

Designing a Corporate Venturing Program: Factors to Consider

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In setting up a corporate venturing program, there are ten design factors that need to be addressed.

1. Legitimacy. A venturing program typically focuses on emerging businesses that will take several years to achieve the desired results. During that time, its value must be continually demonstrated to senior management. How can the corporate venturing activity achieve and sustain legitimacy from its inception and throughout its existence? What is its role in supporting the overall corporate strategy?

2. Structure. Where does the program report and what sort of oversight committees or boards might be set up to provide senior level guidance and direction? How large should it be? Which skills and functions should it have internally, and which will it source outside?

3. Internal and External Relationships. Venturing programs need to leverage internal and external resources to minimize redundancy, avoid turf battles and ensure efficiency. They need to build relationships with key internal management groups by complementing them rather than competing with them. Which relationships are essential and how can they be best cultivated? These relationships could include those with business development, planning, R&D, venture capitalists, universities, consultants, industry analysts, etc.

4. Funding. How will funding be provided? The issue of funding relates both to the program's funding as well as the financial needs of the emerging activities being financed – neither of which is generally predictable. Without sufficient independence and autonomy, programs find it difficult to exploit unexpected opportunities. Conversely, without sufficient controls, the programs can deviate from their strategic objectives and lose company support.

5. Deal Flow. Is there currently a flow of opportunities being generated internally or externally? What is the quality of these? How can the deal flow best be developed to meet the program's objectives? Where should the deal flow come from? What is the strategy for building up the flow of opportunities?

6. Screening and Selection. Investments are selected based on the goals of the program. How can the opportunities best be evaluated in view of these goals and those of the overall corporation? Who will make the decisions? What is the investment strategy? What are the investment criteria? What skills sets are needed?

7. Investment and Development Process. What processes and guidelines will be established to promote successful development of the ventures? What working relationship will be established with each enterprise? Which resources will be offered to the venture and on what basis? Will a business be funded only for financial return even if it is clear that the business will not provide a strategic return? What alternatives will be available for continuation of non-strategic efforts? When is the role of the venture group complete and responsibility for the activity transferred to an operating group?

8. Measures for Success. How will the overall success of the program and of each venture be measured? How will these change over time? How will the program staff be assessed and rewarded? Will there be opportunities for special compensation for either venture managers or program managers? If so, how will potential resentment from traditional development groups be managed?

9. Information Sources. Investment selection and monitoring requires a flow of current and reliable information to the program managers. What are the best sources of information on competitors, technologies, markets, regulatory affairs, etc.? How will the intelligence be managed to ensure its timely acquisition, assessment, storage, and use?

10. Program Personnel. What specific talents will be required by the program personnel? Should these be insiders or are the skills found externally? When managers are external how will transition and/or coordination be handled? Which personnel from within the corporation will be involved and what will be their role? How will the members of the venture team be selected and trained?