Thelander 2020 CVC Bonus Survey - BMG Executive Summary of Findings, Trends and Implications

The CVC Surveys and Reports

The *Thelander 2020 CVC Bonus Survey is* now available on the *2020 Thelander-PitchBook Investment Firm Compensation Platform* which provides the most comprehensive cross-industry external benchmarks for CVC compensation levels and structures as well as comparables for VC and PE professionals. The 2020 CVC bonus survey includes data from more 300 leading programs at Global 2000 corporations. The Survey was conducted by compensation specialists J. Thelander Consulting (JTC) in partnership with PitchBook, and with strategic guidance from corporate venturing & innovation experts Bell Mason Group (BMG).

Now in their 8th year, the *Thelander CVC Compensation Surveys* are widely recognized for introducing a standard role/job description framework and compensation benchmarking process tuned to meet the unique needs of corporate executive management and CVC investment professionals. With representative input from CVC industry leaders and active participants across a broad range of sectors, the annual survey and its results are an essential external benchmarking tool for consideration in the increasingly competitive recruitment and retention of specialized, high performance CVC/CVBD talent and teams.

CVC Industry Context and Trends

- In the face of the Covid-19 crisis, common CVC program structures may represent potential source of vulnerability for some (particularly newer units) – Although the CVC sector has become an integral participant in the global innovation economy and a mainstream contributor to the corporate innovation imperative, Thelander data shows that that nearly two-thirds of programs are structured as dedicated internal teams investing off (potentially crisis-sensitive) corporate balance sheets
- ‘Pause’ in new CVC investing underlines importance of portfolio development/CVBD function – As many CVCs focus on current portfolio and ‘pause’ new investment during the current pandemic crisis, the trend for integrating a professional portfolio development/corporate venture business development (CVDB) with professional investment function (CVC) becomes even more critical to program resiliency. Thelander finds more half of responding CVCs have dedicated CVBD function responsible for landing strategic portfolio innovations in the corporate parent and accelerating portfolio company growth.
- ‘End-to-End’ program professionalization:” Over the past 7 years, BMG and Thelander have introduced, refined, and continue to track the standardization of CVC and now CVBD job descriptions, compensation structures and “career paths”. This is a critical step in the evolution of Corporate Venturing as a mainstream, legitimate profession in its own right with recognize impact on corporate strategy and innovation roadmaps. There is also increasing recognition that high performance teams need to be incented to stay together over time; a collection of ‘star’ individuals is not sufficient to achieve ultimate program goals. Program performance increases with the level of experience and longevity of its team, working as an increasingly efficient and powerful ‘engine’.

Building stable, long-term, professional ‘end-to-end’ investing teams creates compensation and HR challenges for corporate parents who are increasingly forced to compete externally for the ‘right’ mix of talent in a pool comprised of talented internal resources as well as CVCs, VCs, Private Company and Private Equity personnel. There is inevitable friction in balancing compensation and career path opportunities between established corporate HR bands and external venture and VC risk-reward structures. For many, the corporate bonus becomes the key element in the HR toolkit for CVC team recruitment and retention.

Key Bonus Survey Findings & Implications

With the 2020 CVC bonus survey results and the ongoing evolution of professionalism of the practice it implies, key findings and implications include:

- Dedicated CVBD leaders counted among critical senior professional team members – 2020 bonus survey results build on 2019 compensation data that reflects increasing recognition of the key role that CVBD plays in creating value both for corporate parent and portfolio companies
    - High-powered CVBD lead role is frequently better compensated than senior investment professionals (excluding unit head) -- *See 2019 Thelander Investment Firm Compensation Report for baseline $*
    - CVBD professionals were among most likely to be promoted (20%) and were included in competitive senior professional team incentive plans
    - 33% of CVBD leaders participated in the performance pool among those companies which reported carried interest programs
- The bonus remains the preferred mechanism for rewarding individual performance – The majority of respondents received only COLA-like (2-3%) base salary increases
    - Bonuses are key component of comp packages for 65%+ of senior professional team roles *(senior professional team = CVC unit head, senior investment professional, CVBD head)*
    - Two-thirds of senior professional teams received 100% + of target bonus (vs less than half of functional roles – legal, portfolio management/CFO, VP Innovation)
    - 97% received cash bonuses with 19% also getting RSU 'sweetener'
    - Bonus variability (>100% or <100%) often related to corporate parent performance
- Most common uses of 2020 promotions – junior staff career paths, CVBD function development and senior investment professional retention/succession planning
    - 20% of Portfolio Development/CVBD leaders
    - 25% of associates and 18% of analysts
    - 14% of senior investment professionals
- Carried interest penetration has risen slightly, but there are wide range of program approaches for calculating performance pool and structuring cash payouts (Also see 2019 Thelander CVC Corporate Stock & Carried Interest report)
    - 13% of respondents have carried interest programs
    - 25% have initiated conversations about carried interest
    - Majority of programs rely on a cash payout on 'proxy equivalent' for carried interest ('shadow', 'synthetic,' etc.)
- 'Carry Dollars at Work' is a new category of interest – particularly to a few larger CVCS who have carried interest programs aligned with VC models (assuming 2X return, 20% performance pool). Responses suggest that:
    - Top quartile (75%ile) respondents have AUM of $1B+, with most recent fund in $500M range
    - Top quartile carry dollars at work are comparable to VC GPs for CVC Unit heads and senior investment professionals
    - There is a steep fall-off for median and mean responses which could reflect different calculation approaches (e.g. smaller performance pools) and/or smaller funds
- Corporates are playing more hands-on roles in investments – but a limited pool of experienced senior investment professionals forces many to take on heavier loads than most VCs
    - 83% take observer roles, 59% take board seats
    - Nearly half will take on 6 or more board/observer seats

2020 Thelander-PitchBook Investment Firm Compensation Platform

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