

Castrol Innoventures

The advantages of creating a separate business unit to deal with startups

The automotive industry has been through a number of transformations. For a company like Castrol, which sells engine oil and industrial lubricants, the growing electric car sector presented a significant threat. Castrol realised that they needed to innovate beyond their current product offerings and court new markets and partnerships.



What worked?

Senior management created Castrol Innoventures, an independent global business unit responsible for sourcing innovative solutions which would enable it to venture into new strategic sectors, such as smart mobility technologies (everything from vehicle telematics to smartphone apps and gaming), sustainable energy solutions (e.g. electric batteries), next generation engineering (such as smart fluids and next gen lubricants) and intelligent operations (utilising technology such as 3D printing and big data for predictive analytics). The unit had several notable features:

- 1. Clear decision-making model:** It was decided that the unit should report to the Vice-President of Global Marketing who sits on and reports to the Executive Board. This ensured representation in the upper management and reduced the time it took to make decisions about whether to collaborate with startups.
- 2. Flexibility and independence:** Although the unit's employees were assigned certain KPIs and core financial procedures, they were given significant flexibility in other processes. Decisions regarding the structure and approach of the unit, including how to allocate personnel and resources, could be decided within the unit itself.
- 3. Focus on results:** The unit was given a clear mission and mandate – to look for technology and business partnerships that could bring Castrol new revenue streams. The achievement of specific goals would determine budgets and investments for the following year, which provided both a long-term mission and a short-term 'edge' to the activities.
- 4. Fewer internal barriers:** The formation of a separate business unit addressed the procedural and structural barriers to startup collaboration (though it was acknowledged that cultural and strategic barriers, however, might still arise when the partnership or acquisition makes its way to the legal or purchasing units of the larger corporate entity).

Being built from scratch, Castrol Innoventures had an initial learning period of one to two years. During this time, the unit experimented, tested new ideas and learned what worked and what did not. Most importantly, senior management understood that this learning phase was inevitable and was prepared to take a longer-term view of its success.