

Corporate Venture Investing: Changes in Q1 2002

In today's conversation, we want to catalogue the changes that have occurred in the corporate venturing sector 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 corporate parents, and finally talking about changes within venturing arms themselves (e.g., 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 VC firms seeking to co-invest with corporations?
- d. Changes in VCs' willingness to invest alongside corporates, or in attributes of attractive corporate partners?

Corporate Parents:

- a. Changes in commitment to venture investing by top management teams?
- b. Changes in overall corporate performance?
- c. Changes in externally-directed corporate strategy?
- d. Changes in corporate structure (reorganization, addition or consolidation of subunits, etc.)?

CORPORATE VENTURING PROGRAM CHANGES – GENERIC EXAMPLES

Program Structure:

- a. Changes in the fundamental strategies or business models used by venturing arms?
- b. Changes in program staffing (e.g., staff size or turnover)?
- c. Changes in financial resources available to corporate programs?
- d. Changes in compensation for CVI staff?
- e. Changes in the greatest threat the survival of corporate venturing programs?

Deal Flow:

- a. Changes in volume of deal flow?
- b. Changes in quality of deals?
- c. Changes in preferred stages 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 portfolio valuation models or practices (e.g., write downs)?

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Best Practices:

- a. Have you heard recently of any candidates for “*best practices in corporate venturing*” ?
- b. Do you know of any notable instances of codifying and/or sharing best practices (within or between corporates)?

Life in the Corporate Venturing World: How did a typical work day change during Q1?

- a. CVC's Rolodex: Who did corporates interact with during Q1 '02 that they didn't back in Q4 '01? Who have they stopped interacting with?
- b. CVC Schedule: How did CVCs change their allocation of time during Q1? What kinds of activities did they spend more time on? Less time?
- c. CVC Travel: How did their travel schedules change? Frequency? Destinations?

What else should we have asked you?

Can you think of any other trends, events, or discontinuities that are affecting the corporate and private venture capital space?