5 Ways to Become Better at Corporate Venture Capital

Bonny Simi Follow
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In today's world of rapid innovation, we only need to look as far as companies like Lyft and Airbnb to see how quickly industries can be disrupted by start-ups and new technologies. According to Innosight's study of turnover in the S&P 500, we're entering a stretch of accelerating change in which lifespans of large corporations are getting shorter than ever. In fact, Innosight's research shows that the 33-year average tenure of companies on the S&P 500 in 1965 narrowed to 20 years in 1990 and is forecast to shrink to 14 years by 2026. Companies in the Fortune 500 are showing the same type of turnover. The compelling message is that new technologies enable rapid innovation, and large companies have a lot to learn from nimble startups.

Increasingly, global companies are beginning to take start-ups and disruptive innovation more seriously, often turning to the corporate venture capital (CVC) model to drive growth and remain competitive. To illustrate, we can look at the PitchBook-NVCA Venture Monitor, which shows that corporate venture investors are playing a growing role within the VC industry, participating in rounds that amounted to 44 percent of all 2017 venture deal value, and in 29 percent of all ventures deals over $25M. In total, CVCs participated in 1,268 completed financings (15 percent YoY increase), worth a record amount of over $37 billion last year. But, as global giants expand their footprint in corporate venturing, they must understand fueling the innovation engine for the long-haul requires the right approach. Let's take a look at our strategy at JetBlue Technology Ventures (JTV) for making corporate venture capital a win-win proposition for JetBlue Airways and the startups we invest in.

1. **Create a vision—and ensure alignment.**

Unlike VCs, CVC investments are primarily focused on strategic returns and less so on financial returns (though strategic value generally follows with financial returns for both the startup and the corporation).

CVCs typically invest off of the balance sheet and place a great deal of importance on strategic insights that can be provided back to the parent company, including new business models, enhancements to existing systems, or expanded product lines. To do this successfully, a delicate balance of CVC independence and high level coordination with the parent company is needed. This requires a dedicated team of investment professionals who understand the "VC" world and have the freedom to focus on investments operating alongside those who knows the parent company industry inside and out. At JetBlue Technology Ventures, we have a dedicated group of investment professionals, who operate as a nimble team that moves quickly at the pace of Silicon Valley, and a leadership and operating team who ensure alignment with the current and future needs of JetBlue Airways. The JTV operating principal is imbedded in the parent company and the JTV investment team is based in Silicon Valley.

Additionally, JetBlue Airways' senior most leaders have regular visibility to the JTV innovation pipeline via the Investment Committee, including Chief Digital and Technology Officer Eash Sundaram, Chief Financial Officer Steve Priest, Chief Commercial Officer Marty St. George and Associate General Counsel Brandon Nelson. To ensure we have an outside perspective, the Investment Committee recently expanded to include Toyota AI Ventures' Managing Director Jim Adler.

2. Determine investment rationale.

When it comes to determining which areas for a CVC to invest, strategic themes can help focus decision-making and provide necessary structure to the selection process. This creates clear guidelines for the types of innovation to invest in, and allows the team to become subject-matter experts on the areas in which they are focused. We're interested in early-stage start-ups that marry technology and travel. We want to enhance the entire travel industry—not just the airline industry. We further clarify our vision by focusing on companies that align with at least one of our investment themes, which you can learn more about here.

3. Become part of the ecosystem.

While JetBlue Airways is based in Long Island City, New York, JTV is purposely located 3,000 miles away in Silicon Valley. According to a report by Martin Prosperity Institute, Rise of the Global Startup City, the top 10 cities and metro regions globally account for more than half (52 percent) of total global venture investment worldwide. Furthermore, the report says in the United States, the San Francisco Bay Area, (including Silicon Valley), remains the world's leading center for venture capital investment, attracting more than a quarter of all global venture investment. Being at ground zero for tech innovation provides the opportunity to work closely with incubators, VC firms, universities and other organizations driving innovation.

For us, launching JTV in Silicon Valley was the obvious choice. Being in the heart of the premier innovation ecosystem in the world allows us to reap the benefits on a daily basis. Of course, we do spend significant time in New York, Boston, Austin, Atlanta, (and increasingly in global innovation ecosystems such as London, Tel Aviv, Berlin, and soon in Southeast Asia). Whether it's Silicon Valley or another emerging start-up ecosystem, it is important to become a part of the ecosystem to benefit from it. Additionally, creating a strong network is the key to creating deal flow. We share insights and co-invest alongside many of the top VCs in Silicon Valley.

We have also scaled our network by creating partnerships with various accelerators and incubators in Silicon Valley and around the world, including Plug and Play Tech Center, RocketSpace and 500Startups. Additionally, we look for organizations that are plugged into our specific industry, such as Travel Tech Con, a community group for emerging tech in travel, and Future Travel Experience (FTE), an independent online media, events and industry change leader dedicated to enhancing the end-to-end passenger experience. Alongside FTE, we became the corporate launch partner for the Global FTE Start-up Hub, which makes it possible for corporate innovators and startups in the air transport and travel sector to connect both digitally and physically. These relationships and more have helped our team gain exposure to over 2,000 start-ups since our inception in February 2016, and we have invested an in an ever growing number (16 as of today).

4. Provide value to start-ups.

When it comes to venture investing (whether VC or CVC), continued success means providing value to portfolio companies, beyond just the financial investment. According to a survey conducted by GCV analytics, the most common ways to help startups involve providing access to partnerships and supplier or consumer networks (88 percent), offering access to R&D or technical expertise (78 percent), and helping with marketing and public relations (55 percent). Additionally, CVCs provide domain expertise, often support early implementation and/or commercial agreements and even help to make relevant industry connections for entrepreneurs. At JTV, we do all of the above, and then some. For example, we have experience working very closely with the regulators on many matters including aircraft certification, safety reviews, air and hotel operations, revenue and loyalty systems and more, so we can help our startups understand and navigate the travel and hospitality industries. We also invite select companies to be incubated in our Silicon Valley offices. Travel tech is a space that is not readily understood by traditional VCs, so we provide industry validation of the startup's business model and technology. Finally, we also help to make connections at JetBlue, across the travel industry, and with other venture capital firms for our entrepreneurs.

5. Collaborate often.

Working together, CVCs have the power to transform industries. Finding the right opportunity to work with complimentary CVCs can magnify the value of an investment dramatically. Each CVC can contribute its unique area of expertise to a start-up to help it excel. We see an emerging trend of CVC's either leading deals or forming a CVC syndicate to complement a VC lead. This is a win-win for all parties (CVC, VC and startups).

For example, today, we announced an investment alongside Intel Capital and Toyota AI Ventures in the Series B funding of Joby Aviation, a start-up that aims to make electric Vertical Take-off and Landing (eVTOL) transportation a reality. In this deal, Intel brings its expertise in data and enterprise, Toyota offers deep technical and manufacturing expertise, and we contribute our expertise in aircraft operations and logistics. "We're excited to be backing Joby Aviation and believe that our collaboration with other corporate investors like JetBlue Ventures and Intel Capital is a great example of how incumbents can team up to help startups like Joby Aviation drive disruptive innovation," said Jim Adler, Toyota AI Ventures' Managing Director. Wendell Brooks, President of Intel Capital added, "I think it's important that we corporate VCs cooperate and collaborate. Looking at our newest investment in Joby Aero, I get excited that Intel can bring autonomous technology, Toyota can bring battery and carbon fiber technology, and JetBlue can bring aviation and flight management expertise to bear. The three of us, working together, will drive value in a meaningful way." Other deals we have worked on alongside other CVCs include our investment in Filament, where we co-invested with Verizon Ventures, Samsung Ventures and Intel Capital, our investment in FLYR, where we co-invested with Amadeus Ventures, and Zunum Aero, where we co-invested with Boeing HorizonX. Logan Jones, Managing Director at Boeing HorizonX says: "We share the same collaboration philosophy as Bonny and the JetBlue Technology Ventures team and it's paying tremendous dividends for our start-up partners. Combining our collective strengths can help our portfolio companies move with speed and credibility. And as our portfolio companies and partners succeed, Boeing gets better too." With support from many different industries, together we can help our start-ups grow faster and holistically.

It is clear that in today's world of rapid innovation, the global giants are waking up. Large corporations now know that capturing enough innovation to remain competitive requires external as well as internal efforts, and if done properly, we see a bright future ahead for Corporate Venture.

To learn more about JetBlue Technology Ventures, you can sign up for our weekly newsletter here.