What do Venture Builders do?

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ABSTRACT

Venture builders are a growing part of the startup finance and creation ecosystem but there is a lack of understanding about what they do. We provide a comprehensive overview of the business model as we compile a database with 448 active venture builders, survey 82 firms, and conduct six interviews. We find that venture builders support startups with their workforce, operational best practices, networks, and capital. Our results also show that the business model can be segmented into three types. "Pure-play Venture Builders" act like operators, have high equity stakes, are deeply involved into the ventures' operations, and generate business ideas internally. "Venture Builder as a Service" firms work as consultants on a project basis, sell services for fees to clients, and take almost no equity. "Venture Capitalists and Venture Builders" act like investors but support entrepreneurs with startup ideas, market research, and early operational advice, in exchange for better deal terms.

Keywords: *Venture Builder, Startup Studio, Company Building, Venture Financing*

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List of Abbreviations

AI	Artificial intelligence
CEO	Chief executive officer
FinTech	Financial Technology
HR	Human resources
IRR	Internal rate of return
KPI	Key performance indicator
LP	Limited partner
ML	Machine Learning
MoM	Multiply of money
MVP	Minimum viable product
VB	Venture builder
VC	Venture capital

Definitions

Venture builder	Concept as a whole or any of the four sub-types
Pure-play VB	Pure-play Venture Builder (1)
VB as a Service	Venture Builder as a Service (2)
VC and VB	Venture Capitalist and Venture Builder (3)
Accelerator / Incubator and VB	Accelerator / Incubator and Venture Builder (4)

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1 Introduction

Financial capital is one of the resources critical to the development and success of new ventures (Gompers & Lerner, 2004; Gorman & Sahlman, 1989; Kaplan & Lerner, 2010) and can have a positive influence on startup operations through governance and signaling effects (Hellmann & Puri, 2002; Hsu, 2004). However, data suggests that most venture failures are caused due to non-financial problems (CB Insights, 2021). Venture builders, a growing phenomenon, claim to have found a way of improving on a number of these operational factors with their structured approach to starting new companies. They move away from the traditional venture capital model that is focused on supporting new start-ups with financial resources and instead bring in expertise, best practices, and operational support based on human capital (Köhler & Baumann, 2016; Lawrence et al., 2019). That development has accelerated in recent years, with the number of venture builders globally growing from around 80 in 2013 to at least 330 in 2019 (Alhokail et al., 2019; Zasowski, 2020). However, industry practitioners have no agreement about what exactly defines the business model. Various companies label themselves as venture builders (also referred to as start-up studios or company builders) but differ very much in what they do (Rao, 2013; Gutmann, 2019; Lawrence et al., 2019).

While the practice-oriented literature has highlighted the growing popularity of the venture building industry for some time (Rao, 2013; Lapowsky, 2014; Diallo, 2015), scholarly researchers have not yet engaged in a meaningful discussion about the topic, as only two contributions are published based on our research. A case study from Köhler & Baumann (2016) about the German venture builder Rocket Internet and an article by Rathgeber, Gutmann, and Levasier (2017), employing a multi-case study approach. Both point out the lack of literature in the field, and Rathgeber et al. (2017) emphasize the need for additional work "in order to understand similarities and differences of company builders". The two scholarly papers have focused on an in-depth examination of the specific internal processes and organizational design choices of one or a small number of individual companies only and do not distinguish between different types of venture builders. Against this context, it seems important to develop a broader and better understanding of the business model (Gorman & Sahlman, 1989). We, therefore, aim to expand on the extant literature by answering the following research question:

What are the defining elements of the venture builder business model, and can different types of venture builders be distinguished?

This thesis uses an exploratory empirical approach as our objective is to establish initial evidence about the nature of the industry. Therefore, we conduct a multi-method study, relying on quantitative data in the form of a self-constructed industry database and a survey, and qualitative data in the form of interviews and research of practice-oriented literature. Due to the lack of prior work on the topic we do not test formal hypotheses but answer our research questions by deducting insights from practice, taking a broad perspective on the topic. We structure our findings along the dimensions of *Economics* and *Control* as important factors in a startup financing and venture capital context (Sahlman, 1990; Kaplan & Strömberg, 2001). Additionally, we add *Venture Creation* as a third dimension (Rathgeber et al, 2017) to account for the more operative nature of venture builders.

We find that the venture building market in Europe and North America consists of 448 venture builders that have started more than 10,000 startups. Venture builders support startups with their workforce and networks, industry experience, operational best practices, and capital. We observe three types of venture builders that share some distinct characteristics, defining them as Pure-play Venture Builder, Venture Builder as a Service, and Venture Capitalist and Venture Builder. Pure-play Venture Builders are most prevalent in the data. They employ an entrepreneurial approach and tend to start companies on their own account, own large equity stakes, and provide holistic operational support to startups. Venture Builder as a Service firms follow a consulting approach and support external clients in building up new ventures. They provide project-based support, charge fees, and mostly do not own equity. Venture Capitalists and Venture Builders are characterized by their closeness to the traditional venture capital investment model. They support external entrepreneurs with idea development, financing, and recruiting. We initially observed a fourth type which we called Incubator / Accelerator and Venture Builder. From our literature research, we understand that one of the main differences to standard accelerators is their engagement in matching entrepreneurs that look for co-founders and actively support idea generation, meaning earlier involvement and greater operational influence. However, we cannot distinguish sufficient other typical elements to paint a coherent picture of the type, as our survey results often do not show a meaningful trend. The results also do not align with characteristics of the traditional incubator and accelerator model that would have supported the definition of an additional venture builder type.

The thesis is structured as follows. Section 2 presents literature about traditional forms of startup financing and support. Section 3 explains the research methodology. Section 4 reports the qualitative and Section 5 the quantitative results. Section 6 discusses the combined results and indicates limitations. Section 7 concludes and presents opportunities for further research.

2 Related Literature

This section gives an overview of the literature on the business models related to venture building, focusing on venture capital, and incubators and accelerators. The dimension of *Venture Creation* in this section also includes indirect effects that these firms have on the ventures they interact with, as they are generally less operationally involved compared to venture builders.

2.1 Venture Capital

Economics. Venture capital funds invest in fast-growing, small, and young firms with few tangible assets and a limited track record. This leads to high uncertainty and risks associated with the investments (Sahlman, 1990). Da Rin et al. (2012) describe that VC funds consist of a pool of money that is invested by the general partners, often professional investors or former entrepreneurs. The limited partners, institutional investors or wealthy individuals, only supply the capital and have no say in how it is deployed. The investment of a VC fund is usually structured through purchasing equity or equity-linked security (Gompers & Lerner, 2001). Kaplan and Strömberg (2003) and Hellmann (2006) describe that the favored form of investment is “convertible preferred stock”. This is a form of preferred equity that gives the holder debt-like downside protection with preferred payoff rights but also allows to be converted into common shares to participate in increases in equity value. The returns of VC funds are difficult to measure due to various biases, including most funds being private (Harris et al., 2014). Kaplan and Schoar (2005) measure an average IRR of 17%, and Ljungqvist and Richardson (2003) measure 14.1%. In a summary study on VC returns, Harris et al. (2014) find an average investment multiple of 2.34 and an IRR of 16.8% between 1984 and 2008. Between 2000 and 2008, that multiple dropped to 1.03. Da Rin et al. (2012) and Cochrane (2005) describe the high standard deviation of VC investments where a few positive outliers drive the overall fund's returns. The median investment size for an early-stage VC investment is $4.5 million, and $9.9m for a late-stage VC (Statista, 2022). The ownership share acquired on average in early-stage VC financing amounts to 10% for Seed rounds and 20% for Series A rounds (Quintero, 2019).

Venture creation. Hellmann and Puri (2002) describe that VC funds add value through a pattern of professionalization after the investment. This includes a more professional hiring process, establishing stock option programs, and potentially replacing the founders with more experienced managers. These acts of professionalization and engagement are enabled by the

experience of the partners of the venture capital firm. The key levers for professionalization of portfolio companies are monitoring, support, and control exercised by VCs (Bottazzi et al., 2008; Kaplan & Lerner, 2010). Bottazzi et al. also confirm that operational areas impacted by active VCs are human capital and the organizational structure. They also show that a key determinant for the level of involvement of VC investors is their background. Investors with venture or business experience are the most active investors. At the same time, active investors tend to lead to more successful investments. Gompers et al. (2020) show that the most important post-investment value drivers are strategic guidance as well as connection with other investors and customers. VC investments are also assumed to be focused on high-growth sectors like healthcare or (information) technology (Da Rin et al., 2012). However, Kaplan et al. (2009) describe that VCs are primarily idea pickers, not idea developers, and invest when the business model is already developed. A positive relationship between VC investments and innovation in industries can be observed. However, it is not clear if VC investments drive innovations in industries or if especially innovative industries attract VC investments (Hirukawa & Ueda, 2011; Kortum & Lerner, 2000). When evaluating the direct involvement of VCs in startups, we observe that they usually meet the companies once a month during board meetings (Gorman & Sahlman, 1989).

Control. Regarding control, Kaplan and Strömberg (2003) find that most VC contracts allocate cash flow rights, board rights, voting rights, liquidation rights, and control rights separately to minimize the principal agent conflict and maximize their impact on companies in good and bad states. The principal agent conflict is one of the key challenges for VC, which leads to an extensive discussion on contracting and covenants in academia and practice (Drover et al., 2017).

2.2 Incubators and Accelerators

Incubators and accelerators offer (semi-)structured support programs to new ventures and entrepreneurs. We decide to combine the two terms in one category as accelerators are seen as a new category of incubation models and no strict differentiation between the two terms exists (Pauwels et al., 2016; Hausberg & Korreck, 2020).

Economics. Accelerators are often fixed term (e.g., 3-month) programs, which accept new ventures in batches or cohorts. Traditional incubators can also have a more flexible duration of engagement (Hochberg, 2016). They are a "producer of business assistance programs" (Rice, 2002) that support early-stage companies. Accelerators can make small investments into startups or provide stipends that are on average $26,000 but can go up to $150,000 (Hochberg,

2016). A prominent example is Y Combinator, that invests $125,000. If an equity stake is taken, it usually amounts to 5-7%. Most modern accelerators are privately owned and aim to profit from value appreciation in the startups, while incubators can also focus on revenues from office space provided or be not profit-oriented (Hochberg & Cohen, 2014).

Venture creation. The value creation of incubators and accelerators happens through the selection of which ventures to add to the programs, the monitoring, the assistance, and the resource infusion (Hackett & Dilts, 2004). Hallen et al. (2014) find that accelerator programs can reduce the time for the startups to raise a first external funding round and thereby increases the chances for a successful development. Once a startup is accepted into a program, incubators and accelerators support with "education, mentorship, and [potentially] financing" (Hathaway, 2016). Some entrepreneurs compare these programs even with a school / university-like learning environment (Hathaway, 2016). However, the degree of involvement differs between different incubators from active support offering to only helping on request (Hausberg & Korreck, 2020). The primary reason for ventures to participate in accelerators is education and knowledge development. This happens via offered seminars, boot camps and sessions with external experts like lawyers or accountants. Common functional areas include marketing, sales, accounting, law and patent strategies (Hochberg, 2016). The second valuable aspect of the model is the opportunity to network with mentors from the accelerator or incubator and with other participating startups. The network can help with introductions to relevant contacts, facilitates the sharing of knowledge and hence improves the learning experience (Hochberg & Cohen, 2014; Pauwels et al., 2016). A final feature that accelerator programs often entail is the so-called "demo day" at the end of the program, where ventures are allowed to present their business to a group of potential investors (Hochberg, 2016).

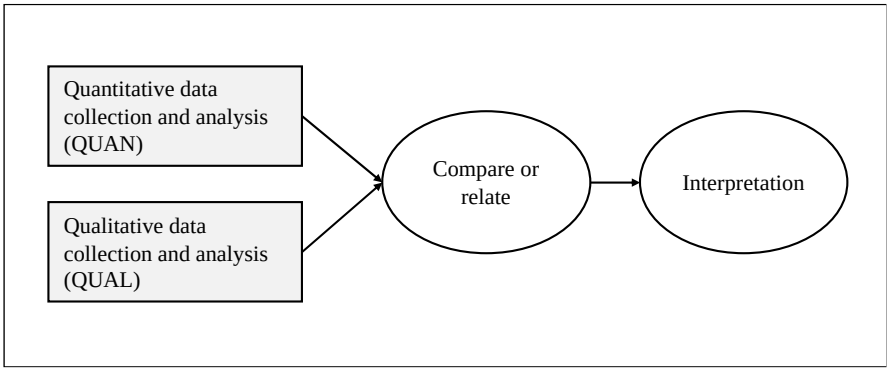
Control. Based on the above, the formal control of incubators and accelerators is much lower than that of venture capital firms. In case of equity investments those are small, so there is no board oversight. Taking the educational offering is encouraged but often optional, and startups can potentially decide to drop out of the programs. However, the operational impact of accelerators or incubators is greater than that of VC firms, because of the extensive development opportunities (Pauwels et al., 2016).

3 Methodology

3.1 Overarching Research Design

Our work follows an exploratory empirical approach to give an overview of the evolving industry as done by Mollick in his paper "The dynamics of crowdfunding: An exploratory study" (2014) for the emerging crowdfunding industry or Rice in "Co-production of business assistance in business incubators: An exploratory study among others" (2002) for incubators. Using exploratory research and simple statistics is common in the fast-developing field of entrepreneurship research (Cornelius et al., 2006; Perryman, 1982). Mollick describes that "this [exploratory] method is appropriate for an evolving topic [as] this initial data can serve as a useful base for future theory-building" (2014). Given the scarcity and ambiguity of available literature and to develop a holistic understanding of the venture building industry, we employ a mixed methods research design (Creswell, 2014). Specifically, we choose a convergent parallel mixed methods design which is illustrated in Figure 1. This comprises the collection of both quantitative and qualitative data to triangulate results and conclude if findings confirm or contradict each other.

Figure 1
Convergent parallel mixed methods approach.
This figure shows the convergent parallel mixed methods research approach based on "Research Design: Qualitative, Quantitative and Mixed Methods Approaches" by John W. Creswell (2014).



For the qualitative part, we initially conduct research of mostly popular sources. As we cannot build on prior academic research, this work forms the basis for our thesis and informs the design of the other research methods. Second, we conduct interviews with different players from the venture building ecosystem as done by Rice (2002). Overall, we focus on independent companies and business models, excluding firms that are owned by larger corporations or affiliated to research organizations. Narrowing down the scope of the thesis allows us to examine the included venture builder business models that already show a large variety in sufficient detail.

The cornerstone of our quantitative work is a survey allowing venture builders to describe their work. Previously this method has been used by Gorman and Sahlman (1989) and Gompers et al. (2020) for VC firms and Gompers et al. (2016) for private equity firms. The survey results are quantitatively supported by the analysis of industry data, for which we compile the most extensive database of venture builders we are aware of. We follow Mollick (2014) in his approach to use a broad industry database for exploratory research as well as Hochberg and Cohen's (2014), who maintain a similar database for accelerators.

3.2 Qualitative Data

3.2.1 Literature Research

The literature research aims to systematically gather information from available sources to inform the structure and focus of the subsequent sections. We follow the approach of Cohen and Bingham (2013) in their study on accelerators and conduct exploratory work by examining popular sources such as white papers, blog entries, and news articles in detail. We also include scholarly research where available.

3.2.2 Interviews

We conduct semi-structured interviews to enhance our understanding of VBs, triangulate the results of the other parts of the thesis, and gain additional insights we cannot collect otherwise. We follow the approach outlined by Bell et al. (2019) in their book "Business Research Methods" and Brinkmann and Kvale in their book "Interviews" (2015) that describe the method of conducting, recording, transcribing, and analyzing semi-structured interviews. The interviews are used as a supporting source of information and add "context" and "completeness" (Bryman, 2006), mitigating the drawbacks of the generally smaller sample size of this method compared to quantitative research. Context is defined as providing contextual understanding coupled with the understanding of relationships between themes, and completeness refers to generating a more comprehensive understanding of the research topic (Bryman, 2006). We choose semi-structured interviews because they allow for more leeway in the responses (Bell et al., 2019). This supports the exploratory nature of the thesis. The data analysis is based on common themes identified through coding the interview responses. These themes have been informed by our insights from the literature review and the survey results. The interviews followed the dimensions of *Economics*, *Venture Creation* and *Control*. Furthermore, we ask follow-up questions on results from other sections to enhance our understanding of the dataset and developments within the industry.

A total of six interviews were conducted via video or audio calls. The interviews were conducted and transcribed in German for German-speaking interview partners, and the main results were subsequently translated. All other interviews were conducted and processed in English. The responses are presented anonymously due to data protection requirements and since some participants asked for confidentiality.

3.3 Quantitative Data

3.3.1 Industry Research

One key obstacle for research on venture builders is the limited availability of holistic datasets on the industry. Venture builders are often small companies, and only very few are organized in industry associations or other accessible networks. We assemble a hand-collected, proprietary database of venture builders to overcome this challenge. The companies in our database are identified from blog entries, industry associations websites, whitepapers, and other popular sources. We follow the method of "research through organizational documents" described by Bell et al. (2019), which is also used by Hochberg and Cohen (2014) in their accelerator database. A reflexive and circular approach is used for the data collection and interpretation. Our understanding of the concept of venture builders and the venture builder categories is sharpened through repeated sampling, data collection, data coding, analysis, and interpretation. This "ethnographic content analysis" approach to business analysis was first described by Altheide (1987) and further specified by Bell et al. (2019).

For all firms identified, we check if they match our understanding of venture builders and create individual profiles. The type of information we collect is mainly influenced by what is publicly available and otherwise aims to capture the basic data to form an initial view of the industry. Hence, this section only provides insights on general facts and the *Venture Creation* dimension. For every company, we include their current activity status, the founding year, the sector focus, the number of companies founded and exited, the number of employees, and the firms' number of LinkedIn followers. We also sort firms into the venture builder categories identified. This is done primarily based on their self-description and comparing observed characteristics against the types identified in Section 4.1. For example, when a company describes itself as "Accelerator and Venture Studio," the company is classified as Incubator / Accelerator and VB. The manual categorization process potentially adds bias to the data. However, the lack of clarity regarding business model characteristics and the fact that no typology of different venture builder types has been adopted by the industry yet requires the manual classification. We compile the information for the profiles of various public internet

sources available, including company websites, newspaper articles, blog posts, and the platforms LinkedIn and Crunchbase. LinkedIn is a professional social network, and Crunchbase is a business information platform for public and private companies, focusing on the startup ecosystem.

We decided to focus on firms located in North America and Europe, given the availability of information from which to construct our industry database and our understanding that these regions have the most advanced venture building ecosystems. By including multiple countries and two geographical regions we aim to generate a broad picture of the industry.

3.3.2 Survey

The second data stream of our quantitative strand is a survey. In the survey design, we follow Gompers et al. in their paper "What do private equity firms say they do?" (2016) by employing a self-completion questionnaire which we distributed to the firms[1]. Gorman and Sahlman (1989) and Gompers et al. (2020) also used the survey method to capture initial information on what venture capital firms do. We rely on the book "Business Research Methods" by Bell et al. (2019) for input on efficient survey design, the structure of questions, and common pitfalls. Gompers et al. (2016) can draw on the vast literature available on private equity. As this is not the case for the topic of venture building, we develop the specific survey questions mainly based on insights from popular sources, related business models and our quantitative industry research. Our survey aims to allow venture builders to describe their work along the three dimensions of *Economics*, *Venture Creation*, and *Control* introduced previously. We tested the initial survey design with three venture builders and incorporated feedback by removing some ambiguities in our questions before reaching out to all firms identified in our dataset.

The survey was distributed digitally to potential participants. The population was mainly contacted by email, which included a short description of the project to motivate participation. We manually collected the contact information from firms identified in our industry database (Section 5.1). We used company websites, LinkedIn, and other public sources to gather personal contact data for 92% of firms in our sample.

For the survey, we included the same firms that we identified for our industry database, therefore also geographically focusing on North America and Europe as laid out previously.

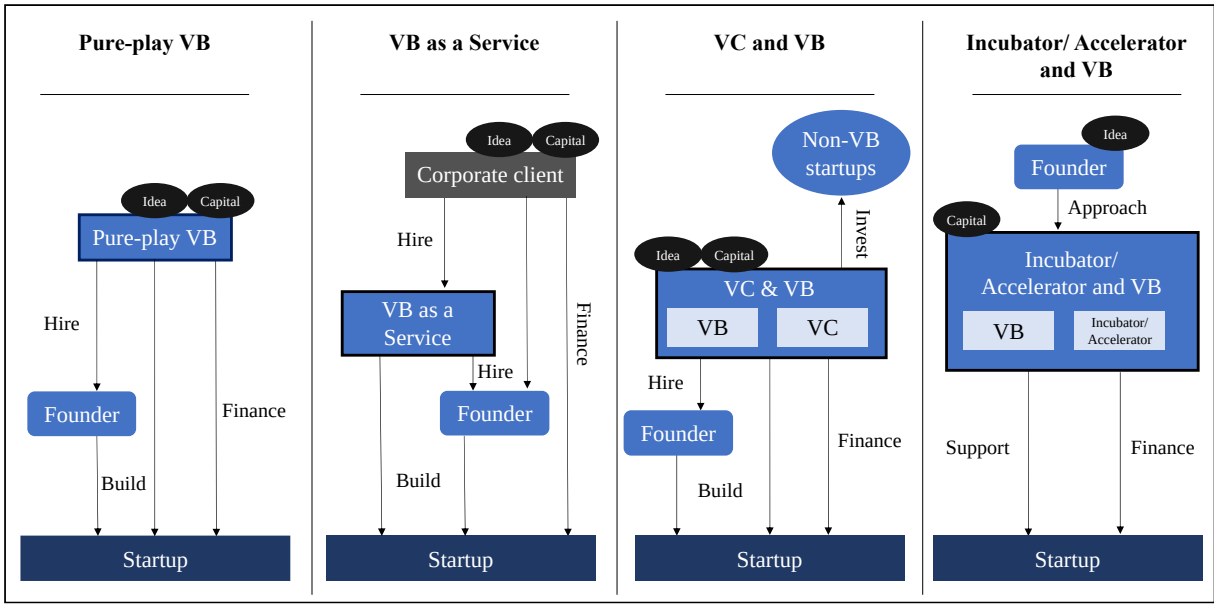
[1] We thank Vladimir Mukharlyamov (MSB) and Paul Gompers (HBS) for providing us with their survey design.

4 Qualitative Analysis

4.1 Literature Research

This section analyzes the available popular and scholarly sources. We identify initial evidence that allows us to distinguish four categories of venture builders. We aim to build on and confirm these in the following sections. Our research indicates that type one to three is influenced by characteristics of entrepreneurship, consulting, and investing, respectively. The fourth type is a variation on the traditional incubator or accelerator business model. While the industry acknowledges different types of firms, literature on the specific characteristics and differences is very limited. Examples for companies of each type are presented in Appendix A1, with more detailed company profiles in Appendix A2. Figure 2 shows an indicative overview of the typical organizational structure and key characteristics of the four different venture builder types based on the initial literature research.

Figure 2
Venture builder organization.
This figure shows an indicative overview of how the different venture builder types can be organized.



4.1.1 Pure-play Venture Builder

The primary and in the literature most prevalent type is mainly referred to by the name venture builder or one of its synonyms like “startup studio,” “company builder,” or “venture studio” (Lawrence et al., 2019; Szigeti, 2019; Mohammadi, 2020). However, there is also anecdotal evidence for more specific terms emphasizing the entrepreneurial nature of this type of firm like “operator company builder” (Gutmann, 2019), “operator-led startup factories” (Rampton, 2015), “pure-play venture builders” (Bariller et al., 2018) or simply the “operator

model" (Mocker & Murphy, 2014). To distinguish this more entrepreneurial model from the other types, we use Pure-play Venture Builder (Pure-play VB) throughout this thesis. Rathgeber, Gutmann and Levasier (2017) were the first to attempt a scholarly definition:

> A company builder is a type of organization, that launches new ventures based on a systematic venture creation process. Company builders independently drive the process from idea generation, the hiring of the co-founders to early fundraising. In return, company builders control a substantial part of the new venture's equity, thereby exerting significant influence over the new venture's development way beyond the initiation phase.

Examples of Pure-play VBs are Rocket Internet and Idealab. Both have founded startups that turned into successful global companies like Zalando, HelloFresh, Coinbase, and Overture. The different approach compared to traditional forms of startup financing and support causes different *Economics* of the model. In contrast to VC funds or accelerator programs, Pure-play VBs hold significant equity stakes in early-stage companies, in some cases even majority shares (Baumann, et al., 2018; Mohammadi, 2020; Szigeti, 2019). This higher ownership stake acquired early at low or essentially no cost consequently leads to increased cash returns in case of an exit compared to a later stage financial investment (Szigeti, 2019; Lawrence et al., 2019). At the same time, startups supported by Pure-play VBs are twice as fast as independent ones in acquiring Series A financing (Zasowski, 2020). It is common to share infrastructure and resources like office space, equipment, and technology, which puts the startups at a scale advantage and increases cost efficiency (Köhler & Baumann, 2016; Alhokail et al., 2019)[2]. Additionally, venture builder team members can be reassigned in case of downtime or failure of a project, adding to this benefit (Alhokail et al.; Doyle, 2021). This means that while for a typical startup, failure of an idea usually means the investor loses all its money, the impact is less severe for the Pure-play VB as resources can be recycled and redeployed, and learnings can be used for future projects (Szigeti, 2019; Doyle, 2021).

Popular literature reports different funding sources. One source is the personal wealth of the venture builder founders (Szigeti, 2019; Alhokail et al., 2019). These can be smaller or more significant amounts, often stemming from previous entrepreneurial activities. However, depending on the level of wealth, this way of financing can put a cap on the possible support

[2] Köhler & Baumann (2016) is a working paper, preceding a journal article that uses excerpts from the paper and was published as Baumann et al. (2018).

that a Pure-play VB can give (Szigeti, 2019; Lawrence et al., 2019). An alternative way of financing is additional outside investors providing capital, which mainly happens in two forms. The first one is that resources are directly invested into the holding structure of the venture builder. However, this can lead to the dilution of the holding company if the Pure-play VB wants to raise a large amount of financial resources to support successful startups during their growth phase (Szigeti, 2019; Carbrey, 2020). Therefore, a second option is to set up a funding vehicle that directly invests in the internal ventures, often being called a "sister fund" (Alhokail et al., 2019) or "sidecar fund" (Lawrence et al., 2019). It is controlled by the Pure-play VB, while limited partners provide the capital (Lawrence et al., 2019; Alhokail et al., 2019; Carbrey, 2020). This has the advantage that no influence is lost to outside investors and the venture builder can extend operational cooperation and oversight over the startup (Szigeti, 2019). In contrast to traditional VC funds, this "sister fund" is only used for projects where active venture building support is provided by the Pure-play VB and does not invest in independent ventures.

Pure-play VBs directly influence and take part in the process of *Venture Creation*. They commonly start to engage at the idea generation phase but can continue to be involved until the scale-up phase (Lawrence et al., 2019; Szigeti, 2019). While the practice-oriented literature solely emphasizes a formal process-focused approach that Pure-play VBs employ to develop startups (Mohammadi, 2020; Doyle, 2021), Rathgeber et al. (2017) also identify less formal approaches in their case analysis. The startup development process is typically structured as follows. The venture builder team identifies a business problem and solution on its own or cooperates with external entrepreneurs that have already come up with an initial idea (Szigeti, 2019; Doyle, 2021). The internal opportunity recognition process is often based on market research and expert knowledge (Alhokail et al., 2019; Farmer et al., 2004; Szigeti, 2019) and sometimes relies on leveraging proven business models to introduce them to new markets (Köhler & Baumann, 2016). The Pure-play VB initially validates the idea with the core "ideation" team and employees relevant to the process (Lawrence et al., 2019; Mohammadi, 2020; Szigeti, 2019). Within the validation phase, the idea is tested and iteratively optimized internally to ultimately arrive at a proven product concept with defined product characteristics (Rathgeber et al., 2017; Doyle, 2021). As a next step, an initial product is built by leveraging the various capabilities that the team brings to the table, such as product management, design, technology, and marketing (Szigeti, 2019; Doyle, 2021). As soon as an MVP is available, it is tested in the market to generate initial user traction and collect feedback from early adopters (Rathgeber et al., 2017). When the idea is fully validated and has achieved product-market fit, a separate portfolio company is formed, and the business is formally founded, which is called

the growth phase. The startup continues to be supported by the Pure-play VB within the holding structure while dedicated organizational structures are set up (Rathgeber et al., 2017). This is the latest point in time where the assembly of the management / founder team will be finalized (Gupta et al., 1997; Doyle, 2021), while some Pure-play VBs also determine the management team already during the validation phase (Szigeti, 2019; Rathgeber et al., 2017). This entire incubation process is followed for multiple portfolio companies at the same time (Alhokail et al., 2019; Szigeti, 2019; Köhler & Baumann, 2016). This approach, therefore, offers a certain level of downside protection and diversification (Lawrence et al., 2019). Since a go- or no-go decision must be made at each of the venture creation steps, potential roadblocks and problems are spotted early (Mohammadi, 2020). Consequently, only the most promising ideas make it through the filters, minimizing the risk of failure (Lawrence et al., 2019; Doyle, 2021). Regarding the business model and industry focus of the startups to be created, Pure-play VBs either employ a broad or narrow approach (Lawrence et al., 2019). A broad industry focus means that many verticals are considered, allowing to target a wide range of potential problems (Lawrence et al., 2019; Alhokail et al., 2019). A narrow approach is often a consequence of the industry expertise of the venture builder founding team that wants to make use of their specialized expertise and network (Alhokail et al., 2019; Zasowski, 2020; Szigeti, 2019).

A third characteristic of Pure-play Venture Builders is the high degree of *Control* they have over the ventures they hold, resulting in a high degree of influence on the ventures' development (Rathgeber et al.; 2017). This control is a crucial enabler of the streamlined venture creation process described above. For example, a Pure-play VB can design and enforce the startup development process and guarantee the application of all process steps (Szigeti, 2019; Rathgeber et al.; 2017). Providing shared infrastructure and office space benefits the flow of information between the venture builder management, support functions and the startup managers and makes it easier to oversee the development of the startups (Szigeti, 2019; Doyle, 2021). The holding organization structure also promotes the exchange of knowledge and open sharing of learnings between the various startups (Gupta et al., 1997; Köhler & Baumann, 2016). Another essential factor of control is the central HR function. Pure-play VBs decide who serves as the founder team of their startups, therefore being able to orchestrate a team with complementing skillset (Rathgeber et al., 2017; Alhokail et al., 2019). The controlled setup allows attracting entrepreneurs that prefer a higher degree of security over the maximum ownership stake (Szigeti, 2019), that are less experienced but driven and motivated (Köhler & Baumann, 2016), and that do not have the monetary resources or external network to succeed on their own (Alhokail et al., 2019; Szigeti, 2019). However, when the equity stake of the Pure-

play VB is very high, this ownership control can lead to incentive problems on the side of the entrepreneurs, explaining the varying approaches of firms in the industry (Köhler & Baumann, 2016; Farmer et al., 2004; Alhokail et al., 2019). Pure-play VBs with a higher ownership stake tend to act like an additional co-founder and have a high degree of operational involvement (Szigeti, 2019; Alhokail et al., 2019). Regarding startup employees, the venture builder can use its centralized talent funnel to mitigate talent bottlenecks and allocate applicants where they are most in need (Köhler & Baumann, 2016; Szigeti, 2019). Additionally, permanent employees within the support functions of the venture builder are flexibly staffed either on a project basis or exclusively on a single venture (Köhler & Baumann, 2016; Szigeti, 2019; Rathgeber et al., 2017). The opportunity to work on multiple ideas and projects compared to only committing to one independent startup can attract employees due to a potentially steeper learning curve and increased diversity of work assignments (Alhokail et al., 2019). Furthermore, the centralized structure allows the startups not only to tap the internal, but also the external networks of the Pure-play VB (Lawrence et al., 2019; Farmer et al., 2004; Köhler & Baumann, 2016). Especially when it comes to the point where the startup is supposed to leave the holding of the Pure-play VB, the network is leveraged as it provides access to external investors or acquirers (Lawrence et al., 2019; Szigeti, 2019; Alhokail et al., 2019). An exit of a portfolio startup typically occurs in terms of a trade sale or IPO (Lawrence et al., 2019; Doyle, 2021; Farmer et al., 2004). However, the operational involvement of the Pure-play VB can also end with a first external financing round (Elziere, 2014; Szigeti, 2019; Alhokail et al., 2019). There are differences in the timing of this independent funding round that depend on the financial resources available to the venture builder (Alhokail et al., 2019).

4.1.2 Venture Builder as a Service

A first variation to the Pure-play VB is referred to as “start-up as a service” (Wedell-Wedellsborg & Miller, 2016), “venture builder as a service” (Bariller et al., 2018; Szigeti, 2019), “corporate studio” (Lawrence et al., 2019), “corporate venture builder” (Szigeti, 2019), or “startup for enterprise” (Ehrhardt, 2021) model. This thesis uses the term Venture Builder as a Service (VB as a Service) to emphasize our focus on independent venture builders not owned by corporates or affiliated with research organizations. Examples of this kind of company are BCG Digital Ventures or Ustwo. While Szigeti (2019) and Lawrence et al. (2019) acknowledge the service-based nature of the model, they do not make a separate distinction between corporate-owned or independent venture builders. This seems counter-intuitive given the potentially very different incentives and business model caused by the lack of economic

independence. By using the more distinct term VB as a Service we agree with Bariller et al. (2018) and hope to contribute to a more precise nomenclature among venture builder business models. Within the *Economics* dimension, a difference to the Pure-play VB is that equity ownership in the ventures is much lower than for the Pure-play VB (Doyle, 2021) or nonexistent. Most VB as a Service projects are conducted on behalf of a corporate client that initiates and finances the project. In that case, the VB earns fees based on the services provided. (Lawrence et al., 2019; Szigeti, 2019; Doyle, 2021). A less common variation to this approach is that the venture builder takes a larger ownership share initially, and the corporate client has the right to buy the venture in case it is successful (Ehrhardt, 2021). In both cases, the overall goal is to have the client company take over the created startup, either before or during the growth phase of the startup (Szigeti, 2019; Ehrhardt, 2021).

Regarding the *Venture Creation* dimension, Erhardt (2021) states that with this model, the start-up creation process for the external partner is taken over by the VB as a Service to enable innovation and create new products or access new markets. The client can also supply internal ideas to the venture builder, which are then built upon (Doyle, 2021). In contrast to the Pure-play VB model, industry network and expert knowledge are not necessarily the main domain of the VB as a Service but are largely provided by the corporate partner (Szigeti, 2019). The client teams up with the VB as a Service and provides market research, data, and intellectual property (Ehrhardt, 2021). The corporation also provides channels for the go-to-market strategy (Szigeti, 2019) and industry experts that work as startup managers in collaboration with the venture builder staff (Ehrhardt, 2021).

Since this type of venture builder caters to a client's need, the degree of overall *Control* is much lower. However, given the differences in the economics of the business model mentioned above, this is less impactful for the Venture Builder as a Service. It is not necessarily dependent on the actual launch and scale-up of the startups it conceptualizes, given the fee revenues for the initial ideation and validation part (Lawrence et al., 2019; Doyle, 2021; Szigeti, 2019). To summarize, the main difference to the Pure-play VB is the existence of a corporate client or sponsor that initiates and finances the project.

4.1.3 Venture Capitalist and Venture Builder

Another group of venture builders can be distinguished based on shared characteristics with the traditional venture capital model. These firms are sometimes referred to as “venture capital labs”, “VC studios”, (Lawrence et al., 2019) “investor-led startup factories” (Rampton, 2015), “investor company builders” (Gutmann, 2019), or simply the “VC model” (Mocker & Murphy,

2014). We call these firms Venture Capitalist and Venture Builder (VC and VB). Examples for well-known VC and VBs include First Round, Betaworks and Project A. As the name suggests, the *Economics* of this model are closer to a traditional venture capital fund. Doyle (2021) states that VC and VBs acquire equity in startups like a regular VC fund and provide venture building services to the startups it invests in while charging a fee on those services. Other sources suggest that the services are not paid for in fees but are provided against a higher equity stake in the startup (Marsh, 2014). Even others indicate that the venture building activities of VC and VBs are financed internally with fees or income from the venture capital part of the business (Lawrence et al., 2019). VC and VBs typically have an early-stage investment focus and benefit from their activities regarding early access to additional deal flow and entrepreneurs (Marsh, 2014; Bariller et al., 2018). They are less formally involved in the *Venture Creation* process than other models (Lawrence et al., 2019), mainly supplying entrepreneurs with resources like office space and access to individual services like design or marketing support (Mocker & Murphy, 2014; Alhokail et al., 2019). They also provide entrepreneurs with industry expertise and their network, which can be meaningful for startup founders since VCs constantly screen the market and are aware of current trends and opportunities (Bariller et al., 2018; Lawrence et al., 2019). A common support area for the startups is industry research in the early stage (Lawrence et al, 2019). Given the typical minority stake size of venture capital investments and the collaboration with external entrepreneurs, this type of venture builder has less *Control* over the startups they work with compared to the Pure-play VB model (Lawrence et al., 2019). However, from there VC investment activities they have means to exercise control even with limited ownership stake (Kaplan & Strömberg, 2003). The difference to traditional VC funds is the focus on active involvement and building of the VB, while the difference to Pure-play VB is the existence of a standalone VC fund that invests without the VB providing venture building support.

4.1.4 Incubator / Accelerator and Venture Builder

The fourth type of venture builders is referred to as “accelerator studio” (Lawrence et al., 2019), “incubator-initiated venture builder” (Bariller et al., 2018), “outside-in startup studio” (Ehrhardt, 2021), or “accelerator with studio division” (Szigeti, 2019). We call this the Incubator / Accelerator and Venture Builder (Incubator / Accelerator and VB). While the type is mentioned in the literature, rarely any specific characteristics are reported. As the name suggests, this type borrows traits from traditional incubator and accelerator firms. Prominent examples representing this model are Entrepreneur First or Founder’s Factory.

Regarding the *Economics*, compared to Pure-play VBs these firms take a smaller equity stake and engage after the initial idea generation while offering less holistic operational support (Ehrhardt, 2021; Bariller et al., 2018). The literature is ambiguous about the most significant features of the *Venture Creation* dimension and the differences to traditional incubators and accelerators. Lawrence et al. (2019) state that the type works with outside established companies and ideas like accelerators, but that the onboarding process is flexible and not cohort-based. In contrast, Erhardt (2021) and Bariller et al. (2018) point out that the main difference to traditional accelerators is that this type works with individuals with initial ideas but no team yet, conducts co-founder and idea matching, and facilitates the idea validation process. This goes beyond the mere offering of education and mentorship opportunities from traditional accelerators like Y Combinator. Compared to Pure-play VBs, this type is also much less involved in the late-stage growth phase (Lawrence et al., 2019). While some sources suggest programs have fixed engagement periods that typically last a couple of months (Bariller et al., 2018; Ehrhardt, 2021), others indicate that engagement with the startups can also go on for a more extended period of one to two years (Lawrence et al., 2019; Bariller et al., 2018). Regarding the *Control* dimension, startups of this type are more independent compared to the Pure-play VB model since the operational involvement is less deep and tends to be shorter. Additionally, as mentioned, equity stakes taken are usually small and hence less formal control exists. (Alhokail et al., 2019; Bariller et al., 2018).

4.2 Interviews

This section presents an overview of the key findings from the interviews, highlighting responses that explain and complement insights from the other research methods.

4.2.1 Data

We conduct six interviews with current and former employees of seven venture builders. Five participants were junior employees, and one was a senior employee. Junior employees are defined as employees below the partner or executive level. Among the firms are two Pure-play VBs, two VB as a Service firms and three VC and VBs. One venture builder is small with up to 10 employees and six are big with more than ten employees. All six interview participants are based in Europe. The interviews took place between April and May 2022 and lasted between 18 and 40 minutes, with an average of 28 minutes. A complete list of all interview participants can be found in Appendix A3.

4.2.2 Results

The VBs of all participants match our respective categories, and answers are presented accordingly.

4.2.2.1 Economics

For *Pure-play VBs*, participants confirmed the high equity stakes identified in the literature research. An advantage of the early engagement is that the equity is relatively "cheap," as it is compensation for both the initial idea generation / validation process and the starting capital at the launch of the startup. Participant 4 states that fees are charged for their services after the startup becomes operationally independent from the VB. Interestingly, the high equity stake of the VB can have negative implications for the startups. Some VC funds are reluctant to provide financing to ventures with a strong institutional owner that does not stay operationally involved due to the negative impact on control and incentive alignment. Participant 6, however, describes that VCs are still investing if the business is very attractive and the value generated by the VB is clear. However, the startup management also needs to be incentivized with sufficient equity ownership. As indicated in the literature, Pure-play VBs themselves also have investors. The investor money is used for ongoing operations and as starting cash for the ventures. Investors inject funds directly into the venture builder, aligning with the holding entity structure discussed previously (Szigeti, 2019; Carbrey, 2020). After supplying the starting capital, the VB prefers

to attract external investors for a subsequent round to control for external confirmation of the business model.

The *VB as a Service* primarily generates revenues through fees from clients in alignment with our literature research and survey results. If equity stakes are taken, those are typically only up to 10% and primarily serve as incentive alignment tools. Sometimes "sweat equity" as compensation for project work is received, commonly because it is used as a negotiation tool when clients want to reduce the fees for a project. Generally, equity plays only a minor role in compensation since corporates often finance and therefore own the startup projects themselves. There is no free market for the equity stake, and valuations are typically lower since capital investment and growth are less substantial than for traditional venture capital-backed startups.

The service packages offered align with the venture creation process identified in the literature research. The most booked services are idea generation, idea validation, and initial product conception and development. Many clients discontinue projects after these initial phases. Some reasons are the internal approval processes of large corporates for such projects and the high costs. Both participants agree that the services are costly, as it takes a significant amount of workforce on the side of the VB to run complete operations of a venture. Participant 1 describes that an entire early-stage support team can consist of 10-20 employees while hours are billed at rates comparable to typical strategy consulting fees.

VC and VBs acquire equity stakes for cash and the operational support provided, aligning with Marsh (2014). However, they also execute standard venture capital transactions without operational involvement. Participant 2 states that 2/3 of capital is spent on regular venture capital deals and 1/3 on venture building deals. In the following, we will focus on the characteristics of the venture building arm. The typical equity stake taken by VC and VBs amounts to around 15% to 25%. Participant 2 describes that additional fees are charged rarely, as mentioned in the literature. In case, those are mainly paid for office space provided and without the intention of generating profits. The main difference to a standard VC investment is that the investment terms and especially the valuation are more favorable because of the early operational involvement, confirming Marsh (2014) and Bariller et al. (2018). Leveraging their market insights, research capabilities, and industry experience, *VC and VBs* develop initial ideas and business models. Then they find and match a team of startup founders that can execute these ideas. The more time and support invested by the VC and VB, the better are typically the terms. Overall, the participants report that the venture building approach outperforms their average VC investments, but there are not enough results yet to quantify this.

Concerning the development of the industry, participants state that the startup financing market and the startup support ecosystem in Europe has developed significantly in the past years. Startups have more options to look to for advice, and more and more money is chasing founders in Europe. For example, large North American (early-stage) funds like Sequoia Capital are increasing their presence in the European market (Konrad, 2020). This shifted the power dynamic towards founders and forced investors to engage earlier, one example being through VC and VB deals. However, the biggest challenge for the venture builder model is the limited scalability, as operational support is time intensive and market insights need to come from experienced professionals.

4.2.2.2 Venture Creation

Pure-play VB interview Participant 4 describes ideas are brainstormed in a "wild west" process, relying primarily on experienced employees. Then a business model is fleshed out on paper and pitched to an internal committee before any actual product testing occurs. Once the idea is approved, initial funding is provided, and a team is committed. In a later step, the company is created, and an external team and founder are hired. The venture builder of Participant 4 focuses on the financial sector, where an important area of support is human resources, primarily the recruiting of a technology team or in-house technical capabilities of the VB. The VB also provides access to regulatory experts and a network of potential B2B clients.

Participant 6 states that they mainly cooperate with founders who already have ideas but also develop own ideas. The VB focuses solely on AI topics. They employ a large team of in-house engineers and AI specialists that take away the challenge of finding technical experts for founders with a business background. Speed to market is significantly increased as resources are immediately available, and entrepreneurs can focus on customers, marketing, and the product. As soon as the company is operationally independent, the venture builder winds down support and continues to serve in an advisory role. The venture builder of Participant 4 has recently started to focus more on investment activities, stating that in the fintech industry vertical, the competitive advantage of VBs has decreased due to the evolution of the startup ecosystem. This makes taking high equity stakes for early operational support less defendable and therefore questions the long-term sustainability of a narrow sector focus. Participant 6 agrees that their support model is expensive for founders that have their idea executed by them but believes it adds unique value. Participant 4 expects that the coming up with and implementing own ideas still works well in emerging verticals or geographics.

VB as a Service firms have a very process-driven approach. Existing employees from the client and the venture builder often work together on a project. External management and team members are hired once it is decided to launch the product to market and incorporate a new entity. The support areas are very holistic and depend on the startup phase and the client's in-house competencies. They include idea development, product development, business model development, sales and marketing, and human resources. Furthermore, the venture builder influences soft factors like the necessary work culture to succeed in startup development. Participant 1 describes that they aim to base the venture team not at the client's headquarters to shield the team from being influenced by the corporate culture.

As mentioned, *VC and VBs* are already supporting the idea development process and are engaged earlier than traditional venture capital firms. This "reverse VC model," where the investor is looking for founders and not the founder looking for money, has the advantage that it speeds up the process of startup development for the entrepreneur. The model is tailored for first-time founders who have extensive business experience but lack the time and insight to develop an idea from the ground up. Due to their expertise, the VC and VB also knows about unsuccessful business models and common pitfalls and can prevent the founders from making common mistakes. A variation to this approach is to temporarily hire potential entrepreneurs as so-called "Entrepreneurs-in-Residence" for a fixed period, often six months. Those entrepreneurs then have more time and a fixed salary as downside protection to develop a startup idea by collaborating with the VC and VB.

Operationally, the critical area of support is human resources since first-time entrepreneurs often lack recruiting experience, know-how, and the brand to attract good talent. Additionally, the VC and VB supports the initial legal setup and subsequent fundraising efforts with their experience and network. Participant 2 describes that a financing plan for potential internal follow-on rounds for the first 18 months is prepared during the setup of a new venture. When the time has come, the startup can decide if they want to use this offering or seek to acquire external financing from other investors. This funding security helps the venture management to focus on operations and product development. Support from the VC and VB is common but mostly happens in a mentorship setting and is, therefore, less operational than in the other VB categories. Participant 2 states that a structured approach exists to determine the level of support offered to and needed by startups. Amongst others, the venture development, KPIs, and the current conviction on the startup business model are tracked regularly.

4.2.2.3 Control

Pure-play VBs have substantial control over the ventures as they take a significant minority or majority stake and are deeply involved operationally. The startup management team is sourced externally and usually takes a much smaller equity stake than founders in VC-backed companies. As compensation, the management is paid a relatively high salary. The control of the VB develops from direct impact to an advisory role through board membership over the lifecycle of the startups. All employees working on the project from the venture builder are full-time employees but sometimes decide to switch entirely to the startup when they believe the idea is exciting and promising. Surprisingly, according to Participant 4, the venture builder employees are generally incentivized on the holding company level but sometimes also have options directly in the venture that they currently work on.

VB as a Service firms typically share the leadership between a senior employee of the venture builder and a representative of the corporate. If at all, the startup management team is incentivized only with a small equity stake but a competitive salary compared to independent startups. This is because the startup managers do not take any personal risks. After the operational relationship ends, the VB as a Service has little control over the startups. They have no board rights or other contractual rights. If an equity stake has been taken initially, it is potentially bought back by the client when the project assignment of the venture builder ends.

VC and VBs have strong contractual control over the startups they invest in. Participant 2 describes that the fund already includes typical covenants also used in their traditional VC arm in the financing and shareholder agreements of the venture building deals. By that, they avoid other outside investors later negotiating inferior terms. These covenants are standard within the traditional venture capital industry. They include for example, a monthly KPI report, budget forecasts and annual accounts, approval of key hires, and downside protection for future funding rounds, amongst others.

5 Quantitative Analysis

5.1 Industry research

This section presents the results and insights from analyzing the industry database we compiled based on public sources.

5.1.1 Data

We initially identified 620 companies regarded as venture builders across North America and Europe from public sources like blog posts, industry associations and company websites. After controlling for their activity, 86 of those are not relevant because operations have been discontinued. Another 86 do not match our criteria, primarily because firms are not independent but owned by larger corporations. We compile profiles for each of the remaining 448 firms. The companies are classified according to the four venture builder categories observed previously. Additionally, we collect various data like the company age, the number of employees and the firms' popularity, the number of companies founded and exited, and the firms' industry focus.

5.1.2 Results

5.1.2.1 Venture Builder Characteristics

Table 1 reports the categorization of venture builders in our database. In line with the prevalence in the literature, the largest group is Pure-play VB. It is followed by the VB as a Service, and VC and VB group, which have roughly the same size. Incubator / Accelerator and VB is the smallest group.

Table 1
Venture builder category.
This table shows the business models of the venture builders in our database. The categorization is done manually based on the characteristics of each VB

	Category	
	N	*%*
Pure-play VB	197	*44.0*
VB as a Service	84	*18.8*
VC and VB	81	*18.1*
Incubator/ Accelerator and VB	45	*10.0*
Other	41	*9.2*
Number of observations	448	*100.0*

41 companies cannot be classified in one of the four types, mainly because they have mixed characteristics of all groups. These companies are classified as “Other”. The largest group of companies within “Other” are 25 firms that have Pure-Play VB and VB as a Service characteristics. The considerable overlap between Pure-play VB and VB as a Service firms can potentially be explained by the operational requirements of the two models being very similar. In contrast, running an independent VC or an Incubator / Accelerator program does pose different challenges. A combination of both models can also make sense economically as it increases workforce utilization and adds diversification to income streams. Revenue sources are discussed in more detail in Section 5.2. Overall, we conclude that the venture builder types identified in previous sections represent a good segmentation of the market.

Table 2 reports the size and popularity of the venture builders in our sample. We measure firm size by the number of employees on LinkedIn and popularity by the number of LinkedIn followers. The average firm in the sample has 45 employees. Pure-play VBs are the smallest and least popular firms of the four types, while VC and VBs are the largest and most popular. Incubator / Accelerator and VBs tend to be either very small or very large, while VC and VB have the most balanced distribution between the size groups. The large average size of companies classified as “Other” is driven by a few very large companies offering a range of services, including venture building, acceleration, and VC investments. The average size of companies in the “Other” group with more than 50 employees is 215.

When comparing popularity relative to size, we see that Pure-play VBs have the lowest popularity compared to their size, while VC and VBs the highest. As VC and VBs are partly dependent on inbound deal flow, a possible explanation for the increased popularity is a deliberate marketing effort to gain a competitive advantage. For both VB as a Service and Incubator / Accelerator and VB, the relatively high popularity is partly driven by large outliers. No data is collected for seven companies as they do not have a LinkedIn page.

Table 3 reports the primary location of firms. With 56%, European companies are slightly overweight in the sample. Since the startup ecosystem in the US is much more developed compared to Europe, based on VC funding being three times as high in 2020 (Pojuner & Pratty, 2021), it can be concluded that the venture builder model is more prominent in the European startup ecosystem. We also observe a relationship between the venture builder category and region. The VB as a Service model tends to be much more popular in Europe, while the VC and VB model is more widespread in North America. In North America, the USA is the dominant market where 94% of firms are located. In Europe, France (49 firms, 19%), Germany (39 firms, 16%), and the UK (33 firms, 13%) have the highest numbers of VBs (see Figure 3).

The Pure-play VB category is the dominant model in France and the UK, while in Germany, Sweden, and Spain, VB as a Service firms are more prevalent. Switzerland and Iceland are the only countries in Europe where the VC and VB is the most popular type.

Table 2
Firm size and popularity.

This table shows the size of the venture builders in our sample. In Panel A is the number of Employees on LinkedIn displayed and in Panel B is the Number of LinkedIn followers. Dependence of the variables is tested at the 1%, 5%, and 10% levels and denoted by ∗∗∗, ∗∗, and ∗, respectively.

			Venture Builder categories				
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other
*Panel A: Firm size***							
Average		45	39	46	48	47	62
Median		13	9	20	21	14	19
1 - 9	N	193	103	28	26	20	16
	%	*43.8*	*52.8*	*33.7*	*32.5*	*44.4*	*42.1*
10 - 24	N	100	45	22	18	8	7
	%	*22.7*	*23.1*	*26.5*	*22.5*	*17.8*	*18.4*
25 - 50	N	71	25	17	18	5	6
	%	*16.1*	*12.8*	*20.5*	*22.5*	*11.1*	*15.8*
> 50	N	77	22	16	18	12	9
	%	*17.5*	*11.3*	*19.3*	*22.5*	*26.7*	*23.7*
Number of observations		441	195	83	80	45	38
*Panel B: Popularity***							
Average		4,220	2,898	4,193	5,662	5,234	6,823
Median		1,020	663	1,206	2,472	1,193	1,998
1 - 999	N	219	117	38	26	22	16
	%	*49.7*	*60.0*	*45.8*	*32.5*	*48.9*	*42.1*
1,000 - 2,499	N	75	33	14	14	9	5
	%	*17.0*	*16.9*	*16.9*	*17.5*	*20.0*	*13.2*
2,500 - 5,000	N	64	19	14	18	4	9
	%	*14.5*	*9.7*	*16.9*	*22.5*	*8.9*	*23.7*
> 5,000	N	83	26	17	22	10	8
	%	*18.8*	*13.3*	*20.5*	*27.5*	*22.2*	*21.1*
Number of observations		441	195	83	80	45	38

Table 3
Geographic activity.

This table shows the geographic exposure of the venture builders in our sample. Dependence of the variables is tested at the 1%, 5%, and 10% levels and denoted by ∗∗∗, ∗∗, and ∗, respectively.

			Venture Builder categories				
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other
*Geography****							
Europe	N	252	109	64	31	25	23
	%	*56.3*	*55.3*	*76.2*	*38.3*	*55.6*	*56.1*
North America	N	196	88	20	50	20	18
	%	*43.8*	*44.7*	*23.8*	*61.7*	*44.4*	*43.9*
Number of observations		448	197	84	81	45	41

Figure 3
Distribution of venture builder types in Europe.

This figure shows the geographic distribution of European-headquartered venture builders in our sample. The number in each country represents the number of venture builders primarily active in that country and the color shading of the country represents the dominant category of venture builder type.

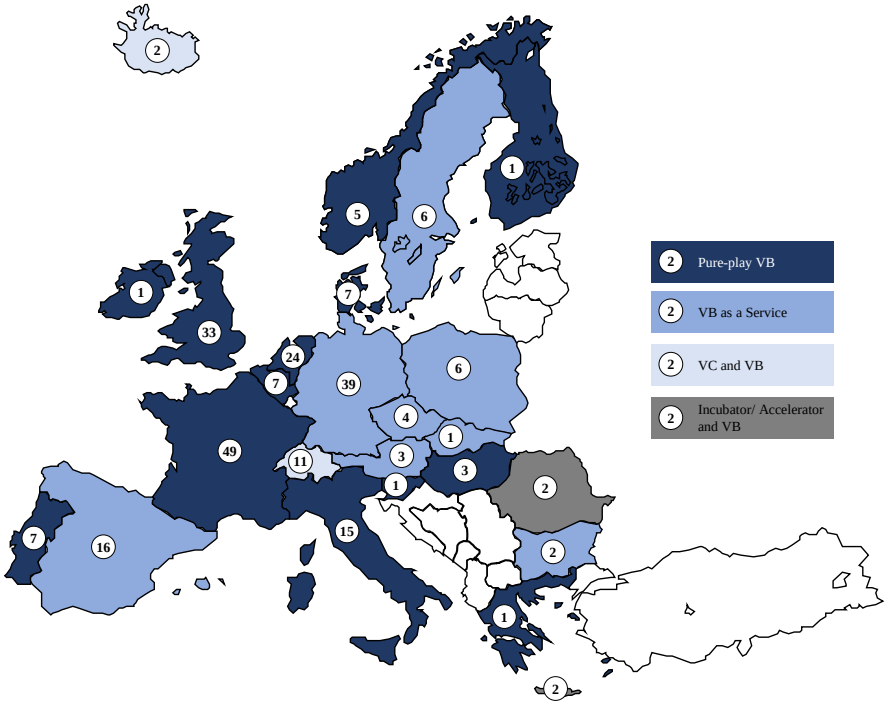
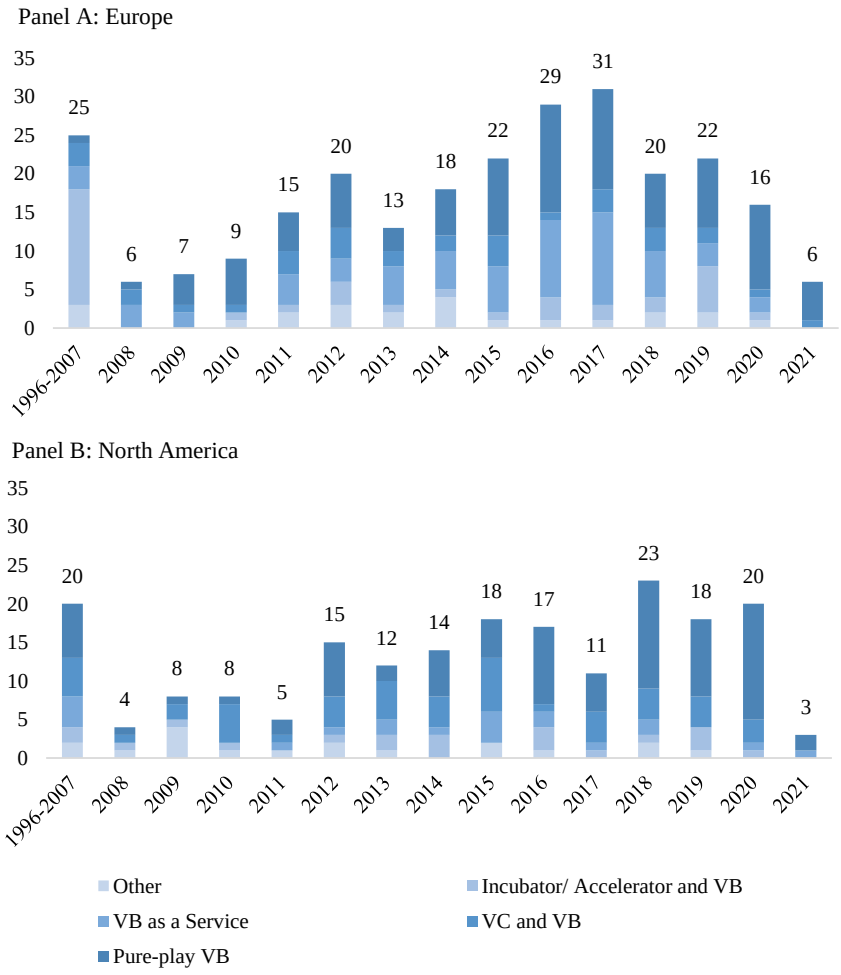


Figure 4 shows that most venture builders still active today were founded after 2008. In Europe, 2016 and 2017 show the highest number of new firms founded, with 29 and 31, respectively. In 2020 the number of new venture builders started had almost halved from the peak in 2017 and had reached the lowest number since 2013. The average age of VBs in Europe is 7.6 years. "Others" are the oldest category with 9.3 years on average, followed by VC and VBs with 8.2 years. Pure-play VBs are the youngest, with an average age of 7.2 years.

Venture builder growth in North America has peaked two times over the observation period. During the first peak, around 2015, there was a big increase in VC and VBs, and VB as a Service firms while during the second peak in 2018-2020, many Pure-play VBs have been founded. The average age across the North American sample is with 7.7 years similar to Europe. Again, companies in the "Other" category are the oldest, with an average age of 10.5 years, followed by VB as a Service firms with 8.9 years. The overall high average age of "Other" firms in both geographies can potentially be explained by recently founded VBs being more specialized or by VBs diversifying into a broader set of activities with increasing age. Across the entire sample, the Pure-play VB model is the youngest at 6.3 years, while VC and VB (8.3 years) and VB as a Service (7.7 years) firms are more mature. A significant drop of newly founded venture

builders occurs in both regions in 2021. We assume the main cause for this is that freshly founded firms are not yet established enough to show up in the public sources we used to construct our database.

Figure 4
Venture builder quantity over time.
This figure shows the number newly founded venture builders per year in each category. Panel A shows the number for Europe. Panel B shows the number for North America.



No geographic trend can be observed regarding the 86 discontinued firms we identified initially but did not include in the database. Most of those firms were founded between 2012 and 2014, corresponding to the first big wave of venture builders founded.

5.1.2.2 Venture Creation

Table 4 reports the number of startups founded by venture builders amounting to 10,343 in total. More than half of those are founded by VC and VBs. However, as companies do not consistently report this data, we cannot differentiate between startups supported by these firms'

traditional venture capital arm and those supported by the venture building arm. Therefore, our sample potentially overweighs the number of ventures started by VC and VBs. An indication of this is that in the survey where we only ask about the venture building activities of firms (Table 18), VC and VBs are not the most active category. Incubator / Accelerator and VBs are the second most active group in our database with an average of 34 startups founded. Pure-play VBs and VB as a Service firms are less active, with an average of 13 and 12 companies founded, respectively. High outliers move the average significantly above the median for all VB categories. Overall, larger companies are more active than smaller companies. A potential explanation is the workload affiliated with founding a company. Furthermore, North American VBs are significantly more active than European ones. Controlling for the VB categories, the higher activity of American VBs is driven primarily by large VC and VBs in that area. 74 firms of the sample are included in the analysis as we could not source data on their portfolio startups.

Table 4
Companies founded.

This table shows the number of ventures founded by companies in our sample. The numbers are based on the Crunchbase profile or websites of the venture builder. Statistical significance of the difference between regions and size means at the 1%, 5%, and 10% levels are denoted by ***, **, and *, respectively.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Startups founded	N	10,343	2,162	737	5,427	1,183	834	3,785	6,558	1,207	9,136
	%	*100.0*	*20.9*	*7.1*	*52.5*	*11.4*	*8.1*	*36.6*	*63.4*	*11.7*	*88.3*
Average		28	13	12	70	34	27	18	39**	8	42***
Median		7	6	6	23	9	10	6	8	4	11
Annually		2.7	1.7	1.3	6.9	2.9	1.7	2.0	3.6	1.1	4.2
Number of VBs		374	168	63	77	35	31	207	167	147	227

Table 5
Companies exited.

This table shows the number of ventures exited by companies in our sample. The numbers are based on the Crunchbase profile or the website of the venture builder. Statistical significance of the difference between regions and size means at the 1%, 5%, and 10% levels are denoted by ***, **, and *, respectively.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Startups exited	N	1,128	242	4	694	105	83	296	832	119	1,009
	%	*100.0*	*21.5*	*0.4*	*61.5*	*9.3*	*7.4*	*26.2*	*73.8*	*10.5*	*89.5*
Average		9	5	1	14	6	7	5	12**	4	10***
Median		3	2	1	5	5	3	2	3	2	3
Annually		0.2	0.1	0.0	0.8	0.2	0.2	0.1	0.4	0.1	0.4
Number of VBs		129	49	5	50	13	12	59	70	33	96

Table 5 displays the number of companies exited as another proxy for activity. Overall, 1,128, or about 10% of the companies founded by venture builders, have been exited. An exit is the sale of the equity in a venture, e.g., to a 3rd party buyer or through an IPO (Novoa, 2022). Only 129 companies, or 29% of our sample, have already exited a venture. A potential

explanation is that many venture builders in our sample are still too young to have successfully exited a company, as seen in our interviews, and that not all founded ventures result in a successful exit. Another explanation is that companies do not always announce exits. We only observe four exits in the entire VBs as a Service sample that has founded 737 startups. This corresponds to the insights from literature and interviews that these firms are not taking ownership often or that the exits they are having are not conducted as publicly announced sales. Accordingly, the number of startups they work on can be high without any typical exit events taking place subsequently.

Table 6
Industry focus.
This table shows the number of companies with a specific sector focus by the venture builder categories, region, and size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Total	N	448	197	84	81	45	41	252	196	195	246
Sector focus	N	192	87	27	43	18	17	107	85	81	111
	%	*42.9*	*44.2*	*32.1*	*53.1*	*40.0*	*41.5*	*42.5*	*43.4*	*41.5*	*45.1*

VC and VBs represent 62% of the startup exits in our sample. The investment focus of that group can explain this overrepresentation. Size has no impact on the exit probability. As exits are one way to measure VB success, a potential conclusion is that size has no effect on VB success. The generally low number of exits raises questions regarding the success and sustainability of the venture builder model, which we will further discuss in the survey section.

Table 6 reports the observations of the industry focus of venture builders. We consider companies with a focus on up to three sectors as focused, while companies reporting more than three are not considered focused. 192 companies, or 43%, have a sector focus. With 53%, the VC and VB group has the strongest focus, while VB as a Service firms are the least likely to be focused. According to the literature, this can be explained by the model having its roots in the traditional venture capital business model, which is often focused on specific industry sectors. The less prevalent sector focus of VB as a Service firms is also in line with our literature and interviews. The 192 companies with a sector focus are, on average, focused on 1.5 industries per company. Overall, 43 different industry verticals are identified.

In Table 7 we show all 20 verticals that three or more companies mention. The industry vertical with the greatest attention is Healthcare, with 17.6% of all observations, followed by Sustainability (12.6%) and Fintech (12.2%). An even greater focus on Sustainability is observed in Europe, where it is the most common vertical. The Healthcare, Consumer, and Cybersecurity

sectors are more represented in North America, while Mobility and Ecommerce are more common in Europe.

Table 7
Industry verticals.

This table shows the number of companies focused on each industry by venture builder categories, region, and size. Only industries mentioned three times, or more are included.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
AI and ML	N	21	11	2	5	0	3	12	9	6	15
	%	*8.8*	*11.5*	*4.9*	*8.3*	*0.0*	*12.5*	*9.0*	*8.7*	*7.1*	*9.7*
Consumer	N	12	5	0	7	0	0	3	9	4	8
	%	*5.0*	*5.2*	*0.0*	*11.7*	*0.0*	*0.0*	*2.2*	*8.7*	*4.8*	*5.2*
Crypto and blockchain	N	10	3	1	3	2	1	5	5	2	8
	%	*4.2*	*3.1*	*2.4*	*5.0*	*11.8*	*4.2*	*3.7*	*4.8*	*2.4*	*5.2*
Cybersecurity	N	6	2	0	3	1	0	1	5	0	6
	%	*2.5*	*2.1*	*0.0*	*5.0*	*5.9*	*0.0*	*0.7*	*4.8*	*0.0*	*3.9*
Ecommerce	N	12	5	2	4	1	0	9	3	4	8
	%	*5.0*	*5.2*	*4.9*	*6.7*	*5.9*	*0.0*	*6.7*	*2.9*	*4.8*	*5.2*
Edtech	N	5	1	0	1	1	2	2	3	3	2
	%	*2.1*	*1.0*	*0.0*	*1.7*	*5.9*	*8.3*	*1.5*	*2.9*	*3.6*	*1.3*
Energy	N	5	0	1	2	0	2	4	1	1	4
	%	*2.1*	*0.0*	*2.4*	*3.3*	*0.0*	*8.3*	*3.0*	*1.0*	*1.2*	*2.6*
Fintech	N	29	13	7	9	0	0	17	12	9	20
	%	*12.2*	*13.5*	*17.1*	*15.0*	*0.0*	*0.0*	*12.7*	*11.5*	*10.7*	*13.0*
Foodtech	N	4	2	1	0	0	1	2	2	2	2
	%	*1.7*	*2.1*	*2.4*	*0.0*	*0.0*	*4.2*	*1.5*	*1.9*	*2.4*	*1.3*
Gaming	N	4	2	0	1	1	0	3	1	2	2
	%	*1.7*	*2.1*	*0.0*	*1.7*	*5.9*	*0.0*	*2.2*	*1.0*	*2.4*	*1.3*
Healthcare	N	42	20	5	4	5	8	18	24	14	28
	%	*17.6*	*20.8*	*12.2*	*6.7*	*29.4*	*33.3*	*13.4*	*23.1*	*16.7*	*18.2*
Insurtech	N	10	3	5	2	0	0	7	3	1	9
	%	*4.2*	*3.1*	*12.2*	*3.3*	*0.0*	*0.0*	*5.2*	*2.9*	*1.2*	*5.8*
IoT	N	6	3	3	0	0	0	4	2	1	5
	%	*2.5*	*3.1*	*7.3*	*0.0*	*0.0*	*0.0*	*3.0*	*1.9*	*1.2*	*3.2*
Marketplace	N	8	2	2	3	1	0	5	3	4	4
	%	*3.4*	*2.1*	*4.9*	*5.0*	*5.9*	*0.0*	*3.7*	*2.9*	*4.8*	*2.6*
Media	N	8	4	3	1	0	0	3	5	3	5
	%	*3.4*	*4.2*	*7.3*	*1.7*	*0.0*	*0.0*	*2.2*	*4.8*	*3.6*	*3.2*
Mobility	N	11	5	2	2	0	2	10	1	6	5
	%	*4.6*	*5.2*	*4.9*	*3.3*	*0.0*	*8.3*	*7.5*	*1.0*	*7.1*	*3.2*
Real estate and Contech	N	5	1	1	3	0	0	4	1	5	0
	%	*2.1*	*1.0*	*2.4*	*5.0*	*0.0*	*0.0*	*3.0*	*1.0*	*6.0*	*0.0*
Robotics	N	4	1	0	1	0	2	2	2	0	4
	%	*1.7*	*1.0*	*0.0*	*1.7*	*0.0*	*8.3*	*1.5*	*1.9*	*0.0*	*2.6*
Software	N	6	1	2	2	1	0	4	2	3	3
		2.5	*1.0*	*4.9*	*3.3*	*5.9*	*0.0*	*3.0*	*1.9*	*3.6*	*1.9*
Sustainability	N	30	12	4	7	4	3	19	11	14	16
	%	*12.6*	*12.5*	*9.8*	*11.7*	*23.5*	*12.5*	*14.2*	*10.6*	*16.7*	*10.4*
Number of VBs		238	96	41	60	17	24	134	104	84	154

Healthcare is the most observed focus sector for Pure-play VBs, Incubator / Accelerator and VBs and the "Other" group. Fintech is the most common sector for VC and VBs and VB as a Service firms.

5.2 Survey

This section presents the survey responses, emphasizing important observations and connections to insights from the other research methods.

5.2.1 Data

For the 448 venture builders identified previously, we were able to source contact details of 411. Out of the 411 venture builders that received our survey, 82 fully completed it, implying 18.3% of VBs answering the survey. The results are presented as cross-sections on the venture builder category, size, and geography. The responses are structured following our dimensions of *Economics*, *Venture Creation*, and *Control*.

Table 8
Venture builder category.
This table shows the size and business models of the venture builders in our sample. The question is "Which of the following labels describes you best?" where Pure-play Venture Builder is described as "Venture Builder (VB) that focuses on building startups in-house and potentially from scratch, with no VC fund attached", Venture Builder as a Service is described as "VB that mainly offers venture building services for external clients", VC and VB is defined as "VC fund with VB who might or might not invest in own ventures", and Incubator / Accelerator and Venture Builder is described as "Incubator / Accelerator-like programs that also interact with startups as VB". Response rate is the share of VB for each category that answered the survey. The response rate indicates the percentage of companies in that category that answered our survey.

	Category		Response rate
	N	*%*	*%*
Pure-play VB	31	*37.8*	*15.7*
VB as a Service	27	*32.9*	*32.1*
VC and VB	14	*17.1*	*17.3*
Incubator/ Accelerator and VB	8	*9.8*	*17.8*
Other	2	*2.4*	*4.9*
Number of responses	82	*100.0*	*18.3*

Table 9
Firm size.
This table shows the size of the venture builders in our sample. The size parameter is questioned by asking for the number of permanent employees.

			Venture Builder categories				
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other
1 - 9	N	34	15	8	7	4	0
	%	*41.5*	*48.4*	*29.6*	*50.0*	*50.0*	*0.0*
10 - 24	N	18	4	8	3	2	1
	%	*22.0*	*12.9*	*29.6*	*21.4*	*25.0*	*50.0*
25 - 50	N	13	6	4	2	1	0
	%	*15.9*	*19.4*	*14.8*	*14.3*	*12.5*	*0.0*
> 50	N	17	6	7	2	1	1
	%	*20.7*	*19.4*	*25.9*	*14.3*	*12.5*	*50.0*
Number of responses		82	31	27	14	8	2

5.2.2 Results

5.2.2.1 Venture Builder Characteristics

Table 8 reports the summary statistics for the different categories of venture builders in our sample. With a share of 38%, most companies identify as Pure-play VBs, while the second largest group with 33% is VBs as a Service. We observe that with 10%, the combination of Incubator / Accelerator and VB is the least represented among the responses. Two companies initially identified as "Other" but provided a more detailed self-description that matched the existing categories and were added to the respective groups. Of the two remaining "Other" responses, one firm states that its business model is a mix of the first three categories.

The second respondent operates as a venture builder but also offers special services like setting up corporate venture capital funds for clients. Therefore, those are reported separately for completeness. No responses for the answer choice "I do not identify as a company builder" are recorded. This supports the validity of the categories identified. Another explanation is that companies that do not fit in the categories chose not to answer the survey. However, of the total 411 companies contacted, we have only received one email response indicating that the survey is not relevant for them. Compared to the observations made in Section 5.1, our survey results broadly match the distribution of VB types but overrepresents VB as a Service firms. A potential explanation is the previously mentioned classification of the VB as a Service firms that also conduct "Pure-play VB business" as "Other" in the industry research section.

Table 9 indicates the size of firms, measured by the number of permanent employees. The distribution amongst the different size brackets is skewed to smaller firms, with 42% of companies having less than 10 employees and 64% having less than 25 employees. Around half of Pure-play VBs, VC and VBs, and Incubator / Accelerator and VB firms are in the smallest size group. As already observed in the industry research section, this trend is less pronounced for the VB as a Service category. Additionally, VB as a Service firms are more likely than other groups to have more than 50 employees. A possible explanation is that with the client-faced services approach, it is necessary for VB as a Service firms to engage a higher number of employees with a more diverse skillset to cover clients' needs, while stable service revenues support this larger headcount. To control for size differences between firms, we classify all companies with 1-9 employees as "small" and all companies with 10 and more employees as "big." The size distribution among survey respondents aligns with the one observed in the industry research section, making our survey sample a good representation of the overall database.

Table 10
Geographic activity by venture builder category.
This table shows the regional distribution amongst the venture builders in our survey as a cross section with the venture builder categories.

			Venture Builder categories					
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Response rate in %
Europe	N	65	22	25	11	6	1	*25.8*
	%	*79.3*	*71.0*	*92.6*	*78.6*	*75.0*	*50.0*	
North America	N	17	9	2	3	2	1	*8.7*
	%	*20.7*	*29.0*	*7.4*	*21.4*	*25.0*	*50.0*	
Number of responses		82	31	27	14	8	2	*18.3*

Table 10 reports the regions where firms are primarily active in. It indicates the response sample is heavily overweighting European firms compared to the overall population. A possible explanation is the location of the researchers in Sweden and the affiliation with the Stockholm School of Economics, which might have resulted in the increased motivation of European firms to participate.

5.2.2.2 Economics

We asked the venture builders for their primary source of revenue, differentiating between fees, sale/IPO proceeds, operating profit, "Other", and no venture building revenue. The results are shown in Table 11. For VB as a Service firms, we observe that fees are the primary source of revenue, with 96% of all answers for this category. This confirms our prior observations. No VB as a Service chose sale / IPO proceeds or operating profit as an answer.

Table 11
Revenue sources.
This table describes the different sources of revenue for the sample of venture builders. The question is "What is your primary source of revenue?" The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Fees	N	39	6	26	4	2	1	31	8	14	25
	%	*48.1*	*20.0*	*96.3*	*28.6*	*25.0*	*50.0*	*48.4*	*47.1*	*41.2*	*53.2*
Sale/ IPO proceeds	N	24	16	0	7	1	0	20	4	13	11
	%	*29.6*	*53.3*	*0.0*	*50.0*	*12.5*	*0.0*	*31.3*	*23.5*	*38.2*	*23.4*
Operating profit	N	8	6	0	1	1	0	6	2	4	4
	%	*9.9*	*20.0*	*0.0*	*7.1*	*12.5*	*0.0*	*9.4*	*11.8*	*11.8*	*8.5*
No VB revenue	N	5	1	0	2	2	0	2	3	2	3
	%	*6.2*	*3.3*	*0.0*	*14.3*	*25.0*	*0.0*	*3.1*	*17.6*	*5.9*	*6.4*
Other	N	5	1	1	0	2	1	5	0	1	4
	%	*6.2*	*3.3*	*3.7*	*0.0*	*25.0*	*50.0*	*7.8*	*0.0*	*2.9*	*8.5*
Number of responses		81	30	27	14	8	2	64	17	34	47

On the other hand, most Pure-play VBs aim to earn money with exit proceeds, making this revenue source slightly more important for that category than for VC and VBs. This supports the thesis of the Pure-Play VB (and VC and VB) being very ownership-driven. 6 of 30 Pure-play VBs responded that operating profit is their primary source of revenue. In contrast, no VB as a Service has reported this, and only one in the two other VB categories. An interesting observation is that 20% of Pure-play VBs and 29% of VC and VBs answer that fees are their primary source of revenue. A possible explanation for the VC and VB group consistent with our prior research is that those charge for operational support services separately in addition to being an equity owner. For Pure-play VBs, our interviews already indicated that fees are a part of revenues, especially after the operational engagement. Venture builders in North America are more likely to offer services for free, which cannot be explained by the distribution of business models in that region.

Table 12 reports the procedure for acquiring equity ownership in the ventures. Equity ownership is the key to participating in the potentially substantial upside in a startup's value. Based on our previous research, the survey question differentiates between two currencies for equity acquisition: financial capital, or services in terms of operational support. Within the VC and VB category, the predominant way of acquiring equity is through a mixture of cash and operational support, supporting the notion of more operational involvement compared to traditional VCs. 37% of Pure-play VBs receive equity for being involved operationally in the ventures, while 53% of firms within that group use a mix of capital and service investments. This supports the previous insights that this group acquires equity relatively cheaply as they use a mix of financial and operational resources.

Table 12
Equity acquisition.

This table describes the means of equity acquisition for the sample of venture builders. The question is "How do you acquire equity in the ventures you build?". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Being co-founder/ operative support	N	28	11	13	1	3	0	24	4	12	16
	%	*34.6*	*36.7*	*48.1*	*7.1*	*37.5*	*0.0*	*37.5*	*23.5*	*35.3*	*34.0*
Cash investment	N	4	3	0	0	1	0	3	1	2	2
	%	*4.9*	*10.0*	*0.0*	*0.0*	*12.5*	*0.0*	*4.7*	*5.9*	*5.9*	*4.3*
Mixture	N	39	16	6	13	3	1	29	10	18	21
	%	*48.1*	*53.3*	*22.2*	*92.9*	*37.5*	*50.0*	*45.3*	*58.8*	*52.9*	*44.7*
No equity	N	9	0	7	0	1	1	7	2	2	7
	%	*11.1*	*0.0*	*25.9*	*0.0*	*12.5*	*50.0*	*10.9*	*11.8*	*5.9*	*14.9*
Other	N	1	0	1	0	0	0	1	0	0	1
	%	*1.2*	*0.0*	*3.7*	*0.0*	*0.0*	*0.0*	*1.6*	*0.0*	*0.0*	*2.1*
Number of responses		81	30	27	14	8	2	64	17	34	47

Table 13
Equity ownership.

This table shows the responses to the question "How much equity do you typically hold in the ventures you work with / you build?" in Panel A and to "How much equity does the management team of the ventures you work with hold?" in Panel B. Management team was defined as founding team in an independent venture. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Panel A: Venture Builder											
0%	N	10	0	8	0	1	1	7	3	3	7
	%	*12.5*	*0.0*	*29.6*	*0.0*	*12.5*	*50.0*	*11.1*	*17.6*	*8.8*	*15.2*
1 - 10%	N	18	1	10	3	4	0	16	2	6	12
	%	*22.5*	*3.3*	*37.0*	*23.1*	*50.0*	*0.0*	*25.4*	*11.8*	*17.6*	*26.1*
11 - 25%	N	19	7	5	6	0	1	15	4	8	11
	%	*23.8*	*23.3*	*18.5*	*46.2*	*0.0*	*50.0*	*23.8*	*23.5*	*23.5*	*23.9*
26 - 50%	N	17	10	3	1	3	0	14	3	12	5
	%	*21.3*	*33.3*	*11.1*	*7.7*	*37.5*	*0.0*	*22.2*	*17.6*	*35.3*	*10.9*
> 50%	N	16	12	1	3	0	0	11	5	5	11
	%	*20.0*	*40.0*	*3.7*	*23.1*	*0.0*	*0.0*	*17.5*	*29.4*	*14.7*	*23.9*
Number of responses		80	30	27	13	8	2	63	17	34	46
Panel B: Management team											
0%	N	6	0	4	1	1	0	5	1	2	4
	%	*7.6*	*0.0*	*15.4*	*7.7*	*12.5*	*0.0*	*8.1*	*5.9*	*6.1*	*8.7*
1 - 10%	N	7	2	5	0	0	0	7	0	3	4
	%	*8.9*	*6.7*	*19.2*	*0.0*	*0.0*	*0.0*	*11.3*	*0.0*	*9.1*	*8.7*
11 - 25%	N	17	10	5	1	1	0	13	4	4	13
	%	*21.5*	*33.3*	*19.2*	*7.7*	*12.5*	*0.0*	*21.0*	*23.5*	*12.1*	*28.3*
26 - 50%	N	15	5	5	4	0	1	13	2	5	10
	%	*19.0*	*16.7*	*19.2*	*30.8*	*0.0*	*50.0*	*21.0*	*11.8*	*15.2*	*21.7*
> 50%	N	34	13	7	7	6	1	24	10	19	15
	%	*43.0*	*43.3*	*26.9*	*53.8*	*75.0*	*50.0*	*38.7*	*58.8*	*57.6*	*32.6*
Number of responses		79	30	26	13	8	2	62	17	33	46

At the same time, it is evidence for the point that some Pure-play VBs also have external investors to finance the cash portion of their support. In contrast to our previous observations, 48% of VB as a Service firms are granted an equity stake in return for operational services provided. "Sweat equity" and incentive alignment options can be possible explanations. 26% of VB as a Service companies do not acquire any equity in the businesses. The answers are very mixed within the Incubator / Accelerator and VB category. Looking at overall regional differences, it is more common to receive equity for operational services in Europe. In contrast, a cash and operational investment mix is more common in North America. Large venture builders are more likely to hold no equity than smaller ones.

Table 13 presents the equity ownership that the venture builder and startup management team hold in the companies they support. We first examine the ownership of the venture builder in Panel A. Equity ownership is clustered into no equity ownership (0%), a small minority share (1-10%), a mid-sized minority share (11-25%), a large minority share (26-50%), and a majority share (>50%). The results confirm that Pure-play VBs are the most entrepreneurial group among our categories in terms of actual ownership. 40% of respondents in that group typically

hold a majority share, while 73% hold an equity interest larger than 25%. The high ownership share of many Pure-play VBs reiterates the question how these firms incentivize their startup management team. Even though these firms typically see themselves as a co-founder, we observe that the vast majority cooperate with external entrepreneurs to act as founders and managers. This can lead to an incentive problem for the startup management team, considering future dilution during additional financing rounds. Furthermore, this confirms that the support of Pure-play VBs can be a rather expensive choice for startup founders. For the VB as a Service category, only 4 of 27 respondents, or 15%, answer to typically hold a share of more than 25% in the ventures. On the other hand, 30% of that group reported owning no equity and 37% owning a small minority share, corresponding to an accumulated share of 67% of firms holding only up to 10% of equity. Looking at VC and VBs, the most common answer, with 46% of responses, is 10-25% of ownership. This corresponds to the typical venture capital ownership stake in early investment rounds (Quintero, 2019). However, 3 of 13 respondents, or 23%, also reported to hold a majority stake typically. With 59%, majority ownership is more prevalent in North America than in Europe where this number amounts to 39%. Interestingly, only 5 of 34 small firms hold a majority share. A possible explanation is that these firms have less leverage against the venture management team since they can give less support and operate in a more competitive environment.

Responses regarding the ownership of the startup management team are shown in Panel B of Table 13. The degree of ownership is an indication of the formal control of the management team and serves as an incentive through the participation in a potential upside in company value. 54% of respondents for VC and VBs state that the management team has majority ownership, confirming the VC-like ownership structures of that group. This number is only topped by the 75% share of respondents who answered the same for the Incubator / Accelerator and VB category. This is in line with the small equity ticket incubators, and accelerators typically take (Dobson, 2018). For VB as a Service firms, 54% of responses state that the management team typically owns less than 25% equity. While for this type, the ownership share of the management team is higher than for the VB itself, it is still very much skewed to the lower end compared to the other groups. An explanation from our interviews is that clients often own the majority of the business, and hence managers sent from the client are regular employees without ownership in the startup. Management teams working with small venture builders are more likely to receive a larger equity share. One reason for this is that firms within the Pure-Play VB, VC and VB, and Incubator / Accelerator and VB groups tend to be smaller while at the same time granting their management teams the most equity.

Across all groups, the largest share of responses stated that management owns the majority share, and only 16% of all venture builders say that it holds up to 10%. This confirms that equity ownership is an essential form of incentive alignment among venture builders and the startup management team. One surprising observation is that the trends regarding VB and management ownership do not add up for all groups. For example, for Pure-play VBs, majority ownership is the most common answer for both the VB and the management team.

Table 14 reports expected and realized returns in Panel A and Panel B, respectively. We ask for an average money multiple to measure returns since it is one of the most straightforward and widespread return metrics. The money multiple metric has the advantage that it is easier to measure and more straightforward than more complex return metrics like IRR.

Private equity funds realize an average MoM of 2.0x and VCs realize 2.3x (Harris et al., 2014). For Pure-play VBs, more than 79% report an average expected return greater than 5.0x, and 43% even reported more than 10.0x. Compared to traditional venture capital returns, it shows how confident the industry is in the business model and the factory approach to venture creation. Again, the VC and VB expected returns correspond to the characteristics of the VC business models, being "more conservative" around return expectations and more skewed to traditional VC returns than the Pure-play model. A potential explanation can be that while VC and VBs aim for very high returns for every investment, on average, they expect worse results due to defaults of investments.

VB as a Service firms have less pronounced expectations for very high returns. At the same time, this group is most likely to overestimate their expectations to produce high (< 3x MoM) return startups. An explanation based on our interviews is that through the involvement of corporate partners, projects are generally planned and conduced more conservatively to increase the possibility of success. Furthermore, as equity ownership mainly serves as an incentive alignment tool for VB as a Service firms, the potential upside might be capped contractually by the client to avoid high costs.

Almost 50% of respondents in Panel B do not answer the question about realized returns. A possible explanation is that they are afraid to share sensitive data. Additionally, 25% respond "Other," and the majority of those specify that they are too young to have data on realized returns. This aligns with the recent growth trajectory of the industry but also hints again that the final judgement on the success of the business model is still outstanding. Pure-play VBs are most successful at reaching the highest targeted return bucket, while overall VC and VBs have the most realistic return expectations. A possible explanation is that the experience from their VC business enables them to make better return expectations.

Table 14
Returns.

This table shows the responses to the question "On average, which return do you expect from your venture building?" in Panel A and to "On average, which return does your venture building generate?" in Panel B. Return were defined as „Money over Money (return for every Euro/Dollar invested) multiple". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Panel A: Expected return											
0x MoM	N	1	0	0	0	1	0	0	1	1	0
	%	*1.5*	*0.0*	*0.0*	*0.0*	*25.0*	*0.0*	*0.0*	*7.7*	*3.4*	*0.0*
> 0 - 1x MoM	N	2	0	2	0	0	0	1	1	2	0
	%	*3.1*	*0.0*	*11.1*	*0.0*	*0.0*	*0.0*	*1.9*	*7.7*	*6.9*	*0.0*
> 1 - 3x MoM	N	0	0	0	0	0	0	0	0	0	0
	%	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
> 3 - 5x MoM	N	15	5	5	5	0	0	13	2	5	10
	%	*23.1*	*17.9*	*27.8*	*35.7*	*0.0*	*0.0*	*25.0*	*15.4*	*17.2*	*27.8*
> 5 - 10x MoM	N	25	10	6	5	3	1	21	4	10	15
	%	*38.5*	*35.7*	*33.3*	*35.7*	*75.0*	*100.0*	*40.4*	*30.8*	*34.5*	*41.7*
> 10x MoM	N	19	12	3	4	0	0	14	5	11	8
	%	*29.2*	*42.9*	*16.7*	*28.6*	*0.0*	*0.0*	*26.9*	*38.5*	*37.9*	*22.2*
Other	N	3	1	2	0	0	0	3	0	0	3
	%	*4.6*	*3.6*	*11.1*	*0.0*	*0.0*	*0.0*	*5.8*	*0.0*	*0.0*	*8.3*
Number of responses		65	28	18	14	4	1	52	13	29	36
Panel B: Realized return											
0x MoM	N	2	0	0	1	1	0	1	1	2	0
	%	*4.3*	*0.0*	*0.0*	*8.3*	*33.3*	*0.0*	*2.6*	*11.1*	*10.5*	*0.0*
> 0 - 1x MoM	N	1	1	0	0	0	0	1	0	0	1
	%	*2.1*	*5.6*	*0.0*	*0.0*	*0.0*	*0.0*	*2.6*	*0.0*	*0.0*	*3.6*
> 1 - 3x MoM	N	3	0	2	0	1	0	3	0	2	1
	%	*6.4*	*0.0*	*15.4*	*0.0*	*33.3*	*0.0*	*7.9*	*0.0*	*10.5*	*3.6*
> 3 - 5x MoM	N	12	3	5	4	0	0	10	2	5	7
	%	*25.5*	*16.7*	*38.5*	*33.3*	*0.0*	*0.0*	*26.3*	*22.2*	*26.3*	*25.0*
> 5 - 10x MoM	N	9	2	2	4	0	1	8	1	2	7
	%	*19.1*	*11.1*	*15.4*	*33.3*	*0.0*	*100.0*	*21.1*	*11.1*	*10.5*	*25.0*
> 10x MoM	N	8	7	0	1	0	0	5	3	2	6
	%	*17.0*	*38.9*	*0.0*	*8.3*	*0.0*	*0.0*	*13.2*	*33.3*	*10.5*	*21.4*
Other	N	12	5	4	2	1	0	10	2	6	6
	%	*25.5*	*27.8*	*30.8*	*16.7*	*33.3*	*0.0*	*26.3*	*22.2*	*31.6*	*21.4*
Number of responses		47	18	13	12	3	1	38	9	19	28

To conclude, VB returns outperform traditional venture capital and private equity returns in our study. However, these results should be interpreted with caution as they suffer from several biases. The responses are based on broad return buckets, and many funds are too young to have realized returns. Additionally, we expect that successful funds are more likely to report their returns than others. Furthermore, even though we emphasized that we ask for average returns in the question, survey respondents might have a different understanding, and state the returns they aim for with every venture, not across the portfolio, including failures. Furthermore, while insights from interviews and literature support that some leading VBs can realize outsized returns, there are also firms that shut down or shift away from the model. Further research is needed to develop a better understanding of VB returns.

Overall, within the *Economics* dimension, we observe meaningful differences between the four types of company builders reflected in how firms generate revenue, achieve equity ownership in the startups, split this between the venture builder and other parties, and what returns are targeted and achieved.

5.2.2.3 Venture Creation

In this part, we consider the venture creation process and operations of the venture builder. First, we discuss the venture development process and idea sources, and then we take a closer look at the operational relationship between venture and holding company.

Popular accelerator programs like Y-Combinator tend to accept new businesses in batches or cohorts (Cohen, 2013). Table 15 indicates the timeline and mode for venture builders to start working with new startups. Within our sample, only 12 of 81 or 15% of respondents use a cyclical approach. The strongest tendency toward accepting new ventures in cohorts can be seen among the Incubators / Accelerators and VB group. This aligns with the observation that the use of cohorts is more established among accelerator-type firms. However, we had expected more firms within that group to use a cyclical approach as we believed this is one of the key features. This is not confirmed and implies that the popular literature on this type of venture builder might not be accurate or that the naming convention we chose for that group is too unclear to industry participants in the sample. Another possible explanation is that the small number of 8 respondents within that group distorts the results. Controlling for variation in the location or size of venture builders does not yield any meaningful differences.

Table 15
New venture timeline.
This table shows the responses to the question "What is your timeline/frequency for starting to work with or build new ventures?". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Ongoing	N	69	26	24	11	6	2	56	13	29	40
	%	*85.2*	*86.7*	*88.9*	*78.6*	*75.0*	*100.0*	*86.2*	*81.3*	*87.9*	*83.3*
Cyclical (e.g. cohorts)	N	12	4	3	3	2	0	9	3	4	8
	%	*14.8*	*13.3*	*11.1*	*21.4*	*25.0*	*0.0*	*13.8*	*18.8*	*12.1*	*16.7*
Number of responses		81	30	27	14	8	2	65	16	33	48

Table 16
Lifecycle stage of engagement.

This Table shows the responses to the question "At what lifecycle stage do you start interacting with / building the ventures?". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size. MVP = Minimum viable product

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Idea generation	N	45	18	16	7	2	2	35	10	16	29
	%	*54.9*	*58.1*	*59.3*	*50.0*	*25.0*	*100.0*	*53.8*	*58.8*	*47.1*	*60.4*
Idea validation	N	11	4	3	3	1	0	9	2	5	6
	%	*13.4*	*12.9*	*11.1*	*21.4*	*12.5*	*0.0*	*13.8*	*11.8*	*14.7*	*12.5*
MVP development/	N	13	5	4	2	2	0	10	3	7	6
testing	*%*	*15.9*	*16.1*	*14.8*	*14.3*	*25.0*	*0.0*	*15.4*	*17.6*	*20.6*	*12.5*
Initial commercial	N	7	2	1	2	2	0	6	1	4	3
traction	*%*	*8.5*	*6.5*	*3.7*	*14.3*	*25.0*	*0.0*	*9.2*	*5.9*	*11.8*	*6.3*
Other	N	6	2	3	0	1	0	5	1	2	4
	%	*7.3*	*6.5*	*11.1*	*0.0*	*12.5*	*0.0*	*7.7*	*5.9*	*5.9*	*8.3*
Number of responses		82	31	27	14	8	2	65	17	34	48

We also asked about the lifecycle stage of startups when venture builders start to interact with them. The corresponding results are shown in Table 16. The different stages are idea generation, idea validation, MVP development and testing, and initial commercial traction. These early-stage venture development stages are based on "The Rise of Startup Studios" (Lawrence et al., 2019) in combination with Mamazen (2020) and Bariller et al. (2018). Across the sample, 55% of firms typically start to engage with the ventures at the earliest stage of idea generation, and 68% up to the stage of idea validation. This confirms the expectation that venture builders create value in the early stages of a startup, where human capital and knowledge are critical. This early-stage engagement is different from venture capital investors, where initial commercial traction is typically needed to qualify a venture as an attractive target. Even early-stage VC firms or individual Angel investors generally supply money to startup firms only if they can present a validated idea and first impressions of an MVP (Zider, 1998; Kaplan et al., 2009). When comparing the different venture builder categories, Pure-play VBs and VB as a Service show very similar results. VC and VBs tend to sometimes engage at a later stage than those two. However, that group also has a large share of 50% of firms that report starting to work with ventures at the idea generation stage. Answers of the Incubator/Accelerator and VB group are distributed across the different stages, making it difficult to form a view on this part of the business model. While there is no meaningful difference in results based on the regions a firm is active in, larger VBs tend to be involved earlier in the process. 16% of firms engage only at the MVP development and testing stage. A possible explanation is that those rely on idea input from external entrepreneurs or other sources that have already completed the first two stages. Out of the six "Other" answers, four

respondents specify that they start engaging equally across all stages. In addition to the meaningful number of respondents who did not choose idea generation or validation as the first engagement stage, this feedback indicates that venture builders across all categories are very flexible in their approach and thus behave opportunistically to capture value.

Table 17
Main idea sources.

This table shows the responses to the question "What is your main source of new business ideas?" The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Permanent employees	N	32	14	8	6	4	0	27	5	13	19
	%	*39.0*	*45.2*	*29.6*	*42.9*	*50.0*	*0.0*	*41.5*	*29.4*	*38.2*	*39.6*
Non-permanent employees	N	2	2	0	0	0	0	2	0	0	2
	%	*2.4*	*6.5*	*0.0*	*0.0*	*0.0*	*0.0*	*3.1*	*0.0*	*0.0*	*4.2*
Client suggestion/ problem	N	16	2	13	0	0	1	15	1	5	11
	%	*19.5*	*6.5*	*48.1*	*0.0*	*0.0*	*50.0*	*23.1*	*5.9*	*14.7*	*22.9*
External founders/ entrepreneurs	N	22	6	5	7	3	1	16	6	14	8
	%	*26.8*	*19.4*	*18.5*	*50.0*	*37.5*	*50.0*	*24.6*	*35.3*	*41.2*	*16.7*
Other	N	10	7	1	1	1	0	5	5	2	8
	%	*12.2*	*22.6*	*3.7*	*7.1*	*12.5*	*0.0*	*7.7*	*29.4*	*5.9*	*16.7*
Number of responses		82	31	27	14	8	2	65	17	34	48

Table 17 reports the primary sources of new business ideas. The data confirms that client requests are the primary source of venture ideas for VB as a Service firms. For the groups of VC and VB and Accelerator/Incubator and VBs, external founders/entrepreneurs approaching the companies with an idea to play a more significant role than for Pure-play VBs. This is also along the lines of our understanding of the business models. Overall, the largest influence on idea generation have permanent employees of the venture builders. This supports our understanding that idea generation capacities are one of the key value propositions for venture builders. Interestingly, external employees play a more prominent role in idea generation for small venture builders with less than 10 employees. This effect prevails controlling for VB categories. A possible explanation is that smaller venture builders have on average lower internal building capabilities and are more dependent on external idea generation.

Furthermore, in contrast to our interview insights, non-permanent employees (e.g., Entrepreneurs in Residence) play an insignificant role in generating ideas. While we understood that hiring entrepreneurs for the idea generation process is common, for example, as experts within a certain industry vertical, this does not seem to be a common approach in the sample. A possible explanation is that the survey design was too unclear even though examples for answer categories were given. With 10 of 82 responses, a large group answered "Other." Of these answers, most respondents specified that their idea sources are equal to all choices.

Table 18
Venture builder activity.

Panel A reports the number of ideas that are developed to MVP stage per year. The question was "How many ideas do you on average develop to MVP stage each year?" and Panel B reports the number of ideas / startups that are on average worked on in parallel. MVP means minimum viable product. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

		Venture Builder categories					Region		Size	
	Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Panel A: Number of ideas developed to MVP stage										
Min	2	2	2	2	2	7	2	2	2	2
Max	50	40	30	20	50	50	50	50	20	50
Mean	10.0	9.5	9.0	5.8	18.2	28.5	9.7	10.9	6.6	12.1
Median	6.0	6.0	6.0	5.5	13.5	28.5	6.0	6.5	5.0	7.0
Number of responses	73	28	25	12	6	2	57	16	28	45
Panel B: Number of ideas worked on in parallel post MVP stage										
Min	1	2	1	1	3	5	1	2	1	1
Max	50	30	20	30	25	50	30	50	30	50
Mean	7.7	7.6	5.5	7.7	12.4	27.5	6.9	10.8	5.0	9.6
Median	5.0	6.0	3.5	5.5	10.0	27.5	5.0	7.0	3.0	6.0
Number of responses	73	28	26	12	5	2	58	15	30	43

Panel A of Table 18 reports the number of startup ideas developed to MVP stage per year. Overall results show a large range from two to 50. Of the four defined categories, the highest average with 18.2 ideas is observed in the Incubator / Accelerator and VB group, followed by the Pure-play VB group with 9.5. The mean for big firms is 12.1 while the mean for small firms is only 6.6.

Panel B of Table 18 shows the number of startups after MVP stage the venture builders work on in parallel. The average VB cooperates with 7.7 companies. The highest activity level has Incubator / Accelerator and VBs with 12.4, followed by VC and VB with 7.7 and Pure-play VB with 7.6. These numbers are significantly higher than the activity level reported in the industry database (Table 4). A potential explanation is that only a few of the MVP developed are maturing to a stage where they are reported on Crunchbase or other online sources.

Using best practices and expert knowledge within a particular field is considered a key competitive advantage for venture builders in startup creation. Therefore, we ask the participants if they focus on specific business models like B2B, B2C, SaaS, or Marketplace. Table 19 indicates a tendency toward specialization for Pure-play VBs and VC and VBs, with 40% and 50% reporting a focus, which is in line with previous findings. Given the much-proclaimed edge of venture builders regarding business creation and market insight due to the factory-like setup claimed in industry publications, these results are somewhat surprising as we had expected a higher degree of business model focus. The low specialization of both VB as a Service firms, and Incubator / Accelerator and VBs fit to previous insights. Of the 27 firms that report a focused business model, 13 focus on business customers (B2B), nine mentioned

software as a service (SaaS), and five Marketplace models. These models can also overlap, with some respondents, for example, stating "B2B SaaS" as their area of specialization. For venture builders, these models make sense due to their asset-light nature, easy product / market testing possibilities, and features like recurring revenues and good scalability, as described by Wilhelm (2020) and Filfilan (2021). For the same reasons, VCs also find these business models attractive.

Table 19
Business model focus.

This table reports if the respondents focus on a specific business model. The question was "Do you focus on a specific business model?" Example business models mentioned were B2B, B2C, SaaS, and marketplace. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Focus	N	27	12	5	7	2	1	20	7	12	15
	%	*33.3*	*40.0*	*18.5*	*50.0*	*25.0*	*50.0*	*31.3*	*41.2*	*35.3*	*31.9*
No focus	N	54	18	22	7	6	1	44	10	22	32
	%	*66.7*	*60.0*	*81.5*	*50.0*	*75.0*	*50.0*	*68.8*	*58.8*	*64.7*	*68.1*
Number of responses		81	30	27	14	8	2	64	17	34	47

Another area of specialization are the industry verticals in which venture builders are active. Table 20 shows the preference for the most common industry verticals for startups. Answer options are based on industry publications (Pitchbook) and survey validation with industry professionals. For this question, multiple responses for different industry verticals are allowed. Overall, 37 of 82 firms, or 45%, answer to not focusing on a specific industry. Comparing this to the previous Table 19, we see that venture builders are more agnostic towards industry preferences than business model preferences. A possible conclusion is that venture builders view their key capabilities not in the industry experience but rather in the operational process of building ventures where knowledge about specific business models is applied to varying industries, which is confirmed by our interviews. This differentiates them from other sources of private company support like private equity, where players have a strong industry focus (Gompers et al., 2016). The most reported industry vertical is Sustainability, followed by Healthcare and Fintech. These are also the verticals that stand out in the industry database and receive strong attention from traditional venture capital companies (European Venture Report, 2022). Aligning with previous insights, VB as a Service firms tend to be especially industry-agnostic. For those VB as a Service that report a focus, the data indicates that they focus less on technical verticals like AI, ML, and Cybersecurity than the other VB types. For the VC and

VB group, especially AI and ML, and Fintech are relevant verticals, confirming previous observations. Overall, large firms are slightly more likely to have an industry focus.

Table 20
Industry focus.

This table shows the responses to the question "Do you focus on any of the following industry verticals, if so, which ones?" Multiple answers are possible. Percentage values show share of respondents within a group that selected the option. Respondents who chose no focus did not choose any other answers. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
No focus	N	37	10	19	4	3	1	30	7	14	23
	%	*45.1*	*32.3*	*70.4*	*28.6*	*37.5*	*50.0*	*46.2*	*41.2*	*41.2*	*47.9*
AI and ML	N	17	6	1	5	4	1	14	3	6	11
	%	*20.7*	*19.4*	*3.7*	*35.7*	*50.0*	*50.0*	*21.5*	*17.6*	*17.6*	*22.9*
B2B payments	N	8	1	3	2	1	1	7	1	2	6
	%	*9.8*	*3.2*	*11.1*	*14.3*	*12.5*	*50.0*	*10.8*	*5.9*	*5.9*	*12.5*
Big data	N	10	3	3	2	1	1	8	2	2	8
	%	*12.2*	*9.7*	*11.1*	*14.3*	*12.5*	*50.0*	*12.3*	*11.8*	*5.9*	*16.7*
Cannabis	N	2	0	0	1	0	1	2	0	1	1
	%	*2.4*	*0.0*	*0.0*	*7.1*	*0.0*	*50.0*	*3.1*	*0.0*	*2.9*	*2.1*
Crypto and blockchain	N	7	1	1	1	3	1	5	2	2	5
	%	*8.5*	*3.2*	*3.7*	*7.1*	*37.5*	*50.0*	*7.7*	*11.8*	*5.9*	*10.4*
Cybersecurity	N	8	3	0	2	3	0	5	3	4	4
	%	*9.8*	*9.7*	*0.0*	*14.3*	*37.5*	*0.0*	*7.7*	*17.6*	*11.8*	*8.3*
Healthcare	N	23	9	6	4	4	0	17	6	8	15
	%	*28.0*	*29.0*	*22.2*	*28.6*	*50.0*	*0.0*	*26.2*	*35.3*	*23.5*	*31.3*
Ecommerce	N	14	5	5	3	1	0	12	2	6	8
	%	*17.1*	*16.1*	*18.5*	*21.4*	*12.5*	*0.0*	*18.5*	*11.8*	*17.6*	*16.7*
Edtech	N	9	4	2	0	2	1	5	4	4	5
	%	*11.0*	*12.9*	*7.4*	*0.0*	*25.0*	*50.0*	*7.7*	*23.5*	*11.8*	*10.4*
Femtech	N	5	2	1	1	1	0	3	2	3	2
	%	*6.1*	*6.5*	*3.7*	*7.1*	*12.5*	*0.0*	*4.6*	*11.8*	*8.8*	*4.2*
Fintech	N	19	5	6	4	3	1	15	4	7	12
	%	*23.2*	*16.1*	*22.2*	*28.6*	*37.5*	*50.0*	*23.1*	*23.5*	*20.6*	*25.0*
Foodtech	N	5	2	1	1	1	0	5	0	1	4
	%	*6.1*	*6.5*	*3.7*	*7.1*	*12.5*	*0.0*	*7.7*	*0.0*	*2.9*	*8.3*
Gaming	N	2	0	1	0	0	1	2	0	1	1
	%	*2.4*	*0.0*	*3.7*	*0.0*	*0.0*	*50.0*	*3.1*	*0.0*	*2.9*	*2.1*
Insurtech	N	11	1	5	2	2	1	9	2	1	10
	%	*13.4*	*3.2*	*18.5*	*14.3*	*25.0*	*50.0*	*13.8*	*11.8*	*2.9*	*20.8*
Mobility	N	12	3	5	1	3	0	11	1	5	7
	%	*14.6*	*9.7*	*18.5*	*7.1*	*37.5*	*0.0*	*16.9*	*5.9*	*14.7*	*14.6*
Real estate and Contech	N	11	3	4	3	1	0	11	0	6	5
	%	*13.4*	*9.7*	*14.8*	*21.4*	*12.5*	*0.0*	*16.9*	*0.0*	*17.6*	*10.4*
Supply chain	N	7	3	0	3	1	0	4	3	3	4
	%	*8.5*	*9.7*	*0.0*	*21.4*	*12.5*	*0.0*	*6.2*	*17.6*	*8.8*	*8.3*
Sustainability	N	24	14	2	4	3	1	19	5	9	15
	%	*29.3*	*45.2*	*7.4*	*28.6*	*37.5*	*50.0*	*29.2*	*29.4*	*26.5*	*31.3*
Other	N	9	5	1	1	2	0	7	2	1	8
	%	*11.0*	*16.1*	*3.7*	*7.1*	*25.0*	*0.0*	*10.8*	*11.8*	*2.9*	*16.7*
Number of respondents		82	31	27	14	8	2	65	17	34	48

Table 21
Support Areas.

This Table shows the responses to the question "In which areas do you support the ventures?" Multiple answers are possible. Percentage values show share of respondents within a group that selected the option. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Design	N	63	23	25	9	4	2	51	12	24	39
	%	*77.8*	*74.2*	*96.2*	*64.3*	*50.0*	*100.0*	*79.7*	*70.6*	*70.6*	*83.0*
Tech/ Engineering	N	61	26	21	9	3	2	50	11	24	37
	%	*75.3*	*83.9*	*80.8*	*64.3*	*37.5*	*100.0*	*78.1*	*64.7*	*70.6*	*78.7*
Product	N	69	26	23	12	6	2	57	12	27	42
	%	*85.2*	*83.9*	*88.5*	*85.7*	*75.0*	*100.0*	*89.1*	*70.6*	*79.4*	*89.4*
Marketing	N	64	26	20	9	7	2	50	14	26	38
	%	*79.0*	*83.9*	*76.9*	*64.3*	*87.5*	*100.0*	*78.1*	*82.4*	*76.5*	*80.9*
Sales	N	54	20	17	8	7	2	41	13	20	34
	%	*66.7*	*64.5*	*65.4*	*57.1*	*87.5*	*100.0*	*64.1*	*76.5*	*58.8*	*72.3*
Finance and Fundraising	N	71	29	19	13	8	2	56	15	29	42
	%	*87.7*	*93.5*	*73.1*	*92.9*	*100.0*	*100.0*	*87.5*	*88.2*	*85.3*	*89.4*
Accounting and tax	N	46	22	11	7	4	2	35	11	14	32
	%	*56.8*	*71.0*	*42.3*	*50.0*	*50.0*	*100.0*	*54.7*	*64.7*	*41.2*	*68.1*
Operations	N	60	24	19	8	7	2	45	15	23	37
	%	*74.1*	*77.4*	*73.1*	*57.1*	*87.5*	*100.0*	*70.3*	*88.2*	*67.6*	*78.7*
Legal & HR	N	50	24	11	8	5	2	38	12	17	33
	%	*61.7*	*77.4*	*42.3*	*57.1*	*62.5*	*100.0*	*59.4*	*70.6*	*50.0*	*70.2*
Other	N	4	1	1	2	0	0	2	2	2	2
	%	*4.9*	*3.2*	*3.8*	*14.3*	*0.0*	*0.0*	*3.1*	*11.8*	*5.9*	*4.3*
Number of respondents		81	31	26	14	8	2	64	17	34	47

Table 21 reports the areas of operational functions in which VBs work with the startups. Overall, the top five areas are finance / fundraising, product, marketing, tech / engineering, and design, aligning with our interview insights. This makes sense as these are the primary areas critical to developing a new product and require a lot of knowledge and skills, thereby supporting the notion that venture builders try to improve startup development by leveraging their experience and best practices in functional areas. Finance / fundraising is the most popular support area for the Pure-play VB, VC and VB, and Incubator / Accelerator and VB categories, with at least 93% of companies in all groups selecting this answer. For the VB as a Service category, this area is less important, with a potential explanation being that their client's finance ventures themselves. Those client organizations are also more likely to support taking over the finance function. The same trend is observed in the legal & HR area. Instead, almost all companies within the VB as a Service category answer to cover the areas of design with 97%, followed by product with 89%. A possible explanation for the high popularity of those areas is that they can be easily outsourced and supplied on a project basis while requiring less constant maintenance. For the Pure-play VB category, back-office areas like accounting and tax, and legal and HR are more important than other categories, hinting at the holistic operator-like approach those players take to company building. Firms within that group are also most likely

to engage in tech and engineering, aligning with previous insights. The 100% prevalence of finance and fundraising support within the Incubator / Accelerator and VB group can be explained as incubators and accelerators usually include so-called pitch day or demo day in their programs where the startups pitch their ideas to outside investors (Cohen, 2013). Looking at company size, large firms are more likely to provide support functions such as accounting / tax, operations, and legal / HR. Additionally, they offer more broad support across all areas compared to small firms, being more likely to engage in any given function. A surprising observation is that across all groups, the HR function is only mentioned in 61% of cases. At the same time, according to the interviews conducted, this is the most crucial area of support.

Table 22
Duration of the engagement.

This Table shows the responses to the question "For how long do you on average operationally work with the ventures?" Operationally was defined as "you or your employees are actively involved in e.g. product / sales / marketing decisions (as opposed to just having an equity stake or board seat)". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
3 - 6 months	N	8	2	4	0	2	0	6	2	3	5
	%	*9.8*	*6.5*	*14.8*	*0.0*	*25.0*	*0.0*	*9.2*	*11.8*	*8.8*	*10.4*
7 - 12 months	N	17	4	8	4	0	1	16	1	6	11
	%	*20.7*	*12.9*	*29.6*	*28.6*	*0.0*	*50.0*	*24.6*	*5.9*	*17.6*	*22.9*
> 1 year - 2 years	N	23	9	8	4	2	0	14	9	13	10
	%	*28.0*	*29.0*	*29.6*	*28.6*	*25.0*	*0.0*	*21.5*	*52.9*	*38.2*	*20.8*
> 2 year - 5 years	N	24	8	7	4	4	1	20	4	9	15
	%	*29.3*	*25.8*	*25.9*	*28.6*	*50.0*	*50.0*	*30.8*	*23.5*	*26.5*	*31.3*
> 5 years	N	10	8	0	2	0	0	9	1	3	7
	%	*12.2*	*25.8*	*0.0*	*14.3*	*0.0*	*0.0*	*13.8*	*5.9*	*8.8*	*14.6*
Number of responses		82	31	27	14	8	2	65	17	34	48

Table 22 indicates how long after the start of engagement with the startup the venture builder stays operationally involved. We defined operationally in the survey as being "actively involved in e.g. product/sales/marketing decisions (as opposed to just having an equity stake or board seat)". Short involvement periods of up to one year are less common for Pure-play VBs with 18% than for VB as a Service firms with 35%. On the other hand, very long holding periods of more than five years are reported by more than one-fourth of Pure-play VBs, while no VB as a Service firm answered to engage that long. These results align with our understanding of both groups. Some Pure-play VBs even noted that they do not intend to exit any running businesses, thereby strongly emphasizing the owner-operator behavior. The VC and VB category is the only one where no respondent answered to have an engagement period below six months. Overall, the 10% of respondents reporting an engagement period of less than six month do raise some questions about the impact VBs can have in that short period. For VB as a Service, the

high costs for clients and modular service offering can be an explanation. A possible reason for the relatively broad distribution of the VC and VB group's answers is that some firms do not phase their direct support as quickly as indicated in the interview section. Within North America, we see engagement periods skewed to one to two years, while results for firms in Europe are more distributed. Small firms are also overweighting holding periods between one to two years.

5.2.2.4 Control

Visual oversight is the most direct form of executing control for a VB. The literature indicates that collaboration and networking can be an essential value add for VBs (Szigeti, 2019; Doyle, 2021). Therefore, we asked if the startups are located at the offices of the venture builder or an external location. The results are shown in Table 23.

Table 23
Venture location.

This Table shows the responses to the question "From which location do most of the team members of the ventures work?" The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
On-site	N	13	9	2	0	1	1	9	4	3	10
	%	*16.0*	*29.0*	*7.7*	*0.0*	*12.5*	*50.0*	*14.1*	*23.5*	*8.8*	*21.3*
Off-site	N	22	7	6	5	4	0	16	6	16	6
	%	*27.2*	*22.6*	*23.1*	*35.7*	*50.0*	*0.0*	*25.0*	*35.3*	*47.1*	*12.8*
Mixed	N	46	15	18	9	3	1	39	7	15	31
	%	*56.8*	*48.4*	*69.2*	*64.3*	*37.5*	*50.0*	*60.9*	*41.2*	*44.1*	*66.0*
Number of responses		81	31	26	14	8	2	64	17	34	47

Most VB as a Service firms and VC and VBs firms report venture team members to work from mixed locations, while the picture is more skewed towards off-site locations for the Incubator / Accelerator and VB group. Pure-play VBs also most reported mixed location; however, 29% of respondents within that group answer to having team members primarily on-site, the highest share among all categories. We expected different results for the VB as a Service and Incubator / Accelerator and VB category. One of the advantages of incubator or accelerator programs is the network with other employees and the shared infrastructure that ventures can use, which is at odds with our results. For VB as a Service firms, interview participants indicated the advantage of not working at the client's location. However, there is only little evidence in the data for them working at the venture builder's location. A potential explanation is that respondents only consider the location of firms launched to market and disregard earlier stages like idea validation. The established startups would potentially already

be integrated into the client's structures and therefore not operate primarily from the venture builder's location. Small venture builders are more likely to have the ventures work from an external site. This might be explained by those firms having less space and infrastructure available.

Another critical factor in the relationship between startups and venture builders is the role of the CEO or management team. The ability to change the CEO and have power over this position is a crucial measure of control in the venture capital literature (Hellmann & Puri, 2002; Gorman & Sahlman, 1989). The person acting as main founder / CEO of the ventures is shown in Table 24. External entrepreneurs are the most common answer among all VB categories. The highest prevalence of external entrepreneurs is recorded for the Incubator / Accelerator and VB and the Pure-play VB group, with 88% and 77%, respectively. VB as a Service firms work most likely with temporary employees compared to the other venture builder categories. With VC and VBs, they are also most likely to have full-time lower-level employees or full-time partners / MDs making up the management team.

Table 24
Acting founder team / CEO.

This Table shows the responses to the question, "Who acts as main founder/CEO of the ventures?". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Permanent employees	N	8	2	4	2	0	0	7	1	1	7
	%	*10.0*	*6.5*	*15.4*	*15.4*	*0.0*	*0.0*	*11.1*	*5.9*	*2.9*	*15.2*
Partners/ MDs	N	7	3	2	1	1	0	4	3	5	2
	%	*8.8*	*9.7*	*7.7*	*7.7*	*12.5*	*0.0*	*6.3*	*17.6*	*14.7*	*4.3*
Temporary employees	N	12	4	5	2	0	1	10	2	4	8
	%	*15.0*	*12.9*	*19.2*	*15.4*	*0.0*	*50.0*	*15.9*	*11.8*	*11.8*	*17.4*
External entrepreneurs	N	49	21	13	7	7	1	39	10	23	26
	%	*61.3*	*67.7*	*50.0*	*53.8*	*87.5*	*50.0*	*61.9*	*58.8*	*67.6*	*56.5*
Other	N	4	1	2	1	0	0	3	1	1	3
	%	*5.0*	*3.2*	*7.7*	*7.7*	*0.0*	*0.0*	*4.8*	*5.9*	*2.9*	*6.5*
Number of responses		80	31	26	13	8	2	63	17	34	46

Interestingly, regular employees are more likely to be given management responsibility at big firms. In contrast, partner-level employees are more likely to fulfill that task in smaller firms. The overall quite extensive use of external entrepreneurs has multiple possible explanations. Generally, the founder or CEO of a startup is a demanding full-time role, which would likely make it hard for regular employees to fulfill other tasks. Additionally, the skillset to be a successful CEO of a startup can differ significantly from the skillset needed to initially develop and build new business models, making it hard to have employees who can fill both

roles. Also, the advantage of external entrepreneurs is that their departure does not leave vacancies at the venture builder and therefore limits the fluctuation of employees.

Table 25
Operational relationship with employees.

This Table shows the responses to the question "What describes the relationship between your permanent employees and the ventures best?" Multiple answers are possible. Percentage values show share of respondents within a group that selected the option. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Fully integrated single venture	N	16	4	8	3	0	1	15	1	5	11
	%	*19.8*	*12.9*	*30.8*	*21.4*	*0.0*	*50.0*	*23.4*	*5.9*	*14.7*	*23.4*
Fully integrated multiple ventures	N	50	19	15	10	5	1	39	11	21	29
	%	*61.7*	*61.3*	*57.7*	*71.4*	*62.5*	*50.0*	*60.9*	*64.7*	*61.8*	*61.7*
Project basis/ task-by-task	N	30	8	12	5	4	1	24	6	10	20
	%	*37.0*	*25.8*	*46.2*	*35.7*	*50.0*	*50.0*	*37.5*	*35.3*	*29.4*	*42.6*
Advice/ mentoring	N	30	8	9	8	4	1	25	5	14	16
	%	*37.0*	*25.8*	*34.6*	*57.1*	*50.0*	*50.0*	*39.1*	*29.4*	*41.2*	*34.0*
Other	N	1	1	0	0	0	0	1	0	0	1
	%	*1.2*	*3.2*	*0.0*	*0.0*	*0.0*	*0.0*	*1.6*	*0.0*	*0.0*	*2.1*
Number of respondents		81	31	26	14	8	2	64	17	34	47

Table 25 presents the relationship between venture builder employees and startups. Answer options were that employees work with the ventures as fully integrated team members on a single startup or multiple ones, that employees work on a project or task-by-task basis or that employees give advice and mentoring, plus an answer choice for other relationships. These answers are not mutually exclusive, and participants were allowed to select multiple options. For Pure-play VBs, the most common response with 61% is that employees are fully integrated team members on several ventures, while 13% answer that employees focus on only one startup. This reiterates the entrepreneurial approaches of being deeply involved and interconnected with the startups they build. Surprisingly, 25% also answered that employees generally provide only advice and mentoring, which does not conform to our notion of Pure-play VBs. A potential explanation is that many Pure-play VBs are very small, often run by a few senior managers that do not have the resources to offer support beyond mentorship and advice. The most common answer within the VC and VB group is with 71% that employees work as integrated team members on one or more ventures, emphasizing the deeper operational involvement compared to VCs. At the same time, 57% answer that employees provide advice and mentoring, a higher share than for all other categories. This can be explained by the transition from a high support level to a later advisory role. Results for the VB as a Service, and Incubator / Accelerator and VB categories do not follow a clear trend. Venture builders in Europe are more likely to have their employees work on a single venture. Controlling for the size of firms, we see that larger firms are both more likely to have employees work on a project or task-by-task basis and have

employees work only on a single venture. Overall, the results for this question exemplify the variation within and between the different groups and how difficult it is to make precise distinctions between the models based on only looking at individual characteristics.

Panel A of Table 26 shows which contractual rights VBs have during the operational involvement. The question builds on Kaplan and Strömberg (2003), who investigate control measures in financial contracting of venture capital deals. We follow their differentiation between five classes of contractual rights: cash flow rights, board rights, voting rights, liquidation rights, and other control rights. In the survey, we gave examples for each type of right. We observe that during the operational involvement period for Pure-play VBs equity voting rights with 83% and board rights with 72% are most common. In contrast, only 46% of VB as a Service firms have voting rights, and 50% have board rights. At the same time, 29% of that group have no rights, which is one of the highest shares, only topped by the Incubator / Accelerator and VB category. VC and VB firms almost always have equity voting rights, as answered by 12 of 13 respondents. This is also the group with the highest share reporting liquidation rights. This makes sense since traditional venture capital firms also commonly use liquidation preferences, preferred shares, and other liquidation rights (Kaplan & Strömberg, 2003). It also aligns with the interview results indicating that VC and VBs apply the same terms to their venture builder deals as to their venture capital investments. Pure-play VBs are much less likely to have liquidation rights, confirming that those firms tend to act entrepreneurially in the startups and, therefore, own common equity more often. What is surprising is the low amount of cash flow rights across all groups, as we had expected that number to be comparable to the one for voting rights. A potential explanation is that survey participants understood cash flow rights more as a claim on only operating cash flows rather than overall cash flows, including sales proceeds. While there are no meaningful differences between regions, larger firms tend to be more likely to hold voting rights and no rights than smaller firms.

In Panel B of Table 26, we show the rights held after the operational involvement period. For Pure-play VBs and VB as a Service firms the number of companies with voting rights, cash flow rights, and board rights decreases while the share of firms with no rights increases compared to during the operational involvement. On the other hand, those groups still have substantial rights compared to what they have held before. This can be explained for voting and equity rights. The operational involvement does not end with a sale of the venture but rather with making its operations independent from the venture builder while remaining as a shareholder. The rights situation almost does not change for the VC and VB group. Looking at

regional differences, we see board rights only drop in Europe after operational involvement, while the count for North America stays constant.

Table 26
Contractual rights.

This Table shows the responses to the question "What contractual rights do you have with your ventures during the time of your operational involvement?" in Panel A and to "What contractual rights do you have with your ventures after the time of your operational involvement?" in Panel B. Multiple answers are possible. Percentage values show share of respondents within a group that selected the option. The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
Panel A: Rights during operational involvement with venture											
Equity voting rights	N	53	24	12	12	4	1	43	10	25	28
	%	*69.7*	*82.8*	*50.0*	*92.3*	*50.0*	*50.0*	*70.5*	*66.7*	*75.8*	*65.1*
Cash flow rights	N	24	11	7	4	1	1	20	4	12	12
	%	*31.6*	*37.9*	*29.2*	*30.8*	*12.5*	*50.0*	*32.8*	*26.7*	*36.4*	*27.9*
Board rights	N	47	21	13	9	3	1	38	9	25	22
	%	*61.8*	*72.4*	*54.2*	*69.2*	*37.5*	*50.0*	*62.3*	*60.0*	*75.8*	*51.2*
Liquidation rights	N	21	8	4	7	2	0	14	6	12	9
	%	*27.6*	*27.6*	*16.7*	*53.8*	*25.0*	*0.0*	*23.0*	*40.0*	*36.4*	*20.9*
Other rights	N	4	1	2	0	0	1	3	1	2	2
	%	*5.3*	*3.4*	*8.3*	*0.0*	*0.0*	*50.0*	*4.9*	*6.7*	*6.1*	*4.7*
No rights	N	11	1	7	0	3	0	9	2	3	8
	%	*14.5*	*3.4*	*29.2*	*0.0*	*37.5*	*0.0*	*14.8*	*13.3*	*9.1*	*18.6*
Number of respondents		76	29	24	13	8	2	61	15	33	43
Panel B: Rights after operational involvement with venture											
Equity voting rights	N	43	20	8	12	2	1	34	9	19	24
	%	*56.6*	*69.0*	*33.3*	*92.3*	*25.0*	*50.0*	*55.7*	*60.0*	*57.6*	*55.8*
Cash flow rights	N	15	8	3	4	0	0	12	3	7	8
	%	*19.7*	*27.6*	*12.5*	*30.8*	*0.0*	*0.0*	*19.7*	*20.0*	*21.2*	*18.6*
Board rights	N	34	17	7	8	2	0	25	9	18	16
	%	*44.7*	*58.6*	*29.2*	*61.5*	*25.0*	*0.0*	*41.0*	*60.0*	*54.5*	*37.2*
Liquidation rights	N	16	7	1	7	1	0	11	5	10	6
	%	*21.1*	*24.1*	*4.2*	*53.8*	*12.5*	*0.0*	*18.0*	*33.3*	*30.3*	*14.0*
Other rights	N	2	1	1	0	0	0	2	0	1	1
	%	*2.6*	*3.4*	*4.2*	*0.0*	*0.0*	*0.0*	*3.3*	*0.0*	*3.0*	*2.3*
No rights	N	19	3	11	1	3	1	15	4	6	13
	%	*25.0*	*10.3*	*45.8*	*7.7*	*37.5*	*50.0*	*24.6*	*26.7*	*18.2*	*30.2*
Number of respondents		76	29	24	13	8	2	61	15	33	43

Table 27 reports the point at which the operational relationship between venture builder and startup ends. We based the events on key milestones of the startup lifecycle while also giving an option to choose "defined time period" as an answer. The overall most common answer is an external financing event which aligns with the literature. We find two possible explanations for this. Firstly, an external financing event usually means that startups have generated market traction or a revenue generation model that external investors believe in. This implies that it should be able to stand on its own feet. Secondly, an outside venture capital fund typically acquires considerable equity ownership and control rights with providing financing (Kaplan & Strömberg, 2003). Therefore, it makes sense for the venture builder to recalibrate its operational efforts to other projects where they still have more influence and upside. VC and VB firms are

most likely to end their venture support when an external investor comes in (64%). For Pure-play VBs, the same number is 39%, while at the same time, this group is more likely to work with their startups until an IPO or sale. Within the VB as a Service group, the most common answer with 52% of responses is that ventures are taken over by clients, followed by having no specific milestone with 22%. Maintain a client relationship for longer makes sense for a fee-based business model. Incubator/Accelerator and VBs firms work primarily towards an external funding event or have no defined goal.

Interestingly, the number of firms that report having no specific milestone is much higher in North America than in Europe, hinting at a higher degree of flexibility. Controlling for venture builder size, an external funding event is more important for small firms than for big ones. Overall, we observe that a pre-defined period is the least common answer, pointing toward the high degree of uncertainty in building new businesses, which makes fixed periods often impractical. Interestingly, this is also true for Incubator / Accelerator and VBs, while traditional accelerators or incubators often offer programs with a fixed length and predefined ending date (Baumann, et al., 2018).

Table 27

End of operational relationship.

This Table shows the responses to the question "When does your operational relationship with the ventures most commonly end?". The answers are divided into subgroups based on the self-identified category of the venture builder, the region they operate in, and their size.

			Venture Builder categories					Region		Size	
		Total	Pure-play VB	VB as a Service	VC and VB	Incubator/ Accelerator and VB	Other	Europe	North America	Small	Big
External funding	N	29	12	5	9	3	0	23	6	16	13
	%	*35.4*	*38.7*	*18.5*	*64.3*	*37.5*	*0.0*	*35.4*	*35.3*	*47.1*	*27.1*
Take-over by client	N	19	4	14	1	0	0	18	1	3	16
	%	*12.9*	*12.9*	*51.9*	*7.1*	*0.0*	*0.0*	*27.7*	*5.9*	*8.8*	*33.3*
IPO or sale	N	13	9	1	3	0	0	11	2	6	7
	%	*29.0*	*29.0*	*3.7*	*21.4*	*0.0*	*0.0*	*16.9*	*11.8*	*17.6*	*14.6*
Defined time period	N	3	0	0	1	1	1	2	1	1	2
	%	*0.0*	*0.0*	*0.0*	*7.1*	*12.5*	*50.0*	*3.1*	*5.9*	*2.9*	*4.2*
No milestone	N	13	4	6	0	3	0	8	5	2	3
	%	*12.9*	*12.9*	*22.2*	*0.0*	*37.5*	*0.0*	*12.3*	*29.4*	*5.9*	*6.3*
Other	N	5	2	1	0	1	1	3	2	6	7
	%	*6.5*	*6.5*	*3.7*	*0.0*	*12.5*	*50.0*	*4.6*	*11.8*	*17.6*	*14.6*
Number of responses		82	31	27	14	8	2	65	17	34	48

6 Discussion of Combined Results

Our primary objective with this thesis was to provide a broad understanding of the growing phenomenon of venture builder firms and examine the existence of different venture builder types. In this section we discuss general insights on the business model and present the evidence for different venture builder types, comparing them with each other and related business models.

6.1 General View on the Business Model

The first part of our research question concerns the venture builder business model and its main elements. We expected the industry to be a growing phenomenon, which is confirmed by our results. We identify 448 venture builder firms in North America and Europe alone, significantly more than the number of 330 previously identified in 2019 on a global level. These venture builders supported more than 10,000 companies, making them a significant part of the startup ecosystem in Europe and North America. An interesting observation though is that growth in recent years is below its former peak levels, while awareness of the business model in popular literature has noticeably increased.

The two most critical challenges for new companies are establishing operations and raising seed financing. Venture builders facilitate startup development with a focus on providing operational support, and in many cases also initial capital. Their main value proposition is their experience with building products and businesses around them, their insight into the startup market, and their networks. Our results show that they build up this experience and their industry connections by developing on average 10 ideas to MVP stage and founding 3.7 companies per year. Their employees are regularly working with many different startups and thus grow their knowledge from firsthand insights into various ideas and business models. The learnings from developing a product, hiring a team, or raising external funds is then transferred between projects, adding to the venture builders competitive advantage compared to individual startup teams.

Venture builders engage early, often already in the idea generation phase, which exposes them to the entire startup development cycle. The key areas of support are finance and fundraising, product, and human resources. The holistic level of support allows the startups they create and work with to avoid typical pitfalls and move faster in focusing on their customers and building a good business. One drawback is that it cannot be scaled easily. Tasks like idea generation and the holistic operational support requires an experienced and relatively

large workforce, making a venture builder's growth potential dependent on the number of qualified employees it can hire.

All this effort to produce better startups leads to the question if the VB model is also creating additional value. Our results confirm that VB themselves are confident about this, with 91% reporting average targeted and 62% average achieved returns of at least 3.0x MoM. This is higher than the comparable multiple of 2.3x for traditional venture capital funds (Harris et al., 2014). However, it is worth noting that due to the young nature of many firms, oftentimes reliable long-term results are still outstanding. The large growth rates of VBs and the variety of business models, however, indicates that at least for some VBs the model is adding value. The flipside of this is that for entrepreneurs and clients of VBs, the approach of holistic service and support is expensive, but it can pay off if it leads to more successful startups being created.

6.2 Venture Builder Types

The second part of our research question was to determine if different types of venture builders can be distinguished. We find that for the three groups of Pure-play VB, VB as a Service, and VC and VB, there exist common features that distinguish them and related forms of startup financing and support. The essential elements of each business model are displayed in the overview Table 28. However, as expected due to the young age and still emerging nature of the industry, that categorization is not always definitive. An example of this is the overlap between Pure-play VBs and VB as a Service firms observed in the industry research section. We conclude that the exact characteristics of firms within each of the groups can vary across the dimensions of *Economics*, *Venture Creation*, and *Control* while there is a trend for firms to converge toward one of the three types identified.

For the fourth type that we initially observed based on our literature research, our findings are not sufficient to specify the characteristics of an own category or find evidence for a clear relationship with traditional incubators or accelerators. For example, many firms in that category report holding equity stakes of up to 10% in the survey, which is in line with the small equity ticket traditional incubators and accelerators are taking. However, a significant group of 3 of 8 respondents also reports typical equity ownership of 26-50%. Additionally, the high focus on industry verticals in both the survey and the industry database strikes us, as incubator or accelerator programs generally tend to be not restricted in that regard.

Table 28

Overview of venture builder types and related business models.

This table shows a comparison of the different venture builder categories and related forms of startup financing and support.

	Venture Builder categories				
	Pure-play VB	VB as a Service	VC and VB	Venture Capital	Incubators and Accelerators
Economics	• Economics close to traditional startup entrepreneur/ operator • Primary revenue source are sales proceeds from equity stakes • High minority ownership share up to majority share • Higher expected and realized returns than other VB types and financing sources	• Economics similar to consulting and agency business models • Revenue generated by collecting fees for services sold to external clients • In case of any equity stakes, these are very small and only held for a limited time for incentive alignment	• Economics closer to traditional early stage venture capital fund • Revenue generated from sales proceeds of equity stakes • Minority ownership of around 11-25% • Favorable valuations for investor due to operational support serving as additional currency to cash • Funding provided before idea is validated or commercial traction available, therefore early access to deals	• Main source of revenue are proceeds from equity investments in firms • Focus on providing financial resources to startups • Invest into early- and late-stage ventures • Typical ownership of 10 - 20% acquired for early stage deals • VC is fiduciary for limited partners that provide funds and does not primarily invest own money	• Offer (semi-)structured startup support programs • Modern accelerators often accept ventures in batches for defined time period and can take small equity shares • If equity stake is acquired, it is with 5-7% usually very small. Average investment size or stipend is around $26,000 • Typically privately owned, generating revenue from returns on equity investments or sometimes rent payments for space provided
Venture Creation	• Highest operative involvement • Very early engagement with ideas typically generated and further developed in-house • Often specialization in business model and industry sector, leveraging experience and knowledge from employees • Varying degree of process-orientation during idee generation phase but advantage of operational excellence thereafter • Longer operational engagement times of multiple years	• Operational involvement based on project-basis with different service packages offered • Initial idea or problem supplied by client • Industry expertise, network and market access obtained from client while best practices and necessary culture is delivered by venture builder • No business model or industry vertical specialization to attract large customer base • Operational engagement times of up to two years depending on nature of project	• Involvement starts at idea generation/ validation stage • Market research and experience used to generate ideas and develop those with external founders • Expertise and network used to match entrepreneurs, provide support for first (technical) hires and initial setup tasks • Easy access to capital and financing expertise regarding external funding rounds as growth enabler • Operational engagement period of up to two years	• No involvement in idea generation or validation process • Consider opportunities only when startup management team is complete and proof of concept or initial commercial traction exists • Venture capital involvement can add professionalization at the startup through introduction of formal reporting procedures, board oversight and enforcement of employee incentivization	• Engage with startups after team and idea is formed but also pre revenue generation • Main features are education, mentorship and network with industry practicioners and other startups • Development offering focuses on early-stage startups: business model, sales and marketing, and administrative and legal topics • Typically fixed program period of around 3 months, while more traditional incubators also engage for longer term but offer less support • Usually no industry focus
Control	• Highest level of control of all business models due to high ownership and in-depth operational involvement • Complete control over the initial idea generation and validation process • Decision power over who serves as managers for the venture • Type with most startups located on-site compared to other models • Control decreases with transformation to advisor role after first outside financing event	• Low degree of control due to nature as service provider • Ultimate decision power held by client • Operational involvement ends completely with end of the consulting relationship, typically no board relationship or other oversight thereafter	• Medium level of control through minority equity ownership • Deals structured with typical venture capital rights already included, therefore most sophisticated venture builder in terms of rights during and after operational involvement phase (strong use of e.g. liquidation rights) • High degree of operational oversight and collaboration only until first outside funding round, then traditional advisory role as part of company board	• Various contractual rights like board rights or liquidation rights, but little direct operational control • Typically quarterly reportings and board meetings required from startup • Additionally only occassional informal check-ins • Direct control over management only after several financing rounds in case founders have been diluted to minority share. Then multiple VCs owning a combined majority stake can collaborate	• Low level of control due to informal relationship and small equity investment • Development offers regarding operational topics are not mandatory but optional

Furthermore, survey respondents indicate that the duration of engagement with the startups is either relatively short, in the range of three to six months, or much longer, in the range of one two five years. This does not fit the typical fixed period structure of standard accelerators. An additional challenge reinforcing the perceived ambiguity is that for this VB type only anecdotal information is publicly available. At the same time, the number of survey responses is very low, and we could not source an interview participant. Incubator / Accelerator and VBs also have a very low prevalence in our industry database compared to the other types, another hint that this model is less relevant and developed than the others.

6.3 Limitations

Given the novelty of the topic and the exploratory nature of the thesis, it contains some limitations. First, we base the development of the thesis structure and design, specifically that of the survey, mostly on popular sources. The four categories we identified initially have not previously been studied in-depth. While we tried to be as comprehensive as possible to identify these types in our research, most publicly available sources we build on only provide brief explanations as to the exact nature of these types.

A second limitation concerns our survey population and sample. We self-compile our database from publicly available sources like blog entries or company reports. However, as those are mostly not of professional nature, we cannot ultimately assess the completeness of the population and hence rule out a bias in our sample selection. Additionally, our survey was conducted anonymously for reasons of personal data protection, and we cannot independently confirm the survey responses. Furthermore, we use the same database for the outreach to potential survey participants that we use to conduct the industry research. Therefore, the two datasets are not independent.

Finally, we only consider the venture builder perspective. To get a more holistic understanding of VBs, the relationship with other players in the startup ecosystem, e.g., entrepreneurs, VCs, and LPs, also need to be considered.

7 Conclusion

This thesis aims to generate insights into the venture builder business model by employing an exploratory approach and a multi-method research design. Based on our work, we conclude the following main findings. First, venture builders professionalize the startup creation process by providing operational best practices and support, networks, and capital. Second, three types of venture builders be distinguished based on the common characteristics of firms within those groups. Pure-play VBs take an operator approach, VB as a Service act as consultants, and VC and VB take an investor perspective. Finally, we confirm that venture builders are a relevant part of the startup finance and creation ecosystem.

Our research contributes to the existing literature as it formalizes the anecdotal evidence on the nature of the venture builder industry and lends empirical support to the initial categorization of venture builders proposed by Mocker & Murphy (2014) and Gutmann (2019). We also build an understanding of the main elements of the business model based on the dimensions of *Economics*, *Venture Creation*, and *Control*. Moreover, we construct a database with information on venture builders that further research can expand on. Furthermore, our results are potentially relevant for practitioners interested in establishing a venture builder business or entrepreneurs who want to collaborate with a VB.

Given the lack of conceptual clarity around the business model among researchers and within the industry, fruitful opportunities for further research exist. Reliable data is a general requirement for effective research and the lack thereof was one of the key challenges for this thesis. Therefore, the first area for future research can be the expansion of our venture builder database, supporting the effort to move from qualitative to quantitative analysis methods. Second, scholars can build upon the definition of the three venture builder categories by researching their differences and similarities in more detail. Finally, it would be interesting to examine if startups supported by venture builders are actually more successful.

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Appendix

A1 Venture Builders – Overview per Type

Appendix A1 shows the most active venture builders by companies founded based on the industry research section.

	Pure-play VB		
	Country	Employees	Companies founded
Rocket Internet	Germany	398	145
Idealab	USA	94	91
eFounders	France	34	44

	VB as a Service		
	Country	Employees	Companies founded
BCG Digital Ventures	USA	1,051	200
Ustwo	UK	171	37
Bridgemaker	Germany	106	20

	VC and VB		
	Country	Employees	Companies founded
First Round	USA	329	839
Betaworks	USA	39	208
Project A	Germany	159	159

	Incubator/ Accelerator and VB		
	Country	Employees	Companies founded
Entrepreneur First	UK	695	324
Founder's Factory	UK	119	114
Gener8tor Studio	USA	181	171

A2 Venture Builder Profiles

Appendix A2 shows short profiles of exemplary venture builder firms based on publicly available information.

Rocket Internet

Venture builder type	Pure-play VB
Year founded	2007
Employees	398
Number of companies founded	145
Noticable companies involved	Hello Fresh, Delivery Hero, home24
Industry focus	E-commerce

Short description

Rocket Internet incubates, builds, develops operationally and strategically invests in internet and technology companies globally. It provides operational support to its companies and helps them scale internationally. Rocket Internet's companies are globally active in a large number of countries around the world.

Entrepreneur First

Venture builder type	Incubator/ Accelerator and VB
Year founded	2011
Employees	695
Number of companies founded	324
Noticable companies involved	Tractable, Magic Pony Technology
Industry focus	Matching Co-founders

Short description

Entrepreneur First is the best place in the world to meet your co-founder.
Through our platform running in 6 cities across 3 continents, we invest in high-potential individuals to help them meet their co-founder, develop their ideas and secure funding from leading investors in the shortest possible time.
EF has built over 500 companies and has over 3000 alumni worldwide. The startup portfolio is valued at over $8B.

First Round

Venture builder type	VC and VB
Year founded	2004
Employees	329
Number of companies founded	839
Noticable companies involved	Notion, Roblox, Uber, Square
Industry focus	Consumer, FinTech, Healthcare, Enterprise

Short description

Investing at the earliest possible stage, First Round offers a growing number of services and products to help founders build companies from scratch. We don't split angel, seed and pre-seed funding into separate categories — we're interested in providing the same support across the board.

BCG Digital Ventures

Venture builder type	VB as a Service
Year founded	2014
Employees	1051
Number of companies founded	200
Noticable companies involved	heycar, MachineMax, LabTwin, FYLD
Industry focus	n.a.

Short description

As the corporate innovation and business building arm of Boston Consulting Group (BCG), BCG Digital Ventures was founded in 2014 with a mission to invent, launch, and invest in game-changing businesses, products, and platforms with the world's most influential organizations.

With more than 200 businesses launched in-market and a success rate that is unmatched industry-wide, BCG Digital Ventures has an end-to-end approach to business building. These businesses are inclusive of both new, standalone companies as well as those developed within the framework of the client organization.

The team of business builders, founders, and innovators, work with the clients to transform businesses from idea to market launch in less than 12 months.

Digital Ventures has 13 centers and labs around the world that are purpose-built for innovation and co-creation alongside their clients.

Source: company information

A3 Interview Participants

Appendix A3 provides an overview of interview participants and including basic information about their firm.

	Venture Builder Category	Region	Size	Seniority	Sector Focus
Participant 1	VB as a Service	Europe	Big	Junior	
Participant 1	VB and VC	Europe	Small	Junior	
Participant 2	VC and VB	Europe	Big	Junior	
Participant 3	VB as a Service	Europe	Big	Junior	
Participant 4	Pure-play VB	Europe	Big	Senior	FinTech
Participant 5	VC and VB	Europe	Big	Junior	
Participant 6	Pure-play VB	Europe	Big	Senior	AI