

Corporate Venturing & Entrepreneurship

Community

Pandemic Resilience Guidebook

A practical guide on what to do and what not.

About



To facilitate hands-on recommendations, we have prepared a resilience guidebook for corporate managers, guiding you through the specific **do's** (Call to Action) and **don'ts** (Common traps) for successfully nurturing Corporate Venturing during, but also post-crisis.

Corporate Venturing &
Entrepreneurship
Summit 2020



The guidebook is based on recommendations that were presented in the Master's thesis titled "A Blessing in Disguise: A Configurational Approach to Corporate Venturing Activity and Building Resilience During the COVID-19 Pandemic" by Jenny Wang, student of International Management / CEMS at Rotterdam School of Management (Erasmus University). The thesis was supervised by Prof. Vareska van de Vrande and Bas Crombag, MSc.

Who are we?

The Corporate Venturing and Entrepreneurship Community brings together an international audience of corporate venturing professionals, researchers and entrepreneurs. We exchange the latest insights on corporate venturing, collaborative innovation and entrepreneurship and discovers together new concepts and ways of working.

The Corporate Venturing & Entrepreneurship Community is organized by the Corporate Venturing Network, Tilburg University and Rotterdam School of Management, Erasmus University (RSM).



Nurturing Corporate Venturing During a Crisis: Call to Action (DO)



CHANGE I: MENTALITY CHANGE

Action 1: Constantly reflect and see the crisis as a realization point

The COVID-19 pandemic causes a disruption in many areas, such as the interactions between people and the way we work. Venturing deals with disruptive innovation and is therefore suited as a methodology to deal with these disruptions in many different fields. We suggest that the COVID-19 pandemic, and any other crisis should be used wisely to reflect. It is vitally important to stay critical to established habits and abandon the “We feel comfortable not to change” attitude. If, for example, you notice that your company is struggling with handling the crisis, is it maybe not only because of your industry, but also because your company relies on traditional rather than flexible processes? Maybe another business model would be more future-proof?

The best-practice companies continuing their corporate venturing activities at full speed were able to react quickly, re-prioritize while never abandoning the thought of constant reflection. For instance, a venture offering a home-internet solution without a traditional cable box from a telecommunications company received a very suspicious look pre-crisis on the note “why should we compete with our own traditional solution”. The turn: The COVID-19 pandemic. Critics quickly realized how new distance measures challenged their traditional solution which still heavily relied on physical visits to install or fix the cable box. The collaboration with that specific venture was directly accelerated as it offered the perfect alternative.

Certainly, critical reflection should take place continuously and one should, ideally, not wait for a crisis to justify changes. A good example is the airline industry: Everyone has probably been aware for a long time that internet and video conferencing could become the biggest long-term threat to airlines, this also apart from the COVID-19 pandemic. Yet do we see airlines or aircraft manufacturers that have invested proactively in these types of applications in time? This crisis has accentuated how being too one-sided and asset-heavy could create vulnerability to crises in a digital age.

Action 2: Stay positive and think long-term

The COVID-19 crisis has initiated new trends and it is vital for firms to follow these and grab new opportunities. For example, new routes are being taken in the areas of digitization and sustainability. Staying positive during a crisis and thinking about corporate venturing as a long-term investment is the be-all and end-all. Innovation and entrepreneurship needs to be cherished corporate-wide (incl. management) and not only among the actors responsible for corporate venturing inside a company. Companies with a positive attitude of “What can we learn?”, “What could we maybe accelerate?”, “What should we maybe risk?” were much better off than those sinking into thoughts like “We are risk-averse” or “We need to protect the core because we think looking outside is too dangerous”. As corporate venturing needs to be developed over time, companies should not wait being proactive, of course, while staying true to the company’s purpose and working with ventures with long-term value for the firm.

On top of this, while you might think digital meetings are incomparable to the face-to-face meetings, ask yourself what the benefits are of having meetings online. Best-practice companies embrace the efficiency of digital communication tools, keep communicating with ventures and look for digital scouting opportunities. Also, while previously, you might have only contacted ventures after seeing them on fairs or events, maybe, with the growing digital world, it is now easier to make cold calls and contact worldwide companies you are interested in directly.

Action 3: Stay connected and leverage your network

New solutions can be realized by creating new ecosystems, build on your network. In times of crisis, it becomes even more important to constantly cultivate the contacts you have with ventures, venture networks and other innovation partners. The crisis could be an incredibly difficult time to think of everyone in your network, while your core business is living in uncertainty. However, for this reason, it is even more important to find the right balance and to not forego relationships that have long-term value and might help you in the next crisis. One excellent example that emerged during our study was the network formation initiated by a couple of organizations in the Netherlands to start producing face masks to deal with the national shortage of supplies – within a few weeks the local production of face masks was up and running.

Furthermore, although scouting and finding suitable ventures digitally could prove to be difficult in times of a pandemic, successful companies teach us to look at scouting positively and think creatively: “Where can we find interesting ventures in our existing network?” Thus, many successful cases combat reduced scouting events by leveraging on their existing partner and fund networks, to not only strengthen existing relationships but also to encounter new ventures from there. Ultimately, this also serves as a call to action for companies that might not be that mature yet in terms of a corporate venturing network: to stay open and join multiple corporate venturing networks, startup accelerator programs and the like.



CHANGE II: PROCESS CHANGE

Action 1: Establish sophisticated communication processes

To provide the means for constant communication with your network, portfolio companies, partners, but also employees, you need to have sophisticated and efficient communication process in place to ensure long-term relationships, especially in times of crisis. Thus, never stop updating yourself on the latest communication and online meeting technologies and office applications for your internal, external, and corporate relations. Finding the most suitable applications and implementing those in an integrated way is vitally important, no matter which sector you are in.

Furthermore, you should make sure to have everyone trained on these tools, avoiding unnecessary inefficiencies or delays. While this facilitates the crisis-required necessary efficient communication between employees, partners and stakeholders it also helps you to cultivate corporate venturing-related contacts. While the hit by the crisis might restrain you in financial resources, you should not stop offering qualitative support and keeping relationships with ventures healthy by maintaining constant communication. This can make a big difference, showing enthusiasm for corporate venturing and loyalty and responsibility towards your network.

Action 2: Create flexible and agile operations and ways of working

The COVID-19 pandemic not only teaches us to be efficient in communication but also in our entire operations and structuring of processes. Companies should critically review traditional processes and detect inefficiencies constantly so that any future shock on the company can be mastered skilfully. Our research has revealed that those companies shining in their crisis response, are able to quickly create crisis management plans as well as plans for their startups specifically (e.g. plans on how to support ventures if the company has financial issues and on how to treat and communicate to your network of partners if your company is struggling). Traditional, linear development processes need to be replaced with new ways of working, in which the development of new products and services follows an agile and iterative approach. This is a departure from traditional ways of working that often requires a behavioural change as well.

Another example of a company that was able to continue corporate venturing at full speed impresses with its flexible processes and was able to adapt to the COVID-19 context by converting their deodorant factory into hand cleansers in 3 days. If your company is able to adapt promptly like this, crisis challenges could quickly become opportunities and you will be able to recover from the negative effects of the crisis swifter.

Action 3: Prepare your organization well for digital transformation

The two aforementioned points go hand in hand with the need for digital transformation. As much as it sounds like a buzzword, any ignorance to a corporate-wide digital preparedness will soon prove itself to be a repenting lapse, this especially reinforced by the arrival of the COVID-19 pandemic and its tremendous focus on the digital world. The disruption caused by COVID-19 resulted in a wave of digital communication which for example gave a tremendous boost to digital healthcare. Technologically most of this was already possible, but it required a change of behavior which was now forced by COVID-19. Of course, it is difficult to prepare for a crisis. However, the best-case scenarios did show that a certain degree of preparation is possible. Companies focusing on smart processes and being digitally equipped mentioned little to no serious impact on their business. While you need to prepare your organization for digital transformation if you have not done it yet, it is similarly important to orient your CVC investments and startup-collaboration areas towards future-relevant and digital solutions that can support your company in becoming more future proof in our increasingly digitalized world.

**CHANGE III: STRATEGIC CHANGE****Action 1: Allocate resources strategically to innovation areas**

You should have a clear strategy for your innovation areas and corporate venturing activities. This will enable you to dedicate the relevant resources and implement an active corporate venturing strategy. Our analysis has revealed how successful companies all possessed adequate resources (financial and human) to continue their corporate venturing activities. Hereby, not only financial resources must be considered, but importantly a confident and strong team working passionately and full-time on finding and connecting with strategically valuable ventures and sharing knowledge. While deals might be postponed during the crisis, the company should always have a minimum number of resources ready so that incredibly important opportunities can be pursued. While a ring-fenced structure is helpful, a separate entity for your venturing activities should always receive enough attention from management and never lose the strategic tie to the company.

Action 2: Look for market-driven innovation

Considering our fast-paced environment coined by unexpected market shifts, a company should not fall into the pitfall of only investing in areas that are directly linked to its core business areas. It is increasingly important to look outside, think out of the box and find innovations that might not be directly linked to the current business but

maybe gain relevance for the business in 3 years. The COVID-19 pandemic has clearly indicated the need for market-driven innovation. For crisis-hit industries, it becomes increasingly important to see whether other business models are relevant and whether other sources of income could be newly created. Only in this way, by having a curious and constant look outside, one is able to create strategic and long-term importance of corporate venturing for the company.

Action 3: Create a strong and diversified portfolio

Strong ventures are more likely to survive the crisis, so it is also important for you to be strategic and selective beforehand. A company should have a healthy portfolio of ventures that are future-relevant and relevant to the company's long-term goals. If those are then seen as high potential startups by the company, they should also be continuously supported by the corporate, even during the crisis, if the available means are existent. Furthermore, despite that it is highly industry-dependent whether the company is hit badly or not, there is a general learning that companies also tend to be better off in terms of their business impact if they have a more diversified business portfolio, as with an unexpected impact of sudden events, there might be areas that are hit badly and areas that are accelerated. This goes for the business in general and the corporate venturing portfolio.

Four Common Traps: Call to Carefulness

DON'T



TRAP I: CORE VS INNOVATION

A dangerous trap for companies is to dwell vainly at the tradeoff between going back to the core or staying active in innovation. Many companies opine that during crisis events, going back to the core is the safest option as that is what they expect to give the most resilience. However, one should not decide between the core and non-core innovation, but rather build on both in a complementary way. A crisis could be precisely an opportunity to see the importance of innovation and create the first building blocks for your future core business. If innovative positioning is crucial to the firm, which has already become an inevitable element of almost every large corporate, it should be seen as a strategic exercise supporting the core. The crisis further impels corporates to widen their business interest and to be more diverse while treating innovation and corporate venturing strategically and complementary to their company's goals.

TRAP II: CORPORATE VENTURING AS A COST-ITEM

Companies new to the corporate venturing world often have not yet realized much value from corporate venturing. As a consequence, they might see corporate venturing and investments in external ventures as a cost-item, especially during a crisis. It would be wrong to think that only those who have already invested very actively will accelerate corporate venturing sooner and that for those who had just started and still have doubts, it is a reason to stop or put it on a hold. Those refraining from being active will see that they are going to save money at first and have "finally gotten rid of that cost-item"; however, this is a trap that no company should fall in. If the company has started corporate venturing, it was for a strategic reason and should not be regarded as a cost-item. Though the company might notice a positive financial effect

of stopping its venturing activities for the short-term, sooner or later, corporate venturing and innovation will become more important. That is why a company should rightly prioritize corporate venturing and see it as an important component on its strategic agenda instead of an extra item next to their core business.

TRAP III: NO MONEY NO VENTURING

Of course, one can relive that a company needs to save cash or is struggling financially due to a substantial hit by the crisis. Often automatically, financial resources will be scarcer for investments. However, staying active in corporate venturing during the crisis does not only mean spending millions on new ventures but also continuing corporate-startup collaborations, internal ventures and any other non-financial methods that could further foster innovation. Key to ensuring a long-term relationship with partners and ventures is to cultivate the contact to ventures and care about their well-being. If you do not have enough financial resources to follow-up, connect them to other investors in your network or government support. Thus, it is crucial to have a passionate team on corporate venturing activities in place that, next to the financial budget, ensures the long-term relationships with partners and startups.

TRAP IV: DANGER VS OPPORTUNITY

Finally, as Winston Churchill once said: “Never waste a good crisis”. The learning opportunities from crisis events have not become any smaller but are earnestly essential and decisive for a company’s future. Notwithstanding that every manager comes across this statement every day now, it should be seriously interpreted in each company-specific context. One final advice of this guidebook highlights that the crisis has something positive and to learn from for everyone: Maybe it does hit you on your core business and you have difficulties in accelerating your innovations or other product areas – then it might not be an opportunity to increase your market for the moment, but an immense opportunity to learn and reflect on why your business has been hit. Thus, it should be an inevitable process of every company to assign a team to reflect on what has been done and what can be done better in future – this, not only to better respond in the next crisis but to continuously improve the company and create sustainable resilience.

Resilience project

In the period April – November 2020, we collected data from more than 40 corporate venturing and innovation managers in more than 35 innovating organizations. We asked questions around the effect of the COVID-19 pandemic and how the pandemic has affected their corporate venturing activities. Based on the insights gained throughout the interviews and a systematic analysis of the qualitative data, we have developed a scan to allow managers to self-assess the resilience of their innovation activities. This guidebook provides further insight into what managers should and should not do when preparing their organizations for future resilience.

Want to know how well your company is prepared for a next pandemic?

Test your pandemic resilience at: www.corporateventuringentrepreneurship.com

Participants



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