WINNING TOGETHER

A GUIDE TO SUCCESSFUL CORPORATE–STARTUP COLLABORATIONS

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FOREWORDS

Brent Hoberman, co-founder of lastminute.com and made.com, CEO Founders Forum

The importance of innovation is not lost on most corporates. Much has been written about the drastically shortening lifespan of big companies – the average tenure of a firm in the S&P 500 has shrunk from 61 years in 1958 to 18 years. But the most forward thinking corporates know that the best ideas don't always come from within their own business. Instead they are setting powerful examples of how working with and investing in startups can help defend and grow market position.

I've experienced these sorts of partnerships from both sides of the fence – as we grew lastminute.com and now Made.com, and as a board member of companies including *The Guardian* and TalkTalk. The right corporate-startup collaborations are hugely beneficial for both sides, but can be difficult to pull off. Corporates need to think hard about how to approach these innovation partnerships systematically, rather than relying on individuals to take the initiative.

For corporates actively working with startups this report will be a useful tool in sense-checking and refining your programmes. For those that aren't active in the space or who lack a systematic approach, this can be a rulebook to learn from others and avoid expensive mistakes. Many corporates immediately think of investment and acquisition when they think of engaging with startups, but the case studies below show the wealth of options available. Whatever model is right for your company, our advice is to apply a 'lean startup' approach to your strategy; start small, test, iterate and grow when you know something is working. Overcoming these key challenges was my motivation in co-founding Founders Intelligence, which helps corporates set up programmes that create benefit for both their business and young companies.

Startups should prioritise corporates who are serious about making deals happen and are set up to make decisions quickly. But they should also heed the words of a number of corporates interviewed in this report: don't try to turn every conversation into one about investment. If you can solve real pain-points for these organisations, you will build far more value for your business and then investment conversations become a natural progression.

I want to thank Nesta for the time and effort taken to compile this report. In particular Valerie Mocker, who has been the driving force and Rob Chapman who leads the Founders Intelligence consulting team.

Giuseppe Zocco, co-founder and partner at Index Ventures

Wherever you look, innovation today is increasingly led by startups. Unencumbered by the legacy systems, infrastructure and scale of large corporations, startups are nimble and insurgent both by nature and necessity. And they are simply better-placed to harness technology to recalibrate existing business models and invent new ones altogether. Importantly, they are unlikely to be the proverbial two engineers in a garage these days. In fact, many later-stage 'new' innovative businesses are rapidly growing companies with significant revenues of tens or even hundreds of millions of dollars a year.

Across all verticals, corporations are eyeing what's happened in, say, entertainment, media, financial services and software, and waking up to the certainty that disruption is imminent in their sector too. Many of them view the best startups as an existential threat. This leaves established brands with an urgent dilemma – whether to try to innovate from within, perhaps by establishing in-house incubators and poaching the best talent, or opt to collaborate or partner with startups instead?

I'd argue strongly that, for the vast majority of corporations, it's far more valuable to figure out how to leverage the innovation that startups have accomplished through mutually-beneficial partnerships. They can achieve this in a number of ways. First, as a customer, by buying in the solution that the startup offers and leverage those new technologies to improve internal efficiency and service level to their own customers. Second, they can establish a 'channel partnership' by providing a joint solution to their customers. Alternatively, a large firm can build a long-term relationship, by either becoming an investor in one or more startups, or even by acquiring them.

Yet in all of these cases, a major roadblock remains. How do big brands identify the right startup business to partner with in the first place?

The stark reality is that the vast majority of startups fail, and only a handful of the survivors will ultimately become true global category leaders. Those who do succeed are likely to be associated with an ecosystem like the ones developed by ourselves, at Index, or our colleagues at other similar leading venture firms. Last year alone, Index looked at thousands of companies and invested in just 24, meaning that the startups we work with have been thoroughly screened. All of which explains why there's a final option for established players to consider: namely, connecting with a ready-made platform and partners to get a window on the world of innovation.

There's never been a better moment for large corporations and startups to work together – which is why Nesta's report is both timely and important. For too long, large firms have viewed startups as threats looming in the rear-view mirror, while startups have seen incumbents as ripe for disruption. The truth is that with the right partnership, carefully forged, both can benefit hugely, while simultaneously creating extraordinary value for their customers.

EXECUTIVE SUMMARY

Innovation is changing; big corporates are waking up to the fact that startups, especially digital and tech businesses, are disrupting whole industries from the bottom up. Forward looking corporates see startups not as a threat, but as potential partners to create more value for their company, consumers and sectors.

This guide is for **corporate executives** and **managers**,

- To help them understand what value working with startups can bring to their organisation.
- To provide them with a three-step approach and framework to evaluate and select suitable programmes to engage with startups.
- To empower those who want to champion startup engagement inside their company with case studies and stories that clearly illustrate the transformative benefits of collaborations.

No matter which programme you choose, these are **ten important lessons** to remember:

Designing your programme

1. **Carefully consider your objectives to engage with startups.**
2. **Select the programme(s) that best deliver on these objectives.**
3. **Secure board-level sponsorship.**

Measuring your programme

4. **Develop key performance indicators.**
5. **Capture data and feedback continuously to iterate the model.**

Implementing your programme

6. **Hand startup programmes to people with an entrepreneurial mindset.**
7. **Allocate an internal champion with decision and budget power.**
8. **Create a publicly visible, single access point for startups.**
9. **Scout internationally to attract the best startups and technology.**
10. **Make it easier for startups to work with you.**

What's next – three steps to getting started today

- **Talk to people who already work with startups** for inspiration and advice, be they in other corporates, the growing ecosystem of organisations supporting startups or entrepreneurs themselves.
- **Define your objectives to work with startups**. Our framework will help you identify a range of suitable programmes.
- **Start with a small-scale programme pilot**, iterate and then scale up.

CHAPTER 1

THE CASE FOR WORKING TOGETHER

Why no corporate manager can ignore startups

We believe every corporate manager should have an interest in startups. Why? Because startups are driving major innovations that disrupt entire industries – from hospitality to mobility and financial services. Young tech companies such as Funding Circle, Spotify and Uber – all less than ten years old – have reached billion dollar valuations and are replacing incumbent technologies and existing business models. These young companies are powered by digitalisation, entrepreneurial spirit and the agility to pivot swiftly. Corporates across all sectors realise that their businesses might also stand on a 'burning platform' and wonder how to engage with startups.

Yet for large firms to view startups simply as a competitive threat would be short-sighted.

> *"Big companies are lately waking up to the fact that their industries are disrupted by the innovations led by startups. Instead of thinking 'some incumbents are gonna lose, some startups are gonna win', startups should be seen as potential partners. Partners to create more value for your company, more value for the consumer, and for the whole industry."*
>
> **Giuseppe Zocco**, co-founder of Index Ventures

Startups and large companies bring each other immense opportunities through collaborations that, if harnessed correctly, create win-win situations for both. This report illustrates how. In a world where innovation, rather than pure efficiency, is the key driver of long-term success, working with startups allows corporates to develop and test new technologies and service solutions with less costs and risk to their core operations. Startups are also a source of fresh talent and ideas that can help rejuvenate corporate cultures.

Likewise, large firms have numerous advantages for startups: market knowledge and experience, economies of scale, established networks and brand power along with other considerable resources. Working with big businesses can be an important route for startups to test their products for market fit. As CB Insights data suggests, the majority of startups fail as there is no market need for their products.[1] Procurement from a corporate partner can also help startups scale up their operations and convey essential validation for future customer acquisition.

The changing landscape of corporate innovation

It is telling that not only companies like Microsoft and Google but also less technology-focused businesses such as Coca-Cola and Unilever – all among the most valuable brands in the world – have launched programmes to systematically scout, attract and collaborate with young tech companies. Working with startups is, however, not reserved for the world's biggest companies: as this guide shows, medium-sized firms can also harness collaboration opportunities.

Open innovation – 'the paradigm that assumes that firms should use external ideas as well as internal ideas, and internal and external paths to market'[2] – has become important for many firms who recognise the limits of 'closed' internal R&D.[3–7] Evidence shows that openness leads to faster project execution, better technical performance and higher financial revenues.[8] Importantly, open innovation is increasingly practiced through formalised engagement with startups. In a recent (2014) survey by KPMG, 88 per cent of corporate respondents thought that collaboration with startups was essential for their own innovation strategy.[9] Our research found that more and more established businesses are starting structured programmes, from corporate accelerators to venturing arms, to harness the entrepreneurial power. To look at just a few key trends:

- Corporate accelerators are growing in popularity. Nesta's own research found that nearly one-third (32 of 103) of European accelerators were run or supported by corporates at the start of 2015 – a number that is growing rapidly.
- Corporate venture capital (CVC) is also booming: In 2014, global CVC investments grew 86.5 per cent by value and 59 per cent by number, amounting to 1,734 deals totalling $48.5 billion and exits worth $84.2 billion.[10] Just under half of Europe's largest 100 companies now have some venture investing activity, with Germany being the continent's corporate venturing powerhouse.
- Acquisitions of startups, in particular by large businesses with a focus on digital technologies, are also growing. Nesta's analysis of over 130 of the largest corporates in Europe showed that up to 80 per cent of acquisitions by corporates in digital and ICT sectors focused on startups rather than established market players.

We think that these numbers only represent the tip of the iceberg. Stronger and more formalised interaction between forward-thinking corporates and startups has great potential to create substantial value for all parties involved. Whereas corporates and startups have collaborated in informal ways for many years, formalised programmes have distinct benefits. Firstly, they make collaborations more efficient and cost-effective for corporates. Next, they are a public commitment to supporting new innovators and as a forward-looking company which sends strong signals to internal staff as well as external partners, customers and future employees. Equally important, formalised programmes are more visible to the startup community, and are therefore easier to engage with.

More corporate-startup collaboration would also strengthen the European innovation ecosystem and its ability to take advantage of rapid technological changes and the potential of digitalisation.[11] There is increasing evidence that greater penetration of digital technologies can boost productivity.[12] Stronger collaboration will also support a stronger European tech ecosystem where startups can transform into so-called scaleups – large, sustainable businesses.[13–14] That is why the wider startup ecosystem and policy makers, too, should be interested in helping corporates and startups work together more effectively.

Why corporate executives and managers should read on

Whereas an increasing number of corporates want to start working with startups, many do not know where to start, given the mushrooming array of programmes. Our research suggests that many large firms also think too little about questions of strategic alignment, ultimate goals and success metrics. Lack of internal buy–in is another problem that managers of existing corporate startup programmes reported to us as their key barrier to work effectively with young businesses. A pivotal but often overlooked element is the need for mutual benefit and consideration of the startup perspective, without which a programme can be doomed from the outset.

This guide helps corporate executives and managers tackle these issues. Chapter 2 presents a three–step approach that disentangles the most important objectives for corporate engagement and outlines how these link productively with suitable programmes. The case studies in Chapter 3 tell stories of good practices within existing corporate startup programmes and clearly illustrate the transformative benefits that working with startups can have on your core business. Chapter 4 briefly dives into the growing ecosystem of organisations trying to facilitate collaborations between corporates and startups, with whom you can partner for support and guidance. The Guide finishes with ten top lessons that every startup programme should be based on.

The insights presented in this guide are based on a broad range of sources. It builds on insight from Founders Intelligence and the Startup Europe Partnership, gathered through year–long experience of matching corporates and startups in Europe. Nesta also undertook new primary research, which involved roundtables with over 60 corporate representatives and entrepreneurs. We also conducted more than 50 interviews with managers of corporate startup programmes, innovation managers and C–level executives from sectors as diverse as hospitality to telecommunications; as well as entrepreneurs, investors, accelerators, academic experts and other startup ecosystem players. This primary research was used to develop case studies and key lessons, which we complemented with six months' of desk research which helped identify key motivations, programmes and strategies.

CHAPTER 2

THREE STEPS TO START

How do we make our organisation more innovative and willing to take risks?

How can we recast our corporate brand in the digital age?

How can we solve key business problems in a quicker and more cost–effective way?

How do we create awareness of new market trends and emerging technologies?

If you have previously asked yourself these questions, take heart, because you are not alone. They are problems that most executives have to solve for their companies. Working with startups has proven for many to be an excellent way to tackle these challenges from a new and productive angle. The following steps will help you develop suitable programmes to engage with startups and harness the power of corporate–startup collaborations.

STEP 1 Clarify your objectives

Any effective startup engagement programmes should start with the following question: **What is my objective to work with startups and what do I hope to achieve?**

The following four objectives tend to be the key reasons for corporates to set up startup programmes. Any programme should be designed to deliver against these objectives.

Rejuvenating corporate culture

This objective is important if you ask yourself questions such as:

How do we make our organisation more innovative and willing to take risks?

How do we create internal awarness of new market trends and emerging technologies?

Working with startups helps create an entrepreneurial mindset among employees who become exposed to agile teams, lean approaches and fresh thinking. Startups also help corporates create awareness of future trends and the potential of new technologies.

Innovating big brands

This objective is important if you ask yourself questions such as:

How can we recast our corporate brand in the digital age?

How can we position our company as an innovation-driven partner, customer or employer?

Working with startups not only rejuvenates corporate thinking internally, but also modifies the external perception of corporate brands among their customers, partners and future employees.

Solving business problems

This objective is important if you ask yourself questions such as:

How can we solve key business problems in a quicker and more cost-effective way?

Developing new innovative solutions and products with startups rather than internally is often much quicker, and less risky for your core business. Startups bring new technologies, business models and talent to the table.

Expanding into future markets

This objective is important if you ask yourself questions such as:

How can we strategically expand into new markets?

How do we capture the power of cutting-edge, disruptive technologies?

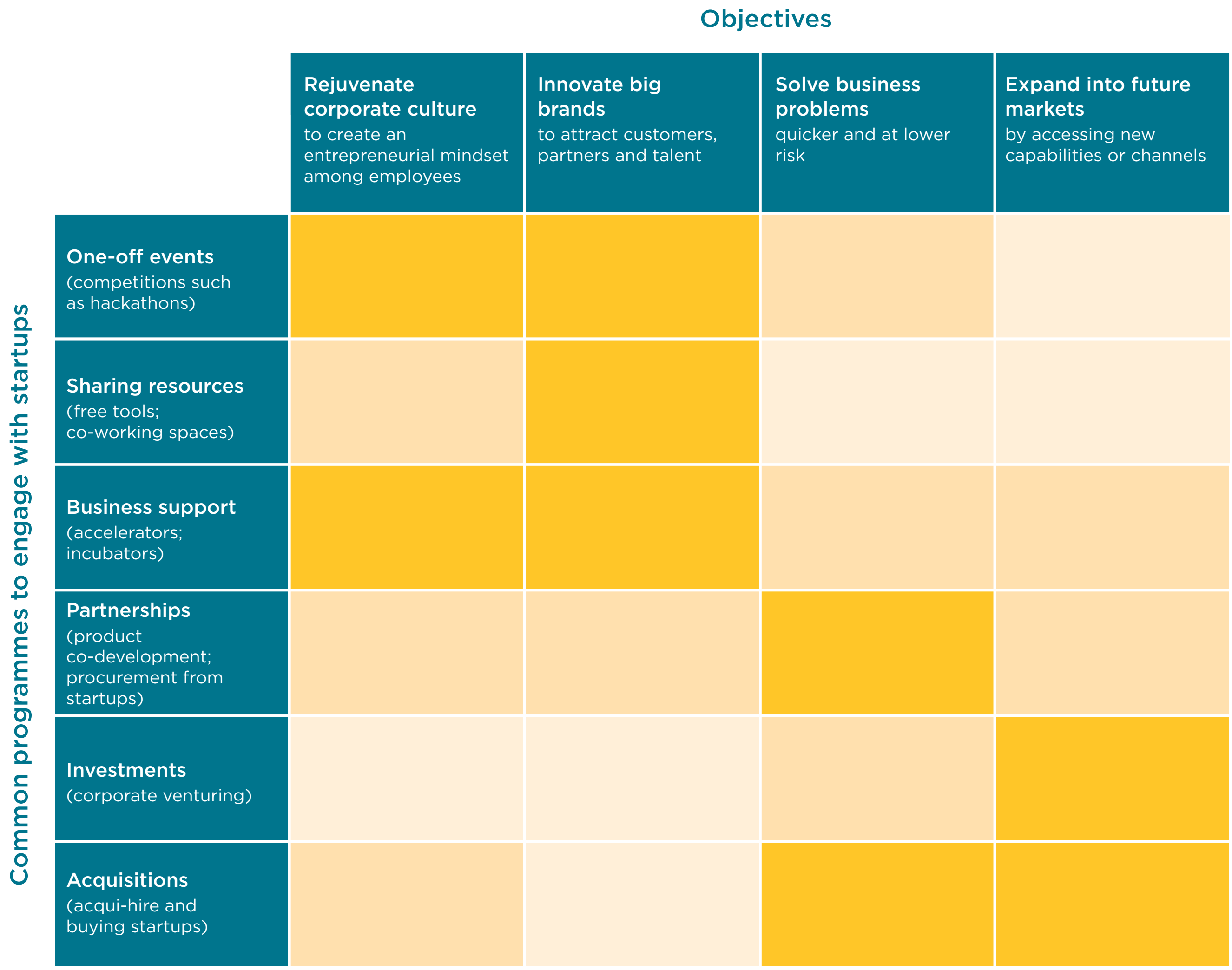
Startups can be an important channel to expand business operations into new markets. Young companies also tend to have the necessary capabilities and agility to compete in newly emerging sectors.

STEP 2 **Consider the programme options**

Once you have considered your core objectives, the question that follows is:
What types of programme options exist and how do they generally differ?

To help you identify suitable programme options, we summarised the most common programme types and developed a framework (Figure 1) that indicates which programmes tend to be most suitable to achieve the four key objectives. Many corporates gradually build up a portfolio of programmes and mix or tailor different elements, to satisfy multiple objectives.

Figure 1 **Collaboration framework, indicating how common types of startup programmes tend to deliver against key objectives to work with startups. Darkness of the field indicates stronger suitability to satisfy key objectives.**



One–off events

Some corporates choose to attract startups through relatively self–contained events, that often take the form of competitions. These tend to be good starting points to drive internal culture change by exposing employees to the entrepreneurial mindset of startups, provide new perspectives of emerging business trends and technologies, and also foster external association of the corporate brand with innovation. However, it is important to understand that these programmes provide less immediate return in terms of business relationships and also require careful consideration of the needs of the startups. Specific events can include:

- **Challenge Prizes** are competitions that focus attention on a specific issue and incentivise innovators to provide new solutions. Our case study of glh, a luxury hotel chain, illustrates such an example: running a Wearables Technology competition with other partners to gain exposure to new ideas and technology trends to foster internal. Cisco's I–Prize or Virgin Media's Postcode Lottery Green Challenge are other examples.
- **Hackathons or hack days** are a more focussed form of competition that is growing in popularity. At these events, coders and creatives (either as individuals or teams) congregate for a period of intensive, focused development around a goal, such as solving a specific technical problem or producing a particular piece of code. Many corporates including Nokia and Unilever have sponsored such events as part of their quest for new ideas.

Sharing resources

Sharing resources with startups can be a comparatively cheap way for corporates to build a more innovative brand. However, it is important to understand that these programmes, especially supplying free tools, provide less immediate return in terms of business relationships. Again, considering and testing why startups would use free resources and ensuring that those resources meet the requirements of the entrepreneurs is pivotal. The types of resources corporates tend to share are:

- **Free tools:** Many corporates offer 'soft support' to startups in the form of free or cheaper access to their services, tools and products – or indeed organisational knowledge. As our case studies show, companies like Dell, Google and Microsoft all provide free tools and technologies to build and expand their digital businesses. Many corporates also choose to make their products available through third parties, such as f6s, a digital platform that connects startups with accelerator programmes and investors. Intel, for example, offers free tools and services - including Edison boards, online 'helpouts' and professional publicity videos – to promising IoT startups, via third–party accelerators.
- **Co–working spaces:** Physical co–working spaces are another increasingly common, if also more expensive, form of providing resources. Startups can use for free, or sometimes rent, access desks, meeting spaces, internet and so on. Think of a flexible office environment with leasing terms that are tailored towards very dynamic and constantly growing or shrinking startups. According to a survey by the (now defunct) startup DeskWanted, there has been a recent surge of co–working spaces, with several thousand now established globally – especially in the US, Germany, Spain, the UK and France.[15]

Business support

Corporates also operate various forms of business support programmes, in particular incubators and accelerators, that help the growth of early-stage startups and make them ready for investment, market entry and scale. These programmes can be powerful tools to foster culture change and internal learning by engaging employees as mentors or advisors. However, whether these programmes should be run directly by corporates or only in partnership with third parties is a hotly debated topic. In any case, business support programmes have to be designed with the startup needs in mind, and not solely oriented towards the growth of the corporate host.[16]

- **Business incubators** have existed for many years and are relatively well documented.[17] Characterised as a flexible working space with additional value-added services – such as centralised legal or marketing support – there are now many thousands of incubators supported by corporates worldwide.[18-19] Whilst some clearly do generate a modest profit, many incubator managers are of the view that they should be cost-neutral or else subsidised by a host organisation.
- **Accelerator programmes** have grown rapidly in popularity in the past ten years, especially with corporates. These usually focus on cohorts of startups and typically offer a time-limited period (e.g. three to six months) of intense support, often in exchange for equity.[20] They provide a 'hothouse' environment where startups learn, test and iterate their business models rapidly with mentors and peers, usually culminating in a 'demo day' to investors. Whereas early programmes had a focus on digital technologies, accelerators now support startups from diverse sectors as diverse as fintech, Internet of Things and entertainment.[21] With corporate accelerators mushrooming across Europe, specific models can differ quite significantly: compare our case studies of Telefónica, Accenture or Rabobank. Some offer 'equity free' models; some are run with other corporate partners; some are wholly external.

Partnerships

Strategic business partnerships can take many different forms, and may sit on a spectrum from the relatively short-term, transactional engagement to the long-term, committed relationship. From the startup's perspective, the following programmes are particularly attractive:

- **Product co-development** may include joint research and development of products or services that tackle a business problem of the corporate or their client. These solutions are jointly specified, developed and then piloted. Evidence shows that jointly defining goals and technical specifications can improve new product development.[22] The success of co-development typically depends on a clear brief from the corporate; a pre-designated budget; and a clear time-frame within which to decide whether to terminate the partnership or progress beyond the pilot.
- **Procurement** from startups can bring significant benefits to corporates that get access to cutting-edge technologies and new business models. Procuring from startups allows corporates quickly to find new approaches to specific business problems or opportunities. Importantly, such partnerships require a more collaborative mindset and a wholescale rethink of procurement processes. On the startup side, the validation of gaining a large corporate as a lead customer can often be the tipping point between success and failure, or between starting and scaling up.

Our case studies of Unilever and Diageo illustrate how these programmes can work well in practice. Partnerships require alignment in terms of complementary capabilities as well as culture. As our case studies on Diageo or Telefónica show, reducing internal bureaucratic processes like payment terms and supplier registration systems are important to facilitate interaction with the best startups.

Investments

Direct investments, often referred to as corporate venturing, can be a useful way to access new markets and capabilities by backing and supporting interesting startups, with less capital requirements and higher speed compared to internal research and development.[23]

- **Corporate venturing** is growing rapidly. Across Europe, firms are investing ever more into startups by establishing corporate venturing arms. These can be run internally, as a subsidiary to the corporate or by contributing to corporate backed investments funds jointly supported by private and public investors.[24] As the case studies of BMW and Enel show, while boosting profits and direct financial return are important metrics for corporate venturing, they tend to be less important than the strategic benefit of interacting with new technology.[25]

Acquisitions

The logical extension of corporate venturing is **acquiring startups**, which can be a quick and impactful way of buying complementary technology or capabilities that solve specific business problems and enter new markets.[26] For a startup, a trade sale is clearly one of the main exit routes for those involved with a successful venture which also brings significant cachet within the startup community.[27]

- **Acqui–hiring** has become one particularly important kind of acquisition strategy – the practice of acquiring a company specifically in order to access its talent, as opposed to its technology or other assets. CEO’s like Mark Zuckerberg, founder of Facebook, consider aqui–hiring the most important strategic objective of buying startups: *“Facebook has not once bought a company for the company itself. We buy companies to get excellent people”*, Zuckerberg has said.[28] This practice has become particularly prevalent among digital businesses where the talent crunch is particularly acute and where coding skills are highly transferrable. Research by CBInsights suggests that most (86 per cent) of the companies that were acqui–hired had raised less than $5 million.

STEP 3 **Connect potential resources**

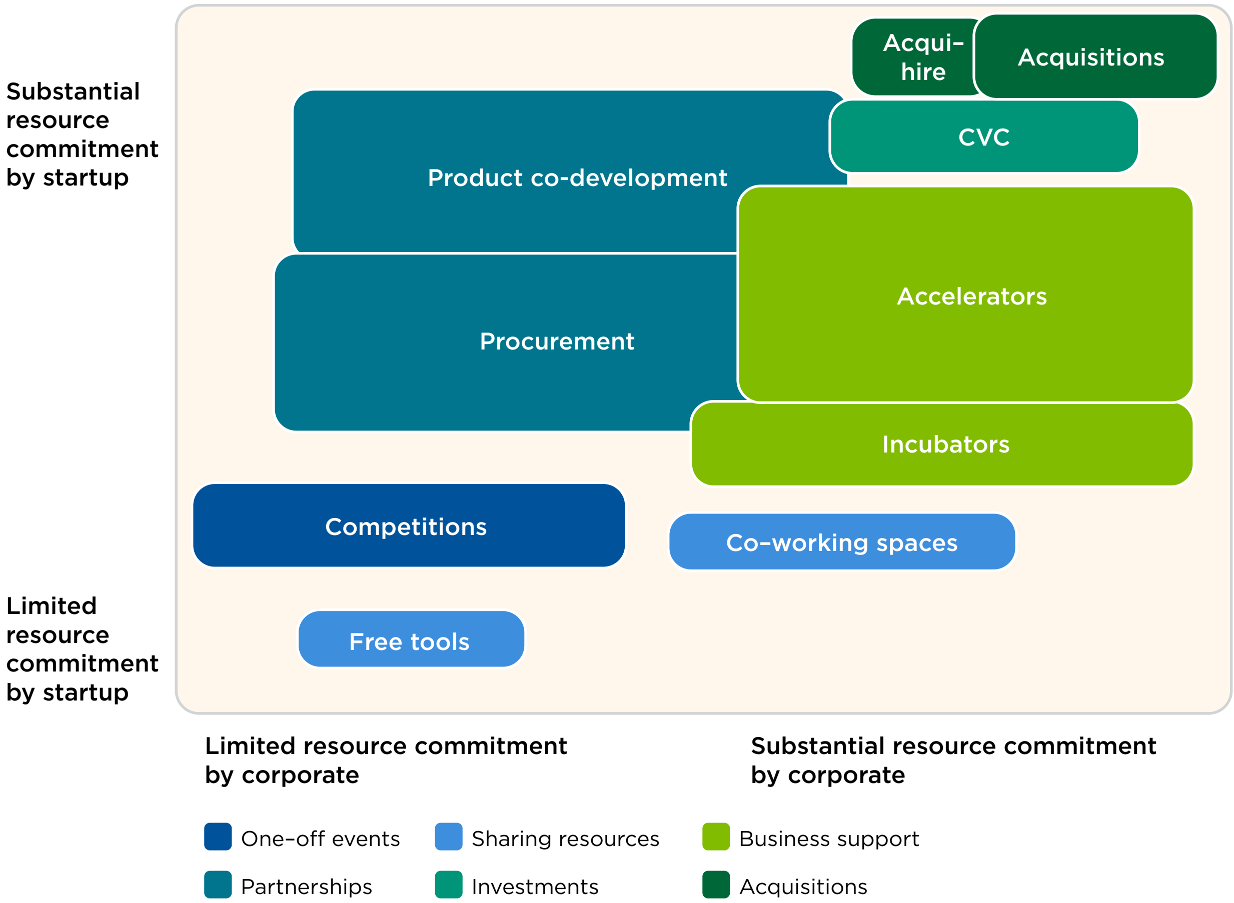
Each corporate, be they medium-sized or large, has resources it can leverage to bring a startup programme to life. Figure 2 gives a generalised overview of the resource committment different programme types tend to require. Resources can include a variety of things such as:

- **Cash** – to pay for events, programme costs, investments etc.
- **Employee time** – from the executive level to employees who make engagement decisions, provide mentoring in programmes and product feedback, or attend events.
- **Products** – including technologies or services that are provided for free or at a reduced price through programmes.
- **Intangible assets** – specific strengths such as market access, customer networks.

These resources can be further leveraged with external resources through partnerships with other organisations (other corporates, accelerators, consultants etc.).

Importantly, programmes that attract the best startups understand that resource requirements and thus 'costs' of programmes can differ for corporates and startups. Partnerships are small pilots for the corporate, often require significant upfront investment and use of the entire capacity of startups, and thus pose significant risks and costs. The case studies below provide a range of smart solutions that lower the risks for startups when working with corporates.

Figure 2 **Indicative resource commitment required by corporates and startups to collaborate through different programmes**



CHAPTER 3

STORIES ABOUT TRANSFORMATIVE COLLABORATIONS

Three ways to make most of the case studies

Key points about successful corporate–startup collaborations

We specifically selected the case studies below to emphasise a few key points:

- Corporates from **all** sectors can significantly benefit from working with tech startups.
- Startup programmes are **not** reserved for the world's biggest corporates.
- Most startup programmes started small and were expanded over time.

How startup programmes deliver benefit

The case studies are grouped under four headings – to illustrate how startup programmes deliver transformative benefits for the four key objectives.

Rejuvenating corporate culture	Innovating big brands	Solving business problems	Expanding into future markets
Dell	Telefónica	Unilever	BMW
Google	Accenture	Diageo	Enel
Rabobank	Microsoft	glh Hotels	

If you are particularly interested in how to meet certain objectives, you can explore how different combinations of programmes and resources can achieve those objectives. These case studies clearly outline the benefits of interaction with startups and include top tips from each corporate.

Useful features to apply to your programmes

These case studies highlight particularly interesting examples of:

- **Effective management** of startup programmes inside corporates.
- **New incentive structures** that corporates established to maximise the effects of working with startups.
- **Simplified processes** corporates can introduce to make collaboration easier for startups.

Rejuvenating corporate culture

How working with startups drives culture change and fosters internal learning

Dell

"Entrepreneurial spirit comes from the top-down. Everybody sees Michael Dell as leading by example so we are all encouraged to reach out to the small business community."

Todd O'Brien, Co-founder of Dell for Entrepreneurs in the UK

Good example of: New incentive structures

Programmes for startups include: Dell for Entrepreneurs

Mission statement: Helping people and organisations everywhere do and achieve more with the help of technology

Launched: 2013

Geographical reach: Global

Location inside Dell: Marketing

Website: http://eir.dell.com/

Why does Dell engage with startups?

CEO Michael Dell refers to his company as *"the world's largest startup"*, that continues to empower other entrepreneurs with tools, technology and resources. Working with startups is a key element for Dell's strategy of building a more entrepreneurial and innovative corporate culture.

What programmes does Dell offer?

Whereas Dell engaged with the startup community since its beginning, the company formalised its engagement through Dell for Entrepreneurs in 2013. This umbrella organisation runs a range of programmes, including Financing for Entrepreneurs, Startup in Residence and the Women's Entrepreneur Network which provide startups with access to a range of resources, from mentoring to marketing advice and financial support.

How are these programmes managed internally?

Dell for Entrepreneurs is managed by Dell's Marketing group, led by Karen Quintos, Senior Vice President and Chief Marketing Officer, who reports directly to the CEO.

What benefits do startups bring to Dell?

Dell has significantly benefited from its engagement within the startup ecosystem. For Sarah Shields, Executive Director and General Manager for Dell UK, Dell for Entrepreneurs is *"helping our team members to understand the passion and the energy of entrepreneurs around the world. And if we can emulate this drive inside of Dell, motivation and performance is impacted positively."*

Engaging with startups has also helped Dell identify the innovative technologies and business partners of tomorrow. Its partnership with VISBUZZ, a UK based software-as-a-service startup that engaged with Dell for Entrepreneurs, is just one example. The two companies have now joined forces to run VISBUZZ's communication technology that allow the elderly to easily connect with family and friends on Dell tablets. The startup is now in the process of selling Dell's products with their software, opening up new distributions channels for both VISBUZZ and Dell, plus the benefit of Dell being associated with innovative products.

Good example of: **New incentive structures** ✓

You manage what you measure is a well-known management wisdom. To ensure that Dell's startup engagement translates into culture change and internal learning, 'entrepreneurial spirit' has been added as a key performance indicator for Dell employees. This means that employees need to prove entrepreneurial behaviour, inside their teams or through outreach into the startup community to gather new ideas. For Todd O'Brien, Co-founder of Dell for Entrepreneurs in the UK, this approach is an important success factor for the Dell for Entrepreneurs programme: *"we identify and work with great startups that want to connect and achieve common goals, because it's a business model we understand in our company as we are encouraged to be more entrepreneurial."*

Dell's top tips on working with startups

Clearly outline what your relationship with startups is and what you are trying to achieve. Set clear expectations and invest for the long term, not for a quick sale.

Google

"The more startups are successful, the more technology is seen as beneficial; and the better this is for the internet."

Jon Steinberg, Public Policy Manager, EMEA

Good example of: Effective management

Programmes for startups include: Google for Entrepreneurs

Mission statement: We bring together startup communities and create spaces for entrepreneurs to learn, work and build companies we hope will change the world

Launched: 2012

Geographical reach: Global, with Campus spaces in London, Madrid, Tel Aviv, Seoul and Warsaw and São Paulo (end 2015)

Location inside Google: Startup Outreach

Website: www.googleforentrepreneurs.com

Why does Google engage with startups?

Google for Entrepreneurs, the unit dedicated to supporting startups, interestingly approaches startup support *"as an ecosystem play where we are a platform to help hopefully millions of startups succeed. Our approach is very focused on community and ecosystem building"* according to Mary Grove, Director Google for Entrepreneurs.

What programmes does Google offer?

The ecosystem approach is reflected in Google's wide array of startup programmes, ranging from events, access to free products and direct financial investment. Many of these programmes are anchored in Google's Campuses, hubs from which entrepreneurs can work, mingle and take advantage of cafes, free education courses, co–working spaces and mentoring sessions. Many of these are run by the local startup community; this is a key success factor according to Sarah Drinkwater, who heads Campus London: *"The idea behind Campus was an open place to bring people together, with open access to tech events that serve the specific needs of the local community."* What started in London three years ago has developed into a Campus concept that has now expanded globally to cities including Madrid and Warsaw to create 'global passports' that help entrepreneurs go global and use similar facilities across the world.

How are these programmes managed internally?

Whereas many of Google's startup programmes and initiatives started organically, Google's executive team decided about four years ago to centralise all activities under the Google for Entrepreneurs (GFE) team led by Mary Grove, which sits within Google's Startup Outreach unit alongside Google Ventures, Corporate Development and Google Capital.

What benefits do startups bring to Google?

Fostering startup ecosystems for entrepreneurs across the world has rooted Google in a large network of thousands of entrepreneurs in over 130 countries. Engaging with the startup community is, in Mary Grove's words, considered *"part of Google's DNA. It makes Googlers feel happy to be at Google."* Google believes that by investing in communities and helping more startups launch, come online and utilise Google's products, they will create longer-term economic benefit to Google as well.

Good example of: **Effective management**

Google manages to deliver an impressive number of startup programmes by combining a centralised team fully dedicated to supporting startups with a strong network of local partners. The Google for Entrepreneurs team counts about 20 members who are partly based in California and partly nested inside Google's Campuses. This centralised structure allows Google to organise all activities under a set of strategic goals, foster learnings across programmes to scale them effectively across countries. Additionally, Google actively sponsors a wide network of over 42 local partners worldwide, including programmes such as Startup Grind, Startup Weekend or co-working spaces like Numa in Paris and the Factory in Berlin. *"To succeed as a corporate in this space, finding partners is essential: someone who shares our values, our practices and approach. And somebody who knows the needs of the local ecosystem"* says Sarah Drinkwater, Head of Google Campus.

Google's top tips on working with startups

Do your research to understand from the community what their specific needs are and what's in it for you. Understand what impact you want to have in the long term.

Rabobank

“It’s all about people inside your company who have the spirit to work together with startups. These are the real champions.”

Harrie Vollaard, Head of Innovation at Rabobank

Good example of: Simplified processes

Programmes for startups include: Partnerships and piloting with startups from accelerators including Startupbootcamp programme and Rockstart

Mission statement: Together we make customers and their environments stronger

Launched: 2010

Geographical reach: The Netherlands, London (UK)

Location inside Rabobank: Innovation Department

Website: www.rabobank.com

Rabobank

Why does Rabobank engage with startups?

Startups are disrupting the financial sector but likewise open up a range of new value propositions to big banks. Rabobank, based in the Netherlands with international wholesale and retail banking activities across and outside Europe, use their startup programmes to foster internal culture change and learning, *“to understand what’s going on, understand new trends of the future and technologies, find new business models and collaborate with the startups”* according to Harrie Vollaard, Head of Innovation at Rabobank.

What programmes does Rabobank offer?

Rabobank engages with startups in close partnership with independent accelerators like Rockstart and Investment Ready in the Netherlands, and more recently with Startupbootcamp’s fintech accelerator in London. For the three to six months duration of the accelerator, Rabobank co-sponsors the programme while the company’s employees provide coaching, business feedback and financial advice to startups. Most importantly, Rabobank has committed to running pilots with two to three startups coming out of each accelerator programme who have developed solutions that might help the bank innovate its products and services.

How are these programmes managed internally?

Rabobank has an internal Innovation Department responsible for scanning new trends and building relationships with accelerators and incubators in cities with strong fintech ecosystems. Additionally, various community bankers in the metropolitan region of Amsterdam are appointed to scout new business opportunities and interesting startups.

What benefits do startups bring to Rabobank?

Working with startups helped Rabobank establish a culture of constant internal learning about future trends and technologies – insights that the bank regularly monetises into tangible business benefits. An example: Rabobank met Sparkholder, a Dutch startup providing real-time information about non-listed companies for investors and banks, through the Startupbootcamp accelerator. The Rabobank is trialling Sparkholder's technology for three months with Rabobank advisors; the bank thinks the product provides not only new customer insights but also increases their ability to reach younger customers. *"Our audience from 20 to 35 years is really hard to target as a bank, so if you can connect with them through the startups community this makes our own proposition better"* says Jeroen Brouwer, Community Banker at Rabobank. To diversify Rabobank's customer segments, the bank also worked with crowdfunding platforms like One Planet Crowd to offer customers additional financing opportunities alongside traditional bank loans. This produces *"a very nice blend of working together"* according to Vollaard, who added that collaborations with startups are an important way to differentiate Rabobank from competitors and create value for its clients.

Good example of: **Simplified processes** ✓

Rabobank is increasingly recognised by startups as a good corporate with which to work, partly because the bank has embraced risk and adopted lean approaches to working with startups. *"We are very open and said let's give it a try and see whether working with startups is going to benefit our advisors or our clients. Let's just do a test. They can be a failure, but at least you have data where you can make better decision to move forward. This is a winning approach as it saves money and time both on the startup and on the bank side."* says Harrie Vollaard, Head of Innovation at Rabobank.

Rabobank's top tips on working with startups

You need to have people internally who really want to move forward working with startups, and do it, no matter what other departments say. These are the real champions who create the right atmosphere inside your company to embrace startups.

Innovating big brands

Working with startups to create an innovative brand that attracts customers, business partners and future employees

Telefónica

"You cannot transform working with startups into core business without the CEO being a convinced believer. If you don't have someone at the top who believes in your programme, it won't fly."
Javier Santiso, Managing Director Global Affairs and New Ventures

Good example of: Simplified processes

Programmes for startups include: Open Future

Mission statement: Open Future was conceived to bring Telefónica customers the best of technology by attracting talent, innovative products and services to the company, in order to incorporate them into its value proposal to customers

Launched: 2014

Geographical reach: Europe, South Korea, China and Latin America

Location inside Telefónica: Open Future, a subsidiary of Telefónica reporting to the strategy division

Website: www.openfuture.org/en

Why does Telefónica engage with startups?

Telefónica was founded in 1924 and has seen a range of younger competitors entering the telecommunications market. To transform Telefónica into an innovative brand that is attractive to future employees and partners, it started to actively support startups. *"Working with startups is about finding technologies that keep Telefónica relevant in the 21st century, and make it into a digital company that does not end up like Kodak who got stuck in the analogue age"*, explained Gary Stewart, Director for Telefónica's Wayra accelerator in the UK.

What programmes does Telefónica offer?

Telefónica set up four flagship programmes within Open Future that support startups throughout the entrepreneurial lifecycle, with a range of programmes that include: Talentum, offering access to digital education; Wayra, a digital accelerator with a six-month business development programme in various European cities including London, Munich, Barcelona, Madrid and Dublin and seven South American countries (Mexico, Peru, Argentina, Chile, Brazil, Venezuela and Colombia); Telefónica Ventures and Amerigo (a fund investing in venturing funds across Europe and Latin America) which allows Telefónica to directly invest into startups at a later stage.

How are these programmes managed internally?

Telefónica's four flagship programmes were started at different times over the past ten years. Since 2014, 'Open Future', a new subsidiary owned fully by Telefónica under its Strategy Division, manages all open innovation (acceleration and investment) programmes.

What benefits do startups bring to Telefónica?

Startups have brought significant value to Telefónica's internal business operations, as you can witness in the following win–win example. When Telefónica's Sales Director struggled to encourage retail stores to upgrade their broadband deal, the Spanish startup Social&Beyond had just the right solution: a technology that helps retail stores provide free wifi in exchange for customer feedback. Telefónica included this social media tool into new broadband deals, which created the right incentives for retail stores to upgrade to more expensive broadband deals. Whereas Social&Beyond previously lacked the track record to sell to big retailers, the partnership with Telefónica opened up new revenue streams without the need to spend money and time on building its own sales force and pricing strategies.

Beyond product partnerships, Telefónica's startup programmes have profoundly transformed the corporate's external image. *"Working with startups is also about changing the perception of who we are. Telefónica wants to be seen as more disruptive and innovative"*, said Gary Stewart, *"because nobody wants to work for a dinosaur."* Initiatives like Wayra even attracted significant political attention. *"Telefónica got a lot of institutional benefit out of working with startups, and is now actively working with policymakers to assist the development of regulations, especially in Spain, Brussels and Latin America"* says Agustín Moro Cañada, Head of Strategic Partnerships and Comms, Telefónica Open Future.

Good example of: **Simplified processes** ✓

Many startups struggle with identifying contacts inside the corporate with relevant decision and budget power to start partnerships and lose time with cumbersome procedures to register as a corporate supplier. Telefónica's Wayra accelerator in Spain and the UK started to tear down these barriers. Each startup has a Telefónica employee on their advisory board, at least at director level, who facilitates partnerships with Telefónica's business units. Likewise, startups that graduate from Wayra get access to 'fast track procurement', allowing them to register in just 48 hours as a supplier.

Telefónica's top tips on working with startups

Never run startup programmes as a CSR activity but link them to your core business. Otherwise they will disappear sooner or later.

Accenture

We are not investing in startups, we are helping them to sell to our clients.
Samad Masood, Open Innovation Lead, UK and Ireland

Good example of: Simplified processes

Programmes for startups include: Fintech Innovation Lab

Mission statement: Giving early and growth-stage companies the platform they need to develop, trial and prove their proposition alongside the world's leading banks

Launched: 2010

Geographical reach: NYC, London, Hong Kong, Dublin

Location inside Accenture: Financial Services department

Website: www.fintechinnovationlab.com

Why does Accenture engage with startups?

Working with tech startups is not just a way to solve your own company's business problems. It can be a powerful tool to solve the business problems of your customers and differentiate your brand as a provider of innovative services. Accenture is leveraging this power through an accelerator for fintech startups to engage directly with Accenture's multinational financial services customers including Barclays, Goldman Sachs and JP Morgan.

What programmes does Accenture offer?

Accenture engages with startups through its Open Innovation Program and R&D departments, as well as with specific industries such as financial services, with the Fintech Innovation Lab. The Lab is a 12-week programme supporting the growth of seven selected fintech companies each year, who can test, pilot and improve their products with Accenture's clients. The programme started in New York as a collaboration between Accenture and the Partnership Fund for New York City and has now been expanded to other financial hubs like London and Hong Kong.

How are these programmes managed internally?

Accenture's Open Innovation group oversees a programme of engagement with startups across Accenture, reporting directly to the head of R&D and Technology globally. The Open Innovation group also works closely with the Fintech Innovation Lab programme which is managed by Accenture's Financial Services operating group, one of the company's five industry operating groups that report directly to the group CEO.

What benefits do startups bring to Accenture?

Accenture works with the world's largest corporates, helping them to build their technology strategy, as well as to identify, select, implement and operate new technologies. While many of their clients are keen to engage with new technology from startups, it is often difficult for very small, early-stage companies to engage effectively with such large corporates. With Accenture's Open Innovation programme, and through the Fintech Innovation Lab, the company plays the role of 'bridge-maker' between these two types of businesses. As Samad Masood, Open Innovation UK lead, explained: *"We are connecting startups and our clients effectively and appropriately, in a way that tries to avoid the typical challenges faced when large and small companies try to work together."* Obviously, working with startups also helps Accenture stay on top of new trends and technologies – knowledge that is key to a technology consultancy. *"New trends is where the new money is going"* affirmed Jitendra Kavathekar, Managing Director of Open Innovation at Accenture.

Good example of: **Simplified processes** ✓

What startups need to scale is not just cash – it's customers. Accenture's accelerator programme takes a different perspective than many other accelerators by focusing on making it easier for startups to connect to corporates and trial their product. Samad Masood, who helped set up the London Fintech Innovation Lab, said that they deliberately tailored their programme to startups that are ready to provide solutions to the problems of big banks, rather than for their investment potential: *"We are not investing in startups, we are helping them to sell to our clients."*

Accenture's top tips on working with startups

Decide what your strategic intent is before starting to work with startups. Working with a range of early-stage companies before you have clearly identified your own long-term strategy can end up being a distraction for both you and them.

Microsoft

"We want startups to thrive – if we help these future business leaders be successful, they become some of Microsoft's strongest advocates."
Rebecca Duffy, Global Program Manager at Microsoft

Good example of: Effective management

Programmes for startups include: BizSpark, BizSpark Plus and Microsoft Ventures accelerators

Mission statement: Empowering entrepreneurs around the world on their journey to build great companies, globally

Launched: 2008

Geographical reach: Global, Microsoft Ventures accelerator programmes in Berlin, London, Paris and other cities outside Europe

Location inside Microsoft: Developer Experience group

Website: www.microsoft.com/bizspark

Why does Microsoft engage with startups?

Startups today can be the disrupters and market leaders of tomorrow. Microsoft works with them to build strategic partnerships for the future. *"We want to be there for them now; we believe that by helping startups succeed, we're helping to build a valued long-term partnership"* says Soha Hohnecker, Startup Lead Western Europe.

What programmes does Microsoft offer?

Microsoft started focusing on startups in 2008 with a range of programmes for startups of all stages. Their BizSpark and BizSpark Plus programs offer digital platforms with free access to Microsoft's technologies, whereas 100 Microsoft Innovation centres provide free physical working space, courses and bootcamps to entrepreneurs. To scale up their business, startups can apply to seven Microsoft Ventures accelerators, which are 3–6 month accelerator programmes based in Berlin, London, Paris and other cities across the globe.

How are these programmes managed internally?

All the programmes are led by the Developer Experience group inside Microsoft.

What benefits do startups bring to Microsoft?

Programmes like Microsoft Ventures help startups grow by connecting them with business leaders and mentors. However, unlike many programmes, Microsoft Ventures does not take equity in return; for Andy McCartney, the CEO in Residence leading Microsoft Ventures in London, this is important to retain the startup's attractiveness for future investors: *"The worst thing a corporate can do is to take equity, before the startup has even raised some money. For Microsoft, direct financial return is much less important than partnering and being associated with successful new companies. When startups like Gateway Interactive, a young gaming startup that participated in Microsoft Ventures, launched its game on Xbox One, Microsoft gained significant brand exposure and visibility. Seeing a great startup you helped build being on stage at TechCrunch Disrupt after three years is better than any cheque."*

Good example of: **Effective management** ✓

All seven Microsoft Ventures accelerators are run by entrepreneurs who were hired as 'CEOs in Residence'. Microsoft sees various advantages in letting people with an entrepreneurial background run its programmes, *"because they know the ecosystem, understand how a startup looks like"* explains Soha Hohnecker, Startup Lead Western Europe. Andy McCartney and the other CEOs in Residence also do not shy away from running their accelerators similar to a startup, based on constant feedback and iterations to tailor their programmes to the needs of startups. As a result, Microsoft's accelerators resisted internal pressure to enforce Microsoft products on all startups. *"If you focus only on just your technology, you can't see the other 90 per cent of startups. Large companies should be cognisant of startup dynamics and structure offerings that align with their needs"* says Andy McCartney.

Microsoft's top tips on working with startups

Let entrepreneurs lead your startup programmes. They have the right attitude and mindset to overcome some of the biases a corporate might encounter when approaching startups.

Solving business problems, together

How startups help corporate solve pain points of their core business

Unilever

"We've launched 60 pilots with startups around the world in the last 11 months. It's not PR; this is really putting startups at the heart of our innovation process."

Jeremy Basset, Marketing Strategy and New Ventures Director

Good example of: Simplified processes

Programmes for startups include: The Unilever Foundry

Mission statement: We are on a mission to collaborate with innovators to make sustainable living commonplace

Launched: 2014

Geographical reach: London (UK), Global

Location inside Unilever: Global Marketing Team

Website: http://foundry.unilever.com/

Why does Unilever engage with startups?

Unilever owns over 400 consumer goods brands. The Foundry is Unilever's central platform that helps those brands engage with startups to solve their particular business challenges. *"It's Magnum or Persil or Dove or any of our brands that come to The Foundry and say, 'We've got this challenge, can you help us find a solution to it?'"*, says Jeremy Basset, Marketing Strategy and New Ventures Director.

What programmes does Unilever offer?

The Foundry has facilitated an impressive 60 startup pilots with 20 Unilever brands in the past year. The process is surprisingly simple: brands and business development managers use the 'Pitch Pilot Partner process' to craft a brief of their business problem, which the Foundry then posts online for ten weeks and reaches out to the entrepreneurial community with the help of technology scouts. Of the startups who are reviewed as part of the process (on average 80–100), five to six companies with at least a product prototype are selected to pitch to the marketing leaders. At least one startup is selected for the pilot and, if the pilot is successful, Unilever signs a partnership.

Alper Eroglu, Global Media Director for Deodorants and Oral Care Categories at Unilever, has successfully used The Foundry: *"You need to be sharp enough with your business question or problem; but equally, you need to be open minded; there might be different ways of solving the problem."* In return for their innovative business solution, startups tap into the marketing power and development capabilities of Unilever. Whereas it can otherwise take years for startups to close deals with corporates, which imposes significant burden and costs on young businesses, The Foundry's structured approach runs pilots within three to 12 months.

How are these programmes managed internally?

The Foundry is overseen by a collection of functions, including Unilever's Global Marketing Team, Open Innovation (R&D), CMI (Consumer Insights), Procurement and Unilever Ventures.

What benefits do startups bring to Unilever?

The opportunity to pilot with startups is increasingly harnessed across Unilever's brands. Knorr, Unilever's largest food brand, is one of them. Their expansion across Africa and Asia posed a new key challenge of engaging with customers who communicate through text-based messaging instead of internet applications. The question of 'What's for dinner tonight?' – and how Knorr's products could feature in those meals – needed to be answered in a new way. The startup Digital Genius, identified through Unilever's Foundry, offered a solution: customers can text their available ingredients to Chef Wendy, an algorithm-based technology that replies with recipe recommendations. After an initial pilot in South Africa, Knorr and Digital Genius are now expanding their collaboration across multiple countries and brands. The startup's technology helped Knorr not only to develop high–quality customer experiences in its new markets but also enabled Knorr to build a database of millions of customer preferences. In return, startups like Digital Genius could leverage Unilever's marketing power and expertise to test, refine and scale its product.

Good example of: **Simplified processes** ✓

Working with corporates can be a nightmare for startups; they require quick cash flows and often struggle with cumbersome corporate procedures and long payment terms. Unilever has, however, halved its payment terms from 90 to 45 days for startups, as well as simplifying contracts and confidentiality agreements. Coupled with a clear decision–making timeline on whether partnerships go forward, these features make The Foundry partnership process significantly easier for startups, who don't waste their time pitching for months without a clear outcome.

Unilever's top tips on working with startups

Languages and goals of corporates and startups are different. You need to have the right players around the table who do the translation job; it could be an agency, a company unit like The Foundry or a facilitator, but you need a harmonised team able to speak the language of the startups.

Diageo

It is about pushing Diageo to experiment and take more risks, to be at the forefront of innovation.

Sam Maguire, Innovation Marketing Manager at Diageo

Good example of: Effective management

Programmes for startups include: Diageo Technology Ventures

Mission statement: We invite innovative technology companies and pioneering entrepreneurs around the world to partner with Diageo to create breakthrough innovations

Launched: 2014

Geographical reach: Global

Location inside Diageo: Future Teams

Website: www.diageo.com/en-row/ourbusiness/diageo-technology-ventures

Why does Diageo engage with startups?

Not just technology–based companies, but also big brands in more traditional industries such as food and beverages can significantly benefit from collaboration with startups. For Diageo, the world's largest producer of spirits and owner of brands such as Baileys and Guinness, the benefits are clear: *"We want to explore opportunities beyond Diageo's current business model and ways of operating, that we think could result in growth for Diageo in the future. Using technology to help us solve some of our biggest business issues, it's one of the biggest advantages we see"* says Helen Michels, Global Innovation Director at Diageo.

What programmes does Diageo offer?

Diageo established their main programme through which they engage with young tech companies in 2014. Diageo Technology Ventures scouts technology companies that can solve specific business problems or open up future opportunities for their business. Technology startups are scouted with the help of partners with good links in the entrepreneurial community such as Founders Intelligence, and by publishing digital briefs on online platforms like f6s. The best solutions are then trialled and, if successful, can lead towards longer–term strategic partnerships with startups.

How are these programmes managed internally?

Startup collaborations are managed within the Future Team, headed by Helen Michel, Global Innovation Director, who reports directly to the Chief Marketing Officer.

What benefits do startups bring to Diageo?

Open innovation helps Diageo solve important business problems in a more creative and cost-effective way. Here is a win-win example: to harness the power of digital technologies to improve Diageo supply chain anti-counterfeiting and customer experience, the company partnered with Thinfilm, a Norwegian technology company, to develop a prototype of a connected 'smart bottle'. The extremely thin, electronic sensor developed by Thinfilm has the potential to help Diageo track the location and provenance of its bottles and allow customers to interact with and share product information through their smartphones. *"Now our bottles can be an interactive digital medium. It can communicate all sorts of content and messages to people in a very specific manner"* said Venky Balakrishnan, Global Vice President Digital Innovation and Head of Diageo Technology Ventures. In short, Diageo helped Thinfilm to trial its OpenSense technology, while Thinfilm gave Diageo a vision of a new way to interact with its consumers and collect data from its bottles.

Venky and his team inside Diageo Technology Ventures see important advantages to exploring such innovations through open innovation rather than internal R&D. *"An important reason is the diversity of approaches they bring for solving the same problem. They come up solving the problem from so very, very different angles, from people working with big data, hardware or social media. It is amazing that you can try all of these things at the same time on a small scale to find out what works."*

Good example of: **Effective management** ✓

Diageo has implemented a range of important features that allow partnerships to get off the ground quickly: a dedicated team, including a champion with necessary decision power, a clear piloting budget and timeline after which a decision is made on future collaborations. In practice, Diageo runs startup pilots through a dedicated pilot team in the market where the technology will be trialled, with close involvement of a senior stakeholder. Each pilot has a budget of $100,000. *"If we like a startup, we can quickly move to a pilot study, see the outcome of the pilot, and decide whether to scale it or try something else"* says Balakrishnan.

Diageo's top tips on working with startups

Startups can be put off working with global companies as they are hard to navigate. Therefore it is important to have a clear entry point for startups and a clear internal system that does not waste anybody's time, especially startups', that is very precious.

glh Hotels

"I see my role as a catalyst within our business to build a relationship with startups that is mutually beneficial."
Richard Sofer, CEO glh every Hotels

Good example of: New incentive structures

Programmes for startups include: Competitions

Mission statement: glh Hotels is looking to offer startups a unique 'living laboratory' in hotels across London in which to trial their technologies and solutions

Launched: 2015

Geographical reach: London

Location inside glh Hotels: Internal champion (Director of Online and International)

Website: https://connect.innovateuk.org/web/wearable-technology-innovation-contest

Why does glh engage with startups?

Digital startups have become important players in non-digital sectors like hospitality, and important partners for medium-sized businesses like glh. About six months ago, this operator of luxury hotels in London and Malaysia started actively to seek collaborations with startups to develop the best guest-centred experience in the industry. For Richard Sofer, CEO for glh every Hotels, *"the best way to effectively solve some of the problems that we have is almost to crowdsource with the brightest, most innovative individuals and teams in their small, smart startups."*

What programmes does glh offer?

Glh kicked off its engagement with startups by partnering with the Wearables Technology Innovation Contest, a £210k competition run together with government agency InnovateUK and UK universities to reward digital solutions in areas from sports to health and hospitality. Glh thereby fostered its internal learning through exposure to new ideas and technology trends. Additionally, they identified startups who could use glh's hotels as a 'living laboratory' to trial new solutions while solving specific business problems that glh is facing. *"Working with startups for us is about mutual learning, and hopefully progressing to jointly commercialise a product and bring it to market"* says Richard Sofer.

Over the past months, glh has also learned that corporates must go out to meet entrepreneurs at startup events or conferences, to raise awareness of glh's offerings and attract the right partners. *"It takes time to understand where people are and how to contact them"*, is an important lesson Caroline Cartellieri, Director of Online and International, has learnt.

How are these programmes managed internally?

Glh appointed Caroline Cartellieri, Director of Online and International, as their internal champion who works closely with the CEO, CTO and COO and the wider senior management team to explore potential programmes to engage with startups. She and her team are scouting startups that would like to trial their products with glh, and connect them with the respective hotel managers who decide whether to go forward with a pilot or not.

An important job for Cartellieri is to balance the logics of established businesses with the openness to risk, failure and learning required to work with startups. She explained to us that *"Pilots with startups mean that you are taking risk and that you cannot use traditional metrics such as return on investment or revenue generated. While we are trying to mitigate risks, a startup which I find interesting might not go through the internal evaluation process as other company members don't like it."*

What benefits do startups bring to glh?

Glh is looking for startups who can help the company provide new technologies that can solve problems for hotel employees and clients, with solutions that can range from digital applications to cleaning robots to make internal processes more efficient.

"We started to work with startups because we want to be a leading operator in the industry, and after observing how quickly startups like Airbnb and Spotify are disrupting our and other industries, we think they can help us succeed in an increasingly digital marketplace", says Cartellieri.

Good example of: **New incentive structures** ✓

Glh's startup engagement was initiated from the top by the company's CEO Mike DeNoma, who adapted the incentive structures for his management team to ensure that everybody would buy into his mission. As Richard Sofer, who reports to Mike, explains: *"I have a mandate from my boss, the CEO for all glh chains, to effectively discover new ways to innovate and improve our employee and guest service experience through the applications and innovation technology. That drives me to be consistently looking for business that we can get behind and work with."* In short, glh's top-level management is working towards a three-year plan with deliverables and key performance indicators that ensure more active engagement with startups.

glh's top tips on working with startups

Invest enough time, especially in terms of people power. If you do not invest upfront, it will never work.

Expanding into future markets

Many corporates are starting to invest in startups, not just for financial return, but more importantly to expand into new markets and stay competitive in their industries

BMW

"Our startup engagement is like an insurance policy. If things do change rapidly or disruptively, we have something in the back pocket."
Tony Douglas, Innovation Manager at BMW

Good example of: Effective management

Programmes for startups include: BMW iVentures

Mission statement: BMW iVentures ensures that the BMW group remains flexibly engaged with the emerging field of mobility services

Launched: 2010

Geographical reach: NYC, Munich, Global

Location inside BMW: Mobility services business unit

Website: http://www.bmw.com/com/en/insights/corporation/bmwi_ventures

Why does BMW engage with startups?

Startup engagement is a key strategy for BMW to grow a new business unit – mobility services – and consolidate the company's lead in the electric vehicle market. *"We want to add value to our business,"* affirmed Tony Douglas, Innovation Manager at BMW Group. *"If you are launching a whole bunch of electric cars, it makes sense to understand the charging business as well."*

What programmes does BMW offer?

BMW is working with startups from a variety of sectors through internal and external programmes. Together with Bosch and Festo, the company is sponsoring three-month accelerator programmes like TechFounders in Munich; it also runs its own accelerator, Startup Garage, to help startups in the automotive sector develop and trial prototypes. BMW iVentures complements these activities, increasingly investing in the digital sector, and allowing BMW to expand its offerings related to mobility services. The venturing company has teams in New York, Munich and Silicon Valley. *"We work with external senior consultants to scout startups, as we can't just speak German across San Francisco. They have been living in the Valley for 40 years, they know how to get access to the deal flow"*, commented Tony Douglas Innovation Manager at BMW Group.

How are these programmes managed internally?

BMW iVentures is a team located within the mobility services unit, which sits alongside other units like Rolls Royce and Mini.

What benefits do startups bring to BMW?

BMW wants to invest in game changers in connectivity and mobility services. Startups are an important means to enhance BMW's brand and access new markets. One example is smart parking solutions: here, the corporate invested in JustPark, a young company based in the UK. JustPark provides for parking what Airbnb does for hospitality: an online platform allowing people to rent out their available private parking space. For Tony, *"that is a classy example of adding value to our portfolio through an investment in a segment where we wanted to go with our mobility offering."*

Good example of: **Effective management** ✓

BMW iVentures ensures that their portofolio of startups providing new mobility services are protected from the wider, cumbersome corporate structures with which many startups struggle. For Tony and his team, this is important as *"otherwise we might kill them with our larger processes, which focus on producing and selling cars and not necessarily services. To not overload our startups with heavy due–dilligence, we try to be more relaxed about things like reporting and key performance indicators."*

BMW's top tips on working with startups

You can't treat startups as another business line of your company. Don't try to force them to do something that doesn't really fit with their genes.

Enel

We are working a lot on our internal culture because we are aware that it is the most important factor to make innovation happen.

Ernesto Ciorra, Chief Innovation Officer at Enel

Good example of: Effective management

Programmes for startups include: Enel for Startups

Mission statement: Being an industrial partner for startups who helps them scale by providing strategic business and technology support and access to over 61 million customers

Launched: 2014

Geographical reach: Global

Location inside Enel: Innovation Function

Website: http://startup.enel.com

Why does Enel engage with startups?

Enel, a leading energy company, teams up with startups to develop new products and services to expand into new markets. *"Startups allow us to tap into new businesses and to cover technology gaps"* says Luciano Tommasi, Head of New Ventures Initiatives.

What programmes does Enel offer?

Enel focuses on partnerships to develop products and services with startups in the energy sector that align closely with Enel's strategy. Enel does not take equity but focuses on helping the startup to develop or enhance products, to test them and eventually to launch commercial pilots. Startups provide Enel with access to new products and services at competitive prices, and the opportunity to become first mover into extremely dynamic market segments. Each partnership is supported by an internal champion from Enel, who advises startups and facilitates their relationship with the relevant business units and key stakeholders inside Enel. *"Enel is driven by industrial purposes. This assures the highest commitment from our business units that are urged to partner with startups for developing solutions that address real problems. For us, this is a win-win approach for Enel and startups"* says Tommasi.

Importantly, Enel strengthens its engagement in the innovation ecosystem through partnerships with other players like venture capital funds and accelerators. Thereby, *“Enel can scout new technologies and understand new trends, while the startup can have a financial investor and an industrial partner to grow faster and succeed. As an industrial company we have the know-how to understand if the technology makes sense or not and this lowers the investors’ risk”* says Tommasi.

How are these programmes managed internally?

Enel Innovation Function manages all the initiatives with the startups working side by side with all the Innovation Managers of the Business Lines.

What benefits do startups bring to Enel?

For Ernesto Ciorra, Chief Innovation Officer at Enel, the goal of his unit is *“to challenge the current business models and replace them with new ones.”* Startups are an important part of that. To give an example, Enel invested in Smart–I, an Italian startup that develops solutions for automatic analysis of images underneath the public lighting poles and thereby provides smart cities services. The startup solution is now part of Enel’s service portfolio and allowed the energy company to enrich its offer of smart city services and energy efficiency.

Good example of: **Effective management** ✓

To fully bring the benefit of working with startups into Enel’s core business, CEO Francesco Starace made internal changes to ensure his personal involvement in Enel’s startup activities. For this, Starace created an Innovation Committee, chaired by himself and composed of the chief financial officer, the chief innovation officer, the heads of business lines and country managers. All decisions regarding new startups to work with are taken by the committee that also appoints an internal champion who serves as the interface between Enel and the new ventures. This new approach makes effective use of the time and resources that Enel puts in place. What CIO Ernesto Ciorra has learnt is that *“in order to capture value from outside we need to be structured inside. If the leader of these initiatives is not the CEO there is a lack of leadership and a lack of power.”*

Enel’s top tips on working with startups

Your company needs the appropriate organizational structure internally to have the right commitment and workflow with startups. Otherwise you don’t get anywhere.

CHAPTER 4

THE GROWING ECOSYSTEM

Corporates are not alone in their endeavour to work more closely with startups. We see a wider support ecosystem developing in Europe, where a range of organisations serve as platforms to facilitate collaborations between corporates and startups. This short chapter provides a few good examples of those platforms – among them other companies, accelerators, universities, institutional investors and policymakers – with whom corporates can partner for support and guidance. Such partnerships bring various benefits: the right partners have the expertise and experience to design programmes appropriate for your company's goals and priorities; they often have strong connections in the startup community to engage the best startups and can serve as a neutral platform to attract entrepreneurs who would shy away from programmes with strong branding of a single corporate; most importantly, good ecosystem partners will understand both the corporate and startup worlds.

How other companies can help

- A range of companies have specialised in helping corporates identify appropriate startup programmes.
- Partnering with experienced organisations tends to get programmes off the ground much quicker.

Various companies have started to provide consulting services to help corporates maximise the benefits of their startup engagement; they bring the lessons from many other startup programmes and importantly understand how to attract the best entrepreneurs. Here are a couple of examples:

Founders Intelligence is a consultancy that has helped over 10 per cent of the FTSE100 to launch startup initiatives in the last two years. The team of entrepreneurs and consultants help corporates with startup programmes in three main ways: they help set the strategy and structure of the programmes to maximise the impact for both the corporate and the startups. They use their global network to find the best startups for the problem or opportunity being explored. Finally they manage the relationships between startups and corporates by bridging the communication and culture gaps.

Another example is **Restoration Partners**, the boutique technology merchant bank, which is helping Lockheed Martin and other corporations interested in the cyber security industry to connect more easily with startups through a newly developed Virtual Technology Cluster (VTC). This platform provides selected startups with expert advice in areas such as corporate finance and connects startups with the right corporate departments (the sales oriented cyber security department rather than R&D) to facilitate potential business deals with corporates. Organisations like Restoration Partners can operate as a facilitator because they understand both the corporate and entrepreneur's cycle, as CEO Ken Olisa explains: *"the startup approach to business is totally different from the one adopted by a big corporate. To avoid waste of resources both on the startup and corporate side, we give entrepreneurially led companies the opportunity to be always visible and appealing to corporates sponsoring the VTC, and it gives corporates the possibility to contact entrepreneurs for innovative solution to a customer problem."*

How the startup community can help

- Accelerators, investors, universities and other players working closely with startups can help corporates understand startup culture, language and dynamics.
- A partnership between these organisations and corporates can also bring significant benefit for startups, who can more easily access corporates' partners.

A growing number of players in the startup community have started actively to engage with corporates, in particular accelerators across Europe. Among them is the **Startupbootcamp** accelerator. Sophie Donkin and her colleagues in Startupbootcamp's Global team run local programmes in close collaboration with their corporate partners. *"We work with corporates to understand whether their objectives fit the accelerator model. Once we partnered, corporates join us to help us select the startups and work with them to develop their ideas and their businesses throughout the programme."*

Organisations like accelerators can thus be *"an innovation channel for corporate partners."* Partnerships with external accelerator that enjoy credibility in the startup community can bring various benefits to corporates, including easy access to the startup community. Part of the offer from accelerators such as Startupbootcamp is marketing within the corporate partner, to champion the importance of working with startups. *"This really helps more people inside the corporates to be excited about innovation and startups, and not be afraid of them"* says Edwina Johnson, Chief Operating Officer for London.

Other important ecosystem players are investors, who themselves benefit if their startups can scale by working more closely with corporate partners. **Index Ventures**, one of Europe's leading VCs that invested in Asos, BlablaCar and Skype, is demonstrating how investors can be *"a window for corporates to the world of innovation."* Through internal initiatives including free 1:1 executive briefings, innovation seminars and roundtables, Index helps corporates understand why and how they can engage with startups. *"Corporates often think they can only engage with startups through corporate venturing, because many misunderstand what startups are. It's not just the two engineers in the garage! You should think about them but you should think about them as including companies now able to impact a whole industry. They are ready to provide products, help corporates cut costs, be very good suppliers. We want to help corporates understand that working with startups can be a way to embrace innovation today"* says Giuseppe Zocco, Index Ventures.

How policymakers can help

- Policymakers should support organisations and initiatives that create bridges between corporates and startups; this can best be done through public-private partnerships or by supporting emerging third party initiatives.
- Importantly, policymakers on national and European levels should first listen to what corporates and startups need.

Here are a couple of examples that illustrate how national and Europe-wide policy initiatives can support platforms that foster corporate-startup collaborations.

The **High-Tech Gruenderfonds (HTGF)**, now the most active seed stage investor for high-tech startups in Germany, has become an important catalyst to foster corporate-startup collaborations. Starting in 2005, the HTGF so far invested in over 400 German tech startups with a volume of 576 million Euros, funding provided mainly from the German Government, the KFW bank and 14 per cent from corporate partners. For Alex von Frankenberg, Co-CEO of the HTGF, the fund sets a great example how public-private partnership can foster entrepreneurial ecosystems: *"The participation of private investors in both HTGF funds was instrumental in not only setting up a high-performance organisation but also in acquiring strong dealflow and private investors for follow-on rounds in our portfolio."*

For investment managers like Michael-Jean Nettersheim at **BASF**, the HTGF is an additional *"window to new technologies"* beyond the BASF's core business in chemicals, such as biotechnological developments and novel digital technologies to enhance BASF processes and product offerings. Heliatek, a startup from Dresden developing new solar panel technologies, is just one investment that BASF joined forces for with RWE and Bosch, two other partners of the HTGF.

Working with other corporates and startups is also an important way for big industry players like **Bosch** to foster internal learning. *"To successfully integrate innovations, you need to establish an internal culture of opening up, connecting and partnering"* says Michael Bolle, President of Bosch corporate research. More recently, Bosch also founded an internal incubator, the Robert Bosch Startup Gmbh, to complement external investments with internal startup ideas and started additional partnerships with BMW to support external accelerators.

Beyond its investment activity, organisations like the HTGF also play an important role in *"translating between the two worlds of startups and huge or medium-sized companies."* Alexander and his team believe that, *"bringing corporates and startups together at events and conferences is equally important so corporates learn that for example business partnership with payment terms up to 180 days, which seem normal to them, actually can kill the startup."*

"We are happy to share our experience because all of this can be done in other European countries", Claudia Raber, the funds Relationship Management Director, affirmed. *"Big companies have learnt how important collaboration with young companies could be. We now have to work with mid-sized companies, who can be very conservative and manage programmes internally, that they should be more open and collaborative."*

To foster a strong European ecosystem and single market for entrepreneurs, policymakers should also pay attention to Europe–wide initiatives. The **Startup Europe Partnership (SEP)** is such an example: this is a European Commission–backed initiative with a mission to connect Europe's best startups with corporates. Via SEP Matching Events across Europe, firms like BBVA, Microsoft and Enel are connected to innovative young companies that they can invest in, acquire or procure from, to access the best technologies and talent. The programme is run by organisations from various countries, led by Mind the Bridge in Italy and US and supported by Nesta from the UK and The Factory in Berlin.

For Alberto Onetti, who heads up SEP, a European scope for match–makers is essential: *"Europe has made huge progress in terms of becoming an ecosystem for starting a startup, but where we lag behind is in scaling them. Startups need help to work and expand across Europe, which we try to do. This is why the European Commission is very supportive of SEP as a programme that can hopefully help Europe become also a great place for scale–ups."*

CHAPTER 5

GETTING STARTED – TEN LESSONS TO REMEMBER

Designing your programme

1. **Carefully consider your objectives to engage with startups**. Programmes that deliver significant benefit to your company and startups are based on real needs, not corporate social responsibility.

2. **Select the programme(s) that best deliver on these objectives**. Our framework helps you explore which programme types tend to be most suitable to achieve different objectives.

3. **Secure board-level sponsorship**. Support from the top is pivotal to get programmes off the ground and provide employees with the confidence to take risks when trying out new collaborations with startups.

Measuring your programme

4. **Develop key performance indicators**. Include long-term metrics to measure progress of the programmes. Programme-related KPIs for employees will ensure effective implementation of the programme inside your company.

5. **Capture data and feedback continuously to iterate the model**. Test what works in an initial pilot, then scale up and continue to improve programmes.

Implementing your programme

6. **Hand startup programmes to people with an entrepreneurial mindset**. Managers of startup programmes have to understand the world of startups and treat them as partners, not agencies or employees.

7. **Allocate an internal champion with decision and budget power**. Each startup relationships needs a senior champion to save time for startups and the corporate. A quick ‘no’ is better than a protracted ‘maybe’.

8. **Create a publicly visible, single access point for startups**. This access point is ideally a team who knows the organisation well to direct startups towards relevant programmes or units.

9. **Scout internationally to attract the best startups and technology**. Those might not be located in the same city or country as your headquarter offices. Consider partnerships with organisations that can scout on your behalf, or a network of local partners.

10. **Make it easier for startups to work with you**. This includes shortening payment terms for startups, facilitating processes to register as a qualified supplier or adopting flexible approaches to IP that startups cannot give fully away.

What's next – three steps to getting started today

- **Talk to people who already work with startups** for inspiration and advice, be they in other corporates, the growing ecosystem of organisations supporting startups or entrepreneurs themselves.
- **Define your objectives to work with startups**. Our framework will help you identify a range of suitable programmes.
- **Start with a small-scale programme pilot**, iterate and then scale up.

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