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Corporate venturing in health care: a CbusineZ case

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‘To develop innovations that help solve specific problems in health care’. That was the reason CbusineZ was founded in 2001, in the words of Joep de Groot, Chairman of the Board of Directors. CbusineZ saw opportunities in areas where the standard measures employed by its parent company, the health insurance company CZ Zorgverzekeringen, might fail to produce the desired results.

The company was launched ten years ago with only a director and a secretary and now has a team of 15 employees. Originally financed with a €10 million loan from CZ, CbusineZ is now largely financially independent. Sales are encouraging and CbusineZ’s ventures yield sufficient resources for funding a substantial share of the investments being made.

Parent and subsidiary

CZ is a not-for-profit mutual benefit company that insures 3.5 million subscribers. The company operates under several names besides CZ, including Delta Lloyd and OHRA, and controls about 20 per cent of the market in total. CZ has approximately 2500 employees working at its locations in Breda, Goes, Sittard and Tilburg and in various service offices. Annual turnover is of the order of over €7 billion. It holds several labels and all products and/or services are developed for CZ as a whole. Figure 1.1 illustrates the structure of CZ.

As part of its vision, CZ wants to improve health care services and keep them affordable. In 2012 this challenge was also at the top of the social agenda in the Netherlands, with the ageing population and rising health care costs as major contributing factors. CZ has been seeking innovative ways to keep health care affordable for years. In fact, CbusineZ was established back in 2001. It is CZ’s health care innovation and venture capital company. The company is a separate legal entity from its parent company, CZ, with its own Board of Directors and Supervisory Board. There is some crossover though in that the chair of the CZ Supervisory Board is also appointed as chair of the CbusineZ Supervisory Board.

CbusineZ facilitates health care innovation by acting as an incubator to start up new initiatives or by participating in existing ones. Most of these initiatives tackle bottleneck issues in health care that tend not to be addressed because the investments needed are relatively high or the pay-back period too long. Sometimes the underlying problem is political or the issues are difficult to address because they require bringing together very specific types of knowledge and expertise. CbusineZ tackles these bottlenecks from a strategic vantage point, believing that solving them will help achieve strategic objec-

Note: a. Customer help call centre for CZ products and services.

Figure 1.1 CZ structure

tives over the long term, such as lowering health care costs, improving quality of care and effecting lifestyle change. There is also profit to be gained in the fact that these initiatives improve the supply strategy of parent company CZ.

‘We tackle these kinds of issues, generate new ideas, launch a separate venture to develop them and try to organize it in such a way that the strategic value is realized. That’s what it’s all about,’ says De Groot. In other words, the venturing revolves around achieving strategic and financial objectives. Figure 1.2 shows how CbusineZ is structured.

New ventures at CbusineZ are mostly dedicated to supporting or further professionalizing the activities of parent organization CZ. A new venture should help purchasers improve purchasing processes and provide clients with more choice. Some CbusineZ ventures are started because CZ has been unable to take up a particular issue due to lack of time or focus. One good example is online treatment in the area of mental health services. De Groot explains:

Everyone knows this approach has been effective for at least ten years, but they still don’t adopt it because of purchasing policies. Then it feels good to work with other parties to form a joint venture and involve the purchasing team in its design and development. It helps our clients and lowers health care costs.

Figure 1.2 CbusineZ structure

That was the birth of Psy Health Direct, a venture that provides mental health care through online treatment and is one of the newest developments in e-health (health care provided through the internet).

Many of the innovations CbusineZ pursues can only be realized by working together with other parties. ‘Almost all of our ventures are joint ventures’, says De Groot. Because the CbusineZ ventures rarely concern new products per se and are primarily aimed at developing new services, the term ‘innovation’ can sometimes be misleading. While there are very few truly pioneering innovations even in the product sector, innovation in the service sector consists primarily of developing and applying new processes or business models, such as new working practices that yield savings or reach different target groups. ‘Take the formation of a venture that performs national benchmark research. Novel? No. Innovative? Within the health care sector, yes’, De Groot points out.

Caring about health care

Although one of the essential reasons for CbusineZ’s formation was purchasing management, the company’s overall vision is founded on social conviction: literally ‘caring about health care’. In the next ten years, the number of people in the Netherlands suffering from diabetes and heart failure will reach 1.2 million and 1.1 million respectively (Figure 1.3). Health care costs are rising at an annual rate of 8–9 per cent.

The present Dutch health care system is not sustainable. It lacks transparency and the processes are not rational – more importantly they are not clearly monitored. In addition there is a shortage of personnel. ‘Any attempts to improve the sector must include modernizing it’, proclaims De Groot. ‘The

Source: Landelijk Informatie Netwerk Huisartsenzorg (LINH) and Rijksinstituut voor Volksgezondheid en Milieu (RIVM).

Figure 1.3 Increase in chronic diseases from 2007 to 2020

business world has a natural tendency toward innovation; otherwise, at some point, you simply go out of business. This is not true with regard to the health care sector. Health care institutions will not pursue innovation on their own if no one around them spurs them on.’

The fact that market dynamics are increasingly relevant in health care has influenced the corporate venturing undertaken by CZ. Improving the balance between supply and demand should result in better customer service, and a better supply strategy will also result in more affordable health care. All of that was reason enough for De Groot and his team to go into venturing: entrepreneurial activities in which new businesses are created and owned by the corporation together with one or more external partners.

CbusineZ concentrates on collaborative corporate venturing. Anything that does not fall into this category is rejected or referred to the parent company, CZ. Of course, such things are not always so cut and dried. There is often a grey area when CbusineZ works together with its parent company and outside parties; then it can be tricky to determine if the endeavour is a partnership or a venture. In such cases, they explore whether it should be set up as a separate venture. These kinds of projects fall under the responsibility of CbusineZ. The innovative projects that are more aligned with traditional purchasing matters – or that do not involve any other partners – fall under the auspices of the Health Care Innovation Department at CZ. This department takes a different, more traditional approach, in which budgets and controllability are decisive factors. CbusineZ takes a more entrepreneurial approach and looks at the viability of an innovative idea.

The venture process at CbusineZ

Setting up a separate venture might sound easier than it really is. Establishing a start-up is a step-by-step process. Step one involves evaluating the opportunities. If the evaluation is sufficiently positive, then you move on to making a business plan. In cases involving a strategic partner, the partners put forward a budget, in which each party assumes an equal share of the costs, even though the new business has yet to take shape. As soon as that plan is completed, the parties look more closely at budgeting, organizational form and arranging funding.

‘The financing is often done in blocks’, explains De Groot:

If nothing else, this forces the future venture manager to become accustomed to insufficient liquidity. All of our people come from backgrounds where they are

used to having adequate financial resources. They are not accustomed to having to scrimp. Even with limited budgets, there is always some room. But in this case, the venture manager receives a block of financing in the company's bank account, and once that money's gone, he or she has a problem. That makes them smarter in their financial planning.

The financial constructions underlying the ventures can vary considerably. Sometimes CbusineZ enters into a joint venture that involves share ownership, whereas in other cases intellectual property is sold under a profit-sharing agreement. All of the financing is divided up into portions and rigorously orchestrated. This includes the revenues; the private limited companies pay these to CbusineZ as soon as the proceeds exceed a predefined solvency limit. That payment is earmarked for investing in new initiatives. Another thing to always keep in mind is the risk of a private limited company having too much money. Then there's a chance that the venture will 'play around' with that money, which is not the idea.

CbusineZ is leading the way in terms of corporate venturing in the health care sector. Ten years ago, CZ was the first health care operator, along with one other insurer, to enter into venturing. Now other insurers have joined in. CbusineZ has expanded its lead in the past year by further professionalizing. This prompted a big market demand for advice. 'We put a great deal of time into this', says De Groot:

In sector ventures we will often make a director available. The unwritten rule is that the search for a director is open, but in practice we generally provide the director. The advantage to that is that it makes it somewhat easier to manage our own strategic value. That is, indeed, what we do and we take it seriously.

Psy Health Direct: a business case

It is obvious these days that the internet offers opportunities for mental health care. Scientific research has demonstrated that enabling online treatment of depression and anxiety, for instance, could be very effective. Additional market research, moreover, shows that 40 per cent of those surveyed would want to receive treatment for depression online, whereas only 1 per cent were eventually offered it as an option. So, there appears to be a great deal of demand for such a product but little supply: an excellent opportunity.

CbusineZ was approached by Interhealth, which was working on providing online treatment but had not yet been successful. The proposal was to join forces in coordinated action to make this project a success. That was the

start of what was later called Psy Health Direct. It started with a preliminary study using the CbusineZ Venturing Model (CVM – see Figure 1.6 below). This yielded some interesting information. For one thing, the purchasing policy of parent organization CZ had no provisions for using the internet for mental health care – for a sector, it is worth noting, with annual costs in the order of €6 billion. This e-health venture, therefore, fitted in the portfolio perfectly, from both a self-management and a cost-reduction standpoint.

It promised benefits for purchasers of health care, as well. Many people who suffer from burn-out are referred to a psychologist by their HRM department and company doctor. This is a very costly process. But these people too can be helped through less expensive measures. The treatment method also opens the possibility of allowing people to continue working while they receive treatment at home. Moreover, internet treatment can be used for prevention as well.

Based on all this information it was decided to consider the business market as the target group. Absenteeism costs companies €2500 per patient in treatment. Treatment through first-line providers (psychologists) costs about €640; second-line treatment (the former RIAGGs, or outpatient mental health care institutes) runs to about €1200. With Psy Health Direct, comparable treatment through the internet would amount to €400 per patient treated – a considerable saving.

The connection with CZ in this case involved the fact that CZ would have to change its purchasing policy to encourage online treatment. Organizations should be allowed to build in higher margins for online treatment, for example. (The profit margins on standard treatment are capped.) This approach would have to apply to all types of online treatment, not just those offered by Psy Health Direct.

Based on the market research, the decision was taken to further develop the venture together with Interhealth. The primary issues to be addressed involved the organizational structure and how to deal with the company and its accumulated losses. This culminated in a participation agreement. At the same time that this was being arranged, a parallel process was exploring the best way to configure the purchasing side. These two processes then came together in a joint venture agreement. ‘It was interesting to see how Interhealth approached things from the product and technology side’, says De Groot. ‘We thought about things from the perspective of the market and expected growth.’

In the end they chose to focus on the business market: companies that purchase health care for employees suffering from burn-out or depression, for example. At first glance this is not where the strategic value necessarily was for CZ. Its interests lay more in the area of first- and second-line health care services. 'But you have to have sufficient volume', De Groot explains:

You can devote all your resources to pushing the second-line care – because that's where the big money is – but the pace of adoption is too slow. For the venture to be viable, we have to actually get the business market on board first. Then you are generating cash flows. After that you can start investing in the first- and second-line services. That's where we're at now.

There was a fringe benefit to implementing the venture, discovered in the two options that the product developed afforded for first-line care; in addition to the product itself, the sale of licences turned out to be an interesting opportunity. Due to a drop in the number of treatments covered – from eight to five – use of this product became particularly interesting for the first-line care target group. The loss in turnover could be compensated by using the new online treatments to treat more people.

For the health care insurers, including CZ, it was an interesting development. Successful first-line treatment results in fewer people having to resort to a second line of treatment. This care programme achieved innovation by focusing on the savings generated by the product and curbing costs by decreasing the number of treatments covered. 'That kind of financial trigger has worked for years in the business world', De Groot points out, 'and it works here, too. People will innovate if they have to'.

But does all this really help the consumer? You would expect treatment to be more effective when the patient and counsellor can actually see and talk to one another and there is a level of physical attention and prodding to be proactive. To what extent does online care and treatment really contribute to recovery?

'Without monitoring, e-health doesn't work so well', De Groot admits:

What we offer with Psy Health Direct is a counselling programme that starts with a consultation, followed by several sessions using the internet program. Then the client is called back. That way we can establish a rhythm. According to the literature, the impact of counselling supervision comes primarily from the motivational influence. The internet program triggers a 'click' in the patient when he or she has completed certain exercises. The most important thing is having that

motivation from other people to persevere with the treatment. And we create that through human contact.

Applying that combination in this form of treatment boosts efficiency. And that makes a world of difference to not only the health care insurer's Purchasing department, but also the subscriber. This method of treatment is attractive for the latter because it reduces the amount they have to contribute themselves. And that helps encourage the use of e-health over today's standard treatments.

Evolution

The venture got off to an auspicious start. The participation was settled; the funding was secured; and the location was assigned. The next step involved staffing. A director was appointed from CbusineZ to work alongside the director from Interhealth. The two directors teamed up and got down to business launching the venture. With the support of an experienced psychologist, a business manager from CbusineZ and a consultant, the work process was thought out in greater detail with the aim of ultimately developing the product and a marketing plan, among other things. Three months later, it became apparent that, despite the development efforts, the product could not go live. All of the facilities had been secured and a team was standing by, ready to get to work. The case landed in a red folder on De Groot's desk. What was going on?

The stages of the CbusineZ Venturing Model (CVM) had been followed throughout the process and the product fitted nicely into the portfolio. And yet the venture did not get off the ground. What could that be attributed to? In hindsight, one can conclude that the CVM model had not been optimally used. 'Yes, the stages were followed, but the stage-specific checklists had not been followed. As a result, the project's progress was not being monitored closely enough,' says De Groot.

Another issue was that the two directors working together were unable to take the venture from the design to the implementation stage. They failed to direct the work of the other team members adequately and were afraid to make decisions. At the implementation stage, especially, it is critical that decisions be made about structuring the process. These directors were stalled at the business plan stage. The project was stranded because of both a failure to strictly apply the model and the operational element of staffing.

'It was an unusual experience for me to have to take over like that,' declares De Groot. 'I replaced the director who was responsible for operations. We

sent the director who was responsible for the technical side of things back to overseeing those details and we appointed a new director alongside him, who was more capable of implementation’.

De Groot approached Angelique Bonte in early February 2012 and asked her if she would take charge of the Psy Health Direct venture as operational director. Bonte accepted the challenge and started by investigating the situation. She quickly discovered that confidence in the venture was sharply eroding at several divisions of the parent company CZ. That lack of confidence stemmed from the fact that, after a full seven months, it had not yet received a clear description of the services being developed and, moreover, the costs being quoted were constantly changing.

‘I grabbed the CVM model and went through all of the questions in it, step by step, to put the abundance of information in order and get an understanding of where we should start’, says Bonte. In the process, it became clear to her that the proposition had not been concretely enough defined and that the supply processes were unclear. ‘On top of that, I started holding meetings with all of the stakeholders to win back their confidence’, she continues. ‘With the help of De Groot and the shareholders, it worked’.

By getting immediately to work on detailing the proposition and taking command of the marketing, she quickly reintroduced momentum in the venture. By March 2012 the service was launched, though even at that point there were certain matters that still needed to be resolved or improved. ‘I realized that the controls were not yet a hundred per cent. As soon as we tackled one thing, a new problem would often pop up’, Bonte says.

The venture has had a good start-up in the intervening months and they are working on the expansion stage. The prospects are promising and the organization runs smoothly. ‘The hardest thing with a venture that has stranded is to gain insight as quickly as possible, so you can decide where to start’, Bonte says. ‘You are flooded with information in those early days. The CVM model was extremely helpful in terms of structuring all that information and setting priorities. Now it’s just a question of stepping on the gas and going for it’.

‘In hindsight we should’ve known’, De Groot says. ‘The team lacked a good balance between thinkers and doers. So, in the end, pulling the plug and replacing part of the management team was my responsibility’. The CVM outlines the steps from the business plan stage through the start-up stage to the expansion stage. Since this project stalled at the business plan stage, people should have looked at what elements from the CVM were not working. But

they failed to do that, in part because of the make up of the team. The stagnation had nothing to do with the coordination with the parent company; that component did not come into play in this case.

It sometimes happens that ventures stagnate at the start-up stage and a decision is made to end the venture and take it no further. That could have been the case with Psy Health Direct if Bonte had not stepped in to straighten things out. But there can also be extraneous reasons for ending a venture, such as when the market position turns out to be less positive than previously estimated, perhaps due to impediments that were originally overlooked or a new development intersecting the venture and affecting its chances. In such cases, the market might not materialize, so it makes little sense to proceed with the venture.

In the services sector, poorly functioning ventures generally tend to sink to the bottom fairly quickly. That is why, according to De Groot, there are hardly ever any actual failures. With technology ventures it is more common for it to be all or nothing. ‘The upswing following the start-up stage is much greater. In services, you can start earning a profit more quickly and easily, but the scaling up is also less pronounced’, he explains.

Four operational elements in the venture process

We will be looking at four dynamics that influence the venturing process for this organization. What models does CbusineZ put into practice and how does it do so? A second consideration is portfolio classification, because it provides insight into whether the venturing organization has a particular focus and, if so, on what components. Portfolios provide a method for steering ventures, with the question being whether and how CbusineZ uses them. Staffing at the ventures is the third element. How can you determine whether someone is suited to running a venture? What kinds of skills and knowledge should they possess? What other human aspects affect a venture’s success? Finally, we look at how the venturing organization is positioned with regard to the parent company. How is it structured? Where do the venture and the parent company converge and where do they diverge – and why?

CVM: CbusineZ Venturing Model

A typical venture goes through a number of stages. These are illustrated in Figure 1.4.

Every venturing project starts with the idea generation stage. Idea evaluation is about exploring the possibilities and applications; from there one can work

Figure 1.4 CbusineZ venture stages

Figure 1.5 Strategic aims and incremental change in value

toward starting the venture (Stage 1). At the next stage, the business plan is used as a basis for moving from the start-up to scaling up operations and expansion (Stage 2). That stage grows into further development of the mature venture (Stage 3) and toward a possible exit plan (Stage 4), as shown in Figure 1.4.

The value of new ventures grows incrementally as shown in Figure 1.5. There is a different focus at each stage. The basic model outlined above can be used at each stage to determine whether a venture is in good shape. Predefined rules for each stage are used to establish whether people and processes are on target and ready to enter the next stage. This general model was modified to incorporate rules specifically designed for the CbusineZ venturing organization, creating the so-called CVM (see Figure 1.6).

The greatest advantage of this tailor-made model is the ability to focus on where the organization's resources are needed and what the chances of

Figure 1.6 CbusineZ Venturing Model

success are. This prevents wasting valuable resources on ventures that turn out to have less promise and be less of a match with the portfolio than originally thought.

Ideas at CbusineZ are generated with the help of both in-house and outside parties. CbusineZ venture managers routinely sit down with innovators to brainstorm and come up with new ideas. Colleagues at the parent organization – especially from the purchasing groups – are also asked on a regular basis about their needs and any ideas they might have. All of these ideas end up on a lead list. The Board of Directors then selects which ideas are worth exploring. ‘If we have generated an idea and think it’s interesting enough to explore, we also have to have a sense of whether it fits within the portfolio’, De Groot explains:

We ask ourselves whether it needs CbusineZ. If the answer is yes, then we proceed to the evaluation stage. At that stage, we examine the market, hold high-calibre discussions and look into possible organizational structures. Once all of that is worked out, you enter the stage that includes having the Board of Directors decide whether it’s a good idea or not, whether it’s innovative enough and whether there’s a market for it. We also look thoroughly into the technical feasibility. In the end though it comes down to the question of whether it will truly improve health care. So, that’s a whole list of criteria that must be formally met before the business plan is drawn up. The main reason for all that filtering is the level of investment in time and money that a separate business requires. Since those investment resources are limited, the decisions need to be meticulously weighed.

Portfolio

As of 2012 – 11 years after it was founded – CbusineZ had a portfolio with 16 ventures, two of which had not yet fully matured into a company. Development in that 11-year period followed an S curve, as shown in Figure 1.7.

After CbusineZ was established, a number of businesses were launched in short order. The pace slackened in the years that followed, but recently more ventures have been started. A few years ago CbusineZ redoubled its efforts to achieve growth by hiring more people. De Groot expected to have several new ventures in the portfolio again by the end of 2012. ‘Actually, we are also seeing ventures merge together. We set up almost every venture separately and now we’re seeing businesses grow together. We’ve concluded that a merger makes those companies stronger. By the end of the year, we’ll probably be back to 16 ventures in total’, he said at the time.

Figure 1.7 Venture development over time

CbusineZ introduced its portfolio approach in 2011, under which it defined four core themes for ventures: (1) enabling self-management, (2) quality improvement, (3) cost reduction and (4) availability of care (see Box 1.1). There is actually also a fifth theme, that of providing general and technical support through a consultancy or web design firm, for instance. These small ancillary businesses make it easier and cheaper to establish new ventures.

BOX 1.1

Enabling self-management <ul style="list-style-type: none">• Creating infrastructure and processes for self-management	Cost reduction <ul style="list-style-type: none">• Introduce efficient processes• Share infrastructure with other parties
Quality improvement <ul style="list-style-type: none">• Develop and disseminate best practices for quality assurance• Benchmarking• Provide advice and IT support for health care processes	Availability of care <ul style="list-style-type: none">• Champion unique, innovative options that fail to materialize or are in danger of failing• Provide solutions for bottlenecks to large-scale provision of health care options• Promote health care options with proprietary rights of strategic interest to CZ

‘We examine which themes are thriving and which are stagnating in terms of the overall portfolio’, De Groot says. ‘Then we can explicitly redirect our

activities accordingly. At the same time, though, we're business-minded enough to realize that the balance tends to swing toward the theme with the most potential'.

Staffing the team

To a large degree the staffing of a venture will determine its success. An organization needs various types of people at various stages in the venturing process who are capable of completing that particular part of the process. De Groot's team consists of entrepreneurial people. 'The seven business managers are all builders and go-getters. They can provide a venture with excellent guidance through the start-up and expansion stages, but someone is needed who can see it through for the long term', De Groot explains. The type of venture is, of course, also an important factor in choosing a business manager to do the work.

The composition of the current team of business managers at CbusineZ stems from relying on long-time staff members on one side, and a targeted recruitment policy on the other. That policy is based on looking at two things: (1) what component someone is knowledgeable about and (2) the skills someone possesses. CbusineZ specifically determines for each business manager the venture to which they are best suited.

Some business managers are in charge of more than one venture, unless, of course, their venture is so large that it requires their full-time attention. Rotating between ventures keeps the business managers on their toes and helps disseminate experience among the various ventures. CbusineZ recently adopted a philosophy whereby a business manager returns to the central venturing organization periodically to get back to the primary business of idea evaluation and business plan development. De Groot says:

We are alert to the right triggers here and you can lose sight of those triggers when you are always doing business. Here, we train people more, so their analytical powers grow. I prefer to keep them back here for a while before sending them back out, but it doesn't always work out that way. Sometimes a business manager has only just returned to our home base when an opportunity arises. Well, then he's back out there in no time. That's also part of entrepreneurship. When an opportunity arises, we jump on it. It's all part of the game.

Coordination between CbusineZ and CZ

CbusineZ is housed at CZ headquarters. In fact, in recent years the venturing organization has relied even more heavily on the knowledge and expertise

of the CZ staff. For instance, they have turned more frequently to their colleagues at CZ at the start of a project, so that together they can assess the strategic value for the parent organization of a potential venture. One added benefit of this is that it immediately instils enthusiasm for the products or services of a potential venture among future users or purchasers.

It is important to consciously create some distance between the venturing organization and the parent organization, while at the same time deliberately building in some connections. Given that the culture at insurance companies is not exactly innovative, that distance they create is necessary to allow them the freedom to be entrepreneurial. On the other hand, it is important not to stray too far from the parent organization because then you run the risk of the parent organization not knowing about or using the products and services developed. 'It is vital to have a linking pin who can keep the parent organization apprised of what we're doing', De Groot points out. 'That person will tell colleagues about what we have to offer. Many venturing organizations underestimate the importance of this. For that matter, even the literature on corporate venturing underestimates the usefulness and necessity of alliance with the parent organization.'

And this is what makes setting up ventures so difficult. The venturing organization can offer or promote a new product or service to the parent organization, but they are not obliged to buy it. Fortunately, since CbusineZ is positioned as an independent entity at the Board of Directors level, the management at the parent organization has a tendency to jump at the partnership opportunities presented. In the case of Psy Health Direct, the parent organization also provided a form of turnover guarantee. As part of that formal agreement, CZ pays a penalty if purchases fall below a certain point.

While CbusineZ has been steadily professionalizing, De Groot still has one more thing he would like to see happen to improve the coordination process. 'The degree to which you can formally arrange matters with the parent organization is always uncertain', he says. 'Value ultimately lies in the way the parent organization interfaces with the venture and that could certainly be managed more stringently'. De Groot is referring to things such as the creation of participation agreements, corporate governance rules and articles of association. The aims and objectives would then be immediately clear to everyone.

The organizational units for support services, such as IT, Finance and HRM, are well partitioned from the parent organization. These services are very tightly managed from the central office, something that might not work as

well for a venturing organization such as CbusineZ. When it comes to ventures, one has to be flexible, be able to change gear quickly and have focus. Central services at the parent company are not always very comfortable with this. That is why services like those mentioned above are organized as distinct entities within the venturing organization.

The independence of the venturing organization cannot be captured in a ready-made structure through an alliance with the parent organization. There is no model that concretely lays out how to do that. It is an ongoing question of customization and human interaction.

Advancing insights

Each year, CbusineZ uses stage gates to re-examine developments in the market. ‘Every year we run our ventures through the CVM paces to see how they’re growing’, De Groot explains:

We’ve developed all kinds of names in the process. Poorly operating initiatives are labelled a ‘flatliner’ or ‘zombie’ [Figure 1.8]. Cases like that cause us to ask ourselves what the problem could be. If it’s just an internal issue, we can examine whether it’s worth investing some more to pull the venture out of the fire. But as soon as it becomes apparent that there’s no market for the product, it’s better to end things.

Figure 1.8 Venture type identification by CbusineZ

As a rule, CbusineZ can resolve these issues at the preliminary stage. If the process is already further underway it attempts to re-launch the venture by taking measures such as replacing the management.

Psy Health Direct is now on the verge of migrating from the start-up to the expansion stage, where the challenge is to cash in on the growth and claim market share. As part of that CbusineZ is trying to form a coalition with a number of innovation-minded mental health care institutions in the Netherlands of reasonable size. The coalition is united by a belief in the benefits of internet use as a tool in the health care sector. In addition, the product is available to other insurers. If it were up to CbusineZ, these parties would be able to purchase a licence or even participate in the joint venture. 'Our ultimate goal is to manage CZ's strategic value. If another insurer joins the ranks, that adds volume. That contributes to the strategic objectives', says De Groot.

One recent and considerable threat has been an overly optimistic estimate of the pace of change in the business market. In the life-cycle model this pertains to Stage 2, which involves the expansion stage that follows the start-up stage. Sales lead times proved longer than anticipated. The forecasts for Psy Health Direct were based on indicators from previous ventures, but the criteria for it were apparently different. Although the contact with the business market went smoothly, the registration of employees with mental health issues has been sluggish. 'The frustrating thing is that you have to make an estimate up front based on certain assumptions. But that estimate only gets borne out, or not, in practice', says De Groot. The consequence of slower market adoption for a product is that one needs more working capital than originally calculated. Expectations are that it will take a year longer than anticipated before the patient registration increases. More large-scale clients are joining the initiative though, which is a sign of the underlying potential.

In market-based ventures, sales are generally the trickiest part, because they involve building up something from nothing – not just the product or service, but also a customer base. And one has to learn what really works: 'You end up changing your emphasis along the way. We've noticed that clients have questions when we tell them about the product. When they proceed to tell us about what their own needs are, sometimes you end up changing your story or even parts of the product', De Groot points out.

Everybody wins

The eventual profit model will be based not so much on generating turnover at Psy Health Direct, although that is naturally important to CbusineZ. The

real benefit will lie with the insurers that use this product, such as CZ. By purchasing this product, insurers in the business market can save over €2000 per patient being treated. This method could even result in a parent organization deciding to keep a non-profitable venture running, since it could save the Purchasing department of the parent organization enough to compensate for the venture's losses.

It is interesting to note the lack of fierce competition among insurers when it comes to these kinds of ventures, though De Groot points out that this depends heavily on the type of venture involved: an initiative that could help an insurer gain a better market position will be protected against competitors. But for innovations aimed at customers, there are many more opportunities for cooperation. After all, they are basically social corporations whose objective is to keep health care as available as possible. 'You obviously still want to win in the commercial sphere', De Groot says. 'But you also know very well that there is no point in competing with one another over e-health and internet products. That's where you should join together.'