

# Corporate Venturing in the Caribbean

The collaboration between established  
Corporations and Startups

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# Collaborators



**Mario Reyes Saldías**  
Wayra Hispam



**Kieron Swift**  
Compete Caribbean



**Sebastián González**  
Wayra Hispam



**Apolo Pino Venegas**  
Wayra Hispam



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# 1. Corporate Venturing

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## 1.1 Report Goals

### General Objective

The general objective of the report is to describe and analyze Corporate Venturing practices in the Caribbean.

### Specific Objectives

The specific objectives of the reports are:

- Identify leading corporations that are pursuing Corporate Venturing practices in the Caribbean region.
- Identify those Corporate Venturing mechanisms that are more widely used by Caribbean Corporations.
- Identify and describe the major motivations and drivers for corporations in the Caribbean running Corporate Venturing programs.

- Identify the main learnings from corporations in the Caribbean running Corporate Venturing programs.
- Identify elements in the functioning of the entrepreneurship ecosystems of the Caribbean countries that might contribute to or hinder Corporate Venturing efforts.

In order to achieve this goal, this report's methodology includes primary and secondary research activities, including interviews with three corporations running Corporate Venturing initiatives in the region.

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## 1.2 What is Corporate Venturing?

### Corporate Venturing definition

Corporate Venturing can be defined as “the collaborative framework that acts as a bridge between established firms and innovative start-ups,” a “means through which corporations participate in the success of external innovation” (Siota & Prats, 2019).

### Why is Corporate Venturing Different from Open Innovation?

Corporate Venturing is one of the many ways available to do Open Innovation. **Overall, Corporate Venturing mechanisms fit within an Open Innovation framework.** Open Innovation is a way in which corporations pursue innovation, based on attracting ideas for new innovations that reside outside R&D and innovation departments. Under an Open Innovation framework, a corporation might initially encourage all its collaborators to bring new ideas. But it also involves looking outside its organizational boundaries, attracting ideas from customers, suppliers, academic institutions, startups and other potential allies. Open Innovation frameworks start

from the assumption that internal innovation capacities are limited, and that most of the best ideas are not to be found inside the company. It is also based on the understanding that corporations might not be the best environment for innovation, even if they make their best efforts, because they have become very capable at executing a proven business model, and not at experimenting with new ideas that could fail.

According to Henry Chesbrough (2021), innovation that is mostly internal is unsustainable. A corporation alone cannot support all the stages of the processes needed to achieve success in the market. An approach such as Open Innovation can lower the costs, reduce time-to-market, and reduce risks. Open innovation emerged as a popular concept in 2003, with Chesbrough's book “Open Innovation: The New imperative for Creating and Profiting from Technology” (2003). Since then, it has been widely adopted as a model, with more than 78% of large corporations in the US and Europe practicing some elements of the process (Chesbrough, 2021).

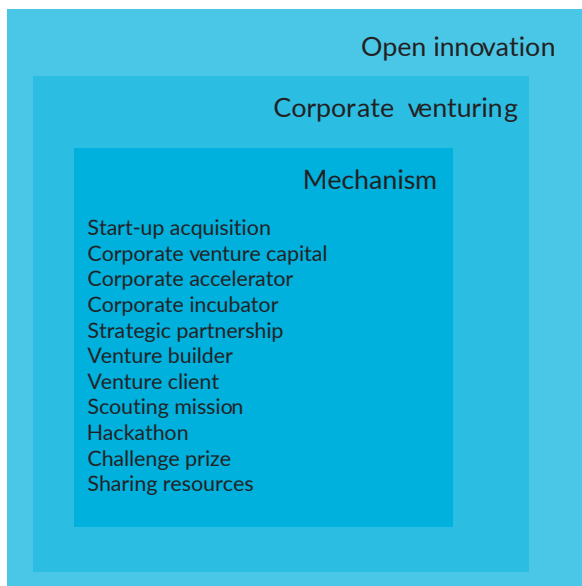


Figure 1: Corporate Venturing mechanisms (Siota & Prats,

According to Chesbrough (2021), open innovation is a process that can intervene in three different phases: innovation generation, innovation dissemination and innovation absorption. This process is not simple, with the implication that is not enough to locate useful ideas or solutions to a specific corporate challenge or market need. This knowledge needs to be disseminated internally within the organization. And the rest of the organization has to be able to assimilate it, understand it, modify it, adapt it, or extend it. Internal siloes within the organization could potentially frustrate this process. Focusing only on the technology development and not on the business model design and implementation can also frustrate efforts.

Corporate Venturing, as a specific model for open innovation, has its own unique challenges. One of the biggest challenges is addressing the gap between corporate and startup cultures, which translates into different styles of decision making. Even though a corporation might find it easy to address the first phase of the open innovation process, finding access to a new technology or solution, this has yet to be transferred and absorbed in the organization to obtain real benefits from it.

### Why is Corporate Venturing Useful for Companies?

Collaborating with startups brings huge benefits to companies. Partnering with startups enables corporations to grasp new business models and technologies, access new markets, and get a financial return by investing in high-growth ventures. Startups are forward thinking, they bet on business models that have the potential of becoming highly profitable in the future. They mostly want to understand and

shape the future. Established corporations tend to be the opposite, since they have specialized in executing efficiently and profitably a well-known market. They prefer a steady rate of growth that follows a predictable path. But business cycles don't last forever, so unless they renew their product portfolio, they will eventually face decline. Collaborating with startups enables them both to protect their current business models from external disruption, and to renew their product portfolio with new, high-growth businesses.

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### How do Startups Benefit from Collaborating with Corporations?

For startups, collaborating with corporations can be a great opportunity for them in order to achieve greater growth. With the support of corporations, startups can have access to financial resources, infrastructure, specialized talent, distribution channels and easy access to new markets.

### How to Do Corporate Venturing: Mechanisms

Corporate Venturing encompasses multiple mechanisms such as challenges prizes, hackathons, scouting teams, venture builders, the sharing of resources, strategic partnerships, corporate incubators, corporate accelerators, corporate venture capital, venture clients, acquisitions.

Even though Corporate Venture Capital has been one of the most well-known mechanisms, it is only one in a broad spectrum of complementary choices. Corporate Venturing mechanisms are diverse, because they serve different purposes. They attract both ideas, initiatives and entrepreneurial talent, at different stages of maturity. Some mechanisms involve mostly engaging with entrepreneurs at a very early stage, when they only have an idea and talent. For example, hackathons and challenge prizes attract talented individuals, with ideas that might be untested.

Other mechanisms focus only on initiatives that have already tested their concepts, or that have a product that is mostly fully developed and with first customers. This is mostly the case of Corporate Venture Capital investments and startup acquisitions, and of venture client partnerships. Other mechanisms cover a broader range of stages in the development of a startup. For instance, corporate incubators and accelerators, and venture builder programs, usually

collaborate with startups advancing different stages of the development of an innovation, in a process that could take several months or years before reaching a product or service that is ready to go to market.

The different Corporate Venturing mechanisms have diverse capital requirements, and different time frames in order to get results, as it is shown in the following figure.

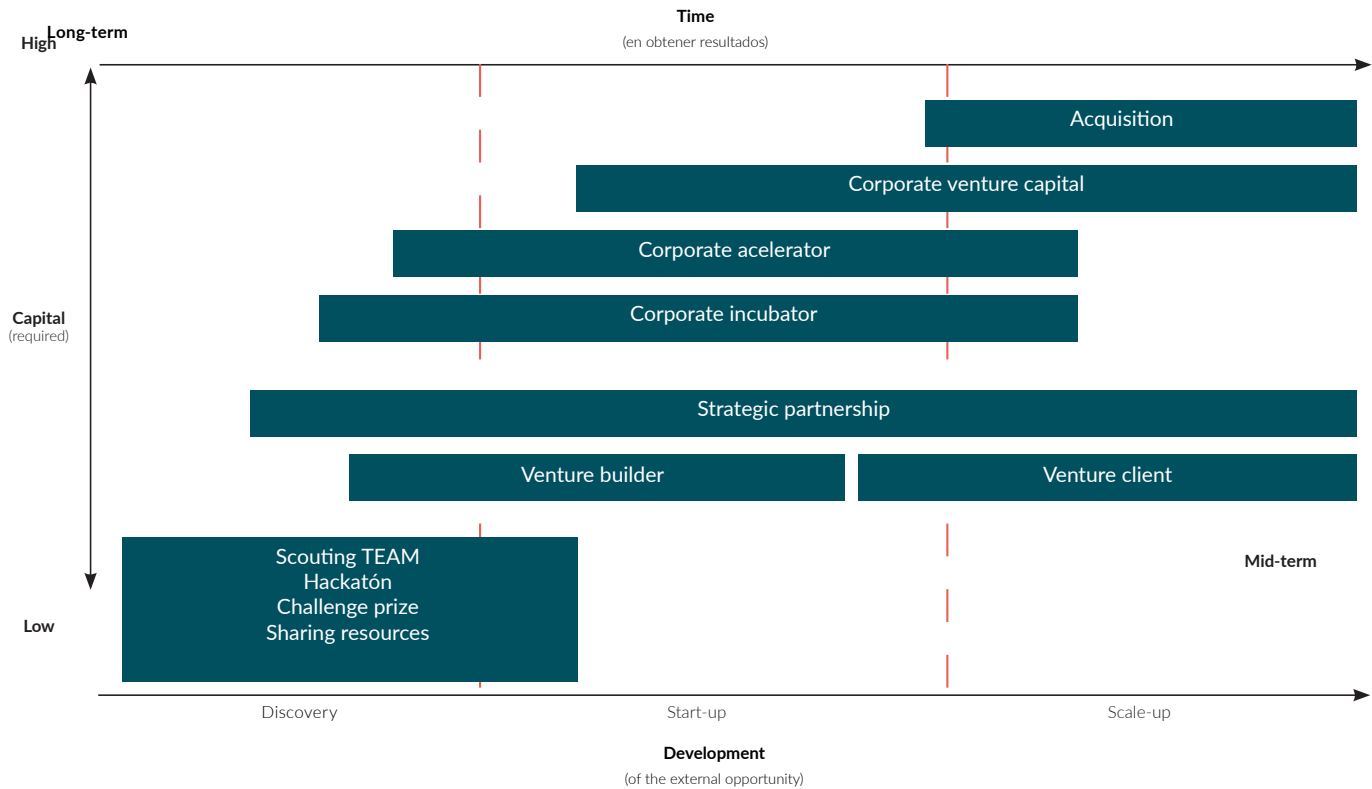


Figure 2: Corporate Venturing mechanisms

### Is Corporate Venturing for Everyone?

Corporate Venturing mechanisms are not only used by big corporations. Of course, big corporations have more resources, allowing them to invest in and manage a more diversified and richer portfolio of startups. Smaller companies might not be able to invest that much, but they can still partner with startups and have access to innovative solutions through strategic partnerships. They can also benefit from entrepreneurial talent, by collaborating with

them in the development of new solutions through venture builder programs.

Collaboration with startups can even be beneficial for non-profit and governmental organizations. Those organizations who might be more risk-averse (as is the case with most government agencies), benefit from collaborating with startups that bring new innovative ideas and solutions for problems that cannot be properly addressed by traditional means.

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## 1.3 Global Trends

Even though Open Innovation has become popular in the last two decades, collaboration between corporations and startups predates the introduction of the term. According to Chesbrough (2021), the notion of Corporate Venture Capital has been around since at least the 1960s. Corporate Venture Capital provided 47 percent of overall venture capital invested in the US in 2018 (National Venture Capital Association, 2018). This percentage is even greater in countries such as China, with important corporate players such as Alibaba, Tencent and Baidu, accounting for almost half of total VC investment.

The adoption of Corporate Venturing mechanisms has expanded globally. Both the number of companies running these programs, and the number of startups that have been supported, has grown steadily in the last decade. For instance, the number of corporate investments in startups has more than tripled in a few years, growing from 980 in 2013, to 3,359 in 2019. According to CB Insights (2021), globally corporate venture capital groups participated in USD 73.1bn of funding across 3,359 deals in 2020. A total of 979 corporate venture capital firms were involved. The participation of Asian corporate venture capital deals has increased steadily in the last five years, surpassing the share of North American CVC firms.

The participation of Corporate Venture Capital firms in VC-backed deals accounted for 24% of all VC deals in 2020. These percentages have increased in the last few years, being proof of the growing role of corporations in investing in startups with high growth potential.

Corporations invest in different stages of startup development. In terms of size of investments, 24% of all CVC investments in 2020 belonged to the seed stage. The average CVC deal size was USD 28.6M in 2020, above the average for non-corporate VC investments.

The most active CVC investor in 2020 was Google Ventures, investing in 81 companies in 2020. The list of the top CVC investors in 2020 also included: Salesforce Ventures, Intel Capital, Mitsubishi UFJ Capital, M12, Samsung, Qualcomm Ventures, SBI Investment, Lenovo Capital, and Slack Fund. The technologies and areas that have been most invested by CVC firms in 2020, include: Artificial Intelligence, Cybersecurity, digital health, consumer packaged goods, fintech, and advanced manufacturing.

One of the drivers of this trend has been the emergence of the aforementioned disruptive technologies, affecting multiple industries, such as the financial industry, energy, manufacturing, commerce, health, education, etc. The

emergence of novel solutions and innovative business models has accelerated business cycles, the process of “creative destruction” that has bankrupted long-lived corporations and brought new players in industries that were not prepared for them. An analysis of the Fortune 500 companies in the year 2000, compared to today, confirms that more than half of those on the list have disappeared or dramatically changed their business models.

Corporate Venture Capital seems to be an easy and straightforward way for corporations to engage with startups. By taking equity stakes in promising external startups, they can keep an eye on the evolution of new disruptive technologies and markets. On the other hand, an ownership stake allows them to influence the company’s decisions, with the possibility of making a financial profit if the startup is later sold at a high price or goes public. However, Corporate Venture Capital firms tend to have a more complex mission than traditional non-corporate VCs. They don’t only pursue financial performance, but they also try to support the parent company’s strategic purpose. For example, they might invest in startups that make complimentary products and services to those that already exist in the corporation’s business portfolio.

CVC is one of many ways in which corporations can partner with startups. But it has its limitations. For instance, CVC processes are expensive, with scanning and due diligence practices taking time for corporations to execute. Time requirements limit the ability for corporations to work with multiple startups simultaneously. This model doesn’t scale easily. Something similar happens with corporate incubators and accelerators, which also require excessive time commitment to properly monitor the progress of each initiative. One of the most recent evolutions in Corporate Venturing is the adoption of mechanisms that are built to scale, and that in many cases don’t require corporate ownership, also allowing corporations to engage with a large number of startups at the same time. This is usually the model that is implied both in “venture builder” and “venture client” models. One possible approach, according to Chesbrough (2021), is an “outside-in” model, where the goal is to develop interesting products or technologies by enabling multiple parallel collaborations with startups. A good example of this model is the experience of the AT&T Foundry program. Another interesting innovation is what Chesbrough terms the “inside-out” platform startup programs, in which the corporation supplies technology that helps startups to develop their products. The corporation, as the owner of the platform of new solutions, profits from accessing new expanding markets. An example of this model is the SAP Startup Focus initiative.

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Corporations and startups have complementary assets, they can potentially benefit from each other. Startups usually struggle to find resources that boost their growth, and they lack access to clients, distribution channels and specialized skills. Besides capital, startups are usually interested in industry know-how and access to data for proof-of-concept. Corporations, on the other hand, lack the knowledge of new innovative technologies and business models that startups offer. And they lack the skill sets of entrepreneurs, who combine creativity, hard work, risk-taking and ambition.

Corporate Venturing mechanisms offer a win-win situation for both established corporations and innovative startups. Several global corporations, such as Siemens, build new revenue streams by launching new products through such collaborations. Several IT, telecom, and financial companies have succeeded and improved the success rate of their product development process, or of their internal innovation efforts, by partnering with startups.

Even though most of the Corporate Venture capital activity has been concentrated in North American, European and Asian corporations, the importance of partnering with startups has been understood as essential throughout emerging economies as well. Corporate Venturing has expanded to the developing world. For instance the

“Corporate Venturing Latam Report” (Siota & Prats, 2019) mapped at least 460 initiatives, led by 184 subsidiaries belonging to 107 corporations. The study findings suggest that big corporations still lag far behind corporations in other regions of the world in adoption of Corporate Venturing mechanisms. Only 16% of the Latin American subsidiaries in the analyzed countries had adopted Corporate Venturing mechanisms. The most commonly used mechanisms included: challenge prizes, scouting missions, corporate incubators and accelerators, and shared resources (such as coworking spaces). More resource-demanding mechanisms, such as Corporate Venture Capital and startup acquisitions, were only used by a small fraction of those few corporations running Corporate Venturing programs. The sectors with higher adoption of Corporate Venturing mechanisms include (in order of frequency): financial services, information technologies, management consulting, telecommunications. However, it is still possible to find interesting examples in most economic sectors, including energy, retail, food industry, and pharmaceutical. The most well-known examples include both subsidiaries that are headquartered in North America and Europe, as well as locally based corporations. Among the reference companies mentioned in the study are cases such as: Bimbo (food industry, Mexico), YPF (oil and energy, Argentina), Itaú (finance, Brazil), Petrobras (oil and energy, Brazil), Falabella (retail, Chile).



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## 2. The Caribbean

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### The Region in figures

#### Economy snapshot

**Tourism is one of the main economic activities in the region. It has played a fundamental role in regional economic growth.**

The second activity is the exploitation and commercialization of raw materials, with the United States of America being the primary buyer.

The gross domestic product varies in the range of US\$8,000 - US\$30,000 (or even more), depending on the country. According to a World Bank report, the beautiful natural scenery and beautiful landscape makes the Caribbean one of the most important tourist destinations in the world. The GDP of the countries in the Caribbean region is comparatively low, but with wide differences between countries in the region. For instance, richer countries, such as The Bahamas and Trinidad and Tobago, with a GDP per capita (at purchasing power parity) of more than USD 25,000, and poorer countries, such as Jamaica, with a GDP per capita closer to USD 10,000.

Economic growth in the Caribbean has not been strong in the last decade, and it has been concentrated in a few sectors, such as tourism and commodity exports. Some nations in the Caribbean have taken steps in order to become more resilient (Pavón, 2018). For instance, both The Bahamas and Jamaica are strongly focusing on skill development to prepare a workforce that is more adaptable. Jamaica, for instance, is training its talent pool to serve the global services sector.

Barbados, on the other hand, is a small tourism-based economy (Giles Alvarez et al, 2019), that is mostly driven by tourism. The COVID pandemic has had major effects on economic growth in Barbados, due to its severe impact on tourism. Even before the current health crisis started, Barbados has faced several limitations to business activity. The Doing Business report reflects comparatively more challenging conditions for those who want to launch a new business. For instance, high trade barriers, and burdensome regulations present constraints to the private sector. Access to finance is also considered to be another factor that limits opportunities for entrepreneurs, as mentioned by the 2014

Productivity, Technology, and Innovation in the Caribbean (PROTEqIN) Caribbean Enterprise Survey (Giles Alvarez et al, 2019). The country also faces a macroeconomic and fiscal landscape that is currently dampening investor confidence. The country faces multiple challenges related to climate change, with predicted sea level rises and changes in weather patterns.

Nevertheless, Barbados has several advantages, such as having a standard of living that is relatively higher than its closest neighbors, with a human development index that is considered “very high”, good health and educational outcomes, lower levels of crime and violence indicators compared to neighbouring countries, an adequate stock of infrastructure, and good governance and institutional quality.

Trinidad & Tobago is another country that offers multiple opportunities within the Caribbean region. It is one of the wealthiest countries in the Caribbean, relying heavily on the exports of oil and gas. It offers several advantages that could nurture a flourishing entrepreneurial ecosystem, such as availability of capital, high literacy rates, good IT infrastructure, and a good standard of living. Even though many talented individuals could migrate to other English-speaking countries, most of them prefer to stay.

Before Covid, most of the countries in the region showed low but positive growth rates, including those dependent on tourism as their primary activity. In 2020, the region's economy contracted by approximately 8.6%. As in most countries globally, many jobs were affected by the pandemic, and it is not yet clear how fast the recovery will be when the economic crisis associated with the pandemic ends.

On the other hand, since most countries in the Caribbean are tourism-dependent economies, there are high risks associated with extreme weather events. Between 2019 and 2020, there were nine Category-3 hurricanes considered as the most dangerous and severe. Phenomena of this nature usually affects the poorest places in the region in the worst way; there are cases in which they can leave damages larger than the GDP generated by small islands, dependent on

tourism and basic extractive activities. Recently, in April 2021, the eruption of the La Soufrière volcano in Saint Vincent and the Grenadines caused massive evacuations of a significant part of the population and a profound impact on its economy and infrastructure.

In terms of competitiveness of their economies, countries in the Caribbean region show levels that are in the mid range of the global ranking. According to the Global Competitiveness Report 2019 (WEF, 2019), Barbados is ranked 77th among 141 countries, Trinidad and Tobago is ranked 79th and Jamaica 80th. Considering the 12 indicators analyzed in this report, the biggest strengths of Barbados are in ICT adoption (ranked 23rd) and health (ranked 41st). Its main weaknesses are in indicators such as “market size” (ranked 139th), “product market” (ranked 129th), and macroeconomic stability (ranked 109th). Barbados has not performed well in terms of GDP growth in the last decade, with an average growth of -0.1% for a 10-year period (WEF, 2019).

The situation in Jamaica is similar. The biggest competitive strength of Jamaica is its labour market (ranked 27th), and business dynamism (33rd). The biggest weaknesses of Jamaica are its market size (ranked 126th), macroeconomic stability (ranked 110th), product market and ICT adoption (both ranked 93rd). Jamaica had also experienced a weak economic performance, with an average GDP growth for the 10-year period of 0.5%.

Comparatively, the biggest strength of Trinidad and Tobago is its financial system, where it ranks 45th. Its biggest weaknesses include the “product market” indicator (122nd), market size (106th) and “institutions” (102nd). Trinidad and Tobago has also faced an economic performance that has been poor during the last decade, with a 10-year average GDP growth of -0.3%.

Regarding their business environments, the countries in the

Caribbean have an average to low performance, according to the “Doing Business 2020” report (World Bank, 2020). Jamaica is ranked 71st among 190 countries, Trinidad and Tobago is ranked 105th, and Barbados is ranked 128th. Jamaica offers certain advantages in terms of ease of creating a new business, ranking 6th in this indicator. It also ranks 15th in ease of obtaining a credit. But it shows several disadvantages in other indicators, such as: trading across borders (136th), paying taxes (124th), getting electricity (120th), or enforcing contracts (119th). Trinidad and Tobago, and Barbados, both show below average performance in most of the indicators of ease of doing business. Trinidad and Tobago ranks relatively better in access to energy (43rd), and ranks close to average in protecting minority investors (57th) and getting credit (67th); while Barbados only gets a good ranking in the “resolving insolvency” indicator (35th).

### International trading

The incorporated data shows the imports and exports of Jamaica, Trinidad & Tobago, and Barbados in 2019; this only considers products from primary and secondary sectors, leaving out those related to the services sector, such as tourism. An element to highlight is that, in all three cases, both for imports and exports, the countries have the United States of America as their primary buyer and seller. It is particularly noticeable in Jamaica and Trinidad & Tobago and less so in Barbados. Moreover, in all three cases, the countries show a deficit in their trade balance with their leading export destination, i.e., they import more from it than they sell to it. This could be explained by the nature of goods imported from the United States, mostly medium or high complexity (automobiles and medicines).

Another characteristic to note is that the products exported, in most cases, are raw materials or materials with a low level of added value, and the imported goods & products correspond to products of greater complexity, such as cargo

Table:

### Jamaica (2019)

| Goods                                     |                           | Trade countries        |                              |
|---|---------------------------|------------------------|------------------------------|
| Exports                                   | Imports                   | Destinations           | Suppliers                    |
| Aluminium Oxide (\$966M)                  | Refined Petroleum(\$836M) | United States (\$594M) | United States (\$2.56B)      |
| Refined Petroleum (\$263M)                | Cars (\$332M)             | Netherlands (\$201M)   | China (\$630M)               |
| Aluminium Ore (\$89.5M)                   | Crude Petroleum (\$238M)  | Germany (\$173M)       | Japan (\$260M)               |
| Hard Liquor (\$86.7M)                     | Petroleum Gas (\$195M)    | Canada (\$134M)        | Trinidad and Tobago (\$166M) |
| Other Processed Fruits and Nuts (\$49.4M) | Packaged Medicaments      | Iceland (\$120M).      | Turkey (\$164M).             |

Table:

### Trinidad y Tobago (2019)

| Goods                       |                               | Trade countries         |                        |
|-----------------------------|-------------------------------|-------------------------|------------------------|
| Exports                     | Imports                       | Destinations            | Suppliers              |
| Petroleum Gas (\$3.21B)     | Refined Petroleum (\$1.03B)   | United States (\$3.14B) | United States (\$2.6B) |
| Acyclic Alcohols (\$1.39B), | Excavation Machinery (\$375M) | Guyana (\$864M)         | Guyana (\$1.23B)       |
| Crude Petroleum (\$1.14B),  | Shipping containers (\$316M)  | Spain (\$615M)          | China (\$362M)         |
| Ammonia (\$1B),             | Iron Ore (\$278M)             | China (\$601M)          | Netherlands (\$249M)   |
| Iron Reductions (\$546M),   | Cars (\$269M)                 | Netherlands (\$316M)    | Brazil (\$219M)        |

Table:

### Barbados (2019)

| Goods                               |                                     | Trade countries               |                              |
|-------------------------------------|-------------------------------------|-------------------------------|------------------------------|
| Exports                             | Imports                             | Destinations                  | Suppliers                    |
| Hard Liquor (\$51M)                 | Refined Petroleum(\$323M)           | United States (\$98M)         | United States (\$556M)       |
| Passenger and Cargo Ships (\$49.5M) | Passenger and Cargo Ships (\$61.2M) | Poland (\$66.5M),             | Trinidad and Tobago (\$223M) |
| Orthopedic Appliances (\$33.5M)     | Cars (\$52.8M),                     | Jamaica (\$35M),              | China (\$142M)               |
| Cement (\$32.1M)                    | Shipping containers (\$35.1M)       | Guyana (\$30.4M),             | Netherlands (\$74.8M)        |
| Packaged Medicaments (\$25.4M)      | Packaged Medicaments                | Trinidad and Tobago(\$26.9M). | Japan (\$66.6M)              |

## Tourism

According to World Bank data, tourism is a central sector of the Caribbean economy. The following graph shows the

sector's incidence in the GDP of the different countries in the region.

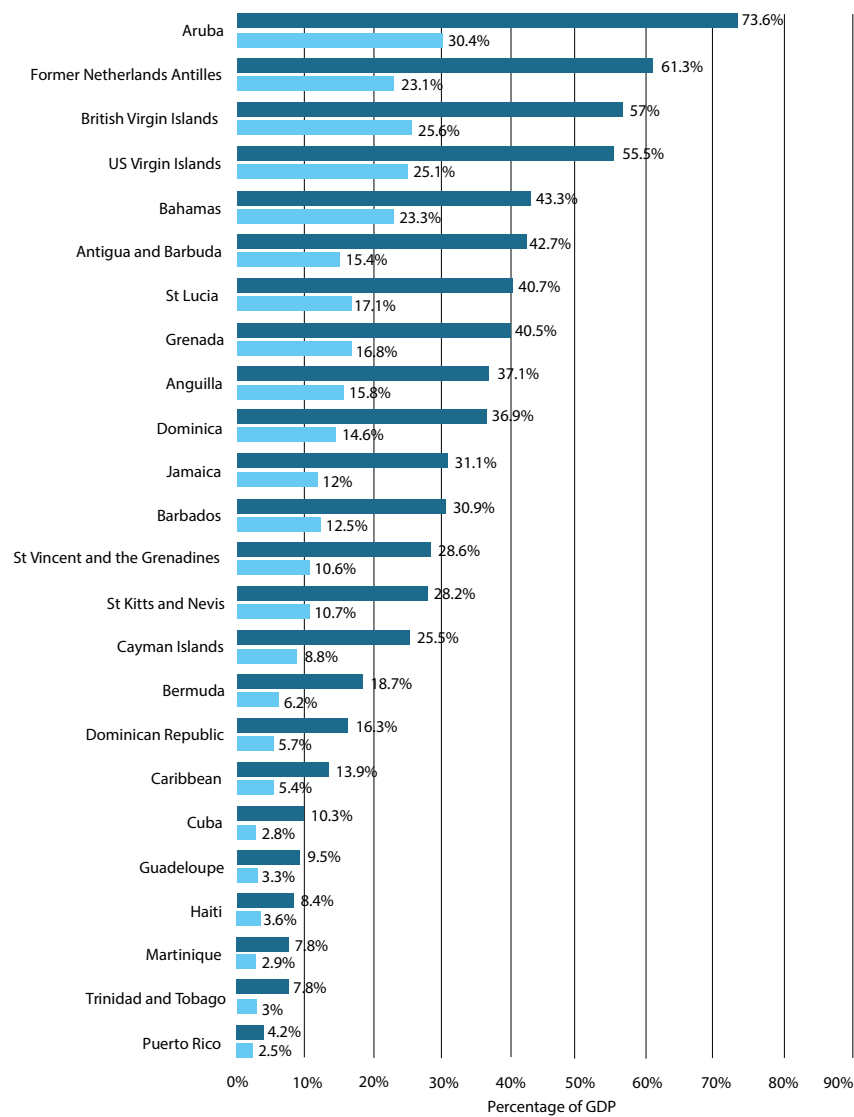


Figure 3: Tourism contribution to GDP per country

It is important to note that, in 2019, the tourism and travel sector accounted for almost 14% of GDP in the Caribbean, directly and indirectly. However, most Caribbean islands recorded a higher share of tourism's contribution to their GDP that year. For example, as figure 4 shows, the travel and tourism sector directly accounted for about one-third of Aruba's GDP and accounted for almost 74% of the island's total GDP. The former Netherlands Antilles, the British Virgin Islands, and the U.S. Virgin Islands also recorded over 55% of tourism's total contribution to GDP that year.

Another phenomenon that can be extrapolated from the graph is that tourism is prominent, above all, in the small islands that make up the Caribbean, but not in the larger

countries with a greater capacity to diversify their productive apparatus. The case of Aruba, mentioned in the previous section, is only an island of 180 km<sup>2</sup> (one of the smallest in the region). In the case of the British Virgin Islands, the archipelago's largest island is only 55.7 km<sup>2</sup>, and all the islands together total 155 km<sup>2</sup>. In both cases, tourism is responsible for more than 50% of their GDP.

Figure 5 compares the impact of tourism between small Caribbean islands and other geographies (Colin Cannonier, 2018). According to the same authors, inbound tourism is much larger than outbound tourism, and the excess from tourism & travel are larger than all possible external financing sources.

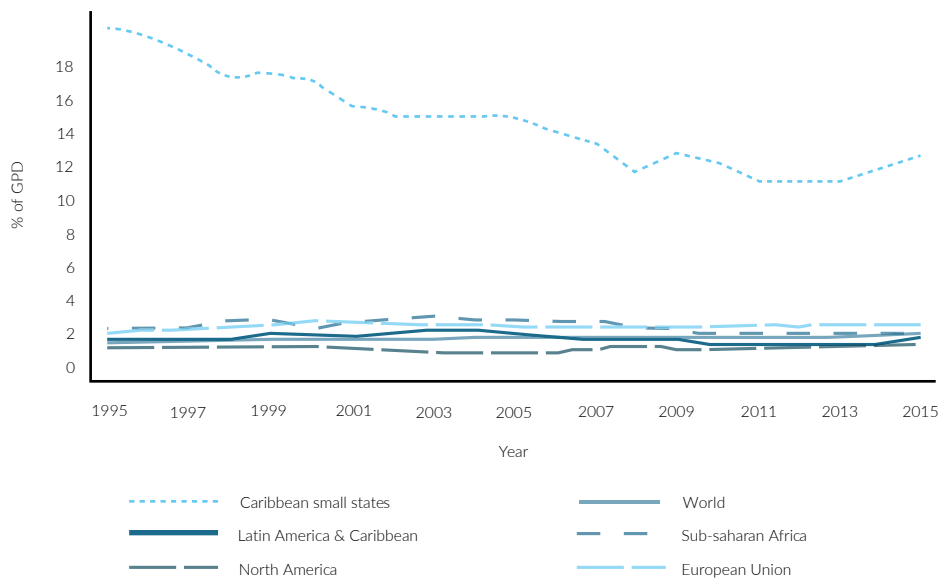


Figure 4: Tourism as percentage of GDP per region

## 2.2 The Caribbean Ecosystem

### Innovation and R&D

The Global Innovation Index (GII), created and executed by the WIPO, aggregates Latin America and the Caribbean into a single macro-region.

Figure 6 shows the performance of Jamaica and the region in the areas that the Global Innovation Index uses to characterize innovation.

In 2020, most countries' behavior remained stable relative

to previous years, although presenting a lag compared to the economic growth experienced in other regions of the world. In the case of Jamaica, which is the one in figure 6, it is noticeable how it compares with the region's indicators (LAC) and the indexes of the upper-middle-income countries. In three indicators, it is above the region's average value: Institutions, Creative Outputs, and Business Sophistication. However, in four dimensions, it ranks below the region's average: Human capital & research, Infrastructure, Market sophistication, and Knowledge & technology outputs.

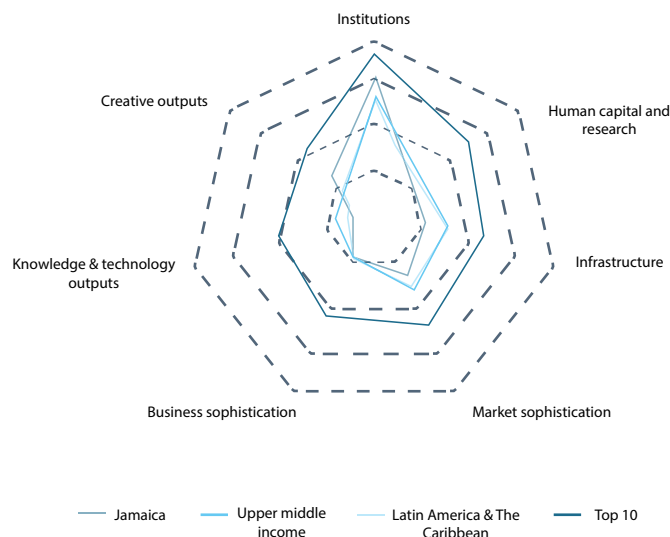


Figure 6: Jamaica's GII performance in 2020

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## Entrepreneurial Activity

According to the GEM Report (2014), a high percentage of the working age population in the Caribbean perceives opportunities for creating a new business in their country. For 2013, 45.7% of the working age population in Barbados, 51.2% in Jamaica, 58% in Trinidad and Tobago and 52.7% in Suriname, considered there were plenty of opportunities for creating a new business. An even greater percentage of the working age population believes they have the abilities to create and manage a new business. In 2013, 74.5% of the working age population in Barbados, 79.1% in Jamaica, 75.3% in Trinidad and Tobago, and 53.5% in Suriname, believed they had the required skills. Additionally, according to the GEM report, most of the working age population in the aforementioned countries believes that they have the capacity to overcome the fear of failure. In 2013, 23% of the working age population in Barbados mentioned that they were affected by fear of failure, versus 27% in Jamaica, 19.8% in Trinidad and Tobago, and 24.4% in Suriname.

Even though according to the GEM report a high percentage of the working age population in the Caribbean countries had identified opportunities for creating a new business, a smaller percentage had real intentions to start a new business in the near future. While in 2013 in the Latin American and Caribbean region, 33% of the adult population expected to start a business in the next 3 years, in Barbados it corresponded to 24% of the working age population, 29% in Trinidad and Tobago, 40% in Jamaica and 13% in Suriname. According to this report, the Total Entrepreneurial Activity (considering those who have been running a business for less than 42 months) in the countries of the Caribbean, varies significantly between countries. In 2013, 22% of the working age population in Barbados was a new or nascent entrepreneur, 20% in Trinidad and Tobago, 14% in Jamaica and 5% in Suriname.

According to the "Entrepreneurship in the Caribbean Region Report" (GEM, 2014), the socio-cultural perception of entrepreneurship tends to be positive in the Caribbean countries that took part in this report (Jamaica, Suriname, Barbados, and Trinidad and Tobago). In each of these countries the majority of the population believes that starting a new business is a good career choice. In these countries, most of the population associate entrepreneurship with high status, and perceive that there is a lot of positive media attention for entrepreneurship.

## Startups ecosystems.

There are several support programs for entrepreneurs and small companies, and different organizations that lead and promote them. The following section describes some of them, categorized by the institution that organizes them, as well as by objective, highlighting two:

1. Supporting directly entrepreneurs and companies
2. Ecosystem generation

## Support and acceleration

### Entrepreneurship Program for Innovation in the Caribbean

This program was an entrepreneurship support program promoted jointly by InfoDev and the World Bank. The funds corresponded to 20 million dollars and came from the Government of Canada.

Its objective was to promote the growth and scale of technology companies born in the Caribbean by articulating financing, training, networks, and study trips to advanced technological innovation centers in Canada.

Several tech startups in Canada have been founded, such as ElementAI, Nuvei and Coveo, all three with highly sophisticated technological products.

### Branson Center of Entrepreneurship

It was founded in 2011 in Montego Bay, Jamaica, by Richard Branson, main owner of Virgin Company. Today, it is one of the leading entrepreneurship support programs in the region and makes global-level capabilities available to local entrepreneurs.

It focuses on companies that are in the scaling stage and its value proposition consists in the following three features:

1. Changing the game: world-class management practices help founders understand the dynamics of the scaling stage and manage their risks successfully.
2. Making entrepreneurs 'Bankable'. They prepare entrepreneurs on investment readiness issues to introduce them to the country's leading investment and venture capital funds, such as NCB, Proven Investments, PanJam Investment, GK Capital, and Norbrook Capital Partners.
3. Business as a force for good. Through this vertical, we seek to convey the importance of doing business that is profitable and generates a positive impact on the planet and communities.

### Caribbean Climate Innovation Center

The objective is to ease green-technology entrepreneurs access to global markets. They do this by creating an ecosystem of services where entrepreneurs can find support and assistance. To do so, they have divided their service platform into three well differentiated initiatives:

1. Bootcamp. A 54-hour event where entrepreneurs receive tools to carry out a business in Green Tech.
2. Incubator (Innovation Lab). This corresponds to a physical space where entrepreneurs have access to machines and prototyping technologies, such as 3D printers,

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co-working spaces, access to P2P networks, infrastructure, among others.

3. Accelerator (LauchIT Greentech) is an acceleration program based on a curriculum of topics to fill gaps and transfer knowledge and knowhow to early-stage entrepreneurs. Among the topics to be addressed are:

1. Team building
2. Go-to-Market strategy
3. Revenue Model
4. Accountability
5. Networking: Connections to experts
6. Business development training.ç

### **National Center for Technological Innovation (NCTI): Business Incubator**

This is the business incubator of the National Center for Technological Innovation based in Saint Vincent and the Grenadines. Its main objective is to foster entrepreneurs by offering physical space and financial and business counseling to make its portfolio companies financially viable after graduation.

### **TenHabitat**

TenHabitat is a Hub that mimics the characteristics of natural ecosystems to help species thrive. They claim that having water, food, cover, and space will make supporting entrepreneurs successful.

Beyond their value proposition, they offer entrepreneurs an 8-month acceleration program that selects companies through 2 Bootcamps per year. They select companies in 3 different categories: 1. Idea, 2. MVP, 3. Existing business with more than two years of commercial traction.

At the end of the acceleration process, the companies will have improved in many aspects related to management. They will be investor-ready, which means they will either access TenHabitat's angel network or have a good financing plan via debt and liabilities.

On the other hand, they have some ecosystem generation activities, where they try to communicate part of their initiatives and programs to the community.

Finally, it is essential to highlight that they have partnerships with reputable organizations, such as Microsoft, Agora, GAN (Global Accelerator Network), IDB Lab, and funds from the European Union.

### **IdeaLab**

Located in Jamaica, IdeaLab is an accelerator whose mission is to provide holistic services to help grow startups and small technology-based companies. They offer co-working

spaces that customers can lease in two modalities and offer services ranging from accounting and legal support to business and strategic consulting. Its founders are people with international careers and extensive experience in technology-based companies.

Their current level of activity is low. The last posts registered on its website date from the first half of 2019, namely, two years ago.

### **Ecosystems**

#### **Aruba Tech Conference**

It is an annual conference held in Aruba, bringing together regional leaders in entrepreneurship, technological innovation, and content creation. Its last version was in 2019; due to Covid-19, it was impossible to have one in 2020 or 2021.

#### **Caribbean Startup Summit**

It is an annual conference held in Barbados whose main objective is to boost the local innovation and entrepreneurship ecosystems. This is done through Masterclasses, Networking, Workshops, Pitch Sessions, presentations of Startups, and speakers, such as the Head of Startup Growth for Google in Israel, Lior Noy.

It is promoted by the IDB Lab and the European Union.

#### **SlashRoots**

It is an organization located in Jamaica that seeks to empower Caribbean citizens to pass messages to their governments and communities.

This is done by creating digital enablers and tools based on design disciplines such as Service Design, Product Development, and Policy Design.

#### **GeoTech Vision**

Geotech Vision is a technology services company for the IT and Geospatial industry with offices in Jamaica, Guyana, and the USA. Its social responsibility program tries to improve access to education in the region, particularly in digital literacy and technology.

#### **Port-au-Prince Startup Week**

Founded in 2016, this ecosystem-generating event has the main objective of allowing companies and entrepreneurs at any stage of the development process to access networks, exposure, and learn new ways to thrive, whether within Haiti or in other geographies.

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## **Community Hub**

It is an organization in Trinidad & Tobago, which seeks to facilitate access to technology and entrepreneurship in the community, focusing primarily on young people. They have generated partnerships with multinational companies with operations in the region, such as Microsoft and Fujitsu. Their impact is generated through ecosystem development events, such as Pitch Contests, Summits, among others.

### **Investment funds and angel networks.**

## **Angel Investment Network.**

By publishing opportunity profiles on its website (marketplace), they have created an investment network that seeks to link potential investors with young companies. Several investors and funds are linked to this network, highlighting some that are in the biggest countries, such as Jamaica and Trinidad & Tobago. They also have links with investment funds located in Puerto Rico, a country that takes advantage of its close relationship with the USA as a platform for entrepreneurs.



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## 3. Main Findings

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### 3.1 Case Study Findings: Summary of Results

In order to better understand the reality of Corporate Venturing practices in the Caribbean, the researchers conducted interviews with three corporations from the Caribbean region. These three corporations have in common that they have been pursuing Corporate Venturing initiatives, even though most of them are still in the early stages. The three corporations belong to holdings that have businesses in different countries of the region, two of them are headquartered in Trinidad and Tobago, and one is based in Jamaica. The three corporations have a diversified portfolio of businesses. However, most of their activity belongs to the financial sector, also covering the industrial,

machinery and retail sectors. The three of them are big corporations, belonging to holdings that can trace their origins back to the late 19th and early 20th centuries.

The following table summarizes the results of these interviews.

As it is shown in the following table, most of the corporations that were interviewed have stated using only a few of the available corporate venturing mechanisms. None of them has used more than three mechanisms.

Table: Mechanisms used by the interviewed companies

|  | Massy Group             | Republic Bank                              | VM Group |
|--|-------------------------|--|----------|
| Hackathons                                 | No                      | No   | No       |
| Challenge prize/ Open Innovation Challenge | Yes                     | No   | No       |
| Corporate Incubator/ Accelerator           | Yes (social enterprise) | No (but they are moving in this direction) | No       |
| Corporate Venture Capital                  | No                      | Yes  | Yes      |
| Scouting Mission                           | Yes                     | No   | Yes      |
| Sharing of Resources                       | No                      | No   | No       |
| Strategic Partnership                      | No                      | Yes  | No       |
| Venture Builder                            | No                      | No   | No       |

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In summary, the results of the interviews shed some light on the motivations of the companies that advance Corporate Venturing programs in the region. The three corporations share a few commonalities:

- The three belong to diversified holdings, with presence in different countries in the region, mostly in English-speaking countries.
- All three can trace their origins back to companies that were created in the late 19th and early 20th centuries.
- They don't see immediate threats to their current business models. They don't fear being disrupted by new entrants.
- Digital transformation is one of the main drivers for change. But it is not seen as a threat, but as an opportunity that can help them to be more efficient and ensure the loyalty of their customers.
- The three corporations are only in the initial stages of managing Corporate Venturing programs. Two corporations have early-stage initiatives under way, just starting in the last year. One started in 2018, but as individual activities that did not respond to a common strategy.
- One of the three corporations is motivated mostly by social responsibility concerns.
- For the three corporations it is essential to collaborate with actors in their ecosystem, working with intermediary organizations that enable them to reach the entrepreneurship ecosystem.

- Two of the three companies belong mostly to the financial sector, which is affected by specific national regulations, presenting certain barriers to innovation.
- Only one of the three companies has recent experience as a strategic investor in startups. For this company, investment in startups seeks to generate resilience and strengthen current businesses. Profit making and growth are not the most relevant objectives.
- Only one of the three companies has an area or department that centralizes innovation activities.
- Only one company has formalized one separate entity that is responsible for managing corporate venturing initiatives.
- Very little emphasis on formalized scouting processes. Given the relatively small scale of the Caribbean markets, most companies rely on personal connections and the support of partner organizations that work closely with entrepreneurs.
- The three corporations are willing to test new corporate venturing mechanisms.

An important caveat is that we cannot extrapolate these results to the entire universe of Caribbean corporations. Even within the financial sector, the regulatory context might differ greatly between countries. The valuable insights that can be extracted from these three cases should be carefully evaluated and considered within their context.

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## 3.2 Main Challenges When Running Corporate Venturing Programs

According to Navarro et al. (2016), the economies in Latin America and the Caribbean present high social rates of return for R&D and innovation. However, the amount of corporate investment in these activities is very limited. Even though the speed of diffusion of new knowledge has increased globally, and despite the fact that technology development has accelerated, innovation still takes a lot of time to spread to most of the firms in Latin America and the Caribbean. The adoption and absorption of technological innovations is an uncertain and risky process that is costly for firms, requiring both the accumulation and assimilation of physical and human capital (Navarro et al, 2016:21). Economies in Latin America and the Caribbean face multiple market failures, having as a result poor performance in corporate innovation.

Innovation stems from systemic processes. Current developments in innovation policies have emphasized the need to build cultures, regulations and institutions that breed innovation. What is most urgently required consists not only of building an enabling business environment, but an environment that promotes the creation and growth of high-

productivity startups. Innovation in the region is limited not only due to lack of investment in R&D and innovation, but also due to the lack of linkages between different actors in the ecosystem. These linkages can take place both between firms and their clients and suppliers, and also between firms and universities or institutes of technology. Important ingredients in an innovation system also include: "intangible assets, such as personal relationships and trust, business and knowledge networks, global connections, entrepreneurial culture, legal and management awareness" (Navarro et al., 2016:58).

The interviews with three corporations show that social capital and personal connections are essential in order to run Open Innovation and Corporate Venturing programs. Due to the relatively small scale of the Caribbean countries, most of the interviewees stated that formalized scouting processes and open calls were not the most common way to attract and connect with new high-potential startups. Certain intermediary organizations - such as business incubators - played a key role connecting corporations with

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entrepreneurs. However, in many cases startups approached the corporations through personal connections, without the support of intermediaries or formalized scouting processes.

The Caribbean countries, according to what has been mentioned in the interviews, have certain cultural advantages and disadvantages. Among the disadvantages, it is important to mention fear of failure and risk-aversion as factors that systematically inhibit innovation and entrepreneurial activity. Even though corporations might be capable of identifying attractive startups, integrating them into the corporation's business portfolio could be difficult, as the initiative might suffer internal opposition. This is a well-known phenomenon in the corporate world. If the Corporate Venturing initiative lacks sufficient support from those in leadership positions, it is likely that it will fail in being properly integrated into the organization.

One of the main findings of the interviews is that not all corporations share the same objectives when running Corporate Venturing programs. In some cases, collaboration with startups is deemed essential for corporate survival and future growth. However, in many cases collaboration with startups is considered a Corporate Social Responsibility goal. One of the most recent experiences in Open Innovation and Corporate Venturing is the recent case of the Massy Group, in charge of the Nudge Caribbean initiative. Nudge Caribbean is an initiative whose mission is to support SMEs and microenterprises in the Caribbean. This effort was created by the social entrepreneur Anya Ayoung-Chee, and Julie Avey, Senior VP of People and Culture at the Massy Group.

Nudge operates as a social enterprise and as an independent entity. Even though it belongs to the Massy Group, it has its own policies, not being ruled by the corporate culture. Nudge provides multiple opportunities to small companies and entrepreneurs in the Caribbean, including training, mentorship, access to marketplace, and access to funding opportunities to a few selected companies. The initiative is still in its early stages, since it was launched in 2020. But in a very small stretch of time it has built a wide network of supporting organizations.

Its goal is to create social impact, and not to strengthen or grow the current business portfolio. For this reason, it does not face the same challenges as most Corporate Venturing programs. The integration of new external innovations in the current business portfolio, and collaboration with internal business units, is not an issue for initiatives that are solely focused on social impact.

Another initiative that should be highlighted is the experience of Republic Bank, headquartered in Trinidad and Tobago, which since 2018 has decided to invest in a few startups in the field of payments. Republic Bank has taken advantage of the Regulatory Sandbox, an arrangement by regulatory

agencies, allowing banks and financial entities to test innovative products in a safe environment, prior to launching them to the market. The development of Endcash, a mobile wallet, was tested in the sandbox for a year before receiving regulatory approval. This policy has eased up innovation in the financial sector.

Republic Bank is an example of a financial institution that understands the importance of constantly assessing the potential of new technologies and innovation in the financial sector. It acknowledges the relevance of digital transformation in the financial sector, and the degree to which the expectations of new generations have changed. But it also understands that needs and expectations of different customer segments might differ, and that not all will be early adopters of new technologies.

Finally, VM (Victoria Mutual) Group is a holding headquartered in Jamaica, that during the last year has launched a new initiative, VM Innovation, whose goal is to advance collaborations between the corporation and startups in the fintech sector. Since it is a very early-stage initiative, it is difficult to predict the chances of success of this new program.

As it has been mentioned by some of the interviewees, the local corporate culture is not the most supportive towards entrepreneurship and innovation. Corporate cultures can be risk-averse, with a high level of fear of failure. Corporate cultures can also have difficulties handling a process of collaboration with a startup, since the corporation might lack the agility that is more common in an entrepreneurial organization. This is the reason why many Corporate Venturing initiatives, and particularly Corporate Venture Capital funds, operate as separate organizations, without being constrained by internal procedures, traditional organizational cultures and internal power struggles. However, these Corporate venturing units need to be connected and aligned with the needs of internal business units. They also need to follow an understanding of the corporate strategic purpose.

It is hard to tell at this moment if the cases we have analyzed will survive and thrive in the next few years. Some of them - particularly Republic Bank from Trinidad and Tobago - have accrued a track record by investing in a small number of startups. The three companies have a budget, a plan and dedicated staff. They also have links to key partners in the entrepreneurship ecosystem. But, particularly those two corporations that have a profit motive, might need to fight in order to show that they are relevant and deserve the companies attention and resources. Many Open Innovation and Corporate Venturing initiatives don't survive the first years, particularly when corporations face an adverse economic context and resources demand to be reallocated to solve more urgent problems.

The three cases that we have analyzed could suffer from any of the following challenges:

- A poor deal flow of startups, both in terms of number and quality. This could be due to the corporation's inability to find and attract relevant startups, because they lack capacities for scouting startups, because they have not built an attractive value proposition for startups, or because they have not partnered with organizations that are more effective at attracting and selecting an interesting pool of startups.
- Lack of success cases to show after the first few years of operation. If the Corporate Venturing initiative does not show any tangible results,
- Weak and inconsistent internal support. If support

is weak and inconsistent, the initiative might have difficulties securing resources in the long run.

- That the corporation does not see itself threatened, nor does it perceive that it needs to renew itself. It is hard to justify a corporate venturing initiative, particularly when it is focused on medium to long-term innovations (incremental or transformational innovations), if key people in the organization don't see themselves threatened by external forces, such as technological change or change in customers' behavior.

### 3.3 Main Learnings

Corporations in the Caribbean are taking the first steps towards learning how to collaborate with start-ups. It is important for corporations to understand that this race is full of obstacles, disappointments and setbacks. There is no single easy-to-implement model of collaboration. Each corporation must, through trial and error, discover the model that best meets its objectives and capabilities.

The three cases that have been analyzed are at a very early stage and have still not shown their full potential. Of the three corporations, only one (Republic Bank) has run pilots with startups and has successfully implemented a new solution as a result of a strategic partnership. In the case of VM Group, the corporation is at the early stages of a new innovation program which contemplates the option of using multiple Corporate venturing mechanisms, but it has yet to build a pipeline of startup prospects, and develop these initiatives all the way towards implementation. It might still need two or three years before showing relevant results in terms of solutions that have been implemented and successfully brought to the market. Finally, Massy Group and its Nudge program have a completely different focus: social impact. For this reason, it does not share the same challenges with the other companies.

As mentioned by Chesbrough (2020:103), there is a huge gap between corporate and startup ways of working. Corporations tend to be hard to approach for startups, and there are frequent cultural misunderstandings, with decision-making processes taking place at different speeds. Additionally, having access to a startup with an innovative technology or business model, is only the first step in the collaboration process. The hardest and most challenging part of the process is the integration of this solution in the organization in order to obtain real business benefits from it. If the analyzed programs scale, eventually they will have to

address this problem, of equal or higher complexity than the scouting of startups.

According to Chesbrough (2020:105), corporations that want to engage with startups need to be able to: 1) screen, identify, work with and monitor a large number of startups; 2) develop an attractive value proposition towards startups; and 3) be clear on what they want to get by engaging with startups. Sometimes the biggest enemy of an Open Innovation or Corporate vVenturing program is a vague understanding of what the corporation wants to achieve by engaging with startups, and the lack of well-defined goals. On the other hand, startups might fear that corporations might steal their ideas, and often have access to other financing opportunities. Therefore, it is convenient for corporations to build a value proposition that responds to a broader set of startup needs, which are not only financial. Let's keep in mind that, as mentioned by Chesbrough (2020), startup needs usually include access to a corporation's latest tools, technologies, talent, distribution channels and customer base.

A risk for corporations in the Caribbean is not having a clear idea of what they want to achieve by collaborating with startups. Republic Bank has developed an idea of understanding Corporate Venturing as a means for strengthening their current business portfolio. But they mostly don't understand Corporate Venturing as a way of renewing their future growth by reinventing their business portfolio. For instance, as it was mentioned in the interviews, they believe that the financial sector is not going to change so dramatically as many analysts believe. Some customer segments - according to the interviewee - appreciate a personalized and relationship-based service, that might not be influenced by digital tools. Therefore, they don't fear a radical shift in the industry towards fully mobile banking.

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And this assessment limits their Corporate Venturing efforts to what Osterwalder (2021) calls the “exploitation portfolio”, protecting the current business, but it does not engage with the creation of an “exploration portfolio”, integrated by initiatives whose goal is to develop new business models.

Collaboration between Corporations and startups in the Caribbean region face multiple challenges. Corporate cultures in the Caribbean also have traits that, in certain respects, might encourage or discourage innovation. One of the traits that has been mentioned by several interviewees is “fear of failure” in the corporate world. Advancing innovation initiatives has been challenging due to the perceived negative consequences of failing.

Even though fear of failure was not frequently mentioned in the interviews as a current problem in their organizational cultures, it is still a cultural trait that potentially could inhibit innovations based on internal and external sources. As one of the interviewees mentioned, the corporate culture in Jamaica, and particularly in some sectors such as the financial sector, tends to be very conservative and risk-averse. Corporate investment in R&D and innovation tends to be very low, and most corporate decisions tend to be short-term biased, not anticipating future market trends and changes in the market and customer behavior.

As it was pointed out by the Director at the new Innovation Division at VM Group, most corporate thinking is focused on solving immediate problems, with little thinking devoted to future challenges and opportunities. Therefore, many initiatives that have been created in order to pursue digital transformation, tend to focus on these immediate needs, disregarding potential disruptions in the industry, new business models that might seem to be niche today, but with the potential of growing at accelerated pace in the next few years. Even though it is very difficult to predict the next “unicorn”, the worst mistake that corporations can make is assuming that the future will be a continuation of present trends.

The initiatives that we have studied in the three companies, are currently only isolated islands in corporations that have a strong record of success in their markets. This success could breed complacency, and potentially failure if corporations are unwilling to seek “weak signals” of change in the present

that point to possible futures where the industry changes radically. If Open Innovation and Corporate Venturing programs remain as poorly-known marginal efforts within their organizations, they will not elicit the support required and the potential integration of startups into business units will fail.

The nature of Corporate Venturing initiatives in Caribbean companies also responds to the characteristics of their culture. Some of the initiatives that have been mentioned have operated in a decentralized way, without there being an area responsible for coordinating efforts. Operating Corporate Venturing efforts in a decentralized manner has its pros and cons. On the one hand, it allows greater agility, and that the problems that are relevant to different areas of the company can be addressed. But on the other hand, it reinforces that the different areas of the company function as closed silos, without making it easy to tackle problems that require collaboration between different areas. Additionally, the different areas might not have the capacity to carry out rigorous scouting processes. Although in some cases personal contacts can be used, some challenges require broad international scouting processes, as there are no local startups that provide the best solutions.

Having an autonomous and centralized structure that is responsible for coordinating or managing the Open Innovation portfolio offers certain advantages, but it also has associated risks. An independent entity can create its own culture, more agile than the organizational culture of a company and without being necessarily tied to its procedures. By centralizing efforts, it can respond more directly to the organization’s top strategic challenges. And it can rely on direct support from top management, who will be informed of all the achievements. But it also can generate a disconnect with the more specific problems of each business unit and of the different markets. And it could fail to integrate new innovations if it fails to permeate a culture of innovation throughout the different areas of the organization. A centralized Open Innovation unit can advance in the creation of synergies between different areas. But it could also run the risk of creating cumbersome procedures, adding new layers of bureaucracy, limiting the initiative of internal innovators.

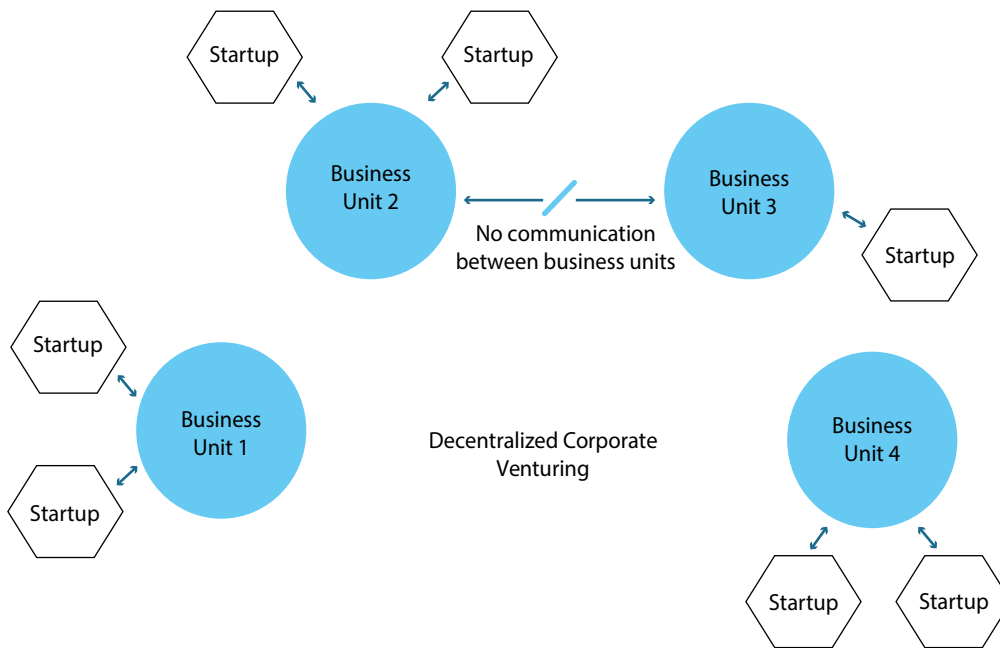


Figure 7: Decentralized Corporate Venturing

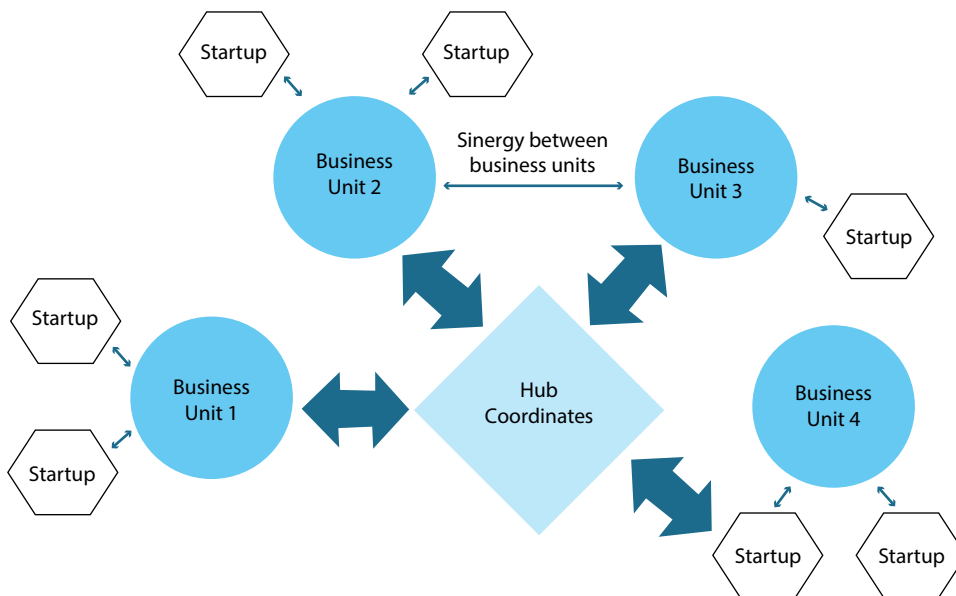


Figure 8: Centralized Hub coordinates Corporate Venturing efforts



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## 4. Conclusions & Learnings for the Region

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The Caribbean region has been severely impacted by the COVID pandemic, leading to one of the biggest economic contractions in recent history. This crisis comes after decades of stagnation in productivity growth, which can be explained partly by insufficient investment in R&D and innovation, the lack of resilience and dependence on a few sectors of the economy.

In order to grow sustainably, corporations can choose among different innovation models that fit their needs and capacities. One model that has gained increasing importance is Corporate Venturing, a formula in which the corporation partners with startups, enabling the former to acquire new innovations at a lower cost. But pursuing both Open Innovation and Corporate Venturing efforts is not that simple. If approached lightly and for the wrong reasons, it is very likely that these initiatives will fail. In order to understand how corporations in the Caribbean have been doing Corporate Venturing, we interviewed three corporations, headquartered in Trinidad and Tobago, and Jamaica, that have recently launched Corporate Venturing programs. It is still too early to state if they have found a successful model that operates sustainably and delivers the promised results.

The results are consistent with some of the findings in previous reports, such as “Corporate Venturing Latam” (Siota & Prats, 2019). In the Caribbean region it was easier to find Corporate Venturing initiatives belonging to the financial sector, where both technology and the market have changed rapidly in the past few years. However, we suspect there are many other initiatives in other equally dynamic sectors and where companies are vulnerable to technological and market change.

Few organizations in the Caribbean have formal processes for innovation (Cambrian, 2020). This lack of formal processes has multiple effects, such as higher costs due to failure in new product development. According to Cambrian (2020) the biggest gaps in Corporate Innovation management take place in the market need assessment stage. The lack of methodologies that reduce market uncertainty, is one of the causes why companies might end up wasting resources in

failed products, when they could have mitigated risks at an earlier stage.

Corporate Venturing could be a path to follow for those countries in the region where productivity has suffered stagnation, and where corporations have not spent a significant amount in R&D and innovation. It also provides growth opportunities for SMEs and startups that have difficulties raising funding and gaining access to new markets and customers. We have explored and delved into the case of Caribbean corporations that are taking some first steps in Open Innovation and Corporate Venturing initiatives. And we have found that there is a lot of potential and a strong motivation to succeed by partnering with start-ups.

However, the accumulated experience in the field of Open Innovation and Corporate Venturing shows that these initiatives can experience multiple problems and usually face multiple challenges that threaten their long-term success. Since most of corporations in the Caribbean region are only at the initial stages of running their Corporate Venturing programs, it is a good point for them in order to learn.

Even though the Caribbean region might have multiple cases of corporations collaborating with startups in multiple ways, it is difficult to assess the extent of the use of these mechanisms, because many corporations prefer not to make their efforts public. Trust and privacy is an important issue in corporate cultures in the Caribbean region. On the other side, many corporations might have Open Innovation practices that have not been systematized. Some of the cases that have been researched show that corporations are only very recently formalizing an innovation strategy. However, the process of engagement with startups has happened for a long time, even though usually not through formal programs, but through informal connections. Informality and a culture of horizontal relationships, where information travels through informal channels, is a common trait among Caribbean organizations.

Innovation practices should be fitted to the local context. Recipes that work in other countries, with different market sizes

and cultural characteristics, might not work in the Caribbean region. For instance, due to the comparatively smaller scale of the national markets, formalized scouting processes are less required, since it is easier to reach attractive startups through referrals. The innovation ecosystem, on the other hand, does not require many intermediary organizations. They too play a key role in allowing corporations to reach startups, and to screen those with higher potential. This role has been played by organizations such as Tech Beach. Reverse inquiries are also very common, which happens when startups approach corporations as a source of opportunities.

Some of the interviewees expressed skepticism regarding the likely pace of disruption in their industries. It is a widely held belief that customers prefer things as usual, and that current trends, such as digital transformation, don't need to be sped up. However, these assumptions might be misleading. It tends to be the case that older corporations, that have survived generations, tend to be more skeptical about new entrants disrupting their markets. This is also the case in heavily regulated markets, such as the financial sector, where barriers of entry are higher. Nevertheless, they also don't want to lag behind their competitors.

The cases that have been analyzed show an understanding of the opportunities brought by startups. Still, there is a long way to go before Corporate Venturing practices become institutionalized. First of all, few corporations understand the need to innovate as essential for achieving sustainable growth. Some have understood collaboration with startups as an investment in Corporate Social Responsibility, not as a strategic investment required to achieve future growth. We can see the first steps, such as the interest in running business incubators and formalizing Corporate Venture Capital funds. But in most corporations this strategy is still at a very early stage. Even though some corporations can mention recent cases of investments in startups, it is mostly specific cases, opportunistic investments, with no dedicated teams running scouting missions and no annual budget.

One of the biggest challenges in Corporate Venturing, as well as in any other innovation initiatives that takes place within a large and consolidated corporation, is that they struggle to get internal attention and support. And many efforts can get caught up in the internal bureaucracy. In general both initiatives that get the required support are those that can reinforce the existing business.

In the few cases we have analyzed, the amount of resources invested is still limited. However, one of them has already invested in startups, showing promising results. As it has been shown with corporations in Latin America (Prats & Siota, 2019), few companies decide easily to pursue Corporate Venturing mechanisms that require long-term commitment and higher resource allocation. Many chose a "lighter" model of strategic partnership, that entails mostly

running pilots and customizing solutions to the corporation's needs. This model has worked effectively in many places, and it is complementary to the use of other mechanisms that require investing in solutions that are farthest from the market launch or that tackle completely new markets and business models.

Those companies that are only getting started, need a partner that is familiar with the startup ecosystem. This is the role of intermediary organizations, such as startup accelerators, incubators, universities, foundations or consulting firms, what Siota & Prats (2020) call "enablers". When a corporation is taking the first steps in the field of open innovation and corporate venturing, the value that enablers can add is very important, since the corporation will lack a skilled team and proven process for working with startups, and a limited access to a flow of opportunities in the field. The main reasons why an established company may want to collaborate with a startup through an "enabler" is to complement its capabilities, have access to entrepreneurs, improve cost-efficiency when implementing corporate venturing mechanisms, and increase the speed of deployment (Siota & Prats; 2020:11).

The Caribbean ecosystem knows of a few organizations that are currently playing this role. Among them, Tech Beach has been a leader. Finding this type of organization can help corporations to build a stronger value proposition for startups. Two of the three organizations interviewed have started to collaborate with these intermediaries in scouting processes.

In the long run, it is important that a corporation consolidates a Corporate Venturing ecosystem, partnering with multiple organizations, such as: business accelerators and incubators, research centers, venture capitalists, universities, business angel investors, private equity firms, professional service firms, embassies, government agencies, chambers of commerce, etc..

One of the biggest deficits that corporations face is the lack of organizational agility (Prats & Siota, 2018). Agility translates into higher growth in profits and revenue. Innovation units, on the other side, are a key factor for achieving organizational agility. However, many of them fail to achieve the expected results if they lack an innovative culture. Certain practices and cultural traits, such as slow decision making, conflicting departmental priorities, risk-aversion and silo-based information, tend to slow down decision making and hinder innovation efforts.

While the programs reviewed might have good intentions and ambition, they can fail if they fail to transform the culture of their organizations. The main challenge will be to integrate and absorb the innovations that startups bring to the organizations.

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One of the main reasons, according to Prats & Siota, why corporations fail to adopt new innovations across the wider companies is the “survival mentality”, when business units are unwilling to adopt new innovations because they are risk-averse or because they fear it will cannibalize the existing business. This survival mentality is usually closely related to internal politics, reflecting misalignment in goals and priorities between business units. An additional problem within organizations is the existence of information silos and failure to share information. Due to both internal politics and innovation silos, innovations that are successful within a business unit, might not scale in the main business.

Innovations can also fail to be adopted due to lack of strategic fit with the company’s mission or vision, and because there is a lack of buy-in from the main business leadership team. There are many reasons why organizational cultures might block innovation. If a company has a strong identity, where it identifies itself with those products and services that brought success in the past, the path to reinvention might be slowed.

The three corporations analyzed are already consolidated business groups with a long tradition. They don’t perceive that innovation is an urgent requirement in order to be successful in the long run. This lack of sense of urgency could be counterproductive to Open Innovation and Corporate Venturing efforts.

Those organizations, according to Prats & Siota, whose innovation units succeed in having their initiatives adopted in the wider company, share a few key elements:

- They achieve buy-in from the top management
- There is connectivity between business units
- Innovation initiatives ensure strategic fit with the company’s vision and mission
- They are based on validated assumptions
- They ensure customer’s involvement from the beginning

The single and most important factor is engaging the leadership team and securing an influential internal sponsor. Some of the key cases of success in Latin America and the Caribbean, such as Krealo in Perú, have been born due to a clear understanding among decision makers that the face of the industry is changing really fast and that the corporation has no other choice than to reinvent itself.

The use of Agile methods could also be essential in order to generate conditions that enable innovation projects to succeed within an organization. The use of Agile methodologies (e.g. Lean Startup, Design Thinking, etc.), is normally associated with cross-functional collaboration, and feedback loops, helping to ensure strategic alignment. Agile projects normally require cross-functional resources and sponsors, aligning the different innovation efforts across the organization, and reducing the likelihood of competing innovation efforts.

A key decision for each corporation wanting to innovate and launching an innovation unit, is deciding whether to focus on innovating from within, using external partners or acquiring new businesses. These options are not exclusive. Any corporation could decide to select one or many of them. Determining whether to build, partner or buy, according to Prats & Siota (2018:9) requires an understanding of the organization’s internal capabilities, available budget, timeline for expected changes, and the stage of development of the business opportunities.

There is no single model that works for any corporation in any sector. Finding the right model for each organization requires experimentation, based on an understanding of its goals and capabilities. There is no single recipe for organizations in the Caribbean region, since each industry and corporation might have its own specific challenges, as well as potential partners with whom to innovate.

According to Prats & Siota (2018) adopting a start-up ethos allows corporations to be more responsive to the changing environment, constantly scanning the external market and consumer behaviour. By adopting a start-up mentality, corporations also can learn how to become more collaborative, by leveraging networks, instead of doing everything in-house.

The start-up mentality and agile mindset is also closely linked to efforts in experimentation. An organization that fully adopts a start-up ethos will be willing to secure resources for small experiments. Additionally, according to Prats & Siota, corporations can benefit from adopting a more flexible organizational structure, adopting governance and risk-management models that enable innovation to scale up without too much internal friction and bureaucracy.

The cases that have been analyzed in this study offer an overview of the motivations and scope of collaboration between corporations and startups. These efforts are still in the early stages with a few years to go before they reach maturity. Most have advanced in scouting and strategic partnership processes, and a few have made investments. So that they are not frustrated, it is necessary that they incorporate the best practices in Corporate Venturing and anticipate common risks, such as those mentioned above. Among these, it is suggested to prioritize cultural change within the organization, get strategic support from leadership roles, and connect with intermediaries in the ecosystem (the “enablers”).



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- Julie Avey, Massy Group
- Jeremy Nurse, Massy Group

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## Methodology

This study was carried out to find out the current use of Corporate Venturing mechanisms in the Caribbean region. The project began with an extensive review of the literature focused on the region, which included the evaluation of recent studies on topics such as: innovation, corporate innovation, competitiveness and entrepreneurship.

For the study, it was decided to focus on the three largest economies in the region: Jamaica, Barbados and Trinidad and Tobago.

Due to the limited number of corporations in the region that are publicly known for working on Corporate Venturing and Open Innovation projects, it was decided that the primary data collection process would focus on a few flagship companies. A snowball sampling method was chosen, in which companies were identified and selected with the support of third parties that had knowledge of the entrepreneurship ecosystem of each of these three countries. The first step involved the creation of a database of corporations, based in each of the three countries, for which there is a history of potential realization of Corporate Venturing projects. This list initially included a list of 142 corporations, some of which were discarded after initial validation with local actors. With the support of key organizations from the Caribbean ecosystem, the research team proceeded to contact the companies for which there was more evidence of experience of collaboration with startups. Approximately 10 companies

were emailed, of which three agreed to be interviewed. Given the limited number of cases, the results cannot be generalized by country or by productive sector.

The innovation leaders of the companies were invited to the interviews. The objective of the interviews was to gather information on the open innovation and Corporate Venturing programs developed by the corporations during the last years. The aim was to understand their motivations, goals, results, as well as understanding the lessons learned, and identifying the main allies in the local entrepreneurship ecosystem.

An interview protocol was developed and validated. Each interview had an introductory phase in which the interviewer explained the objective of the interview, and provided definitions of the key concepts in the questionnaire to ensure common understanding. The interview contained open and closed questions.

Three companies were contacted and interviewed.

- Massy Group (headquartered in Trinidad & Tobago)
- VM Group (headquartered in Jamaica)
- Republic Bank (headquartered in Trinidad & Tobago)

The following tables summarizes the key data of these three companies.

### Massy Group

|                             |  |
|-----------------------------|--|
| Name of the Corporation     | Massy Group (holding owning more than 60 companies)  |
| Website                     | <a href="https://massygroup.com/">https://massygroup.com/</a>  |
| Countries where it operates | Headquartered in Trinidad & Tobago, but with operations in 15 countries, including: Trinidad & Tobago, Barbados, Guyana, Jamaica, Cayman Islands, Turks & Caicos Islands, Aruba, Curacao, Antigua, St. Kitts & Nevis, Saint Lucia, St. Vincent, Grenada, Colombia, Belize. |
| Main areas of business      | Investment holding / management company with three main investment portfolios: Integrated Retail, Gas Products and Motors & Machines as well as other legacy lines of business.  |
| Year of creation            | 1923   |
| Annual revenue              | USD 1,646 million (2020)   |

## VM (Victoria Mutual) Group

|                             |  |
|-----------------------------|--|
| Name of the Corporation     | Victoria Mutual Group  |
| Website                     | <a href="https://www.vmb.com/">https://www.vmb.com/</a>  |
| Countries where it operates | Headquartered in Jamaica. Operations in Jamaica and United Kingdom.  |
| Main areas of business      | Wealth Management and Financial Advisory Services, Real Estate and Commercial Property Management Services, Money Transfer Services, Pension Administration and Investment Management Services as well as Property, Casualty and Liability Insurance |
| Year of creation            | 1878   |
| Annual revenue              | USD 12.554 billion (2020)  |

## Republic Bank

|                             |  |
|-----------------------------|--|
| Name of the Corporation     | Republic Financial Holdings Limited  |
| Website                     | <a href="https://www.republictt.com/">https://www.republictt.com/</a>  |
| Countries where it operates | Headquartered in Trinidad & Tobago the holding owns 21 subsidiaries operating in 14 countries, including Trinidad & Tobago, Suriname, Guyana, Cayman Islands, St. Kitts & Nevis, St. Vincent & the Grenadines, Grenada, British Virgin Islands, Anguilla, St. Maarten, Dominica, Saint Lucia, Barbados, and Ghana. |
| Main areas of business      |  |
| Year of creation            | 1837 (as Colonial Bank)  |
| Annual revenue              |  |

After conducting the interviews, the responses were then classified and analyzed. Later the results were qualitatively and quantitatively coded. A quantitative analysis and a conceptualization of the results were also carried out.

Given the complexity of identifying reliable and up-to-

date sources of information to monitor this phenomenon, a larger number of interviewees and a wider local network could increase the understanding of these practices in the region.

The following figure summarizes the research methodology.



**Figure: Research Methodology**



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