

Interview with Debra Brackeen

Vice President, Corporate Ventures Hewlett Packard Company



Debbie leads the Corporate Ventures team within HP's Office of Strategy & Technology. Corporate Ventures proactively identifies and pursues new market opportunities with game-changing and/or disruptive potential for HP. She held previous roles as Senior Director, Strategic Initiatives and Senior Director, Global Alliances & Business Development.

Debbie is a versatile technology executive with over 15 years experience at leading companies in Silicon Valley including Apple, Sun, Cadence and eBay. She has launched new ventures within large companies and has held executive roles in 2 VC-backed software startups. Debbie's primary areas of expertise include new business development, strategic partnering and collaboration, and building and leading high performance teams.

Debbie graduated from Stanford University with a BA in American Studies. She can be reached at debra.brackeen@hp.com

Interview conducted by Doug Berger, INNOVATE doug@innovate1st.com

Doug: What are your roles and accountabilities at HP?

Debra: Corporate Ventures is part of HP's office of Strategy and Technology. The Corporate Ventures charter is to proactively identify and pursue new market opportunities that have the potential to be significant game-changing and/or disruptive businesses for HP. We keep the focus on growth opportunities regardless of whether the innovation comes from an internal or external source. I have two functions within my organization. One is focused on incubating new business opportunities within HP. On that we partner closely with our HP Labs research organization. The other part of my organization is focused on working with the external venture capital and startup ecosystem outside of HP.

Doug: What makes an idea or a concept sufficiently promising so that HP will adopt it for the internal incubator?

Debra: First, you have to be able to imagine that the concept can be big enough to be relevant to a company that is \$118 billion a year in revenue. Every year my organization goes through an exercise that we call "Project Horizon," and we identify a set of areas with potential. We do trends analysis and scenario planning exercises. We aim to identify three to four strategic investment themes.

Second, an opportunity has to be strategically aligned with HP's future direction. That opportunity may not be in an immediate adjacency; it might be a couple of

adjacencies away. Corporate Ventures focuses two to five years out. If we cannot imagine that a concept will be strategically and financially relevant in two to five years, then we'll give it a pass for strategic alignment.

An obvious source of new opportunities is our close collaboration with the HP Labs research group. We have 600 researchers in our HP Labs organization who are not part of any business unit. They are focused across a number of different research practices in advancing the state of the art. Their time-horizon is generally five or more years out. Our business units are focused on a three-year plan of record, so to an extent we look to bridge that gap.

Doug: What are some of your strategic investment themes?

Debra: These are intentionally very broad. One is called "Everything is a Service." This is focused on cloud computing and delivery of new web-based services connecting users to the information and capabilities that they want.

Another is more specific to HP and our imaging and printing business. We call it "Bits to Atoms." This theme encompasses services that help customers transform high value digital data into physical goods. Several of our incubations are related to on-demand printing applications, whether for magazines or for books. This is driven by the explosion in digital content and specifically user generated content.

We have "Sustainable IT." This covers product or services that can help customers measure and manage their energy consumption, particularly their IT assets across the entire footprint of the enterprise.

That said, we allow for serendipity as well. If we see something that doesn't "neatly fit" into one of our investment teams, we don't dismiss it outright if we think it's strategically aligned with HP's future direction, and has the potential to be a valuable new business opportunity.

Doug: Within these particular strategic investment themes, how do you think about starting to populate some particular growth opportunities? Which criteria signal a promising opportunity?

Debra: First, an opportunity has to be on a sufficiently large financial scale to be relevant to HP. Secondly, we look for incubation candidates that can get us into new business models. One example in our "Bits to Atoms" theme is called "MagCloud." It is a magazine publishing service with on-demand print fulfillment. MagCloud is a completely new and different business model for HP. It's a web service, www.magcloud.com, that combines a publisher-facing side, a consumer-facing side, and back-end integration, enabling the on-demand printing and fulfillment. If you are a publisher, we enable you to publish your magazine on our service with no up-front costs, add a markup for your own profit, and make it available for sale through our virtual newsstand. A consumer can go there, browse the magazines for sale and purchase one or more of them. The printing and fulfillment is automated. So we are enabling a new category of publishers who did not necessarily have access to this capability before; we call it the democratization of publishing.

Your magazine, The Innovators, is distributed online. You can choose to make it available in a printed format and by simply uploading your magazine to our MagCloud service. We tell you the cost to publish and we give you the ability to add a markup. We have an arrangement with printing service providers on the backend. HP makes pennies per issue. That's an example of a business model that HP is not in today.

However, it's strategically aligned to our broader objective of driving increased penetration of digital presses in the printing industry.

Doug: Killing early stage projects is a challenge for most companies. How do you go about saying, "This didn't work out ... this isn't what we had in mind ... let's kill it."

Debra: Let me describe the governance model that we have in place for our incubations. Each project in my incubation portfolio has its own governance associated with it, starting with a steering committee which essentially acts as the Board of Directors for that business initiative. The steering committee is usually comprised of a business unit CTO and/or other BU stakeholder, the business development leader or GM of the initiative, and myself. The business development leader has a set of commitments to deliver and is accountable to the steering committee. The steering team makes sure that the project is effectively on track and progressing relative to the intended vision. In some projects, we kill things outright. Sometimes, if we decide to discontinue our investment, we see if there is a business unit that might be interested in taking over all or part of the project. Other times, we shelve a project to evaluate in the future when the timing might be better.

We know that we have to be flexible. Some concepts are quite new and emergent, and they can take a circuitous path to success. You have to allow for discovery-based learning and concept adaptations, just as you do in the venture capital world. The business plan that gets funded initially is often not the business plan that ultimately succeeds.

In the MagCloud project, we only just hit on something within the last six to nine months that we thought was on track. Prior to that, we discovered that the original focus didn't pass early customer validation and we needed to change our course. The team huddled and figured out a different path of execution, and that's what led us to the current model, which we're pretty happy with at the moment.

Doug: Are there any black and white indicators?

Debra: When it comes to incubation for any given opportunity, you need to understand the critical assumptions that will allow that opportunity to be realized. Then you design your incubation around validating the riskiest of those assumptions. If an opportunity was predicated on either the viability of a technical solution and you couldn't make it work, or on achieving a certain cost threshold that you couldn't see achieving, that would be a more black and white example.

Doug: At what point does an incubator migrate to an existing business or become its own business?

Debra: We're still experimenting with that. I think that the transfer of something from incubation into an operating business unit is one of the biggest challenges associated with these early-stage businesses. Today, we transfer things when there's a strong demand from the business unit, and it makes sense given what they're trying to do. We also have some business units that have internal incubation groups, so there's something like a two tier separation. Sometimes we'll transfer things into those business unit-focused incubators as a stepping stone.

Doug: What are some practices of the venture capital community that you've found valuable and have internally adopted?

Debra: The typical risk profile of a venture capital firm is more similar to what we're doing within corporate ventures than what we're pursuing in the business units. The venture capital industry works essentially with a staged funding model, and HP, like many companies, uses a gated funding model for our incubation projects. Venture capitalists tend to have hands-on involvement with specific ventures in which they've invested. I find that to be a best practice that we try to employ. Sometimes a venture is best left alone to get their act together. Sometimes I get very involved and do a lot of coaching. It's a judgment thing.

Allowing for serendipity and allowing for opportunism is important on the investment side. There's a saying attributed to VCs ... "I would rather invest in an A-team with a B-idea than a B-team with an A-idea." At the end of the day, although we talk about investing in ideas, probably the more critical factor is the people. You have to have some confidence that if the initial opportunity doesn't pan out as you'd hoped, the people will figure out a better path. And if they're really good, they'll be the first ones to say, "I don't think we can make this work." It helps you with that kill decision.

Doug: It's often the case that whoever originated the concept is usually essential to the team, but may not be the right leader. What do you look for in a leader of the team?

Debra: Absolutely true. First and foremost, there are the basics: high tolerance for risk, good solid analytical skills, conceptual problem solving, financial analysis, communication skills and excellent leadership and influence skills. You need people who can convince other people to work on a project even though it's not their day job.

A very important intangible skill is the "suspension of disbelief." In a large organization there are many people who can tell you the reasons why something won't ever work. You need someone who can come at the idea from "Hmm, how *could* that work?" You need people who can imagine, "What *would* that look like?" Ideas presented to us from HP Labs are usually technology innovations rather than business ideas. Getting the idea into the form of something that we can imagine commercializing for the benefit of HP and HP customers, takes some work. It takes creativity and analysis in deconstructing value chains and reconstructing them in new and different ways.

However, there's also a skill to being able to flip a switch and have the cognitive rigor to be your own worst critic and pressure-test your own ideas.

Doug: A number of large companies have established incubation centers with specialized staffing, which is made available to the growth projects. Is this true in your case?

Debra: My organization is that special staff. My team is exclusively comprised of business development leaders. I'm cultivating leaders who have the skill set for the genesis of new business opportunities for HP. We have only been in the current organization structure for two to three years, so right now their primary role is scouting and taking the early stage lead on one or two projects.

Doug: Would you like to make any concluding comments?

Debra: My own personal passion is in this area of new business creation, incubation, and innovation. As I engage with my colleagues across different industries that are doing similar work, I think that we have an opportunity to make this work more established and better recognized, not just in our organizations but throughout our industries. I am a fan of folks like Heidi Mason and Gina O'Connor who are working to establish

innovation and new business incubation as a structured process and recognized management discipline within the enterprise.

