

## Corporate VCs Here to Stay This Time, Study Says

An inside look from VentureWire at high tech start-ups and their investors

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Venture capital investment by corporations has had its ups and downs over the last 50 years but there are signs it is again resurgent.

Companies from Citrix Systems to Nike are looking to get close to start-ups and a relative newcomer to the venture scene, Google Ventures, was the top investor in venture-backed companies in the third quarter.

Now comes a report from the Boston Consulting Group, a global management consultant, declaring that the trend is real and lasting.

“Venture investing appears well on its way to establishing a firm foothold in the corporate world as companies look to nascent companies not just to generate financial returns but also to complement their R&D efforts, penetrate fast-growing emerging markets, and gain early access to potentially disruptive technologies and business models,” the report says.

BCG identified four cycles of corporate venture investing including the latest one, which it says began around 2005. The biggest wave was during the dot-com bubble when big companies, along with everyone else, rushed to jump aboard Internet hotshots and then fled when things turned sour.

Some students of the business think the boom-and-bust cycle is bound to repeat itself indefinitely because few big companies are real risk-takers and most have trouble

sticking with a long-term investment strategy through good times and bad – Intel Capital being the leading exception.

Coming down firmly on the opposite side of that argument, the BCG study finds that history is not repeating itself. Corporate VC, “once an experiment, has entered a new, more mature phase,” it says.

The basis of the study is the Global Corporate Venturing database, which lists 756 corporations that have corporate VC units or engage in venture-related activities. In its analysis of the data, BCG found that within industries that have traditionally engaged in corporate VC, such as technology and pharmaceutical, the percentage of the 30 largest companies with dedicated venture groups has been climbing since at least 2007.

The analysis also found that corporate venturing is expanding to industries that historically stayed on the sidelines, such as machinery, power and gas production, consumer and construction. Corporate investors are also often looking outside their core businesses.

BCG also supported anecdotal evidence that corporate VCs are investing at an earlier stage. Series A deals that included corporate investors nearly doubled from July 2010 through June 2012, the study said.

It also found that corporate venture groups are sticking around, with their lifespan in the pharmaceutical industry increasing by 50% since 2002 and growing by nearly six years in the technology sector.

When VentureWire looked at corporate venture investment in 2010, it found that while the financial crisis had taken its toll, there had not been the kind of exodus seen after the dot-com crash. Some attributed that to a greater maturity among corporate VCs. BCG’s study indicates that attitude has stuck, but cycle might need a few more years before it is safe to conclude that things really have changed.. 