

Supercharging CVCs: The Why, Where, and How of Generative AI.



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IN A NUTSHELL

For now, most Corporate Venture Capital (CVC) units are better placed harnessing the power of Generative AI (Gen AI) to supercharge capabilities than seeking a return as investors.

Why?

Gen AI solutions can be deployed across the CVC workflow to dramatically improve operational efficiency, decision making and scalability.

Where?

Start with activities with high levels of data intensiveness and repeatability like Deal Sourcing, Due Diligence and Portfolio Tracking.

Bundle activities into clusters – e.g., “Sourcing to Sign-off”, “Portfolio Monitoring to Exit” – to compound benefits across the workflow.

How?

Augment don't replace, building hybrid, not artificial intelligence. Behave like a start-up: start small, prove the value case and then be ready to scale fast.

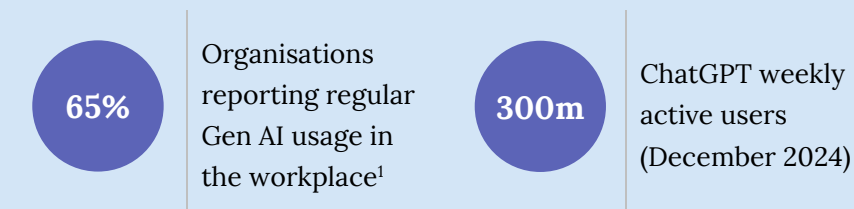
By focusing their ability to identify problem / solution fit internally on their own operations, CVC practitioners are well placed to lead the industry in finding concrete use cases for the deployment of Gen AI solutions. The result? Increased competitive agility, improved investee credibility, and greater value return for their corporate sponsor.

Introduction

Corporate Venture Capital (CVC) units can harness the emerging power of Generative AI (Gen AI) to supercharge investment and portfolio management capabilities. Do more with less, make better decisions and unlock scale faster.

Successfully investing in the crowded field of Gen AI start-up hopefuls remains a dauntingly high risk game. Overvaluation, business model viability, hidden operational costs, regulatory uncertainty, and ethical and security concerns continue to present significant barriers to generating good financial returns. For CVCs, the risks are then further compounded by the difficulties in identifying real world strategic synergies between potential investees and the CVC corporate mothership.

And yet. Gen AI is already mainstream. Already does impressive, useful things that 10x productivity for many knowledge-based tasks. And continues to rapidly expand its reach with ever more intelligent reasoning capabilities operating across text, voice and video with greater and greater levels of autonomy.



¹ Source: McKinsey & Company: **The State of AI Global Survey** (May 2024)

The result? A window of opportunity while the investment market matures in which CVCs can harness Gen AI technologies to supercharge the capabilities that make them great. And by doing so, to become more resilient within the corporate ecosystem, more valuable as an investor partner and more competitive amongst CVC and VC peers.

Figuring out how to put the general purpose technology that is Gen AI to use in the complex environment that is Corporate Venture Capital is far from straightforward. So, we will explore three questions in this article in order to help CVCs find their own path towards Gen AI empowerment:

- **Why deploy Gen AI solutions within your CVC unit?**
- **Where can they make the biggest difference?**
- **How can we best unlock the benefits quickly?**

WHY

Deploying Gen AI technology in your CVC workflows can deliver improved Operational Efficiency, Enhanced Decision Making and Accelerated Scalability.

Operational Efficiency	Enhanced Decision Making	Accelerated Scalability
Do more, faster, with fewer resources using rules-based task automation	Make better decisions, augmenting human intelligence with machine intelligence	Expand reach and capacity with lower increases in cost and resources

Operational Efficiency: CVCs are typically made up of small teams operating within large, complex eco-systems. They rely on carefully structured decision-making frameworks and agile operating models to achieve the cycle times required for good deal flow, portfolio management and business development.

Gen AI technology can be used to synthesise and analyse large, unstructured data sets on potential or current investees and then follow a bespoke set of rules to generate standardised outputs. In practice, this can bring higher levels of automation to areas like Deal Sourcing, Due Diligence and Portfolio Tracking.

Efficiency gains can then be reinvested in line with the unit’s wider strategic or tactical priorities, such as raising the

investment threshold, unearthing new prospects faster or increasing conversion rates.

Enhanced Decision Making: wherever decision frequency and/or complexity is high, there is a potential use case for Gen AI enhanced decision making. Especially when the capacity of the team to make these decisions at speed is constrained.

For Deal Sourcing, this might take the form of using Gen AI tools to pre-screen, categorise and prioritise start-ups for downstream human review. Or generating concise summaries of a start-up prospect highlighting the specific points that do or don’t align with the CVC’s investment criteria.

For Deal Structure this could mean generating a range of options for the deal team to consider, which are designed to fulfil alternative strategic goals like financial or strategic return, path to ownership or minimised risk. In all cases, Gen AI is enlisted to enhance rather than replace human decision-making.

“In complex and uncertain decision environments, the central question is, thus, not whether human decision-making should be replaced, but rather how it should be augmented by combining the strengths of human and artificial intelligence — an idea that has been referred to as hybrid intelligence.”

- Harvard Business Review, November 2000

Accelerated Scalability: Gen AI capabilities can accelerate the rate at which a growth focused CVC unit can expand its

footprint. For newly launched units, or units embarking on a fresh fund cycle, this can translate into lower overhead, an increased capital deployment ratio and higher investment rates.

- **Automated Sourcing and Screening** to expand deal flow, incorporating a far greater quantity of prospects into the assessment funnel.
- **Synthesis and analysis** of disparate data sources to run multiple due diligence processes at the same time with less need for external support.
- **Automated insights generation** blending multiple sources like market reports, competitive analysis, and social media content to expand a CVCs research and knowledge abilities.
- **Automated generation of playbooks and frameworks** to bring a more strategic structure, repeatability, and pace to negotiation activities from Term Sheet to Closing.

Looking forwards, the next stage of Gen AI development – “agentic AI” – will include the development of more autonomous agents capable of determining and then executing a range of tasks in order to achieve a broader goal.

For CVC units this could mean even greater levels of automation (with human oversight) in areas like investment, operations and stakeholder management.

WHERE

Activities with higher levels of data intensiveness, repeatability and which are subject to time constraints will benefit more from Gen AI enhancement than others.

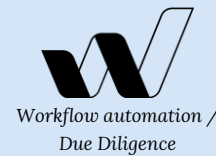
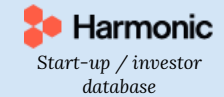
By bundling these activities into three clusters we can maximise the compounding effect between workflow steps and avoid adding too much software to our end-to-end operations.

Cluster A: <i>Sourcing to Sign-Off</i>	Arguably the most fertile soil for Gen AI enhancement due to high levels of data intensity and complexity, and rules based decision-making. Data can be harvested and analysed at each gate in the evaluation pipeline, and summarised as needed to inform the subsequent step.
Cluster B: <i>Term Sheet to Close</i>	Professional class Legal AI tools have been slower to emerge. However, Gen AI powered analysis and initial drafting of key deal docs can accelerate decision speed and responsiveness when combined with real world, human transaction experience.
Cluster C: <i>Portfolio Monitoring to Exit</i>	Particularly relevant for CVCs with large portfolios. Automated tracking can streamline operations as well as building a knowledge bank over time to help the CVC create value for and generally support their investees

Assessment of CVC Activities in terms of potential for Gen AI Enhancement

FIND	Data			Process	People	Cluster
	High data-intensiveness	Information synthesis across multiple sources	High repetitiveness and standardisation	Complex decision-making within established parameters	Risk of human bias	Time Sensitivity
Deal Sourcing	✓	✓	✓	✓	✓	A
Screening & Evaluation	✓	✓	✓	✓	✗	A
Due Diligence	✓	✓	✓	✓	✗	A
Investment Decision	✗	✓	✗	✓	✓	A
FUND						
Negotiation & Deal Structuring	✗	✓	✗	✓	✗	B
Legal Documentation & Compliance	✗	✗	✓	✗	✗	B
Deal Execution	✗	✗	✓	✗	✓	B
FOSTER						
Performance Monitoring	✓	✓	✓	✗	✓	C
Value Creation & Support	✗	✓	✗	✓	✗	C
Exit Planning	✗	✓	✗	✓	✗	C

Gen AI based SaaS tools (examples)

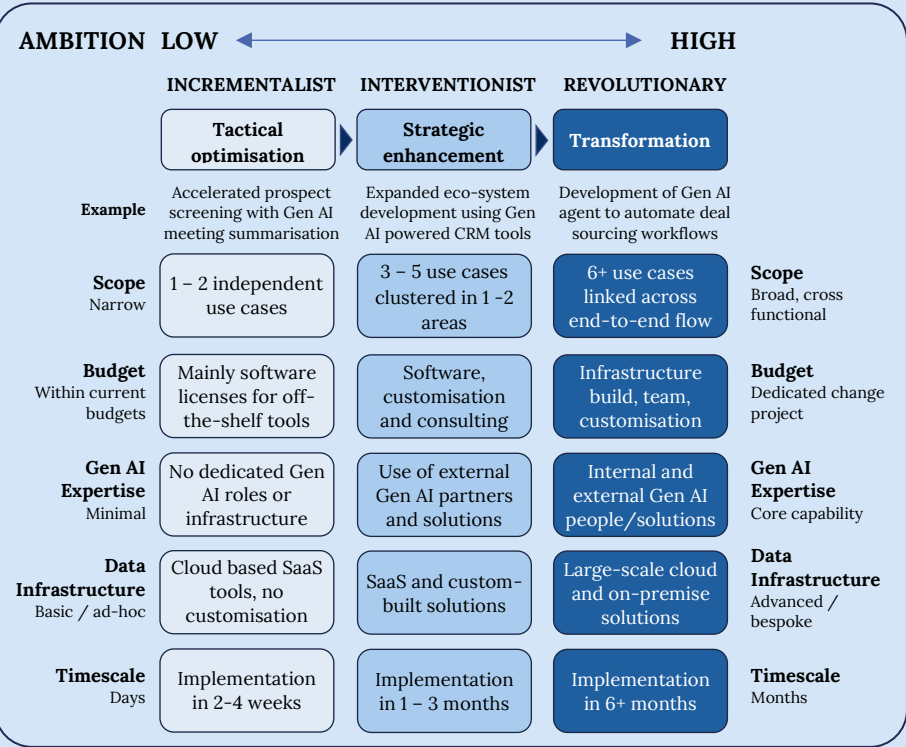


The SaaS vendors referenced in this article are mentioned solely for illustrative purposes. The author has no affiliation with these companies, does not receive any form of commission, and cannot vouch for their services. Readers are encouraged to conduct their own research and due diligence before engaging with any mentioned providers.

HOW

How a CVC unit goes about resourcing and delivering a Gen AI capability upgrade depends on ambition. Are you seeking incremental improvements to baseline performance? Targeted interventions in specific areas? Or a more comprehensive transformation into a Gen AI powered super-CVC?

3 Tiered Approach to Implementation Planning



CVC units looking to improve baseline operating efficiencies wherever the greatest opportunities lie may take the **Incrementalist** approach. They want rapid improvements in core functions like Deal Sourcing or CRM and use third party solutions like Grata or Harmonic (start-up discovery) and Affinity or Pipedrive (CRM) to get it.

Interventionists organise their Gen AI improvements around a more specific strategic or tactical goal, potentially linked to whatever it is that makes them great as a CVC unit, like portco value-add or subject matter expertise. This approach could include stitching together low and no-code solutions to unlock rapid improvements that can be easily scaled across the firm.

“Whenever an update is emailed to us, it’s fed into GPT-4. Through smart prompt engineering, GPT-4 converts the founder’s requests (and even identifies needs they might not have known existed!) into actionable tasks for our community members. It also suggests which community members would be most helpful based on their profiles and tags (from Airtable).”

- Davidovs Venture Collective (from Signatureblock [Fund Stacks](#))

Revolutionaries see Gen AI capabilities as the game changer for their industry and their business. They see a deep synergy between the flexibility, power and accessibility of Gen AI

technology and the underlying processes and dynamics of venture investing and portfolio management.

“[Generative AI’s] deepest impact on the world of work will come as it’s used to reimagine entire organizations. This deep reimagination will be a decentralized and distributed phenomenon, carried out by innovators and entrepreneurs throughout the economy.”

- Andrew McAfee, *The Economic Impact of Generative AI* (April 2020)

Revolutionaries are prepared to re-think end to end workflows based not on legacy approaches but from the perspective of the latest human and Gen AI hybrid capabilities. Their ambition is based not on a present-forward view of what can be done better, but a future-back view of what a fully Gen AI-enabled CVC unit would look like capitalising on the full range of Gen AI solutions available.

Whatever the ambition and approach, the fluidity of the Gen AI industry today means an agile, test and learn model will deliver more, faster than more formalised change programs. For now, this means focusing on the application, rather than the infrastructure layer, and prioritising rapid deployment, targeted functionality and limited need for customisation.

Over time, as the internal value case is proven, new Gen AI solutions are embedded and scaled, and as external providers consolidate and scale, then CVC units can extend their ambition horizon and move towards a more transformational phase.

It’s important as well to introduce **a note of caution** when considering how to proceed. The Gen AI industry remains an embryonic one that has only just moved from the research into the deployment phase. It is expanding and evolving at a pace and scale that challenges both governments and industries.

High implementation costs, data privacy hurdles, low ROI and major technical challenges – particularly around hallucinations – are all frequently cited as contributing to failed pilots². And more widely, given the uncertainty over how AI will evolve more generally in the coming years – agentic, general or otherwise – the risk of band-wagoning in a bid to simply keep up is high.

For these reasons, CVCs will need to carefully calibrate their ambitions with respect to Gen AI enhancement against the associated risks of distraction, disruption and obsolescence. As always, the key to successful implementation will lie in maintaining absolute clarity on why Gen AI is being used at each step, where it will make a difference, and how to best use the team’s human expertise to get the most out of Gen AI powered solutions.

² Source: Menlo Ventures [2024: The State of Generative AI in the Enterprise](#) (November 2024)

Conclusion

It can be a daunting prospect figuring out how to put the general-purpose power tool that is Gen AI to use in the service of Corporate Venture Capital. But establishing problem/solution fit in the messy, asymmetrical space that exists between corporates and start-ups is what CVC units are great at. So this means taking the same approach to fostering change and growth internally as a CVC unit might adopt externally.

Start by stepping back and answering the *why*? Clarify what it is you are seeking to achieve by upgrading your Gen AI capabilities and then tie those goals to specific and measurable outcomes like increased deal-flow, reduced decision-making time or improved investment ROI.

Then conduct an honest assessment of where you are now. Map out your current workflows, data infrastructure and team capabilities from a Gen AI perspective.

Start small and test fast. Experiment initially with off-the-shelf solutions like [ChatGPT Enterprise](#), [Fireflies.ai](#) or [Affinity](#) to get moving quickly in a low risk area. Then once you've built momentum and proven value, look to scale via structural improvements in systems, technology and people.

Get it wrong, and CVCs risk losing significant ground versus their VC competitors at a vulnerable time in the cycle. But get in right and CVCs can future proof their unit for the foreseeable future,

grow credibility with investees, increase agility to compete vs. VCs, and drive greater effectiveness and efficiency to safeguard the role they play for their corporate sponsor.

About the author

Graham Stokhuyzen is a leader of corporate innovation with a track record of building, leading, and transforming successful CVC units for leading global businesses.

He has worked extensively both in industry (Mars Incorporated and Coca-Cola Europacific Partners) and consulting (OC&C Management Consultancy) leading change programs both in front line commercial and central corporate functions.

In 2018, Graham co-founded [CCEP Ventures](#), a leading CVC unit in the Coca-Cola system, to find, fund and foster breakthrough B2B and Sustainability technologies with the potential to shape the future of the Beverage industry.