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TAIWAN RENAISSANCE PLATFORM



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# 2020 State of Corporate Venturing in Taiwan

Findings from a survey of the  
2,000 largest companies in Taiwan



# Foreword from the Chief Editors

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2020 has been a black swan year, with US-China trade tensions worsening, COVID-19 raging, and global supply chains reshuffling in response.

In Taiwan, corporate giants too were making unprecedented changes. In July, Wistron Technology sold its US\$4.9 billion-revenue-per-year iPhone assembly plant. Then in August, Catcher Technology also exited the smart phone market and looked to new sources of growth.

Established firms in Taiwan have long understood that they needed to "transform" and move towards new businesses with higher margins and growth prospects. And they knew that doing so required the tools of open innovation – such as corporate venturing.

But what portion of Taiwan's private sector has actually launched corporate



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venturing programs? How are they working with startups? With how much resources? And how do they operate or make decisions?

There was no data on any of these in Taiwan, so we decided to find out.

## The 2020 Survey on Corporate Venturing in Taiwan

The Taiwan Renaissance Platform, in partnership with the Commonwealth Leader Campus, launched a survey of Taiwan's 2,000 largest enterprises and their corporate venturing practice.

Between May and August 2020, we received more than 800 qualified responses from companies in Taiwan.

To complement this quantitative look, the TRP team also held in-depth interviews with the leadership of nearly 30 companies across a variety of industries.

In the following pages, we share with you the most important findings the data revealed.

# About the Taiwan Renaissance Platform

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In early 2020, a group of prominent business leaders launched the Taiwan Renaissance Platform to shift private industry's focus beyond revenues today or profits tomorrow, and toward the future "after tomorrow".

TRP is not an investment fund or a consultancy. It's a nonprofit "platform" that brings business leaders together to look at how Taiwan's private sector can get better at scouting, strategizing, and investing in the future.

We do so in four main ways:

**1. We mobilize attention around major issues:** In 2020, we kicked off the "Corporate Venturing" major issue by conducting Taiwan's first ever nation-wide CVC survey, interviewing corporate leaders, and holding the Taiwan Corporate Venturing Forum (TCVF).

**2. We hold regular events & forums:** We organize exclusive gatherings, forums, and other events where corporate executives, venturing leaders, and innovation experts share, debate, and spark new ideas.

**3. We build connections with the world's most innovative ecosystems** such as Silicon Valley and Israel - to tap into the latest trends and practices on innovation. We also hold regular "Future Calls" - online events where top experts look ahead at the future post-pandemic.

**4. We organize training programs** to shape the next generation of leaders in corporate innovation, strategy, and venturing who can help their enterprises navigate the day after tomorrow.

TRP is a nonprofit trust in the public benefit and operates entirely on charitable donations.

# Overview of the Survey

The 2020 Survey on Corporate Venturing in Taiwan is actually *two surveys* – one for broad coverage and the other for deep exploration.

## Broad Coverage (Commonwealth)

For broad coverage, we worked with the Commonwealth Leader Campus to survey Taiwan's 2,000 largest companies. This part of the survey consisted of four questions, and from May 25 ~ June 20, 2020 received 776 qualified responses.

## Deep Exploration (TRP)

For a deeper look at corporate venturing practices, we created a 41-question survey and distributed it to companies with the help of industry associations and bodies. Between July 1 ~ August 31, 2020, we received 64 qualified responses.

## Key Terms:

**Startup ecosystem:** includes startup companies, venture investors, academic institutions such as university startup programs, and incubators/accelerators.

**Startup companies:** private companies developing novel technologies, products, services, or business models, and have been operating for no more than 10 years.

**Direct Investment:** when a corporate invests from the balance sheet into a startup company in exchange for minority equity.

**Setting up a CVC:** when a corporate sets up a separate corporate venture capital company outside the parent corporation to invest in startup companies.

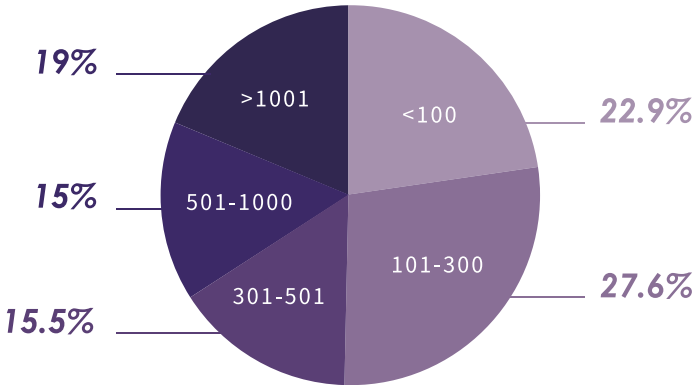
**Invest in a VC:** when a corporate becomes a limited partner of an outside venture capital fund.

**Acquire a startup company:** when a corporate becomes majority shareholder of a startup company and obtains operational control.

# Overview of Survey Respondents

Figure 1: Commonwealth Survey Respondents (N=776)

2019  
Size by # of  
Employees



Industry

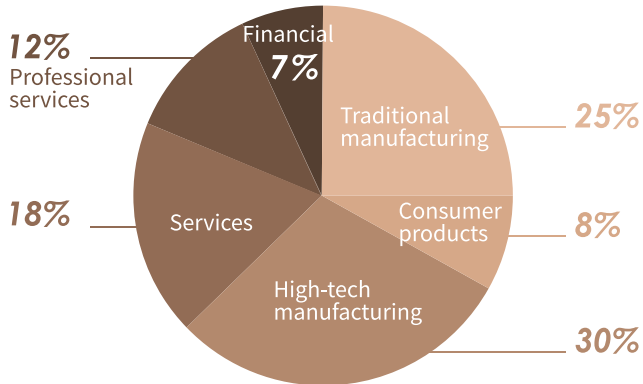
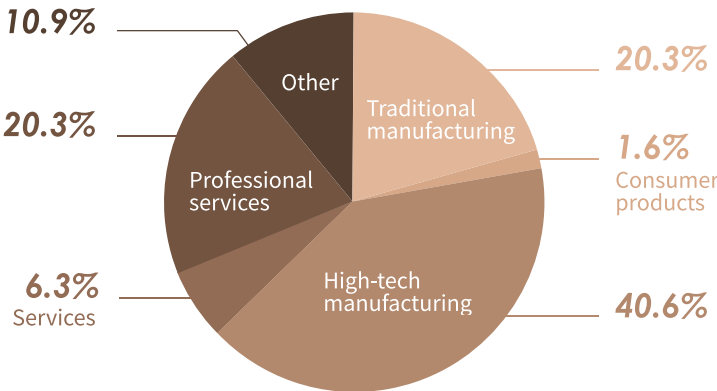
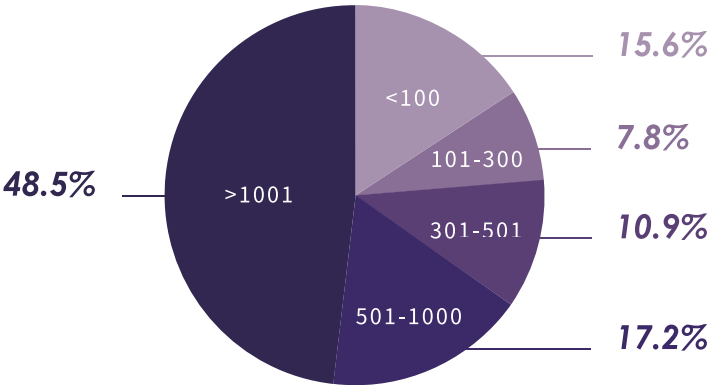


Figure 2: TRP Survey Respondents (N=64)





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# Section 1: How much corporate venturing are Taiwan's established corporates doing?



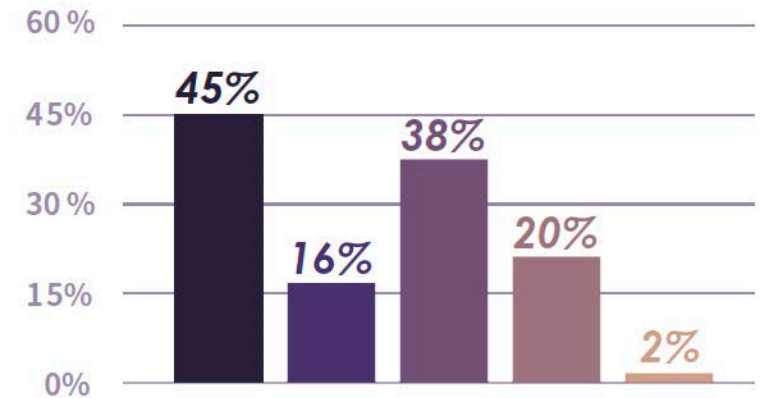
# Over 50% of corporates engage in internal innovation

We first asked respondents whether they engaged in internal innovation activities with dedicated budgets – such as employee startup and pitch contests, or the setting up of new internal startups and business lines.

45% of respondents answered that they had no internal innovation mechanisms, meaning over half had some kind of internal innovation in 2019.

**Figure 3:**  
**In the past year, did your company have the following internal innovation programs w/ dedicated budgets? (multiple selection)**

- None
- Employee startup/pitch programs
- New business development
- New internal startups & R&D
- Others



N = 761

Source: Commonwealth Leader Campus



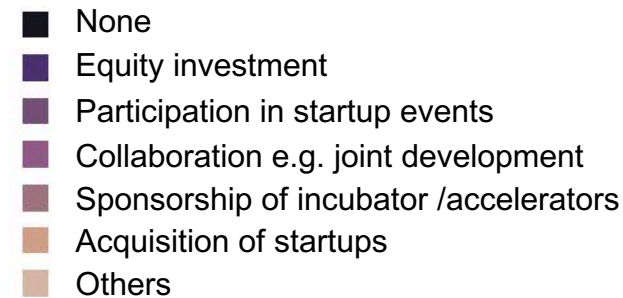
# 73% of corporates have had NO interaction with Startups

7

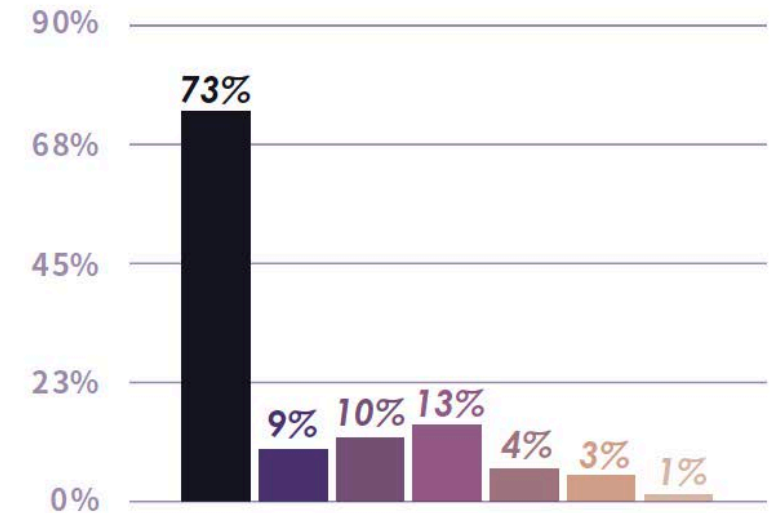
In contrast, 73% of responding corporates said they have not interacted with the startup ecosystem in any way, be it equity investment, strategic collaboration with startups, or attending startup events.

Only 9% have invested in startup companies. For reference – according to Global Corporate Venturing (GCV) Analytics, in 2018, 74% of global Fortune 100 companies had made equity investments into startup companies.

**Figure 4:**  
**Have you interacted with domestic and foreign startups in the following ways? (select up to 3)**



N = 746



Source: Commonwealth Leader Campus

## Chief Editors' Note

When venturing into new technologies and markets, Taiwan's established firms still prefer self-reliance – to use internal R&D and start new business units that they can control. In our interviews with corporate leaders, many said it was essential that they control core capabilities and IP.





# Do bigger companies interact more with startups?

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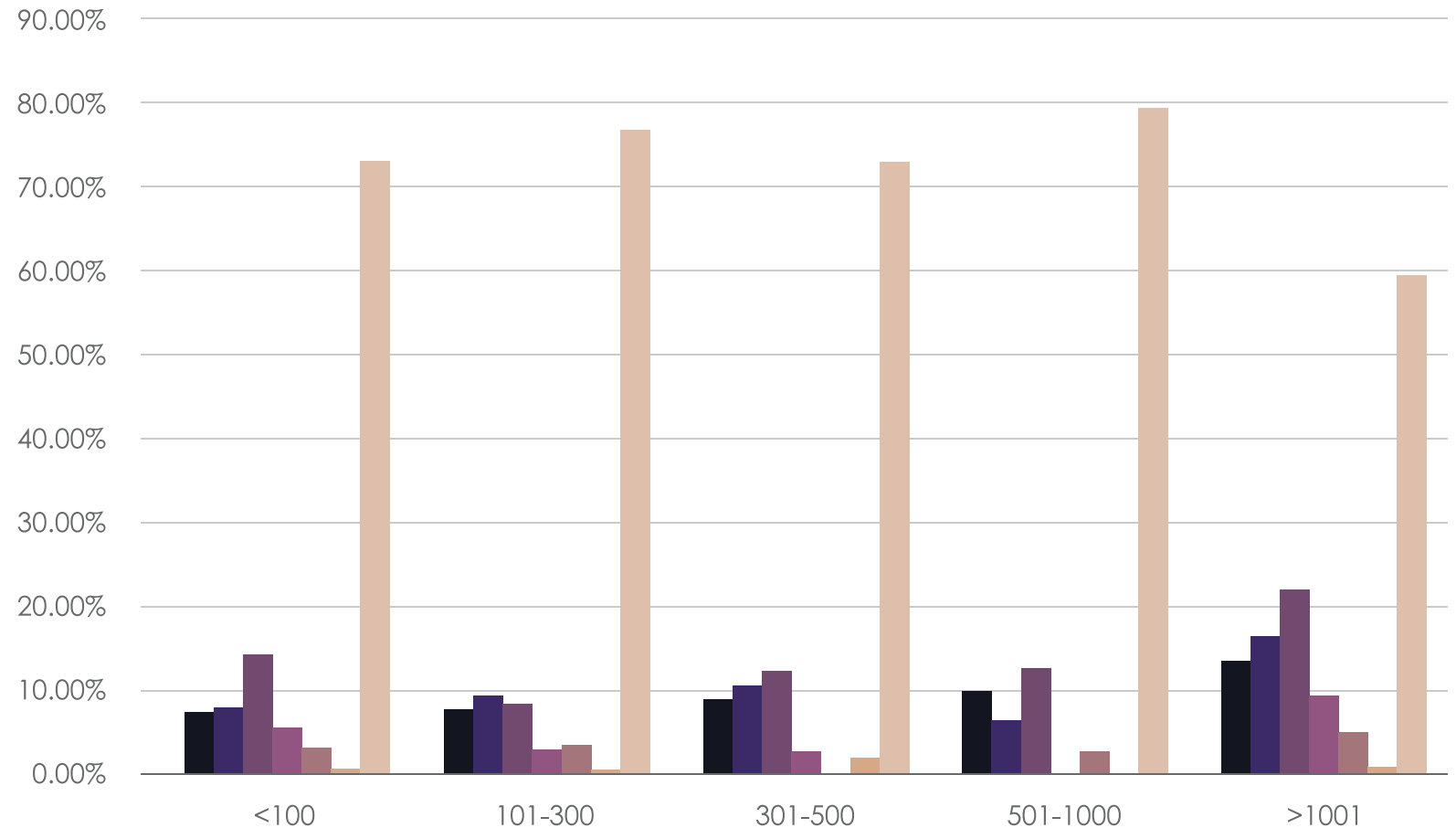
Could the low level of interaction with startups be explained by company size?  
Do bigger companies work more with startups?

When we grouped corporates by size (defined as # of employees) and looked at what % in each size group interacted with startups, we found no clear pattern.

Size doesn't appear to matter much.

**Figure 5: Company size (by employees) vs. interactions w/ startups**

- Equity investment
- Participation in startup events
- Collaboration e.g. joint development
- Sponsorship of incubator /accelerators
- Acquisition of startups
- Others
- None



N = 746

Source: Commonwealth Leader Campus

# When companies do invest, how much do they put in?

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Last October, the 2019 Forum on Corporate Venturing called on companies in Taiwan to devote 10% of their after-tax profit per year to startup investments (or 10% of their R&D budget, whichever is the higher).

In this year's TRP survey, respondents revealed that they dedicated on average 4.65% of their annual after-tax profit to direct investment in startups.

## 2019 Goal:

# 10%

of after-tax profit  
devoted to startup  
investment

## 2020 Survey:

# 4.65%

of after-tax profit  
devoted to direct  
investment in  
startups

Source: Taiwan Renaissance Platform



## Section 2: Within companies, who is responsible for corporate venturing?

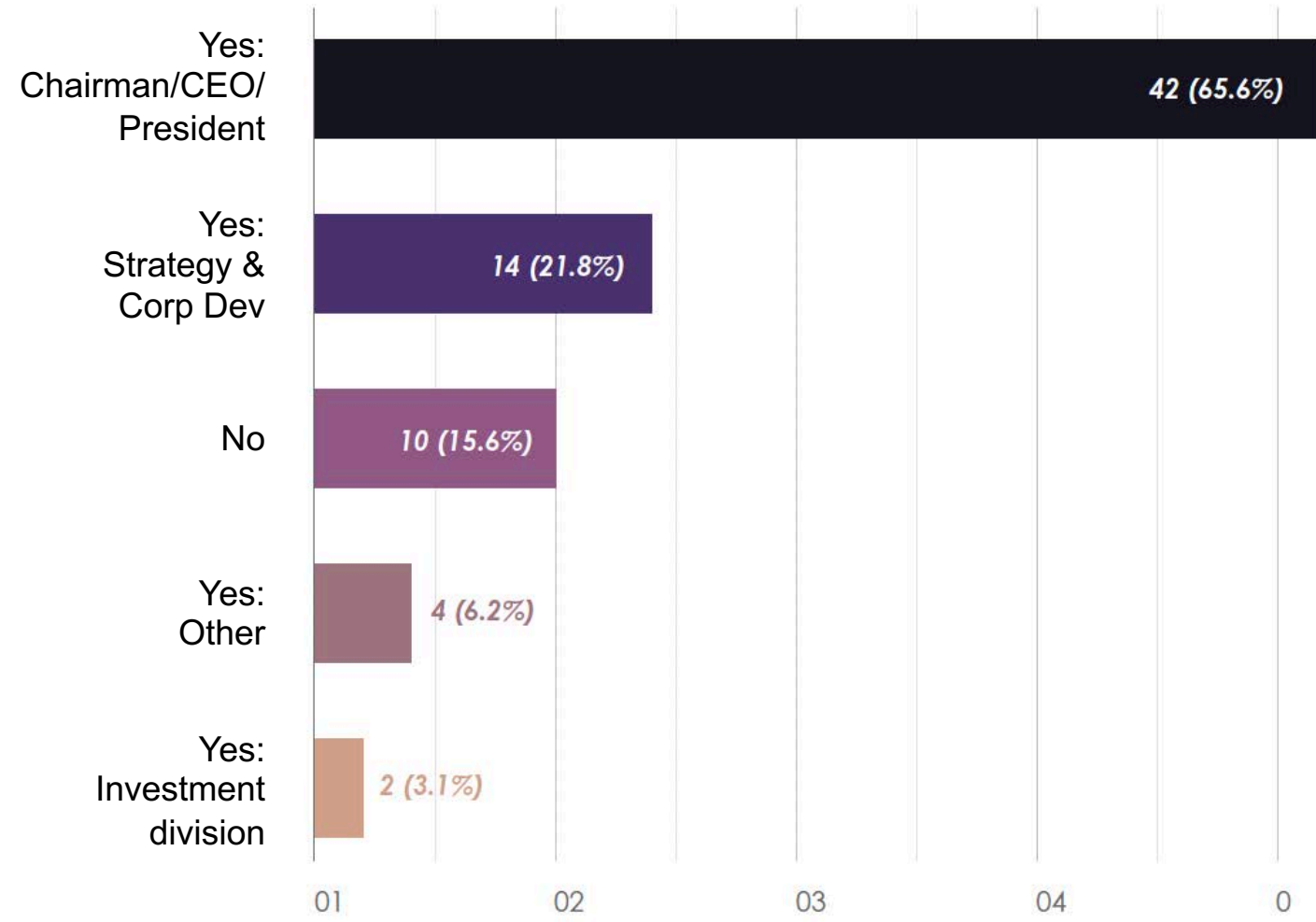


# Top corporate leaders responsible for watching future trends

In the TRP survey, we asked companies whether they had dedicated personnel for watching future trends at least 5 years out and formulate strategic responses.

By a wide margin, the task fell most often to the very top of corporate leadership – chairmen, CEOs, and presidents.

Figure 6: Does your company have dedicated personnel to watch future trends at least 5 years out and formulate strategic responses? (multiple selection)



N = 64

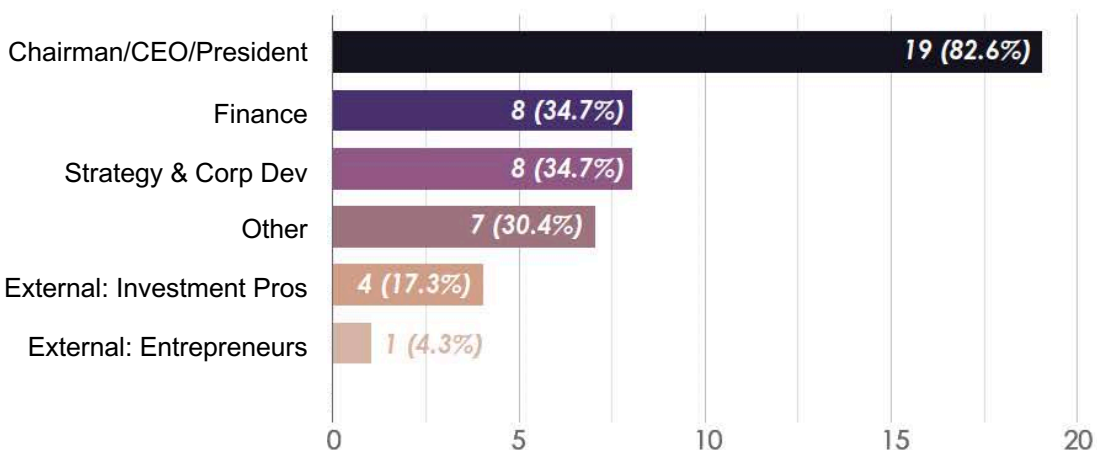
Source: Taiwan Renaissance Platform

# Top corporate leaders drive direct startup investment

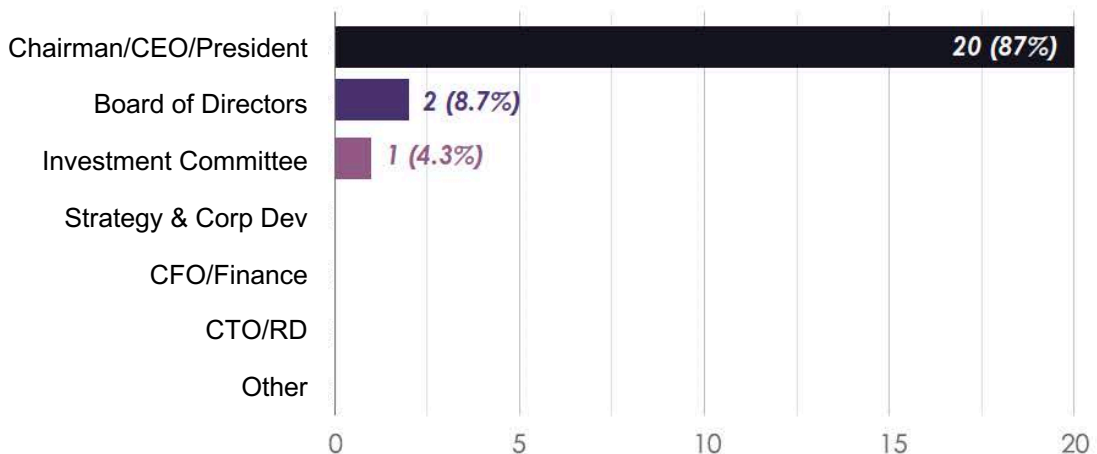
When we asked about the teams responsible for direct startup investments, and to whom those teams reported, the result was even clearer – the chairman/CEO/president level again dominated.

Over 80% of respondents said that their chairmen, CEOs, and presidents are also the teams responsible for executing startup investments and making the ultimate decisions.

**Figure 7: Your team responsible for direct investment into startups is composed of: (multiple selection)**



**Figure 8: Your team responsible for direct investment into startups reports mainly to:**



N = 23

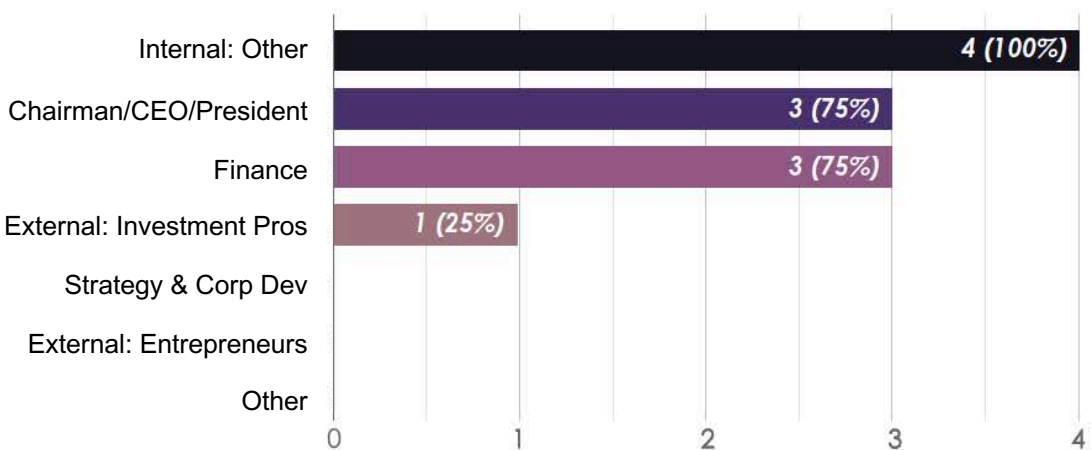
Source: Taiwan Renaissance Platform

# Top corporate leaders also drive CVC investment

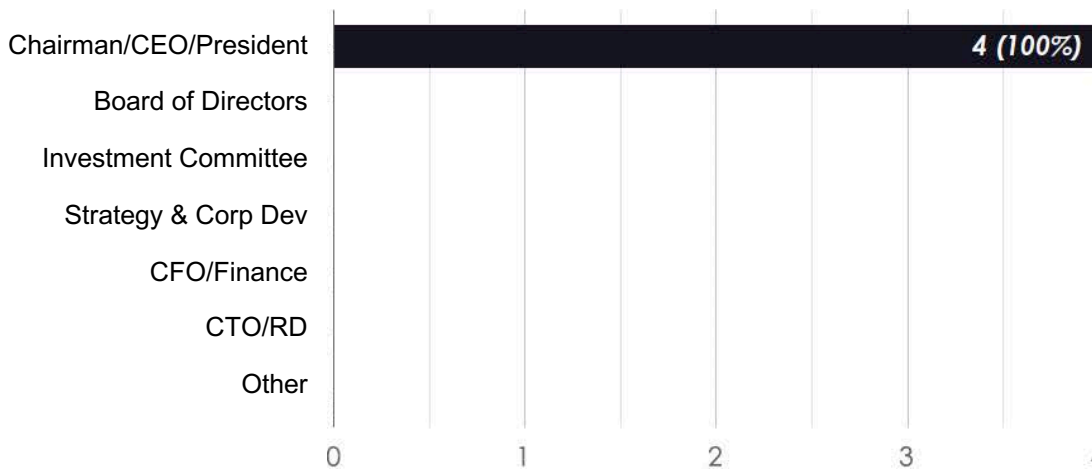
What about companies that had established separate CVCs to invest into startups?

Here, too, corporate chairmen, CEOs, and presidents had a dominant role in executing investments and making decisions.

**Figure 9: Your CVC team is composed of: (multiple selection)**



**Figure 10: Your CVC team reports mainly to:**



N = 4

Source: Taiwan Renaissance Platform



# Top corporate leaders also drive VC investment

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The picture changes little when it comes to managing investments into VC funds – the very top of the corporate ladder once again dominates.

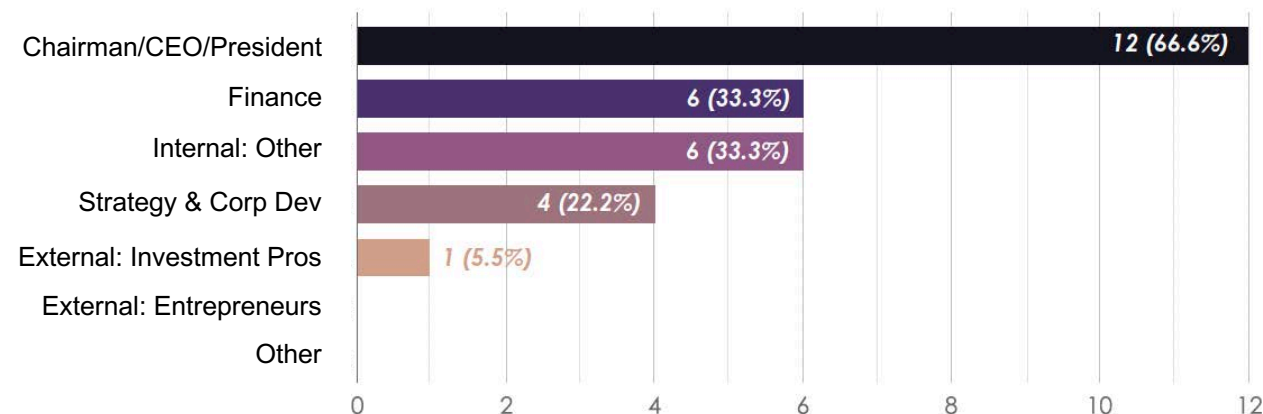
## Chief Editors' Note

Corporate chairmen, CEOs, and presidents in Taiwan have a heavy hand in startup investment – they're not only the ultimate arbiters, but often moonlight as the investment team as well.

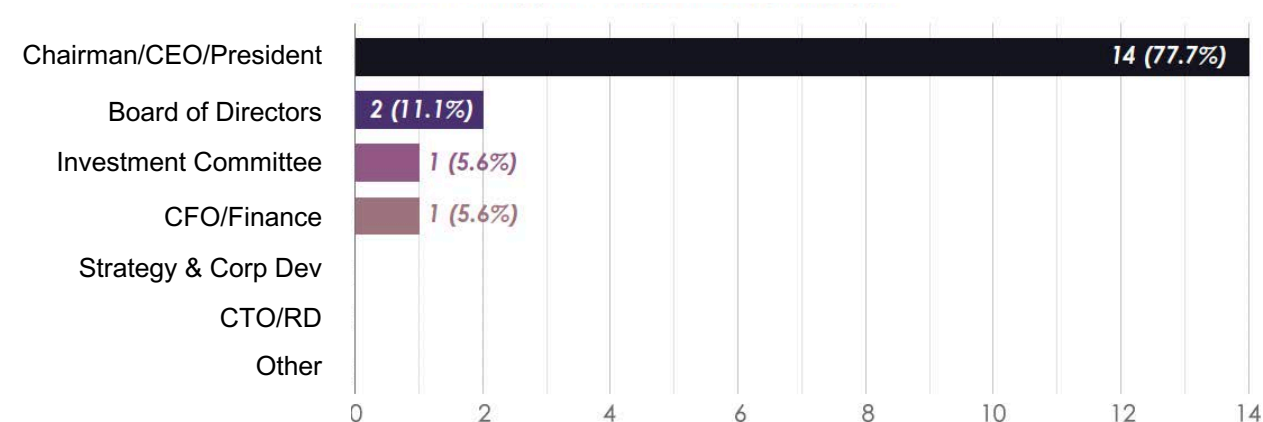
But is startup investment really a job that can be done part-time, and done well?

Globally, few top corporate leaders manage startup investments themselves (see next page).

**Figure 11: Your team responsible for VC investments is composed of: (multiple selection)**



**Figure 12: Your team responsible for VC investments reports mainly to:**



N = 18

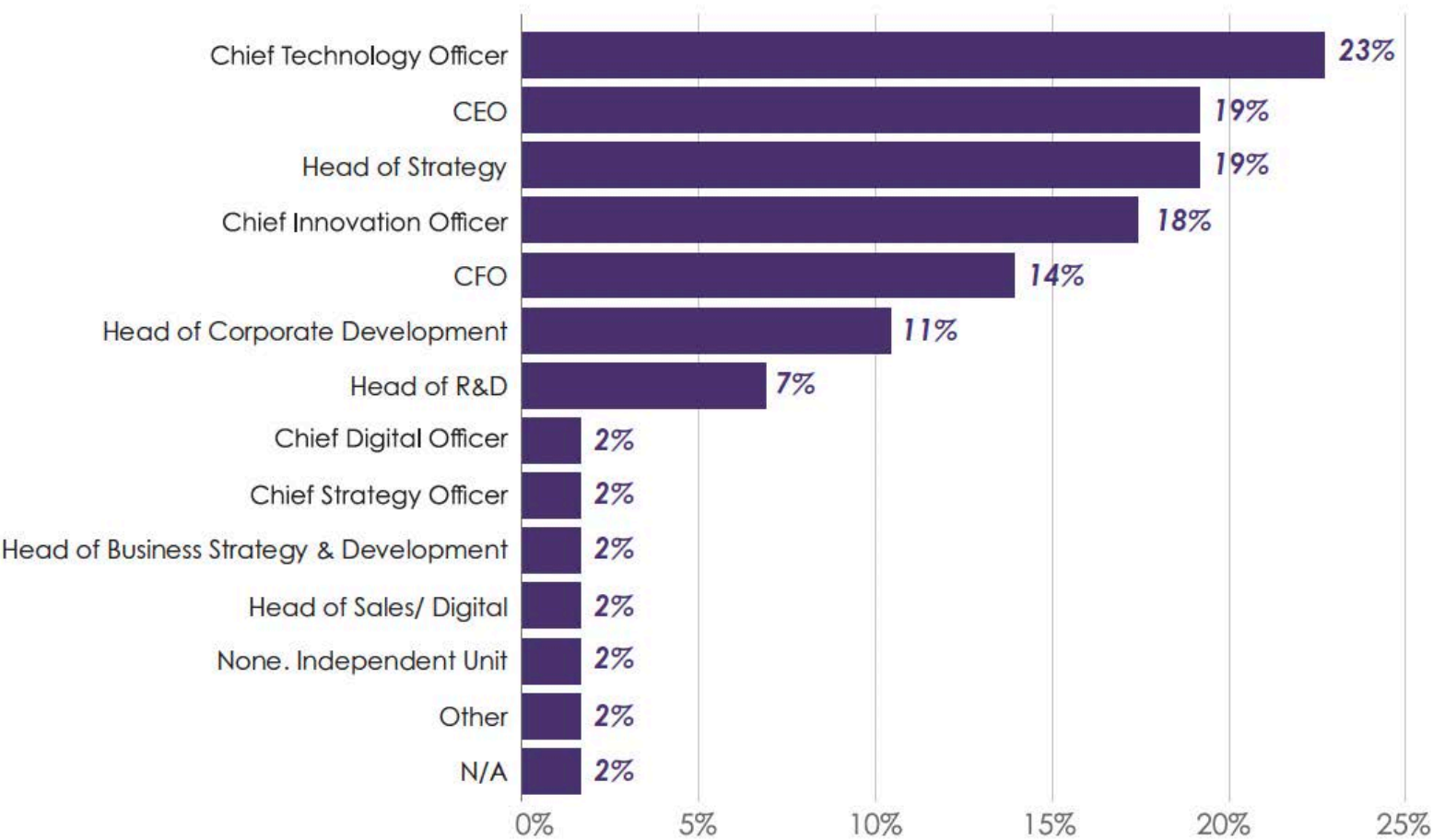
Source: Taiwan Renaissance Platform

# Globally, only 19% of CVC units report to the CEO

According to survey results in 2018 by GCV Analytics, only 19% of CVC units report to the CEO.

The rest report to a variety of C-level executives, from the CTO and CSO to Chief Innovation Officers, with no executive surpassing 25%.

Figure 13: Which C-level executive does the head of your CVC unit report to?



N = 57

Source: GCV Analytics (2018)



## Section 3: Other findings on how Taiwan's corporates approach venturing



# Corporates favor collaboration over investment

17

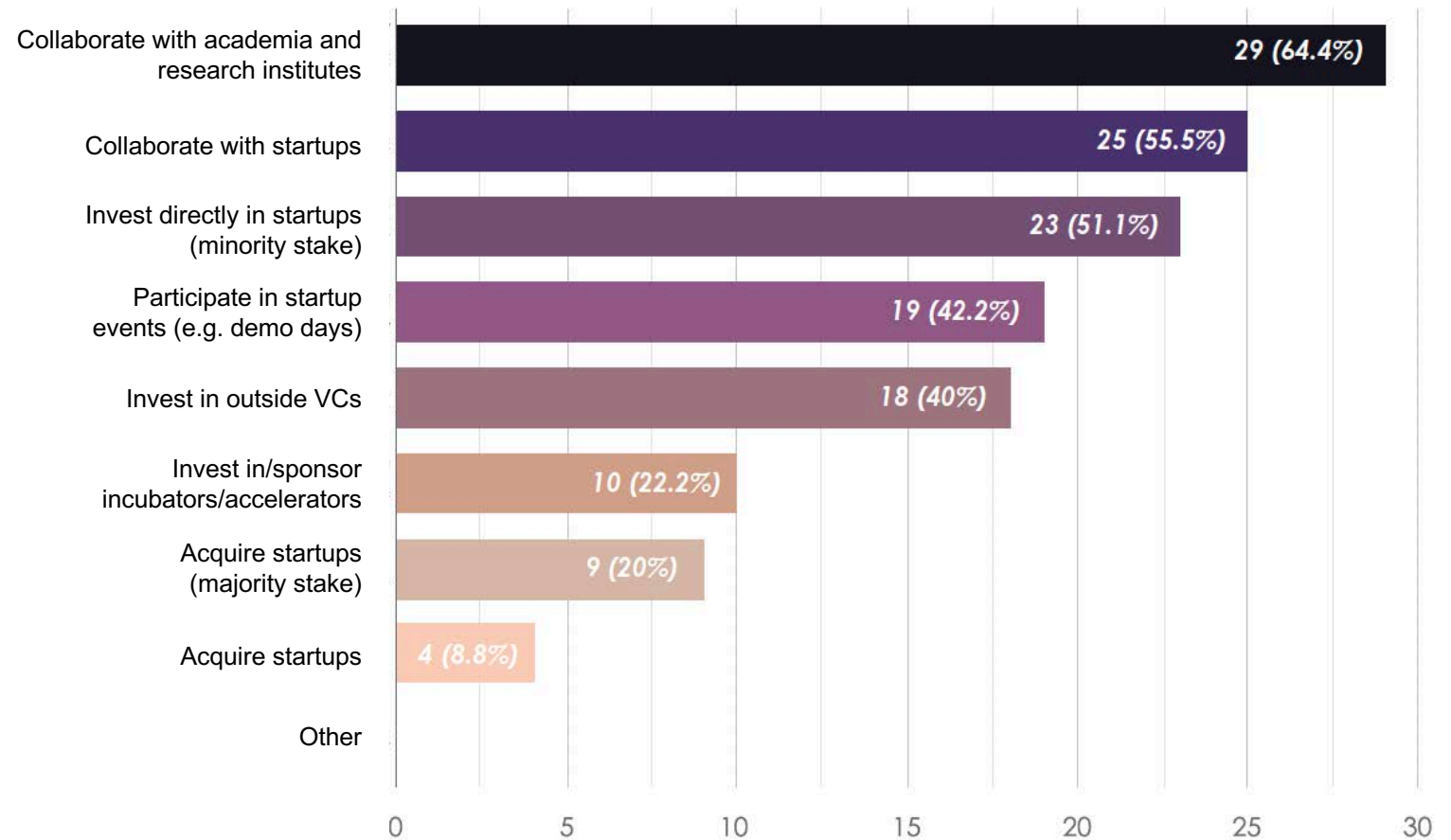
When we queried corporates on their preferred methods of interacting with the startup ecosystem, it was collaboration that rose to the top, not investment.

The two most popular methods were collaborating with academia and research (64.4%) and with startups (55.5%), including joint product development. Direct investment in startups came in third at 51.1%.

## Chief Editors' Note

Collaboration may be low-cost and low-risk for corporates, but it's hardly risk-free for startups, who must devote precious resources to it, and may lose business from the corporate's competitors.

**Figure 14: Which of the following are your main methods for working with startups? (multiple selection)**



N = 45

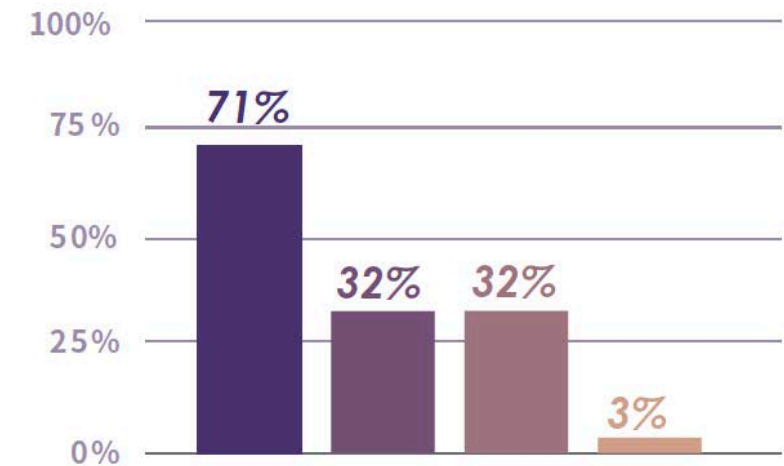
Source: Taiwan Renaissance Platform

# Most favor direct investment, few set up separate CVCs

Among those who do invest in startups, the preferred method is direct investment (71%), followed by setting up a separate CVC and investing in outside VCs (both 32%).

**Figure 15: How do you invest in startups? (multiple selection)**

- Invest directly
- Set up separate CVC
- Invest in outside VC
- Other



N = 65

Source: Commonwealth Leader Campus

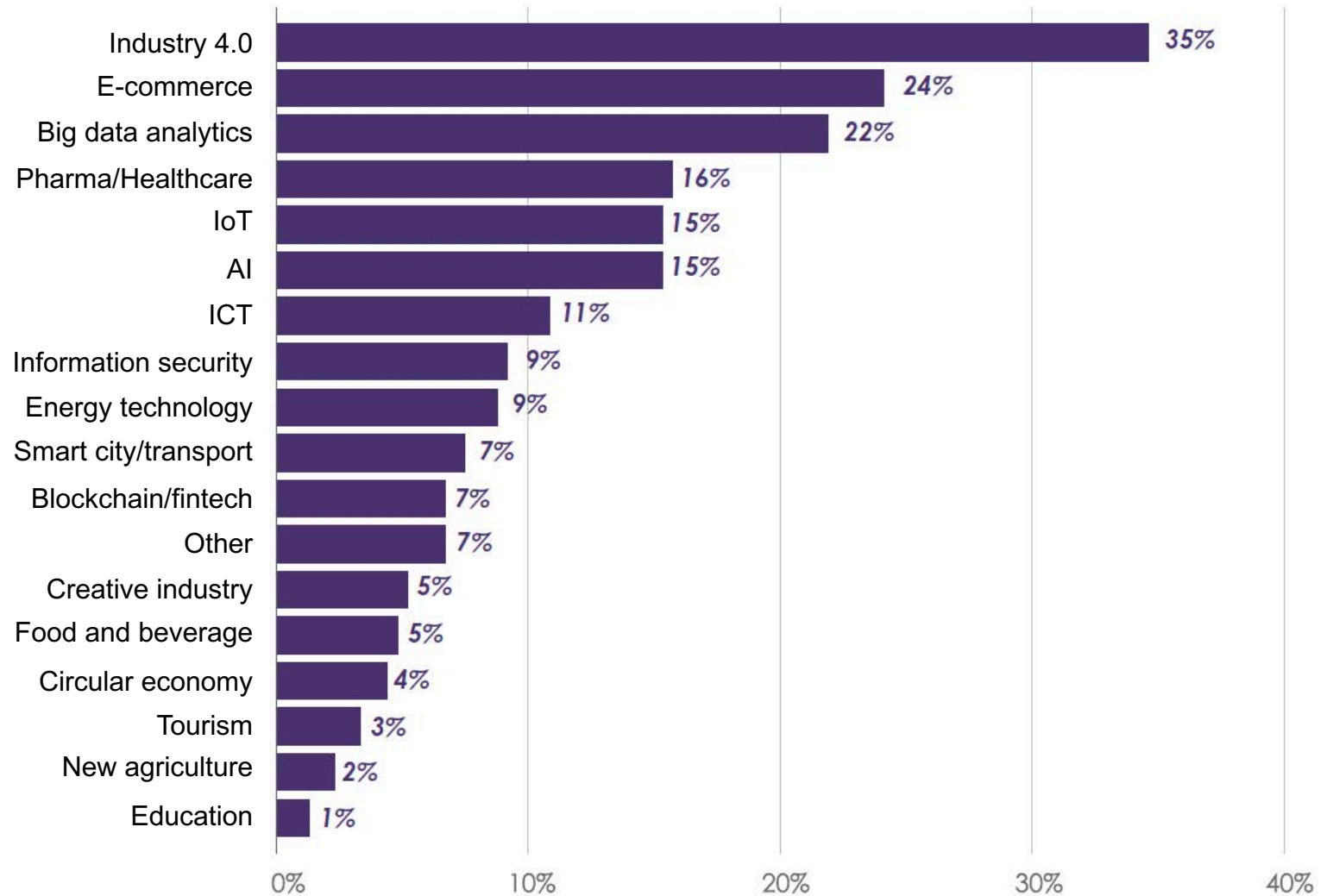


# Most popular: industry 4.0, e-commerce, data, healthcare

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Unsurprisingly, respondents most wanted to venture into hot sectors like industry 4.0, e-commerce, data analytics, healthcare, IoT and AI.

Notably, certain priority industries for the Taiwan Government such as circular economy and new agriculture ranked much lower, as did education.



**Figure 16: In which of the following sectors would your company like to develop new business? (Select up to 3)**

N = 710

Source: Commonwealth Leader Campus



# Almost no corporate invests for purely financial goals

When we asked corporates about their goals for investing in startups – both direct investment and through separate CVCs – the results were clear: virtually no company said their objectives were purely financial.

This matches well with our qualitative interviews, in which almost all corporate leaders said they invested for strategic reasons.

Figure 17: Is your company's direct investment in startups driven by financial or strategic goals?

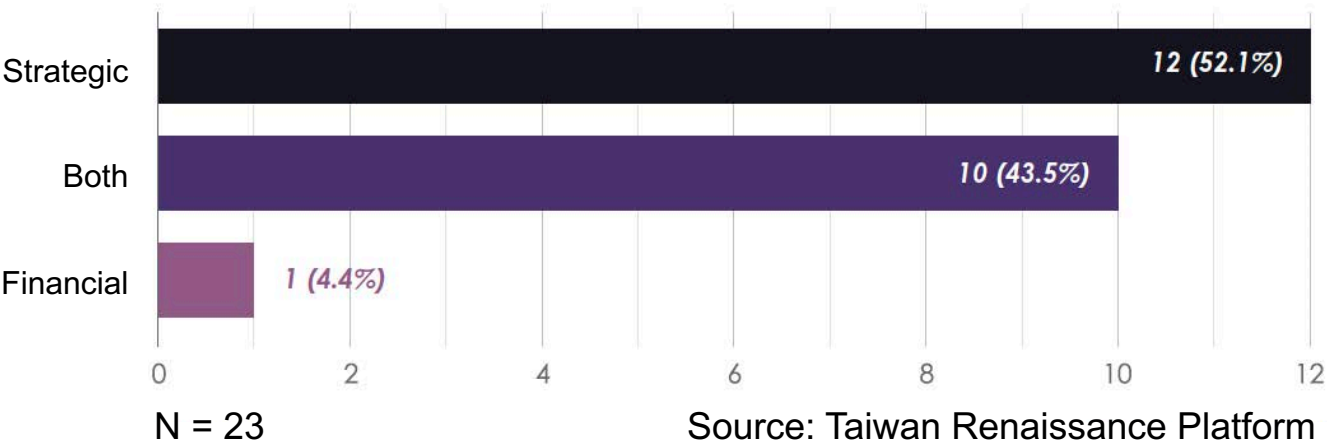
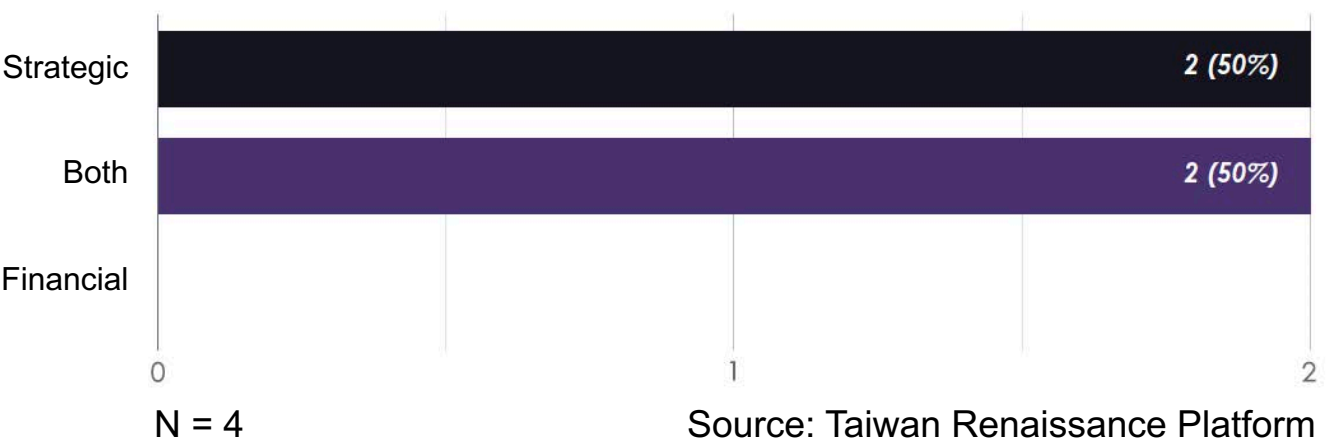


Figure 18: Is your company's CVC investment driven by financial or strategic goals?



# And yet, financial return was cited as the top challenge

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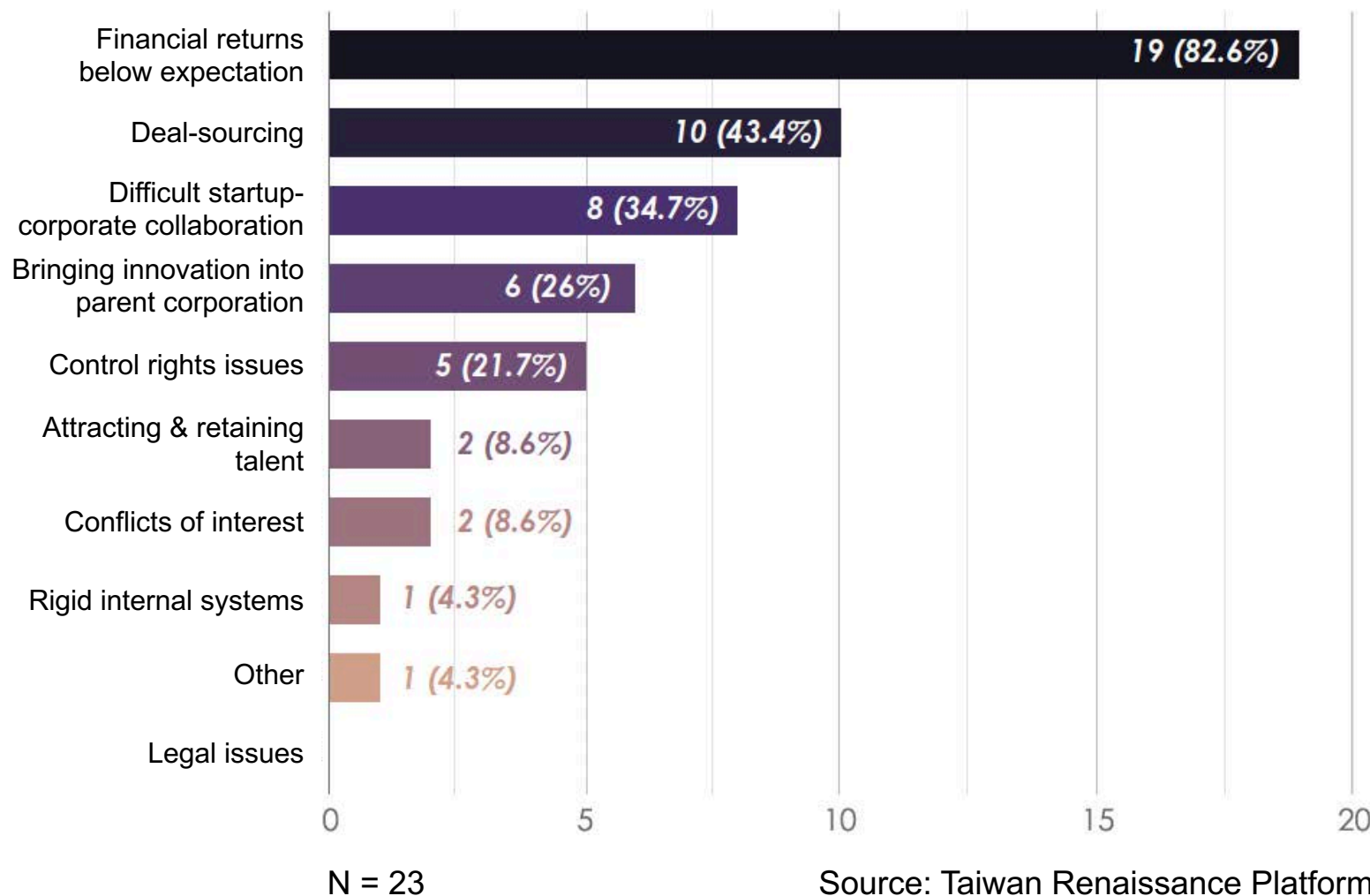
And yet, when we asked corporates about their biggest challenges in startup investment, unsatisfactory financial returns came in number one (82.6%), followed by deal sourcing (43.4%).

## Chief Editors' Note

Startup investment is a challenging endeavor even for the best and most experienced teams who do it full-time.

It is hardly a surprise, then, that many Taiwanese corporates – whose leaders invest as a side job – would struggle to get results that matched their expectations.

Figure 17: In your direct investments into startups, which have been your company's biggest challenges? (multiple selection)



Startups are in vogue in Taiwan. And judging by media coverage and the presence of corporate representatives at various demo days, one gets the impression that a large swathe of Taiwan's private sector is now doing corporate venturing.

The reality doesn't quite measure up.

Our survey on corporate venturing in Taiwan – the first of its kind in the country – found that 73% of corporates have had no interaction with startups whatsoever, and only 9% have made equity investments into startups.

What is more, corporate leaders at the chairman/CEO/president level often “moonlight” as the investment team while they run the corporate's day-to-day business, casting doubt on the effectiveness of their venturing.

Little surprise, then, that most of them said they struggle with financial returns and deal-sourcing.

## Looking to the next ten years

Another finding was that most of the companies that currently invest in startups only began in the past ten years.

So it is still early days for corporate venturing in Taiwan – as even the best VC funds typically need 7-10 years to see returns (and this is getting longer).

The next ten years will be critical, and much will depend on whether corporates in Taiwan can build effective corporate venturing practices – starting today.

## To learn more

**Learn more  
about Taiwan  
Renaissance  
Platform**



**Download the  
full White Paper  
(Mandarin)**



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