

The BCG logo is displayed in a white, serif font against a dark green background. The letters are bold and well-spaced.

THE BOSTON CONSULTING GROUP

Canadian Corporate Innovation Summit

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Agenda

BCG perspectives on Corporate Venture Capital

Corporate Venture Capital in the Canadian context

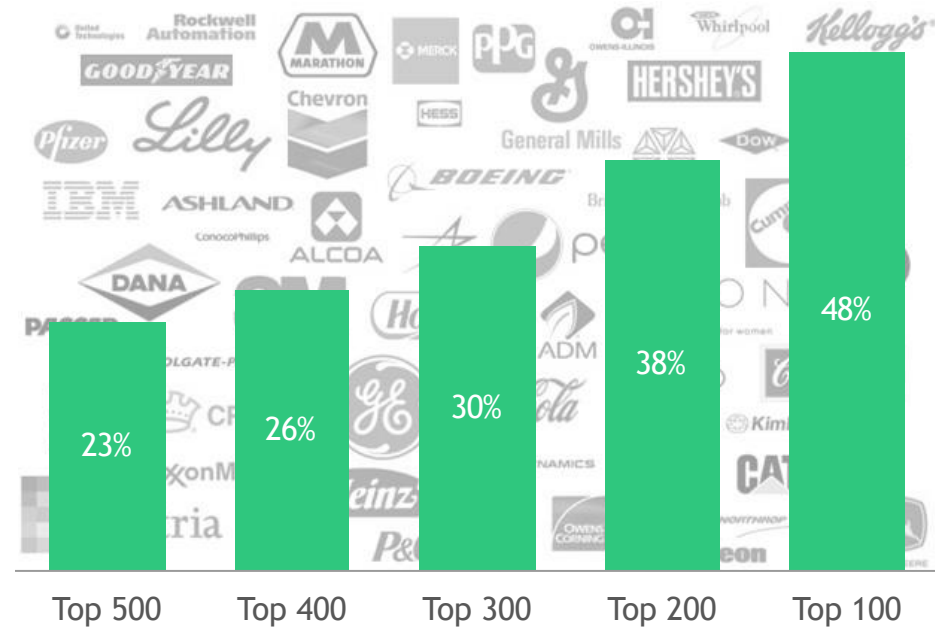




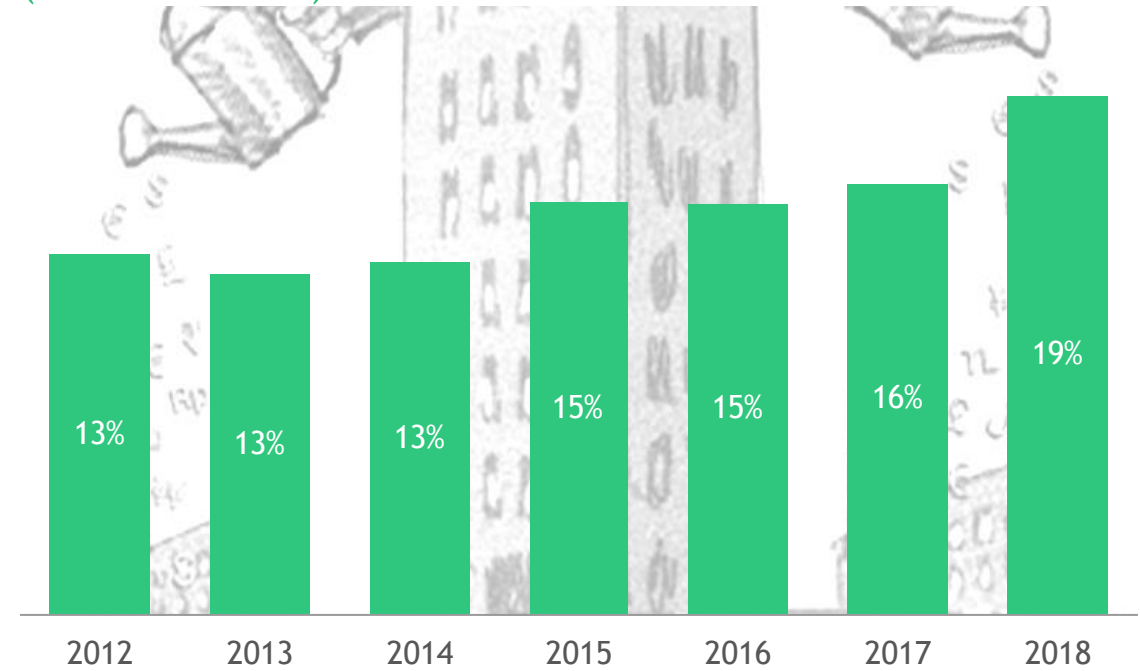
BCG perspectives on Corporate Venture Capital

Corporate venturing is here to stay

Share of Fortune 500 companies engaged in corporate venturing

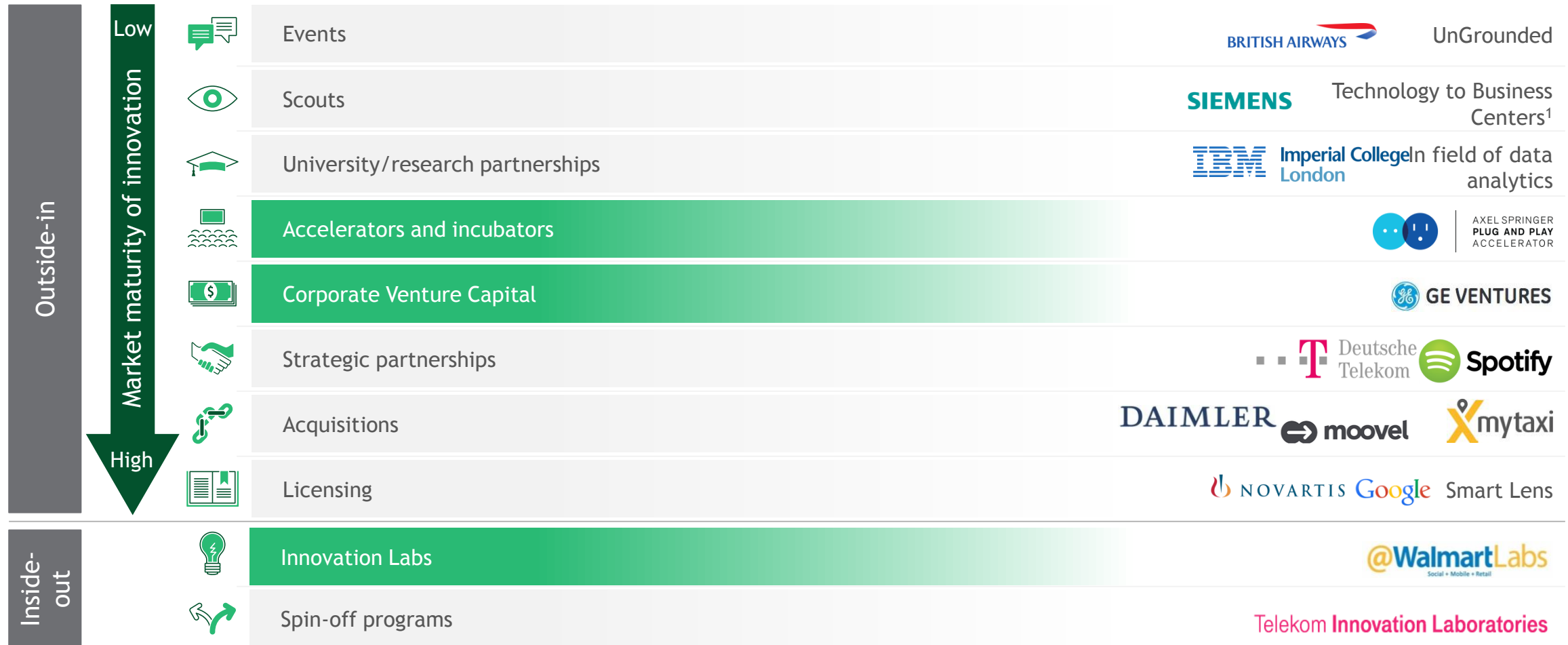


CVC investments % of total VC investments (North America)



Note: VC deals include seed stage, early stage VC, and later stage VC; location is defined as domicile of investors
 Source: Global Corporate Venturing; PitchBook; BCG analysis

Large breadth of external innovation vehicles used by corporates



1. Offer scouting as a service
Source: Press clippings; company Web sites; BCG analysis

Corporations applying especially three types of venturing tools to act fast & agile

Corporate Venture Capital



- Minority equity investment in start-ups
- Gain early understanding of market/technologies
- Create mid-term option room

Accelerators and Incubators (incl. partnerships)



- Fast scan of new business ideas
- Look into broad array of search fields
- Structured program with start ups

Innovation Labs



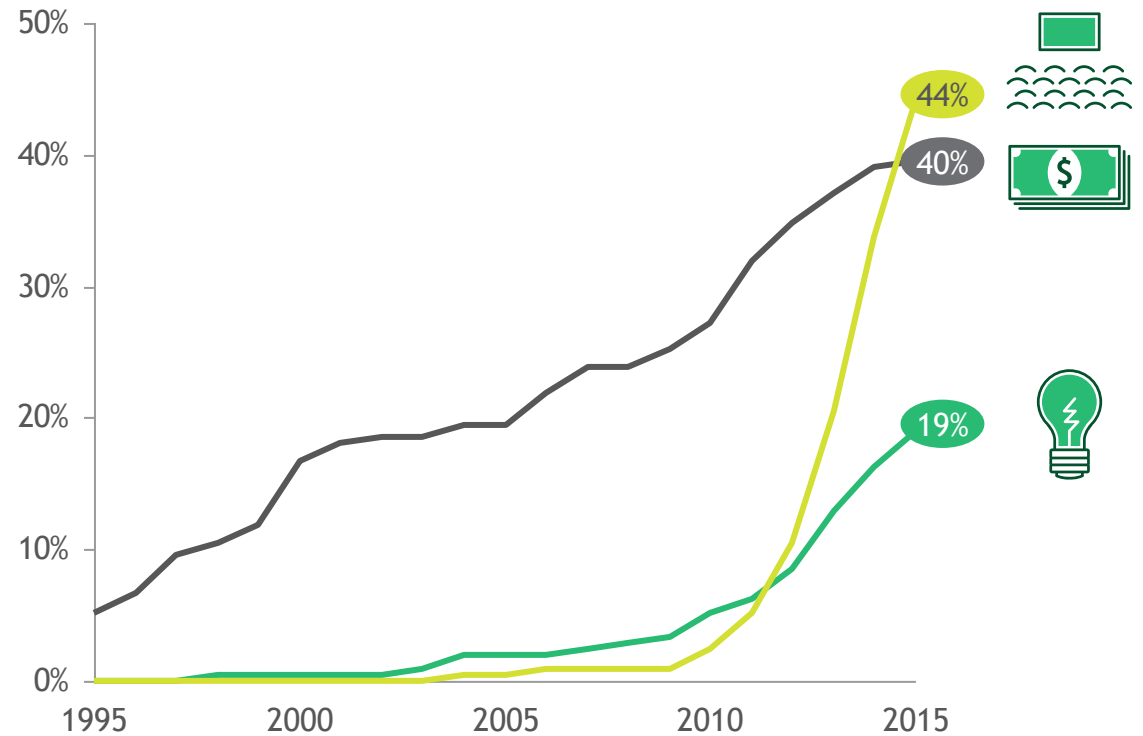
- Internal innovation team outside of traditional R&D
- Rapid delivery of prototypes
- Fast testing of MVP¹ in market

1. MVP = Minimum viable product

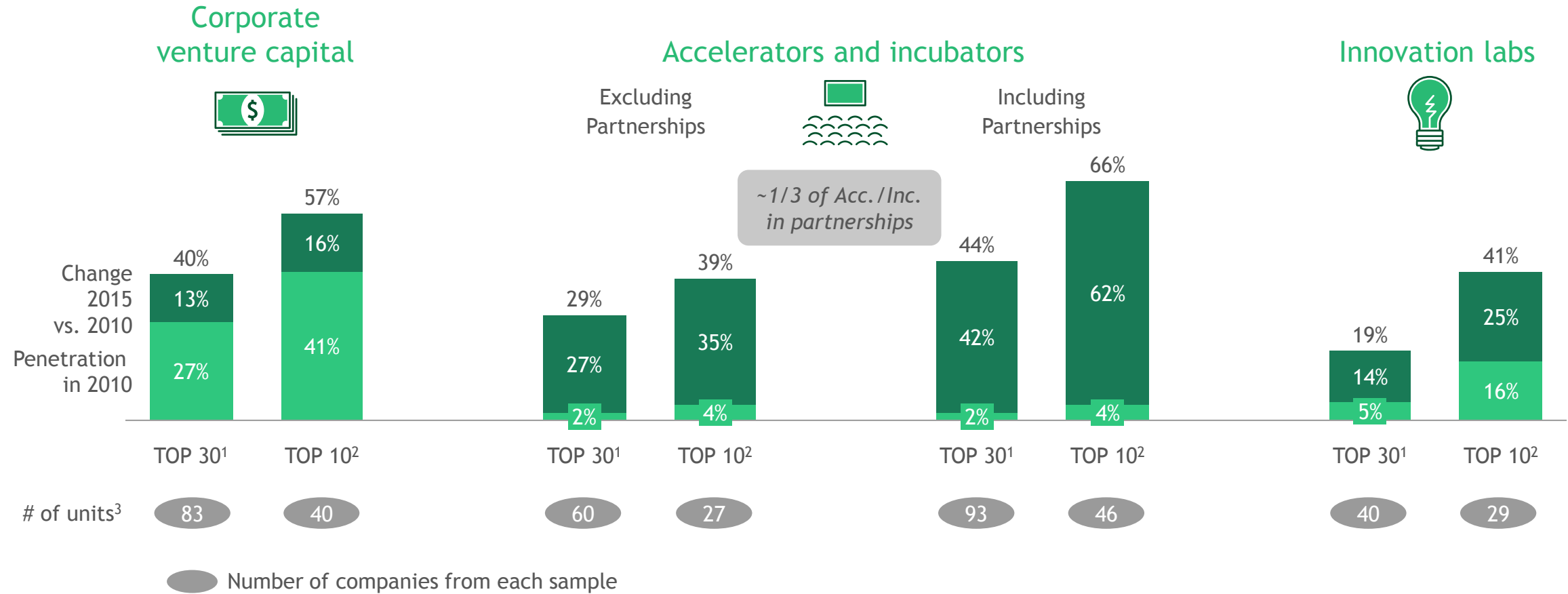
Note: Sample includes TOP 30 companies by market value for 7 industries, n=210 (Technology, Communication, Media & Publishing, Automotive, Chemicals, Consumer and Financial Institutions); 1. Accelerator and Incubator counted as one single vehicle and include partnerships

Source: BCG analysis

Penetration of vehicles in top 30 companies of 7 focus industries (cumulative)



Largest companies leading the way



1. Sample includes TOP 30 technology companies by market value n=30 2. Sample includes TOP 10 technology companies by market value n=10 3. Number of companies within the sample that have at least one vehicle in the respective category 4. Including accelerators where the corporation partners with others in an accelerator
 Source: BCG analysis

Six findings from analyzing venturing vehicles and search fields of the top 30 companies across seven industries



- Customer loyalty a factor for Financial Services, and (very limited) for Consumer, Media and Publishing, Technology companies



- Accelerators set up in partnership with other entities have rapidly become more popular in the last 3 years
- Today, almost a third of the accelerators/incubators in our 7 focus industries are in partnerships



- CVC investments strongly increase and shift towards software, doubling in last 5 years



- First, derive venturing search fields vs. internal innovation topics
- Second: Decide what type of venturing vehicle is best suited for each search field
- Last: Venturing strategy and vehicles determine operational design



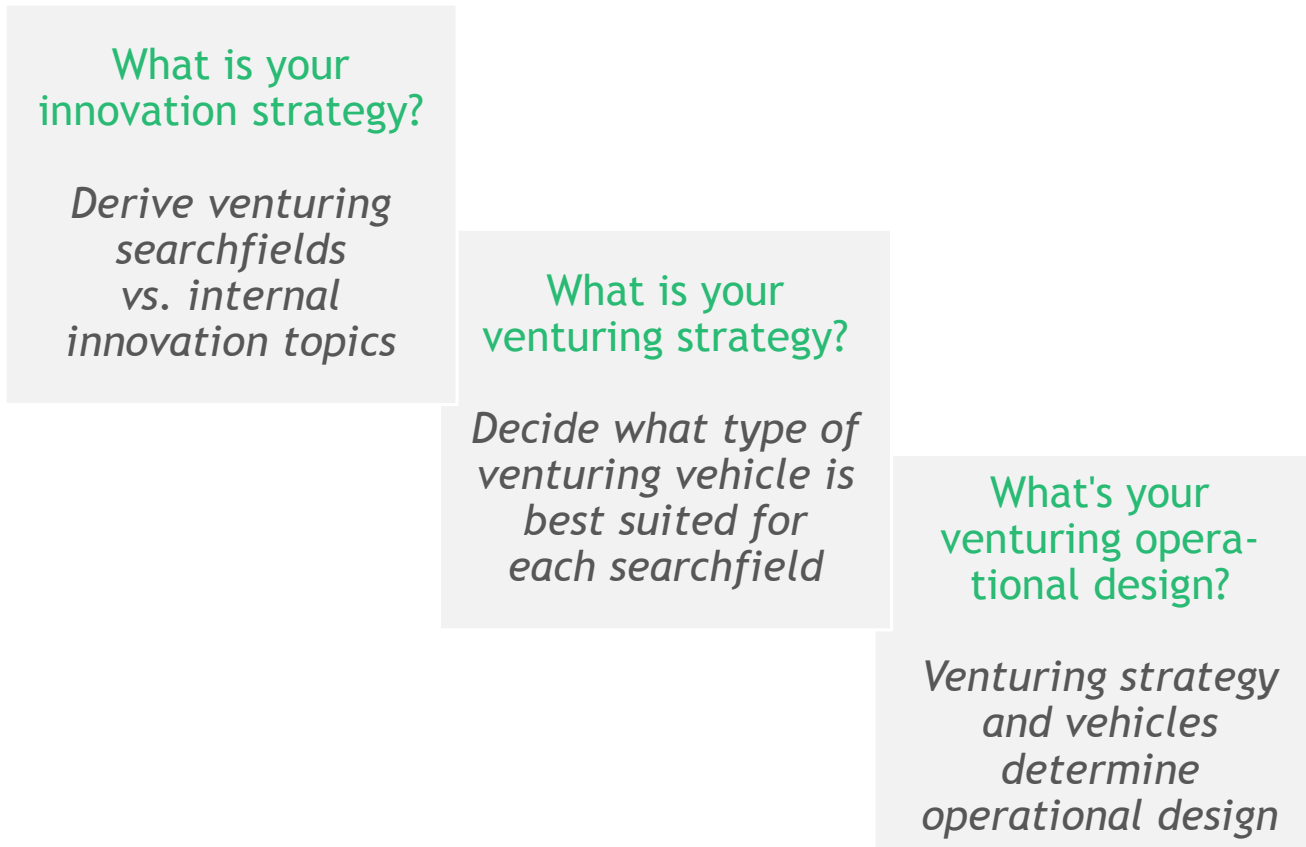
- Chemicals and Media companies focus on core with CVC
- Tech and Telco companies use combination of CVC and acc./inc. or core and adjacencies
- FS, Automotive and Consumer companies mainly use acc/inc. for adjacencies



- Strategic corporate center-led or business unit-led vs. financial return-seeking corporate-led or independent model
- Across 7 researched industries, Financial return-seeking independent model accounts for 12% of CVC units but higher share of invested US\$



Successful corporate innovators have one thing in common: From innovation strategy to venturing strategy to op. design



Strategic objective determines operational design!

Four questions corporates should ask themselves



Which search fields can we address internally, and for which search fields should we engage with the entrepreneurs, researchers, and companies that constitute the start-up ecosystem?



Have we determined which venturing tools best support our innovation strategy and spur fast and agile innovation?



Does the proposed mix of venturing tools and their operational design fit our search fields?



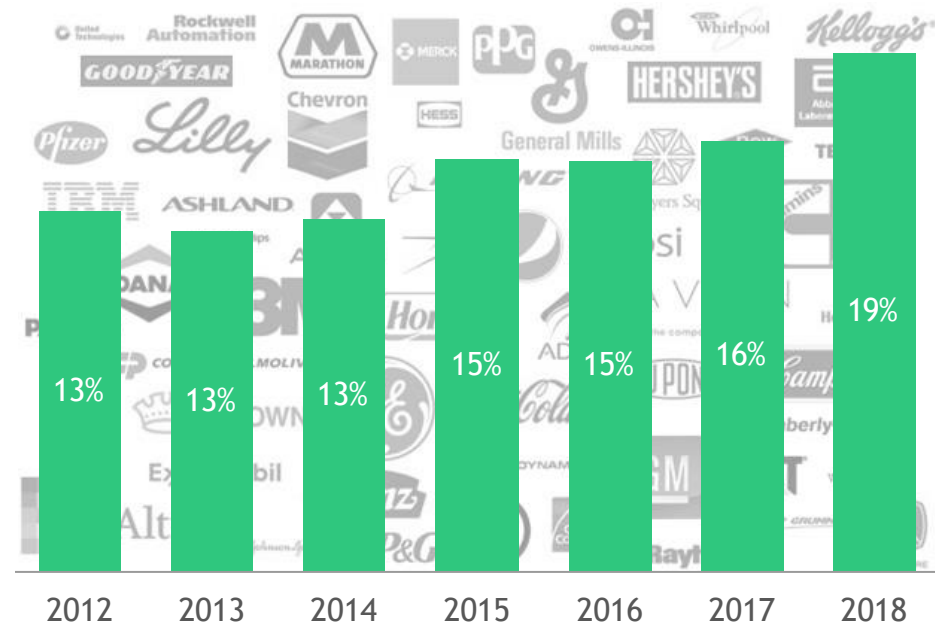
Should we create our own tools or work with partners?



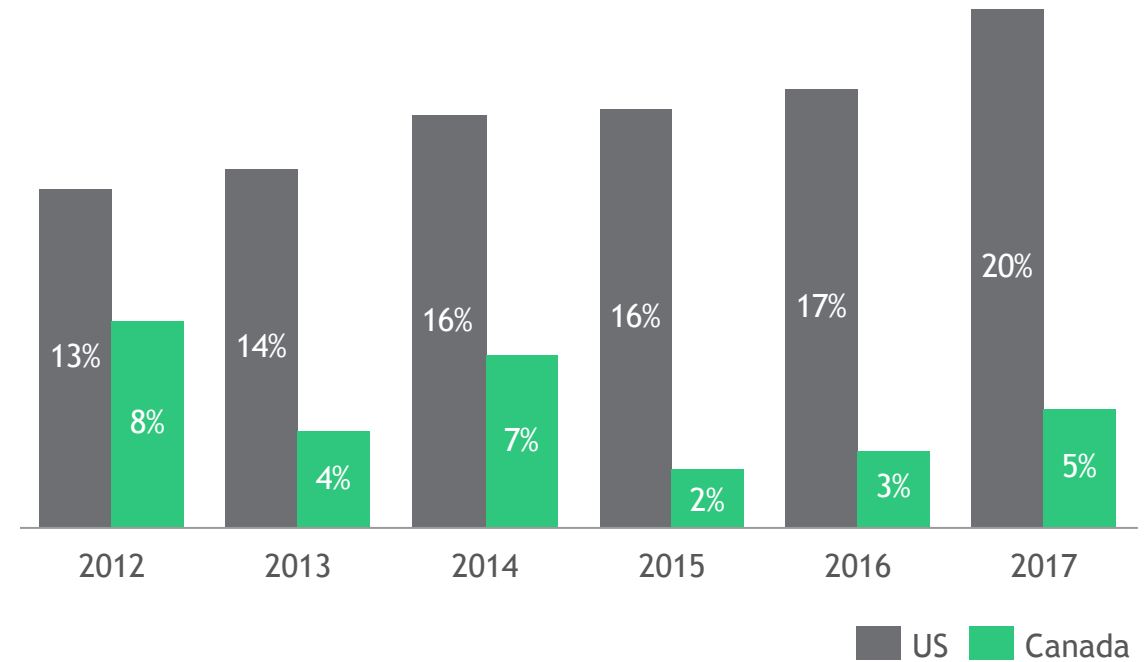
Corporate Venture Capital in the Canadian context

Canada is lagging in CVC activity

While CVC investments is high across NA ...



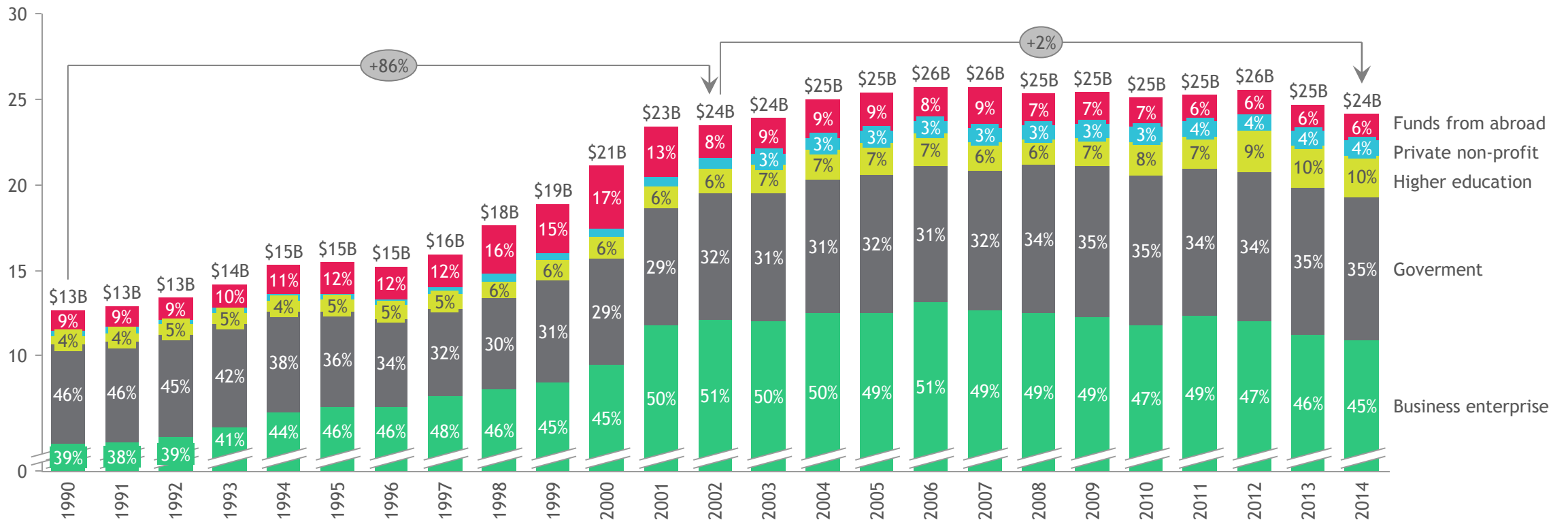
... there is a large discrepancy between Canada and the U.S.



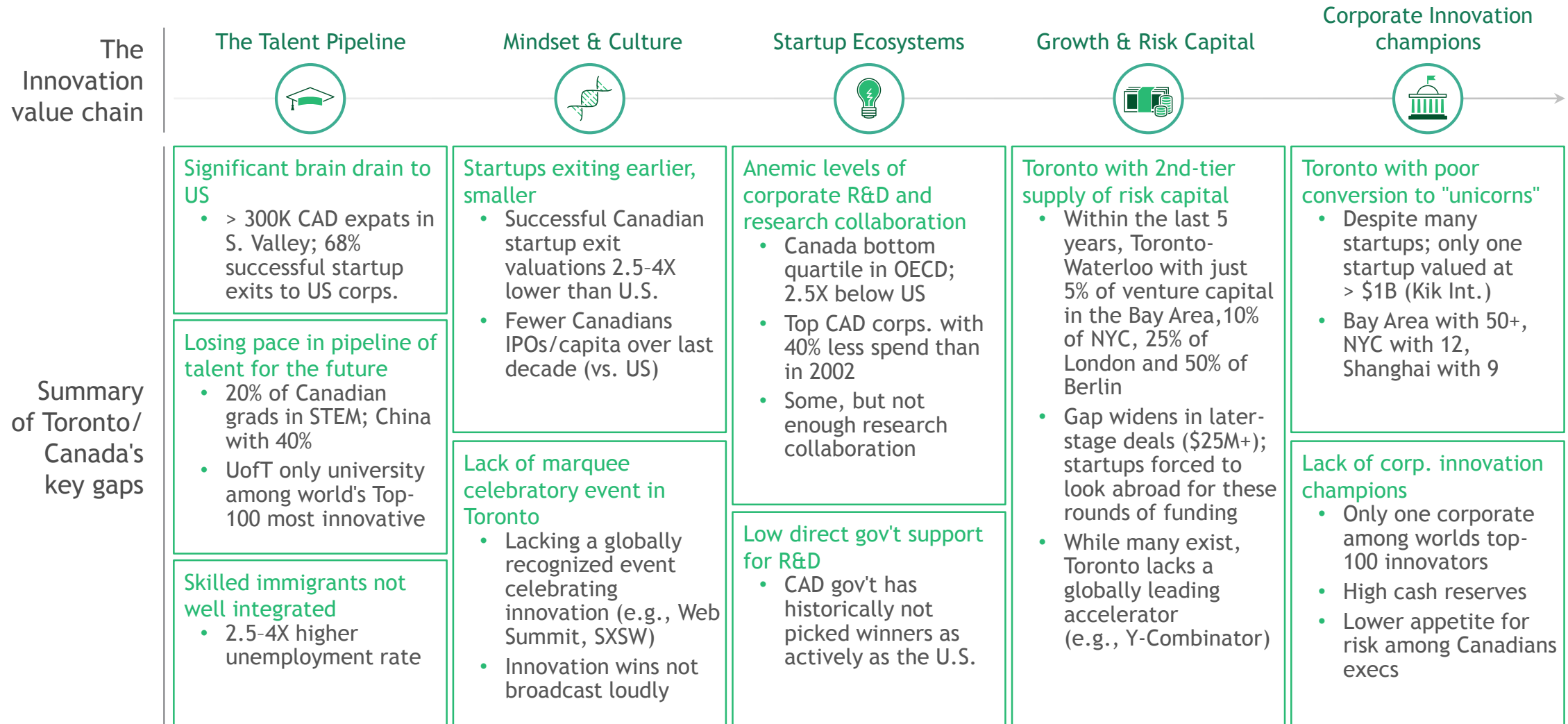
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Backup: In fact, Canada's total R&D spending has stagnated with virtually no growth in real terms post-2000

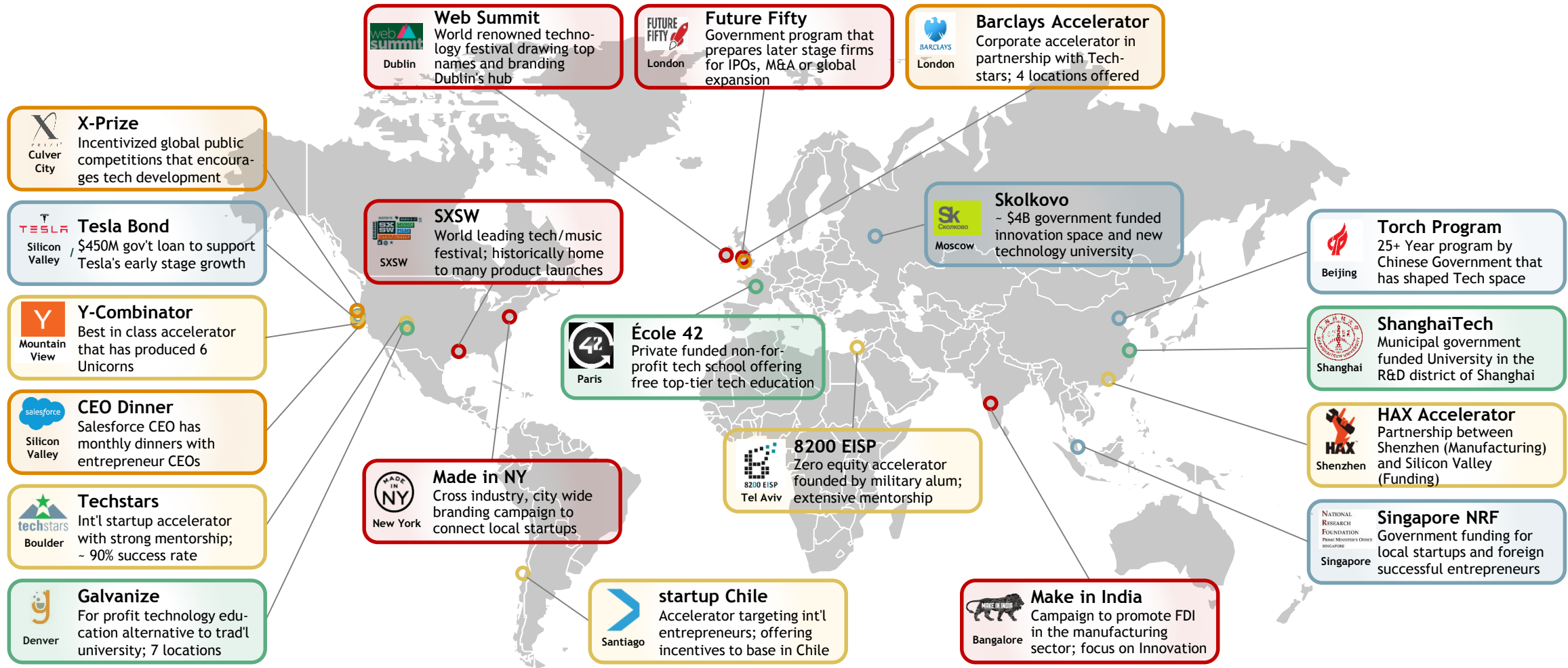
R&D Funding in Canada (B\$ chained to 2010 dollars)



Canada with key gaps along the value chain



Summary of profiles from around the world



Note: Additional initiatives that have been profiled but not included in this deck are startup Brazil, startup Institute, Cornell E-Labs, NASA Patent Program, TEKES and Google Bus