Corporate Venturing Latam

Corporate Giants' Collaboration with Start-Ups in Latin America

IESE Business School
University of Navarra

wayra
A Telefónica INITIATIVE

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Foreword

Throughout my career, I founded start-ups and helped others grow in a variety of roles. In 2018, after contributing as Chief Operating Officer of CARTO, a Telefónica-invested company, I landed on the other side of the road as Global Entrepreneurship Director for this corporate giant.

Having this holistic perspective has helped me in realizing how important it is for the ecosystem and for entrepreneurs that established companies such as Telefonica play a significant role collaborating with start-ups. This is, nevertheless, not for the sake of marketing or corporate social responsibility as part of the "innovation theatre", but for growth and value generation for every involved party.

Corporate venturing has become more than a fancy trend in Latin America. The model of large firms collaborating with start-ups has been in place for many years now in Europe and the United States, where companies developed strong investment strategies which they now seek to export into Latam, a region thriving with entrepreneurs and with (still) strong uncertainties. Many Latin American companies are already doing a great job, though somewhat timidly. We see with much enthusiasm the increase of such collaboration over recent years, looking back from our early days when it was unheard for a big corporation to do so in Latin America.

When Wayra was founded in Colombia in 2011, a vision started to take form. One where a big corporation not only contributes to the scaling up of early enterprises but deepens its trust -and stakes- in the region, thus betting on the capabilities of its innovators and the drive of its entrepreneurs. Now, that vision has come a long way since the days Wayra was a corporate accelerator. Today we actively scout, invest, scale and integrate innovations from Latin America thanks to our footprint in the region and the enthusiasm of our local teams along with our business partners, many of which are working with start-ups and took part in this report.

This represents an opportunity not only for the companies and start-ups that already work together in the region, but for the local ecosystems, entrepreneurs, governments, economies and society. The value a new venture brings in employment, technological advances, value creation and cultural transformation is enormous. We have been part of this impact throughout the years, supporting over 380 start-ups in Latin America, bringing over 22 million dollars to innovators and helping them scale and raise more than 188 million dollars from third parties. About 300 of them are from Mexico, Colombia, Venezuela, Peru, Chile and Argentina, countries where the entrepreneurial landscape was very different nine years ago. Of course, this did not happen because of us. Yet, we proudly contribute by pushing in its continuing evolution. We want to see more companies engaging with start-ups, and more entrepreneurs. Particularly the ones led by women!

I look at a region with optimism, since now over 180 corporations are collaborating with start-ups. Economic, technological and humane development happens when great, smart people come together with a shared vision embodied in a start-up; and we as corporations have the privilege -and also the responsibility- to help in scaling that vision into an enterprise that brings benefits for everyone involved. Imagine what can happen when the biggest players in the corporate world engage in a region full of opportunities. This report presents you a clear picture of what those giants are currently doing so you may have a glimpse into the possibilities ahead.

Miguel Arias
Global Entrepreneurship Director
Telefónica


ORACLE

Executive Summary

The adoption of corporate venturing—the collaboration between established firms and innovative start-ups—has quadrupled worldwide among companies in the past seven years.

However, Latin America is known as the blind region where this type of collaboration is more challenging to track. So, what is the current activity of corporate venturing in Latin America?

According to the insights provided during the interviews with 133 chief innovation officers (and similar roles) during this study, complemented with the in-depth analysis of 1,760 corporate subsidiaries in Latin America, and 17 peer-reviewers; the region is not an exception to this emerging trend.

Firms such as Petrobras, Bimbo, Merck, Falabella, Itaú and YPF are already in the game, encompassing mechanisms such as challenge prizes, hackathons, scouting teams, venture builders, the sharing of resources, strategic partnerships, corporate incubators, corporate accelerators, corporate venture capital, venture clients and start-up acquisitions in Latin America.

This report maps a total of 460 initiatives led by 184 subsidiaries belonging to 107 corporate headquarters (or global ultimate owners) with consolidated annual revenues of at least $4 billion. Bigger companies (i.e., with consolidated annual revenues of more than $25 billion) have a higher adoption level for corporate venturing than smaller firms (with revenues of $4 billion to $25 billion).

This activity is concentrated in seven cities of the six analyzed countries: São Paulo (Brazil), Mexico City (Mexico), Bogotá and Medellín (Colombia), Santiago (Chile), Buenos Aires (Argentina), and Lima (Peru). The most frequent sectors in this field study are financial services, information technologies, management consulting and telecommunications.

Although, the average adoption level in the region is 16%, considering different corporate venturing mechanisms, this percentage is still far from the 75% adoption level that appears in the Fortune 100 list just analyzing corporate venture capital (one of the mechanisms). So there are many opportunities to continue adopting this practice.

The subsidiaries involved in this activity have headquarters predominantly in Europe (45% of the cases), Latin America (25%) and the United States (24%). The most frequent mechanisms applied by those corporations were some of those with a lower cost of implementation such as challenge prizes and scouting missions.

The results of this study expand the knowledge on the number and type of corporate venturing initiatives in Latin America, nearly tripling the amount of some information currently available in leading existing suppliers of databases.

This colorful picture of initiatives is accompanied with a boom in venture capital investment, increasing by more than 200% between 2015 and 2018, attracting investors looking to diversify their portfolios outside of major markets.

In parallel, start-up accelerators have proliferated in recent years with names such as 500 Startups, Startup Farm, Ruta N, StartUp Perú, etc. The program Start-up Chile was one of the state-driven pioneers, launched by the Chilean government, followed by additional initiatives such as Start-up Brasil, the National Institute of the Entrepreneur in Mexico, the IncuBAte program in Argentina, and more.

These corporate activities, capital investments and state-driven programs—among other factors—have paid off in the sense that 16 unicorns emerged in Latin America from 2017 to 2019.

Lastly, the results of the study provide some recommendations to chief innovation officers such as clustering with other corporates in joint challenges to improve the value proposition offered to start-ups. The second suggestion is relying more on numbers and less on hype when designing the corporate venturing strategy. Third, distributing the costs of proofs of concept among headquarters, business units and innovation units to increase the available budget for innovation and the buy-in from internal stakeholders. Fourth, cross-pollinating corporate venturing knowledge, leveraging subsidiaries and foreign institutions to spot opportunities and best practices before your competitors.

Corporate Venturing Latam

Corporate Giants' Collaboration with Start-Ups in Latin America

130+ CIOs interviewed (and similar roles)

REGIONAL EXAMPLES

YPF · MERCK · GRUPO BIMBO · Itaú · falabella. · BR PETROBRAS

Corporate venturing is the collaboration between established corporations and innovative start-ups

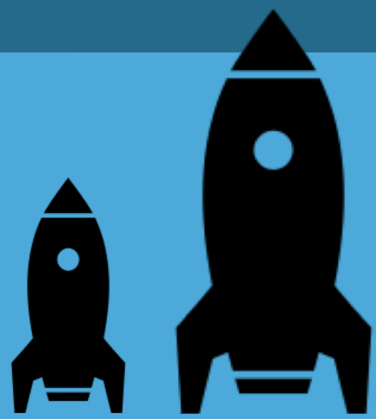
CORPORATE VENTURING ACTIVITY

460 Initiatives run by... **184** subsidiaries of **107** corporate giants in... **19** Latin American cities in... **6** countries*

* Brazil, Mexico, Colombia, Chile, Argentina and Peru concentrated the main activity in Latin America

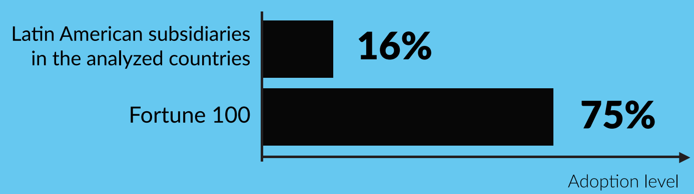
BIGGER CORPORATES ADOPT 8% MORE

Latin American subsidiaries engaged in corporate venturing whose HQs has annual revenue of...

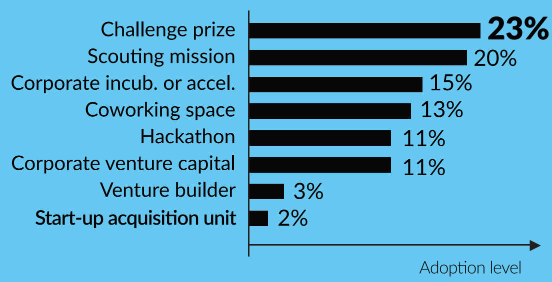


ADOPTION LEVEL AMONG CORPORATES

...is far from the Fortune 100



...it differs by mechanism



HIGHEST CONCENTRATION OF ACTIVITY IN...

INDUSTRIES

Financial Services

21% Subsidiaries in this sector

HEADQUARTERS

Europe

45% Subsidiaries whose HQs are in Europe

CITIES

São Paulo

Mexito City

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Josemaria Siota and Julia Prats
2020 | http://bit.ly/CorporateVenturingLatam

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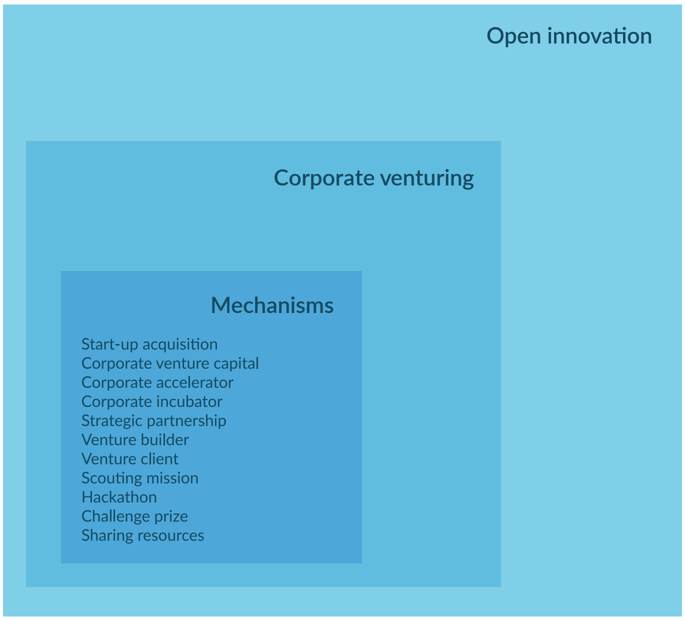
1. Latin America: The Blind Spot of Corporate Venturing

1.1 What Is Corporate Venturing?

Corporate venturing is the "collaborative framework that acts as a bridge between established firms and innovative start-ups," a "means through which corporations participate in the success of external innovation."[1]

Petrobras, Bimbo, Merck, Falabella, Itaú and YPF are examples of local and foreign companies that are already collaborating with start-ups in Latin America. This is a path for established firms to attract and adopt innovations, following the paradigm of open innovation, which assumes that firms can and should use external ideas as they look to advance in their technology.[2] (See **Figure 1.**)

Figure 1. Framework of Corporate Venturing



Source: Prats, J., Siota, J.; IESE Business School (2018).

It encompasses mechanisms such as challenge prizes, hackathons, scouting teams, venture builders, the sharing of resources, strategic partnerships, corporate incubators, corporate accelerators, corporate venture capital, venture clients and acquisitions.[3] (See section 4.2.)

So, is corporate venturing just corporate venture capital? It is not. The reality is much richer and more sophisticated.[1,4-7] Although corporate venture capital is within the category of corporate venturing, corporate venture capital is not the only mechanism of corporate venturing.

And is it only for corporate giants? It is not. Many small and medium enterprises already use these mechanisms around the world.[7] In 1914, starting with more traditional mechanisms such as corporate venture capital, DuPont invested in the six-year-old automobile start-up General Motors, which generated $147 billion[i] in annual revenues in 2018. This is one of the first examples of this type of collaboration.

Since then, this mechanism has evolved to become more sophisticated, and new tools have emerged such as the recent venture client, hackathon and venture builder, to name a few. This trend has triggered new publications to understand the phenomenon better, with a clear perspective of how to orchestrate and deploy these mechanisms successfully according to the maturity of the opportunities for collaboration, the available capital to implement any collaborations, and the desired time to get results.[5,7,8] (See **Figure 2.**)

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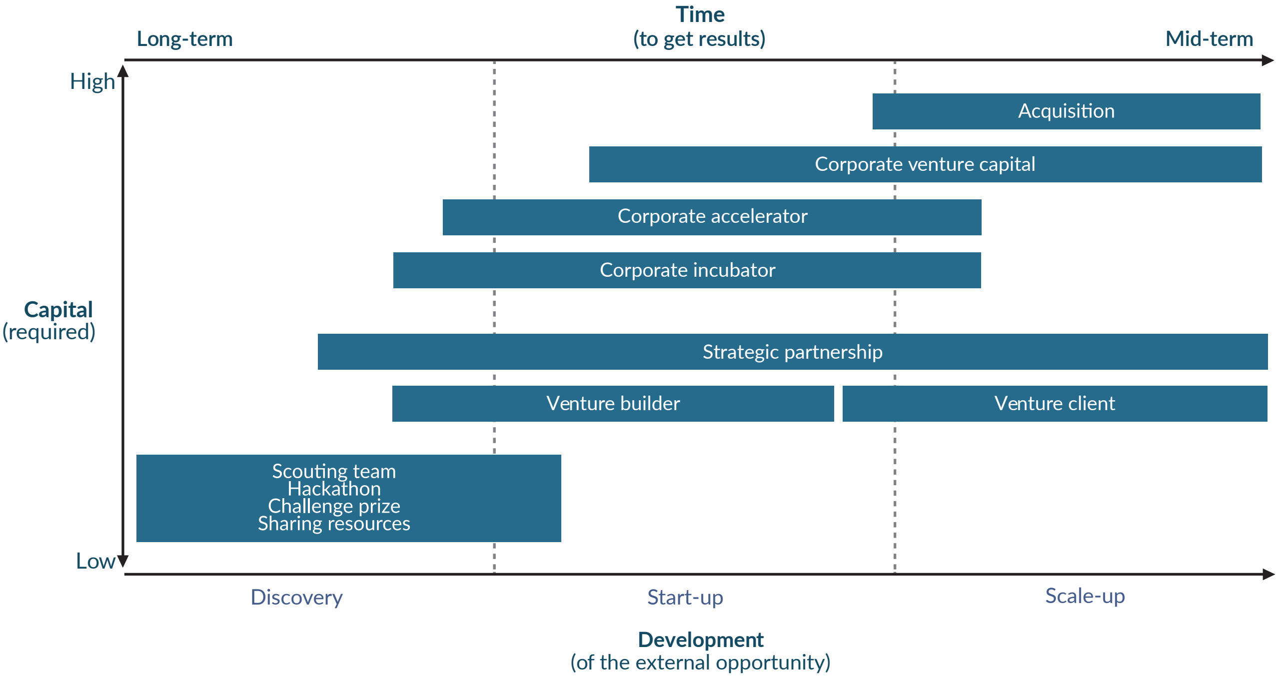
[i] "$" means "US dollars" in all references of the document.

Figure 2. Corporate Venturing Mechanisms Categorized by the Maturity of the Opportunity, the Capital Required and Time to Get Results



Source: Prats, Siota, Contijoch, and Canonici, Open Innovation: Building, Scaling and Consolidating Your Firm's Corporate Venturing Unit; *IESE Business School, Opinno (2018).*[3]

1.2 A Trend Growing Globally at Speed and Having an Impact

In the past few years, the adoption of these mechanisms has expanded globally. For instance, in the case of corporate venture capital, there has been an increase not only in the number of companies adopting this type of collaboration but also in the number of corporate investments in start-ups, a figure that tripled from 980 in 2013 to 3,232 in 2019 and continues to rise.[4,9]

One of the drivers that has triggered this trend is the combination of an exponential growth of new technologies and the liquidity in some markets, resulting in novel solutions that increase the potential to disrupt some established firms.[8] In fact, a careful analysis of the Fortune 500 list of companies in 2000, compared to today, confirms that more than half of those on the list have either disappeared or dramatically changed their business models.[7]

A second reason has been the complementary assets between established firms and innovation start-ups, a relationship in which the weaknesses of some are the strengths of the others and vice versa. For instance, a start-up that lacks resources may find a solution in sharing those of a corporation. Likewise, the focused talent pool of a start-up may offset a corporation's lack of knowledge or innovative ideas in that area. Moreover, besides capital, start-ups are also interested in industry know-how, access to data for proofs of concept, and distribution channels, to name a few.

In return, corporations benefit from financial earnings, an innovative mind-set, new technologies, and more.[5] As a consequence, corporates increasingly see start-ups as important innovation partners with a significant impact on the value generated for both actors.[10]

The ability of the mechanisms to facilitate growth by embracing high-level innovation and accessing cutting-edge technological development has inspired reports and studies to identify and track regional trends,[11-13] providing a win-win situation for both established corporations and innovative start-ups.[14]

Companies such as Siemens built new revenue streams by launching new products through such collaborations, Intel increased its sales indirectly by supporting start-up clients that were using Intel technologies, and one of Europe's leading corporate banks reduced what it was spending on proofs of concept by around €300,000 while increasing their speed by 300% on average.

Is this happening in Latin America? What is the current picture?

1.3 The Latin American Venturing Ecosystem

Understanding what is happening in Latin America, in terms of venturing, requires starting with the big picture. What is the current level of market volatility? What are the investments in the entrepreneurial ecosystem? How are local governments supporting entrepreneurs? What do we already know about corporates working with start-ups in the analyzed countries?

1.3.1 A Volatile Market

The Latin American economy and the region's abundance of natural resources attract investors looking to diversify their portfolios outside major markets. In 2018, data from Morgan Stanley and S&P Global Ratings forecasted a year of volatility in the region in 2019 but markets were promising for long-term investors.[15]

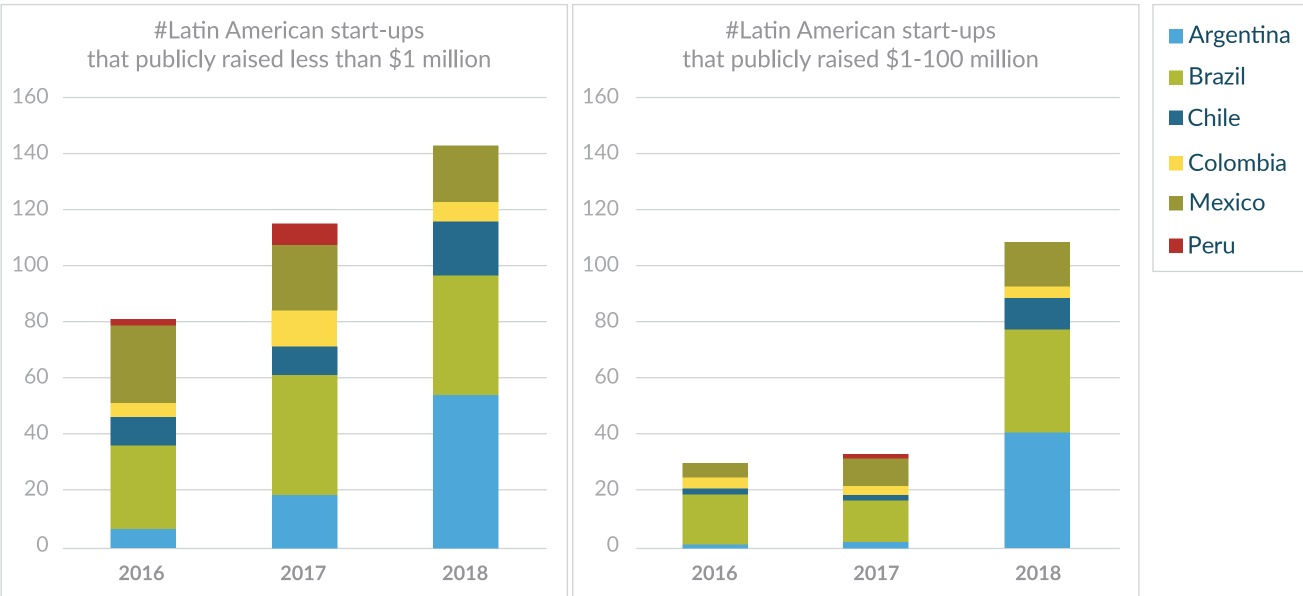
Among the external factors to have affected market volatility have been the increasing interest rates in the United States, that country's roller coaster of trade tensions with China, and a slowdown in developed markets around the world. The internal factors have included political, social and policy uncertainty in some of these countries. These are events that have made the region less attractive in stability indexes[ii] measuring political, legal, operational or security risk, according to data from the World Bank.[16,17]

Nevertheless, business leaders are optimistic about technological disruption and see regional opportunities instead of threats. Latin America is getting attention as a significant market that is gaining wealth.[18–20] According to the World Economic Forum, unlike regions with more balanced performances, Latin America has the opportunity to improve its entrepreneurial ecosystem by focusing on existing bottlenecks such as the process of innovation and the management of venture capital.[21,22]

1.3.2 Increasing Investments in The Entrepreneurial Ecosystem

Venture funding in Latin America has grown dramatically over the past few years, as has the general interest in entrepreneurs there.

Figure 3. Number of Latin American Start-Ups that Publicly Raised Funding in the Analyzed Countries



Source: Prepared by Siota, J., Prats, J. of IESE Business School with data from PitchBook.

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[ii] These types of indexes measure the likelihood and severity of political, legal, operational or security risks impacting business operations.

An increasing number of start-ups in the analyzed countries have raised funding in the past years. (See **Figure 3.**)

Since 2016, the number of those start-ups publicly raising less than $1 million has increased by 77%, while the number of those raising between $1 and $100 million has boosted by 263%. Likewise, between 2016 and 2018, venture capital investments in Latin American start-ups quadrupled, growing to a record $2 billion.[25-27] (See **Figure 4.**)

In 2018, Brazil led the region across all stages of venture capital investment, capturing 66.2% of venture capital investment dollars, followed by Colombia (16.9%), Mexico (8.8%), Argentina (4.2%), Chile (2.3%) and Peru (0.8%). Compared with 2017, investment dollars grew in every market in the region in 2018.

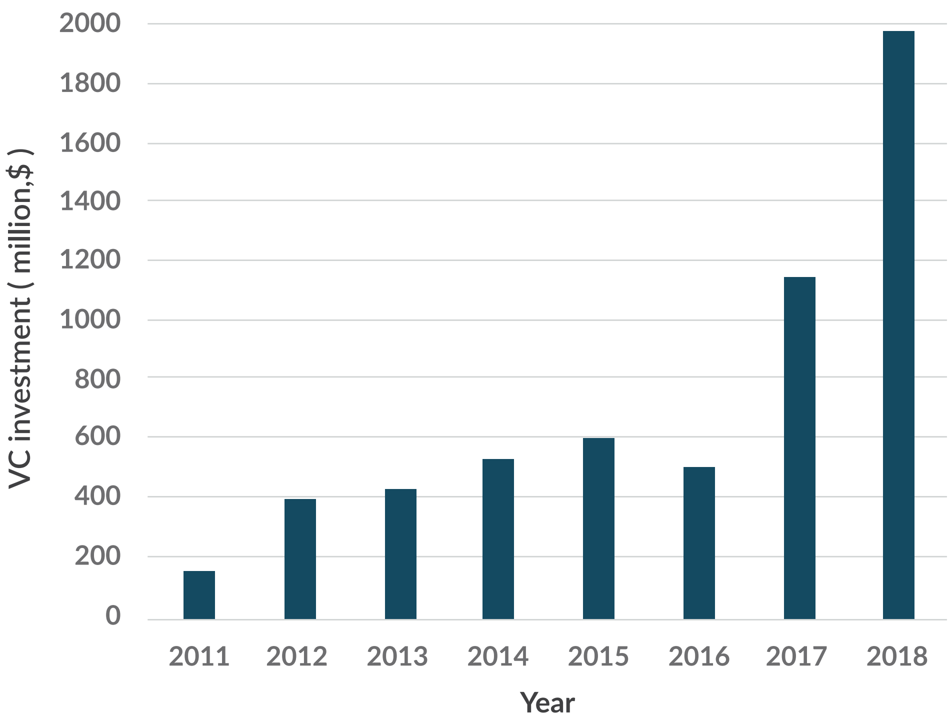
In terms of the number of venture capital deals in the region, Brazil captured 55.9% of those, followed by Mexico (20.5%), Chile (10.6%), Colombia (4.1%), Argentina (4.1%) and Peru (2.4%).

This venture funding has also supported the development of start-ups with a high valuation. While unicorns (i.e., start-ups with a valuation of at least $1 billion) have become relatively common in the United States, they hadn't been in Latin America until 2017, when a new batch of unicorns emerged on the scene, growing up to 16[iii] during the next two years out of the 520+ monitored in Crunchbase.[23,24]

Recently, there were back-to-back relevant announcements from companies such as MercadoLibre (which raised almost $2 billion[iv]) and Stone Pagamentos (which announced a subsequent public offering).

Moreover, the Japanese conglomerate Softbank announced a $5 billion fund for Latin America and confirmed a $1 billion investment in the Colombian company Rappi.[29]In light of these trends, the region was sometimes described effectively as the "new China."[30] Markets are maturing, rounds are getting bigger, and funding is increasing—where Brazil (56%) and Mexico (21%) are leading the highest number of venture capital deals in Latin America.[31]

Figure 4. Volume of Venture Capital Investment in Latin America (2011–2018)



Source: Adapted by Siota, J., Prats, J. (IESE Business School) using data from LAVCA.[25-27]

Note 1: The chart doesn't include private equity investments, which shows a flatter trend. However, it also includes some corporate venture capital investments.

Note 2: The category "Others" includes Belize, Bolivia, Caribbean, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru and Uruguay. In the column of 2018, Colombia represents 4.1%, Argentina represents 4.1%, Peru represents 2.4%, and Others represents 2.3%.

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[iii] The list of Latin American unicorns in the counting includes the companies Despegar, PagSeguro, 99, Nubank, Arco Educação, Ascenty, Rappi, Stone, iFood, Movile, Prisma Medios de Pago, Auth0, Loggi, Gympass, QuintoAndar and EBANX. This group has also considered those that have been already acquired or made an initial public offering.

[iv] This number excludes private equity investments. In 2018, private equity and venture capital fund managers deployed $7.4 billion.

Some of these facts have attracted also corporates. In 2017, those represented 10% of all global investors in Latin America. (See **Figure 5.**)

Major global tech players pursuing market expansion. Sectors such as payments has recenlty emerged as an area of focus, with notable activity from Amazon, Apple Pay, Google Pay, PayPal, and Visa, among others.[28]

What has happened in 2019? During the first six months of the year, risk capital funds (including venture capital and private equity) invested 7.4 billion reais (close to $1.8 billion) in 115 start-ups in Brazil.[32] By 2019, some of Silicon Valley's biggest names were active in Latin America, including Andreessen Horowitz, Accel Partners, Founders Fund, Sequoia Capital, and Y Combinator. They invested opportunistically across financing stages and sectors, with a preference for deals in Brazil, Mexico and Colombia.[33]

1.3.3 The Proliferation of State-Driven Start-Up Accelerators

In Latin America, 75% of start-ups on average disappear after no more than two years of activity.[35] Although this success rate is similar to that found in other regions, entrepreneurs are under added pressure because of the social context in Latin America and the scarcity of resources (in some cases) in the early stages of the venture.

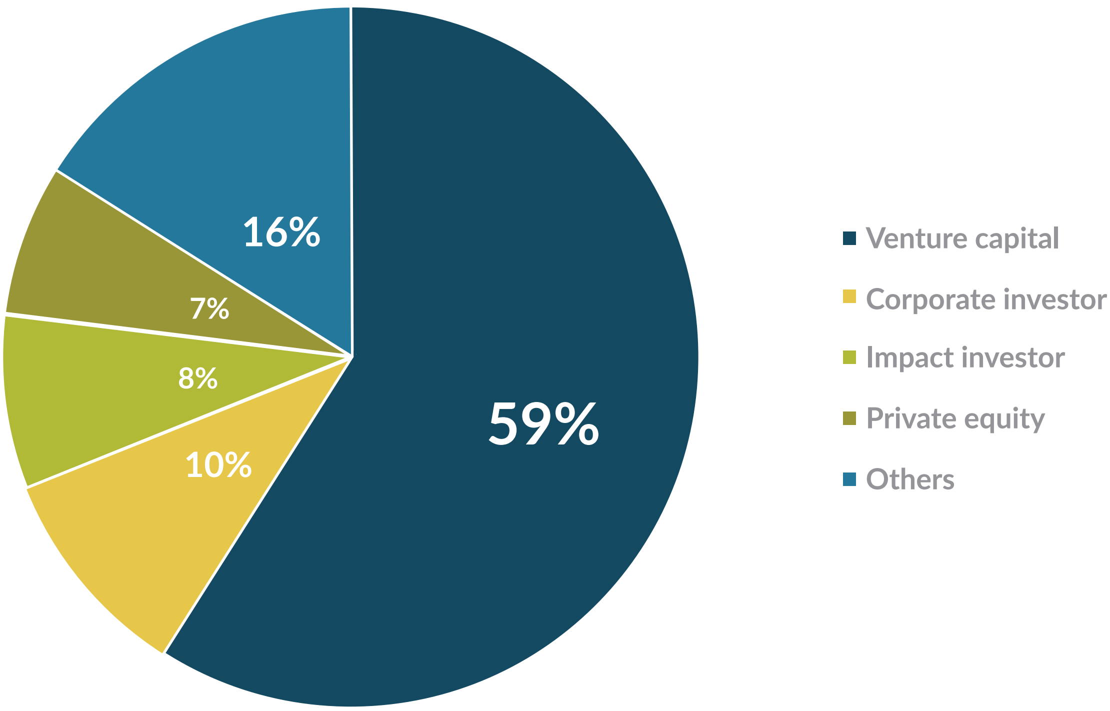
Start-up accelerators with different setups have proliferated in recent years to compensate for those challenges. The list of state-driven initiatives includes programs such as Start-up Chile, Startup México, Startup Farm (in Brazil), Ruta N (in Colombia), IncuBAte (in Argentina), StartUp Perú, etc.[38]

The program Start-Up Chile is usually considered one of the pioneers, launched by the Chilean government's Corporación de Fomento de la Producción (Economic Development Agency, also known as CORFO).[39]

Other Latin American governments applied similar measures such as Start-up Brasil (launched in 2012) and partnered with accelerators, investors, mentors, workspaces and suppliers. In 2013, the National Institute of the Entrepreneur (INADEM) was launched in Mexico and started with 20 basic incubators, achieving 190 of these six years later. Similarly, the Buenos Aires city government launched the IncuBAte program in 2018.[40]

The list continues with private programs. Some of those—with accomplished start-ups exit—that have a footprint in Latin America are 500 Startups, MassChallenge, StartupBootcamp and Wayra (that became the corporate venture capital arm of Telefónica).[36,37]

Figure 5. Distribution of Number of Investment Transactions in Latin American Start-Ups by Investor Type (2013–2017)



Source: Adapted by Siota, J., Prats, J. (IESE Business School) using data from LAVCA and Statista.[34]

Note 1: The percentage doesn't refer to the size but the number of transactions.

Note 2: The category "Others" includes accelerator, company builders, banks, hedge funds, sovereign wealth funds and more.

There are many other private programs supporting entrepreneurs across the region such as NXTP Labs, Liga Ventures, BlueBox, to name a few.

1.3.4 What Has Been Said About Corporate Venturing in Latin America?

Starting in the 1990s, Latin American countries implemented market-oriented structural reforms to improve the rate of economic expansion and productivity growth. In this context, corporate investments (one of the mechanisms within the corporate venturing framework) represented an opportunity, especially for US firms wanting to expand their business presence in the region.[41] This phenomenon was one of the triggers for some institutions to start monitoring what was happening in this field.

In the past years, several platforms have gathered some initial data about the activity of corporate venturing in Latin America. Crunchbase, PitchBook, CB Insights, GCV Analytics and MarketLine are a few examples. (See **Figure 6.**)

Meanwhile, a few venture capital and private equity regional groups (e.g., the Latin American Venture Capital Association) have also included some corporate investments in their annual reports.[25]

Recently, there has been also a joint effort, by several organizations such as Prodem and Wayra, to map the activity between corporates and start-ups in the region, identifying 183 programs guided by 155 company subsidiaries, in 13 Latin American countries, working with more than 2,000 start-ups.[42]

Brazil is an example of this crescendo. In 2017, nearly a sixth of the early-stage tech companies that had received more than $1 million in funding over at least two rounds and that were still alive secured corporate venture capital funding. Brazilian companies were using corporate venture capital to pursue their strategic objective of investing in new businesses in order to supplement the companies' core activities.[43-45]

In 2018, Chile followed with 28 initiatives and Mexico with 24. Both countries are members of the Pacific Alliance, which implemented 72 initiatives.[46,47] A study by the Peruvian Seed and Venture Capital Association (PECAP) confirmed that Peru was also involved in such activities.[48]

Lastly, there are ongoing discussions about the idea that corporations should play a greater role in the regional ecosystem in order to create an impact, as discussed in recent forums such as the InnovaSummit (Santiago), Corporate Venture in Brazil (São Paulo), the Peru Venture Capital Conference (Lima), and Latin American Ventures Summit (Cartagena).[49,50]

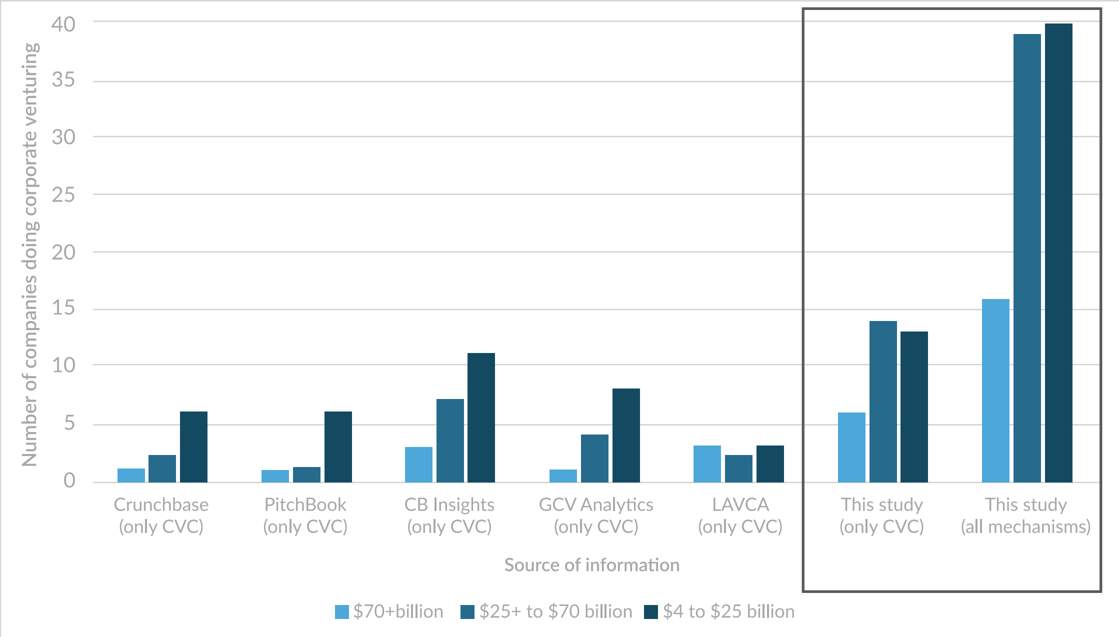
1.4 Why Is This Study Useful? The Unknown Region

While the broader importance of corporate venturing activities is evident, the existing literature corresponding to Latin America lacks accurate and up-to-date data, which often are regionally fragmented and focused on just corporate venture capital.

Common challenges for gathering this type of data include the lack of existing and reliable institutions collecting information on what corporates are doing with start-ups, ambiguity in relation to the terminology used in other continents, a lack of transparency (in many cases for confidentiality or strategic reasons), and political instability (triggering a lack of trust, in some cases). This provides a challenging environment for understanding the phenomenon of corporate venturing.

This study has tackled these challenges by increasing the strength of the data (limiting the scope of the research and increasing the density of the sample), and making the process more rigorous through auditors, independent peer reviewers and academics. The data were complemented with one-to-one interviews. (See section 4.1.) The results further increase not only the quantity of data from some of the leading data suppliers in the industry but also the depth of the data, considering a broader spectrum of corporate venturing mechanisms that in many cases is missed in the analysis conducted by existing data suppliers. (See **Figure 6.**)

Figure 6. Number of Corporations Working with Start-Ups in the Latin American Countries Analyzed, Tracked by Major Database Suppliers, Classified by the Size of the Corporates' Annual Revenues (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1. LAVCA is the Latin American Venture Capital Association. "CVC" stands for corporate venture capital.

Note 2. Some companies have been excluded from the results shown in this study because of the scope of the analysis. (See section 4.1.).

Note 3. The number refers not to the subsidiaries but to the global ultimate owners and excludes the acquisitions of non-start-up companies.

1.5 What Has (or Has Not) Been Analyzed?

In order to eliminate ambiguities from the analysis as much as possible, this section outlines the scope of analysis and clarifies a few definitions.

Corporation: First of all, what is considered a "corporation" within the scope of this analysis? The term covers private and public companies with subsidiaries in Latin America. It is limited to companies with subsidiaries in Latin America with annual revenues of at least $4 billion,[v] a list that is complemented with the biggest corporates in the world (in terms of headquarters' annual revenue) with subsidiaries in Latin America. (See section 4.1.)[vi]

The researchers have kept in mind that small and medium enterprises are also relevant to the study of corporate venturing.[7] However, this definition increases the chances of spotting the highest volume of activity because corporate venturing usually requires budgeting to engage. So, there is a greater chance that the companies with the highest annual revenues will be deploying such mechanisms.

In a few cases, in previous publications, it is unclear whether a corporation is considered to be engaging in corporate venturing. Each situation has been analyzed individually.[vii]

Start-up: This study considers a start-up as being any company that is in the first stage of its operations. The study has required them to be less than 10 years old, to generate annual revenues of less than $100 million, to have fewer than 500 employees, and to have a valuation of less than $2.5 billion.[51]

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[V] In this study, out of the sample of companies doing corporate venturing in Latin America, the one with the biggest amount on annual revenue in 2018 had $500 billion.

[VI] This study considers that each global ultimate owner can have more than one subsidiary, each subsidiary can have activity in more than one city (here called 'program'), and each program can implement more than one mechanism (e.g., a corporate accelerator and a corporate venture capital).

[VII] For instance, it has been excluded corporates that only invest in start-ups through a third-party with pure financial indicators. (See section 4.1.)

Corporate venturing mechanisms: The analysis contemplated the mechanisms described in section 4.2. These are challenge prizes, hackathons, scouting teams, venture builders, coworking spaces, corporate incubators or corporate accelerators, corporate venture capital, and start-up acquisitions.[3] Corporate incubators and corporate accelerators have been united in a single category because of the ambiguity in the terminology used in Latin America. Strategic partnerships and the sharing of resources are outside the scope of the analysis because of potential ambiguity, reducing the concept to just coworking spaces. The category of acquisitions considers only start ups.

Each mechanism has been evaluated within the time and regional horizons described in this section, within a minimum participation of start-ups and employees. (See section 4.1.)

Corporate acquisitions and corporate venture capital have been analyzed from the point of view of the origin and not the destination. These are associated with the location of the corporation initiating the collaboration with the start-up, and not with the location of the start-up. When the activity is regarded as originating in Latin America, this means that at least one team member from the Latin American subsidiary has been involved in the process of decision making.

In measuring the value of corporate acquisitions and corporate venture capital, local currency was converted to US dollars based on the average exchange rate during the time span between June 30, 2018, and June 29, 2019.[viii]

Time and regional horizons: The scope of the time activity has been limited to the period from June 30, 2018, to June 29, 2019.

Dictionaries and encyclopedias usually define Latin America as "those areas of America whose official languages are Spanish and Portuguese, derived from Latin: South America, Central America, Mexico, and certain islands in the Caribbean."[52-54] These areas usually encompasses 29 countries and territories.[ix]

Although this study has identified corporates collaborating with start-ups across Latin America (e.g., Uruguay, Costa Rica, Venezuela, Paraguay, Guatemala), the scope of the analysis has been limited to those with the highest concentration of corporate venturing activity. (See section 4.1.) These countries were Argentina, Brazil, Chile, Colombia, Mexico and Peru.

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[viii] The majority of information received was in US dollars.

[ix] South America comprehends Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela. Central America comprises Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The Caribbean embraces Cuba, Dominican Republic, Haiti, Guadeloupe, Martinique, Puerto Rico, Saint-Barthélemy and Saint-Martin.

2. Corporate Venturing's Adoption

2.1 A Regional Perspective

2.1.1 Who Is in the Game? The Players

This study identified corporate venturing activity across Latin America. Yet, six countries concentrated the highest level of activity, focusing the examination in those. (See section 4.1.)

Argentina, Brazil, Chile, Colombia, Mexico and Peru were the countries with the highest number of corporate giants (those with more than $4 billion of their headquarters' annual revenues) publicly working with start-ups (see Figure 7), according to the study's scope of analysis. (See section 1.5.)

The activity in these six countries encompassed a total of 107 corporations with 184 subsidiaries in the analyzed countries, running 460 initiatives[x] in 19 cities. The most frequent locations for these collaborations were Buenos Aires (Argentina), São Paulo (Brazil), Santiago (Chile), Bogotá and Medellín (Colombia), Mexico City (Mexico) and Lima (Peru).

Figure 7 showcases the regional spread of those companies, classifying them into three groups according to size (headquarters' annual revenue): more than $70 billion, more than $25 billion but no more than $70 billion, and from $4 billion to $25 billion.

Several factors have posed challenges to the adoption of corporate venturing mechanisms by corporate subsidiaries in some of these Latin American countries. These factors include rigid traditional mind-sets, political instability, and late access to expertise on corporate venturing.

Corporate senior managers with a traditional and hierarchical mind-set are sometimes reluctant to embrace innovations or new ways of working. Often members have held their positions for many years and embrace an unchanging approach to corporate operations: the very common call that "we have to do X because things have been always like this."

The instability, in several regions (see section 1.3.1), often places an extra barrier for ensuring the long-term commitment required for engaging in some corporate venturing mechanisms such as a corporate venturing capital, in which an early-stage investment may take around seven years to mature and exit.

Lastly, due to the novelty of some corporate venturing mechanisms, best practices learned outside the region sometimes had insufficient time to penetrate local institutions.

Luckily, among other reasons, a combination of business needs, internal movements in the company's organizational structure, and access to knowledge is starting to trigger the change. The top management of corporates in the analyzed countries is realizing the need of improving their existing businesses at speed. (See section 1.2.)

Meanwhile, new innovative leaders are getting promoted (replacing those with traditional ways of working), or experienced leaders with internal prestige in their corporations are being appointed in innovation roles, where they can leverage their previous corporate credentials. Likewise, international corporates are improving their abilities to cross-pollinate the knowledge learnt in other regions into local subsidiaries.

Keeping in mind these facts, to what extend are companies implementing this practice in each country?

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[x] The study has identified 52 additional initiatives of corporate venturing out of the six analyzed countries. Since it is out of the scope of the analysis, these have been excluded from the counting.

Figure 7. Corporate Giants Publicly Engaging in Corporate Venturing in the Latin American Countries Analyzed (2019)

Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The annual revenue of the companies is from 2018. The time horizon is between June 30, 2018, and June 29, 2019. In some cases, in order to be more recognizable, the names of the companies displayed are those of the local subsidiaries – between parenthesis. Although the study has tracked more activity, in some cases it has been excluded from this figure for confidentiality reasons or those described in section 4.1. The term 'program' refers to an instance of a mechanism. For instance, one company may have two programs (e.g., one corporate accelerator and one corporate venture capital) in one country and one program (e.g., a hackathon) in another country.

2.1.2 Adoption per Country

Is the number of companies engaging in corporate venturing low or high? How does the number compare across different Latin American countries?

The level of adoption is spread across the six analyzed countries and the three ranges of headquarters' revenues ($4 billion to $25 billion, more than $25 billion up to $70 billion, and more than $70 billion). Brazil and Mexico (by a distance) lead the three groups. These are followed by Chile for the first segment and Colombia for the other two. (See **Figure 8.**)

Figure 9 shows how, in the six countries analyzed, bigger companies (i.e., with revenues of at least $25 billion) have a higher adoption level for corporate venturing than smaller companies (with revenues of $4 billion to $25 billion), which have currently an average adoption level of 16%.[xi] In terms of the percentage between numbers of subsidiaries engaging in corporate venturing out of the total number of subsidiaries in the country, in that revenue range, Chile leads the adoption level for companies in group 1, and Argentina for those in groups 2 and 3.

Yet the average adoption level (16%) is far from the 75% that appears in the Fortune 100 list,[55] just analyzing one of those mechanisms (i.e., corporate venture capital), which means that there are many opportunities to continue adopting these mechanisms within the remaining 84% of corporates that are not in the game. Additionally, in the case of Brazil, while it leads the absolute number of subsidiaries engaged (see Figure 8), the relative adoption level is quite low: an average 9% across the three revenue ranges.

In short, the data show venturing activity in the six countries, revealing room to adopt more of these mechanisms across corporate giants. Of those that have started, what are they using?

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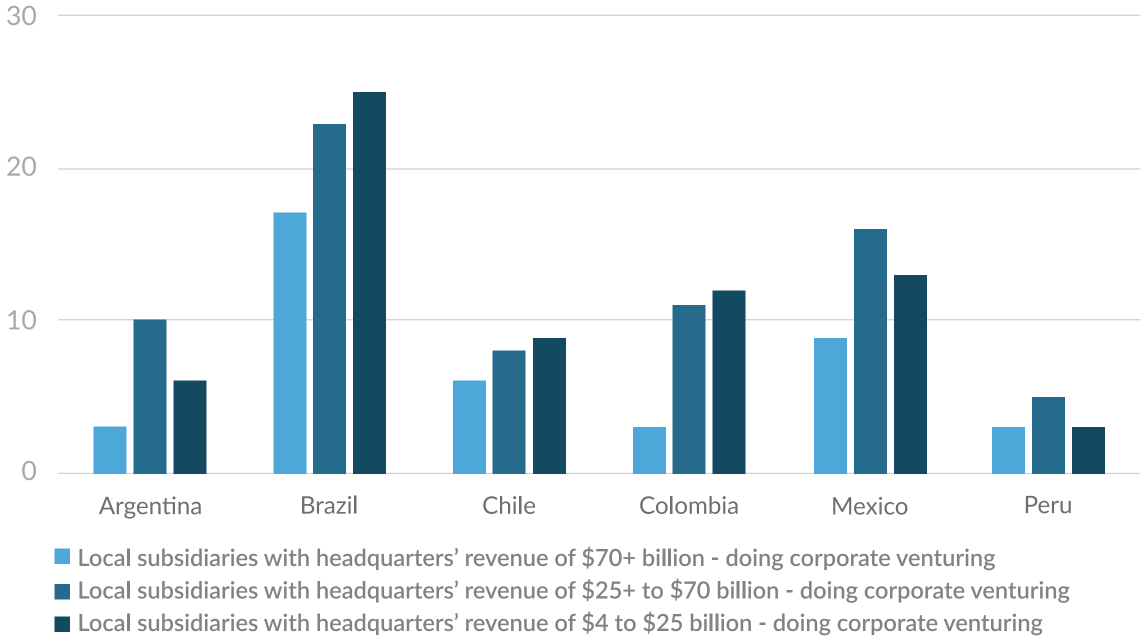
[xi] The first segment (biggest companies), in the analyzed countries, has an average adoption level of 21%, while the second and third segment have 20% and 12% respectively.

Figure 8. Adoption of Corporate Venturing Among Giants (Number of Subsidiaries) Classified by Country and Headquarters' Revenue (2019)

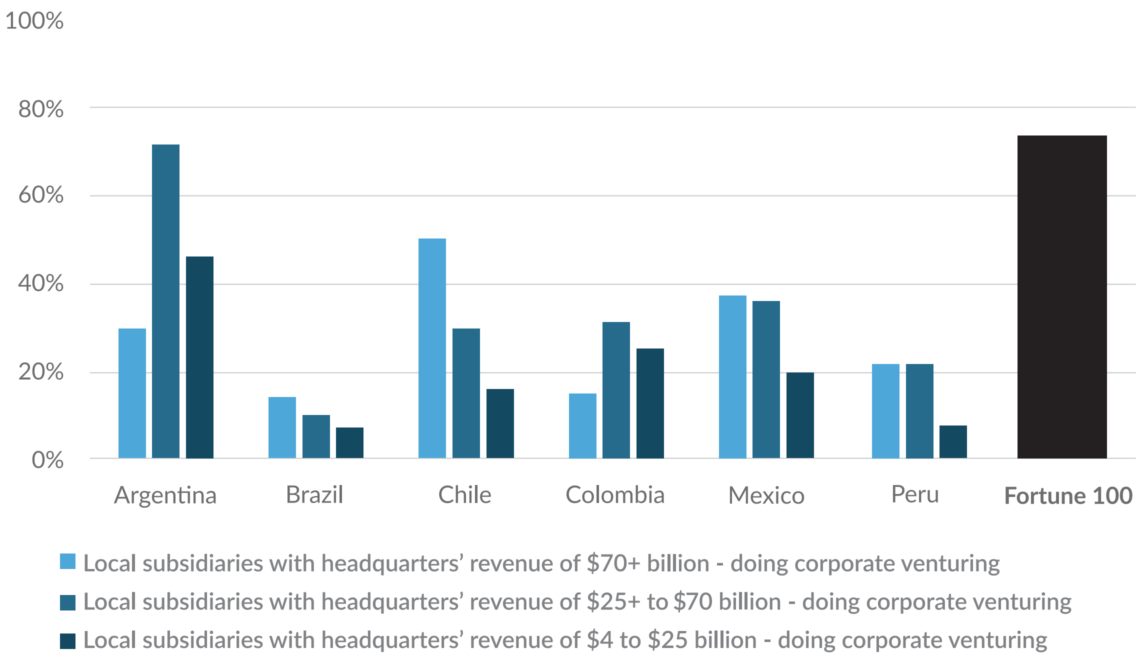


Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1: The graph shows the number of corporate giants (with at least $4 billion of annual revenues) using corporate venturing. The visualization is segmented by country.

Note 2: Revenue refers to the annual revenue in 2018.

Figure 9. Adoption Level of Corporate Venturing Among Giants (Percentage) Classified by Revenue and Country (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note. The Fortune 100 adoption level refers only to corporate venture capital while the other levels refer to all the analyzed mechanisms.

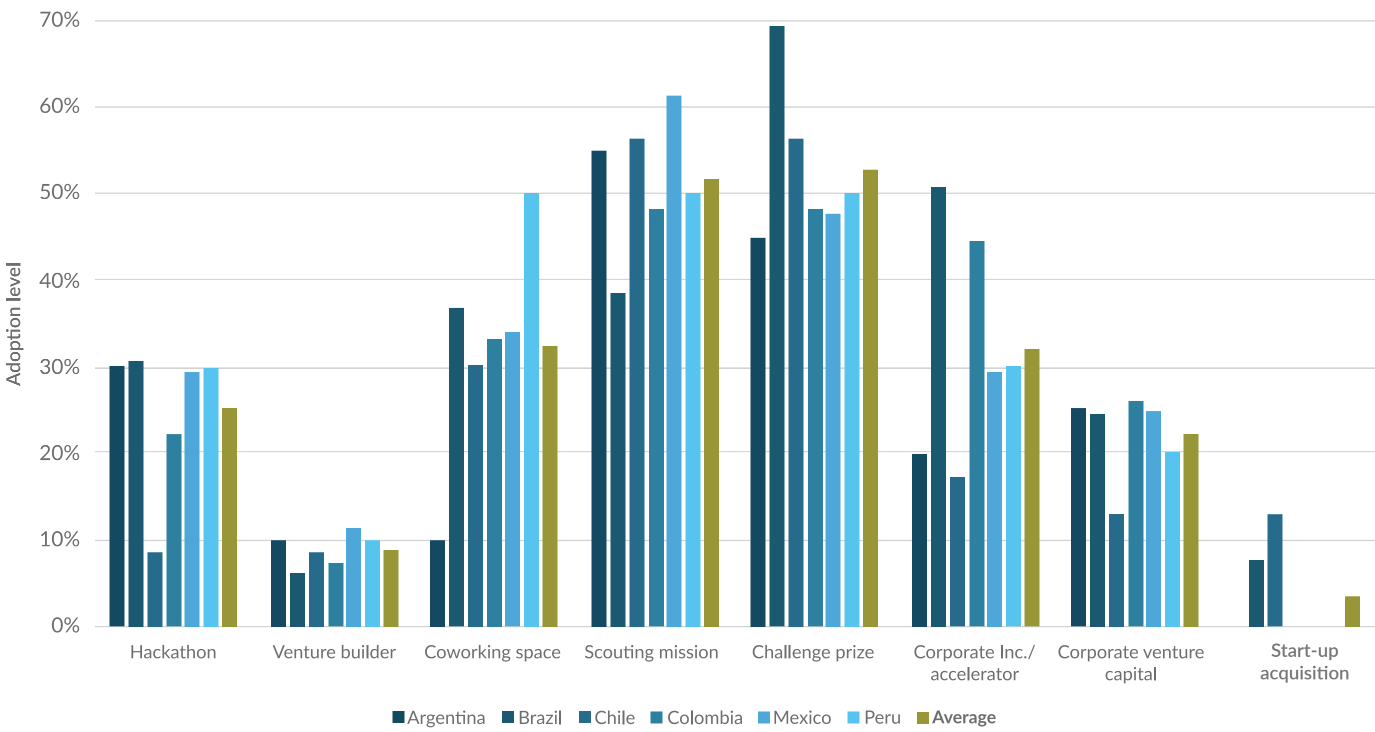
2.1.3 What Are Companies Doing? The Mechanisms

The Latin American companies that have indicated use of corporate venturing activities across the six countries included in this study have deployed various mechanisms for corporate venturing. **Figure 10** shows the percentage of companies using each corporate venturing mechanism out of all the subsidiaries of that country using at least one mechanism.

The list of the 460 identified unique corporate initiatives (without counting multiple editions or start-ups) in the analyzed countries encompasses 106 challenge prizes, 94 scouting missions, 69 corporate incubators or accelerators, 62 coworking spaces, 50 hackathons, 16 venture builders, 52 corporate venture capital funds that have completed in total at least 121 start-up investments, and 11 start-up acquisitions' units that have conducted at least 13 start-up acquisitions.[xii,xiii]

Challenge prizes and scouting missions are the most common mechanism among firms in the region, mechanisms that usually cost less to build and maintain. Venture builders and start-up acquisitions had the lowest frequency across the region, with no documented cases of the latter in Argentina, Colombia, Mexico and Peru.

Figure 10. Corporate Giants Using Particular Mechanisms in Proportion to All Those Engaged in Corporate Venturing Compared to the Average in Countries Analyzed (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

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[XII] These numbers refer to initiatives. This means that each initiative has run at least one instance in the analyzed time-horizon with at least one start-up.

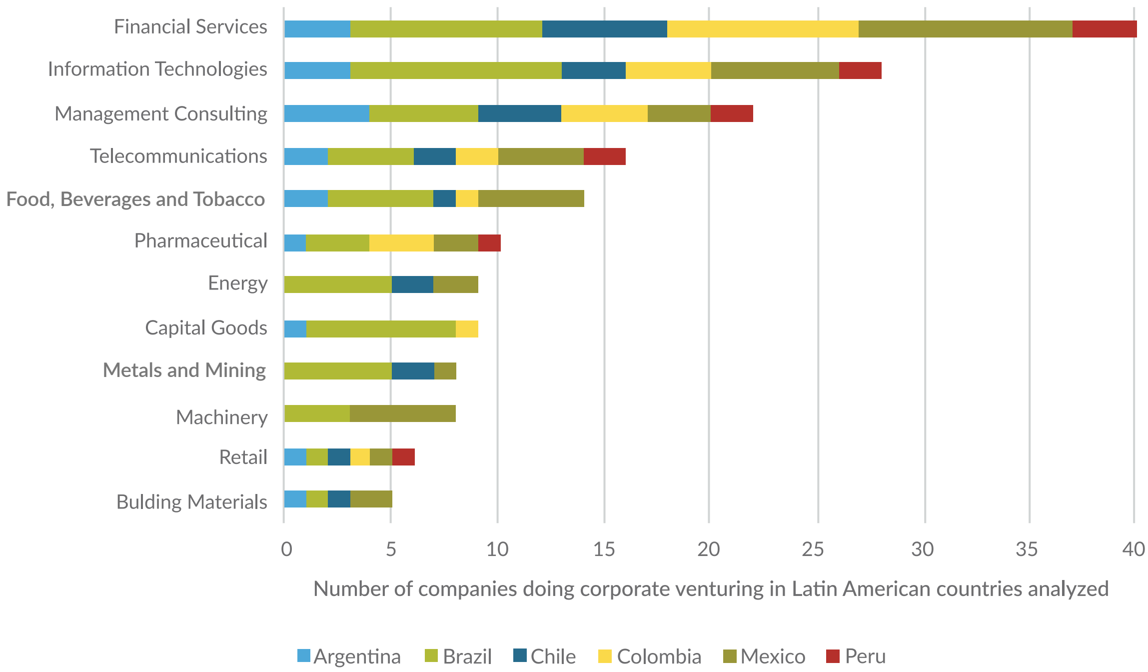
[XIII] These numbers exclude those where the Latin American country of activity was not detailed. Otherwise, the quantity increases up to 23 start-up acquisitions and 177 start-up investments.

2.1.4 Where Are Companies Entering? The Sectors

Figure 11 highlights the industry concentration of those benefiting from corporate venturing activity in the Latin American countries analyzed. The major recipient industries are financial services, information technology, management consulting and telecommunications.

Is this connected with the companies' countries of origin? Are they local or foreign corporates?

Figure 11. The Twelve Sectors with the Highest Adoption of Corporate Venturing Through Subsidiaries in Countries Analyzed (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1: The categorization of industries is the same as the one used by Bloomberg. When the category was "conglomerate", the classification was complemented with other databases.

Note 2: The list of additional sectors engaged in corporate venturing that are not included in the chart are utilities, oil and gas, consumers goods, transport, manufacturing, agrobusiness, other services and chemicals.

2.1.5 Where Are the Companies From? Corporate Headquarters

After the number, type, distribution, concentration and sector of those companies engaging in corporate venturing have been considered, it is important to know the place of origin of the activity in order to have further insights about the level of connectivity with the global ecosystem.

Figure 12 shows the number of subsidiaries engaged in corporate venturing in countries analyzed according to the location of their headquarters. The information is segmented by region and sheds light on where the highest percentage of firms involved in the practice come from: Europe (45%), followed by Latin America (25%) and The United States (24%). Within the 25% of Latin America, Brazil and Mexico take the lead with 41% and 19%, respectively.

A granulation of the data by mechanism shows similar results with a few exceptions. (See **Figure 13.**) Venture builders and start-up acquisitions are more frequently led by subsidiaries with European headquarters (63% and 60% of the cases, respectively). Meanwhile, subsidiaries of Latin American headquarters are near to what European counterparts do in corporate venture capital (30%), and corporate incubators or accelerators (33%).[xiv]

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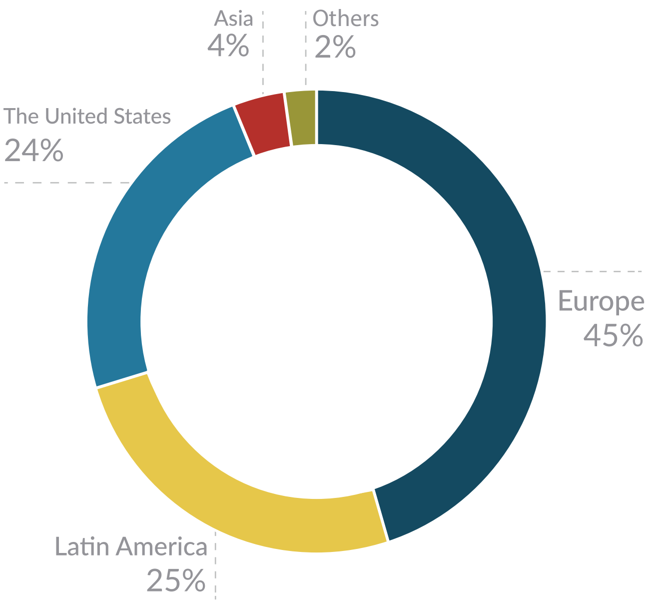
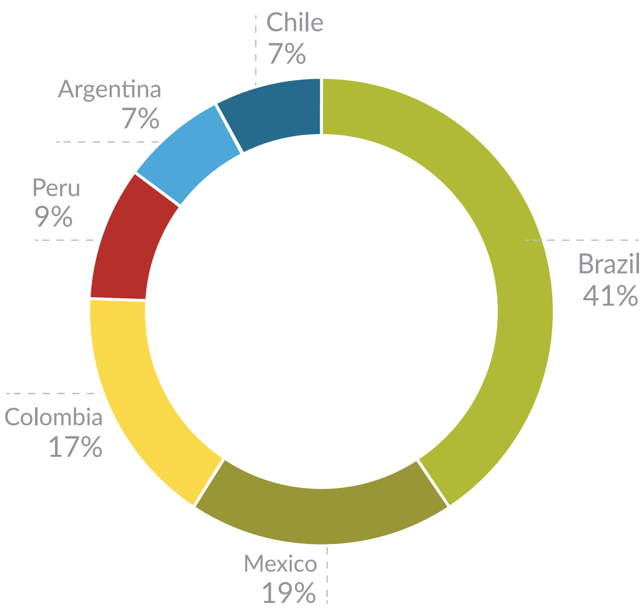
[xiv] This means that 30% of the Latin American subsidiaries of the sample engaging in corporate venture capital have headquarters in Latin America, while 33% of those in the sample doing a corporate incubator or accelerator have their headquarters in Latin America.

Figure 12. Headquarters of Subsidiaries Engaged in Corporate Venturing in Countries Analyzed (2019)

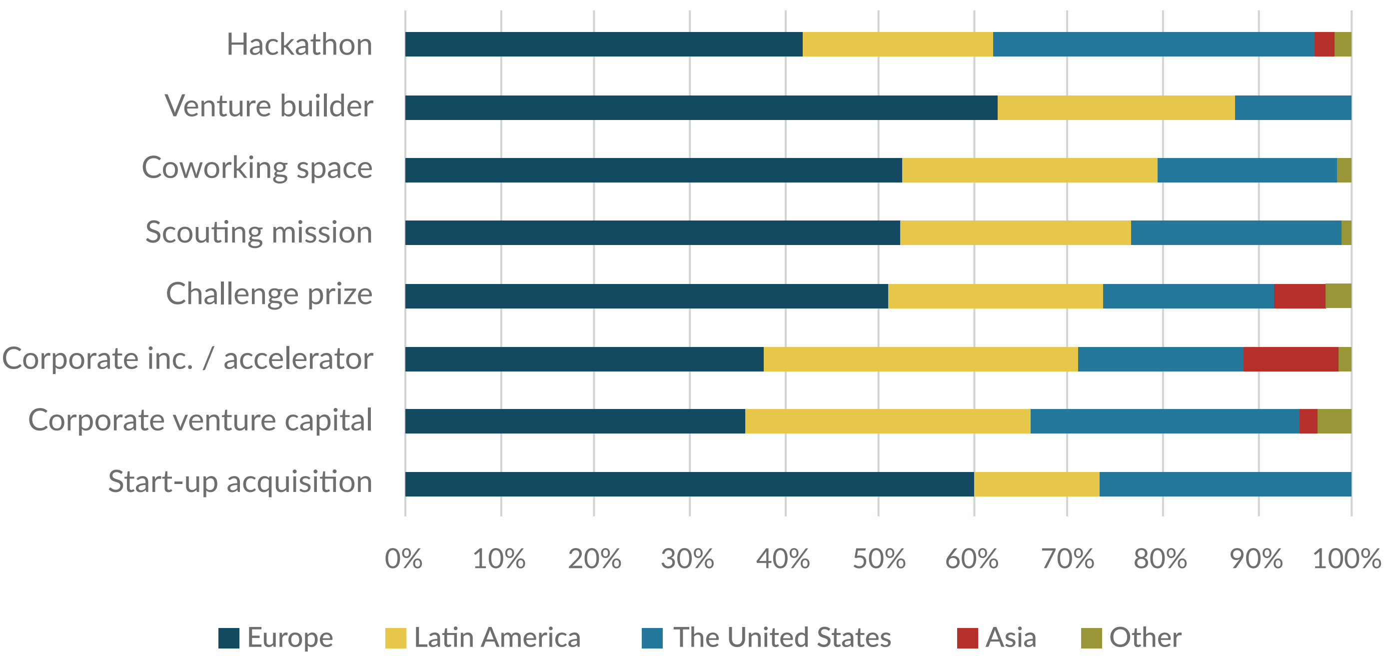




Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1: If one company has several subsidiaries in Latin America, each of them counts.
Note 2: The category "Others" includes Africa, Australia and Canada.
Note 3: The same analysis conducted by number of global ultimate owners provides similar results.

Figure 13. Headquarters of Subsidiaries Engaged in Corporate Venturing in Countries Analyzed Classified by Mechanism (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1: If one company has several subsidiaries in Latin America, each of them counts.
Note 2: The category "Others" includes Africa, Australia and Canada.

2.2 A Country Perspective: A Few Examples

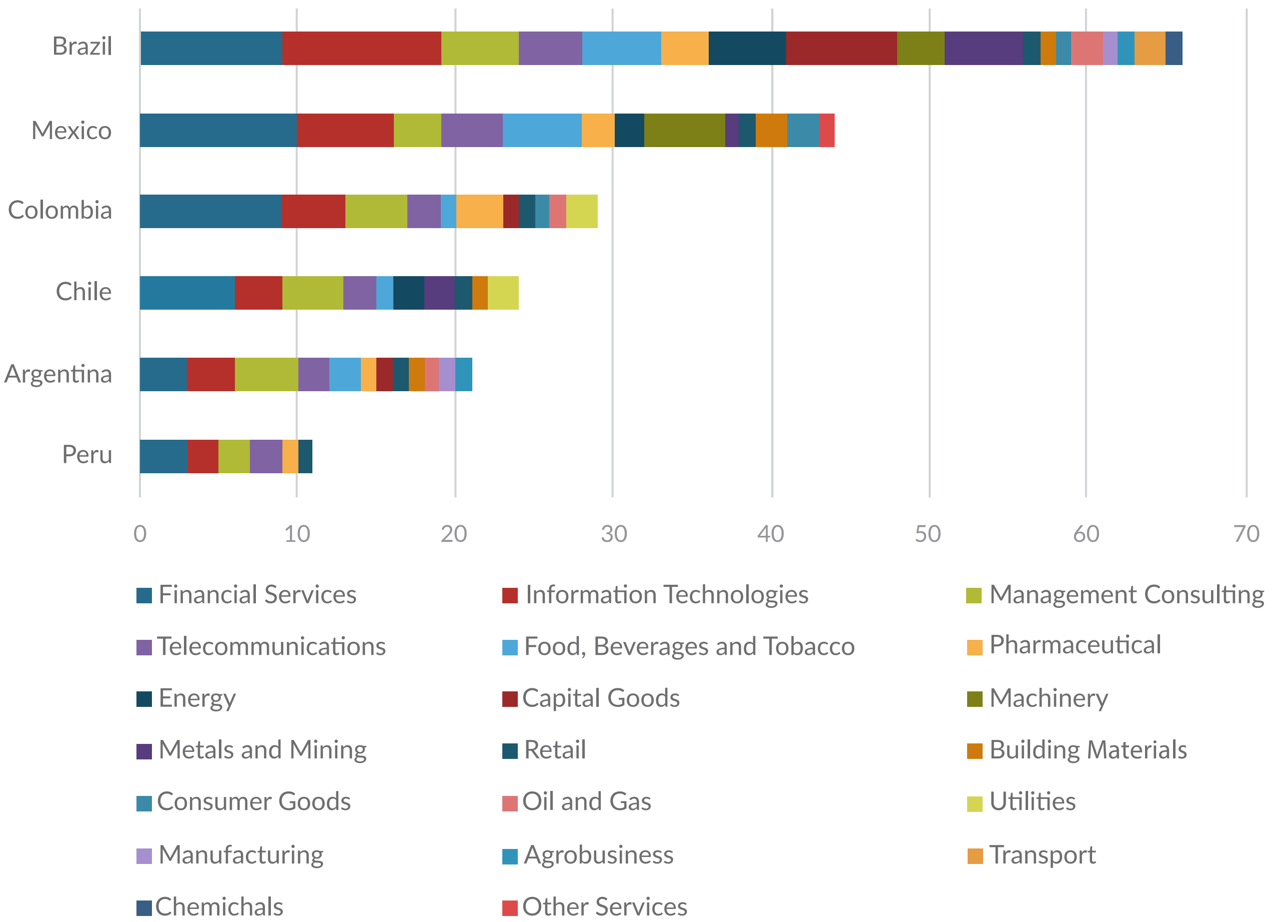
What is the sector concentration by country? **Figure 14** segments the active sectors benefiting from corporate venturing activity by country, a granulation that is further described from section 2.2.1 to section 2.2.6 in alphabetical order.

In Mexico, Colombia, Chile and Peru the sector most actively engaged in corporate venturing is financial services, while in Brazil is information technologies and in Argentina is management consulting. Brazil embraces 18 different sectors engaged, while Mexico 12, Argentina 12, Colombia 11, Chile 10 and Peru 6.

This section complements the results of the industry segmentation by briefly describing some instances of the monitored activity in each country.

The selection of corporate examples, which are publicly engaging in corporate venturing, has considered a diversification in terms of corporate subsidiaries, mechanisms implemented, corporate headquarters, and company size.

Figure 14. Sectors Applying Corporate Venturing by Country Analyzed (2019)



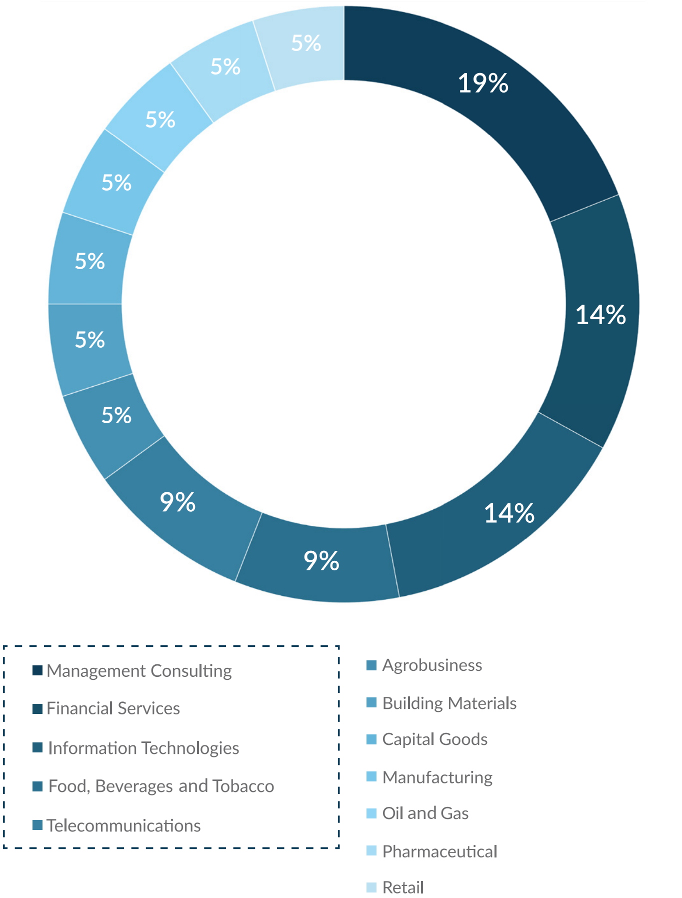
Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The categorization of industries is the one of Bloomberg.

2.2.1 Argentina: The Cases of YPF and Coca-Cola

Argentina is the fifth country in Latin America in terms of the number of corporate giants publicly working with start-ups. These corporates are mostly concentrated in the sectors of information technology, management consulting and financial services. (See **Figure 15.**)

Figure 15. The Five Most Common Industries of the Giants' Subsidiaries Engaged in Corporate Venturing in Argentina (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The chart only considers the companies analyzed in this study (corporate giants).

With a population of 44.5 million people, the country generated $519.8 billion* in gross domestic product in 2018, which was down 2.5%* compared to the 2017 GDP figure.[56]

The corporates working with start-ups include the energy company YPF, with its recently launched corporate venture capital YPF Ventures. Among its two investment mechanisms, there is an early-stage fund that focuses on energy innovation and cleantech deals locally with estimated tickets of a size up to $4 million.

"There are opportunities in mobility, lithium and artificial intelligence applied to our operations, among other verticals" said YPF President Miguel Gutierrez. So, the "fund allows us to conduct risky proofs of concept with not much capital" added YPF CEO Daniel González. "We want to get surrounded and connect global tech hubs with the region", explained YPF Ventures Managing Director Tomás Ocampo.[57]

Figure 16. YPF Launches a New Corporate Venture Capital

Source: LAVCA[57]

Note: On the left side, there is YPF CEO Daniel González. On the right side, there is YPF Ventures Managing Director Tomás Ocampo.

Other institutions such as the beverage corporate Coca-Cola and the food company Arcor also decided to join forces in corporate venturing to identify and collaborate with start-ups through the venture fund Kamay Ventures.

The initiative aims to invest tickets of between $100,000 and $300,000 in 10 start-ups per year. It also wants to become a venture builder to start businesses from scratch, an accelerator to support the growth of start-ups, and a connector between start-ups and corporates.

Figure 17. Kamay Ventures Led by Coca-Cola and Arcor

Source: Noticias 365.[58]

Note: On the left side, there is Arcor President Luis Alejandro Pagani. On the right side, there is Coca-Cola Chief Growth Officer Francisco Crespo Benítez.

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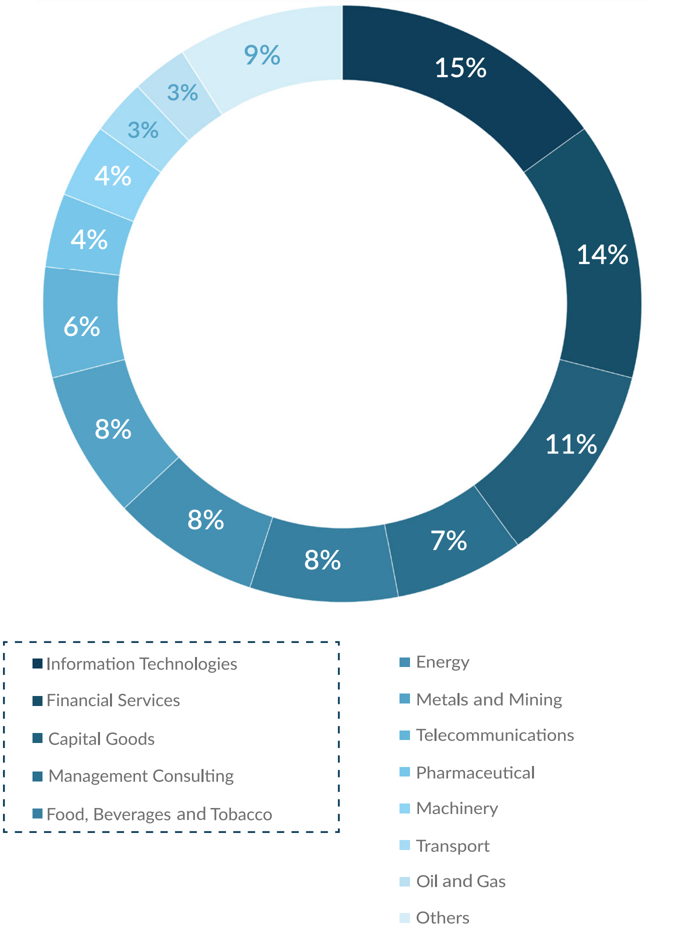
* Note 1: Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 US dollars.

* Note 2: GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates.

2.2.2 Brazil: The Cases of Petrobras and Itaú

Brazil is the leading country in Latin America in terms of the number of corporate giants publicly working with start-ups. These are corporates that are mostly concentrated in the sectors of information technology, financial services and capital goods. (See **Figure 18.**)

Figure 18. The Five Most Common Industries of the Giants Subsidiaries Engaged in Corporate Venturing in Brazil (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The chart only considers the companies analyzed in this study (corporate giants).

With a population of nearly 209 million people, the country generated $1.87 trillion in gross domestic product in 2018, which was up 1.1% compared to the 2017 GDP figure.[56]

In Rio de Janeiro, the petroleum company Petrobras partnered with the incubation and acceleration program Fábrica de Startups to host a hackathon at the 19th edition of the conference. With the theme "Energy to Transform", there was a competition of technological solutions. Ten teams took part, and the winner was awarded $7,300[xv] and a month-long mentoring package.[59]

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[xv] Near 30,000 reais.

Figure 19. Petrobras Stand at the Rio Oil and Gas Expo in Rio de Janeiro

Source: Photograph by Kristian Helgesen/Bloomberg in Valle (2019).[60]

The financial services company Itaú has also developed several paths to collaborate with start-ups. The institution continues connecting with the fintech ecosystem through events such as Itaú FinTech Day, in which several ventures propose their solutions to the company.[61]

In São Paulo, entrepreneurs can also visit and work with Itaú Cubo. Launched in 2017, in collaboration with Redpoint eVentures, this coworking space sources innovation to the corporation through several programs. Meanwhile, it works as a hub for entrepreneurs, large firms, investors and universities. Nowadays, more than 100 start-ups are building their ventures in the space.[62]

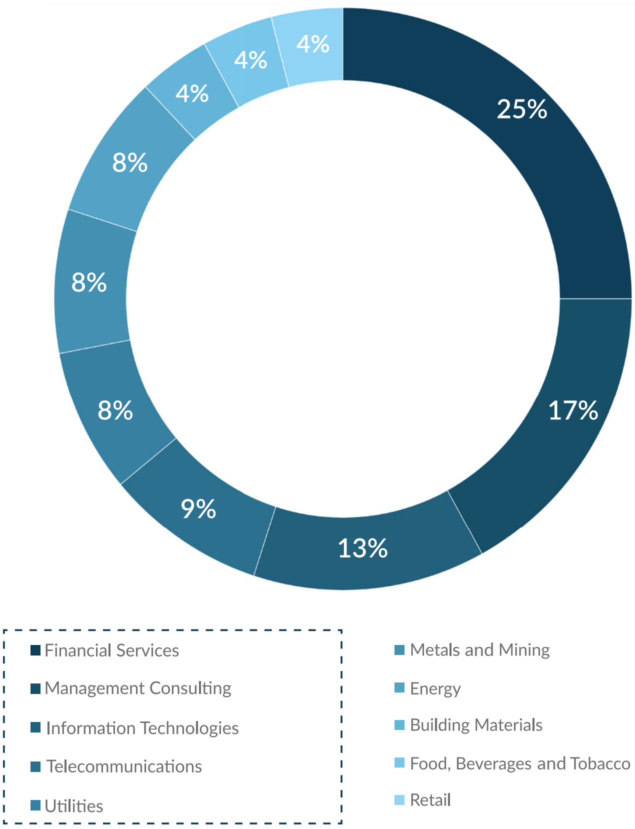
Figure 20. Coworking Itaú Cubo in São Paulo

Source: Provided by Cubo. [61]

2.2.3 Chile: The Cases of Falabella and Engie

Chile is the fourth country in Latin America in terms of the number of corporate giants publicly working with start-ups. These corporates are mostly concentrated in the sectors of financial services, management consulting, information technology and telecommunications. (See **Figure 21.**)

Figure 21. The Five Most Common Industries of the Giants Subsidiaries Engaged in Corporate Venturing in Chile (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The chart only considers the companies analyzed in this study (corporate giants).

With a population of 18.7 million people, the country generated an annual $298.2 billion in gross domestic product in 2018, which was up 4.0% compared to the 2017 GDP figure.[56]

One Chilean example of this type of collaboration happened in the 3rd quarter of 2018, when Falabella—the Santiago de Chile-based multinational chain of department stores—announced the purchase of Linio, the Latin American e-commerce platform founded by Rocket Internet.

This acquisition was strategic, propelling Falabella's position in Chile, Peru and Colombia, increasing its presence in eight Latin American markets, and tackling the entrance of new online competitors in the region.

This move also allowed the Chilean retailer to consolidate its digital platform and generate relevant synergies in terms of its overall mission, its geographical reach and its offering, to name a few. For instance, in the area of logistics, Linio's logistics system focused on the marketplace and door-to-door services, whereas Falabella focused on retail combined with delivery and in-store collection, so what each side had to offer complemented the other.[63]

Figure 22. Falabella Acquires Linio

Source: Left, one of the Falabella's shops in the region. Center, the Linio mobile app. Right, photograph of Linio chief executive Andreas Mjelde in Flores Toledo (2018).[63]

The energy company Engie is also a player in the corporate venturing arena. Starting around 2016, the multi-country company builder Engie factory, has developed infrastructure and processes to attract talent and accelerate start-ups in countries with immature innovation ecosystems, combining early stage corporate venture capital and venture builder. Its fields of collaboration are energy efficiency, sustainable mobility and smart cities.[64,65]

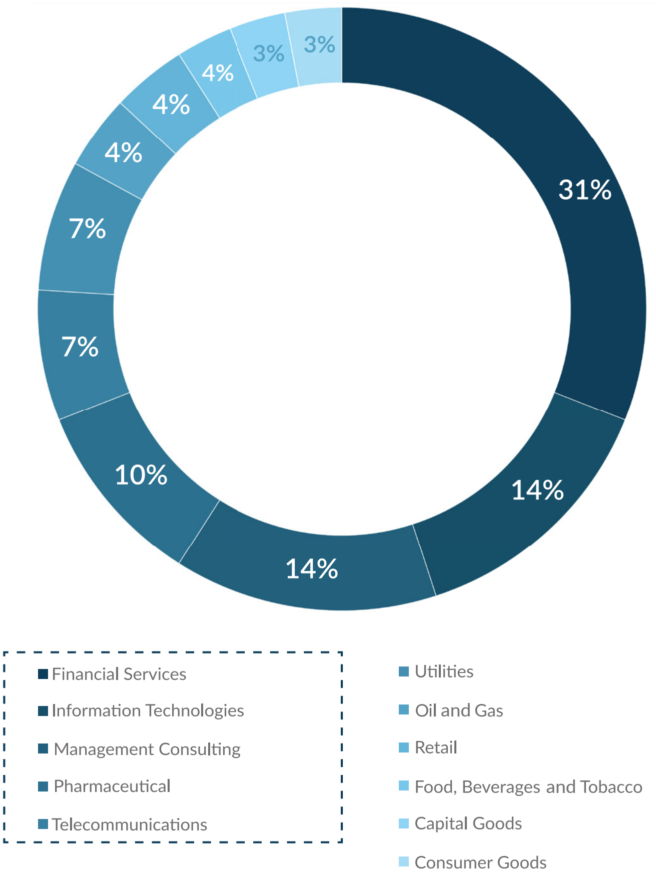
Figure 23. One of the Offices of the Venture Builder Engie Factory

Source: Provided by Plataforma Arquitectura.[66]

2.2.4 Colombia: The Cases of EPM and Merck

Colombia is the third country in Latin America in terms of the number of corporate giants publicly working with start-ups. These corporates are mostly concentrated in the sectors of financial services, information technology, management consulting and pharmaceuticals. (See **Figure 24.**)

Figure 24. The Five Most Common Industries of the Giants' Subsidiaries Engaged in Corporate Venturing in Colombia (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: The chart only considers the companies analyzed in this study (corporate giants).

With a population of 49.7 million people, the country generated $331.0 billion in gross domestic product in 2018, which was up 2.6% compared to the 2017 GDP figure.[56]

One example is the utility company Empresa de Servicios Públicos de Medellín y Colombia (EPM), which is currently working with deep tech and science start-ups through several mechanisms. They not only have partnered with Ruta N and Créame to provide mentoring to entrepreneurs but also are supporting the venture capital fund FCP Innovación, a $40 million fund focused on investment in science, technology and innovation applied to the public sector.[67]

Figure 25. EPM Office

Source: Provided by EPM.[67]

Merck also launched the Cosmetic Challenge with several chambers of commerce and other institutions. The initiative's aim was to collaborate with entrepreneurs from research institutions, helping them create their proofs of concept with technical expertise and financial support of $3,000. The pharma giant evaluates candidates according to aspects such as the product, the value proposition, distribution channels, and more.

Figure 26. Winner of the Merck Cosmetic Challenge

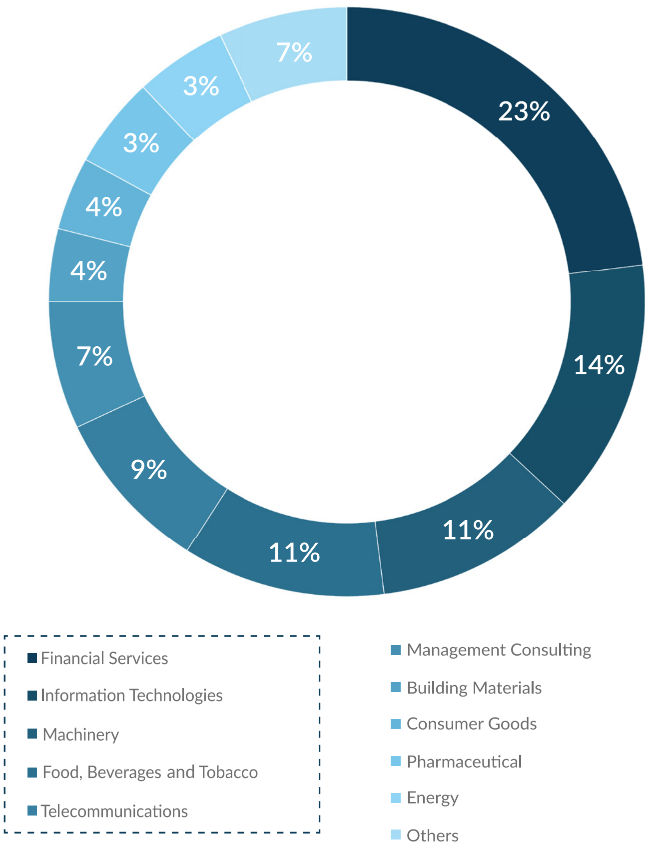
Source: "Resultados Merck Cosmetic Challenge," Merck (2019).[68]

Note: In the picture, there are the winners of the competition: Juan Andrés Tapias, Luis Hernando Moreno and Nicolás Castillo.

2.2.5 Mexico: The Cases of Bimbo and Accenture

Mexico is the second country in Latin America in terms of the number of corporate giants publicly working with start-ups. These corporates are mostly concentrated in the sectors of financial services, information technology, machinery, and food, beverages and tobacco. (See **Figure 27.**)

Figure 27. The Five Most Common Industries of the Giants' Subsidiaries Engaged in Corporate Venturing in Mexico (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note 1: The chart only considers the companies analyzed in this study (corporate giants).
Note 2: The category "Others" includes retail, metals and mining, and other services.

With a population of 126.2 million people, the country generated $1,20 trillion in gross domestic product in 2018, which was up 2.1% compared to the 2017 GDP figure.[56]

One example is the bakery and food manufacturing company Bimbo, which has its headquarters in Mexico City. Its financial arm Bimbo Ventures was involved in the mentoring and financing of innovative start-ups in related industries.

One of Bimbo's initiatives was Eleva, an acceleration program focused on transforming the food sector in Latin America in categories such as renewable energy, retail, ingredients, product offerings, and packaging. The program was carried out in partnership with the start-up accelerator BlueBox Ventures.[69,70]

The program lasted 16 weeks and included mentoring by Bimbo executives, access to the company's global infrastructure and commercial partners, as well as the ability to carry out pilot services and platforms and test new products.[71,72]

Figure 28. Bimbo's Acceleration Program Eleva

Source: Provided by Bimbo (2018).[73]

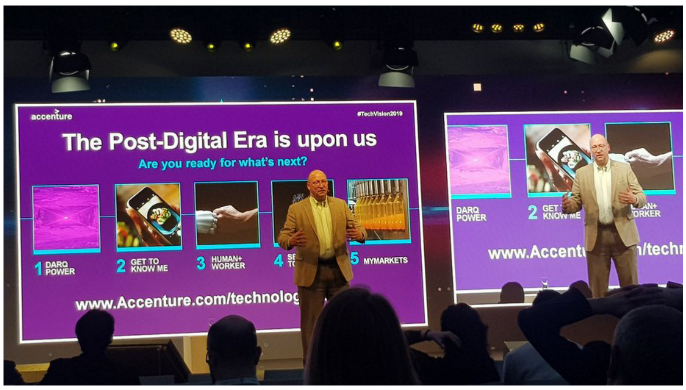
Note: In the middle, there is Manuel Ramírez, Bimbo Ventures Director.

Moreover, in Mexico City within the Santa Fe neighborhood, the recent opening of the Accenture's Innovation Hub aims to co-create solutions to tackle business challenges.

Among several innovation sources, the hub leverages not only the firm's international connections and existing collaborations with start-ups through Accenture Ventures but also its infrastructure in other countries such as The Bridge, an initiative powered by the advisory firm, jointly with other partners such as Co-Work LatAm and Start-up Chile.

While the latter is neither an accelerator nor an investment fund, the space facilitates business relationships among actors in the innovation ecosystem, through events and a physical space for entrepreneurs and their corporate counterparts.[74-76]

Figure 29. Accenture Innovation Hub in Mexico



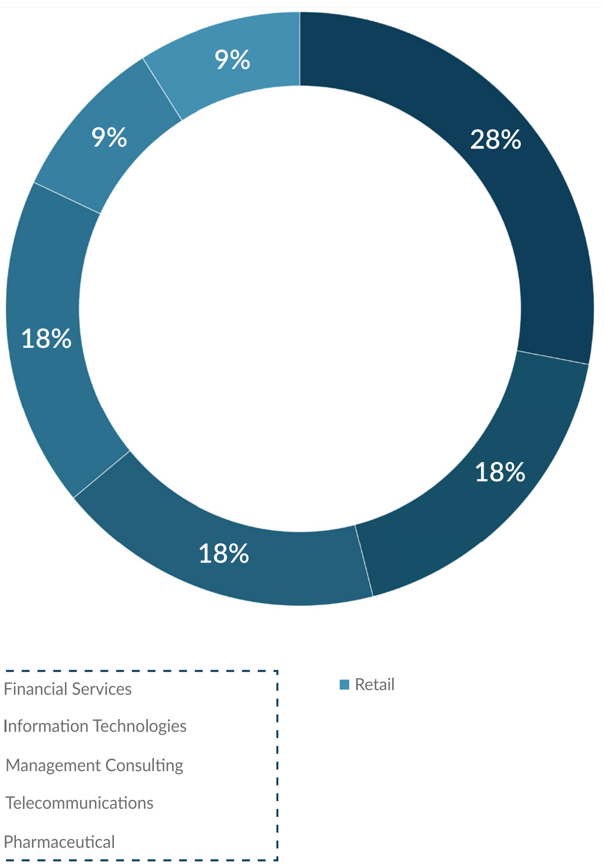
Source: Provided by Accenture.[77]

Note: The speaker is Mike Redding, Accenture Ventures Managing Director.

2.2.6 Peru: The Cases of Credicorp and Everis

Peru is the sixth country in Latin America in terms of the number of corporate giants publicly working with start-ups. These corporates are mostly concentrated in the sectors of financial services, information technology and management consulting. (See **Figure 30.**)

Figure 30. The Five Most Common Industries of the Giants' Subsidiaries Engaged in Corporate Venturing in Peru (2019)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.
Note: The chart only considers the companies analyzed in this study (corporate giants).

With a population of 32 million people, the country generated $222.0 billion in gross domestic product in 2018, which was up 4.0% compared to the 2017 GDP figure.[56]

The Peruvian financial giant Credicorp has significantly increased its presence in Chile, Colombia and Bolivia through active engagement with emerging financial technologies and ventures throughout the Latin American innovation ecosystem.

This has been facilitated by Krealo, the open-innovation arm of Credicorp established in 2018 and based in Lima. The Krealo team is responsible for building, managing and investing in financial technology start-ups that provide digital products and services that enhance the value proposition being offered to current and potential clients of Credicorp and its subsidiaries. One recent example is the investment in the payments start-up Culqi.

In its mission statement, Krealo said it aimed to serve more than 100 million customers in Peru, Chile and Colombia.[78,79]

Figure 31. Krealo (Credicorp) Invests in the Peruvian start-up Culqi

Source: LAVCA, "Credicorp's Krealo Invests in Peruvian Payment Processor Culqi," January 1, 2019.

Note: Left and right, Culqi co-founders Amparo Nalvarte García and Nicolás Di Pace.

Meanwhile, each year in Lima, the technological consulting company Everis hosts a call for entrepreneurs to participate in a challenge prize competition called Premios Everis (Everis Awards).

The program aims to promote entrepreneurship, facilitate innovation and foster local talent engagement through the selection of projects based on high-impact technological innovations that generate positive change through new business models in the digital economy and industrial technologies.

Successful start-ups obtain an award package that comprises mentoring services, a monetary contribution to the venture, and invitations to international conferences and seminars, as well as admission to the Premios Everis Global in Spain, with the trip expenses covered.[80]

Figure 32. Premios Everis (Everis Awards)

Source: Provided by Everis (2019).[80]

Note: In the picture, there are senior representatives of Everis and UTEC with attendees of the event.

3. Conclusions

3.1 This is Happening. Are You Missing the Opportunity?

Corporates are increasingly collaborating with start-ups in Latin America through challenge prizes, hackathons, scouting teams, venture builders, coworking spaces, corporate incubators and accelerators, corporate venture capital, start-up acquisitions, and more.

The gathered data indicate the following results about the corporate venturing activity in the analyzed Latin American countries:[xvi]

• **There are 107 corporate giants running 460 initiatives.** The study maps a total of 107 global ultimate owners (or corporate headquarters) with 184 subsidiaries, in the six analyzed countries, that are running 460 initiatives in 19 cities - encompassing 106 challenge prizes, 94 scouting missions, 69 corporate incubators or accelerators, 62 coworking spaces, 52 corporate venture capital funds, 50 hackathons, 16 venture builders, and 11 start-up acquisitions' units.[xvii]

• **Bigger corporates are adopting corporate venturing 8% more.** On average, large firms (those with consolidated annual revenues of more than $25 billion) have a 8% higher adoption level of corporate venturing than smaller firms (with revenues between $4 billion and $25 billion).

• **The adoption level in the region is 59% lower than the one in the Fortune 100.** The average adoption level of corporate venturing mechanisms among giants in the analyzed countries is still low (16%), compared to the 75% in the Fortune 100 list that only considers corporate venture capital—showcasing the opportunity to increase the engagement through these mechanisms.

• **This activity is concentrated in seven cities.** São Paulo (Brazil), Mexico City (Mexico), Bogotá and Medellín (Colombia), Santiago (Chile), Buenos Aires (Argentina), and Lima (Peru).

• **The industry of financial services is taking the lead in the territory.** The highest number of companies engaging with start-ups are in the sectors of financial services, information technologies, management consulting, and telecommunications.

• **Europe is the most frequent 'house'.** The Latin American subsidiaries involved in this activity have headquarters predominantly in Europe (45% of the cases), Latin America (25%) and the United States (24%).

• **Corporates are bidding for low-cost engagements.** The most frequent mechanisms applied in the region were some of those with the lowest cost of implementation: scouting missions, challenge prizes and hackathons.

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[XVI] These conclusions are limited to the corporates and countries analyzed. These conclusions can't be extrapolated to other types of companies or regions.

[XVII] These numbers refer to initiatives, meaning that there was at least one instance in the analyzed time-horizon with at least one start-up.

3.2 Consequences: What Now?

How can these results help chief innovation officers do their jobs? According to the insights provided during the interviews with 133 innovation executives during this study, complemented with the in-depth analysis of 1,760 corporate subsidiaries in Latin America, these were some of the lessons learnt that most frequently echoed the discussion on how corporates can better engage with start-ups in Latin America.

Expanding your corporate venturing ecosystem:

1. Design a strategy to spot opportunities before your competitors. The discussion has moved from how to build venturing arms to how to make the right discoveries and spot promising start-ups and scale-ups before anyone else. In many cases, corporates have a limited capability to foresee disruptions that can become competitive advantages for them against the competition. Build an ecosystem of external corporate venturing partners to receive an increased deal flow of opportunities—you can collaborate with private investors, incubators, accelerators, universities, research centers, chambers of commerce, and more. Craft a compelling value proposition with each partner to avoid misalignment (i.e., "the deals that no one wants").

2. Cluster with other corporates in joint challenges. The growth in the number of corporates engaged in venturing has triggered a debate on how to seduce the best start-ups for venturing programs. Join forces with other corporates (not only noncompetitors but also competitors) to tackle a common challenge through collaboration with start-ups. This may improve the value proposition designed for a specific start-up: technical expertise from different sectors, additional distribution channels, wider outreach, further resources, and more. Meanwhile, the costs of the venturing program can be reduced for the corporation by distributing them among the other partners and strengthening the cluster in the innovation ecosystem.

3. Improve the connectivity of your internal corporate venturing ecosystem. The study found that international companies with subsidiaries in Latin America sometimes face the challenge of having unconnected corporate venturing units in different countries and across mechanisms. (For example, the business units of a corporate may not know which start-ups are enrolled in the corporate venturing programs.) Although this is less frequent at a senior management level, it is more frequent at the middle management level, generating silos of information. To increase the network effects and synergies within corporates, design maps of activities so that middle management can understand better what other units and countries are doing in corporate venturing. Moreover, it may be useful to have internal connectors—employees whose role is not only to connect opportunities from corporate venturing mechanisms to business units but also to identify the challenges of business units in order to nurture the scouting aspects of the venturing programs.

Optimizing your corporate venturing strategy:

4. Rely more on numbers and less on hype. The study has shown that many Latin American subsidiaries are still relying on intuition rather than data when designing their corporate venturing strategies. Although a few years ago, there were few sources of independent data and benchmarks (especially in those mechanisms that are more novel), nowadays more research has been developed on the topic. So, choose the right combination of corporate venturing mechanisms, based on data rather than intuition or media hype, according to your company's objectives and expectations (in terms of goals, capital and time horizon). Although innovation executives sometimes consider corporate venturing as just corporate venture capital, the reality of options is much richer. Previous studies show that, on average, some mechanisms can be up to five times faster and three times more cost-effective than others.

5. Distribute the costs of proofs of concept. Companies in Latin America are seeking ways to collaborate with start-ups—generating impact, increasing speed and reducing the cost of innovation. Since innovation units have tight budget constraints (especially during the genesis of the unit) and have to maximize their ability to integrate value, try to ensure that business units and corporate headquarters are involved in terms of budget allocation and that there is a decision-maker on the inside. For instance, finance one start-up's proof of concept with a third of the budget provided by the innovation unit, a third from the corporate headquarters and a third from a business unit. It may also help if a member from each of those three units is involved in the decision-making process in order to reduce internal friction.

6. Let the impact speak for itself. One of the identified barriers preventing the adoption of corporate venturing mechanisms in Latin American subsidiaries is the traditional corporate mind-set. Senior managers with an established and hierarchical mind-set are sometimes reluctant to embrace innovation and new ways of working. In your internal pitch to get buy-ins from the executive committee and from business units, focus less on the way the start-ups are (e.g., with young founders, limited experience and scarce resources) and more on the potential or past impact they have generated in efficiency (e.g., cutting production costs in half), speed (e.g., improving the time to market), revenue (e.g., designing a new line of products that is generating a steady revenue stream), among others.

7. Remember: this is not a short-term game. Plan realistically. Ask for commitment and keep track of the results. With existing data, use a benchmark to estimate the average time that is required with deviations. This will give you a sense of whether you have a bottleneck and whether you have to speed up the corporate venturing process. Secure the minimum time horizon needed to see results, especially if you are new to corporate venturing and you have not yet generated any results. Some mechanisms are faster than others. Bear in mind that, depending on the mechanism, you will need between eight and 28 months to integrate value from one opportunity. This involves the completion of the identification, collaboration and integration processes, excluding the time it takes to build the mechanism.

Cross-pollinating corporate venturing knowledge:

8. Consider Latin American opportunities. Entrepreneurial activity in the region has been increasing at speed, a trend that connects with the quadrupling of the venture capital investment in the region since 2014. This makes Latin America a location to consider when seeking high-potential start-ups that may require a lower cash burn rate than other parts of the world such as Canada, the United States, Europe or Asia. Many international companies have already realized about this phenomenon such as those in Europe, which has already taken a major stake: 45% of subsidiaries engaged in corporate venturing in the Latin American analyzed countries have European headquarters.

9. Learn from abroad: leverage subsidiaries and foreign institutions. Some of the Latin American subsidiaries that are more mature in terms of deploying corporate venturing mechanisms have two profiles. The first case is those that have imported best practices from their international subsidiaries in the United States, Canada, Europe and Asia, which is especially the case among international professional service firms. The second case is those that learned lessons from institutions with headquarters in those parts of the world, especially in their first steps of corporate venturing activity. This knowledge transfer has resulted in a better-informed decision-making process and increased the chances of success, especially in relation to experienced subsidiaries or institutions involved in corporate venturing.

4. Appendix

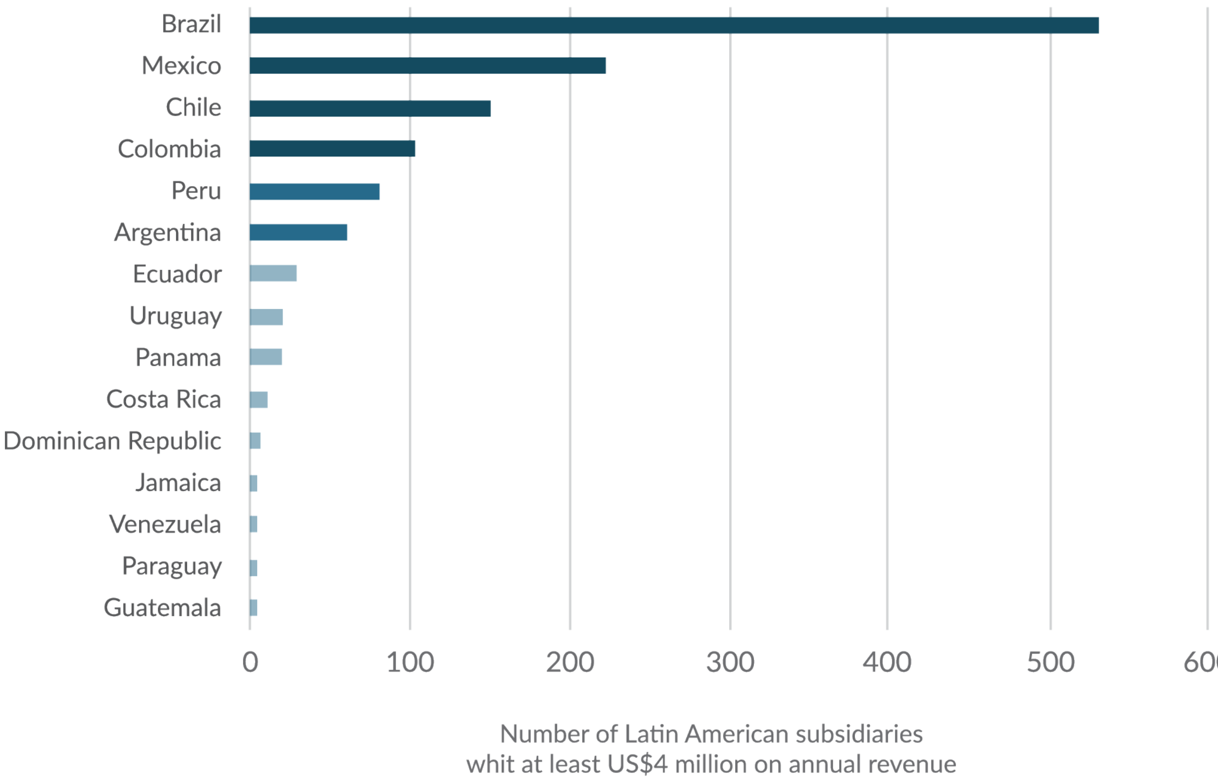
4.1 Research Methodology

This study was conducted to find out the current status of corporate venturing in Latin America. The analysis used a robust methodology to guarantee the quality of the findings. More than 92,000 corporate subsidiaries in Latin America were explored, with near 1,760 of those being analyzed in depth. This analysis was complemented by more than 133 interviews with chief innovation officers and those with related roles. The study was then reviewed by 17 peer-reviewers, including five academics.

The project started with a wide review of the literature focused on the region, which included the evaluation of contemporary studies published in relevant academic journals and corporate reports and on news platforms. The scope of the analysis was defined in terms of countries, mechanisms, the type and size of companies and time lines. (See section 1.5.) Priority was given to those countries and companies with a higher concentration of corporate venturing activity and to those mechanisms with less conceptual ambiguity.

For this purpose, the study analyzed the concentration of Latin American subsidiaries with more than $500 million in annual revenue. (See **Figure 33.**) The countries selected were Argentina, Brazil, Chile, Colombia, Mexico and Peru.[xviii]

Figure 33. Number of Subsidiaries with At Least $500 Million of Annual Revenue (per Country)



Source: Prepared by Siota, J., Prats, J. of IESE Business School.

Note: Although the other Latin American countries are not shown, they were analyzed but the graph was simplified.

[XVIII] Although this study has identified corporates collaborating with start-ups across Latin America (e.g., Uruguay, Costa Rica, Venezuela, Paraguay, Guatemala), the scope of the analysis has been limited to those with the highest concentration of corporate venturing activity: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

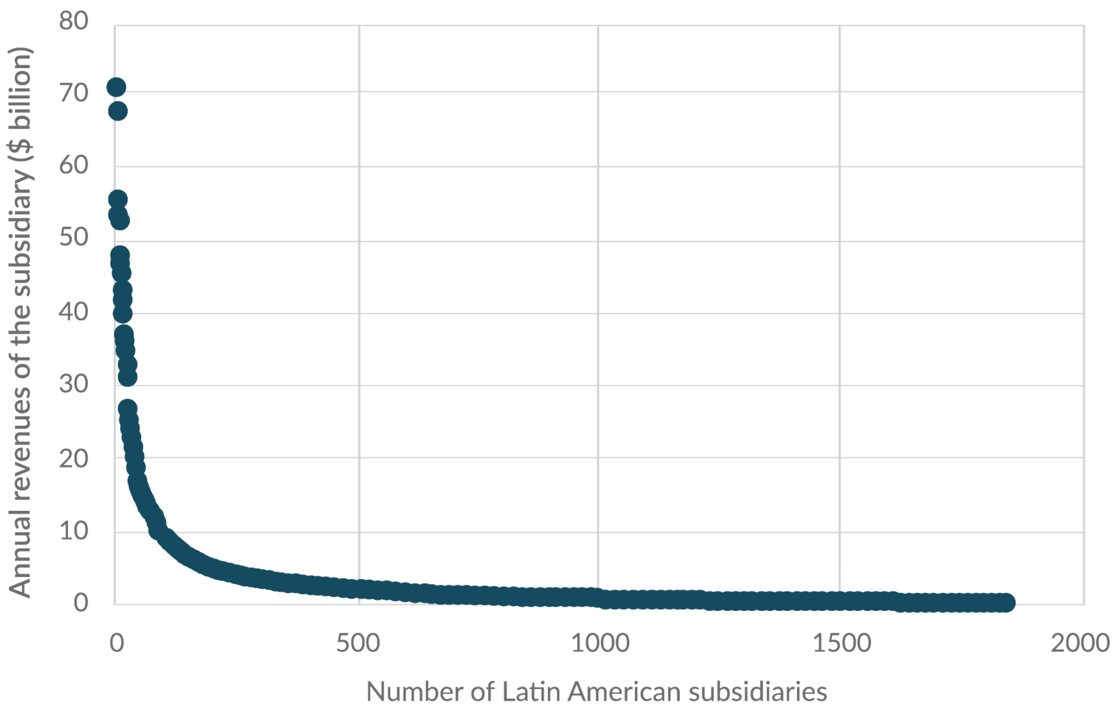
In terms of industry, the categorization applied mirrors that used by Bloomberg. Then the analysis was segmented into six steps. First, there was an analysis of the corporations with subsidiaries in Latin America with annual revenues of at least $4 billion in 2018 (see **Figure 34**), and the ultimate global owners (or corporate headquarters) that have consolidated annual revenues of at least $4 billion in 2018 and have subsidiaries in Latin America. Since corporate venturing requires financial resources, the analysis focused on those companies with higher revenues, which might be more likely to be involved in corporate venturing. (See section 2.1.1.)

The resulting list was then filtered to include only those where there was public information about them directly related to corporate venturing. This filtering was done by checking up-to-date databases, academic and practitioner journals, news platforms, company reports, social network campaigns, and more. This list was then validated with at least two local experts per country.

An interview protocol was developed, and interviewers were trained accordingly. Each interview had an introductory phase in which the interviewer explained the definitions of potentially ambiguous terms in the questionnaire to ensure a common understanding. The interviews contained both open and closed questions. The interviews were conducted with 133 chief innovation officers and those in related roles who were involved in corporate venturing activities: 92 with a formal protocol and 41 with an informal protocol.

Then the answers were classified and analyzed by at least two researchers. Later, the results were codified

Figure 34. Number of Companies in Latin America and Their Annual Revenues



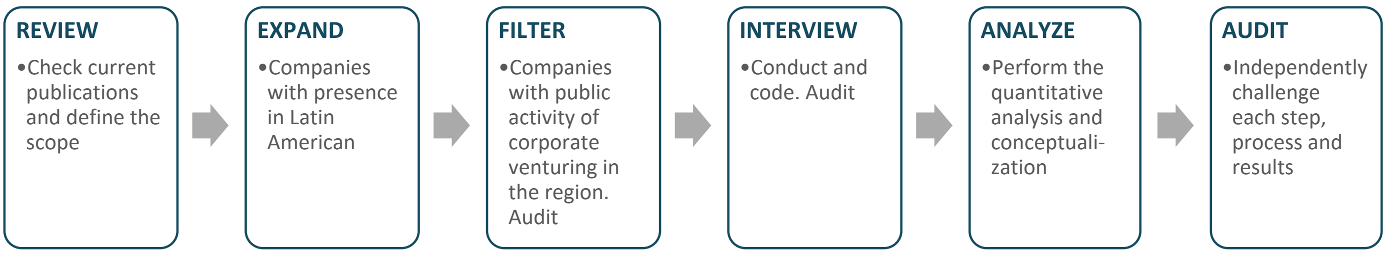
Source: Prepared by Siota, J., Prats, J. of IESE Business School.

qualitatively and quantitatively, a step that was also carried out by two different members of the research team to minimize ambiguities and mistakes. A quantitative analysis and conceptualization of the results were also performed.

Afterward, several audits were conducted. The first was carried out by two local experts and one local academic in each country. Then two academic peer reviewers audited and checked the rigor of the whole process by conducting two independent analyses. (See **Figure 35.**)

The authors acknowledge that, given how complex it is to identify reliable and up-to-date sources of information to monitor the phenomena, a larger sample of interviewers may increase the understanding of this practice in the region. In order to mitigate this challenge, a protocol was designed for choosing the interviewees. Further research in forthcoming white papers will provide guidance on wider fields of activity, considering (1) companies deploying corporate venturing in other Latin American countries, (2) companies with annual revenue below $4 billion, (3) the different adoption levels of corporate venturing between Brazil and the other countries, (4) the strength of corporate venturing clusters required to work this practice in a region, (5) a deeper understanding of the Brazilian corporate venturing ecosystem, (6) the level and reasons for centralization or decentralization of regional innovation ecosystems in Latin America, (7) the impact of state-driven innovation programs in the region to attract venture capital investment, (8) the understanding of factors that affect the different adoption of corporate venturing across industries in Latin America, and more.

Figure 35. Research Method



4.2 Glossary

General:

Corporate venturing: The collaborative framework between established corporations and innovative start-ups.

This study has taken many types of mechanisms of corporate venturing into account, not only corporate venture capital. Considering acquisitions, companies that were purchased and did not meet the aforementioned start-up criteria were excluded.

Start-up: A company that is in the first stage of its operations. This study has limited its scope to companies that were founded within the past 10 years, generate a maximum of $100 million in annual revenue, have fewer than 500 employees and are valued at less than $250 billion.

Corporate venturing mechanisms:

Challenge prize: An open competition that focuses on a specific issue, offering an incentive to innovators in a particular field to design and develop the best solution based on new ideas and technological trends in order to foster internal learning.

To be included in the study, the established corporation had to have hosted at least one challenge prize that was announced and open to the general public and with at least one start-up applicant between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the challenge prize was announced.

Corporate incubator/corporate accelerator: Mentoring and value-added services to help entrepreneurs build viable, market-ready ideas. These services usually focus on the initial phase by converting the entrepreneurs' ideas into real business models. If the services are used at a later stage, corporations validate and scale a previously existing business model.

To be included in the study, established corporations had to have incubated or accelerated at least one start-up in a dedicated program between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the corporate incubation or acceleration program is located and is carried out.

Corporate venture capital (CVC): Corporations use equity investments to target start-ups for innovation or for another strategic interest beyond a purely financial return. A corporation can run financially backed venturing arms internally, as a subsidiary, or by contributing to corporate-backed investment funds jointly supported by other private or public investors.

To be included in the study, the corporation had to have invested in at least one start-up between June 30, 2018, and June 29, 2019. Investment, in this regard, is the signing of a shareholders' contract. A note in the observations has been included for those cases where the corporate venture capital fund is managed by a third party. The location is the city where the corporate venture capital unit or team is based.

Hackathon: A focused workshop where software developers collaborate to find technological solutions to a corporate innovation challenge within a given time. This is a way to distill visionary concepts down to actionable solutions, stimulating a creative and problem-solving mind-set within corporations.

To be included in the study, the established corporation had to have hosted at least one hackathon that was announced and open to the general public with at least one start-up applicant between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the hackathon was hosted.

Scouting mission: The established company appoints an individual within a given industry to search for innovation opportunities aligned with the corporate strategy. Corporations gain insight into interesting sectors and industries and are able to monitor leading innovations and collect information for strategic decisions.

To be included in the study, the established corporation had to have had at least 0.5 full-time equivalent employees located or based in a specific region for a mission between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the scouts are deployed and where they are conducting their mission.

Sharing of resources: A means to grant start-ups access to resources while simultaneously enabling established corporations to get closer to the entrepreneurial ecosystem. Companies that offer coworking space in their offices are one example, with a corporation providing physical facilities to the start-up team.

To be included in the study, the established corporation had to have hosted at least one start-up in a coworking space for at least two months between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the coworking space is located.

Start-up acquisition: Established firms purchase start-ups to access their products, services, innovative business models and talent.

To be included in the study, the corporation had to have acquired at least one start-up between June 30, 2018, and June 29, 2019. In this case, an acquisition is considered complete when the contract concerned with the transfer of equity is signed. The location, in this regard, is the city where the start-up acquisition team is based.

Strategic partnership: Alliances between established corporations and start-ups to specify, develop and pilot innovative solutions through the discovery of new opportunities or the exploitation of existing opportunities. This type of collaboration can take many forms, including the joint development of products and services as well as the establishment of a venture client partnership.

Venture builder: A combination of an incubator and accelerator where established corporations allocate funds and resources to the creation of an external venture through talent recruitment and the development of a business model that will benefit the corporation. The entrepreneurial teams are normally from outside the corporation (not intrapreneurs).

To be included in the study, established corporations had to have at least one start-up involved in a venture building program between June 30, 2018, and June 29, 2019. The location, in this regard, is the city where the venture building program takes place.

4.3 Acknowledgments

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IESE Business School

Develops leaders who strive to have a deep, positive and lasting impact on people, companies and society through professional excellence, integrity and a spirit of service. Ranked #1 worldwide by Financial Times since 2014, and with 50,000+ alumni in 140+ countries, the global business school offers MBA and Executive Education programs. For years, the institution has developed cutting edge research in fields such as open innovation and corporate venturing, becoming experts in organizations such as the World Economic Forum and the European Commission.

WAYRA

Is the world's most global, connected and technological open innovation hub. Wayra connects technological disruptors with Telefónica to generate joint business opportunities. Wayra runs seven hubs in Europe and Latin America that reach the entrepreneurial ecosystems of 10 countries: Argentina, Brazil, Chile, Colombia, Germany, Mexico, Peru, Spain, the United Kingdom and Venezuela, bringing talented entrepreneurs from these ecosystems to a global scale. Wayra, part of Telefónica Open Innovation area, is the global interface between Telefónica and entrepreneurial ecosystems. Telefónica Open Innovation has a portfolio of over 500 active start-ups, more than 20% of them are doing business with Telefónica.

CORFO

Is the Chilean Economic Development Agency. Is the executing agency of the Government of Chile policies in the field of entrepreneurship and innovation, through tools and instruments compatibles with a social market economy, that also create conditions for achieving a society of opportunities. CORFO has been essential for this study through a broader project -Corporate Venturing Latam- that seeks contributing in the development of Corporate Venturing by generating relevant knowledge (such as this study), helping in the creation of instances where startups connect with large firms, and spreading the word about good practices and experiences in the ecosystem to encourage more established companies joining those that actively work with startups.

Experts

This list is just a small selection of the external experts who have taken part in the study.
They shared their personal insights and not those of their corporations.

Amartino, Mariano (Microsoft)
Arango, Carlos (Bancolombia)
Aranzeta, Luis (Claro)
Arias, Miguel (Telefónica)
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Balaguer, Denis (Ernst & Young)
Basso, Isabela (Kieppe Patrimonial)
Betancourt, Juan (AB InBev)
Boetsch, Sofía (Falabella)
Bouchard, Juan Pablo (Renault)
Braga, Paulo (Eurofarma)
Brando, Livia (EDP)
Cacho, Cristina (Scotiabank)
Castro, Federico (Intel)
Chaves, Rubenson (Sodexo)
Coello, Andrés (Scotiabank)
Compani, Pedro (BTG Pactual)
Costa, Paulo (Accenture)
Course, Andrea (Shell)
Cutillas, Germán (NTT - Everis)
de Abreu, Ícaro (IBM)
de Menezes, Mauricio (Deere & Co.)
de Royer, Maxence (Nestlé)
de Salles, Gabriella (Rede d'Or)
Dehareng, Julie (Roche)
del Boca, José (Ternium)
di Paola, Virginia (WeInnova)
Díaz, Diego (Iberdrola)
Dieck, Rodolfo (Grupo Proeza)
Espinosa, Jaime (BBVA)
Esses, Pablo (Citigroup)
Estefan, Bernardo (Oi)
Eugenia, María (Unilever)
Galindo, Gonzalo (Cemex)
García, David (NTT - Everis)
García, Javier (FEMSA)
García, Jesús (Arca Continental)
Ghirardi, Matías (Renault)
González, Diana (Nestlé)
González, Javier (Acciona)
Guerrero, Pedro (Merck)
Gutiérrez, Jorge (Gentera)
Gutiérrez, Rodrigo (American Express)
Hernández, Andrea (Grupo Suramericana)
Hoyos, Santiago (Grupo Argos)
Ibáñez, Carolina (Bayer)
Ibarrarán, Alberto (Bosch)
Jiménez, Juan (Santander)
Kowaleczko, Javiera (Metrogas, Chile)
Kutepov, Glib (Daimler)
Lacour, Florian (BNP Paribas)
Lambropoulos, Andreas (BNP Paribas)
Lee, David (UPS)
Linares, Sofía (Grupo Suramericana)
López, Carolina (Novartis)
Machuca, Sofía (Alfa)
Marrero, Marco (Bancolombia)
Martello, Gustavo (Globant)
Martínez, Luis Eduardo (Grupo Suramericana)
Mazuelos, Ricardo (Claro)
Mendivil, Melissa (Bosch)
Moro, Agustín (Telefónica)
Mosquim, Alexandre (Vale)
Ocampo, Tomás (YPF)
Ochoa, Carlos (Bancolombia)
Perico, Thais (BASF)
Peschard, Guillermo (PepsiCo)
Prieto, Víctor Hugo (Nielsen)
Rabelo, Arthur (Oracle)
Radrizzani, Marcos (MercadoLibre)
Ramírez, Manuel (Bimbo)
Reis, Hermes (Volkswagen)
Reyes, Alejandro (Citigroup)
Ríos, Jaime (Empresas Públicas de Medellín)
Roca, Marco (Credicorp)
Rosales, Pablo (Corporación Favorita)
Salazar, Rubén (Visa)
Salicroup, Cynthia (Accenture)
Santos, Franco (Ecopetrol)
Seba, Freddie (BBVA)
Setembro, Leticia (Embraer)
Sibele, Iara (ArcelorMittal)
Spirito, Francisco (Unilever)
Sposito, Florencia (Novartis)
Tentori, Fabio (Enel)
Vélez, Carlos (Empresas Públicas de Medellín)
Verdeyen, Lodewijk (Engie)
Verginelli, Flavia (Google)
Vidal, Ariel (Suez)
Villanueva, Alejandro (Grupo Televisa)
Wadnipar, Rafael (Masisa)
Wainstein, Gastón (Walmart)
Weiner, Danilo (Mastercard)
Zanuto, Renata (Itaú)
Zárate, Felipe (Empresas Públicas de Medellín)
Zavala, Tomás (Consorcio)

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