

External Market Impact.

Case Study Title.

Optimization of external market impact

Organization.

Large multinational legacy engineering organization with global coverage and transversal contribution to key industrial areas (transportation, energy, utilities, defense, oil & gas, services)

Assignment Category.



Venturing



Intelligence



Global
Network



Intellectual
Assets



Strategy



Innovation

Initial Assignment.

The initial statement was quite general and vague: “the company is not obtaining a proper market bang-for-the-buck from its innovation investment”. Top management (the CEO) will support (including financially) what needs to be done to address this.

Collecting and Definition of the Definitive Assignment.

We were granted freedom to start collecting information through the organization. The sources were board members, business unit managers and the Asia board (mostly his president). The outcome of the analysis is that the issue was not a single one and went beyond the technology sphere. Namely the main issues to be addressed were:

- a) The view from the investor sector was that the company was well financially managed but “boring”. It did not show any structured approach to broaden its market and therefore they had no elements to suggest a “buy” or (even less) a raise in stock value. Even the last M&A were “shy & small” and no more than a “me too”. Two big banks made the statement directly to the board and key stakeholders.
- b) The company was losing their leadership image with the key government of China and that was badly impacting the business. The Asia president was immersed in commercial negotiations with no time to participate in the necessary activity of image building with the Government
- c) The company lost its ability to seat with key customers to discuss about the future developments. Their meetings were reduced to be called (as a second source in many cases) to submit offers to the purchasing officer. It was the traditional dilemma “either you are at the table or you are on the menu”

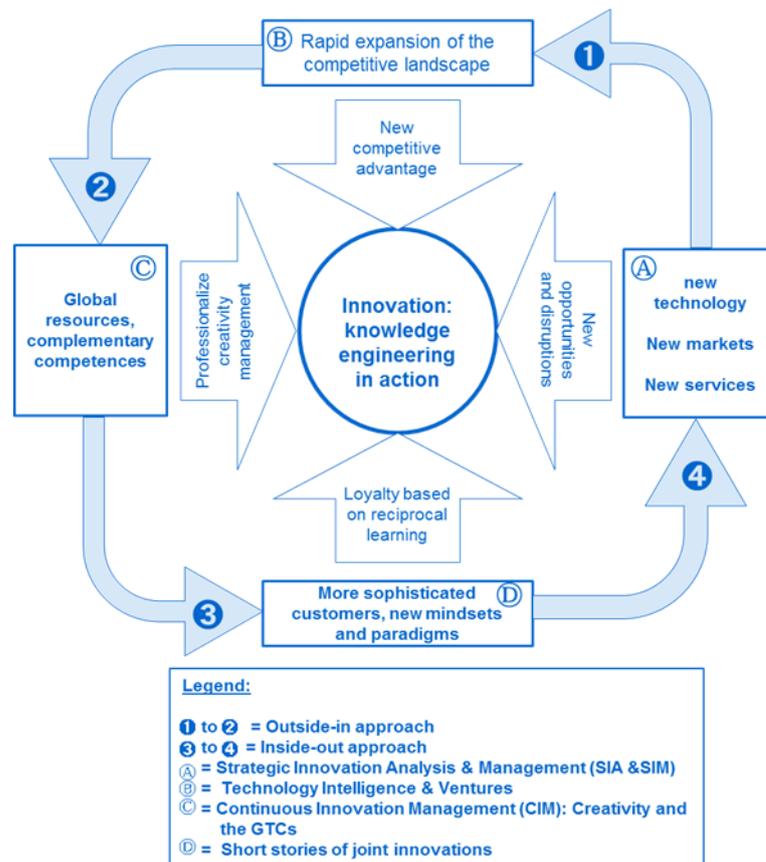
From now onwards all actions of the assignment will be referred to the three above points.

Sources of Conflict.

- a) While increasing the active exploration and expanding of the business envelop was a shared view, the ownership of the process and the cost burden remain unclear. Two extremes of the acquisition spectrum were presented (corporate venturing and major M&A). Leadership roles between key units (finance, business divisions, CEO staff, Technology) could be conflicting. In the other hand, there was a lack of experience for all them in a very conservative, extremely risk-averse organization. Personal risk-rewards were both high and at stake.
- b) The need to take actions with the Chinese government should not make the Asia CEO (a Chinese-American) to lose face in front of the Government but it should also not remove him from the commercial duties assigned to him by the board.
- c) There was need to provide a different give-and-take other than the engineering-commercial activities. It must not be in competition with the current key account managers and it required a higher/longer-term perspective on the market evolution that was missing in the current client organization.

Organizational Elements of the Assignment.

- a) The need to have a multifunctional unit dealing with the big M&A (financial and non-financial due-diligence) required to have a team lead by the corporate M&A VP (reporting to the CFO) and Corporate technology intelligence & ventures (reporting to the CTO). The M&A team had finance leading and Technology supporting while the inverse occurred for the corporate venturing. Although the financing would come from Central management, neither M&A nor corporate venturing was undertaken without having an internal business owner.
- b) A new matrix organization was created to support a new function called technology intelligence and ventures. The matrix organization had the Asia business covering cost and administration while central staff offices were directing the strategic directions. It was called the solid and the dotted reporting lines. The activities were geographically divided by language: what can be translated to English followed in India, eastern languages followed in China, former Soviet Union in Europe. This initial organization had later evolved in a more around-the-world and around-the-clock organization to provide continuous operations (what could be started in China, could subsequently continue to be then developed in India, Europe and USA). A new position of member of a Chinese think-tank was allowed and supported at the highest level between the corporate board, the Chinese Ministry of Industry and Information Technology and the Beijing Institute of Technology.
- c) A new series of Grout Technical Centers were opened in China, India, Europe and USA. Their policy was summarized by the inside-out & Outside-in approach.



Managerial Aspects of the Assignment.

- a) Key budget issues were defined with the board for corporate venturing: the initial steps would be funding a fund approach to ensure proper learning. The capital-deployment period and the potential exit period (and clauses) were set ab-initio. The concept was sold as “an affordable loss”. No exaggeration on business plan but a rigorous planning and assessment policy. The deal flow will NOT be limited to external sources. The process will give visibility to opportunities found by internal units giving them visibility, funding and future ownership should the deal go ahead.
- b) The Chinese think-tank had agreed targets in terms of time, cost and image management. The spread of responsibilities regarding representing the corporation clearly established with Asia president. Units in India, Europe and USA had a global focus while the unit in China had a China-first focus. Specific, and highly visible partnership established. A China first filling or first nationalization IP policy adopted for the corporate portfolio. Creation of local managers and international mentors as well as periods of international assignment by the team members were required to rapidly consolidate the working standards. The teams won for 3 consecutive years the best team Asia award.
- c) Development of team cross-cultural management training to keep different geographically located and culturally diverse team working together under the same standards. Client must not see where the analytics took place. Access to relevant databases and development of a back office for the creation of internal presentation tools (dashboards). Specific view/apps developed for different business units and country managers. Specific developments for hybrid electric cars were implemented to prepare methods of sharing a strategic table with automotive customers.

Technical Aspects of the Assignment.

- a) With a deal-flow of 70-100 startups/month it is easy to go into gigantic and useless databases that will constitute the death of the corporate venturing initiative. A tunable dashboard was created to allow

managers to tune in their Ipads what view was better for them (by geography, by market, by competitors, by years, etc). Every senior manager had the possibility of analyzing her area of interest with the relevant data processed in a very graphical way. The integration with the finance department for the assessment of the non-financial assets required a formal way of analyzing the asset portfolio of the target and virtually integrating it into the corporate portfolio. The criteria to be used and even the notion of what constituted an asset needed to be aligned and verified across different business units. The time cycle when the M&A funnel was coming to a deal negotiation needed to have tools that could be used around the clock. It was not only big data but it was fast data to be processed.

- b) The organization initially lacked the knowledge to properly be integrated into very technical teams in China dealing with both technology forecasting and digitalization. It was decided that the company will bring to the table under their behalf the top 3 professionals in these fields and set together with the Chinese partner a common learning initiative. This humble approach earned the organization respect, visibility and value. The organization can also provide a vast network of western partners willing to participate in the strategic thinking of China's digitalization: this provided visibility to the future China and to western companies willing to participate.
- c) A massive landscaping of automotive and wind energy technologies was undertaken using the most advanced techniques for gathering and integrating information from different sources. It provided detailed views of generic technology enablers, technical platforms, specific players, infrastructure, and market segmentation. This was to be provided as a starting point for joint discussions with big OEM in different countries to see the common elements (technological and not), their positioning and their inputs. Some of the specific actions were published in a technical journal. The level of the OEM participants kept growing in time which required a given point to bring higher level officials from the corporation to the table. This required updating, coaching to them.

Action Planning, Alignment and Integration.

All three actions had a rigorous planning (human resources, financial needs and timing) that was strictly followed. The alignment with the business units was paramount and communication efforts with them were one of the core areas of development (on an equal foot to the external application of the assignment outcome). Ownership was progressively and naturally transferred to the (legitimate) owners: the business units.

Implementation, Monitoring and Evaluation.

The current process is run with the business units in command and with their financial support (not central any longer). The "door-opening" opportunities with the financial markets, the Chinese Government and the key customer accounts led to a double of the stock valuation in 8 years, two big (1 billion each) M&A, a 5-8 million/year CV activity and more strategic dialogue with customers (mostly in the mobility arena, IoT related services).

Transfer and Disengagement.

As business were integrated from the very beginning of the 3 initiatives the progressive transfer and disengagement have been simplified. There are areas where it was simpler to achieve it (OEM management by Key account managers and Chinese Gov contacts followed by corporate Chinese teams).

Other activities, mostly related to the use of data and analytics technique remain more central and keep acting in support of the area a, b and c in an integrated manner.

Learning Points.

All the three sub-activities in this assignment are learning-in-progress. The implementation of brand new corporate venturing require a fast learning of the dealing with entrepreneurs, assessing business opportunities and visualizing the opportunity portfolio. With a rigorous process covering all the potential “exit” points the partners were reassured but it is curious to see that the organization did not have an answer for the basic question “if this become a success? Do you integrate it into the business? Do you allow it to float and be a transversal champion? Do you sell and capitalize the earnings?”

The communication and visibility with the Chinese authorities as an entity significantly contributing to the development of China is fundamental. The ability of the different business units to seat with the OEM allows them to figure out the function platforms (not products) that the market may be focusing on. That allows to define positioning, gaps, acquisition targets and HR policies. A massive internal improvement and a significant image gain vis-a-vis of the market opportunities.