INTERVIEW

Touching base with Touchdown

Christina Riboldi, program director for the Global Corporate Venturing & Innovation Summit held in Monterey, California, on January 31 and February 1, talks to David Horowitz, founder and CEO of Touchdown Ventures

David, you and I met in January 2015, right after Touchdown Ventures was launched, and, according to our research, with over 15 CVC units established and managed, Touchdown Ventures has started and operated the most CVC units to date. You are continuing talks with a variety of multinationals considering starting corporate venture programs. What is your current model?

It has been great working with you and GCV. Touchdown Ventures takes a unique approach to venture capital. Rather than raising pooled vehicles from institutions, we partner large corporations to manage their own branded corporate venture funds. Today, we work with more than 10 corporations and are proud of how we have grown so quickly.

We manage each of these corporate funds separately with dedicated teams from Touchdown. This makes our business complex and has required that we think differently about the scale of a venture capital firm – we are now getting close to 20 investment professionals on our team. The other key difference between Touchdown and typical venture capital firm is that we optimise both for financial returns as well as strategic impact for our corporate partners.

It is important to note that we do not really use an outsourced model because we work so closely with business unit leaders to manage the corporate venture activity. You should think of Touchdown the same way you would think of an internally staffed corporate venture unit.

GCV appreciates Touchdown Ventures' continued support for the Global Corporate Venturing & Innovation Summit. A major annual component of the program has been the ability to provide insight on ways to pursue corporate venturing. For corporates thinking about starting up a CVC unit, what do you think are key considerations?

It is so important to set up the venture program the right way. When we start a new program from scratch, we will build a comprehensive list of program goals and priorities to establish associated key performance indicators and measure whether the venture program is successful.

"You would be surprised how many corporate venture funds do not take the time to define and measure success"

You would be surprised how many corporate venture funds do not take the time to define and measure success. There is often a cowboy mentality to getting started immediately and worry about strategy and process and infrastructure later, which usually leads to complete chaos down the road and fits poorly with most professional cultures. It does not take long to set up a venture program, but you should not skip this step.

Of course, measuring strategic value is one of the biggest challenges of running a corporate venture unit. Our experience managing multiple funds has enabled us to create a set of best practices to do this.

How can corporate venturing support parent company objectives?

We really see the corporate venture unit as the gateway to startup dealflow for the entire corporation. For most companies, the corporate venture effort is the best window into the future available. Sometimes we will identify a startup that may not even be raising capital – and therefore we are not going to invest right away, or maybe ever – but that startup may have a product capability that solves a problem that a business unit executive has identified. Our role in that case may be to help the business unit enter into a commercial relationship with that startup, with or without an investment.

Other times, a startup is so strategic that, rather than considering an investment, the company becomes an M&A target. Reviewing all this dealflow helps the corporation understand what disruptions are likely three, five, seven years down the road. We strongly believe success is not just the return on investment from your portfolio but how the entire venture program is bringing insights, commercial relationships and new opportunities to the corporation. The financial returns are, of course, essential too. You have to be viewed as a winner.

What do you think next-generation CVCs should think about?

I really believe the most successful CVCs are not only great investors but also key advisers on innovation to the corporation's executive leadership. To do so effectively requires a lot of communication. It is important to put yourself in the shoes of the CEO or other senior leaders in the corporation and understand what problems those people are trying to solve.

There is also just as much coordination required outside the corporation, with portfolio company CEOs, co-investors, and other ecosystem participants. Corporate venture capital is really one of the toughest roles, because there are so many stakeholders inside and outside the parent company, often with conflicting goals. So my strongest advice is to focus on good communication. ◆