

HOW CORPORATE VENTURING CAN FAST-TRACK INNOVATION



**Peter Bryant and
Scott Bowman,
partners, Clareo**

Case study: Castrol InnoVentures

What would Castrol, the leading provider of industrial and automotive lubricants, do in a world that does not need lubricants? Although it may be difficult to imagine a world in which the combustion engine takes a back seat to electric vehicles, that scenario may be closer than we think. Peter Bryant sat down with Mike Johnson, former CEO of Castrol, to discuss the process involved in pushing the Castrol organisation to think beyond this world and into the next, ensuring Castrol stays ahead of the pack.

Castrol's bold move to new areas of innovation began at a meeting on February 2010 in Oslo. BMW's global strategy director presented BMW's latest concept car. That presentation represented a turning point in the company's thinking. "We realised that, if electric cars were going to make a significant impact in the market, there would be much less need for lubricants," says Mike Johnson, former Castrol CEO. "So we had to ask ourselves: Where do we go from here? What is our concept car? "

From that day, Johnson engaged Castrol's executive team to plot a path for the future of the company. "We have got this massive brand, a fantastic presence, and good relationships with global OEMs [original equipment manufacturers]," Johnson continues. "How do we take Castrol today, which is about performance in lubrication and evolve into performance in mobility?"

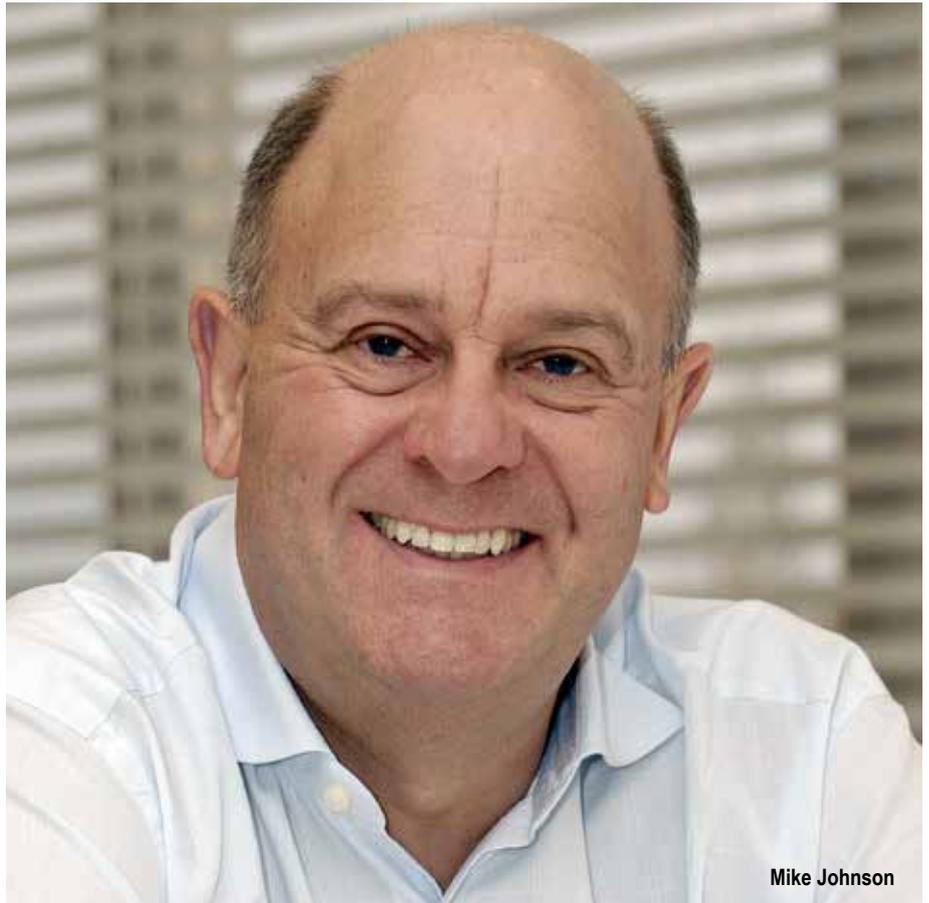
Reimagining from the outside in

The Castrol team began by taking a long look at game-changing trends in IT, communications, biotechnology, personal mobility, manufacturing, shipping and nanotechnology that could potentially disrupt the transportation and industrial spaces.

Moving so far outside the bounds of the core business meant the team would

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need to challenge the company's conventional wisdom and deepen market understanding. And that meant reaching out to thought-leaders in a wide range of disciplines.

Reach out they did – at multi-day insight workshops in Silicon Valley, China, UK and India. In addition to sharing insights with representatives from academia, economics, business, industry and technology, Castrol executives met representatives from startup operations and venture capitalists who were working on a wide range of breakthrough technologies.

It was an eye-opening experience. “The people we met in Silicon Valley helped us realise that the future is already here,” says Johnson. “We saw technologies in development that we had no idea even existed.”

Following the workshops, the company engaged in an internal ideation effort to define and articulate four future territories for the business:

- Intelligent operations – supporting customers in facilitating and improving the production and logistics process.
- Next-generation engineering – exploiting and investing in Castrol's technology leadership in liquids and materials

in order to transform the capabilities of engines and machines.

- Smart mobility – providing a better mobility experience in the vehicle, around the vehicle, and independent of the vehicle.
- Responsible Castrol – providing sustainable solutions for consumers and industry in the context of accelerated demand and a low-carbon world.

Castrol formed their innovation and corporate venturing unit, InnoVentures, with a very clear mandate – to build, invest, partner and acquire businesses for Castrol beyond lubricants and align with the four future territories. Today, Castrol sees InnoVentures as a platform for open innovation with the dual mandate of creating the foundation for emerging business opportunities and broadening its capabilities and understanding in emerging markets.

“We went into corporate venturing for many reasons,” says Johnson. “For one thing, it enables Castrol to participate in a low-cost manner in emerging sectors. It serves as a cost-effective entry ticket to innovative technology.”

Corporate venturing also supports the company's “build, partner, buy” approach. It enables the company to build

organic offers internally, serving as an extension of research and development. It also offers a window to new markets and enables the company to extend existing businesses, while buying access to markets and technology and partnering young companies that are leading the way in developing disruptive technologies to learn and test approaches.

Getting in the game

Corporate venturing is a powerful tool for accelerating growth, generating new innovation and strengthening resilience. Johnson offers a few more insights to keep in mind as you move forward:

Make sure you have a dedicated team. "When we launched InnoVentures, we created a separate business within our business, gave it a separate budget and staffed it with one or two of our internal brand people as well as a group of people from private equity and other industries," says Johnson. "It was one of the best decisions we made."

Insulate, don't isolate. Your corporate venturing initiative should be protected from internal and external efforts to undermine it, while leveraging the capabilities of your organisation. "You need the sponsorship of the CEO and senior leadership. In our case, the InnoVentures team reports to the global marketing director who is tuned in to new opportunities. The team meets with all the major Castrol brands every eight weeks."

Be patient on the return horizon. "At Castrol, it all came back to the corporate culture. We never looked to the short term. I was determined that we would leave not just a business in good shape, but a business with a legacy. The aim is not necessarily to deliver profit in two to three years, but a business with a future. All businesses need to build some longer-term leeway into their profit and loss figures, or they will never do any serious innovation."

Show progress along the way. You may not have to deliver profit right away, but you do need to choose one or two ideas to present to the company as potential game-changers. Take some of your best concepts to the highest levels at your company. This strategy has allowed InnoVentures to survive through multiple senior-level transitions.

Look from the outside in. "The personal interaction we experienced at our global insight workshops was key. We could never have gotten to this point with just an intellectual exercise. You have to get out and talk to the people who are actually living this.

"This story could not have been told without the help of Clareo," says Johnson. "Working with the Castrol executive team, Clareo helped the Castrol team reach further than it could on its own, by bringing in a broad range of perspectives and taking Castrol on an immersive, transformative journey designed to help it achieve a profound level of business insight and clarity."

Conclusion

Most companies are not scratching the surface of current innovation. "The future is already here, it just is not evenly distributed. There are many disruptive technologies already out there and we had no idea," explained Johnson. "Corporate venturing allows us to jump-start innovation and reinvent Castrol to succeed in this new reality."

Today it is not the big eating the small, it is the fast eating the slow. InnoVentures allows Castrol to move swiftly and stay relevant.

Peter Bryant and Scott Bowman are partners at Clareo, a growth strategy firm.