

The Benefits of Venture Capital Arms

Corporate Venture Capital is defined as the investment of corporate funds directly into external startup companies. In the last decade or so, these kinds of corporate venture capital divisions (or sometimes separate but affiliated funds) are gaining in popularity. Tech giants such as Google, Microsoft and Intel have their own venture capital arms, and even non-tech companies like Jet Blue and Tyson Foods have begun to make investments.

According to The Corporate Venture Capital Report released by CB Insights this month, “the number of new corporate venture capital firms making first-time investments reached record levels in 2016.” In fact, 107 new venture capital arms made their first investment last year. With such significant expansion of venture capital arms that are funded by major corporations, startups should take notice as they can provide emerging companies with a wide variety of benefits.

Venture capital arms are able to invest a substantial amount of capital throughout a startup’s life cycle, and they can provide a greater level of assistance for young companies. For example, a venture capital arm can leverage its resources, such as distribution or supply contacts, and provide entrepreneurs with a level of access to critical resources that other types of investors cannot. Because the corporation has a business that is separate, strategic venture capital investments can be seen as a form of investment in the company’s own growth.

By supporting emerging companies within their industry, these corporate venture capital funds are also benefitting themselves. This kind of investment and support of startups within their industry allows them to be on the cutting edge of new technologies, innovation or the latest business models. It gives them an opportunity to stay ahead of their competitors and have a hand in the disruptive technologies of tomorrow.

For all these reasons, if a company is looking for investors for its next round of investment, it should consider corporate venture as part of its overall investment search.