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Corporate Venture Capital Value Added Through Synergy Creation Between Parent Firm & Startups

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***Abstract* – Amid high uncertainty and disruption, for mature corporations, product service innovation and business development initiatives can be risky. Corporations are mitigating the risks and looking for a new corporate innovation engine by establishing corporate venture capital (CVC) to fuel firms long-term growth and sustainability. CVC is not only investing in potential startups but also conducting non-financial value add activity with its portfolios to bolster the capabilities of its parent firm. Business synergy among startup portfolios and CVC networks can also fundamentally support a startups growth, consequently leading to the growth of the startups and a preferred chance to exit at a suitable valuation for the CVC. This paper shows that CVC outside-in partnership activity can bring new businesses to the parent firm and benefit startups to get more appreciation for raising later-stage funds.**

***Keywords* – Strategic Alliance, Entrepreneurial Financing, Startup, Value Creation, Venture Capital.**

I. Introduction

The rapid internet penetration has made Indonesia become the archipelago of the tech startup ecosystem. As the ecosystem started to grow and bloom in the 2010s, some startup success recently gained a global spotlight. According to Startup Genome's 2021 "Emerging Ecosystems", Jakarta is third worldwide in terms of a combined startup valuation of USD 34 billion. Indonesia also keeps generating unicorns, which totalled eight in 2021. According to **Mackernder et al. [1]**, the startup boom has attracted capital investment in tech companies, which account for USD 3.4 billion from 2020 to 2021. The eminence of local funds follows the surge of startups over the last five years. In 2021, Indonesia has 129 local Venture Capital (VC) funds and 11 Corporate Venture Capital (CVC) **[2]** shaping Indonesia as the second largest VC market in south east Asia.

Early-stage firms or startups need capital to leverage their business growth to fuel innovation and development. The typical way for startups to get capital **[3]** is from entrepreneurial equity investment by accelerators, angel investors, venture capital, and corporate venture capital. VC fund is the widely acknowledged source of capital that scout for selective investment into promising startups. In comparison, Corporate venture capital is the arms of corporations seeking long-term value creation from their funding activities.

Venture capital is a form of private equity investment in which institutions or investors invest in startups with a high potential for future growth in business and valuation. The private equity investment placement aims at either public or private firms. The invested fund by venture capitalists and corporate venture capitalists intends to spur innovation and fuel growth **[4].** Such initiatives in a highly uncertain and fast-growing industry like digital startups possess serious risks yet can promise a massive reward.

Corporate Venture Capital (CVC) is built by corporations to make equity investments in entrepreneurial ventures that can bring in long-term value, which can be in the form of better financial or innovation performance **[5]**. CVCs commonly focus on devoting their investing activities to early-stage and mid-stage startups. CVC regularly does not only provide capital to the entrepreneurs but also expertise in the industry and network to potential customers while aligning the innovation to support corporate strategic objectives.

Furthermore, many corporations utilize CVC as one innovation strategy with internal R&D initiatives. In contrast, other inorganic innovation activities, such as mergers and acquisitions, possess more risk and need more effort than CVC's establishment. The CVC portfolio usually interacts with the CVC team to produce innovation and generate better financial performance. CVC entrepreneurially helping startups in financing and non-financial value-added activity to help the startup grow its valuation through empowerment of CVC’s network and knowledge **[6].** A startup growth may be influenced by its internal capabilities **[7]** and choosing the right niche where the startup is competing **[8].** The leading indicator of a startup future growth is its past growth. The better, the higher the likelihood of future survival of the startup. Past success boost startup organisation to more confidence that will boost positive effort to achieve future success. Therefore, CVC can fulfil its targets to exit from its investee at a high valuation.

II. Literature Review

2.1. *Startup Valuation*

A startup is a fast growth firm that serves information and technology businesses **[9]** which its organization is innovating to be a scalable, repeatable and market-fit business model **[10]**. To become more scalable at a faster growth rate, some startups need capital to do expansion or product development. Therefore they have to do fundraising activities primarily targeting VC or CVC as their investors in the early stage of venture building. The fund that a startup raises depends on the valuation of the startup. The higher the startup valuation, the more significant the fund they get and the less its founder's share in the company dilutes.

There are many ways to find a fair value for firms, but most traditional valuation methods do not fit startup valuation. Most startups are looking for capital at the early stage of their firm, meaning that data related to historical revenue or cash flow might not be sufficient for investors to conduct cost, income, or market valuation methods. Most of the startups’ components are their technology which becomes their asset. Those technologies or IPs are mostly intangible, and hard to get a proper appraisal in an objective manner **[11].**

However, the most common valuation method for VC is the Venture capital Method (VCM) which assesses a firm value based on the net present value of future cash flows. The VCM evaluates the startup by weighing future cash flows using comparable and then discounting on the investment date with a high discount rate. The future cash flows are determined in the most likely scenario, with a definite period and interest rate that indicate the risk of investment **[12]**. In addition, The first Chicago method (FCM) is the evolution of VCM that incorporates factors like the expected result of the investment and the market-oriented approach. The difference with VCM also FCM uses a lower discount rate, and the terminal value is replaced by the investment's net present value in different scenarios. FCM considers three possible scenarios, i.e., the most likely, the pessimistic, and the optimistic. The startup valuation in each scenario is based on two components: the net present value of the startup when it will be divested and the present value of cash flow until it is sold **[13].**

2.2. *Motivation of Corporate Venture Capital*

A digital startup raising a fund might receive offers from several VCs or CVCs in a round with different moti-

-vations for investing in promising startups. In the area of CVC, there is a CVC that invests because of financial reasons, and there is also a strategically motivated CVC, by virtue of its strategic investment motivation, which will likely provide the investee companies with access to their networks. Access to CVC's network can be a leverage for the startup; for example, supporting the startup to get use cases from CVC's parent company customer network so that its technologies and business model develop into a more market-fit solution **[14]**. Thus, it can also help startups attract foreign investment, leading to a higher valuation for the startup business. While some studies show that a strategically motivated CVC regularly invests in a startup at a lower valuation than a financially motivated CVC, the startup founders see the value-add from working with a strategic CVC have more benefits than a lower pre-money valuation.

CVC in established corporations focuses on external entrepreneurial ventures, especially the strategic CVC investment to access next-gen technologies and opportunities **[15]** that will boost firms' innovation performance **[16].** It will also bolster mature corporations' ability to adapt to technological changes so that the corporation can sustain itself in the rapidly-changing industry. When the change is fast, and the uncertainty is high, corporations might opt to make a small bet in the form of a small investment by its CVC to digital startups while learning until the uncertainty has decreased; they are ready for more considerable investment **[17].** The entrepreneurial CVC investment will become the parent firm's complementary technologies or value-added services. As the learning curve moves and the uncertainty lessens, a CVC might decide to increase its share by making a follow-on investment in the startup **[18].** The follow-on investments can bring more opportunities to foster a strategic alliance between the investee and the CVCs network **[19],** especially to the parent firm and its group, enabling intensive collaboration with the digital startups **[20].** The passive equity investment will shift into an active investment requiring more involvement from startups and CVC to create more value to parent firm and mitigate the uncertainty.

2.3. *The Outside-in Partnership*

The gap between the established firms and startup generate real challenges to get both sides create value together. While corporations has enormous resources, networks, established business process, not to mention power, in order to survive in the age of disruptions, many corporations are trying to make alliance with startups to leverage their corporate innovation engine. Startups which naturally has promising innovations, agility, high spirit for rapid growth, as well as the willingness to take risk need agents to help them managing cultural differences when it comes to collaborate with big corporations. In pursuance of agility and innovation, many big corporations, especially in the ICT vertical has produced many ways of collaborating with startups.

According to **Weiblen & Chesbrough [21]**, corporations must be capable of scouting numbers of digital startups by tapping into the startup ecosystem and quickly identifying possible community relationships. Corporations, through their CVC, also have to be clear on their value proposition towards startups in how they can produce value creation. Subsequently, CVC should pick up the suitable engagement model they will employ to innovate with startups. Established corporations frequently offer a quick-win pathway for startups by giving them a supplier relationship **[22].** A supplier relationship allows the startup to get more footprints and legitimacy, which perhaps can attract more customers while maintaining its independence.

Outside-In Startup programs enable the sponsoring corporations to help startups elaborate on their ideas to improve the corporate innovation engine **[22].** The corporation will have a first-mover advantage as it will have a head start over its competitors. Plus, corporations might potentially profit from more diversified business or technological offerings. This can happen if an internal matchmaking mechanism bridges CVC networks with the startups. It is crucial to transfer the relationship between CVC and its networks to the startups so that a strategic alliance will happen. In this phase, the sponsor (CVC) must be the relationship catalyst between startup stakeholders who always have been enthusiastic about its innovation with the parent firm business units who are usually pragmatic and more interested in economic benefits. CVC wants to succeed in their exit; thus, for the incumbents to succeed in their business, venturing with startups must establish complementary offerings from the collaboration. Generate customer endorsement for startups to get a higher level of legitimacy that will attract future acquirers for the startups **[23].**

III. Indonesia's Biggest Telco CVC Outside-in Partnership

It has been a big agenda for every Telco player to enclose the gaps between their current digital maturity and their aspirational maturity level to leverage their business offering to obtain new revenue streams and exploit new opportunities **[24].** Despite spending capital expenditure to keep them relevant to the market need and demand of technology, their main business is commoditized and performing slower than before **[25].** However, telcos are still prominent as they provide connectivity to the value creator who has been capturing the most value created in the industry by delivering over-the-top services on top of telecom infrastructure. In supporting their digital growth, telcos are seriously spending their effort building portfolios of the digital service business through the digital ecosystem.

Telkom Indonesia, in 2022 aims to be the most preferred digital telco to empower society and, similarly to other big telcos, has a mission to nurture a digital service ecosystem through smart investment to maximize synergy and value creation. In fostering new business opportunities for Telkom Indonesia, MDI ventures parent-firm, the CVC is rolling in ambidexterity. The main task is to enhance the capacity for exploration to provide new technological opportunities and business development **[26].** In addition, the CVC also have to do work in exploring and nurturing their startup investments to collaborate with the parent firm, extracting value creation from entrepreneurial exploration, which align with the corporate strategy **[27].**

MDI Ventures is the corporate venture capital of the largest telco company in Indonesia, Telkom Indonesia, which was established in 2016. MDI Ventures is trusted in managing multiple funds and have invested in 77 startups across 12 countries. Having $830 million of total committed assets under management, MDI Ventures is strategically investing in digital players to leverage its parent firm's digital capabilities to thrive in the age of disruption. MDI Ventures is making active equity investments where the CVC is actively involved in value creation with its startup portfolios **[20].**

Since 2016, MDI ventures have been conducting outside-in partnership activities that aim for internal matchmaking synergy between startup portfolios with Telkom Indonesia group.

Based on MDI internal data, there are 38 of startups which have collaboration within MDI parent company including its subsidiaries and generate business synergy value with a total amount of 424.5 million USD. Despite the leading spirit of supplier relationship **[22]** between the startups and Telkom Indonesia group, which expectedly generate more purchases from the corporations towards the startup's services, the highest synergy value comes from startup **(PF)** who utilize the economies of scale of parent firm that account for 62% **(263 mill-**

-ion USD) of total synergy value.

The outside-in partnership has also generated go-to-market collaboration between the startup and Telkom Indonesia's network, which shows that the strategic alliance started to fruit some results, preferably in MDI Ventures' cases are in the form of the establishment of co-offering to the market **[14].** The extra benefit of the on-going outside-in partnership for MDI Ventures as CVC are many of the startup portfolios got highlighted during the projects and rewards in higher appreciation in valuation form the acquirers ranging from 2 to 4 stages of follow-on investment with 12 startups portfolio increased their funding series stage **[23].**

IV. MDI Portfolio Synergy Performance Relation to its Value

Since its establishment in 2016, MDI has invested in 77 digital startups across 12 countries. MDI has six tech sectors focused on investment: agritech, fintech, healthcare, logistic, education, and enterprise. As the corporate venture capital, MDI monitor its portfolios mainly on its synergy performance and revenue growth which translated into a 2x2 portfolio performance quadrant (see Fig. 1). In general bullish is a portfolio with high growth identified by year over year revenue growth that accounts more than 50%, poles apart the bearish is portfolio with growth under 50% YoY. Moreover, high Synergy means that the portfolio and parent company can potentially yield more than 1 million USD of business value contrary with the low synergy which produces below 1 million USD of business partnership value. In this study, the authors use MDI ventures internal data that collected the performance of synergy between the startup and its parent firm every month since the first startup investment later grouped annually. The synergy value generated by the startup should be based on the contract value with other firms and the number of transactions generated.

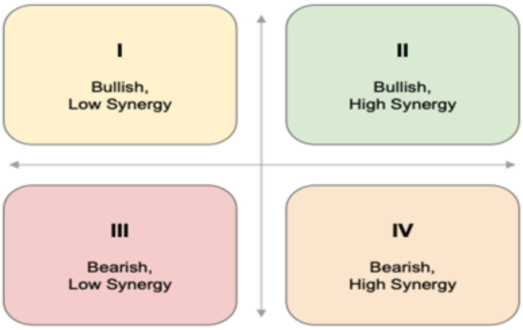

Fig. 1. MDI portfolio performance quadrant.

Quadrant I. Bullish, Low synergy -

Companies have high growth yet low relevance to parent firm strategic capability. This quadrant success relies on capital gain and thus will consider trade sales if there is an opportunity.

Quadrant II. Bullish, High Synergy -

In this group, startups have the potential to quickly increase their firm value and possess the opportunity for the parent firm to acquire if it fits with strategic needs.

Quadrant III. Bearish, Low Synergy -

The quadrant which needs more attention as the startups within this quadrant might need synergy support to help their business performance and need to be assessed to search for a secondary exit.

Quadrant IV. Bearish, High Synergy -

Firms with low growth might not be financially motivating. However, a high-impact synergy that spots on the parent firm strategic capabilities might be considered a better trade-off. Startups with strong synergy but low valuation might attract parent firms to acquire to bolster their adjacent innovation through inorganic action.

In this article, we spotlight quadrants that identify portfolios as high synergy relevance to parent firm strategic capability to find out the correlation between synergy strategic-fit of a portfolio with its growth in valuation. Startups-parent firm network collaboration can yield profitable projects for the startups, in parallel also help startups to have more footprints and validate their next innovation within the network. Therefore, having a profitable project, more use cases, and various experiences will develop startup business fundamentals that will affect its fair value calculation, not to mention attracting future acquirers that perhaps will increase the demand for startup company shares, thus give an uplift to its valuation.

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There are 38 startups which have established a partnership with the parent firm company (Telkom Indonesia) network. Nine startups have successfully deployed more than 1 million USD of synergy value with the parent firm network. Among those high synergy startups, there are 2 in quadrant IV because of their YoY business growth performance below 50% even though they generate high-value creation in the outside in partnership, another also one (startup with ZL code) bringing in high synergy in a concise time since MDI invested. However, due to the brief period of the investment, we cannot justify its growth and money multiple. Although we will need further research to determine a suitable classification of high-performing startups in terms of business growth, in the MDI ventures case, the high performers are those who yield above 50% growth annually. This is justified because the area of investment, especially in the startup landscape, possesses high risk; those VC or CVC investors expect high returns and thus demand a high growth rate from the startups **[28].**

Table 1. Startups that generate high synergy value (>1 Million USD).

No	Startup	Synergy Value				Total Synergy Value	Money Multiple
		2019	2020	2021	2022		
1	PF	$ 11.267.705	$ 92.056.202	$ 94.868.983	$ 51.627.640	$ 249.820.531	5,47
2	CP	$ 38.229.307	$ 17.188.152	$ 33.526.586	$ 9.216.334	$ 98.160.379	5,99
3	WC	$ 5.130.985	$ 7.230.389	$ 5.350.088	$ 2.141.387	$ 19.852.849	3,72
4	CD	$ 1.408.937	$ 3.609.110	$ 7.877.356	$ 4.478.898	$ 17.374.301	1,12
5	OP		$ 208.276	$ 11.517.480	$ 160.802	$ 11.886.558	1,25
6	KD		$ 1.322.069	$ 2.718.707	$ 3.824.174	$ 7.864.951	3,33
7	ZL				$ 6.242.077	$ 6.242.077	1,00
8	OF		$ 196.979	$ 3.293.240	$ 739.189	$ 4.229.409	1,89

No	Startup	Synergy Value				Total Synergy Value	Money Multiple
		2019	2020	2021	2022		
9	PI	$ 3.229.245	$ 454.520	$ 341.083	$ 182.131	$ 4.206.979	2,59

From 9 startups that yield high synergy value, the authors also tried to identify the investment performance of each startup by its money multiple and internal rate of return on **table 2**. 7 startups yield high money multiple and IRR, not to mention all seven startups belong to QII. While the other two (**CD** and **OP)** generate high synergy value, the business and investment performance do not reflect the ability to produce synergy, both startups belong to QIV. The author will discuss this phenomenon in the next part of this paper.

Table 2. High Synergy Startup Money Multiplier & IRR.

No	Startup	Investment Period Years	Money Multiple	IRR	MDI Quadrant
1	PF	3	5,47	76,20%	QII
2	CP	4	5,99	56,44%	QII
3	WC	4	3,72	38,88%	QII
4	CD	2	1,12	5,83%	QIV
5	OP	3	1,25	7,72%	QIV
6	KD	4	3,33	35,09%	QII
7	ZL*	1	1	0,00%	QII
8	OF	3	1,89	23,64%	QII
9	PI	5	2,59	20,97%	QII

V. Discussion and Business Recommendation

High synergy positively influences the investment performance of CVC. In the case of MDI ventures investees, high synergy with the parent firm network yield high money multiple and internal rates of return. The synergy between startup and parent firm network in any form gives experience for a startup in delivering the larger scale of business project that will boost the confidence of investors who aim to invest in the startup at a later stage **[23].** The top 3 of a startup with the highest synergy value have successfully generated high investment performance for MDI and attracted new investors (**PF, CP, and WC** already divested by MDI Ventures).

From table 1. the author will further consider the bottom 4 **(KD, ZL, OF, and PI)** high synergy startups as medium synergy startups due to the comparison of value generated have a colossal gap compared to the top 3 startups. Nevertheless, the medium synergy startup generates proper multiple and return of investment to MDI and successfully attracts new customers for their business. For example, **PI** started to set its footprints within the MDI parent firm network and subsequently gained awareness from other state-owned enterprises in acquiring their services. Additionally, **KD,** after the investment from MDI, got many product collaboration projects within the parent firm group as well as the state-owned enterprise big banks. The medium synergy startup, although do not yield synergy value as significant as the top 3, utilizing experience that they got from project with MDI venture network, they also actively serve the market outside the Telkom Network, which becomes an additional point in investor point of view.

For the startups, collaboration with Telkom Indonesia ecosystem can help them bring new customers, access to telco-related resources, and new use cases for future innovation. The startup can use Telkom Indonesia reputation to gain traction. For example, startup **OF** successfully gained some business partnerships with other state-owned enterprises through go-to-market collaboration with the MDI parent firm. Moreover, startups can also utilize the core resource of the parent firm, in this case, **PF,** which yield high synergy and produce hundreds of million dollars in revenue by selling pre-paid services from Telkom Indonesia. In Telkom case, the relationship between startups and corporations also addresses the need for strategic technology alliances. The CVC investment they have to provide to the parent firm with the ability of innovation development; in so doing the parent firm can accelerate faster and manage uncertainty on its innovation funnel **[17].** This is also shown by an alliance by startup **CP** that helps MDI parent firm to penetrate and exploit the game industry by offering game vouchers.

Nonetheless, two startups produce high synergy value but do not have bullish performance (**CD** and **OP).** This affects their fair value, thus not generating the expected return on investment for MDI Ventures. The authors recommend that MDI and its parent firm acquire those startups with high synergy value but low valuation to optimize the opportunity in bolstering inorganic innovation performance within the group cheaper.

Recommendation 1:

Beyond the Connector, CVC Synergy and Growth Team Need to be the Catalyst. Driving digital growth in the parent firm network, digital partnering between startups and well-established firms come from the collaboration that focuses on delivering more solutions and exploiting new business area or competition. Both sides require the ability to foster alliance, and it requires specific skillsets to make it a successful project. According to **[29],** critical stakeholders of the startup-corporation alliance should be able to determine the scope of work from each side and how they will create value. Further, the alliance's profit model and the data mechanism will be shared to fuel future innovation for both organisations.

A study by **Davila et al. [30]** found that financial resources from venture capital come as the second most crucial resource for startup growth, while the support from VC to the startup success becomes the most attractive attribute. Besides providing funds, CVC supports startups with post-investment benefits **[31]** and professionalises startup businesses **[32],** boosting growth prospects. Accelerate startups is a complex task and must be coordinated by a dedicated team with collaborative project management skills. This is because in allying with startups and corporations, the ecosystem needs to involve many key actors with different ways of working, product-service standards, and policies to make collaboration among these actors succeed.

CVC as the innovation intermediaries of startup-incumbent collaboration to increase its impact on the growth from the partnership through supporting services and know-how **[33].** The research found that large institutions and industries influence startup growth and innovation **[34].** For the incumbent, collaboration with a digital startup may enable transformative growth in creating and delivering value to its customer **[35]**. The author proposes a synergy model for CVC that will act as innovation intermediaries in **Figure 2.**

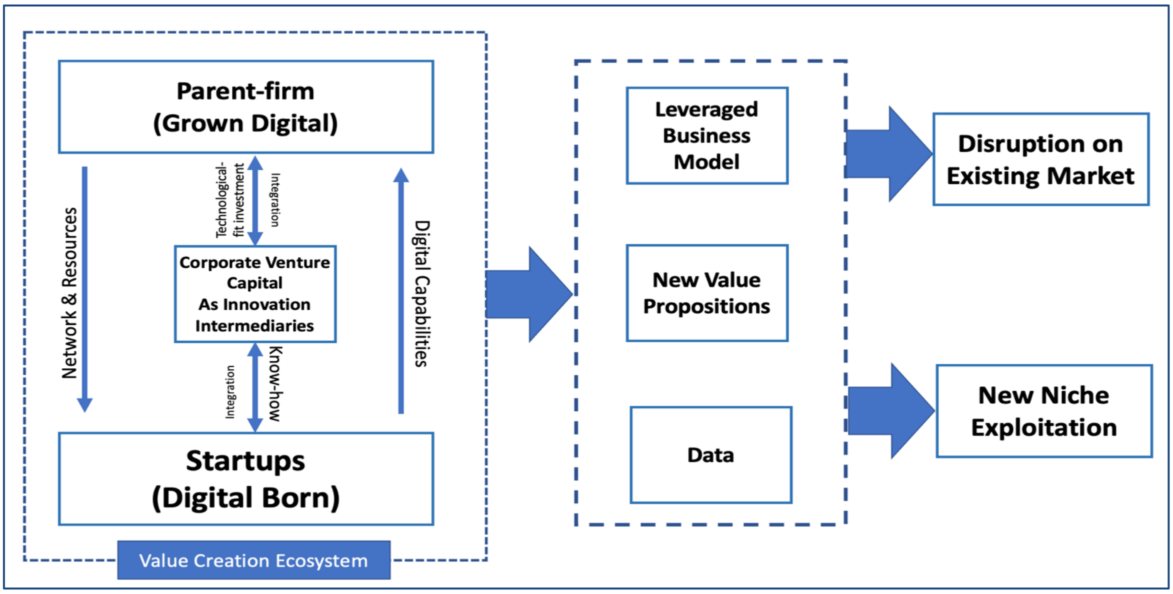

Fig. 2. CVC as Innovation Intermediaries Synergy Model.

In this model **(Figure 2)**, CVC becomes the orchestrator of value creation apart from its primary function of driving entrepreneurial activity through financing. The interaction between startups with CVC and other stakeholders are very important for the success of the startups **[36].** The idea is to support the early and growth stage startups with supporting services based on the CVC know-how in the industry and align both the digital startup and the grown digital firm in producing new strategic value proposition innovation through utilising existing resources from the grown digital. Moreover, large corporations leverage their business model by incorporating digital capabilities from the startup into the “plug-play ecosystem” that has been prepared before in supporting this startup-corporation collaboration. The authors also suggest that in doing value creation, a CVC shall consider tracking how the value creation ecosystem leverages the parent firm's business model. Synergy in the ecosystem has to keep track of the agility in delivering new value propositions and generating valuable data generated from the digital innovation, which could be beneficial for the ecosystem to fabricate future innovation.

Hence in relation to the aforementioned MDI portfolio performance quadrant **(Figure 1)**, the authors recommend that CVC as innovation intermediaries, could act and prioritize its value creation activities accordingly to the startup performance in every quadrant.

Quadrant I. Bullish, Low synergy -

Despite the startups performing high money multiple towards the investment. Nevertheless, as the innovation intermediary, the CVC supposedly help the parent firm in finding the invisible problem. In this case, the bullish startups performing well in the market yet creating low collaboration value might have the solution for a new revenue stream for the parent firm. We recommend that CVC can focus on harvesting the investment that they made and focusing on reaping the return on investment.

Quadrant II. Bullish, High Synergy -

CVC investments in early-stage startups might have improved firm performance, especially in technological alliances **[15]**. CVC, as the innovation intermediaries, have to ensure the know-how and technology transfer to the parent firm network before harvesting the financial gain from this quadrant. The CVC can also suggest to the parent firm to acquire startups to enhance their firm value **[37].**

Quadrant III. Bearish, Low Synergy -

CVC investment is usually high in uncertainty. As an innovation catalyst in its parent firm network, the CVC should help the firm obtain relevant data from the investees to fuel future innovation. Corporations are better off making small initial investments while learning from the startups and only opt for larger financial injections to the startups when the uncertainty decreases [17].

Quadrant IV. Bearish, High Synergy- although it sounds less profitable for the CVC, as the innovation intermediaries, this is a huge opportunity to bolster inorganic innovation for the parent firm through acquisition. This is where CVC shows its best function, investing in ventures relevant to the parent firm business [38] and successfully exploiting and exploring new business opportunities. The CVC can hold up its investment and focus on fostering collaboration between the startups and parent firms while waiting until the IPO to lift the startups valuation. As per Ginsberg et al. [39] the, CVC-backed startups have higher valuations than startups funded by traditional VCs.

Recommendation 2:

Further Study to Adjust Criteria in MDI Portfolio Performance Quadrant

Every CVC might have strategic objectives that align with its parent firm's corporate strategic scenarios. There might be different parameters for attesting to the startup’s proper growth or capabilities development among corporate venture capitalists. Thus, a venture capitalists may have different risk appetites and standards of success in their portfolio. However, in the startup landscape, it is common for startups to set their milestones and ambition to become a *centaur* startup with more than 100 million dollars and aiming to get the *unicorn* status where the company is valued at over 1 billion dollars.

In stepping to a higher level, a startup needs to accelerate its scale-up process and, along the way, track several essential parameters relevant to its growth. Several common startup growth indicators are turnover, revenue growth and users or increased headcounts. Specifically, for early to growth stage startups whose growth depends on the number of customer purchases, the priority is always more on the growth of transactions, gross merchandise value and number of new customer acquisitions that will lead to higher valuation of the startups. On the other hand, business operation metrics and financial performance are prominent yet come after growth metrics due to the demand for faster growth after capital injection from a venture capitalist.

According to **Thomas et al. [40]** a high performance might exhibit 1 to 10 million USD turnover per annum, 1 million users in the context of a B2C startup and 20% growth in revenues or headcount in the three years. This could be another case in every industry where a startup exploits its niche. However, startups that act as ecosystem drivers in financial services (*fintech)* will grow 27% above the average, not to mention having a 20% higher profit margin than others.

The authors recommend that in evaluating and classifying the growth standard of the MDI portfolio, the company should consider the uniqueness of every vertical, increasing portfolio monitoring accuracy in growth and synergy aspects. We believe that the more accurate its portfolio performance quadrant will help the senior level of the CVC to monitor and recommend which startup will be acquired by the parent firm. In so doing, it will help CVC prioritize synergy and integration activities with the parent firm network.

VI. Conclusions and Limitations

A new product or business development involves an uncertain journey and the risk of innovation investment. The earlier the innovation stages of innovation, the higher the uncertainty. The establishment of CVC is to support its parent firm to have faster innovation while minimizing the risk of failure through entrepreneurial equity financing. CVC build new capabilities for the parent firm through outside-in partnership while, on the other side, expecting a higher valuation exit from its portfolio.

The strategic alliance with CVC's established networks might bring a positive outcome to the startup's valuation through a supplier partnership form where corporations from the CVCs parent firm ecosystem become buyers of the startups' services. Thus positively driving its fundamentals and bringing optimism when the potential acquirer conducts due diligence on the CVC's portfolio valuation. In this paper, the high performer with high partnership potential delivers high IRR and experience increase on its money multiple since MDI makes investment towards the portfolio.

The highest synergy value from the case of outside-in partnership in the MDI Ventures network is in the area where corporations, mature telco companies, and startups create co-offering and exploit the market, which accounts for more than 62% from 424.5 million USD of synergy value. This number portrays that incumbents might perceive startup product or service offerings as a source of incremental innovation, where the product has the potential to become complementary to their offerings. The startup can utilise well-established corporation networks to validate its innovations to the incumbent's key customers. By so doing, many use cases and experiences will be generated for startups. Likewise, the incumbents can move faster on their learning curve to adapt to the new economy.

Finally, in this paper, we have focused only on the CVC outside-in partnership in the MDI Ventures CVC ecosystem that focuses on developing the strategic capabilities of its parent firm in the area of digital telco. Therefore, it will be exciting to conduct more analysis on the perception of digital startup entrepreneurs towards the non-financial value-add activity from CVC. Not to mention the perceived value from potential acquirers towards startups which actively engage in outside-in partnership with their CVC funder.

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