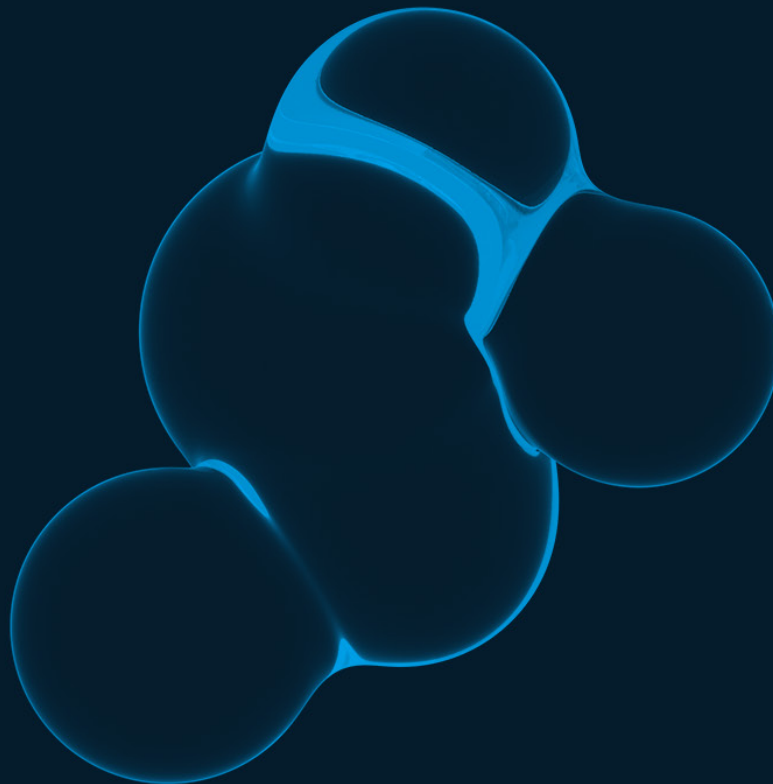


How CEOs are turning corporate venture building into outside growth

Companies are creating meaningful growth by developing new ventures. Those with the most mature capabilities are growing quickly and can show the way for companies that are just beginning.

This article is a collaborative effort by Belkis Vasquez-McCall, Daniel Aminetzah, Markus Berger-de León, and Paul Jenkins, with Shaun Collins, representing views from Leap by McKinsey and McKinsey Digital.



Amid geopolitical tensions, easing inflation in developed economies, and expected interest rate cuts in some of the world's largest economies,¹ half of CEOs surveyed in the fifth annual [McKinsey Global Survey](#) on new-venture building view the development of new business ventures as one of their top three strategic priorities.

In tracking the sentiment and priority of new-venture building in the past half-decade in the only longitudinal survey of its kind, this research has found surprising resilience in the prioritization of new-venture building, in spite of the unprecedented disruption of the COVID-19 pandemic and rapidly tightening capital conditions. Going forward, we anticipate that more and more companies will pursue growth and diversification through venture building, be it new verticals or businesses enabled by generative AI (gen AI), in particular once monetary conditions ease.

The latest survey of more than 1,100 business leaders finds that companies that prioritize venture building are doing so for growth (see sidebar, "About the research"). While creating new ventures has always been an effective way to accelerate revenue growth, today's technology innovations have heightened the opportunity—and the pressure—to do so. The types of new ventures receiving the most interest vary by industry, and 60 percent of respondents are eager to pursue gen-AI-enabled ventures in the next five years. This article reports such findings and explores the types of new gen-AI-powered ventures that business leaders are expecting to build.

The primary constraint on companies that haven't been able to prioritize venture building is capital availability, though many companies have found solutions to this challenge. Those that have are reaping the benefits: the survey findings suggest that companies investing 20 percent

¹ Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, "Global Economics Intelligence executive summary, July 2024," McKinsey, August 23, 2024.

About the research

For the past five years, results from McKinsey Global Surveys on corporate venture building—also known as "new-business building," which was the term used in the survey—have created the only data set of its kind. The research tracks venture-building activity and priority globally. It also investigates the factors that contribute to success with new ventures.

"New-venture building" refers to the creation of new revenues through new products, services, or businesses for which new capabilities are required and includes both entire build-from-scratch

efforts and venture building supported by acquisition. Venture building can come in different forms, including a new delivery model for an existing business, such as a financial-services company moving into a direct-to-consumer channel via an e-commerce platform; new product lines for existing customers, such as a smartphone producer offering audio accessories; new products for new customers, such as a textile producer starting a clothing brand; and acquiring and scaling a business with a novel proposition, such as an automotive company purchasing technology or assets to build an electric-vehicle brand.

This year's survey was in the field from May 21 to July 2, 2024, and garnered responses from 1,176 senior managers and C-suite executives representing the full range of regions, industries, company sizes, and functional specialties. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP. All data have been calculated after removing the share of respondents selecting "don't know."

of their growth capital into building entirely new ventures achieve revenue growth that's two percentage points higher than that of companies that do not invest in new-venture building.

Business leaders are seeing the emergence of an expert class of venture builders, with mature support structures and capabilities that assist them with serial venture building. They have different approaches than other companies to funding, setup, leadership, talent, and capability building. And they see organic growth that's 2.8 percentage points higher, as well as twice the success rate (the rate of meeting or exceeding expectations for scale and growth), compared with companies that respondents deem novices (the companies that respondents say have limited capabilities or structures to support venture building). The evolution of these experts may in part explain the finding that the largest new ventures built by incumbent companies in the past decade have achieved 1.5 times the revenue of the largest start-ups.

Corporate venture building continues to show resilience in the face of capital constraints

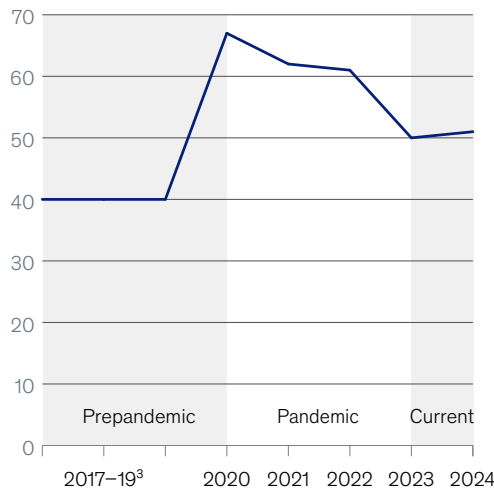
Just over half of surveyed CEOs consider venture building one of their top three strategic priorities, in line with the 2023 findings. While years of rising interest rates² have led to a smaller share of CEOs prioritizing venture building than seen during the early years of the COVID-19 pandemic, its prioritization is still more common than it was before the pandemic (Exhibit 1).

² The secured overnight financing rate (SOFR) was used following the transition from the globally accepted London Interbank offered rate (LIBOR) at the end of 2021. SOFR is compliant with international best practices.

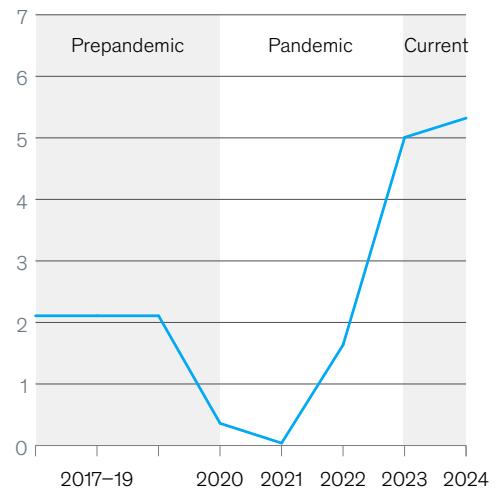
Exhibit 1

CEOs' prioritization of new-venture building remains in line with the period before the COVID-19 pandemic, despite the rising cost of capital.

Share of CEOs who say new-venture building is a top 3 strategic priority, %¹



Secured Overnight Financing Rate (SOFR), %²



¹ Figures were calculated after removing respondents who said "don't know."

² SOFR was taken as an average for each period, with 2017-2019 starting in April 2018 (when SOFR was first published).

³ Data are from 2020 survey, which asked, "From 2017 to 2019, how important was building new businesses compared with other strategic priorities at your organization?"

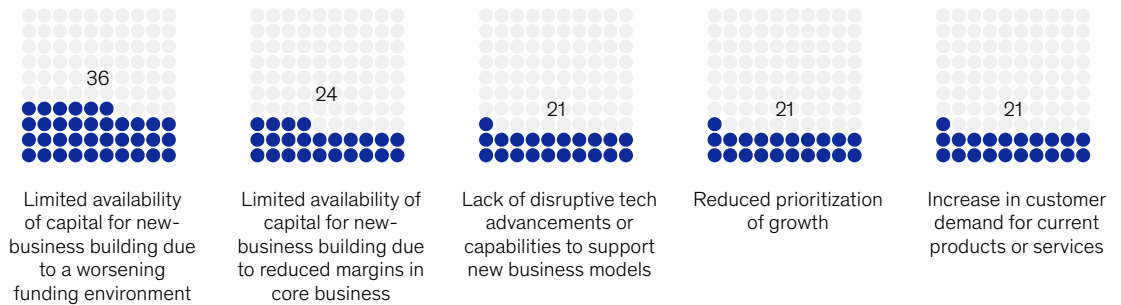
Source: FRED, Federal Reserve Bank of St. Louis, accessed Sept 2024; McKinsey Global Surveys on new-venture building, 2020, 2021, 2022, 2023, and 2024

Respondents who say their companies have experienced a decline in prioritizing venture building most often point to capital constraints as the primary reason, while those prioritizing venture building are largely driven by a desire for growth (Exhibit 2). Given predictions that interest rates will taper—and given the resilience of interest in venture building—it’s easy to imagine a potential uptick in the creation of new ventures in the near term.

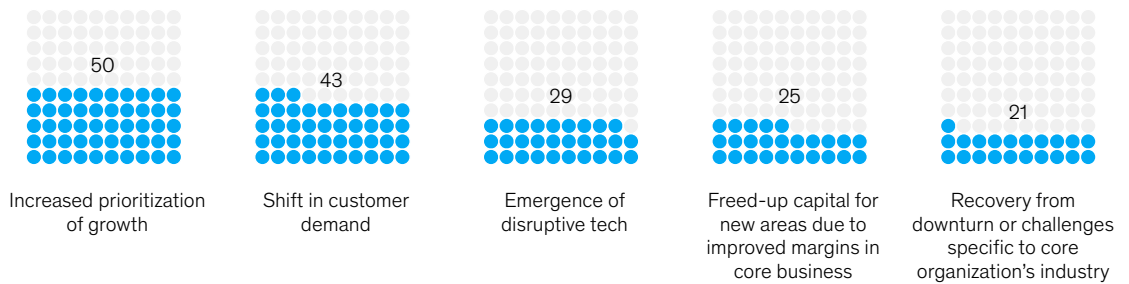
Exhibit 2

Limited capital is the predominant reason why some companies are decreasing venture building; others are prioritizing it to pursue growth.

Factors that motivated respondents’ organizations to decrease prioritization of new-venture building in past 12 months, % of respondents reporting a decrease in prioritization (n = 128)¹



Factors that motivated respondents’ organizations to increase prioritization of new-venture building in past 12 months, % of respondents reporting an increase in prioritization (n = 616)¹



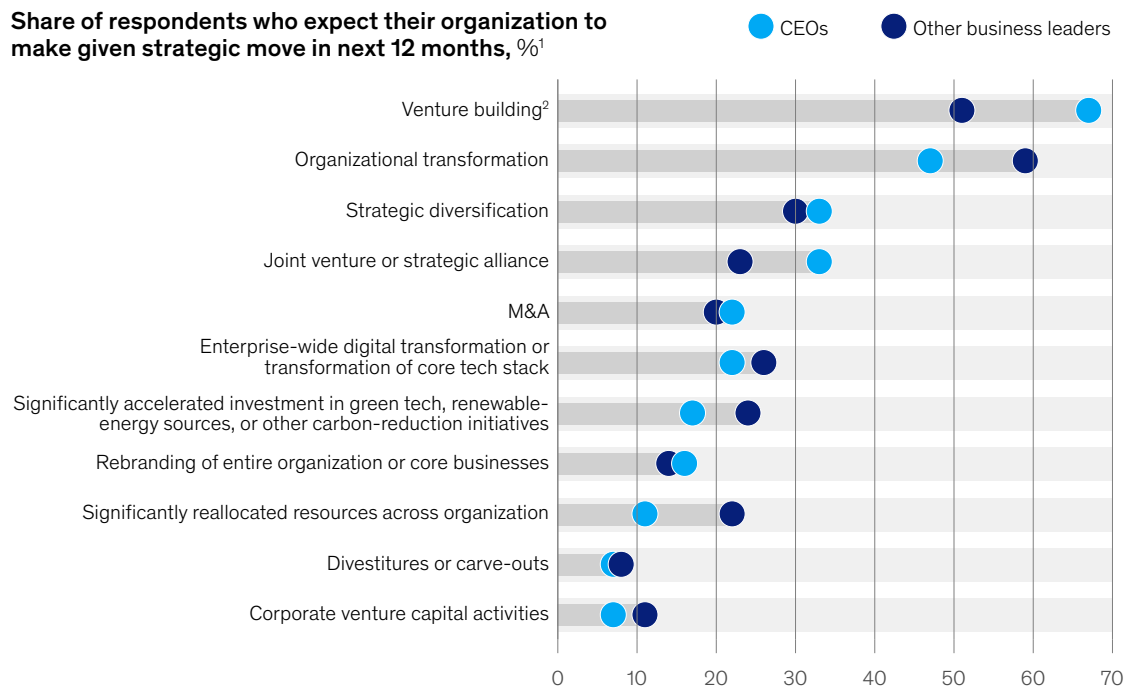
¹Figures were calculated after removing respondents who said “don’t know.” Respondents who said “other” or “none of the above” are not shown. Respondents were asked to select all answers that applied.
Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

Looking ahead, most surveyed CEOs expect to develop new ventures in the coming year: about two-thirds expect to build new ventures—more than the share expecting strategic moves such as joint ventures, M&A, and organizational transformations (Exhibit 3). CEOs are 1.3 times more likely than other business leaders to expect their organizations to build new ventures in the year ahead. While more than half of other business leaders see venture building as likely, they more often expect to see organizational transformations.

That difference suggests that CEOs may need to do more work to align other leaders around their priorities. Other business leaders, CFOs included, tend to be more focused on organizational restructuring, possibly reflecting today’s economic pressures. Creating space on leaders’ agendas for venture building and communicating that it’s a growth priority will be important for CEOs.

Exhibit 3

New-venture building is the strategic move expected most often by CEOs, though there’s variance among CEOs and other business leaders.



¹ Respondents who answered “none of the above” are not shown. For CEOs, n = 177. For other business leaders, n = 991.
² Survey asked about “business building (ie, creation of new revenues through new products, services, or businesses that require new capabilities).”
 Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

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McKinsey commentary

Belkis Vasquez-McCall

Partner

Even with restrictions in capital availability and higher interest rates, there is a greater awareness of, and commitment to, venture building. This isn't seen just with classical tech companies; this focus is spreading to many other companies as well. We know that one of the top three priorities for companies is rewiring how they work, and corporate venture building is an integral part of that strategy.

One thing that we're noticing is that with the difficulties in accessing capital, some companies are turning to external capital. Not every CEO will want to get into that model, but external funding sources—either venture capital or private equity organizations—can provide not just capital but access to talent and venture-building experience. For this model to work, it's crucial to have a clear set of expectations with external partners, with a line of sight into funding (over a three-year period, for example), and how the new venture might be bought or spun off.

A little investment can lead to big businesses

At companies that are increasingly prioritizing new-venture building, respondents most often say the efforts are driven by a desire for growth—and for good reason. Our latest findings suggest that companies that invest 20 percent or more of their growth capital into building entirely new ventures have revenue growth that's two percentage points higher than that of those that don't invest anything.³ This becomes even more pronounced with larger organizations: venture-building companies of \$1 billion or more in annual revenues that invest at that level garner revenue growth that's 2.5 percentage points higher than that of those investing nothing. This uplift could constitute nearly 50 percent in additional growth for organizations with \$1 billion or more in annual revenues, whose mean growth rates globally are 5.2 percent—and an even greater incremental uplift if looking at the median growth rate, which is 3.7 percent.⁴

The survey findings suggest that investing 20 percent of growth capital might be the sweet spot for capturing value. Respondents reporting smaller investments see smaller returns, whereas those devoting larger amounts to venture building don't report meaningfully more growth (Exhibit 4). Yet just 38 percent of respondents are investing that much of their growth capital, suggesting that nearly two in three are leaving potential value on the table.

³ Survey respondents were asked about their organizations' growth capital allocation for entirely new businesses and rate of organic revenue growth in the past 12 months compared with that of their primary competitors. The answer choices were more than 10 percent below the industry average, 4 to 10 percent below the industry average, 1 to 3 percent below the industry average, the same as the industry average, 1 to 3 percent above the industry average, 4 to 10 percent above the industry average, and more than 10 percent above the industry average. Midpoints were used for each of the revenue growth ranges, with -15 percent used for the bottom group and 15 percent for the top group.

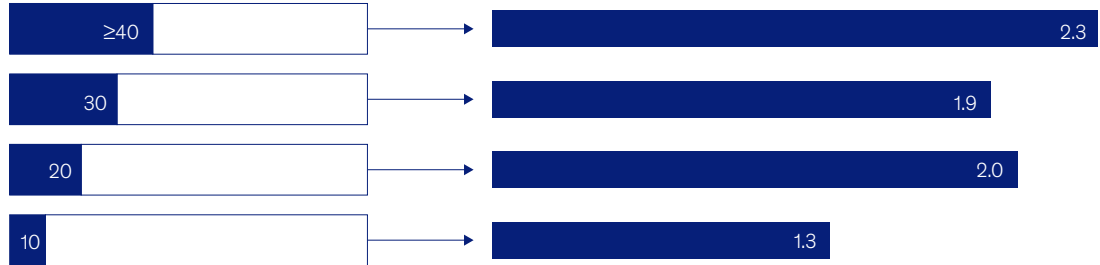
⁴ The average growth rate is from 2022–23 and is based on all private sector companies with annual revenues over \$1 billion, using data from S&P Capital IQ, S&P Global, accessed September 2024.

Exhibit 4

Survey findings suggest that investing at least 20 percent of growth capital in new-venture building yields meaningful rewards.

Share of growth capital invested in new-venture building,¹%

Organic revenue growth in companies investing in new-venture building over those not investing, percentage-point difference



¹For respondents reporting 10% of growth capital invested in new-business building, n = 183; for 20%, n = 160; for 30%, n = 63; and for ≥40%, n = 60. Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

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McKinsey commentary

Paul Jenkins

Senior partner

Sometimes when you read reports, your eyes can start to glaze over with all the various stats, so I want to call attention to something stunning. Our research shows that investing only about 20 percent of your growth capital into venture building is enough to generate a 2 percent lift in growth per annum. For most companies, that's a truly astounding ROI.

That 20 percent is particularly interesting, because it's something of a sweet spot when it comes to getting the greatest ROI. Invest less, and you don't get a correspondingly lower ROI but, in fact, much less ROI. By the same token, if you invest more, you don't get greater ROI. The rate of return starts to peter out after 20 percent.

We're planning on doing more analysis to better understand why that's the case. But this insight of a 20 percent sweet spot provides a compelling counterpoint to an issue we often see, which is that some companies approach building a new venture as a bit of a hedge or a side project and don't invest enough in it. That's a surefire recipe for failure.

The ten largest new ventures built by established companies in the past decade have averaged 1.5 times more revenue than that of the largest start-ups launched in the same period.

The survey also explored what share of investment would be needed for new ventures to deliver the share of total revenues desired by their parent organizations' leaders. Respondents on average expect to achieve 24 percent of their organizations' revenues from new ventures in five years' time. To achieve this share, many companies will need to meaningfully increase their level of investment. In fact, the findings suggest that those that achieve this share have invested 2.4 times the average of those that are targeting that share but haven't achieved it.⁵

Indeed, incumbents have proved their impressive ability to build high-revenue ventures. Additional research finds that the ten largest new ventures built by established companies in the past decade have averaged 1.5 times more revenue than that of the largest start-ups launched in the same period.⁶ These new ventures can benefit from their core organizations' access to customers, brand, and expertise, often enabling them to scale revenues quickly.

What's more, venture building can affect more than just revenues for an organization. Survey respondents report that new ventures launched by their companies in the past five years have generated 16 percent of their enterprise value, while revenue created by new-venture building was 13 percent.⁷

Venture building starts with uncovering hidden treasures within an organization

The latest survey results show that, for most companies, opportunity is ripe to build new ventures from existing assets. Nearly nine in ten surveyed business leaders say their organizations have at least one asset with unrealized commercial potential. Most often, they see opportunities with data and with intellectual property or novel technologies, though the potential varies by industry (Exhibit 5).

⁵ Companies that respondents say will achieve the average revenue share target of 24 percent are investing an average of about 28 percent of growth capital into business building, while those that aren't meeting that target are investing an average of about 12 percent.

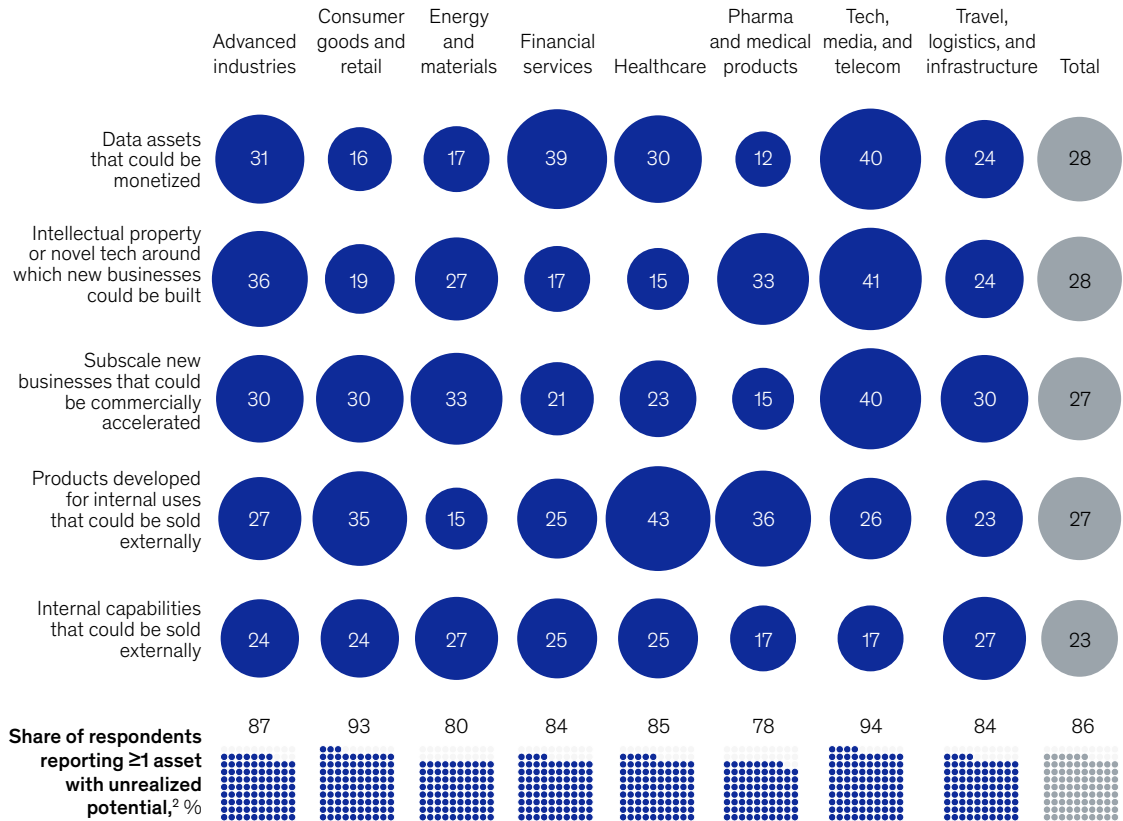
⁶ These analyses looked at the average revenue in 2023 for the top ten largest start-ups and top ten new ventures founded by incumbent companies in the past decade using data from Crunchbase; PitchBook; S&P Capital IQ, S&P Global; and Y Combinator; all accessed September 2024.

⁷ Survey respondents selected the share of total enterprise-wide revenue that new businesses contribute to their companies and the share of enterprise-wide value (total value of organization) that can be attributed to new businesses from the following options: 0 percent, 1 to 3 percent, 4 to 10 percent, 11 to 20 percent, 21 to 30 percent, 31 to 40 percent, 41 to 50 percent, 51 to 60 percent, 61 to 70 percent, 71 to 80 percent, 81 to 90 percent, 91 to 100 percent, and above 100 percent. Midpoints were used for each range, with 110 percent being used for the top category. Weighted averages were used to calculate the enterprise-wide revenue and value coming from new-venture building.

Exhibit 5

Across industries, most respondents indicate that their organizations have at least one asset with unrealized potential.

Share of respondents who say their organization possesses given asset with unrealized commercial potential, %¹



Note: Figures were calculated after removing respondents who said "don't know."

¹For respondents in advanced industries (advanced electronics, aerospace and defense, automotive and assembly, and semiconductors), n = 108; consumer goods and retail, n = 90; energy and materials, n = 129; financial services, n = 150; healthcare, n = 113; pharma and medical products, n = 102; tech, media, and telecom, n = 175; and travel, logistics, and infrastructure, n = 145.

²Calculated based on inverse of respondents who selected "none of the above."

Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

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For example, respondents in healthcare and consumer goods and retail most often say their companies have products developed for internal uses that could be sold externally, while respondents working in financial services point to data assets that could be monetized. In advanced industries⁸ and technology, media, and telecommunications, respondents often say their companies have intellectual property or novel technologies around which new ventures could be built. This finding provides a starting point for where to look to accelerate value from unrealized potential.

⁸ Advanced industries includes respondents working in advanced electronics, aerospace and defense, automotive and assembly, and semiconductors.



McKinsey commentary

Daniel Aminetzah

Senior partner

If you go across all the companies in different sectors and geographies, you'll find that venture building is highly relevant. This underscores the reality that innovation isn't just the arena of big tech and AI start-ups, especially given the surge in transitions and change that are redefining value pools and the roles that traditional companies can play.

One thing that's driving this change is the range of the new technologies emerging and how fast they're redefining barriers to entry for companies. Even those companies that are enjoying success from a strong position in the market—whether from a product or access to customers—can see things turn very quickly. Few companies should feel comfortable with their current advantages.

On the other side of the coin, these very technologies and forces of disruption can allow incumbent companies the chance to bring their assets into new markets and territories that haven't historically been there. If a CEO isn't making a concerted effort at building new ventures, they're taking a real risk in their company's legacy and relevance.

Getting to the necessary level of commitment requires CEOs to be able to reimagine their roles and where their companies might be. And it requires an ability to understand the art of the possible—how new technologies, trends, collaborations, and circumstances open new opportunities.

When building new ventures, capitalize on distinctive advantages

Organizations benefit when they capitalize on their distinctive advantages and scale them as new growth opportunities. Venture building requires recognizing those advantages and staying true to them. In 2023, we saw that data, analytics, and AI platforms were the type of new venture that the largest share of respondents expected to build in the next five years. The latest survey results find that, relative to 2023, companies are more likely to plan to build data, analytics, and AI platforms. However, opportunities vary by industry (Exhibit 6).

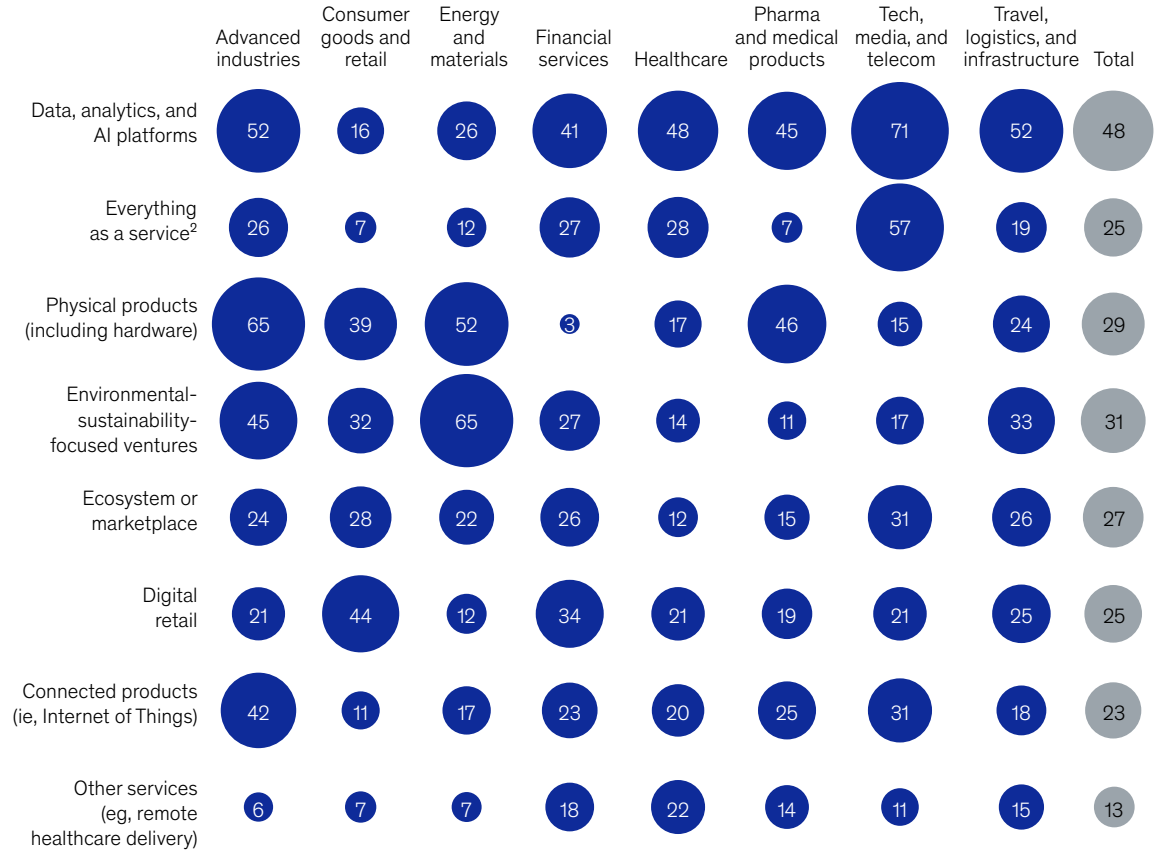
Respondents working in advanced industries such as automotive, aerospace, and semiconductors and in pharmaceuticals and medical products most often see opportunity in physical products. Those in consumer goods and retail, on the other hand, most often expect to build digital retail ventures. Across industries such as technology, media, and telecommunication and travel, transportation, and logistics, business leaders point to data, analytics, and AI platforms most often as an area for building new ventures.

Overall, nearly half of respondents who expect to build new ventures predict that they will create such a business in the next five years, up 11 percentage points from [the 2023 results](#). Examples of new ventures that could be built in this space are a medical-device company building software that uses its data to provide treatment-related insights to clinicians and a cloud-hosting provider creating an application that uses gen AI to help insurance companies identify suspicious claims. Responses from leaders in travel, logistics, and infrastructure and in healthcare show the greatest uptick in interest in data- and AI-enabled ventures since 2023.

Exhibit 6

Business leaders expect to build new ventures in areas with the most potential value—and most see AI as an opportunity.

Types of new ventures expected to be built by respondents' organizations in next 5 years, by industry, % of respondents who expect their organization to build ventures in next 5 years¹



¹Respondents were able to make multiple selections. Figures were calculated after removing respondents who said "don't know." For respondents in advanced industries, n = 82; consumer goods and retail, n = 69; energy and materials, n = 106; financial services, n = 111; healthcare, n = 62; pharma and medical products, n = 65; tech, media, and telecom, n = 133; and travel, logistics, and infrastructure, n = 112.

²For example, subscription services or subscription software.

Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

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Surveyed respondents also continue to see sustainability-focused ventures as opportunities. New ventures centered on environmental sustainability are now the second-most commonly expected ones over the next five years, up from fourth in 2023 and sixth in 2022. Sustained interest in these ventures coincides with recent technological advancements, such as cleaner materials, and with companies building better, more sustainable new products. Interest is most concentrated within the energy and materials sector.⁹

⁹The energy and materials sector includes respondents working in agriculture, chemicals, electric power and natural gas, oil and gas, and paper and packaging.

Interest in gen-AI-enabled ventures is surging—though companies are at the early stages of capturing value

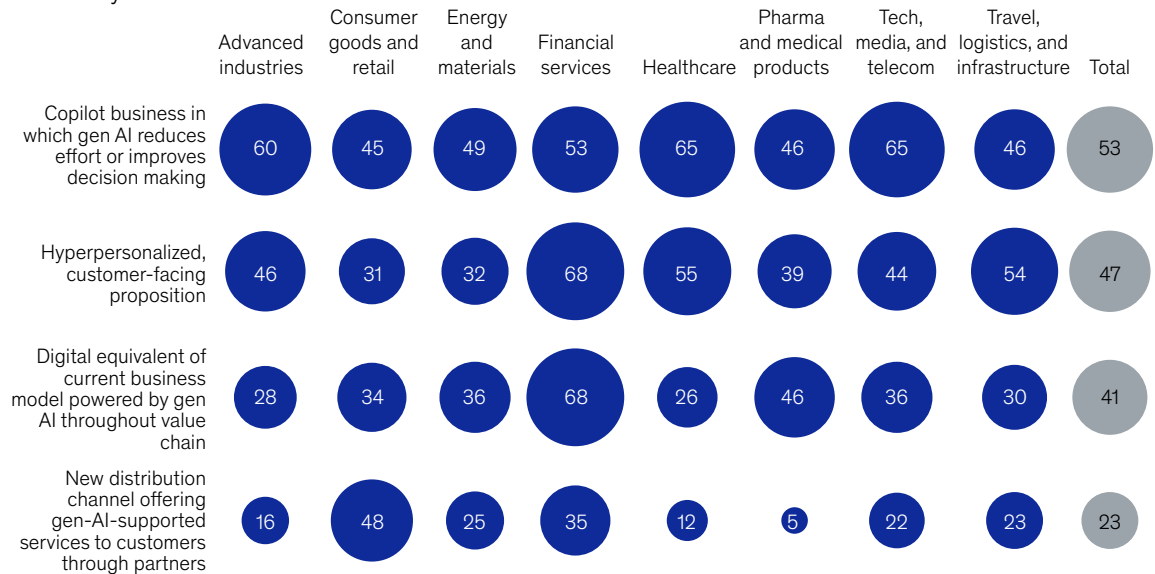
Most surveyed leaders who expect their companies to build new ventures in the coming half-decade see potential value in developing a gen-AI-enabled venture. In fact, six in ten say their organizations are already pursuing them. Respondents’ expectations for the types of gen-AI-related ventures their organizations will build vary based on where they expect to derive the most value from gen AI within their industries (Exhibit 7).

Copilot businesses, in which gen AI reduces effort or improves decision making, are the most expected gen-AI-related venture across industries—particularly in service-oriented or frontline-heavy industries. About half of business leaders who report that their companies are planning to build new ventures expect the building of a copilot business, with the largest shares from the healthcare and the technology, media, and telecommunication sectors. In healthcare, examples include scribing solutions that capture medical notes and document medical follow-ups (such as prescriptions) and virtual assistants that can optimize both provider operations and patient experiences.

Exhibit 7

Business leaders’ expectations for the greatest opportunities for generative-AI-enabled new ventures vary by sector.

Types of gen-AI-enabled¹ ventures expected to be built by respondents’ organizations in next 5 years, by industry, % of respondents who expect their organization to build gen-AI-enabled ventures in next 5 years²



¹Generative AI enabled.

²Respondents were able to make multiple selections. Figures were calculated after removing respondents who said "don't know." For respondents in advanced industries (advanced electronics, aerospace and defense, automotive and assembly, and semiconductors), n = 68; consumer goods and retail, n = 56; energy and materials, n = 73; financial services, n = 91; healthcare, n = 58; pharma and medical products, n = 56; tech, media, and telecom, n = 119; and travel, logistics, and infrastructure, n = 83.

Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

By comparison, respondents working in financial services and in travel, logistics, and infrastructure see strong potential for hyperpersonalization, naming this as the gen-AI-enabled venture that they most expect their organizations to build. In financial services, for example, gen-AI-powered wealth advice—presented via gen AI tools or chatbots—could enhance personalized services and make recommendations accessible to much larger audiences at a cost previously not possible. Respondents in financial services also see promise in new ventures in which core aspects of the value chain are powered by gen AI. In insurance, for example, these ventures could include gen-AI-powered underwriting of insurance policies for segments that weren't previously served, such as microenterprises. Meanwhile, respondents in consumer goods and retail see the most promise within ventures related to distribution channels.

[These are still early days for companies seeking value from gen AI.](#) Of those building businesses around gen AI capabilities, 73 percent say their organizations are still in the ideation and early-development stages. Yet 13 percent of respondents say their companies are already in the value-realization stage of their gen-AI-related venture, and the number is as high as 22 percent within pharmaceuticals and medical products.



McKinsey commentary

Markus Berger-de León

Senior partner

It's really striking to me that about 90 percent of executives in our survey believe that they have at least one asset that they could turn into a business. That's amazing. And it highlights how much potential there is in almost every company for building a new venture.

Of course, not everyone makes the leap from understanding that they have an asset with value to turning that into a business. In many cases, this is a perceived issue of limited money, time, and resources. But in fact, venture building often is one of the best value creation opportunities that a company has.

For those that do make the leap successfully, it starts with a venture builder that can overcome the failure of imagination. The builder has the entrepreneurial mind to look at an asset, which is often treated as a cost center, and see how it could become, at scale, a business that generates new revenue and profits for the company. Importantly, these assets already exist and are already helping the company. They're not just vaporware.

In fact, a product or service that's already in use to scratch an itch is a great starting point because it's easy to show to potential customers. And while there are significant challenges in turning an asset into a successful new venture, the proliferation of technologies—from APIs to cloud services to generative AI capabilities—is making it much easier to overcome potential obstacles that could exist for externalizing an asset.

New-venture building is a learned skill that can bring outsize returns

This year's survey findings show what companies have implicitly demonstrated for years: the organizations that have developed the capabilities to programmatically build new ventures see the most success per business. These expert venture builders have double the success rate of organizations with less mature venture-building capabilities and generate larger revenues from their new business ventures. The latest findings show how companies that are new to venture building can speed up their own maturity and begin to build effectively from the start.

Practice makes perfect

According to the survey results, as companies mature in their new-venture-building practices, the likelihood of their new businesses' success dramatically improves (Exhibit 8). Expert builders are about twice as likely as novice builders to see success—that is, the new venture meets or exceeds expectations for scale and growth. Responses also suggest that these companies are seeing growth rates that are an average of 2.8 percentage points higher than that of novice builders.

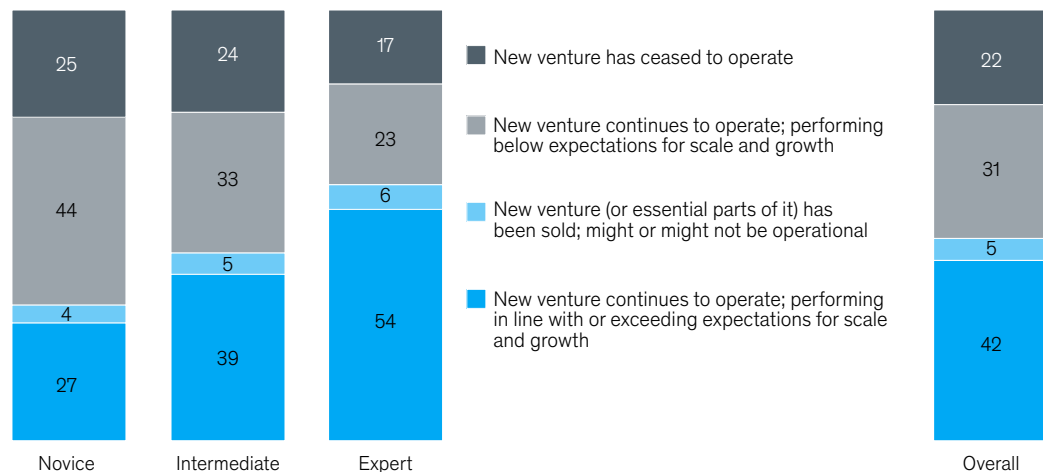
Reported returns also increase with the maturity of new-venture-building capabilities. On average, expert builders see 12 times more revenue in a venture's fifth year than do novices,¹⁰ despite investing only twice the amount of capital prior to breaking even (Exhibit 9).

¹⁰ Survey respondents were asked about the new venture launched by their company in the past five years with which they're most familiar, with the following options for revenue: less than \$1 million, \$1 million to \$5 million, \$6 million to \$10 million, \$11 million to \$25 million, \$26 million to \$50 million, \$51 million to \$75 million, \$76 million to \$100 million, \$101 million to \$250 million, \$251 million to \$500 million, \$501 million to \$750 million, \$751 million to \$999 million, \$1 billion to \$2 billion, and more than \$2 billion. Midpoints were used for each of those ranges, with \$2.5 billion used for the top category of more than \$2 billion. For each maturity category, the weighted average was used to calculate revenue values.

Exhibit 8

Expert builders see more new ventures meeting or exceeding expectations for scale and growth than others do.

Outcome and maturity of new ventures built between 2 and 5 years ago,¹ % of respondents

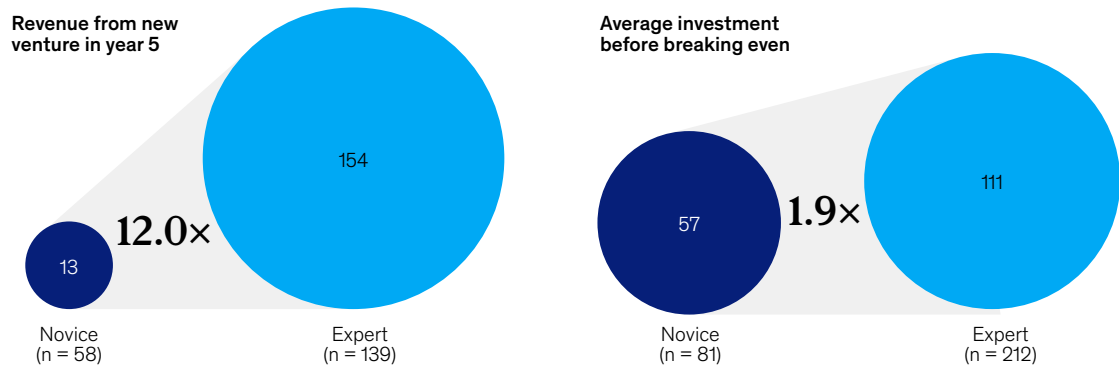


Note: Figures were calculated after removing respondents who said "don't know" or "other." Figures may not sum to 100%, because of rounding.
¹ Respondents were asked about new businesses built by their organization in past 2–5 years and to categorize their organizations' maturity level with new-business building. "Novice" refers to companies reported by respondents to be focused almost exclusively on core businesses, with limited capabilities or structures to support new-business building. "Expert" refers to companies reported by respondents to have strong foundational capabilities in place to support new-business building, yielding meaningful new revenues, and those reported to be industry leaders for new-business building, with proven and continually improving capabilities and structures and abilities to launch and scale new businesses, resulting in significant shares of company revenues coming from them.
 Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

Exhibit 9

Expert builders see outsize ROI from their new ventures.

Revenue of and investment in new ventures,¹ by new-venture-building maturity,² \$ million



Note: Figures were calculated after removing respondents who said "don't know."
¹Respondents were asked about new businesses launched in past 5 years that they were most familiar with and about revenues and investment, using ranges. Revenues and investments were calculated using midpoints of those ranges. For top range, ">\$2 billion," \$2.5 billion was used. For each maturity category, weighted average was used to calculate revenue values.
²Respondents were asked to categorize their organizations' maturity level with new-business building. "Novice" refers to companies reported by respondents to be focused almost exclusively on core businesses, with limited capabilities or structures to support new-business building. "Expert" refers to companies reported by respondents to have strong foundational capabilities in place to support new-business building, yielding meaningful new revenues, and those reported to be industry leaders for new-business building, with proven and continually improving capabilities and structures and abilities to launch and scale new businesses, resulting in significant shares of company revenues coming from them.
 Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

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Six key actions for building like an expert

Success in new-venture building can be learned from those that are the best at it. We grouped the factors that distinguish experts from novices, based on our experience and the research, into six actions for success. We also find that these factors can affect revenue expectations. When looking specifically at the factors in place for individual new ventures, the data suggest that the new ventures that respondents say have at least half of the factors in place see 3.1 times more from new ventures in their fifth year than new businesses that didn't.

1. Take a disciplined portfolio approach. Understanding that the stakes are high, expert builders spread their bets. They have built an average of about six new ventures in the past five years, whereas novices have built fewer than two during that time.

Experts have also developed effective processes to help them create many new ventures. They're more than three times likelier than novices to have an established framework and process in place for identifying, evaluating, building, and launching new ventures. Novices, therefore, can fall at the first hurdle, building a venture that doesn't have a clear market or defined needs. They're three times more likely than experts to build the wrong venture—that is, one without a good product or market fit. Experts, on the other hand, clear this hurdle and concentrate on the next big challenge: creating growth.¹¹

6

The average number of new ventures built by experts in the past 5 years is 6, while novices have built fewer than 2

¹¹ The survey question asked respondents to think of one of the new businesses built by their organizations that's performing below expectations for scale and growth that they believe has the potential for commercial acceleration and what measures, if any, would most improve its performance.

When taking a portfolio approach to building new ventures, experts also develop in other dimensions that support serial venture building, such as having the right incentives and infrastructure in place. For example, experts are nearly three times more likely than novices to have mechanisms to incentivize the success of new businesses, such as bonuses and feedback from a C-level sponsor. They also tend to have the technology and infrastructure necessary to build a new venture. That can include having a clear strategy for where and how to store data, scalable data and analytics platforms, and access to technology vendors with any needed capabilities.

2. Dedicate funding. Organizations that are expert corporate venture builders understand that the funding for new ventures should be committed up front and protected, and they invest meaningfully to help those ventures scale.¹² Expert builders are 2.6 times more likely than novices to have financial resources dedicated to new-venture creation.

We also find that experts' investments reflect a broader trend in new venture building: they're willing to invest more capital in individual ventures and, as a result, create larger new ventures. That growth doesn't come free is an unavoidable truth. The survey findings suggest that companies that invest \$3 million can expect an \$8 million business after five years, and those that invest \$30 million can expect a \$90 million business.

3. Balance independence with connection to the core. Most companies building new ventures, expert and novice alike, benefit from access to the core organization's capabilities or other assets. For example, about half of survey respondents from both expert and novice builders say their new ventures can take advantage of the core organization's customer base (Exhibit 10). However, expert builders are more courageous and give their new ventures greater independence to pursue exceptional advantages.

¹² Our 2021 findings showed odds of success that were 28 percentage points higher for new ventures when organizations provided ring-fenced investment in them than for those when organizations didn't.

1.9×

Experts invest 1.9× as much capital as novices do in a new venture before breaking even

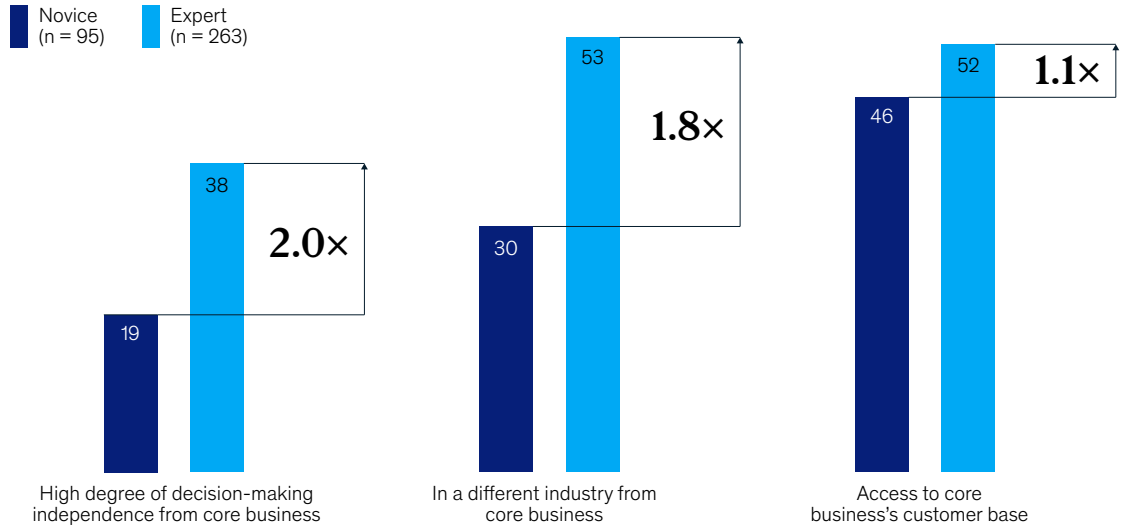
2.6×

Experts are 2.6× more likely than novices to have dedicated financial resources set aside for new-venture creation

Exhibit 10

Novices stay near their core businesses while building new ventures; expert builders look beyond the core.

Aspects present in new ventures,¹ by new-venture-building maturity,² % of respondents



Note: Figures were calculated after removing respondents who said "don't know."

¹Respondents were asked which statements were true about new businesses launched that they were most familiar with, from launch through early scaling (ie, point at which market traction was achieved and business model proved).

²Respondents were asked to categorize their organizations' maturity level with new-business building. "Novice" refers to companies reported by respondents to be focused almost exclusively on core businesses, with limited capabilities or structures to support new-business building. "Expert" refers to companies reported by respondents to have strong foundational capabilities in place to support new-business building, yielding meaningful new revenues, and those reported to be industry leaders for new-business building, with proven and continually improving capabilities and structures and abilities to launch and scale new businesses, resulting in significant shares of company revenues coming from them.

Source: McKinsey Global Survey on new-venture building, 1,176 senior managers and C-suite executives, May 21–July 2, 2024

McKinsey & Company

Expert builders are twice as likely as novices to give new ventures a high degree of decision-making independence from the core businesses, and they're nearly twice as likely to report building a venture in a different industry from that of the core organization. In our experience, this independence is one of the trickiest elements—and one of the most likely factors to trip up a venture in its early stages or suffocate it later on. Experts have figured this out, and they start by giving a new venture greater independence than naturally feels comfortable and supporting it when organizational politics start to get in the way.

1.4x

Experts are 1.4x more likely than novices to have ≥1 member of their C-suite who championed their new ventures

4. Show support from the top. Experts benefit from leaders' prioritization of new-venture building. Over the past five years, our research has consistently found that C-suite sponsorship of new-venture building helps new ventures succeed. In 2023, for example, respondents at the best builders tended to report the presence of at least one C-suite sponsor for venture building. The latest data reinforce this point: experts are 1.4 times more likely than novices to say at least one member of their C-suite championed their new ventures.

2.3x

Experts are 2.3x more likely than novices to have a dedicated leader of new-venture building

What's more, experts often designate a leader to focus on building ventures. They're more than twice as likely as novices to have a dedicated leader who is responsible for new-venture-creation efforts.

5. Staff a dedicated team with expert talent. Companies that make venture building a standard part of the growth strategy find that having a dedicated venture-building team helps these initiatives thrive. Expert builders are 1.5 times more likely than novices to have a team or unit dedicated to new-venture creation. These teams typically have both clear responsibilities and incentives in place for scaling new ventures.

In addition, the most experienced builders tend to prioritize attracting and upskilling talent for new-venture-building efforts. They often have more freedom than others to attract the best talent. One-quarter of expert builders have the flexibility to compensate talent more highly than the core business can, compared with just 13 percent of novice builders. Experts are also 1.7 times more likely than novices to have upskilling programs to foster the skills needed for new-venture building.

Looking at where talent gaps affect new-venture building, experts seem to reap the rewards of being effective at hiring or training the talent they need. Respondents who say their organizations are experts are 2.5 times as likely as those who say theirs are novices to report no talent gaps that affect venture-building efforts. Yet across the spectrum of venture-building maturity, responses show that real gaps remain, with consistency in the types of roles that organizations are missing. Product and design roles are the most reported challenge for both experts and novices, followed by commercial and data-related roles. These findings suggest that no matter how successful companies become at building new ventures, they benefit from paying continuous attention to effectively filling the roles that they will need for these efforts.

1.5x

Expert builders are 1.5x more likely than novices to have a team or unit dedicated to new-venture building

25%

of expert builders have the flexibility to compensate talent more highly than the core business does, compared with just 13% of novice builders

2x

Experts are twice as likely as novices to have acquired a business during their venture-building process

6. Look outside the organization's boundaries for any missing capabilities. Over the past five years, we have seen that the most successful builders don't always need to have every capability in-house. The latest results show that experts recognize the benefits of outside assistance via acquisitions and partnerships: they're twice as likely as novices to have acquired another business during their venture-building process. It's unsurprising, then, that those seeing the largest revenues from venture building are the ones that are acquiring businesses. Respondents who say their companies acquired a business as part of developing a new venture report nearly four times more revenue in the venture's fifth year than do those who say no businesses were acquired.

Expert builders are also 1.4 times more likely than novices to have established partnerships or alliances with other organizations. As we found in [last year's research](#), the companies with the most venture-building success are more likely than others to access external R&D and marketing capabilities, for example.¹³

¹³ Markus Berger-de León, Shaun Collins, Ari Libarikian, Paul Jenkins, and Belkis Vasquez-McCall, "CEOs' choice for growth: Building new businesses," McKinsey Digital, November 9, 2023.



McKinsey commentary

Shaun Collins

Associate partner

This is our fifth annual survey, and it has given us the chance to build a solid foundation of insights into what it takes for corporations to build new ventures—something that just wasn't available before. Over time, those insights, backed by experience in working with clients, have provided us with a clear view of which factors really matter for corporate venture building to succeed.

What's interesting to me is how one particular factor has consistently stood out over that time in its influence on the outcome: the relationship between the new venture and the "mother ship" (the corporation). Even with all the changes in technology (such as generative AI), the entrepreneurial activity of the new venture, and the best of intentions, organizational factors—the people, the processes, and the politics—are a huge barrier. Companies are generally aware of this, yet still this hurdle trips them up. But time and experience has also shown us what really matters in combating this issue:

- providing clear governance and having the right people involved to navigate the thorny issues, such as access and decision rights—this is really about having solid connective tissue between the two bodies
- ensuring sufficient incentive for leaders in the corporation to make the new venture a success
- evaluating the degree of independence and functional alignment between the new venture and mother ship on an ongoing basis, typically starting with greater independence

It's rarely easy, but these practices make all the difference.

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Two in three CEOs tell us that they expect to build new ventures in the upcoming year, and forecasts suggest that more interest rate cuts are on the horizon. The conditions are ripe for incumbents to pursue new business opportunities. Those that do—and put in place the critical processes and capabilities that more mature venture builders have already established—will be positioned to outgrow their industry peers.

[Belkis Vasquez-McCall](#) is a partner in McKinsey's Southern California office; [Daniel Aminetzah](#) is a senior partner in the New York office, where [Shaun Collins](#) is an associate partner; [Markus Berger-de León](#) is a senior partner in the Berlin office; and [Paul Jenkins](#) is a senior partner in the Oslo office.

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