

## **Corporate Venture Investing: Changes in Q1 2002**

In today's conversation, we hope to catalogue the changes that have occurred in your corporate venturing program over the last quarter (Q1 '02). We will work from the outside-in – starting by discussing changes in the macro-political/economic environment, then shifting to changes occurring within your corporate parent, and finally talking about changes within your own venturing program (its structure, deal flow, and practices).

### **CHANGES IN VENTURING ENVIRONMENT – GENERIC EXAMPLES**

#### ***Macroeconomics and Politics:***

- a. Changes arising from the Enron bankruptcy (impacts on auditing and financial reporting)?
- b. Changes arising from other legislative or regulatory events?
- c. Changes in overall performance of private and public equity markets?

#### ***Venture Capital Sector:***

- a. Changes in competitive forces within the venture capital sector (angels, VCs, corporations, entrepreneurs)?
- b. Changes in sector-wide VC norms, practices, or rules of thumb?
- c. Changes in the identity of your VC partners?
- d. Changes in your relationship with existing VC partners?

#### ***Corporate Parent:***

- a. Changes in composition, roles, or responsibilities within your corporation's top management team?
- b. Changes in top management team's commitment to venture investing?
- c. Changes in level or focus of venturing activities undertaken by units other than your own?
- d. Changes in overall corporate performance?
- e. Changes in externally-directed corporate strategy?
- f. Changes in corporate structure (reorganization, addition or consolidation of subunits, etc.)?

### **CORPORATE VENTURING PROGRAM CHANGES – GENERIC EXAMPLES**

#### ***Program Structure:***

- a. Changes in your venturing program's fundamental strategy or business model?
- b. Changes in key program staff (e.g., staff size, responsibility, or turnover)?
- c. Changes in financial resources available to your program?
- d. Structural relationship of CVI unit to corporate parent (decision-making autonomy, reporting relationships)?
- e. Changes in compensation for CVI staff?
- f. Changes in the greatest threat to your program's survival?

#### ***Deal Flow:***

- a. Changes in volume of deals?
- b. Changes in quality of deals?
- c. Changes in preferred stage of investment?
- d. Changes in sources of deals?
- e. Changes in sectors, industries, or geographic regions targeted for investment?
- f. Changes in co-investment partners, syndication practices, or leadership in rounds?

**Practices and Processes:**

- a. Changes in due diligence on prospective deals (processes, criteria, intensity)?
- b. Changes in valuation process on prospective deals?
- c. Changes in investment selection process (criteria, review, decision speed)?
- d. Changes in practices used in coaching, advising, and developing portfolio companies?
- e. Changes in practices for monitoring portfolio companies' performance?
- f. Changes in practices regarding strategic partnerships with portfolio companies?
- g. Changes in metrics for monitoring strategic returns?
- h. Changes in the number of companies in your portfolio?
- i. Changes in book value of your portfolio?

**Best Practices:**

- a. Has your program developed unique or distinctive practices for pursuing venture investments?
- b. Would you describe these practices, and comment on how they set your program apart from other corporate investors?
- c. Have you taken steps to capture or codify these practices in some form that allows you to transmit them to others in your firm?

**Your Work: How did a typical work day change for you during Q1?**

- a. Your Rolodex: Who did you interact with during Q1 '02 that wasn't so interesting or important back in Q4 '01? Who have you stopped interacting with?
- b. Your Schedule: In what ways did you change your allocation of time during Q1? What kinds of activities did you spend more time on? Less time?
- c. Your Travel: How did your travel schedule change? Frequency? Destinations?