



Digital Article / Venture Capital

What Successful Corporate Venture Capital Funds Do Differently

When they work, CVCs can help large companies to stay close to innovation at the edge of the firm. *by Ezra Carlson, Mehdi Safavi, and Nicolas Sauvage*

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The launch of a new corporate venture capital (CVC) fund usually comes with big promises. The CEO often announces it on an earnings call and perhaps a press release is issued. But then, a few years later, updates slow, teams are folded into M&A or strategy, and the CVC's name quietly vanishes from the organizational chart. This pattern often repeats even when the venture unit has delivered credible investment results.

Zoom out, and the pattern becomes even clearer. Many firms rushed to set up CVC units during the late-1990s tech boom, only to cut back or shut down those programs after the dot-com crash, when corporate venturing activity fell sharply. During the 2007–2009 financial crisis, venture and CVC funding contracted again, and the continued existence of many units was brought into question.

Corporate venture capital is experiencing renewed momentum. Over the past decade, as digital disruption and new technologies have accelerated, CVC activity has grown to record levels and has been rediscovered as a way for large companies to stay close to innovation at the edge of the firm. Today, many large companies are launching venture funds alongside traditional R&D to spot emerging technologies, build startup relationships, and open new growth opportunities. Yet the paradox persists: even as more CVCs are launched with ambition and visibility, many still struggle to sustain momentum and quietly fade within a few years. For today's senior leaders, the question is no longer whether to launch a CVC, but how to keep it alive long enough to matter.

Why So Many CVCs Stall

When executives explain what went wrong with a CVC, they usually point to external factors: thin deal flow, low financial returns, frothy valuations, or shifting corporate priorities. Our research and practitioner interviews suggest something different. The biggest challenges are typically internal, not only in how CVC units are structurally designed and governed, but more importantly in how day-to-day practices are enacted at CVC boundaries.

Xerox (not part of our research) shows how stubborn these internal tensions can be. In 1989, it launched Xerox Technology Ventures (XTV), a \$30 million internal fund that backed startups such as Documentum and Document Sciences and grew to more than \$200 million in seven

years—by external measures, a clear success. Yet Xerox shut XTV down in 1996 as internal resentment and conflict over who owned the upside and who got the credit intensified.

Decades later, the company returned to venturing with Xerox Ventures in 2021, only to sunset the unit a few years later and move its investments into an independent fund. In both waves, promising activity at the edge ran into unresolved questions about autonomy, ownership, and how the venture arm fit at the boundary between the core business and the startup world.

CVC teams often sit in the middle of persistent, interconnected, and embedded tensions. They are typically asked to deliver both strategic insight and financial returns. They must move at startup speed while operating within corporate risk and compliance constraints. They are expected to help business units today while also exploring options for an uncertain future. And they need to appear founder-friendly without exposing the corporation to unnecessary risk.

Many companies treat these tensions as design problems, believing that if they choose the right mandate, governance model, and KPIs upfront, the conflicts should disappear. In practice, they don't. These tensions often reemerge and must be lived with and managed as a core part of CVC work. A CVC unit functions less like a machine to be engineered and more like a living organizational interface between the corporate core and the startup world. When that interface hardens, the unit struggles to adapt—and often stalls.

What Successful CVCs Do Differently

What does this look like in practice? [Consider GV](#), Alphabet's venture arm (not part of our research). Since its launch in 2009, GV has invested in hundreds of startups, including Uber, Nest, Slack, and

Stripe. It operates with its own fund structure, investment committee, and compensation system, yet that autonomy is balanced by strong bridges back into the parent organization: shared strategic themes, regular contact with product and business leaders, and clear rules about when and how to connect portfolio companies to Google.

Over multiple market cycles, this combination of a clear charter, independent decision-making, and deliberate boundary roles has helped GV avoid the on-again, off-again pattern of many CVCs and remain a durable way for Alphabet to stay close to innovation at the edge of the firm.

Successful corporate venture capital units don't eliminate the conflicting demands they face. They stay effective by doing the often-unseen work that makes those tensions manageable—both frontstage and backstage.

As part of [our research](#) on how CVC units adapt and survive, we interviewed CVC leaders across industries and geographies. We conducted a qualitative study centered on senior leaders with direct responsibility for CVC strategy and operations. Across three phases spanning seven years (2018-2025), we engaged more than 100 participants through interviews, expert panels, and follow-ups, sampling CVC units from large multinational corporations and allied venture organizations.

One pattern stood out: The CVC units that endured did not try to eliminate tensions. Instead, they developed repeatable ways of working with them over time. They treated tension as normal and invested in routines that made it productive.

We group these routines into two categories:

- **Frontstage work**, which is visible to executives, business units, and startups
- **Backstage work**, which shapes time horizons, structures, and narratives so that frontstage interactions can succeed

Together, these practices form a practical playbook for working the boundaries between a CVC, the core business, and the startup ecosystem.

Frontstage Work: Managing Tensions in the Spotlight

Frontstage work shows up in everyday encounters: in interactions with the investment committee, in steering meetings with business units, and in conversations with founders. These are places where tensions cannot be removed, but they can be handled in ways that build credibility rather than frustration.

A CVC head at a global industrial company told us: “We see ourselves as the boundary between our corporate partners and the startup. In every deal review, our job is to make sure the investment goals line up with the strategic interests of all sides.” The most successful CVS do these four things on the frontstage:

Start with believers.

Many CVCs focus first on their biggest skeptics. That approach often backfires.

In every large organization, some units and leaders are more open to experimentation than others. The CVCs we studied started with these believers. They partnered on early pilots and co-investments, generated a few visible wins, and shared what they learned internally. Those early partners became advocates who could credibly explain how working with the CVC created value.

This approach does not eliminate internal politics, but it reframes the tension between fairness and focus. Scarce attention is allocated where value can be demonstrated fastest, building momentum that makes broader engagement easier over time.

Align around one clear charter.

Many CVC conflicts stem from misaligned expectations. Some stakeholders want a financial VC fund to invest in new ventures. Others expect more of a sourcing arm for specific business units. Still others see a branding or signaling function. Without alignment, every investment committee becomes a debate about the CVC's purpose.

CVCs that perform well rely on a short, plain-language charter that answers three questions: 1) why the CVC exists, 2) what “good” results look like, and 3) what the CVC is *not*. These charters typically balance strategic learning and option-building with risk-adjusted financial returns. They are co-created with the CEO, CFO, and key business-unit leaders and are used consistently to explain decisions. Tensions may remain, but having a clear charter means that they can be surfaced and managed rather than being replayed deal by deal.

Build bridges, not silos.

On the organizational chart, a CVC may sit in strategy, finance, or corporate development. In practice, its effectiveness depends on the bridges it builds. High-performing CVCs deliberately involve a small group of senior and business-unit leaders as bridge builders. These leaders have standing roles in investment or advisory committees, help shape themes early, and visibly support the CVC internally and externally.

Below the executive level, successful CVCs create similar bridge roles: business-unit managers seconded into the CVC, technical experts who co-lead pilots, and individuals who act as “quarterbacks” between

startups and internal teams. These people translate in both directions, preventing misunderstandings from becoming crises. The tension between independence and embeddedness does not disappear, but it is shared rather than concentrated.

Tighten operations.

Good intent and strong relationships are not enough. Many collaborations fail in the operational details: unclear processes, slow approvals, and confusion over ownership.

High-functioning CVCs map the path from first contact to live collaboration. They clarify how startups engage, when business units are involved, who owns a pilot, and how decisions are made. They then put simple, reliable interfaces in place—standard templates, clear handoffs, and defined roles—and treat these interfaces as products to be improved. Friction does not disappear, but it becomes something to learn from rather than a reason to stop the initiative altogether.

Backstage Work: Shaping the System Over Time

While frontstage work helps CVCs manage daily interactions, backstage work reshapes the surrounding system so those interactions become easier. As one CVC leader explained: “We use distinct timelines and separate teams to manage different horizons. It’s the only way to protect short-term wins while still pursuing long-term growth.” Here’s what the most successful CVS do backstage:

Design safe spaces to experiment.

Experimentation creates anxiety for legal, compliance, and operational leaders, often for good reasons. High-performing CVCs addressed these concerns by working with risk owners to define safe spaces for testing. These included clear sandboxes, pilot frameworks with guardrails, and joint review forums that involved risk and compliance early. By making

the rules explicit, they made it easier to approve experiments without defaulting to blanket vetoes.

Set and communicate appropriate time horizons.

CVCs are often evaluated using tools designed for the core business: quarterly targets and short-term ROI. That logic clashes with work whose value may take years to emerge.

The CVCs that coped best made their time horizons explicit. They distinguished between learning horizons, options horizons, and financial horizons, and agreed with finance and strategy on how each would be approached. In addition to cash returns, they tracked validated insights, capabilities tested, and strategic doors opened or closed. This did not remove short-term pressure, but it put it in context.

Own the story.

CVCs are shaped by how they are perceived. Internally, they may be seen as pet projects or black boxes. Externally, they may be viewed as slow or unpredictable. These perceptions influence whether business units engage and whether startup founders take that initial call.

Successful CVCs treat their narrative as backstage work. Internally, they share short, honest stories about wins, failures, and lessons learned, often through people who have rotated between the CVC and the business. Externally, they make their value beyond capital clear and act consistently with it. Over time, this builds a reputation for predictability and transparency that buys trust when things take longer than expected.

Keeping the Boundaries Alive.

Enacted together, these practices create a rhythm of adaptation. Frontstage work pulls new ideas and relationships in. Backstage work pushes structural adjustments back out. The boundary between the

corporation and the startup world stays alive by continuously absorbing tension and responding with small changes.

Practical Steps for CVC Leaders to Take Next

If you lead or sponsor a CVC, you don't need to launch an entire transformation program to be successful. As we detailed above, you can start with these practical steps:

- **Back your first believers.** Identify the two or three business units most likely to engage. Co-create one visible initiative with each (a focused pilot, a scouting effort, or a joint partnership), with clear success criteria and a plan for sharing what you learn.
- **Write—or rewrite—your one-page charter.** Bring your CEO, CFO, and one or two key business-unit leaders together. In plain language, capture why the CVC exists, what “good” looks like, and what you are not. Use this charter to guide the next set of decisions.
- **Name your bridges.** List the five to 10 people who could be real bridge-builders between the CVC and the rest of the organization. Give a few of them explicit roles—such as non-voting committee member or pilot sponsor—and make sure you have a regular touchpoint with each.
- **Tighten operations.** Map the journey from startup contact to live pilot. Where does it slow down? Where do tensions flare up? Pick one bottleneck you can fix in the next quarter—a decision point to speed up, a handover to clarify, or a form to simplify.
- **Spell out your safe spaces.** Sit down with risk, legal, and a willing business unit to agree under what conditions pilots can run: which customers or data are in scope, what safeguards apply, and who signs off. Write this down once so you don't have the same argument every time you start a new pilot.
- **Make your time horizons explicit.** With finance and strategy, define how you'll talk about learning, options, and returns over time. Agree

on which metrics belong to each horizon, and build them into your regular reporting so long-term bets aren't judged only on short-term numbers.

- **Shape the narrative.** Plan a simple internal and external communication rhythm: a short update each quarter, one internal case example, and one founder testimonial. Aim for honest, repeatable messages rather than glossy headlines.

This is not a one-time design project. The tensions between exploration and exploitation, speed and safety, and strategic and financial goals cannot be solved once and for all. CVCs that treat these tensions as purely design or governance flaws tend to cycle through reorganizations or fade away. Those that treat them as raw material for day-to-day learning and improving boundary practices build the organizational capacity to breathe through them—and remain relevant longer.

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