

Executive Event: The Age of Collaboration II

Start-ups + corporates = pain or gain?



The *Age of Collaboration* is back! 3 years after our first edition of the *Age of Collaboration* report, collaboration between start-ups and corporates has gained significant importance. With 98% of corporates having collaborated with start-ups until today and 12% of corporates' top-line revenues being impacted by start-ups, corp-up has gained momentum and is no longer a niche market. Arthur D. Little and Match-Maker Ventures conducted the study *Age of Collaboration II* and invited executives and experts from across industries and 18 different countries to share their experiences and deep-dive into the co-value creation of bringing corporations and start-ups together. This paper summarizes the key findings of the study as well as the discussions of our executive event in Vienna with presentations from Arthur D. Little, Match-Maker Ventures, leading industry players A1, Bosch and Palfinger Group as well as the start-up Vintom.

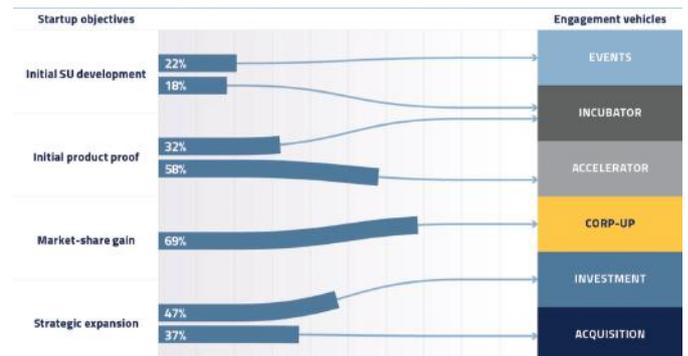
Business impact? Corp-up delivers!

Collaboration between corporates and start-ups experienced a strong development. By 2019, 98% of surveyed corporates have collaborated with start-ups – a significant increase from 79% in 2016. At the same time corporates' level of satisfaction regarding their collaboration with start-ups stayed the same – 98% of all surveyed corporates are planning on repeating it. This is also reflected in corporates' estimates regarding the revenue impact of start-up collaboration. Within the next three years, the revenue impact is estimated to grow from 12% today to 19%.

In order to guarantee value generation from start-up collaboration, start-ups and corporates have to choose the right collaboration vehicle. That is, one that optimizes on quality, quantity and cost, while taking into account the objectives of both start-up and corporate.

Corp-up, “any commercial relationship focused on creating business impact by combining the assets of a corporate and a startup” is the optimal mode of collaboration for corporates that want to benefit from start-ups' innovation power to create fast business impact and for start-ups that are seeking to gain market-share.

Startups' preferred engagement vehicle based on objective

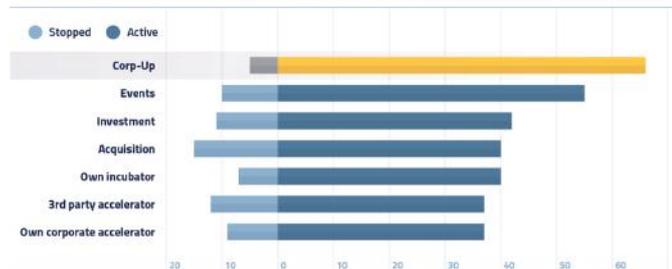


Corporate-startup engagement vehicles

	EVENTS	INCUBATOR	ACCELERATOR	CORP-UP	INVESTMENT	ACQUISITION
Definition	Corporate organizing/ hosting events for startups	An incubator is a unit helping early stage startups to develop their product/ service	Accelerators are usually fixed-term (3-6 months) cohort-based programs of anything between 4-10 startups managed by corporate or 3rd party	Corporate and start-up collaborate on business terms, i.e. buyer-supplier relationship	A financial (minority) investment by a corporate either directly via the balance sheet or via a dedicated fund into a startup	A Corporate acquiring the majority stake in a startup (50+%)
Used when...	Corporate wants to strengthen its external and internal perception of being innovative by engaging with the startup community.	Corporate has access capabilities and wants to provide an "idea playground" to external partners with the hope to innovate	Corporate wants to achieve both (a) brand awareness and (b) startup access – key focus rather to get started as significant investment is required	Corporate wants to benefit from start-ups' innovation power and wants to quickly create business impact, leveraging the existing assets	Corporate wants to hedge its own business and wants to engage as a financial investor; can become a strategic investment, when either acquisition or Corp-Up anticipated	A startup possesses a critical assets or know-how either (a) strengthen an existing line of business or (b) enter a new line of business

Corp-up has emerged as the most used and least stopped engagement vehicle. Only 5% stopped a corp-up collaboration once it has been initiated. The preference for this low risk / high reward approach comes as no surprise, given the widespread focus on making existing assets sweat.

Corporate innovation vehicles – active vs. stopped (%)



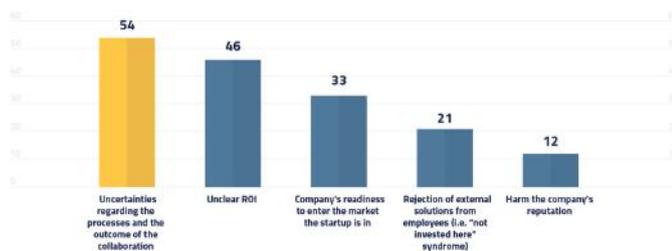
Challenges ahead

Even though popularity of corp-up is growing and start-ups gradually accept more responsibility in the collaboration with their corporate partners, corporates still face a variety of challenges:

- Only 3/10 report a “very” or “extremely” defined dedicated budget and resources for corp-up
- Only 2/10 report a “very” or “extremely” defined process from scouting, to validation, to onboarding
- Only 2/10 report a “very” or “extremely” defined scaling process

What is more, corporates report a range of concerns, which hinder collaboration. The most common among them is “*uncertainty*,” followed closely by “*lack of clarity about ROI*.” These two concerns are shared by respectively 54% and 46% of the respondents. The other 3 most commonly encountered challenges refer to strategic and organisational considerations – “*Readiness to enter start-up’s market*,” “*Rejection of external solutions*” and finally “*Fear of harming the corporate’s reputation*.”

Overall what are the main concerns speaking against collaboration? (%)



Uncertainty and lack of clarity about the ROI are reported mainly by two types of companies:

1. “The mass” actors who collaborate opportunistically – without much impact on their operations and average impact on their resources and
2. “FOMO (Fear Of Missing Out)” actors that collaborate in a more resources-intensive way for the sake of it but without a clear long-term goal.

Such companies are more likely to dedicate resources to the process without a realistic perspective for a corresponding ROI. This echoes a last year’s message:

“Realistically assess the strategic need and the company’s readiness to give the new partnership a real home – don’t do it for the sake of it”.

In contrast, the “Early leaders” and “Explorers” who took time to analyse and plan start-up collaboration – are now moving beyond such doubts and focusing on fine-tuning the internal process and aligning their organisation to new challenges.

These issues and experiences were discussed extensively during the two workshops that took place earlier during the day titled: “*POC – what now?*” and “*How to make collaboration the new tomorrow?*.” The challenges of communication, internal buy-in and incentivisation as well as managing partners’ expectations through transparent KPIs were the recurring themes of the sessions and proposed solutions by participants.

Delivering value requires a structured approach

Once the goals of the corporate and start-up are clear and a suitable vehicle structure is defined, the corporates will be in a good place to deal with “uncertainty” and “efficiency” in more familiar ways – by increasing the funnel, building capabilities and gradually creating more value with less resources.

Six key areas were identified as crucial to this process:

1. aligned objectives
2. dedicated resources and budget
3. a well defined scouting process
4. a well defined validation process
5. a well defined onboarding process
6. a well defined scaling process

The success is also highly correlated with corporates’ organisational culture – a set of solutions that contributes to creating a mindset of a “new normal” around collaboration with start-ups includes:

- Working on internal buy-in and creating lighthouse projects showing that “it can work”
- Creating replicable processes where impact is delivered repeatedly

Keynote 1: Corporations and start-ups. Is there a fit?

Since 2015, A1 has dedicated significant resources to creating an ecosystem that would nurture the corp-up culture.

Four years and 20 start-ups later, Dr. Mario Mayerthaler, Head of innovation A1 Telekom Austria, was able to share key learnings from their successful journey.



“Only when we keep close to our DNA we can fully deliver.”

– Dr. Mario Mayerthaler, A1 Telekom Austria

The key message was to take initial assumptions with a pinch of salt and always count on cultural and operational differences between start-ups and corporates. If anticipated and calculated into the framework of cooperation, such obstacles should not hinder the main goal of cooperation. The overarching message was however to focus on the interactions that offer a close strategic and cultural fit.

Keynote 2: Start-up collaboration. Is it worth the effort?

In case of companies from the manufacturing domain, the generation of the innovation happens in-house, at every part of the value chain and the speed of this process may decide the future of the company.

The keynote by the Stefan Kreppel, Head of Open Innovation at Palfinger Group, focused on these specific characteristics of the industry and his initial experiences of a mismatch between intentions and aims of the start-ups and corporates.



The differences in perceptions often make cooperation difficult and result in the need for a more intensive and thus resource-consuming relationship for corporates. This forces a different approach to fostering innovation in collaboration with start-ups, as the resources and time invested have to be reflected in:

- Noticeable impact on the corporate’s topline
- Creation of new business that will futureproof the corporate

The scarcity of the resources-related dilemma further emphasises the message that corp-up is a process that should be carefully managed and that the decision about entering this path should not be taken without prior assessment and confirming internal readiness.

Keynote 3: Structure of innovation

Angelika Kiessling, Director Corporate Communications & Public Affairs at Bosch AG, presented a time-tested method that Robert Bosch employs to stay at the forefront of innovation since 1886. At the foundation of this winning strategy is a holistic

approach achieved through dispersion of the innovation generating functions between (1) the internal research department, (2) corporate business divisions (3) units specialised in incubation and (4) venture capital.



This structure allows the organisation to closely monitor the amount of freedom vs. rigour that is applied at particular stages of the partnership. Part of Robert Bosch’s success in collaboration with start-ups could also be attributed to the rule emphasised by other speakers i.e. engaging in the interactions that share a DNA with the core Group activities.

Keynote 4: How to work with enterprises and not go bankrupt?

Marcin Kozłowski, VP at Vintom, presented the challenges from a perspective of a start-up with a strong track record of collaboration with corporates across diverse industries.



He acknowledged that some corporates face more collaboration challenges than their start-up partners. As a result – in order to ensure a favourable outcome – start-ups have to be prepared to accept more responsibility for creating a successful collaboration and act upon it.

The additional responsibility does not have to become a burden for start-ups – already a few simple tricks can enhance the value of the partnership, make it more transparent and entice a feeling of trust among partners. These include:

- Structuring the PoC as a clear, traceable process
- Making the PoC quick

- Making the process easily replicable
- Leveraging the experience and addressing doubts common for all corporates upfront

Panel discussion

The keynote session was followed by the panel discussion which touched upon such issues as:

- Successful collaboration with a start-up that has a good chance of disrupting its corporate partner's business
- Managing fears/apprehensions of employees who may feel threatened by external collaborators

All the participants of the panel voiced the importance of communication and transparency and the ability to really understand the cooperation partner's concerns.



Angelika Kiessling warned against using one-sided statements like "corporates should speak the language of start-ups" or vice versa. Instead, she sees the future of corp-up as the process of both parties becoming "bilingual" and working hard to gain mutual understanding. This point was emphatically supported by Maximilian Scherr who opened up another dimension of the discussion:

"How do you become a balanced organisation – also known as ambidextrous organisation – which balances "fast & creative" innovation while fostering "scale & productivity" at the same time?"

– Maximilian Scherr, Arthur D. Little

This will certainly become a topic for one of the next ADL Executive Events in Vienna.

Conclusions

Now that corporates are becoming increasingly comfortable with the idea of corp-up being a key element of their strategy, the time became ripe to consider streamlining the process and increasing its transparency and efficiency. The interactions during the meeting confirm the validity of the trends and solutions put forward in the *Age of Collaboration II* report.

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Arthur D. Little

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

For further information, please visit www.adl.com

Match-Maker Ventures

Match-Maker Ventures (MMV) is where innovation meets experience. We match start-ups with corporations to realize the 1+1 = 3 promise. MMV has one critical mission: to become the global reference to make start-up-corporate collaboration simple and successful.

Our unique network approach enables our portfolio start-ups to scale fast by providing access to the global markets, and corporations benefit from pre-selected, globally scouted and well-prepared innovation. By involving our global Match-Maker network, we create "perfect matches" and ensure impact is being created by managing the process end to end, from start-up sourcing to on-boarding.

We focus on industries where we possess deep understanding and a broad network: telecoms, media and financial services.

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