

2004 NVCA Annual Meeting Corporate-VC Panel Survey

Responses Received: 95

On balance, how have your experiences been with corporate partners for your portfolio companies?

Response	Count	Percent
Positive	38	40.0%
Negative	17	17.9%
Neutral	36	37.9%
Not Enough Data	4	4.2%

Please rank your experience in dealing with corporate partners:

Response	Count	Percent
Poor	2	2.2%
Mediocre	30	32.3%
Good	29	31.2%
Above Average	19	20.4%
Excellent	13	14.0%

In dealing with my portfolio companies, large corporations...

Response	Count	Percent
Have a well executed process and organization	17	18.7%
Have thought about it at senior levels, but not told the line organization	29	31.9%
Have a process that resembles the labyrinth of Crete	45	49.5%
Are similar to sending emails to George Bush at whitehouse.gov	0	0.0%

Which of the following firms would you recommend as a model of good corporate partnering?

Response	Count	Percent
IBM	20	21.1%
Intel	22	23.2%
Microsoft	7	7.4%
Bristol Myers-Squibb	3	3.2%
Novartis	2	2.1%
GlaxoSmithKline	7	7.4%
Other	26	27.4%

"Other" responses:

Motorola Ventures.
Agilent
NEC
Boston Scientific, Guidant Corporation
Johnson & Johnson, Pfizer
none
Johnson & Johnson
Boston Scientific
None
Visa International
EMC
Visa
BellSouth
lilly
J&J
J & J
No really good models
Eli Lilly
IDG
J&J
Adobe Systems
Kaiser Permanente Ventures
Visa

GE
J&J
SBC
Merrill Lynch
LG Electronics
Dow Chemical
tsmc
Pfizer
Cadence?

Why do you, primarily, approach corporate partners on behalf of your portfolio companies?

Response	Count	Percent
Investments	37	38.9%
M&A	40	42.1%
Sales	37	38.9%
Channel for products	60	63.2%
"Big brother" requirement by your portfolio company's customers	16	16.8%
Product development collaborations	27	28.4%
Other	3	3.2%

"Other" responses:

Preface to subsequent M&A
Good Housekeeping Stamp of Approval
Non-equity cash

Please rank your experience with corporate venture capitalists.

Response	Count	Percent
Poor	4	4.2%
Mediocre	35	36.8%
Good	29	30.5%
Above Average	17	17.9%
Excellent	10	10.5%

Please rank your experiences with corporate business development groups.

Response	Count	Percent
Poor	1	1.1%
Mediocre	28	29.5%
Good	36	37.9%
Above Average	29	30.5%
Excellent	1	1.1%

How successful has the business development of Information Technology companies been in engaging your portfolio companies with the business units of their corporations?

Response	Count	Percent
Failure	6	7.1%
Some Success	55	64.7%
Successful	19	22.4%
Very Successful	5	5.9%

How successful has the business development organization of healthcare/pharmaceutical companies been in engaging your portfolio companies with the business units of their corporation?

Response	Count	Percent
Failure	2	3.4%
Some success	34	57.6%
Successful	19	32.2%
Very Successful	4	6.8%

Would you recommend your portfolio company taking a greater than 10% investment from a healthcare/pharmaceutical corporate partner?

Response	Count	Percent
Never	1	1.5%
In rare cases	22	32.4%
Sometimes	38	55.9%
Often	7	10.3%
Always	0	0.0%

Would you recommend your portfolio company taking a greater than 10% investment from an information technology corporate partner?

Response	Count	Percent
Never	8	9.2%
In rare cases	37	42.5%
Sometimes	39	44.8%
Often	3	3.4%
Always	0	0.0%

In general, who are the best corporate partners for your portfolio companies?

Response	Count	Percent
Former venture-backed start-ups	32	37.2%
Fortune 50 companies	33	38.4%
Non-US global companies	7	8.1%
Government	4	4.7%
Other	10	11.6%

"Other" responses:

industry specific players
Blue Chip Med Device Companies
Fortune 500

potential acquirers
Have a history of partnering startups
mid-sized corporates with strategic fit
Companies that value corporate investing
Those that don't require a board seat.
ones that write a PO
Cadence is not a bad example.

In general, who are the worst corporate partners?

Response	Count	Percent
Former venture-backed successful start-ups	6	7.1%
Fortune 50 companies	27	31.8%
Non-US global companies	17	20.0%
Government	31	36.5%
Other	4	4.7%

"Other" responses:

corporations without dedicated resources
other start-ups
Intel and their "covenant not to sue"

What percentage of the corporate engagements of your portfolio companies would you describe as worthwhile?

Response	Count	Percent
Less than 2%	1	1.1%
2% - 10%	15	16.3%
10% - 25%	36	39.1%
25% - 50%	26	28.3%
More than 50%	14	15.2%

What percentage of the corporate engagements of your portfolio companies would you describe as a complete waste of time?

Response	Count	Percent
Less than 2%	5	5.5%
2% - 10%	17	18.7%
10% - 25%	24	26.4%
25% - 50%	31	34.1%
50% - 90%	13	14.3%
More than 90%	1	1.1%

Has a corporate engagement ever resulted in loss of IP?

Response	Count	Percent
Yes	20	22.0%
No	71	78.0%

Have any of your portfolio companies ever had a serious reason to believe that a corporate partner engaged in an "over the line fishing expedition"?

Response	Count	Percent
Yes	58	63.0%
No	34	37.0%

How do you see the role of corporate/start-up engagements progressing over the next few years?

Response	Count	Percent
Far less important	1	1.1%
Less important	14	15.2%
About the same	40	43.5%
More important	30	32.6%
Far more important	7	7.6%

How well equipped do you feel you are for your role as a VC Board member engaging with corporate partners?

Response	Count	Percent
Not at all prepared	2	2.1%
Somewhat prepared	44	46.8%
Well prepared	48	51.1%
Not my job!	0	0.0%

What is the most common complaint about dealing with corporate partners?

Response	Count	Percent
They overwhelm start-ups	8	8.8%
They don't know what they want	16	17.6%
They change directions frequently with little regard for their start-up partner	39	42.9%
The names and faces keep changing	18	19.8%
Other	10	11.0%

"Other" responses:

Their agenda's don't always include the start-up's agenda
slow moving
They move in slow motion
They take forever to decide
All of the above!
all of the above
none
So slow to make decisions!
They are too slow
waste of time, they do not represent the best interest of th

I invest mostly in:

Response	Count	Percent
Life Sciences	20	21.3%
Information Technology	57	60.6%
Information Technology and Life Sciences	15	16.0%
None of the Above	2	2.1%

Additional comments on the topic we may have missed:

Corporate Venture efforts are like the wind - They are here in good times are seldom strategic and gone when the going gets tough

This survey is almost impossible to complete since there is no single experience. I have seen a situation where the corporate "partner" killed the startup, and other situations where the corporate partnership has been very successful.

For question #20, more than one complain applies that are all equally frustrating: - Changing names and faces (e.g., MSFT and other organizations) - Excessive due diligence which wastes a lot of start-up company time, and - Unsophisticated investment techniques (when it comes to due diligence)

Strategic investors are a double-edged sword. They can be good partners. Or lousy investors. They are as unpredictable (and unreliable) as angels, but they think they are professional investors. But...they can also provide validation, sales, and even an exit strategy. Companies (and VCs) should always be careful when engaging with Strategic Investors. It is OK to take their money, but only if they are going to add value and the terms are not too onerous. And...at the end of the day, strategy cannot rely on them as partners. They are likely as not to change their mind. This only got worse with the proliferation of Strategic Investors in 200-2001. It will be less of an issue today since many of them went away with the bust. By the way...I used to work for a major, well-known Strategic Investment Group.

Non-US corporate partnerships can be more important and will only grow in relevance. There needs to be a certain arm's-length distance kept at the Board level to keep decisions objective.

Overall Comments We like to work with corporate partners

Corporate partners should realize we do not need their money we need their sales and marketing muscle. Need to get operators involved not the corp. dev people.

Intel's "covenant not to sue" is a thin veil to suck IP out of start-ups. The Justice Department needs to take a good look at this practice.

It's hard to predict the future, even when you pay attention to the past. We are entering a phase where time-to-market and the horrendous costs of developing distributions systems will increasingly recommend alliances with established partners.