



# Venturing Forward

Challenge 04

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# Tracing pathways through the unknown

A Next Economy is taking shape, rapidly and unpredictably shifting the operating environment for businesses. Corporate innovation teams must respond to accelerating levels of uncertainty and opportunity, caused by the continual march of technology and the global climate crisis. Black swan events such as the COVID-19 pandemic, the Suez Canal obstruction and the war in Ukraine underscore how seemingly distinct and localized events cascade through our global economies and societies. These volatile times make for tricky navigation—most palpably for those who are reluctant to steer into the unknown.

## “LES CHATS NE FONT PAS LES CHIENS”

This common French proverb—literally, “dogs don’t make cats”—is used similarly to “the apple doesn’t fall far from the tree.” While these sayings can be comforting when applied to families—we’re proud to have children who echo our best qualities—they’re worrisome in the context of innovation portfolios. If you’re looking for growth and resilience through diversification, the last thing you want your team to do is launch a new initiative that’s too similar to what you’ve always done. “A chip off the old block” is unlikely to yield meaningful progress.

## THE EVOLUTIONARY WORK

The changes underway globally are dramatic enough that “simply” updating our current business models is an insufficient response. To thrive during these transitions and beyond, we must not only succeed in the evolutionary work of adapting legacy offerings and operations, but also begin to supersede them through more radical innovation.

Developing a portfolio of new candidate ventures that can augment or eventually replace legacy strategies is essential for building resilience and positioning our organizations to flourish in the Next Economy. Across industries, business leaders are working on new growth trajectories and moving swiftly to put their companies on stronger footing. **Corporate Venture Building** has surged in recent years, empowering CXOs to rapidly reorient their organizations by launching disruptive new businesses tailor-made for the path ahead.

The work isn’t easy, but fortunately, it’s not mysterious either. Let’s venture forward.

# The shape of the Next Economy

The first step toward a high potential venture is to survey the lay of the land. The foundation of successful corporate innovation is a solid understanding of customers, stakeholders and operating environment. Ventures built today must be tailor-made for the Next Economy, so it's essential to recognize the forces shaping this operating environment ahead.

## INDUSTRY-SHIFTING TECHNOLOGIES

Disruptive new technologies continue to exert pressures and change fortunes as they traverse the stages of the “**Hype Cycle**,” shaping what we anticipate, then use and eventually take for granted. These technologies often have far-reaching consequences: lowering barriers to entry

for challengers (Uber taking on taxis), enabling incumbents to move laterally across industries (**Amazon ruling the Cloud**), drop-kicking once-profitable offerings to irrelevance (point and shoot cameras in the era of iPhone #nofilter photography). Disintermediation, decentralization and automation are remaking our markets.

## ESCALATING CLIMATE CRISIS

Germinating from, and growing exponentially since, the dawn of our tech-enabled industrial revolution, the climate crisis applies an additional set of farther-reaching pressures on our interwoven societal and ecological wellbeing. These pressures in turn shape, and are shaped by, our markets and the businesses within them. Resource scarcity, unstable supply chains, shifting popular sentiment, regulatory shifts and direct financial consequences for inaction are just a few of the first impacts being felt as we embark on a “hard reset” across industries to maintain the viability of our planet.

The notion of the “butterfly effect” in chaos theory (wherein the hypothetical flap of a butterfly's wings triggers a tornado a continent away), has captured imaginations since 1972. Today, the interconnectivity of global systems comes into sharp focus: the loss of a species of butterfly in the Amazon (as part of our current **precipitous drop in biodiversity**), the price of milk in Paris (cascading from the effects of the **driest summer in Europe in 500 years**) and the waiting time for your new car (due to a global chip shortage triggered by **Covid-19 and a host of other contributing factors**) though seemingly distinct, are causally-linked disruptions. The closer we look, the more we realize how complex, interdependent and delicately balanced the systems we rely on are. Our Next Economy presents a critical opportunity—and will make increasingly stringent demands—to reverse course and begin reinforcing the **essential dynamic equilibrium our planet requires**.



# Design Mind: Studio Sessions



Innovation leaders from BMW iVentures and Telefónica's Wayra Builder talk manifesting internal change. This inaugural episode of StudioSessions demystifies the new consumer mindset and reveals how bridging expertise from corporate and startup worlds leads to world-class corporate ventures.

[Watch video →](#)

**DesignMind**  
StudioSessions

## THE END OF “70% CORE”

In the past, conventional wisdom held (and studies evidenced) that a healthy innovation portfolio would follow a 70/20/10 allocation of innovation initiatives:

**70%** Horizon 1: making incremental changes to current core offering or market approach

**20%** Horizon 2: leveraging current capabilities toward adjacent new offerings and/or markets

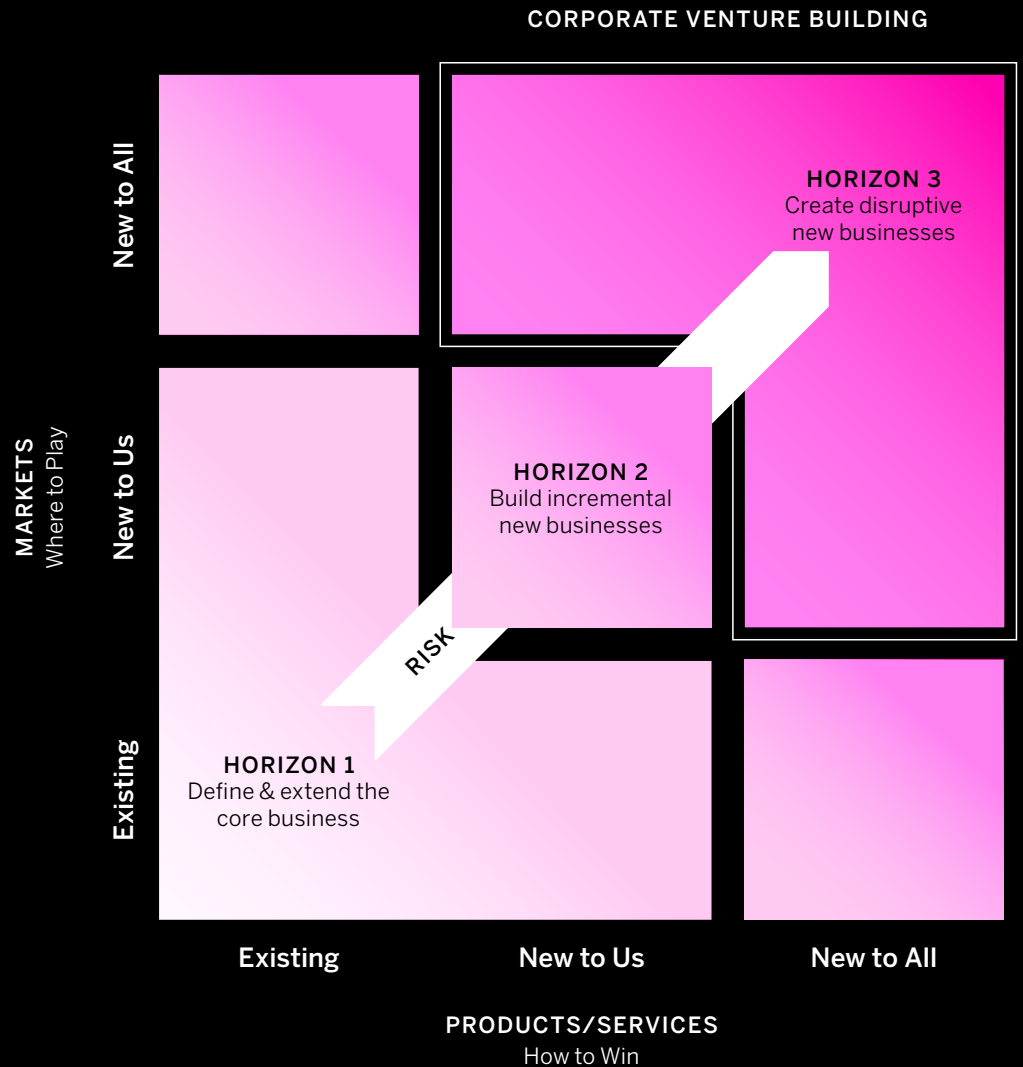
**10%** Horizon 3: extending beyond the current reach of the organization to create transformative new businesses and offerings

This portfolio management theory proved to be highly productive for many. This is perhaps as much due to the functional framework it provides and proactivity it enables as to the specific allocation ratios it promotes. Delineating between different types of innovation work, and detailing the differences in their intent and required capabilities is certainly of value, and the framing remains powerful and in use by corporations around the world today.

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## DOUBLING DOWN ON HORIZON 3

The majority of our current business and operating models are not fit for the terrain ahead, leaving no incrementalistic path to success in the Next Economy. There is a historic discontinuity between how our present economy functions and what the next will demand, and as the saying goes: “you can’t cross a chasm in two small steps.” Accordingly, bold companies are redoubling their commitments to Horizon 3 innovation, looking past the incremental evolution of products and services to focus more urgently on the creation of net-new businesses for diversification, resilience and growth.



## The Rise of Horizon 3

In recent years, the allocation of resources has shifted dramatically in response to current business realities. **A 2020 survey** found that 52% of innovation resources were expected to be split evenly between Horizon 2 and Horizon 3 projects shifting the majority of resources away from Horizon 1. In addition, there's a growing discourse around **the value of internal corporate innovation**, as opposed to outsourcing.

It's an intuitive shift: as the business context we're operating in undergoes more rapid and dramatic transformation, we need to rely much more heavily on transformational innovation to keep pace.

# From defensive response to anticipatory outposts

Venture building is a malleable capability, able to serve diverse purposes depending on need. frog works with companies at every stage of maturity: from supporting first entrepreneurial forays to partnering with seasoned corporate entrepreneurs, already organized into independent, high-yield Venture Studios.

Though the role of venturing within the broader innovation strategy varies, it's common to see an evolution from a more reactive mindset to a broader and more proactive field of play as experience and organizational confidence grow.



# Leaning into ambiguity

“Not all those who wander are lost.”

J. R. R. TOLKIEN

It's not uncommon to hear strategists, technologists, designers and others focused on innovation lamenting that they don't have sufficient leeway to really push the boundaries. We must be careful what we wish for, because for most of us, there are few things more intimidating than staring down the completely blank canvas presented by a new venture build. It can be hard to know where to begin when facing a panoply of possibilities and a vertigo-inducing lack of constraint. However, exploration without full view of your destination (or control over the circumstances along the journey) is the essence of the founding adventure. Fortunately, there are tried and true approaches to establishing a stable starting point, so that getting underway becomes a tenable prospect with more reliable outcomes—including a new venture, thriving in the market.

Adopt an entrepreneurial mindset and significantly improve venturing results with three key strategies:

1. **Equip:** Be ready for what's next.
2. **Engage:** Drive from hypotheses to results.
3. **Defy:** Inhabit the future.

**Tomorrow's most dynamic businesses are already provisioning for the Next Economy.**

Read on to learn more about how frog and our clients employ these strategies to empower teams to drive innovation, push past the incremental and reinforce their organizations for the future.



# Venturing in the Next Economy



Climate tech VC Ramsay Siegal and futurist Monika Bielskyte trade points of view on the role of ventures and business model innovation.

Who controls the market: challengers or incumbents?  
Who will lead us into the Next Economy?  
How should businesses react to dramatic change?

[Watch video](#) →

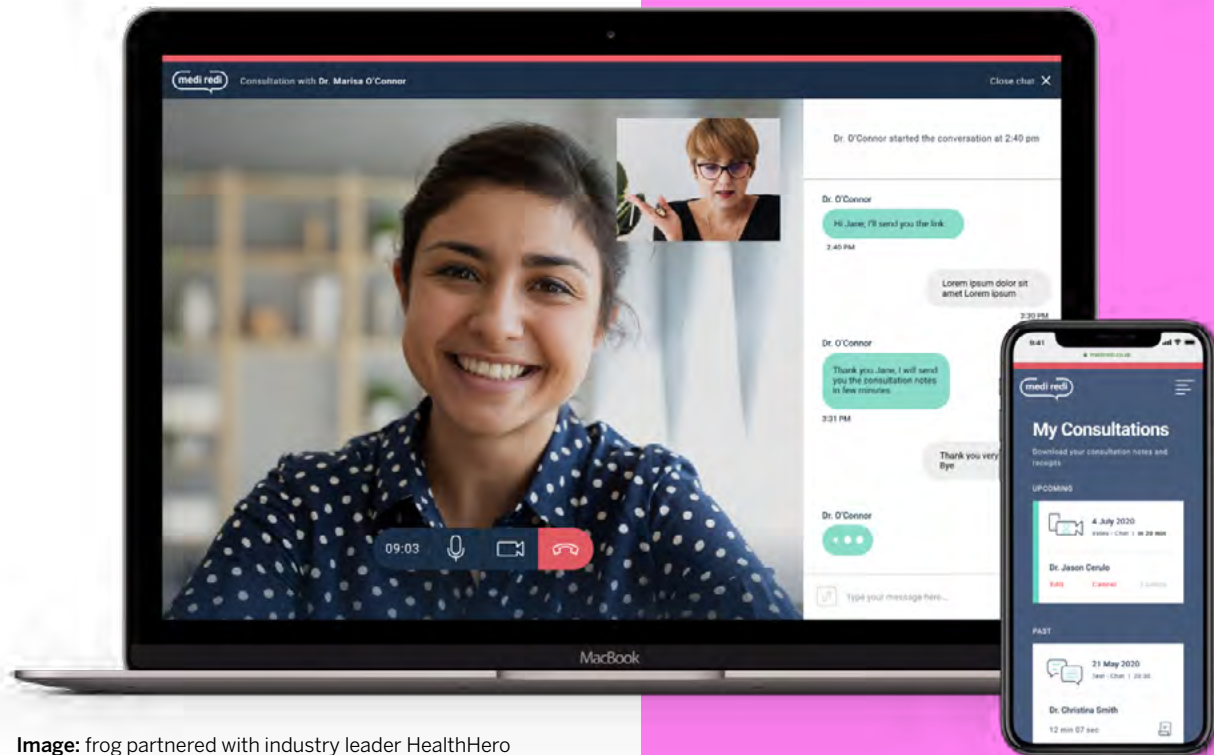
When venturing towards resilience and growth,  
success lies in pursuing three concurrent and  
interlocking strategies:

Equip Equip Equip

Engage Engage Engage

Defy Defy Defy

# Equip



**Image:** frog partnered with industry leader HealthHero to help launch a new venture that brings digital healthcare solutions to the fore.

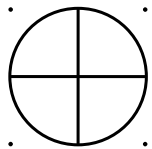
## Be ready for what's next.

When heading into the backcountry for a few days, you might first gather your fellow adventurers, set an intended destination, plot your course, then get busy organizing your kit. Likewise, “venturing forward” as a company requires getting a lot right from the outset: the appropriate team, skills and tools—backed up with a shared vision, guiding principles, relevant training and aligned objectives.

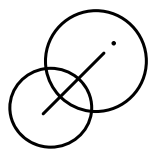
Constantly shifting terrain demands continuous anticipation and preparation, and this odyssey presents no clear finish line. That's why it's crucial we re-provision as we go, adding capabilities and embracing tools and technologies to surmount the challenges we encounter.

# Outfitting the team

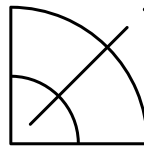
Positioning venture building teams for success takes a combination of organizational strategy and entrepreneurial experience. Building the foundations of a new business in uncharted territory, where an abundance of ambiguity is met with an absence of precedent or constraint, requires attention in five key areas from the offset:



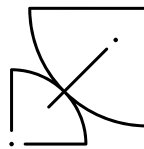
**Purpose** Articulate a clear vision, mission and strategic pillars, establishing a clear remit to challenge the status quo, while also providing big-picture alignment with broader corporate objectives.



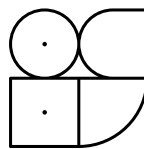
**Talent** Assemble and upskill high-potential generalist, specialist and entrepreneurial team members to provide the diverse design, strategy and technology capabilities required for success. Skill mapping can help ensure good coverage and clarity on potential blind spots.



**Process** Align expectations with an end-to-end workflow, from opportunity sourcing through definition, validation, development and scale. Don't forget to also establish clear criteria and wind-down processes for abandoning dead-end opportunities and “zombie” ventures that stall out.



**Enablers** Gather the principles, tools and assets that will underpin your workflow. Note that the parent organization's resources and tech may be ill-suited to the tasks ahead, so cross-check with the latest best practices in high-functioning ventures and startups for potential alternatives.



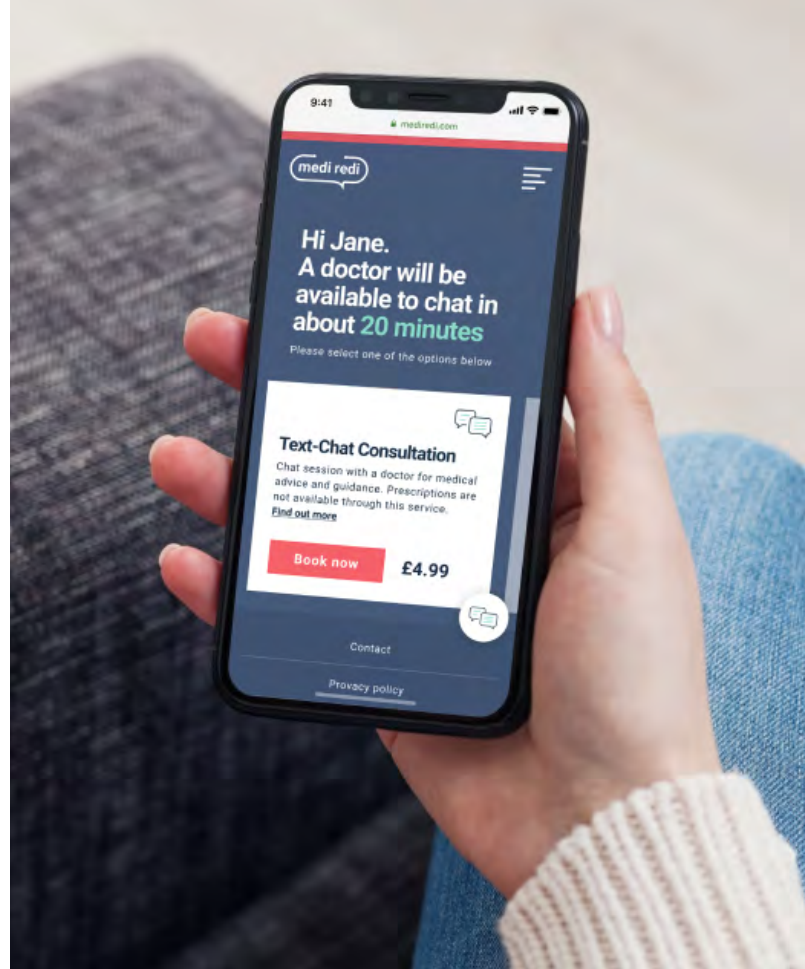
**Structure** The corporate ecosystem of the parent organization can work in the venture's favor or thwart its progress—the difference lies in how well you set up the governance, collaboration, funding and other links back to “the mothership.” It's possible that a new venture will accelerate the decline of legacy offerings, which can trigger significant resistance in the parent organization.

# The Principles of Venture Design

This simple set of entrepreneurial best practices is distilled from decades of corporate venture building and startup experience. Take The Principles of Venture Design on the trail and share them liberally across your team to optimize the outcomes of your work together.

**Design the impact, not the product:** Define and work toward clear business objectives, focusing on what is necessary and sufficient for success. The required impact is the constant, and how it's achieved it is the variable—not the other way around.

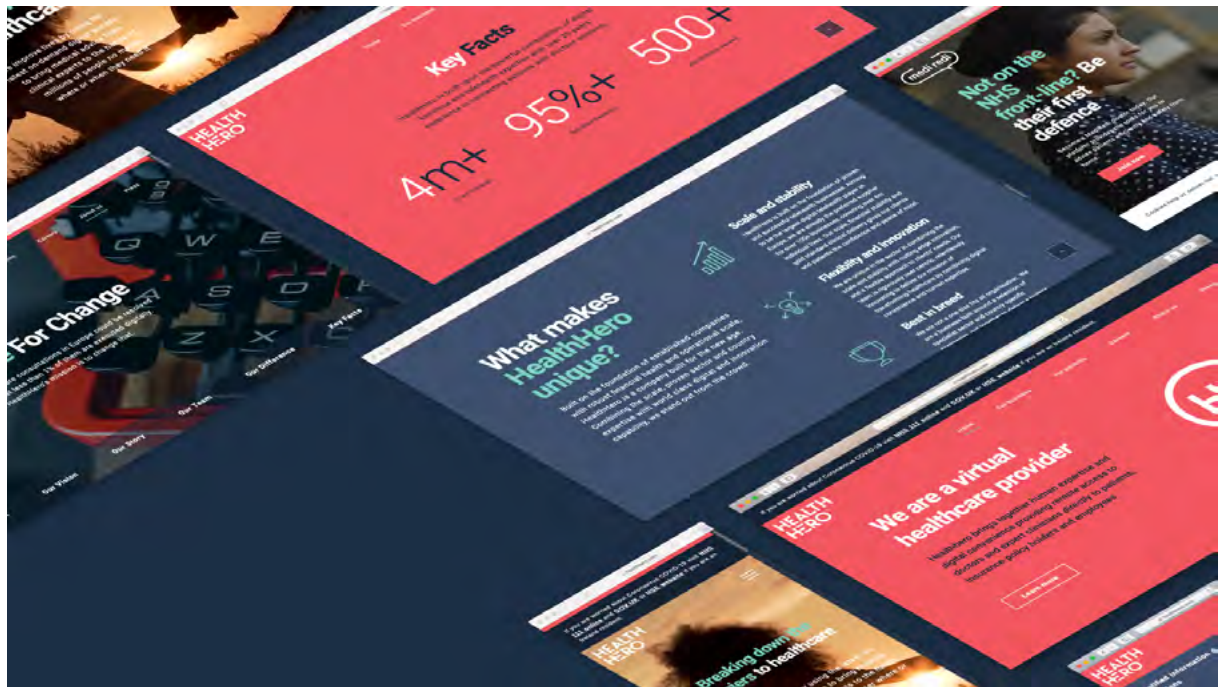
**Prioritize progress over process:** Rather than adhering to a rigid process, seek and exploit opportunities to move further faster. Planned a validation test to run for two weeks, but gathered the data required for your decision making in week one? Shut down the experiment and bank the time for later, or repurpose the experiment to test your next riskiest assumption. New venture teams will jump ahead whenever possible.



**Drive continuous engagement:** Emphasize deep collaboration, transparent workflows and flat teams to gain efficiency, continuity and capability across all contributors. Cumulatively this enables the **“Founder’s Mindset”** of co-ownership and emphasis on impact.

**Deliver enduring value:** New ventures quickly maneuver and grow beyond static design, strategy and tech assets, so the tools and frameworks beneath them must be built to serve for the long-term. Make the investment to empower venture building teams with scalable systems, and establish resources for ongoing entrepreneurial advisory, marketing collaboration, partnership outreach and fundraising support.





## Client Story

Combining HealthHero's clinical experience with frog's venture building capabilities, the joint team quickly iterated to shape the long-term vision, launch the business and bring to market its first flagship teleconsultation service, MediRedi. Today, HealthHero is the largest digital-first healthcare provider in Europe, supporting 35 million lives and partnering with over 1000 businesses.

[Read the full HealthHero story →](#)

# Engage

## Drive from hypotheses to results.

Venture building can be exhilarating. It's a thrill when early results from live customers spur you on in new directions—or when successive prototypes and simulations come to life, providing a glimpse of a unique future experience you'll be able to provide.

However, building new ventures is frequently precarious: taking a fork in the path and finding yourself on the wrong side of risk can get costly. To ensure that investments increase in proportion to understanding, and not in advance of it, it's important to structure activities to systematically deepen knowledge and manage risk at each step.

Continuous cycles of building, testing and learning provide the empirical results needed to progress from hypotheses to insights, enable the synthesis of insights to opportunities and ultimately yield validated offerings and responsive live operations. Cross-pollinating ideas from a diverse set of creative, strategic and technical collaborators reinforces our ability to see around corners, act on inspiration and validate in real time.

### A holistic view for a focused build

The only magic that matters is the magic that makes it to market. Venture building means connecting with our target customers early and often as we evolve from a potential territory for innovation through to a new business, live and scaling in the wild.

### Building a Balanced Business

frog works concurrently across the six key aspects of a healthy venture at every step of the venture building workflow:

**Customer:** Develop and maintain a first-hand understanding of the customers and stakeholders we're engaging and their needs.

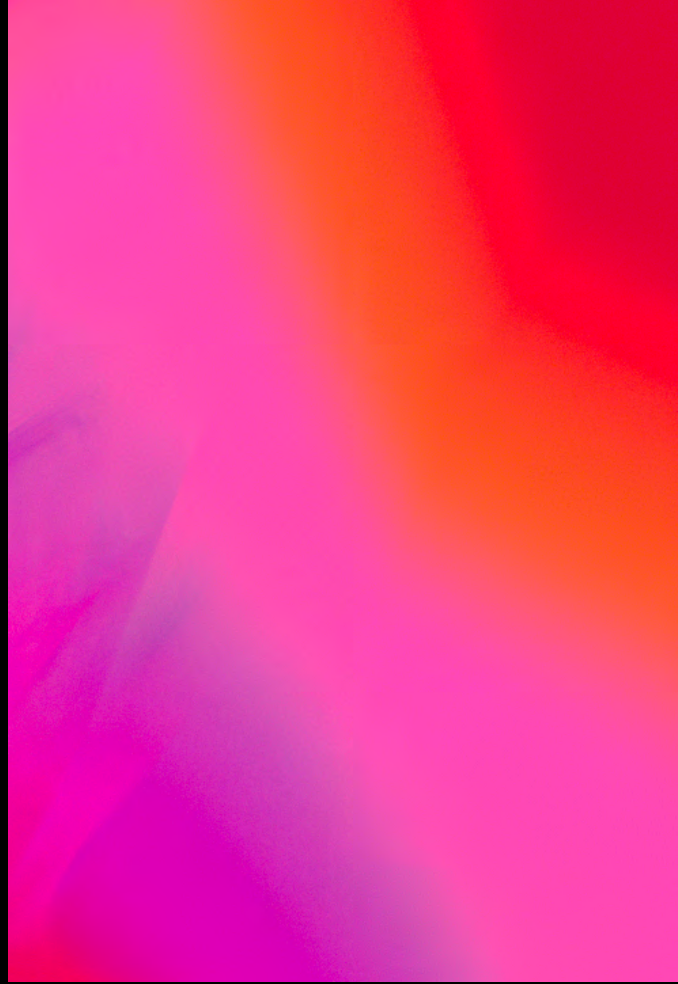
**Experience:** Meet the demands of audiences through effective digital, physical, environmental and/or virtual touchpoints.

**Technology:** Deploy technology (off the shelf, licensed and/or proprietary) to deliver experience and value to our customers.

**Business Model:** Drive revenue, manage costs and grow profitably.

**Operating Model:** Structure and run team, operations and infrastructure.

**Sustainability Model:** Serve people and planet, scaling positive outcomes through offerings and operations.



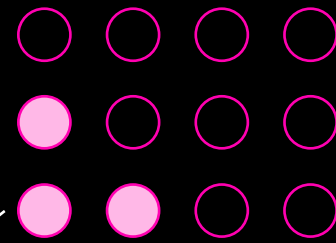
#### VENTURE BUILDING WORKFLOW

The high-level stages of venture building are well understood, with a lot of common ground across different internal corporate teams and external consulting partners. While it's simplest to represent the workflow as linear, in practice it's fluid and highly iterative, both across and within stages of development.

## Decide where to focus attention

### Opportunity Area Prioritization

- Determine territories of interest for investment
- Study, characterize and size potential opportunity areas
- Filter for fit with company strategy and scope of ambition

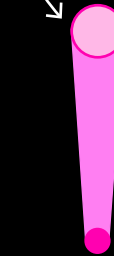


Outcome: A sharp, prioritized view of opportunity areas to pursue

## Uncover the jobs-to-be-done

### Opportunity Identification

- Perform market analysis, field research and audience intercepts
- Create "snapshot" overviews illustrating scalable venture opportunities
- Develop and apply tailored evaluation frameworks
- Downselect which opportunities to pursue, backlog or eliminate



Outcome: Promising venture snapshots compete to move forward

## Articulate the hypothesis business

### Venture Definition

- Define offering, business model and operating model for problem/solution fit
- Pursue customer discovery, establishing foundational archetypes and journeys
- Create go-to-market overview, including riskiest assumptions for validation testing
- Distill assets into a concise, insight-driven pitch deck

Outcome: Key assets available to be shared with stakeholders and investors for buy-in

## De-risk through live simulations

### Venture Validation

- Iteratively test and refine value propositions and offering simulations
- Preview product-market fit, willingness to buy, tech feasibility and path to market
- Prepare product roadmap, Alpha requirements and backlog for build

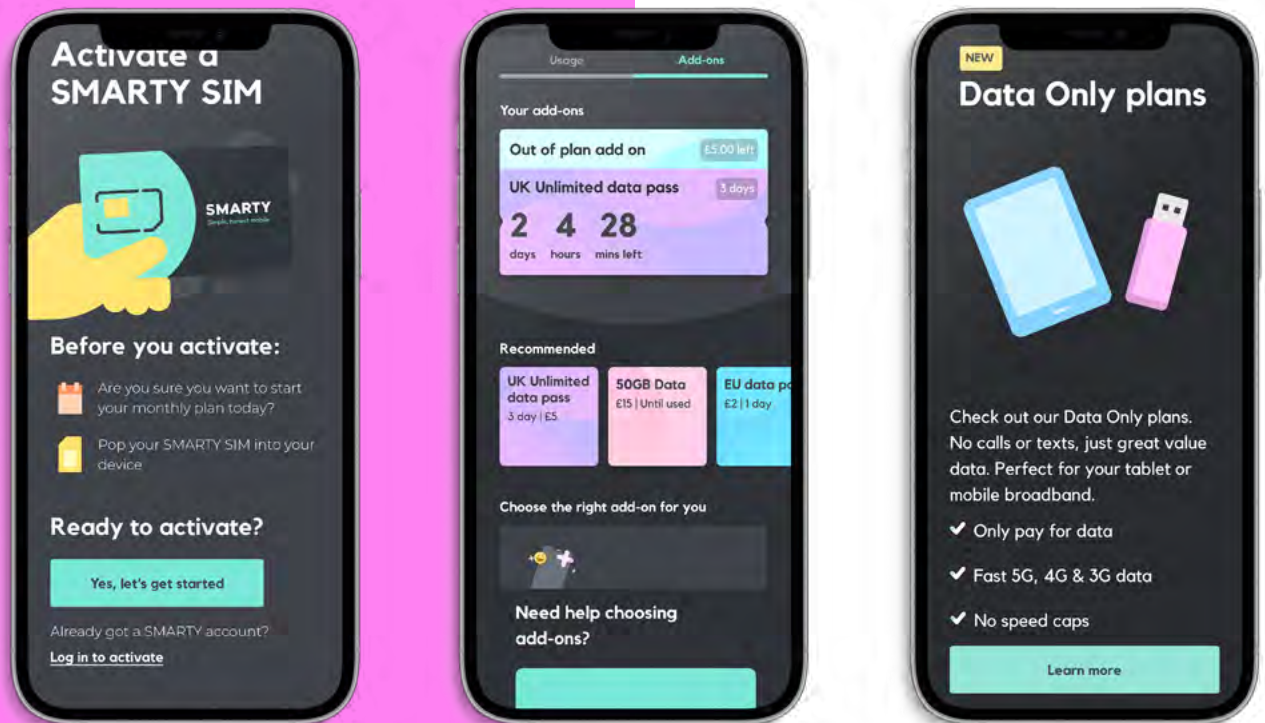
Outcome: Validated offering, business model and roadmap leveraged to raise funds and onboard partners

## Build continuously from Alpha to scale

### Venture Realization

- Leverage agile development from simulation to MVE to scalable product
- Deploy business ops to keep pace with ongoing growth strategy, customer acquisition, team and organizational development

Outcome: Venture ready to be spun in or out, typically requiring additional funding based on market traction



**Image:** frog helped to conceive, launch and scale SMARTY: a new venture that redefines what it means to be a mobile network.

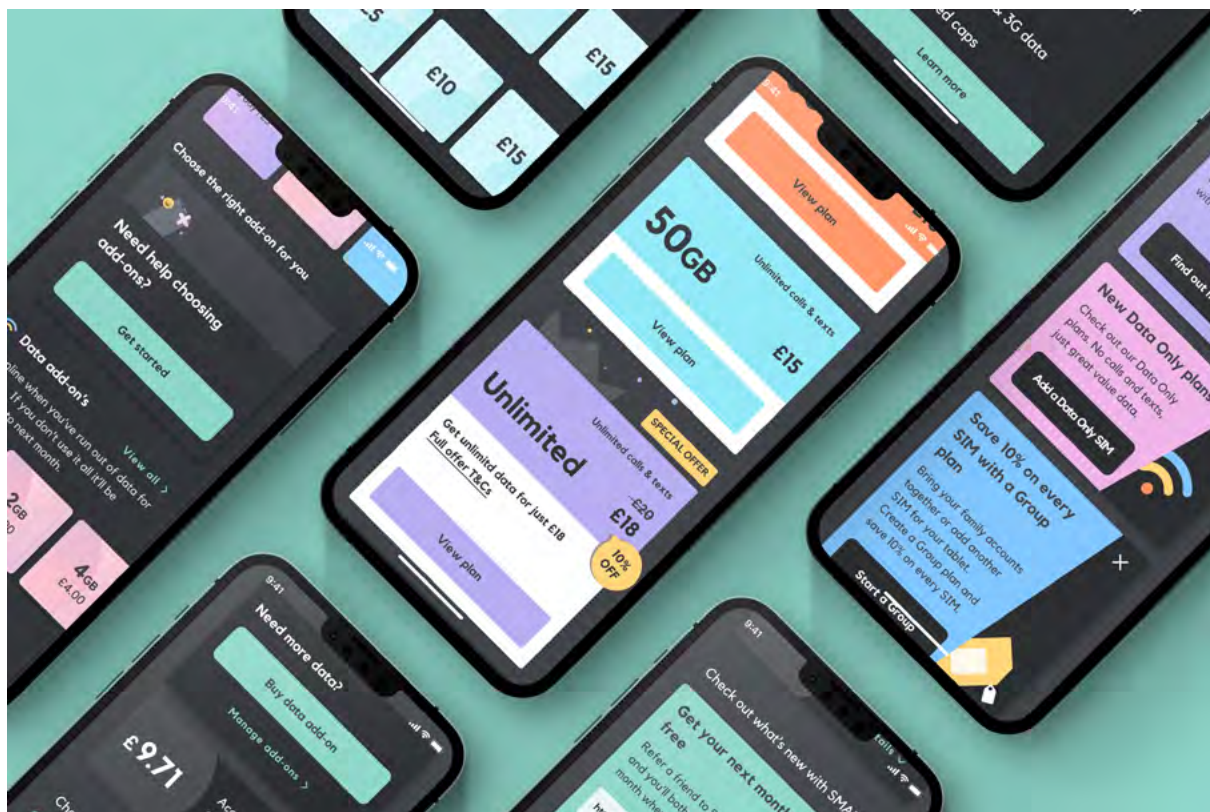
## Inhabit the future.

Rapid, radical shifts in our markets and operating environments require a greater emphasis on innovation. In building for the Next Economy, we need to sidestep yesterday's expectations and anticipate a profoundly different tomorrow.

At least once in a generation there's a need for a positive rebellion—shaking loose from the status quo to freely explore new models aligned to new circumstances. This is that time. We can't cross our fingers that our innovation “apples” will fall far from the legacy “tree”—we need to catapult them over the horizon. virtual and environmental dissolve, orchestrating cohesive experiences that flow across modes of interaction becomes ever more critical.

Corporate venture building is a structured approach to launching new businesses that are strategically rebellious—intentionally and productively differentiated and independent from the company they are meant to benefit. Though venture building doesn't require a rejection of the parent organization, it does view this legacy with ambivalence in the search for its own best path forward.





## The characteristics of boundary-pushing ventures

There are several indications that a venture is tackling worthwhile innovation on their path to market, with the most differentiated, defensible corporate ventures and startups tending to exhibit one or more of these attributes.

**1. Category Creation:** Introducing a genuinely unprecedented product or service requires looking beyond shaping the offering to also anticipate guiding audiences in incorporating it into their lives.

**2. Tech Interpretation:** Harnessing the potential of a frontier technology and building its momentum in the market requires a sound strategy. To increase the odds of widespread adoption, identify and prioritize first use cases with validated value propositions for well-defined audiences.

**3. New Behaviors:** New business models, technologies and product categories can encourage (or even require) shifts in behavior. By using the principles of **Behavioral Science** we're able to identify and influence the promoting and inhibiting pressures shaping how customers respond.

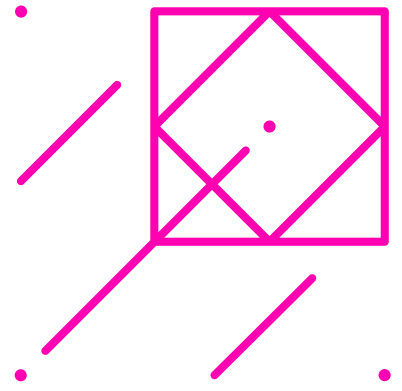
**4. Convergent Experiences:** As the delineations between the physical, digital, virtual and environmental dissolve, orchestrating cohesive experiences that flow across modes of interaction becomes ever more critical.

**5. Regenerative Contribution:** To be in a powerful position for the Next Economy, new ventures must look beyond Net Zero targets and leapfrog out of date "do no harm" philosophies to actively restore ecosystems and communities.

# If you love your entrepreneurs, set them free.

To make an omelet you have to break some eggs. Likewise, to make a game-changing new venture, you'll probably have to break some corporate norms. Getting past growth-stifling assumptions and limitations means stepping out of comfort zones, or remapping them altogether.

The theory of the **Ambidextrous Organization** states that major corporations can be divided into two parts, each with fundamentally different intentions and manners of operating. The “exploitative business” leverages existing capabilities and optimizes the current core activities, while the “explorative business” identifies and addresses completely new “beyond-core” arenas for growth. Ventures need a meaningful measure of autonomy from their parent company in order to have a reasonable shot at success.



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## DECLARATION OF VENTURE INDEPENDENCE

**Freedom to fail.** If we're unable to fail, we're unable to take risks. If we're unable to take risks, we can't innovate. In a new venture, structured risk taking is a job requirement and key criteria for success.

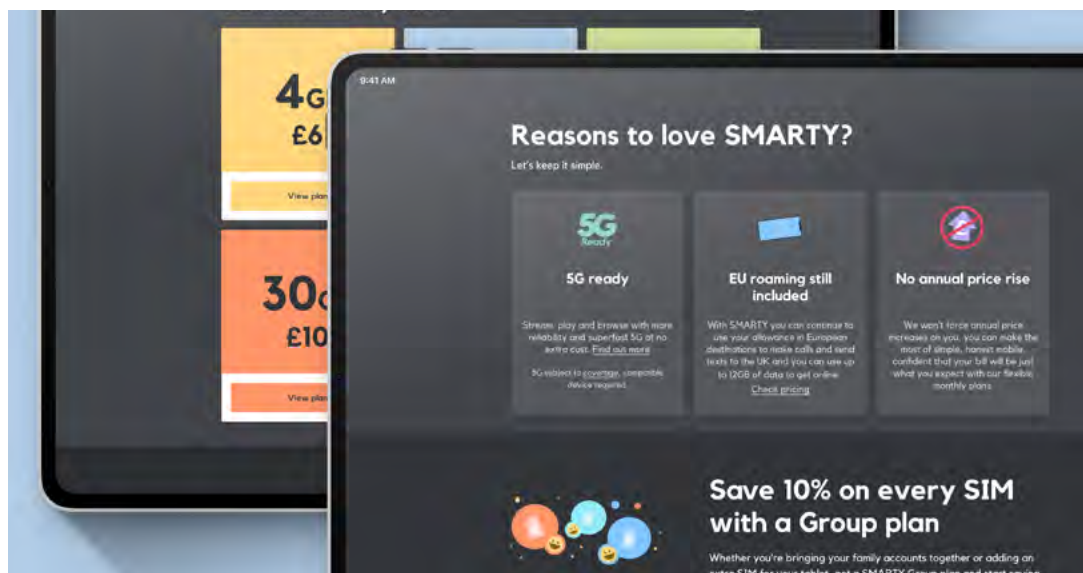
**Freedom to act.** The venture team needs to be able to make bold calls fast, and to make those calls from close to the action, not from a distance through a tall hierarchy. The leadership of a new venture must be trusted, and accordingly, empowered.

**Freedom to organize autonomously.** A dynamic, rapidly evolving business requires the ability to organize and reorganize its structure and team optimally, it shouldn't need to conform with the structures typical of more developed businesses.

**Freedom to operate.** Don't burden a new venture with externally imposed systems, policies and procedures. The needs of ventures differ greatly from those of developed businesses, so the tools, infrastructure, partnerships and operational matters may differ as well.

**Freedom to compete.** Ventures must be empowered to take an approach that is orthogonal (or directly antagonistic) to competitors, the parent corporation, investors, etc. It's better to self-disrupt than to have an outsider take us out at the knees.

The story of the frog and SMARTY partnership is one of rewriting the rulebook for mobile networks. When Three Mobile, one of the UK’s “big four” telcos, saw an opportunity to reinvent the market, they enlisted frog to help conceive, launch and scale SMARTY: a new venture built around radical simplicity and elevated customer experience.



In six months, the frog team helped Three go from big idea to a new consumer mobile brand and business, live in the market. **SMARTY** has now been live and scaling for four years, with frog continuing to work as a strategic partner and integral part of the operating team. Their success demonstrates that challenging the preconceived limits of an industry can pay off in spades.

**Read the full SMARTY story →**

# Build and launch new businesses for the Next Economy

As we transition to the Next Economy, the inherently unfamiliar and unstable terrain calls for a fundamentally different approach to value creation. Long-term forecasting has always been an inexact science, and the speed, scope and scale of the changes underway appear to be outpacing the advancement of our abilities. One forecast seems clear: standing still as the world transforms around us won't be a winning strategy.

Venture building is a powerful vehicle for navigating new pathways to previously uncharted destinations. Now is the time for preparation and upskilling, for experimentation and innovation, for direct sensing and decisive response. Whether you're already deep into your organization's venture transformation, or you aren't yet wielding entrepreneurship to maximum effect, we're here to partner for your success. Rather than letting them fall too close to the tree, let's send some apples to Horizon 3 together.

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## CORPORATE VENTURE BUILDING

Partner with frog to rapidly build new businesses that capitalize on emerging markets, technologies and behaviors.

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