

Executive event: Corp-up

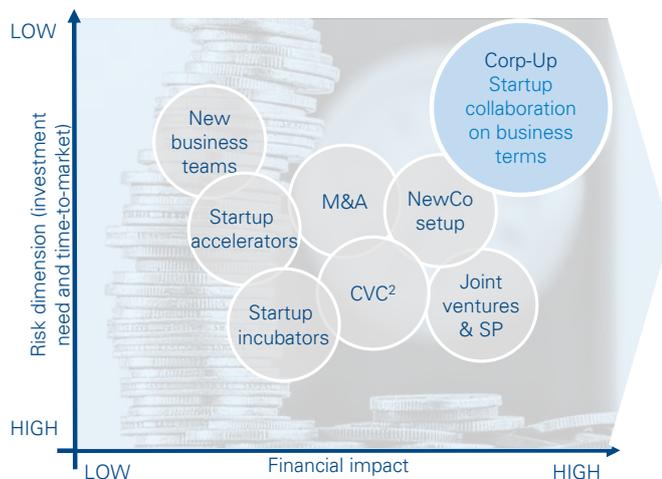
Is start-up collaboration the future of innovation?



Technological adoption has never been as fast as it is today, and many corporations are already suffering from inability to keep up with the pace of change. Start-ups play a key role in accelerating this change, so today's experienced, well-educated and well-funded start-ups are certainly here to stay. Arthur D. Little and Match-Maker Ventures invited executives and experts from across industries and 18 different countries to share their experiences and dive deep into the co-value creation of bringing corporations and start-ups together.

The corp-up approach: New and exciting, but also challenging

"Corp-up", defined as "any form of commercial relationship between a corporation and start-up", represent a new and very exciting form of cooperation for innovation – often with greater financial impact and lower risk than traditional forms. Some even claim it is the ultimate form of innovation.



Source: Arthur D. Little

This claim is supported by a recent ADL/Match-Maker Ventures study:

- 79 % of corporates had already collaborated with start-ups in some way
- 85 % of those that hadn't were interested in doing so

- 83 % of corporates considered collaboration with start-ups very or extremely important

However, implementation seems to be challenging:

- 32 % of corporates said the collaboration never created the expected benefits

Therefore, Karim Taga, managing partner of Arthur D. Little, and Nicolai Schättgen, CEO of Match-Maker Ventures, outlined the need to not only move away from equity and investment discussions, but also focus on actual business needs.

Based on years of joint experience and having identified, set up and learned through many corp-ups, they proposed a three-step process to leverage the innovation potential, including key success factors:



1. Get internally ready: During the preparation phase, corporations would need to prepare themselves for the start-up world. This would include clearly understanding why one was in the game. Key learnings are:

- 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.
 - Prioritize the playing field and assess existing capabilities
 - Align on a search-and-assessment grid
2. Identify your golden nuggets – screen and validate the partners
 - Ensure access to globally sourced start-up innovation
 - Prioritize opportunities early on to balance efforts
 - Build and run a professional and efficient evaluation process
 - Involve the right people
 3. Make it happen
 - Set up a collaboration model (value prop, operating model, G2M)
 - Ensure buy-in from all relevant stakeholders
 - Roll out implemented solutions across the organization
 - Identify add-on solutions to maximize value creation

Key questions

Once the concept was outlined, the workshop part of the event started. Divided into three groups, experiences were shared and key success factors were identified based on the key questions Per

- "Get internally ready!"
 - What do you want to achieve by collaborating with start-ups?
 - What do you need?
 - How to ensure you don't lose track along the way?
- "Identify your golden nuggets!"
 - How to identify the search areas?
 - How and where to find the best start-ups?
 - How to best validate interesting opportunities?
- "Make it happen!"
 - What set-up best suits your goals?
 - How to ensure opportunities are realized?
 - How to capture the full potential of the partnership?

Creativity in why to engage with start-ups, allocation of required resources, and definition of KPIs were considered key success factors for companies when getting internally ready to collaborate with start-ups.

For the second step, participants discussed how data-driven decisions should guide identification of the right start-up partners, and thorough due diligence was considered mandatory for opportunity validation.

Finally, participants agreed that realization of opportunities should be guided by an agile execution process, with top management support as a key enabler for success.

After the condensed but valuable workshop presentations, the keynotes started.



Keynote 1: Is "corp-up" the best form of innovation?

Wayra, from Telefónica and one of the world's first corporate accelerators, recently shifted its approach to corp-up. Christian Lindener, CEO of Wayra Germany, outlined the transition to a collaboration model which does not necessarily cover investment in startups, and underlined the learnings which led to this change.

After building an extensive global innovation ecosystem and investing in 980 startups, Wayra's team was overwhelmed by the number of invested companies which actually got to work with Telefonica. After 980 lessons learned, Telefonica is now focusing on a model which "primarily serves entrepreneurs, but keeps the corporate in heart".

Participating start-ups would have the chance to win Telefónica as a first substantial client. Additionally, entrepreneurs would benefit from support in business development, a go-to place ecosystem, open corporations and a global network, access to expertise and technology, and the brand recognition of Telefónica. The current innovation pipeline consisted of proof-of-concept of operational projects and disruptive technologies, which had the potential to initiate major development in the market.

"For Wayra/ Telefónica, CorpUp really outperforms traditional types of innovation – and it is the business impact, that makes the difference"

– Christian Lindener, Wayra



Keynote 2: How to get it right from start

Ana-Marija Markunovic from ANDRITZ AG, an Austria-based world leader in special industries such as hydropower generation and pulp & paper mills, shared the company's reasons and processes for cooperating with start-ups. These activities took place in a separate unit, Andritz Ventures, which was dedicated to this innovation stream under its technology brand, Metris. This included intelligent digital solutions for the industrial Internet of Things (IoT).

ANDRITZ's experience in this area showed how successful collaboration involved getting executive support and preparing internally by reflecting on aspects such as collaboration and technology focus areas.

“Our reasons for collaborating with start-ups are to gain access to new technologies and fresh perspectives”

– Ana-Marija Markunovic, Andritz

Keynote 3: Corp-ups in emerging markets

Sam Ajadi, insight manager at GSMA, provided the perspective of a middle man supporting a corp-up collaboration. Representing the interest of mobile operators on a global level, GSMA aims to accelerate the corp-up concept, especially in emerging markets. The first crucial challenge is to identify the “haves” and “needs” of both sides. While start-ups can benefit from the strong position of mobile operators in emerging markets, corporates look for ways to innovate, more ideas across sectors, and new areas of expanding revenue.

“Mobile operators are some of the strongest brands in emerging markets”

– Sam Ajadi, GSMA

In that respect the GSMA is active in two main areas::

- Equity-free innovation fund

The company was currently working with 24 start-ups across continents and industries in API integration, co-innovation, commercial agreements, etc.

- Awareness & insight

GSMA would provide service and information, e.g., reports on open innovation

Keynote 4: Real added value

Ranked 90th most innovative company worldwide, Orange plays an active role in the recent corp-up development, perceiving these collaborations as a source of disruption and innovation. The company is another example of partnerships between corporates and start-ups that go beyond financial investments. In fact, few cases even involve this aspect, according to Francois Dufour, development director at Orange Technocentre. He explained how the evaluation process of a potential collaboration

partner included products, market, competition, traction, acquisition, team, funding, reference calls, and business models. However, he said, there was one question to keep in mind during this assessment:

“The crucial question is what the company can do (more efficiently) that we couldn't do ourselves?”

– Francois Dufour, Orange

The added value for Orange regarding start-up partnerships referred to anticipation of future disruptions, bootstrapping of key technologies and exploration of new models/markets. In particular, investigating potential business opportunities in foreign segments could be realized with more flexibility through start-up collaborations. Acility was cited as a successful corp-up in the IoT sector, which had included a partnership and investment to deploy the LoRa network in France.

Keynote 5: Key success factors and challenges

Austria's biggest electricity provider, Verbund, had also gained experience with start-up collaborations and identified key success factors and main challenges. The five steps to successfully collaborate with start-ups included:

- Understand start-ups and how they differ
- Define your goals
- Set the right framework
- Choose the right collaboration for you
- Get started by creating a win-win situation

At this point Clemens Theuermann-Bernhardt, head of the “Corporate Development – Strategie” team emphasized the importance of preparation and reflecting on objectives in advance.

“Only if you know what you want to do, can you do it right”

– Clemens Theuermann-Bernhardt, Verbund

The example of CIMNE, the winner of the Verbund Innovation Challenge, showed these steps in practice. The process had spread over the phase of the actual challenge, the development and prototyping period, and the final roll-out. The challenges along the way had demonstrated the significance of finding a pain point, commitment and management support.

Keynote 6: The start-up perspective

The collaboration journey from the eyes of a Start-Up was presented by the CRO of Solvemate, Christian Blomberg. The company focusses on automation of customer support offering a virtual agent that provides instant self-service by asking smart multiple-choice questions.

The procedure of scouting and selecting potential partners for a Corp-Up collaboration is not one-directional. Also the Start-Up

is actively going through these stages. The three key questions consist of:

- Does the brief align with our vision and strategy?
- Is the corporate clear about the goals and outcomes it wants to achieve?
- Are they in it for the long term?

The crucial point is to fundamentally understand how both parties can contribute to the collaboration and what the strengths and assets are.

“Time is one of the most scarce resources for start-ups, while corporates have a tremendous amount of it”

– Christian Blomberg, Solvemate

Conclusion

Corporates urgently need to develop the ability to collaborate efficiently and effectively. To ensure identified business benefits are being realized, business owners need to support the process early on and allocate sufficient (experienced) resources. Analytical rigor in the first phase and a global search for partners are key.

Start-ups need to better investigate the joint value creation potential and prepare before pitching to corporates. Additionally, start-ups have to be persistent and resilient when interacting with corporates. They need to push corporates, but also remain flexible in dealing with timelines.

The multiple success stories show the importance of preparation such as defining goals in advance as well as the need for flexibility for potential adaptation over the entire term in order to truly create joint value.

“Top management really needs to support the process early on. We have seen too many initiatives fail because at the very end, the top management didn’t support enough.”

– Maximilian Scherr, Arthur D. Little



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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. ADL 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.adlittle.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.

www.match-maker.ventures

www.adl.com/CorpUp