Disruptors as our allies

Embracing disruption through collaboration

India is home to over 157,000 start-ups, making it the third-largest start-up ecosystem in the world. The country is at the forefront of innovation across various sectors. As technology disruptors and start-ups challenge traditional businesses, it is beneficial to view them as partners rather than competitors, which can shift the overall perspective.

To effectively collaborate and co-create with these disruptors, organisations must act swiftly. This requires agility and the dismantling of silos within the company. For example, marketers need to be able to sense and respond to emerging trends, financiers should evaluate innovative investment opportunities, technologists must consider disruptive architectures, risk managers need to proactively design shared ecosystems, strategists should seek new avenues for growth and other organisational leaders must understand how to future-proof their businesses and explore new value creation opportunities. This is where corporate venturing comes into play. Corporate venturing can serve as a crucial toolkit for modern enterprises, helping them transform and create shareholder value.

Key themes

Thoughts that "Venturing" brings to everybody's mind:

Collaboration

Structured approach

Idea which solves a problem

Solving for a challenge

Changing lives

Defined outcomes

Exploration possibilities

Engaging startups

Starting something new

Open innovation

Creating value

While value creation is a top priority for organisations, many people remain unsure of how to achieve this aspiration through collaborations with other organisations. This is where the concept of corporate venturing and its spectrum, from "family offices" to "ventures," come in.

Pure treasury play	For Innovation and Venturing				
Family Office	**1 Organic Innovation**	**2 Ecosystems and Alliances**	**3 Accelerator**	**4 Incubator**	**5 Ventures**
• Private investment vehicles • Focus on diversifying wealth into ventures • Leveraged for treasury play	• Internal development of new products/ services • Leverages company resources and R&D	• Corporations collaborate with other firms, startups, and institutions to foster co-development and mutual growth	• Corporates offer structured, fixed term, cohort-based programmes that provide facilities, resources and expertise to speed up product development and time to market	• Specialised corporate units that hatch new ideas by providing physical resources, support, mentoring and value-added services to build viable, market-ready ideas	• Corporations invest money to acquire stake in the organization

Organisations may adopt multiple models to achieve innovation and strategic priorities. Most start with the left side of the spectrum and then explore models towards the right side. As organisations move from the left to the right side of the spectrum, leadership buy-in requirements (to enable quick decision-making) and investment size increase.

- Venturing is not a "one-size-fits-all" solution – it requires a nuanced approach aligned with the organisation's strategic goal.

- By using a range of venturing models, corporates can tap into external opportunities, create new business ventures and accelerate innovation to stay ahead in the evolving market landscape.

- Corporate venturing should be a strategic choice to bring in disruptive technologies and new business models into an organisation's existing operations.

- Organisations will increasingly need to work with an extended set of ecosystem partners, and alliances that they keep moving to the market with.

- It is imperative to ensure the integration of the ecosystem with structured models to drive stickiness within ecosystems and ensure smooth data exchange.

Key outcomes

Need and approach for corporate venturing

- Businesses can grow by collaborating with organisations for added value, not just through M&A
- Define the “game or investment thesis” early—determine if collaboration is for product, brand or capability
- Companies venture to monitor competition or test innovations without full commitment
- Successful collaborations often arise with tech players for non-core challenges (e.g., GenAI)
- Being an anchor client helps venture partners scale and tailor solutions
- Not all ventures will meet expectations; continuous experimentation is essential for learning

Key challenges and success factors for corporate venturing

- Organisations face challenges in retaining founders of acquired businesses, with the need for both entities to operate alongside each other for successful venturing.
- Integrating acquired businesses without disrupting their culture of agility and innovation is difficult; it is crucial they maintain their current way of working while using parent firm resources.
- Strategy departments typically focus on existing governance, but a separate operating model with unique governance and talent structures is necessary for consistent growth in venturing.
- Technical collaboration models often centre on profit-sharing with rigid contracts, hindering long-term transformation funding and flexibility; in contrast, ownership models encourage higher commitment and focus on valuations and funding.
- To this effect, Deloitte’s proprietary venturing value realisation framework can help organisations.

Foundations to successfully develop and operate a venture

Venture management
How the Venture is led, managed and supported by the broader organisation

1 Clear Agenda
A clear strategy owned by the Leadership, that aligns the organisation and defines where the Venture will focus and how it will drive growth

2 Governance Approach (ways of working)
An embedded structure to effectively manage the venture, supported by set guardrails, metrics, targets and roles to enable rapid execution

3 Funding Mechanism
A defined investment strategy with a protected funding pool and clearly defined allocation mechanism

Venture process
The process to rapidly develop and commercialise new ventures

4 Design
Processes and structures to efficiently move from ideas to customer validated concepts with a clear definition of value and the build approach

5 Build
The iterative development of an MVP and robust management of a pilot program to further test the feasibility and market fit of the solution

6 Commercialisation/GTM
The design of the commercialisation pathway, venture model and the execution of the go-to-market and growth approach to scale the solution

Venture enablers
The enabling capabilities required to fuel ventures

7 Systems & Tools
Innovation systems and tools that enable teams to efficiently execute and manage their venture (e.g. Trend Scanning, Knowledge Hubs, Workplaces)

8 Talent & Culture
Embedded venture mindsets and ways of working, supporting incentive structures that encourage teams to move fast and take considered risks

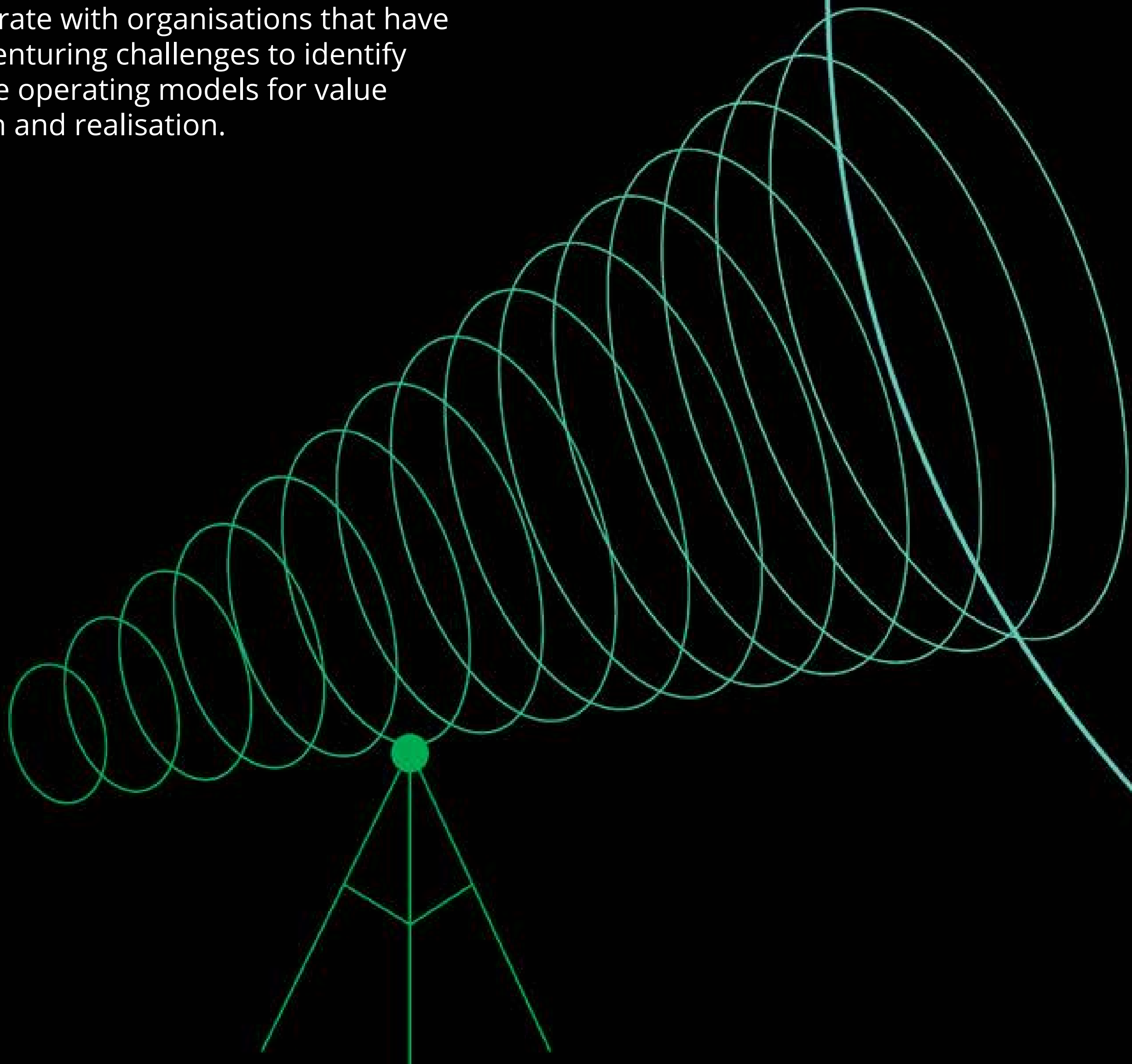
9 Ecosystem Partnerships
An established ecosystem of strategic and tactical partners with rules and systems for rapid engagement (e.g. tech, start-up, service providers)

10 Capability Augmentation
Established channels to rapidly scale team capabilities utilising a mix of internal, external and partner resources

11 Specialist Engagement
Established channels to rapidly engage specialist technical capabilities (including internal) to shape and differentiate the solution and manage risk

The way forward

- Align with key clients to explore how Deloitte's corporate venturing can support their growth by looking beyond core operations.
- Conduct workshops for management to understand venturing.
- Collaborate with organisations that have faced venturing challenges to identify effective operating models for value creation and realisation.



"Business growth should not be confined to the boundaries of organic expansion alone. The real magic happens when organisations venture out and seek partnerships that bring fresh perspectives and unique strengths. By teaming up with those who can add incremental value, organisations can accelerate their progress and create opportunities that go beyond what they could achieve alone."

– Harsh Kapoor,
Partner, Strategy, Risk & Transactions,
Deloitte India

"Organisations need to experiment, and not all investments will lead to the expected return. It is important to look at venturing as a portfolio—where the net outcomes from that portfolio will far exceed the investments. Net outcomes should be seen as value generated and shared between customers, supply chain and ecosystem partners, in addition to financial gain, to build truly sticky ecosystems"

– Siddharth Shah,
Director, Strategy, Risk & Transactions,
Deloitte India

OUR PEOPLE ARE OUR ASSET

DEFINING THE 3 Cs: CAPACITY, CAPABILITY, CULTURE

BUILDING CAPACITY

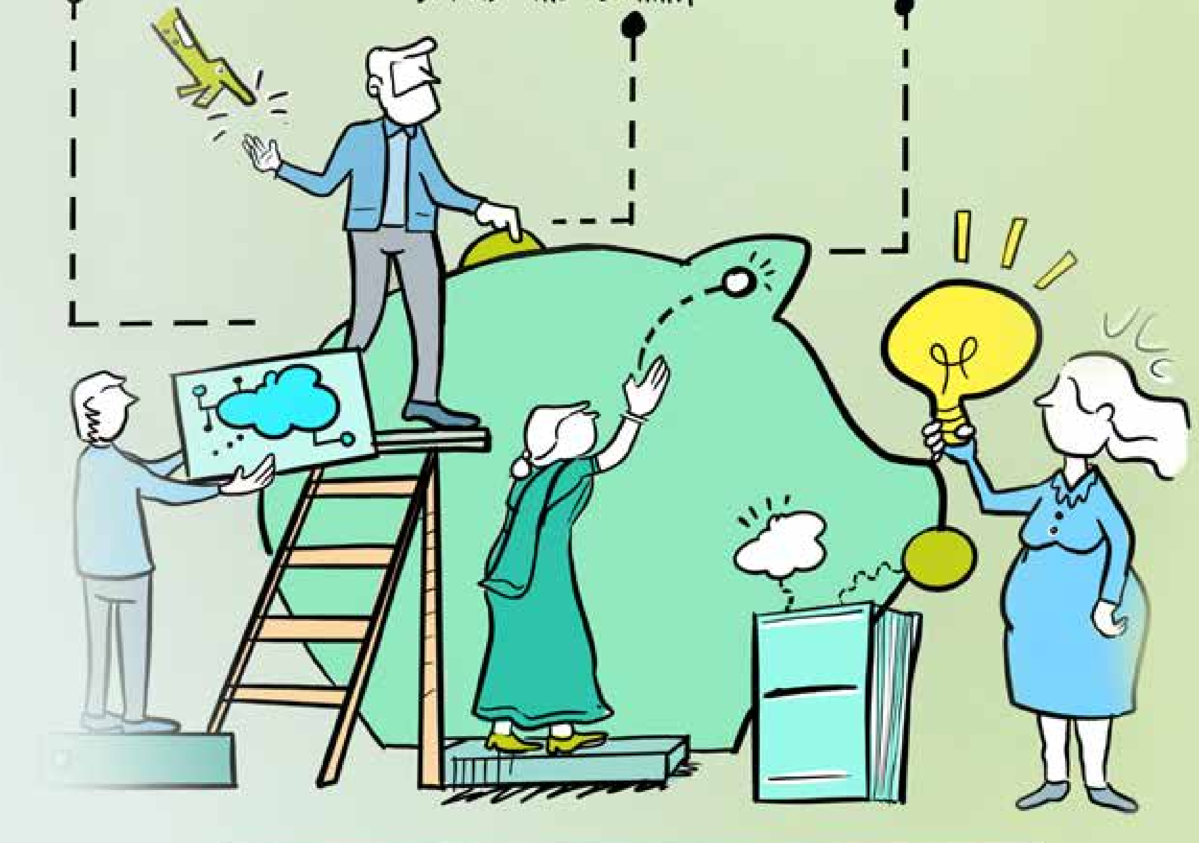
- CUSTOMER-CENTRIC GROWTH, NEW TRAJECTORIES AND REDEFINING PURPOSE
- RATE AND ENCOURAGE PEER COLLABORATION TO FOSTER TEAMWORK AND DISCUSSIONS

BUILDING CAPABILITY

- DEVELOP EXISTING TALENT AND RECRUIT STRATEGICALLY FOR ESSENTIAL SKILLS
- BROADEN PERSPECTIVES TO ASSESS CONTRIBUTIONS BEYOND THE COMPANY

BUILDING CULTURE

- FOSTERING RISK-TAKING THROUGH INITIATIVES SUCH AS "EPIC FAIL AWARDS"
- FOUNDERS AND LEADERS TO ALIGN VISION WITH ACTION TO REINFORCE CULTURAL VALUES



USE PEOPLE AS ASSETS BY ALIGNING CAPACITY, CAPABILITY AND CULTURE

Our people are our asset

Harnessing the 3Cs of growth: Capacity, Capability and Culture

Global CEOs are increasingly prioritising growth, which includes both revenue and profit. While corporate India is experiencing impressive profit growth at 24 percent, revenue growth is lagging at 13 percent, raising concerns. To address this gap and support organisations in their expansion efforts, five key challenges must be tackled:

- Constant need to innovate: Organisations must be able to swiftly adapt to market shifts while maintaining governance and controls that foster innovation.
- Increasing skill gap in the workforce: There is a significant gap between the desired and current technical and managerial skills. This gap needs to be bridged while also enhancing the ability to forecast the future in an extremely uncertain world.
- Need for increased collaboration: Siloed organisational structures must be dismantled, and technology should be used to promote outcome-based thinking.
- Disengagement in the workforce: Low employee engagement and a misalignment between individual and organisational goals, particularly across generational divides, must be addressed.
- Culture of sustainable growth: It is essential to shift towards a culture that promotes long-term, sustainable growth.

To overcome these challenges, organisations need to develop the three Cs of growth: capacity, capability and culture.

Capacity

Capacity refers to an organisation's ability to respond to changing market forces through an operating model, structured approaches to innovation and data-driven decision-making.

It involves the following:

- Aligning the organisational structure, processes and governance of the organisation to facilitate rapid responses to external disruptions and evolving market trends.
- Identifying technology necessary to ensure that the organisation can grow while maintaining efficiency and adaptability.
- Designing flexible and iterative innovation processes to adapt swiftly to changes and rapidly scale new ideas.

The following strategies can be adopted to build capacity:

- Customer centricity
  Placing the customer at the centre of problem-solving efforts is crucial. This approach can guide companies in their decision-making processes.
- Using stakeholder aspirations
  Companies should closely analyse the aspirations of their diverse stakeholders. Such an analysis can help them identify and capture growth opportunities.
- Expanding to new markets
  It is crucial for a company to keep redefining and reinventing itself and expanding to new markets. This can help the company navigate changing market conditions.
- Embracing digital transformation
  Companies should transition to a smart factory ecosystem for full visibility, enhanced scalability and automation of routine tasks. This shift can improve efficiency, reduce costs and maintain competitiveness in a rapidly evolving market.

- Foster collaboration across the organisation
  Collaboration is crucial for tackling today's complex challenges. Companies can adopt practices, such as a "Collaboration Index," where employees self-nominate and rate peers on teamwork. This can encourage collaboration and discussions on building a more cooperative and engaged workforce.

- Importance of supply chains
  Supply chains play a vital role in capacity building. The focus should be on developing integrated supply chains that prioritise resilience and flexibility, enabling companies to adapt to disruptions and meet evolving demands.

- Capture opportunities
  Companies should establish processes and systems to proactively identify and seize new opportunities. One effective approach is creating a "New product and initiative group," dedicated to spotting emerging trends and driving innovation across the organisation.

- Inclusive HR programmes
  HR programmes should also focus on blue-collar employees, recognising their vital role in an organisation's success. HR must address their unique needs and foster growth and development across all workforce levels.

- Encourage cross-functional workforce movement
  Staff rotation and cross-functional movement benefit both employees and employers by preventing stagnation, fostering personal growth, enhancing retention and providing fresh perspectives.

- Continuous learning for growth
  Continuous learning is crucial for growth in companies and individuals. Companies should focus on effectively transferring knowledge across generations to ensure skills and insights are shared and retained for long-term success.

Capability

Capability building emphasises developing the skills, knowledge and competencies of an organisation's workforce. It involves equipping employees with the necessary expertise to perform effectively, innovate and adapt to evolving business needs, ensuring the organisation is ready for future challenges.

The significance of capability building can be summed by the following equation:

Real progress = Empowered people × Unlocked potential

In today's world, the following skills are emerging as critical for organisational growth:

- **Functional skills**
  Specialised technical abilities and knowledge that are specific to a particular role, enabling employees to effectively perform job-related tasks.
- **Leadership skills**
  The ability to guide, inspire and influence others to achieve goals. This includes strategic thinking, effective communication, decision-making, team building and mentoring for long-term success.
- **Emerging soft skills**
  Emerging soft skills, such as resilience and adaptability, equip employees to handle challenges, stay optimistic and sustain productivity in a fast-changing environment.

Companies can adopt the following strategies to build capability:

- Emphasis on continuous learning
  Create an ecosystem that encourages and enables employees to engage in continuous learning.

- Welcoming external talent
  While it is extremely important for companies to build the skillset of current employees, they should also welcome and attract skilled external talent to join their workforce.

- Balancing current vs. future skills
  Employers focus on current skills to boost productivity, while employees seek future skills for better employability. It is crucial for employers to balance both by incorporating future skills into their training programmes.

- Technology as an enabler
  Technology can enhance capacity building through e-learning modules and customised dashboards for monitoring performance. Gamification and leaderboards can encourage course completion and improve learning outcomes.

Culture

Culture embodies the collective values, norms and behaviours within an organisation. It promotes collaboration, adaptability and employee engagement, fostering a cohesive environment where individuals are inspired to contribute to the organisation's vision and long-term growth.

The importance of culture cannot be overemphasised. About 72 percent of high-performing organisations consider culture to be a key driver of success, leading to 4x higher employee engagement and retention.

Culture also improves a company's financial performance metrics. About 13 companies that have appeared on Fortune's annual 100 Best Companies to Work For list every year also see higher average annual returns, with cumulative returns as high as 495 percent against the indices.

Companies can adopt the following strategies to build culture:

- **Align actions to messages**
  Companies must ensure that their actions align with their messaging. This is a key principle for building a truly authentic culture.

- **Build a flexible, open workplace**
  Create an environment that empowers employees to explore projects aligned with their interests and develop their skills. Such an environment increases employee satisfaction, thus contributing to greater retention.

- **Balance all stakeholders**
  Companies should be mindful of balancing the diverse interests, needs and aspirations of all their stakeholders (including customers, employees and shareholders). By doing so, they can cultivate a culture of inclusion within the company.

- Engage with the wider community
  Culture is also about giving back to the wider community. The company functions within a community, so it is vital for it to engage in the spirit of giving back to society. This helps foster a culture of trust and goodwill.

- Accessibility of leaders
  It is important for the leadership to be accessible to the company's stakeholders. This can help stakeholders directly communicate their challenges with the leaders, which can further, expedite the solutions and resolutions.

- Work-life integration
  Focus on building a synergy of work-life integration. This is a situation where an employee's personal and professional lives mutually enrich one another, contributing to the employee's overall well-being.

- Celebrate risk-taking and failures
  Failures are important stepping stones to success. Instead of discouraging them, companies should consider celebrating and rewarding them with awards/prizes such as the "Epic Fail Award."

"The track discussed various experiences on people strategy, and there was consensus that leadership must address both the tangible aspects of productivity and the intangible elements of culture. This workshop helped leaders bridge that gap, integrating the "hardware" and "software" for sustainable success. Leaders now understand that the "software" of culture—values, communication and connection—is just as crucial as the "hardware" of efficiency in driving performance."

**– Nikhil Kolur,
Partner, Technology & Transformation,
Deloitte India**

Key takeaways

- Founders and CXOs play a vital role in shaping the company's vision and cultural ethos.

- To build the capacity of a company
  - It is important to keep the customer at the centre, expand to new trajectories and for the company to keep redefining itself.
  - Have a conducive organisation design, which encourages capacity building.
  - Develop an appropriate rewards framework.
  - Design effective and simpler business processes, to boost efficiency.
  - Use cloud and technology adoption to expedite and stay up to date in the capacity-building process.
  - Collaboration index- Adopt a mechanism to rate peers on collaboration.

- To build the capability of a company
  - While it is important to encourage and invest in existing employees' capabilities, it is also necessary to identify the right capabilities and bring in people with the right capabilities at the right time into the organisation.
  - Embrace digital means and innovative techniques to build capability. Focus on both current and future skills for capability building.
  - Develop digital competency frameworks.
  - Leadership journeys by cohorts – Develop structured programmes involving cohorts to facilitate the development of leadership skills through collaborative learning and peer support.
  - Measure ROI on learning programmes.
  - Expand vision beyond one's own company and look at the contribution one is making to the ecosystem.

- To build a culture of a company
  - Accessibility of top leadership and having a larger vision in mind is crucial.
  - Use culture diagnostics for periodic assessment of the underlying dynamics of an organisation’s culture.
  - Improve performance on core indices and develop differentiating indices:
    - o Core indices- These are foundational to organisational culture. All cultures lean towards one end of each spectrum. These include, collective focus, risk and governance, charge and innovation, external orientation.
    - o Differentiating indices- Organisations exhibiting these characteristics tend to achieve differentiated performance. These include courage, commitment, inclusion and shared beliefs.
  - Use culture programmes to enhance culture-building activities in an organisation.and look at the contribution one is making to the ecosystem.
  - Companies should strive to balance the needs and aspirations of all stakeholders.
  - Encourage the spirit of experimentation and risk-taking through innovative steps.