A power of good

Focus on utilities

Gaule's Question Time

Revolutionary initiatives

Sleepy month for exits
CyberAgent Ventures opens in Korea
Japan-based gaming company CyberAgent’s corporate venturing unit has opened an office in Seoul. It is also reportedly planning a fund for Korea.

Box expands to Europe
Box, an enterprise cloud company backed by strategic investors SAP Ventures, the corporate venturing unit of the Germany-based technology company, and Salesforce.com, the US-based software-as-a-service company, has opened an international headquarters, after more than 50% of traffic among its more than 11 million users was identified as outside the US.

UK’s ‘modest’ activity criticised
The UK’s “modest” levels of corporate venturing activity risks being further eroded due to a failure of policies, according to a report by the Royal Society for the encouragement of Arts, Manufactures and Commerce.

Redpoint e.ventures raises $130m
Redpoint e.ventures, the Brazil-based venture firm backed by e.Ventures, a corporate-backed venture firm, and venture firm Redpoint Ventures, has raised $130m.

Hitfox launches incubator
HitFox, a year-old Germany gaming company, has launched an incubator, HitFox Game Ventures.

Dell sets up $60m data storage fund
US-based computer maker Dell’s corporate venturing unit has set up the $60m Dell Fluid Data Storage Fund.

Strategics eye Pappas fund
Strategic corporates are reportedly set to back venture firm Pappas Ventures’ latest fund, which could exceed $300m, according to news provider PE Hub.

Rusnano launches $150m fund
Russian government investment firm Rusnano has launched a $150m late-stage nanotech fund, managed by I2BF Global Ventures, to focus on resources, water and agriculture.

Gates begins venturing
Trevor Mundel, the Gates Foundation’s recently appointed head of global health, has told news provider Financial Times he hopes to oversee a series of investments in companies each likely to be worth several million dollars.

Yandex grows with Seedfund
Yandex, a Russia-based search engine, has invested in startup accelerator Seedcamp’s second €5m ($7m) fund, according to news provider The Next Web.

**McCombs starts venturing fund**
US-based car dealer BJ “Red” McCombs has launched a corporate venturing fund to invest in companies that create new products and services for automobile manufacturers and sellers. Fraser McCombs Capital has raised almost $40m ahead of its final closing.

**Saudi Aramco launches unit**
Saudi Arabia-based energy company Saudi Aramco has officially launched its corporate venturing subsidiary Saudi Aramco Energy Ventures, first flagged by Global Corporate Venturing in February.

**Religare cornerstones Quadria fund**
Religare Global Asset Management, the wealth management unit of the eponymous India-based financial services group, is reportedly a cornerstone investor in healthcare-focused private equity firm Quadria Capital’s planned $300m fund.

**Microsoft opens Bing Fund**
Microsoft has opened a corporate venturing unit for its search engine Bing. The Bing Fund is run by general manager Rahul Sood, previously a general manager of Microsoft’s entertainment business. He founded and sold personal computer maker VoodooPC to Hewlett Packard in 2006. The business was started in 1991.

**O’Reilly eyes third fund**
The corporate venturing unit of O’Reilly Media, which has backed companies including web link shortening service Bitly and social media platform Foursquare, is seeking to raise $75m.

**P&G helps Cincinatti invest $55m**
US-based consumer goods company Procter & Gamble is reported to be helping US state Cincinatti invest at least $55m in venture capital in its region, according to news provider Cincinnati Enquirer. P&G has loaned its vice president of global business development, Jeff Weedman, to the Cintrifuse project for two years. P&G is investing an “eight-digit” sum in the venture fund.

**StartUp Academy combs colleges**
Bain Capital Ventures’ StartUp Academy is seeking undergraduates, masters and doctoral students from universities, including Duke, Harvard and MIT, to fill engineering and product management positions at start-ups funded by Bain.

Most read stories on Global Corporate Venturing last month

1 Alternative investments: art
2 The big deal: Bang & Olufsen and Sparkle Roll
3 Corporations join statistical fold
4 Europe to corporates: prop up VC
5 The big deal: Xiaomi
6 Healthcare: Well-being defines a growing sector
7 The big deal: Motor Coach Industries
8 The big deal: Two utilities team up
9 The big deal: Intel moves to African beat
10 Intel seals first west African deal
P&G gives Becker business head
US-based consumer goods company Procter & Gamble has named 22-year P&G veteran Laura Becker head of P&G’s global business development group, responsible for the company’s Connect+Develop innovation programme. Becker has worked for P&G in a range of roles since 1990 and was most recently the finance director for global feminine care. Becker said: “We want Connect+Develop to help deliver a dozen more … really breakthrough innovations that change the marketplace, grow a category, and have consumers saying: ‘I need this product’.”

Legend president Liu steps down
Liu Chuanzhi, founder of Chinese computer manufacturer Lenovo, has stepped down as the president of its parent company, Legend, but will remain as chairman.

WhaleShark appoints Beougher
US-based online coupon and deal marketplace WhaleShark Media has appointed Kelli Beougher as its chief operating officer. Beougher joined Whaleshark in 2009.

Polacek looks at distressed clean-tech
Jerry Polacek, managing director of renewable energy and venture capital at industrial conglomerate General Electric’s GE Capital subsidiary, has shifted to looking after distressed investing at the US-listed company.

Intel Capital hires Shoham and Weinryb
Intel Capital has recruited Yair Shoham, formerly of Israeli-based venture firm Genesis Partners, and Merav Weinryb, formerly of Pitango Venture Capital, which the corporate venturing unit says “reflects the abundance of innovative businesses and technologies” in Israel.

Alcatel-Lucent closes ventures unit
A source in Alcatel-Lucent said the ventures unit was closed earlier this year and Bart Shigemura, vice-president of Alcatel-Lucent’s “Digital Media” in Israel.

Qualcomm expands global team
Qualcomm Ventures, the corporate venture unit of US-listed technology company Qualcomm, has expanded its team in Europe, the US and Latin America. Carlos Kokron has joined as managing director of Latin America based in São Paulo, Brazil, and Gareth Keane will be joining the US team based in the Bay area of California. Qualcomm Ventures has also replaced Frederic Rombaut, who left to join tech peer Cisco, by promoting Miles Kirby to co-lead its European ventures operations with Jason Ball.

Clarkson breezes into SAP Ventures
Elizabeth “Beezer” Clarkson has joined SAP Ventures, the corporate venturing unit of Germany-based software company SAP, as a managing director and chief operating officer.

Noesen leaves Flex New Ventures
Katherine Noesen, has left Flextronics, a Singapore-based information technology company. As vice-president of Flex New Ventures, Noesen was recruited in September to develop an innovation platform for Flextronics which potentially included a corporate venturing effort.

Pierson joins Syngenta Ventures
Switzerland-based crop seed developer Syngenta has hired David Pierson from venture capital firm Intersouth Partners as a managing director of its corporate venturing unit. Pierson joins Syngenta Ventures after seven years as a partner at US-based Intersouth, which is reportedly expecting to raise a new fund, but remains on the board of directors at academic commercialisation bodies, according to his LinkedIn profile.

Prabhakar becomes DARPA director
Arati Prabhakar, a partner at US Venture Partners, has become director of the Defense Advanced Research Projects Agency, replacing acting director William Edward Lehr, according to news provider Wired. Prabhakar was previously an executive at DARPA for seven years between 1986 and 1993, and she joined US Venture Partners in 2001.
Editorial: How the quest for venture success can be stifled

- In order to achieve financial and strategic objectives, survival of a corporate venturing fund is a prerequisite.
- Part of the challenge in doing so can come from the compromises required/promises made to have a unit set up in the first place. As well as these issues facing all corporations, the organisational culture at the corporate venturing unit's parent company has been regarded as a primary factor behind the launch and closure of many funds, especially in the utilities sector. But these factors are changing surprisingly quickly as the tipping point of disruption sweeps across the sector – whether in telecoms, power or water.
- The rapid growth of venturing units and new funds – 30 in three years according to Global Corporate Venturing research – and their sophistication and ambition means the odds of survival are better than than at any point in history.

Feature: Focus on utilities

- As economies grow and develop, what is considered a utility, or basic service, becomes increasingly broad.
- But even as internet connections arguably join gas, water, electricity and telecoms as core services, the utilities sector is facing pressure to innovate technologically and disrupt established business models. This is leading to a resurgence of corporate venturing across the globe in the utilities sector.
- And utilities, historically the most volatile supporters of corporate venturing compared with other sectors, are looking to apply lessons from previous failed experiments in the 1980s and late 1990s to early 2000s.
- Many groups maintain in-house teams of corporate venturers, often seasoned with experienced venture capitalists and entrepreneurs rather than promoted business unit managers. Other groups, however, recruit independent firms to their needs through closer alignment and cornerstone limited-partner commitments rather than backing a swathe of disparate funds.
- The corporate venturing unit is also increasingly integrated to business strategy and used as a tool to help change the parent company’s culture through opening the business to incubate new ideas internally and externally at earlier stages than have previously been the preserve of utility investors.

Profile: Telefónica Ventures

- Spanish company Telefónica is in the process of implementing a corporate venturing programme with a global investment strategy and designs on maintaining the Spanish company’s global position by providing it with access to the technological investments.

Case study: 2012 Exit of the Year – Amobee

- Amobee, therefore, represents long-term strategic thinking by its corporate venturing backers into a white space of future growth for their businesses and a strong financial return operated on a level playing field for bidders.
Gaule’s Question Time

As part of a series of interviews with leading innovation and venture developers, Andrew Gaule, left, founder of the Corven Corporate Venturing Network, talks to Gwen Melincoff, senior vice-president of Shire Strategic Investment Group, which was officially formed in early 2010 with the purpose of establishing access to early-stage companies with pioneering technologies and therapeutics that can provide for future collaborations and acquisitions.

Comments

Steve Socolof, chairman of the National Venture Capital Association’s corporate venture group advisory board, writes that the NVCA has witnessed a significant increase in its corporate venture group, from an initial 40 corporate venturers in 2004 to 50 a year ago to 67 today, now about 16% of the total membership, and has plans to build on this support.

In the third of three articles on investment and incubation, Jacqueline LeSage Krause focuses on piloting revolutionary initiatives – the ideas that can open entirely new businesses for a company, or reinvent legacy businesses stuck in a status quo. Such initiatives are revolutionary because they lack precedent within the company, are transformational or have disruptive implications for the core business. Pursuing them means facing high uncertainty and the need to learn by doing. For these challenges, she writes, you need a dedicated incubation group that has the autonomy and specialised skills to think differently, act differently and learn on behalf of the entire company.

Data analysis: July

Sell-side activity took a knock during the month as economic uncertainty dogged the headlines, yet corporates remained busy investing.

July was a sleepy month for realisation activity, as global economic headlines continue to be dominated by eurozone woes and a slowing of both the US and Chinese economies.

Investments held up well, suggesting corporates are not taking their foot off the pedal in reaction to realisations slowing down.
SUBSCRIBE
AND HOLD THE WORLD OF INNOVATION IN YOUR HANDS

Contact: James Mawson
Tel: +44 (0) 7971 655590  Email: jmawson@globalcorporateventuring.com
In order to achieve financial and strategic objectives, survival of a corporate venturing fund is a prerequisite. Part of the challenge can come from the compromises required and promises made when a unit set up in the first place. A group might be established with strategic goals highlighted to gain support from the chief executive, charts to show how business units can benefit in the short term and tables showing expected return on investment to satisfy the financial director.

Meeting them all is tricky but often the deciding factor is overall sentiment from the social herd and feelings of confidence within a company from strong free cashflows. These latter psychological issues, as well as the length of time it can take for an idea to work its way up and be accepted by a board, have often meant that corporate venturing units start at the worst possible time – right at the end of the economic cycle – before a crash that results in confidence quickly turning to cost-cutting survivalism.

Utilities, this month’s featured sector, should be ideal parents to invest in venturing consistency over the long term but have often been predestined to fail.

As well as the above issues facing all corporations, the organisational culture at the corporate venturing unit’s parent company has been regarded as a primary factor behind the launch of energy utilities’ venturing funds between 1999 and 2001, and the subsequent closure of three-quarters of them within about five years, according to an academic paper* by Tarja Teppo, co-founder of Cleantech Invest in Finland, and Rolf Wüstenhagen, Good Energies professor for management of renewable energies at the University of St Gallen in Switzerland.

The main factors related to parent firm organisational culture are the parent’s view on innovation and industry development, and its organisational mindset. Two issues were identified regarding innovation and industry development in the energy sector. First, many electric utilities did not perceive innovation as an important competitive advantage, which in turn made the life of a corporate venturing fund difficult as it tried to identify innovative business models or technologies promoted by start-ups.

Second, even in cases where the parent firm realised scouting for innovative business approaches was important, the company saw no urgency to act because it was used to reacting to external regulatory pressures, not to business threats imposed by new external ventures.

The parent firm’s organisational mindset or worldview may differ strongly from the one present in the corporate venturing fund, which therefore needs “adequate autonomy to establish its own management processes”, according to the academics.

The differences were often shown in utilities’ preference to work with relatively larger, mature third parties. The effect of the organisational culture is also affected by risk-taking practices in the parent firm’s decision-making process, such as conducting effective due diligence on prospective technology and involving non-venture experts in decision-making, and its skills in managing and measuring the corporate venturing fund’s success.

As one corporate venturer told the researchers: “The problem [with venturing] is that if you are really innovative you get in trouble with the traditional organisation … And if [the ventures] are gaining market share, the headquarters or the operating unit is losing market share. And losing market share in the traditional sector or an operating unit is valued more than chances in the new growth area.”

But these factors are changing surprisingly quickly as the tipping point of disruption sweeps across the sector – whether in telecoms, power or water.

The rapid growth of venturing units and new funds – 30 in three years according to Global Corporate Venturing research – and their sophistication and ambition means the odds of survival are better than at any point in history.

This is to be welcomed but the managers now just need to live up to the promises they have made.

---

As economies grow and develop, what is considered a utility, or basic service, becomes increasingly broad. But even as internet connections arguably join gas, water, electricity and telecoms as core services, the utilities sector is facing pressure to innovate technologically and disrupt established business models. This is leading to a resurgence of corporate venturing across the globe in the utilities sector.

And utilities, historically the most volatile supporters of corporate venturing compared with other sectors, are looking to apply lessons from previous failed experiments in the 1980s and late 1990s to early 2000s.

Many groups maintain in-house teams of corporate venturers, often seasoned with experienced venture capitalists and entrepreneurs rather than promoted business unit managers. Other groups, however, recruit independent firms to their needs through closer alignment and cornerstone limited-partner commitments rather than backing a swathe of disparate funds.

The corporate venturing unit is also increasingly integrated to business strategy and used as a tool to help change the parent company’s culture through opening the business to incubate new ideas internally and externally at earlier stages than have previously been the preserve of utility investors.

Funds
Global Corporate Venturing has tracked 23 fund or programme launches since 2011, which is an increase from 2010’s seven launches. However, experience and longevity still counts and the most influential groups are often those that have demonstrated success, such as Deutsche Telekom’s T-Venture group, which is again ranked first by Global Corporate Venturing (see table).

Of the launches, most chose to commit to managers with strong venturing pedigrees and with a motivation to work with strategics, as alternative institutional inves-
tors have declined in number and interest – a factor notably absent in previous waves of corporate venturing.

In Japan, KDDI is working with Global Brain for its Open Innovation Fund, Saudi Arabia’s STC has backed Iris Capital, Netherlands-based KPN has cornerstoneed Germany-based Shortcut Ventures – originally called Fastlane Ventures before people became confused with the same-titled group based in Russia – France’s EDF helped set up Electranova Capital run by private equity firm Idinvest after previously closing its Easenergy team that took equity stakes in return for supplying people to portfolio companies, and France Telecom has also backed Iris, along with advertising agency Publicis, and Ecomobilité Ventures.

Corporations are increasingly looking at how they partner peers or firms with similar interests or needs from other sectors, sometimes leading to mergers of groups, including Norway-based energy companies Hafslund and Eidsiva creating Energy Future Invest at the start of the year.

France Telecom has also allowed its veteran team at Innovacom to spin out while retaining a limited-partner interest, while Germany-based power group RWE’s Innogy Ventures team’s strong track record allowed a bank to commit to the fund. In the UK, power utility Scottish & Southern Energy has done the same by moving the management to Scottish Equity Partners.

While utilities have a reputation – understandably so – for making sure the technologies it uses have low fault rates and high survival potential, the speed of technological change, demand on certain services – such as internet connect-

### Most influential utilities units

These rankings represent Global Corporate Venturing’s view of the most influential units in the sector using quantitative and qualitative evidence.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Head office</th>
<th>Unit name</th>
<th>Formed</th>
<th>Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deutsche Telekom</td>
<td>Germany</td>
<td>T-Venture</td>
<td>1997</td>
<td>&gt;£100m</td>
</tr>
<tr>
<td>2</td>
<td>RWE</td>
<td>Germany</td>
<td>Innogy Venture Capital*</td>
<td>2008</td>
<td>$155m</td>
</tr>
<tr>
<td>3</td>
<td>France Telecom</td>
<td>France</td>
<td>Innovacom*</td>
<td>1988</td>
<td>€300m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Orange Capital</td>
<td>Iris Capital*</td>
<td>2012</td>
<td>€300m</td>
</tr>
<tr>
<td>4</td>
<td>Nippon Telegraph and Telephone</td>
<td>Japan</td>
<td>NTT Investment Partners</td>
<td>2008</td>
<td>$128m</td>
</tr>
<tr>
<td>5</td>
<td>Swisscom</td>
<td>Switzerland</td>
<td>Swisscom Ventures</td>
<td>2005</td>
<td>€55m</td>
</tr>
<tr>
<td>6</td>
<td>Singapore Teleco</td>
<td>Singapore</td>
<td>SingTel Innov8</td>
<td>2010</td>
<td>S$200m</td>
</tr>
<tr>
<td>7</td>
<td>Vodafone</td>
<td>UK</td>
<td>Vodafone Ventures</td>
<td>2000</td>
<td>€100m</td>
</tr>
<tr>
<td>8</td>
<td>PTT-Bezeq</td>
<td>Israel</td>
<td>StageOne Ventures*</td>
<td>2011</td>
<td>$50m</td>
</tr>
<tr>
<td>9</td>
<td>ESB</td>
<td>Ireland</td>
<td>ESB Novusmodus</td>
<td>2008</td>
<td>€200m</td>
</tr>
<tr>
<td>10</td>
<td>SK Telecom</td>
<td>Korea</td>
<td>SK Telecom Ventures</td>
<td>2010</td>
<td>$100m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SK Planet</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Alliander</td>
<td>Netherlands</td>
<td>Yellow&amp;Blue Investment Management*</td>
<td>2008</td>
<td>€40m</td>
</tr>
<tr>
<td>12</td>
<td>Verizon</td>
<td>US</td>
<td>Verizon Ventures</td>
<td>1990</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Veolia Environnement</td>
<td>France</td>
<td>Veolia Innovation Accelerator</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Scottish &amp; Southern</td>
<td>UK</td>
<td>SSE Ventures*</td>
<td>2008</td>
<td>£85m</td>
</tr>
<tr>
<td>15</td>
<td>BT</td>
<td>UK</td>
<td>corporate development</td>
<td>1990s</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>SFR</td>
<td>France</td>
<td>SFR Development</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>NRG Energy</td>
<td>US</td>
<td>Energy Technology Ventures*</td>
<td>2011</td>
<td>$300m</td>
</tr>
<tr>
<td>18</td>
<td>Hafslund</td>
<td>Norway</td>
<td>Energy Future Invest*</td>
<td>2002</td>
<td>€40m</td>
</tr>
<tr>
<td>19</td>
<td>Eidsiva Energi</td>
<td>Norway</td>
<td>Energy Future Invest*</td>
<td>2002</td>
<td>€40m</td>
</tr>
<tr>
<td>20</td>
<td>Telefónica</td>
<td>Spain</td>
<td>Telefónica Ventures</td>
<td>2008</td>
<td>€40m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wayra</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>EDF</td>
<td>France</td>
<td>Electranova Capital</td>
<td>2012</td>
<td>€60m</td>
</tr>
<tr>
<td>22</td>
<td>Rogers Communications</td>
<td>Canada</td>
<td>Rogers Ventures</td>
<td>2011</td>
<td>$150m</td>
</tr>
<tr>
<td>23</td>
<td>Telstra</td>
<td>Australia</td>
<td>Telstra Applications &amp; Ventures Group</td>
<td>2011</td>
<td>€50m</td>
</tr>
<tr>
<td>24</td>
<td>Telecom Italia</td>
<td>Italy</td>
<td>Telecom Italia Labs</td>
<td>2009</td>
<td>€5m</td>
</tr>
<tr>
<td>25</td>
<td>AT&amp;T</td>
<td>US</td>
<td>AT&amp;T Foundry</td>
<td>2010</td>
<td>$90m</td>
</tr>
<tr>
<td>26</td>
<td>Suez Environnement</td>
<td>France</td>
<td>Blue Orange</td>
<td>2010</td>
<td>€50m</td>
</tr>
<tr>
<td>27</td>
<td>Telus</td>
<td>Canada</td>
<td>Telus Ventures</td>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Centrica</td>
<td>UK</td>
<td>British Gas Venture Capital</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Belgacom</td>
<td>Belgium</td>
<td>Group Strategy &amp; Business Development</td>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Orascom Telecom Egypt</td>
<td>Egypt</td>
<td>Sawari Ventures</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Telener</td>
<td>Norway</td>
<td>Televenture Management*</td>
<td>1993</td>
<td>NR£1.6bn</td>
</tr>
<tr>
<td>32</td>
<td>Soitec</td>
<td>France</td>
<td>Technomar II*</td>
<td>2012</td>
<td>€30m</td>
</tr>
<tr>
<td>33</td>
<td>KPN</td>
<td>Netherlands</td>
<td>Fastlane Ventures*</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Iberdrola</td>
<td>Spain</td>
<td>Iberdrola Renovables/ Inversiones Financieras Perseo</td>
<td>2002</td>
<td>€6m pa</td>
</tr>
<tr>
<td>35</td>
<td>KDDI</td>
<td>Japan</td>
<td>Android Fund*</td>
<td>2011</td>
<td>$100m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>KDDI Open Innovation Fund</td>
<td>2012</td>
<td>$85m</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Turkcell</td>
<td>Turkey</td>
<td>Enterprise Factory</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Acciona</td>
<td>Spain</td>
<td>Acciona Innovation (Nth Power)*</td>
<td>2006</td>
<td>€200m</td>
</tr>
<tr>
<td>38</td>
<td>Ontario Power Generation</td>
<td>Canada</td>
<td>Emerald Technology Ventures*</td>
<td>2000</td>
<td>$100m</td>
</tr>
<tr>
<td>39</td>
<td>Saudi Telecom</td>
<td>Saudi Arabia</td>
<td>STC Venture Capital Fund</td>
<td>2011</td>
<td>$50m</td>
</tr>
<tr>
<td>40</td>
<td>China Telecom</td>
<td>China</td>
<td>Esurfing Innovation Technology Co</td>
<td>2012</td>
<td>$30m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China Telecom Shanghai Innovation Incubation Base</td>
<td>2012</td>
<td>$30m</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Bouygues Telecom</td>
<td>France</td>
<td>Bouygues Telecom Initiatives</td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Globe Telecom</td>
<td>Philippines</td>
<td>Kickstart Ventures</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Dominion Resources</td>
<td>US</td>
<td>Dominion Energy Technologies</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dominion Resources</td>
<td>GreenTech Incubator</td>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>
tions from video and data downloads – and regulatory pressure in other areas to replace or change power sources means corporate venturing units are looking more globally and often earlier for deals.

Spain-based phone operator Telefónica’s Wayra programme started in Latin America in April last year and now covers a dozen countries. It is perhaps the world’s largest accelerator programme for entrepreneurs (see profile) and collaborates with its US-based corporate venturing unit for later-stage deals.

A similar strategy is being pursued by China Telecom, which set up its Shanghai Innovation Incubation Base in March as well as the Esurfing Innovation Technology Company for venture deals.

In Turkey, meanwhile, local telecoms group Turkcell set up the Startup Factory at Özyeğin University in March 2011 and has already expanded its premises in response to increasing demand. İhsan Elgin, head of the factory, said in an online interview: “We were expecting to receive around 100 business idea applications, but we received a total of 210. Ten were admitted to the factory.

“We recently produced our first graduate. The first project we supported has now moved to its new office in Etiler following the investments it has collected and the sales it has made. However, it is still a member of our ecosystem, benefiting from our facilities and resources.

“Three of the projects in our factory are actually dissertation projects prepared by academics, and those three have received TL850,000 ($475,000) of angel investment as well as TL450,000 of government incentive.”

The Startup Factory is now affiliated with the European Business Angel Network, an association for early-stage investment, rather than relying on finding independent venture capital firms willing to work with early-stage deals.

A similar seed project has begun in Asia through Philippines-based Globe Telecom’s Kickstart Ventures and Singapore Telecom’s work through its SingTel Innov8 and Optus units.

**People**

New in-house units often turn to established managers to build the team with a breadth of skills while retaining the strategic, political and cultural awareness of the parent group and its needs.

Deena Shiff became head of Telstra Applications & Ventures Group in August last year after five years as group managing director of Telstra Business.

With chief executives focused on future innovation to help find an escape from a burning platform or keep up with demands, there has been pressure on senior strategy executives. Payman Saebi left logistics group Royal Mail’s nascent corporate venturing unit to join BT’s strategy office while Daniel Ritz, who had effectively been responsible for new business development at Swisscom and also in charge of its corporate venturing unit, Swisscom Ventures headed by Dominique Mégret, left to join United Arab Emirates-based Etisalat, which is expected to develop its corporate venturing strategy as a result.

Naturally, the expansion or creation of so many units has led to changes in teams.

Edgar Hardless, previously vice-president of strategic investments at SingTel, stepped up to the role of chief executive of Innov8 after Yvonne Kwek moved following its launch.

Rob Trice, one of the industry’s thought leaders and ecosystem builders, left the position of managing director at SK Telecom Ventures to take an advisory role in the US office of Swisscom Ventures.

The merger of Hafslund Ventures with Eidsiva’s Energy Future Invest came after Rasmus Hansson left Hafslund in March 2011. He is now a partner at Nor Kraftkapital.

Suli Chen joined UK-based utility Centrica’s British Gas Venture Capital in April as an investment associate.

One of the entities featuring most changes has been the corporate venturing unit of Canada-based telecom operator Rogers. Michael Lee has been managing partner at

---

**Table: Top 10 Investor Firms**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Head office</th>
<th>Unit name</th>
<th>Formed</th>
<th>Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>DTE</td>
<td>US</td>
<td>DTE Energy Ventures</td>
<td>1995</td>
<td>$100m</td>
</tr>
<tr>
<td>47</td>
<td>Korea Telecom</td>
<td>Korea</td>
<td>Mobile Korea Renaissance Fund*</td>
<td>2010</td>
<td>$830m</td>
</tr>
<tr>
<td>48</td>
<td>Delta</td>
<td>Netherlands</td>
<td>Chrysalix SET Venture Partners*</td>
<td>2007</td>
<td>€50m</td>
</tr>
<tr>
<td>49</td>
<td>Essent</td>
<td>Netherlands</td>
<td>Chrysalix SET Venture Partners*</td>
<td>2007</td>
<td>€50m</td>
</tr>
<tr>
<td>50</td>
<td>BCE</td>
<td>Canada</td>
<td>Summerhill Venture Partners*</td>
<td>1987</td>
<td>$175m</td>
</tr>
<tr>
<td>51</td>
<td>Vattenfall</td>
<td>Germany</td>
<td>Vattenfall Europe Innovation</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Alpig</td>
<td>Switzerland</td>
<td>Alpin EcoPower</td>
<td>2007</td>
<td>$Fr50m</td>
</tr>
<tr>
<td>53</td>
<td>PG&amp;E</td>
<td>US</td>
<td>Pacific Energy Capital</td>
<td>2009</td>
<td>$60m</td>
</tr>
<tr>
<td>54</td>
<td>Epcor</td>
<td>Canada</td>
<td>Epcor Corporate Venture Capital</td>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>FirstEnergy</td>
<td>US</td>
<td>FirstEnergy Ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>China Unicom</td>
<td>China</td>
<td>corporate development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>China Mobile</td>
<td>China</td>
<td>corporate development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td>TeliaSonera</td>
<td>Sweden</td>
<td>Intellect Capital Ventures*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Digi$$el</td>
<td>Group</td>
<td>Bermuda</td>
<td>corporate development</td>
<td>2012</td>
</tr>
<tr>
<td>60</td>
<td>Energie Brabant Walloon</td>
<td>Belgium</td>
<td>corporate development</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>61</td>
<td>GDF Suez</td>
<td>France</td>
<td>corporate development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>Keppel Telecommunications and Transportation</td>
<td>Singapore</td>
<td>Israeli High Tech Fund</td>
<td>2000</td>
<td>$50m</td>
</tr>
<tr>
<td>63</td>
<td>Epsitel</td>
<td>UAE</td>
<td>corporate development</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>RusHydro</td>
<td>Russia</td>
<td>corporate development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>Statkraft</td>
<td>Norway</td>
<td>Statkraft Development/ Alliance Venture*</td>
<td>2006</td>
<td>$75m</td>
</tr>
</tbody>
</table>

*Limited partner in externally-managed fund

**Source:** Global Corporate Venturing
the $150m Rogers Venture Partners since January following a role as the parent group's chief strategy officer.

He was joined by Jim Hinson from the role of chief operating officer at Tenaya Capital, a venture capital firm spun out from investment bank Lehman Brothers, and Voytek Siewierski from Japan-based financial services group Mitsui & Co Venture Partners in March. This was about the same time as Jason Zan left to be a founding adviser at Palindrome Advisors and Sean Evans left to be a vice-president of corporate development and strategy at Postmedia Network, while Jonas Brandon left the Rogers venture capital arm last year.

But there have also been moves in the other direction. After nearly two years at Vodafone Ventures, Frederic Lardies was an investor and board observer at a number of companies, including LocalResponse and VoucherCloud before moving to venture capital firm Octopus Ventures.

And Vodafone Ventures head Peter Barry left after nearly eight and a half years to set up advisory group Tane Mobile in June.

Deals

Investments: Barry had led Vodafone’s corporate venturing team from a pure scouting effort in early 2004 to one of the most active units worldwide, with 20 of its 25 deals coming in the past two years. As the mobile phone operator said on its corporate venturing site: “Vodafone Ventures’ fund has been active since 2000. We have increased our engagement with the venture community since 2006 and are now one of the top 10 mobile investors in the world.”

While corporate venturing units with parent groups in the sector have become increasingly active, many of their deals have been outside the core utilities sector.

Vodafone Ventures’ deals this year include identity protection supplier Finsphere and battery fuel cell developer Cellera.

Shortcut Ventures’ first deal was Spain-based social communication platform Yuilop. The cross-border nature of deal scouting and investing partly indicates corpora-
tion’s role in bringing together Europe’s fragmented venture ecosystem, but a similar pattern is found elsewhere in the world, with Silicon Valley increasingly the focus of international firms’ activity and businesses in Asia investing across the region and further afield.

Japan’s NTT’s Investment Partners and Docomo Capital corporate venturing units have backed businesses, such as HighlightCam and Couchbase in the US and digital content provider Migo in the Philippines, as well as local entrepreneurs, including Shift.

Other deals are more focused on core business. France’s Suez Environnement used its Blue Orange innovation investment fund to take a minority stake in Redox Maritime Technologies, a Norwegian company specialising in water disinfection using ozonation, to develop a service for ballast water in ships.

Ruckus Wireless, a US-based wireless internet hardware developer, closed its series G funding round in February, raising $21.7m from a syndicate co-led by Singapore Telecom’s corporate venturing unit.

Jeff Karras, managing director of investments for SingTel Innov8, said: “We invest in companies with technologies that can potentially enhance the capabilities of the operators within the SingTel Group by delivering solutions across various product segments and verticals.

“Ruckus is one of these companies and with the changes in the carrier market, we are excited about the opportunities that lie ahead.”

Far harder has been successfully incubating ideas. Swisscom now uses Diino, a Sweden-based personal cloud service provider it incubated with investment company Novesta. And despite the increased activity in accelerating early-stage entrepreneurs, most of the disclosed deals in Global Corporate Venturing’s database are after the series A round in the past year.

Exits: Perhaps the utilities sector’s strongest performer in terms of ratio of profitable exits is Israeli phone operator Bezeq-backed StageOne Ventures, which has just two disclosed portfolio companies, Cvidya Networks and FiberZone, left from its $50m fund. StageOne sold Oversi to Allot, while Nasdaq-listed F5 Networks bought Traffix Systems.

Other good exits include Canada’s Telus Ventures’ sale of portfolio company Checkwell Solutions, the country’s largest employment and volunteer background checking service, to US-based Sterling Infosystems, and technology provider Citrix’s purchase of Innovacom-backed Byte-mobile. Other than Telefónica’s sale of a minority stake in China Unicom for $1.4bn, one of the biggest disclosed exits for a utilities corporate venturing unit was also by Telefónica with its sale of Amobee to Singtel for $321m (see case study).

Parent companies are tapping other corporate venturing units for potential acquisitions using insights gained through having teams in the entrepreneurial community, including NTT buying phone maker Nokia-backed Netmagic Solutions to help it expand in India.

Expansion and growth in corporate venturing continues apace.
Profile: Telefónica Ventures

Telefónica accelerates venturing success

Spanish company Telefónica is in the process of implementing a corporate venturing programme with a global investment strategy and designs on maintaining the Spanish company’s global position by providing it with access to the technological investments.

The company has built an ambitious early-stage accelerator active in a dozen countries with a more classic corporate venturing unit joining venture capital firms in syndicates backing more established entrepreneurial companies.

Telefónica Ventures, the main venture unit of Telefónica, was moved into a digital unit at the company in September. London-based Telefónica Digital, under Mathew Key, has 2,500 employees, the majority working on research and development. Telefónica Ventures’ deals this year have included cloud company Joyent’s $85m round, $35m for financial services group Boku and $79m for antenna provider Quantenna.

Telefónica’s Wayra, which means “wind” in Quechua, was born in Latin America with the aim of becoming an accelerator for the development of future Silicon Valleys in the countries where Telefónica is present, while Amerigo, a seed capital fund launched with co-investors, looks at later-stage projects.

Created in April last year, Wayra is active in Argentina, Brazil, Chile, Colombia, Spain, Mexico, Peru and Venezuela in Latin America, and the UK, Ireland and Germany in Europe, with entrepreneurs’ projects provided with financing – in exchange for a 10% share – access to Telefónica resources, including management and technical expertise, and a place to work.

The company is now tapped into the most important dealflow in technology around the world, after moving into Israel and Silicon Valley. Tracy Isacke, director of the Silicon Valley office at Telefónica Digital, said last year: “We moved into Silicon Valley as part of the acquisition of [internet telephone company] Jajah [in 2010 for $207m from a syndicate including corporate venturing peer Intel Capital], and also now have a presence in Tel Aviv. We have the dealflow and opportunity to build around our presence there. These units all fall into Telefónica Digital and are all aligned and working together. There will be companies that come out of Wayra, that get backed by Telefónica Ventures and Amerigo, creating synergies between the three operations.”

She said the company was backing venture because it believed it faced increased competition from new technology companies moving into telecoms. She said: “The strategy is more business-related, to create a business able to look to the future and what we might need in the future versus new competitors. We will be using venture capital as one of the tools in our kit to provide acceleration of our services.”

It has also been a successful strategy, with large profits reaped from a 10% stake in China’s second-largest carrier, China Unicom, and mobile advertising company Amobee (see case study).

Case study: 2012 Exit of the Year – Amobee

Amobee advertises its level playingfield

The increase in mobile devices over the past few years has led to a rapid growth in advertising targeting them and, in turn, a number of large acquisitions of venture-backed businesses.

As global mobile advertising is predicted to be worth about €6bn ($8bn) this year, according to consultancy Berg, up from €3.4bn in 2010, Singapore-based telecoms group SingTel bought mobile advertising company Amobee, which has corporate venturing backing from corporations Telefónica, Vodafone, Motorola, Amdocs and Cisco, for $321m. What makes the deal the Exit of the Year in the Global Corporate Venturing Awards announced in May is less the multiple of invested capi...
tal – about a six-times return on aggregate capital committed – but that Singtel reportedly won against Spain-based telecoms company Telefónica.

While entrepreneurs and some venture capital firms worry that having a strategic investor might limit exit options, Amobee is part of the vast majority of usually more than 90% in any given year, according to academic research by Martin Haemmig using Dow Jones VentureSource data, sold to a third party rather than one of the investors. Since 2005, Amobee has reportedly raised at least $54m from venture capital firms Sequoia, GlobeSpan Capital and Accel, Telefónica, UK-based telecoms peer Vodafone – David Leftley from its venturing unit picked up the Global Corporate Venturing award on the night – US-based mobile phone manufacturer Motorola, document company Amdocs and US-based technology company Cisco Systems.

Amobee used part of its financing to buy UK-based peer RingRing Media for $20m in 2010. Where Amobee’s peers, such as Quattro and AdMob, have been bought by technology companies – Apple and Google for $275m and $750m respectively – SingTel’s purchase “marks an interesting turn” for mobile advertising businesses with phone call carriers such as SingTel directly entering this space.

Globespan partner Venky Ganesan told news provider VCCircle: “The first 1 billion to 1.5 billion users on the internet came through the PC [personal computer] and the next 3 billion are going to come in through the mobile phone. Carriers used to charge you for calls, texts and data usage, but you cannot do that on a variable basis and data services will go at a flat rate. But how do you make money when you are capped at a flat subscription rate? The way to do that will be through mobile advertising which will become a critical part of every carrier’s strategy.”

Ganesan said Amobee, backed at an early stage by Vodafone and Telefónica, had positioned itself to be of acquisition interest to both companies through having carrier-grade services. Amobee, therefore, represents long-term strategic thinking by its corporate venturing backers into a white space of future growth for their businesses and a strong financial return operated on a level playingfield for bidders.
Gaule: Give a brief description of the purpose of Shire Strategic Investment Group (SIG).
Melincoff: SIG was officially formed in early 2010 and its purpose is to establish access to early-stage companies with pioneering technologies and therapeutics that can provide for future collaborations and acquisitions. Each investment is made with sponsorship from one of the Shire businesses, and is structured to leverage the balance sheet and avoid any burden on research and development (R&D) spend. The review, endorsement and approval process within Shire is fairly streamlined. Once an opportunity is identified, the SIG team establishes a relationship with management and the relevant investors and looks internally for an investment sponsor. Should the opportunity be deemed viable, a proposal – presentation and full investment memo – is prepared for the internal strategic investment board. Following the board’s endorsement, the proposed investment is presented to Shire’s executive leadership team for approval, after which the SIG team transacts the investment and manages the relationship. SIG cannot lead an investment – typically $5m or less per company – and must, at a minimum, have a board observer seat.

Gaule: What is the structure of the team and partners you work with?
Melincoff: SIG is a two-person group – myself and a colleague. SIG follows an open approach to partnering, allowing the opportunity to dictate the appropriate partners. Typical investments involve a traditional venture capital firm’s lead and other syndicate investors, often including other corporate investors.

Gaule: Why do you think your corporate venturing approach is important for Shire and for the health development ecosystem?
Melincoff: The outflow of “biocapital” from traditional venture capital sources, along with the increased technical and reimbursement challenges in getting new therapies approved, has provided a window for corporates – often flush with cash – to use and help push new opportunities forward, which in its own small scale way is good for the entire health ecosystem. Early-stage investing has been a difficult place for most small companies. The approach of SIG benefits Shire, allowing the company to embrace riskier, more innovative, projects without stressing R&D spend. The risk profile acceptable for investment also significantly broadens the opportunities the business can pursue.

Gaule: What sorts of challenges do you think you face in bringing the start-ups and technologies to the core business?
Melincoff: The constant issue is alignment of strategy. A start-up takes years to mature and the Shire business continually transitions, so managing the alignment is critical. There is also the question of risk – when is a start-up derisked adequately for the business to consider a larger commitment or acquisition?

Gaule: What has been your most interesting recent deal?
Melincoff: We recently invested in Promethera, a Belgian company pursuing therapies for orphan liver diseases using allogeneic liver cells. The disease areas and the technology are of interest to both our Human Genetic Therapies and Regenerative Medicine businesses. Another interesting investment is Naurex, a company developing a therapy for treatment resistant depression. Besides Shire, we have Takeda Venture Investment [see a previous Gaule’s Question Time] and Lundbeck as corporate investors.

Gaule: What do you do to relax outside work?
Melincoff: I am an addicted exercise person and love to go to spinning class. I am married and have one daughter who was recently married.

You can get free previous audios of Gaule’s Question Time on iTunes store – search Corven Group – and as audio downloads from Global Corporate Venturing or from www.corven.com/corven-networks.
To contact Andrew Gaule and for future interview ideas email andrew.gaule@corven.com and jmawson@globalcorporateventuring.com
Venturers soar

Steve Socolof, chairman, corporate venture group advisory board of the National Venture Capital Association

US trade body the National Venture Capital Association (NVCA) has witnessed a significant increase in its corporate venture group, from an initial 40 corporate venturers in 2004 to 50 a year ago to 67 today, now about 16% of the total membership.

Corporate venturers are increasing their presence and role within the venture capital ecosystem, reflected in media reports noticing the establishment of new corporate venture groups on almost a weekly basis. Corporate venturers are also playing a more proactive role in sourcing deals and leading investments, no longer relying on traditional venture capitalists (VCs). Accordingly, we are also seeing corporate venturers take a stronger interest in the overall health of the venture community, which can help explain the wave of corporate venturers joining the NVCA.

The NVCA embraces the renewed presence, expertise and resources corporate venture investors possess, and recently designated one of its 26 board of director positions to a corporate venturer – Claudia Fan Munce of IBM.

Given all this corporate venturing activity, I am honoured to have been selected as this year’s chairman of the NVCA’s corporate venture group advisory board. The board, made up of 16 leading corporate members of the NVCA, is responsible for programming activities for group members. As we are now a couple months into this term, there are many exciting activities under way.

Fundamentally, our overarching goal is to improve the collaboration and mutual value between the group and the NVCA. We envision accomplishing this goal through three major dimensions.

**Enhance partnerships:** This involves a range of initiatives focused on helping corporate venturers and VCs collaborate – raising awareness among VCs about corporate venturing investment interests, how to work together, and the powerful contributions corporate venturers may bring to deals other than funding – connecting corporate venturers more directly with entrepreneurs, improving corporate venturing dealflow, and even enhancing corporate venturers doing deals with other corporate venturers. While the NVCA represents the interests of US-based venture capitalists, corporate venture group efforts reflect the global nature and footprint of corporations.

**Develop corporate venture group talent:** A range of initiatives are focused on education and networking for corporate venturers – providing basic information for new venture teams or new team members, and more comprehensive information regarding issues of structure, compensation, metrics and so on for more senior folks. This includes documented best practices, online resources, webcasts, roundtable discussions and our fall summit.

**Align public policy interests:** This is a new area of focus for the corporate venture group. The NVCA has made tremendous achievements in fostering a greater understanding of venture capital, how the industry affects the overall US economy, and advocates for policies that further entrepreneurial activity and innovation (for a list of these accomplishments, visit www.nvca.org). We believe many of these topics will be of shared interest and priority to corporations. There is potential for future collaboration on some of these issues with corporate lobbyists, and we will seek to broaden relationships and alliances as interest and opportunities arise.

We have organised our efforts into four committees that are hard at work on each of these members’ benefits.

**Education**
Chairman: Elaine Jones (Pfizer)
Corporate venture group advisers:
Nagraj Kashyap (Qualcomm)
Kevin McElgunn (Dow Chemical),
Matt McElhatten (Chevron), Brad Vale (Johnson & Johnson)
Group volunteer: Eileen Tanghal (Applied Ventures)

**Events**
Chairman: Mary Kay James (DuPont)
Corporate venture group advisers:
Gerald Brady (SVB), Constance Freedman (Second Century Ventures), Will Rosenzweig (Physic Ventures)
Group volunteers: Jim O’Connell (Safeguard Sciences), Keith Muhart (Qualcomm)

**Outreach**
Chairman: Dan’l Lewin (Microsoft)
Corporate venture group advisers:
Lisa Frankovitch (Uplogix, formerly with Adams Capital Management),
George Hoyem (In-Q-Tel), Chris Kay (Citigroup)
Group volunteer: Victor Pascucci (USAA)

**Public policy**
Chairman: Steve Socolof (New Venture Partners)
Corporate venture group advisers:
Alex Marquez (Intel)
NVCA directors: Claudia Fan Munce (IBM), Sherrill Neff (Quaker Partners)
Group volunteer: Scott Olsen (Amgen Ventures)

We welcome all to join the NVCA and participate in these exciting activities. Save the date of our corporate venture group fall summit, hosted by DuPont in Wilmington, Delaware, US, November 1-2.
For the last article of this series, we focus on piloting revolutionary initiatives, the ideas that can open entirely new businesses for a company, or reinvent legacy businesses stuck in the status quo. Such initiatives are revolutionary because they lack precedent within the company, are transformational or have disruptive implications for the core business. Pursuing them means facing high uncertainty and the need to learn by doing.

For these challenges, you want a dedicated incubation group that has the autonomy and specialised skills to think differently, act differently and learn on behalf of the entire company.

To illustrate the way this team thinks and acts differently, below are some tips and tricks for piloting under uncertainty.

Reset the context for failure

For all stakeholders – including the incubation group’s project team and governing body – the focus should be on learning and adapting, with failure defined only as not doing so. Everyone involved should expect that at least some of the starting assumptions will be wrong and that the goal of the pilot is to acquire information to get closer to right. That way, the team can assess and act on learnings objectively, rather than be defensive about things not going to plan.

That said, some projects’ best learning and adaptation will be to fail fast. Maybe the pilot exposes a fatally flawed market assumption or a technical roadblock. Quickly finding such killers should be seen as an accomplishment. It saves the company time and money, and it steers the overall innovation portfolio to redirect resources efficiently from dead ends to promising avenues. In that regard, you want a group that is built to succeed via productive forms of failure.

Pilot early and often

With high uncertainty, the value of speculating and debating about an opportunity in the abstract is limited. The faster you can get something to market for the purpose of learning, the more quickly the arguments can be based on facts rather than assumptions. Likewise, the more you can break up a big pilot into a series of smaller ones, the more cheaply you can buy down the risk and uncertainty. This early tangibility can be critical to overcoming scepticism that might otherwise stymie a big idea.

Have hypotheses and goals

Although the focus is on learning, the pilot process still requires rigour and discipline to achieve that goal. At the start of each pilot, you will want to be clear on:

- What you want to learn.
- A hypothesis for the answer.
- Criteria for a go or no-go decision to the next phase.

If identified in advance, these three elements allow the team to hone in on what it is trying to learn when crafting the pilot. They will also provide guidance to the team during the pilot when it is faced with the potential for mid-stream interventions or adaptations.

As the team monitors the pilot against its hypotheses and goals, and gathers other lessons, it will want to share the emerging results, with, for example, the core business or governing committee. Proceed with caution. Both good and bad news travels fast and quickly loses the context of early results or emerging trends.

Jacqueline LeSage Krause, most recently head of innovation and corporate venture capital at US-based financial services company The Hartford, is the author of this article.
Define a public moment

Pilots need urgency or they can get stuck in the planning stage, especially when elements of the pilot are depend-ent on other parts of the company that are focused on exe-cuting for the core business. As the team and its internal partners figure out what to do, is perfectionist about how to do it, or gets pulled into other efforts, timelines for mile-stones can slip by. Speed and capital-efficiency evaporate.

A fantastic forcing function to drive momentum is commit-ting to a public moment with customers or channels. Whether it is a soft launch to a few customers, a joint press release about a beta offering to a small customer segment or a training session for distribution partners, once a date is committed and communicated in advance, everyone knows the game is different. A pilot project often needs that extra impetus.

Embrace the kludge

A kludge – quick workaround – is a good-enough solution. In creating a pilot, a kludge is often sufficient, if not desir-able, because you do not know where it will lead. Some pilots will end up as throwaways, and most will end up pointing the way to significant changes. So don’t overinvest up front on technologies or expensive work processes that are subject to disposal or change. Create the minimum viable solution for achieving the pilot’s goals, then use the budget and time you saved up front to build what you have learned is the right thing.

A few examples:
- If the pilot is expected to lead to a handful of people calling a helpdesk and you are not looking for call centre lessons, then route the calls to the innovation team rather than running them through the company’s call centre and having to train a few hundred representatives.
- If the pilot needs to integrate with a corporate database but is not testing that functionality, then just get a one-time copy of the database, or a sub-set of the database. Don’t spend the extra time and organisational capital to integrate with the live database until you need to.

Engage and prepare the core business

Communication and coordination with stakeholders in the core business is critical if the opportunity is one that will ultimately land there. The incubation team partners the core business stakeholders throughout a project, beyond the day-to-day tasks of setting up the operational aspects of the pilot. They work with, but outside, the core business to ensure initiatives have support and, if successful, have a way to transition successfully into the core business.

Have an adaptable and creative team

The incubation team needs to be results-oriented but flex-ible in how it gets there. It needs to be adaptable – ready and willing to change quickly. Creativity is valued, not only up front for the concept, but also for running the opera-tional aspects of the pilot, including kludges.

Finally, the incubation team must be committed to the innovation process first and then to the broad opportunity – not the specific instance – second. As discussed above, it must recognise that killing or changing a project is not failure. The leader of the corporate venturing and innova-tion group plays a critical role in helping the team – and sometimes the governing committee – to manage its emo-tional attachment to any single opportunity, guiding it to value the process and the portfolio.

In summary, when piloting transformational or disruptive opportunities, applying the tips and tricks described here can increase the chances of success. They support the incubation team’s structural design to bring the focus, agility and speed of a start-up into the environment of a large corporation.

In 2011, Jacqueline LeSage Krause’s team at The Hartford won Global Corporate Venturing’s award for best practices in financial services for combining incubation and investment. She currently divides her time between Hartford and San Francisco, focusing on new entrepreneurial ventures in healthcare, insurance and con-sumer services.
Partner events

James Mawson will be at the 13th Annual Intel Capital Global Summit on October 1-3 at Huntington Beach, California, and presenting in Singapore at the TechVenture in mid-October, followed by Japan on October 22-23 before heading back to the US to open Global Corporate Venturing’s new subsidiary in California the following month and speak at the NVCA’s Corporate Venture Group Summit on November 1-2 in Wilmington, Delaware.

Global Corporate Venturing is also supporting the EVCA European Venture Capital Forum 2012, October 11-12, in the Netherlands; Russia’s Open Innovations forum on October 31-November 2 (forinnovations.org/en/); White Bull 2012 – Pathways to Exit (whitebull.com) and TechTour’s London event on September 27 (www.techtour.com/tech-tour-solutions-2012/overview.htm).

Global Corporate Venturing managing director Tim Lafferty will be speaking at the Young Company Finance Annual Conference in Edinburgh on September 13. Conference theme: Early-stage investing – where are we now?

Hope to see you there and let us know where else we should be visiting and plans for 2013.

---

Our Columbia, MD company is developing an important new category: “Cognitive” Secure Mobility

Our customers require complete situational awareness of wireless devices as well as “contextually aware” functionality and that affords new levels of security and services. AirPatrol protects the most secure facilities in the United States, for both Government and Enterprise.

We are seeking strategic relationships that will accelerate the adoption of this crucial technology in the European market.

Spend some time at our site and contact me and describe your synergy!

Bradley Rotter, Chairman

brotter@airpatrolcorp.com

www.airpatrolcorp.com
Siesta time
for exits

Sell-side activity took a knock during the month as economic uncertainty dogged the headlines, yet corporates remained busy investing.

July was a sleepy month for realisation activity, as global economic headlines continue to be dominated by eurozone woes and a slowing of both the US and Chinese economies.

There were only three exits of corporate venturing-backed companies, worth $400m, in July, compared with 21 exits worth $3.9bn in June, and 15 exits worth $2.8bn in July last year. The largest was that of Gaikai, a US-based cloud gaming company backed by semiconductor companies Intel and Qualcomm’s corporate venturing units, which was sold to Japan’s Sony Computer Entertainment for $380m.

Investments held up well, suggesting corporates are not taking their foot off the pedal in reaction to realisations slowing down. In July there were 72 investments in
Deal analysis: July

US-based online file sharing company Box has been on a tear, and this means two corporates are likely to be getting the champagne ready.

Last year, Box was reportedly valued at $600m after an $81m series D round in October, with US-based cloud computing company Salesforce, in a $125m deal. The second-largest deal was China-based industrial company New Times Group backing Protean, a US-based electric drive systems company, in a quasi-corporate venturing move. The third-largest deal was US-based consumer company Intelligent Beauty joining venture firms in a $76m investment in JustFab, the US-based online retail and fashion business it founded.

There appears to be a relative flight to safety in terms of investment activity, both in the locations picked for investment and the investment types that have been chosen. There was stronger activity in both A rounds and later-stage deals, suggesting an interest in deals with a longer time horizon as well as those closer to exit. There were 17 A rounds (24%) - A rounds were 13% of activity both in the same period last year and in June. There were also eight E rounds and greater (11%), compared with a more typical 4% in July last year and 3% in June. There were 14 B rounds (19%), 12 C rounds (17%) and one D round (1%). Stake purchases made up 15% of investments, mergers and acquisitions 4% and seed rounds 3%.

The most active area of activity was the traditionally strong information technology sector, with 16 deals (22%). This was followed by the consumer sector with 14 deals (20%) and media with 13 deals (18%), a particularly strong relative showing for these two sectors. In June there were also 12 healthcare deals (17%). Clean-tech made up 8% of activity.

Liz Arrington, a partner at advisory firm Bell Mason, said: “The series A activity is pretty interesting, much of it focused in Silicon Valley. When you dig a little deeper into the deals, you see increasing evidence of savvy corporate investor participation in deals with top-tier venture capital firms, also companies successfully emerging from incubators and accelerators, and lots of activity from accelerator and seed fund 500 Startups.”

There was also some interesting private equity investments alongside corporates, with Germany-based car manufacturer Daimler acquiring a stake in US-based bus manufacturer Motor Coach Industries, alongside turnaround firm KPS Capital Partners and China-based distributor Sparkle Roll. In addition, private equity firm A Capital, backed Denmark-based home electronics company Bang & Olufsen.

Arrington said: “We are seeing more evidence of corporate collaborations with private equity firms as deal sources, roll-up partners and ultimately buyers.”

The big deal

Box unpacks potential

US-based online file sharing company Box has been on a tear, and this means two corporates are likely to be getting the champagne ready.

Last year, Box was reportedly valued at $600m after an $81m series D round in October, with US-based cloud computing company Salesforce and SAP Ventures, the corporate venturing unit of the Germany-based technology company, and US-based technology company Salesforce, in a $125m deal. The second-largest deal was China-based industrial company New Times Group backing Protean, a US-based electric drive systems company, in a quasi-corporate venturing move. The third-largest deal was US-based consumer company Intelligent Beauty joining venture firms in a $76m investment in JustFab, the US-based online retail and fashion business it founded.

There appears to be a relative flight to safety in terms of investment activity, both in the locations picked for investment and the investment types that have been chosen. There was greater than usual activity in the US - 76% of deals, continuing a trend from June when the world’s largest economy accounted for 72% of deals. Typically around two-thirds of deal activity takes place in the US - 64% in July last year. There were four deals in both Germany and the UK, and two in each of Singapore and China.

There was strong relative activity in both A rounds and later-stage deals, suggesting an interest in deals with a longer time horizon as well as those closer to exit. There were 17 A rounds (24%) - A rounds were 13% of activity both in the same period last year and in June. There were also eight E rounds and greater (11%), compared with a more typical 4% in July last year and 3% in June. There were 14 B rounds (19%), 12 C rounds (17%) and one D round (1%). Stake purchases made up 15% of investments, mergers and acquisitions 4% and seed rounds 3%.

The most active area of activity was the traditionally strong information technology sector, with 16 deals (22%). This was followed by the consumer sector with 14 deals (20%) and media with 13 deals (18%), a particularly strong relative showing for these two sectors. In June there were also 12 healthcare deals (17%). Clean-tech made up 8% of activity.

Liz Arrington, a partner at advisory firm Bell Mason, said: “The series A activity is pretty interesting, much of it focused in Silicon Valley. When you dig a little deeper into the deals, you see increasing evidence of savvy corporate investor participation in deals with top-tier venture capital firms, also companies successfully emerging from incubators and accelerators, and lots of activity from accelerator and seed fund 500 Startups.”

There was also some interesting private equity investments alongside corporates, with Germany-based car manufacturer Daimler acquiring a stake in US-based bus manufacturer Motor Coach Industries, alongside turnaround firm KPS Capital Partners and China-based distributor Sparkle Roll. In addition, private equity firm A Capital, backed Denmark-based home electronics company Bang & Olufsen.

Arrington said: “We are seeing more evidence of corporate collaborations with private equity firms as deal sources, roll-up partners and ultimately buyers.”

The most active area of activity was the traditionally strong information technology sector, with 16 deals (22%). This was followed by the consumer sector with 14 deals (20%) and media with 13 deals (18%), a particularly strong relative showing for these two sectors. In June there were also 12 healthcare deals (17%). Clean-tech made up 8% of activity.

Liz Arrington, a partner at advisory firm Bell Mason, said: “The series A activity is pretty interesting, much of it focused in Silicon Valley. When you dig a little deeper into the deals, you see increasing evidence of savvy corporate investor participation in deals with top-tier venture capital firms, also companies successfully emerging from incubators and accelerators, and lots of activity from accelerator and seed fund 500 Startups.”

There was also some interesting private equity investments alongside corporates, with Germany-based car manufacturer Daimler acquiring a stake in US-based bus manufacturer Motor Coach Industries, alongside turnaround firm KPS Capital Partners and China-based distributor Sparkle Roll. In addition, private equity firm A Capital, backed Denmark-based home electronics company Bang & Olufsen.

Arrington said: “We are seeing more evidence of corporate collaborations with private equity firms as deal sources, roll-up partners and ultimately buyers.”

The most active area of activity was the traditionally strong information technology sector, with 16 deals (22%). This was followed by the consumer sector with 14 deals (20%) and media with 13 deals (18%), a particularly strong relative showing for these two sectors. In June there were also 12 healthcare deals (17%). Clean-tech made up 8% of activity.

Liz Arrington, a partner at advisory firm Bell Mason, said: “The series A activity is pretty interesting, much of it focused in Silicon Valley. When you dig a little deeper into the deals, you see increasing evidence of savvy corporate investor participation in deals with top-tier venture capital firms, also companies successfully emerging from incubators and accelerators, and lots of activity from accelerator and seed fund 500 Startups.”

There was also some interesting private equity investments alongside corporates, with Germany-based car manufacturer Daimler acquiring a stake in US-based bus manufacturer Motor Coach Industries, alongside turnaround firm KPS Capital Partners and China-based distributor Sparkle Roll. In addition, private equity firm A Capital, backed Denmark-based home electronics company Bang & Olufsen.

Arrington said: “We are seeing more evidence of corporate collaborations with private equity firms as deal sources, roll-up partners and ultimately buyers.”
Global corporate venturing activity last month

Source: Global Corporate Venturing
**Deal analysis: July**

**Dow Jones Venture Snapshot**

**Percentage of exiting companies that had corporate investors**

Exits by venture companies based in China, Europe, India, Israel & North America

<table>
<thead>
<tr>
<th>Year</th>
<th>Total venture-backed exits</th>
<th>Percentage of companies that had corporate investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>2012 (1Q)</td>
<td>27%</td>
<td></td>
</tr>
</tbody>
</table>

**IPOs of venture-backed companies**

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>China</th>
<th>Europe</th>
<th>India</th>
<th>Israel</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
<td>4Q</td>
<td>1Q</td>
<td>2Q</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**M&A deals for venture-backed companies**

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>China</th>
<th>Europe</th>
<th>India</th>
<th>Israel</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**The top acquirers of venture-backed companies, 2012 Q1**

- **Groupon**: 6
- **Twitter**: 3
- **Silverback Enterprise Group**: 2
- **Qualcomm**: 2

Global Corporate Venturing August 2012