the geography of presence, opening new offices), and even further – to prepare a resale to a strategic investor or before an IPO. If «seed» and «angel» investments are calculated on average in hundreds of thousands of dollars, then capital investments in the innovative business are measured in millions and tens of millions.

Ukrainian investors appeared in this field literally 5-7 years ago, but their interest in global international startups is already marked. They invest in «unicorns» (companies whose market value is 1 billion dollars), thereby joining the global competition for the right to be an investor at the international level. At the same time, it is most profitable to invest in unicorns several rounds before they are worth a billion dollars. In this case, a specialist in venture investments from the fund plays a decisive role.

Many startups are not vetted by the experts of corporate venture funds and do not reach the stage of investment in them. Ukrainian investors are investing in the food delivery service Deliveroo (preparing for an IPO at a valuation of 8 billion pounds), the IT logistics company Sennder (the market valuation of the company is over 1 billion euros), the insurance platform Wefox, the delivery service Glovo and dozens of others. Investments in such companies provide for the long term but also promise profit. A seven-year wait (funds are formed for such a period) can bring the investor a return of funds in the amount of more than 3X of the investments.

Conclusions and discussion. Corporate venture capital is a powerful tool for the country's development and is distinguished among other investment institutions by the widest investment opportunities. The strategic component in the corporate world is very valuable. The main goal of corporate venture capital is strategic innovative business development. Corporate venture capital can specialize in financing both in the early stages of research and development and in partnership with the parent company CVC, which can offer industry knowledge and a strong financial position in new markets of already successfully developed products.

Activation of activity through CVC investments in Ukraine is only developing, and much depends on the business reputation and personal characteristics of managers. Ukraine's economy needs integration into global economic processes

through the development of corporate venture capital. In addition to the financial benefit when exiting the company (selling its share to the next investor for an amount that exceeds the purchase price), a Ukrainian corporate investor can become part of a global innovative business.

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