MATCH-MAKER VENTURES
ARTHUR D. LITTLE

The age of **collaboration II**

STARTUPS + CORPORATES =
PAIN OR GAIN?

Arthur D Little

MATCH MAKER VENTURES

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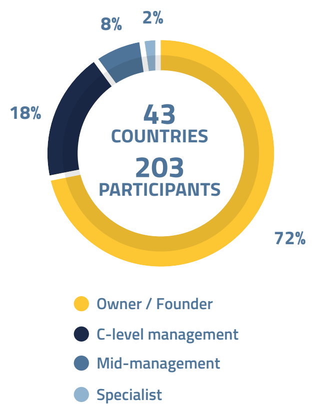
Introduction

Respondent statistics

Corporate respondents

Startup respondents



Startup-corporate collaboration is a reality today. Since we published our first report in 2016, numerous other reports followed and the topic has skyrocketed. The curious reader who googles the term "startup-corporate collaboration" will be overwhelmed by the amount of knowledge, examples and content available. The number of businesses focusing on the topic of collaboration is impressive and an entire ecosystem of startup-corporate facilitators has emerged. Likewise, public interest has escalated and numerous initiatives have been initiated to promote "startup-corporate" collaboration. Today, collaboration is no longer a topic of the multi-national-companies, but a mass market phenomenon.

For this study, we conducted a proprietary survey that provided us with quantitative data from 340 corporates and 203 startups, representing over 70 countries. We want to express our **deepest gratitude for all the support**: almost 550 participants took on average 10 min to answer the survey, more than 5,000 min in total. In addition, we handled more than 50 one-on-one deep dive interviews. Thank you!

We also want to thank our 8 contribution partners: the global telecom association **GSMA**, the pan-European venture capital firm **Speedinvest**, the innovation advisory firm **Mind-The-Bridge** from Silicon Valley, the innovative marketing firm **DDB Group Vietnam**, the scale-up program **365x** from Israel, the startup platform **Austrian Startups**, the emerging markets connector **Seedstars** from Switzerland, and the research company **Infocus Mekong Research**. Thank you!

Lastly, this report should be understood as a continuation of our first **Age of Collaboration** report published in 2016. Our expectations to experience more startup-corporate collaboration became true, accompanied by record highs in corporate venture capital, corporate accelerators and corporate startup engagement units.

Notwithstanding the positivity, we must remain critical and be aware that not all promises are yet being realized. Thus, in this year's report we wanted to go beyond: Corporates and startups – pain or gain?

Enjoy reading!

Dr. Nicolai Schättgen
CEO, Match-Maker Ventures

Maximilian Scherr
Associate Director, Arthur D. Little

Key summary

Innovation realities: where do we stand?

Innovation is increasingly critical for corporates: 72% consider it a top or top-3 priority, compared to 62% in 2016. Open innovation is in full swing, and startups became a key corporate innovation partner. 98% of surveyed corporates have tried to collaborate with startups, and they estimate the revenue impact of these collaborations to grow from 12% today to 19% in three years. Startups also regards corporates as essential growth partners, and expect collaboration impact on revenues to grow from today 41% to 55% in three years.

Collaboration outlook: who is who?

We are experiencing strong differences in collaboration readiness among industries and we anticipate a further increase of the divide due to the impact of new technologies, regulatory scrutiny, and business realities. Likewise, on company level, we identified strong differences; Early Leaders – able to derive benefits of startup collaboration – have emerged, however, we are considering not more than 10% in this bucket yet – the majority of all corporations still needs to learn the game...

It's a quality and quantity game!

Uncertainty remains corporates' biggest concern about working with startups, with 54% of respondents pointing that out. In order to deal with it, corporates need to increase the funnel, build capabilities and gradually do more with less. The right collaboration vehicle is one that optimizes on quantity, quality and cost, while taking into account the objectives of both startup and corporate.

Business impact? Corp-Up delivers!

Corp-Up has emerged as the most used and least stopped engagement vehicle. The preference for this low risk / high reward approach comes as no surprise, given the widespread focus on making existing assets sweat. Corporates using Corp-Up also enjoy the highest revenue impact among all startup collaboration vehicles: 14% vs. 8%!

Blame game is over: It requires both to drive impact!

Dynamics have changed and finger pointing is over: corporates and startups agree on equal responsibility for the challenges of collaboration. This represents a massive shift in the understanding of responsibility from 2016. Today, 70% of collaborations reach contract signature within less than 12 months, with startups reporting to have more than doubled the number of contracts signed in a year...not that bad! Corporates face two major calls for improvement: (1) how to scale collaborations internally and (2) how to ingrain startups as part of "business as usual". Still, the outlook has to be positive: 98% of corporates and 95% of startups would collaborate again.

The perfect collaborator: how to become successful?

Moving forward, both sides have a steep learning curve ahead. Corporates will need to master five key topics: strategy & vision, governance & steering, processes & tools, people & culture and how to engage with the ecosystem. Startups need to excel in four: timing, preparation, relevance and relationship. Equipped with the massive data set from this survey, and our combined many years of experience in setting up winning collaborations, we provide our prescription for success!

Time to look back: how has the "Age of Collaboration" evolved?

If you would like to re-visit our first publication of the Age of Collaboration, please find it here: www.match-maker.ventures/the-age-of-collaboration/

Our 2016 publication was rich in recommendations and predictions. For this second publication, we critically asked ourselves: three years later, how did our predictions turn out? For the sake of brevity, we focused our reflection on what we consider the four most fundamental projections.

Prediction 1: The "Age of Collaboration" has arrived

True – The "Age of Collaboration" has arrived – it's omnipresent	If the banalization of the term "open innovation" and the emergence of open innovation titles and departments was not enough to prove this point, our survey was conclusive – out of 340 respondents, no single one has not collaborated. Collaboration has intensified in all directions of the value chain. This holds true for companies of every size, geography or industry.

Prediction 2: Startups are here to stay and play an important role in corporate innovation

True – Startups have established as corporates' third main source of innovation	Clearly true – startups have crystalized as the third leg of open innovation for corporates. Venture Capital funding keeps on pouring, while the rise of new unicorns is continuously accelerating. After a period of IPO-shortages we could see a strong uptake again and, overall, no one can claim that the startup era is not here to stay. Among our corporate respondents, 98% have already collaborated with startups and 98% want to keep collaborating. Likewise, startups put an ever higher strategic importance on collaborating with corporates and their expectations on revenue generated from these engagements show a high double-digit growth rate.

Prediction 3: Shift from equity- to business-focused collaborations

Partly true/ wrong – In relative terms business-focused collaborations outperformed, but still equity investments are at record-high	Equity investment certainly did not dry out – in fact venture capital and also corporate venture capital has experienced a record high in 2018. Nonetheless, the relative growth of business-focused collaboration is increasing and growing at a faster rate than equity investment. Our survey shows the willingness and the effort invested by corporates into increasing business focus. Still, ROI considerations and uncertainties regarding the outcomes remain and create roadblocks to truly unleash business impact.

Prediction 4: Success is at the horizon

Definitely closer to success, but still distant... is collaboration a pain or gain?	Unmistakably we are somewhat closer to success. The reported impact of collaboration on revenues has significantly increased for both corporates and startups, and so did the conversion ratios from pilots to contracts, as well as the satisfaction levels on both sides. Still many corporates remain doubtful and, in particular, the C-Level leadership team is more hesitant of the actual outcomes than the teams actually involved, which indicates a communication and perception problem. We deep-dived into these questions and tried to better answer: is startup-corporate collaboration a pain or a gain?

The Age of Collaboration II
PAIN OR GAIN?

CORPORATE INSIGHTS

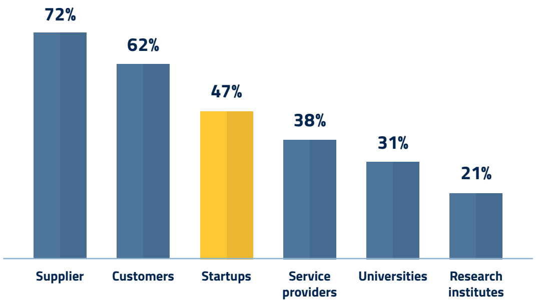
N=340

98%
ALREADY COLLABORATED WITH STARTUPS

WHAT ARE CORPORATES' PREFERRED OPEN INNOVATION PARTNERS?

Every corporate is collaborating with at least one partner – startups are the third preference, after customers and suppliers

Partners with whom corporates collaborate "often" or "nearly always"



CORPORATES INVEST MORE IN STARTUP COLLABORATION, THEREFORE EXPECT MORE

12% share of revenue impacted by startups today

19% share of revenue impacted by startups in 3 years

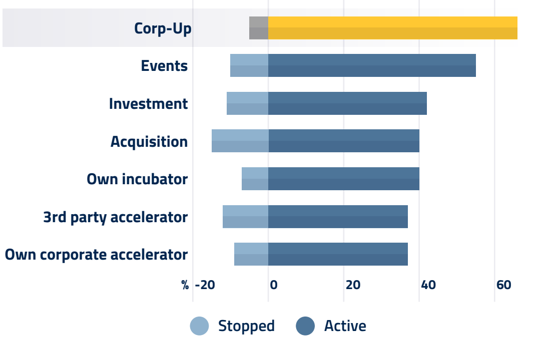
4 average number of active vehicles

70%
HAVE TRIED CORP-UP

HOW DO CORPORATES ENGAGE WITH STARTUPS?

The most used and least stopped collaboration vehicle is Corp-Up – 70% of corporates do it and only 5% have stopped once initiated

Startup engagement vehicles used by corporates: active vs. stopped



CORP-UP INTENSIFYING

Corporates state higher experience levels than in 2016, and this reflects on the capacity to execute more

15 Poc's conducted

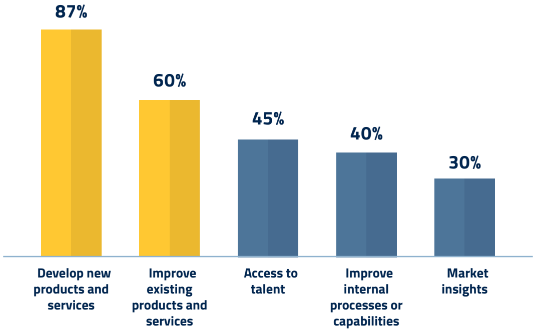
12 contracts signed

98%
WOULD COLLABORATE AGAIN

WHY DO CORPORATES CORP-UP?

Corp-Up is chosen when the goal is to create business impact

Reasons for corporates to Corp-Up



STILL A LONG JOURNEY AHEAD FOR CORPORATES

3 IN 10 report a "very" or "extremely" defined dedicated budget and resources for Corp-Up

2 IN 10 report a "very" or "extremely" defined process from scouting, to validation, to onboarding

2 IN 10 report a "very" or "extremely" defined scaling process

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STARTUP INSIGHTS

N=203

STARTUPS SEE CORPORATES AS KEY, BUT SATISFACTION LEVELS ARE MIXED

41% share of revenue impacted by corporates today

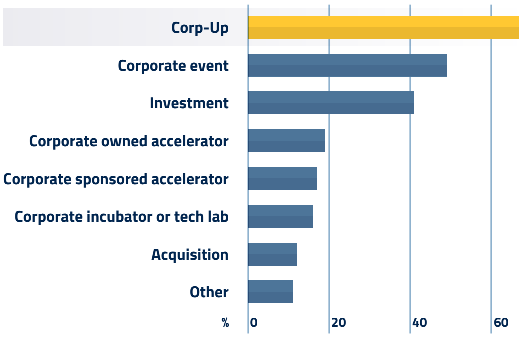
55% share of revenue impacted by corporates in 3 years

3/5 startups' satisfaction from collaboration with corporates

HOW DO STARTUPS ENGAGE WITH CORPORATES?

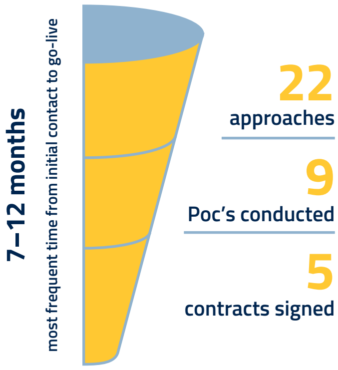
Startup participants confirm the top 3 engagement vehicles mentioned by corporates: Corp-Up, events and investment (in this order)

Engagement vehicles experienced by startup



LEARNING PAYS OFF

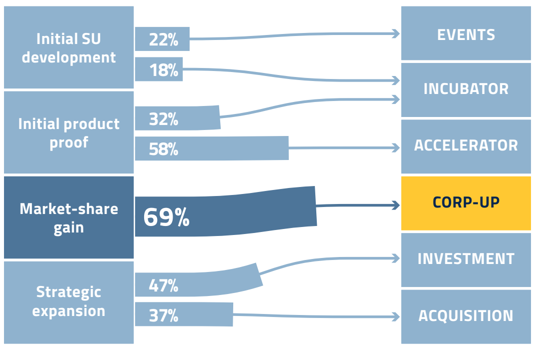
Compared to 2016, startups approach more corporates, do more PoC's and sign more contracts



WHAT ENGAGEMENT VEHICLES SUPPORT DIFFERENT STARTUP OBJECTIVES?

Startups look for engagement vehicles which fit their goals – Corp-Up is used for acquiring new customers

Collaboration vehicle usage according to startups' collaboration goals



WHAT DO CORPORATES NEED TO IMPROVE FOR STARTUPS?

3 IN 10 report a "very" or "extremely" defined dedicated budget to run a PoC or other tests

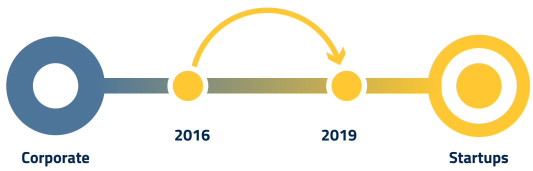
3 IN 10 report a "very" or "extremely" streamlined procurement / contracting process

2 IN 100 report a "very" or "extremely" defined scaling process

WHO TO BLAME FOR CHALLENGES?

Startups' feeling towards corporates changed drastically from 2016. They now see higher responsibility in making it work!

Responsibility for Corp-Up challenges, according to startups



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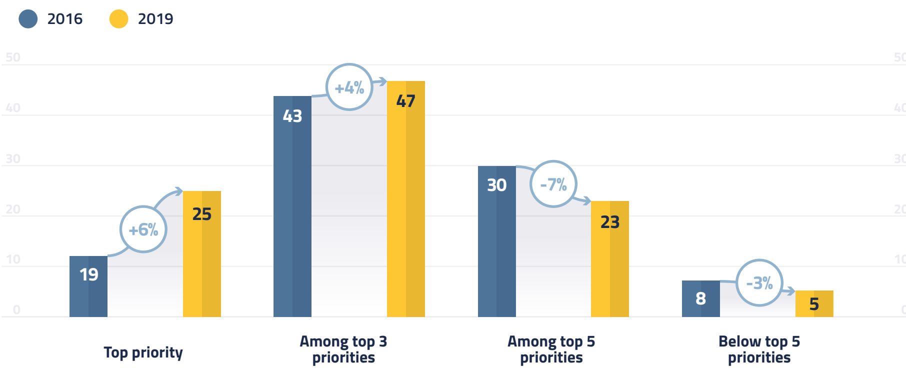
1 Innovation realities: **Where do we stand?**

Innovation is no joke and you know it...

Corporation
We understand a corporate or corporation as a large company or group of companies acting as a single entity not fulfilling the criteria used to define startups (see page 12).

Today's corporate leaders understand the importance of innovation: 72% of all surveyed corporates state that innovation is a top or top-3 strategic priority representing an increase of 10ppt compared to 62% in our Age or Collaboration I report (AoC I). Going up the corporate ranks, the importance of innovation further increases: 82% of all participating Supervisory Board members declare innovation a top or top-3 priority.

How strategically important is innovation for your company? (%)



This is no surprise given the challenges corporates face: markets are becoming more global, new technologies are emerging and the life-line of corporations is becoming ever shorter – or simply put, the **world will never be as slow as today**!
Startups, on the other side, once again had a "year of superlatives" as Crunchbase put it: more money invested in startups, the rise of supergiant venture rounds which eventually led to the largest venture capital deals in history, and a record of 112 new companies joining the unicorn club in 2018 (CB Insights).

Startups have landed – forever

"A corporate, if it wants to stay alive, needs to be close to what is being done by startups."
Miguel Aguiar, Head of B2B Corporate Innovation and Transformation, NOS

Open innovation
Open Innovation was defined by Harry Chesbrough (2014) as "a distributed innovation process based on purposively managed knowledge flows across organizational boundaries, using pecuniary and non-pecuniary mechanisms in line with the organization's business model".

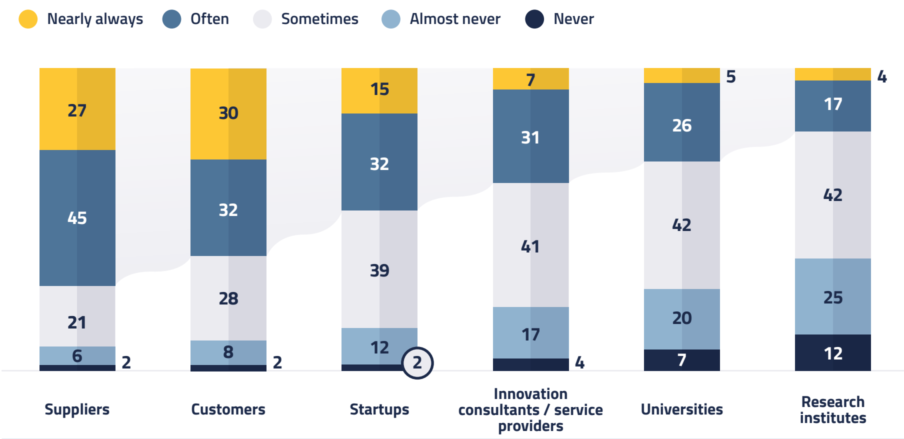
Professor Henry Chesbrough published in 2003 the book "*Open Innovation: The New Imperative for Creating and Profiting from Technology*" which highlighted how firms should embrace external cooperation as part of a new open innovation model. Later on, in 2014, Chesbrough surveyed 125 corporations to validate the degree of implementation of the open innovation concept: 78% reported to have implemented it.
Today, based on our data set of 340 corporates, no single company stated that it did not collaborate to innovate with at least one external party. While we didn't ask explicitly for "open innovation", we asked for the essence of open innovation, i.e. collaboration to innovate. Hence, we can confirm that open innovation today is a corporate reality and that this holds true for corporations of all sizes, from 1k to 100k of employees.

Startup
In line with the definition of the EU Startup monitor, a startup is in this study defined by three characteristics

1. Younger than 10 years,
2. Featuring (highly) innovative technologies and/ or business models,
3. Striving for a significant customer and/ or sales growth

NOTE: The term *scaleup* has gained increasing relevance since the differences between startup and scaleup were brought up by the World Economic Forum in 2014. For the purpose of this study, we are treating scaleup as one of the growth stages in the startup life-cycle, and for this reason we do not differentiate between the two terms.

How frequently do you collaborate with the following types of partners to innovate? (%)

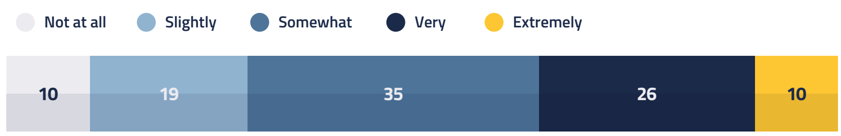


Drilling down in our research, we looked at the intensity and importance of the open innovation partners: customers and suppliers are the two most important ones, **followed by startups**. Almost half of all surveyed corporates collaborate with startups “often” or even “nearly always” – a number which even exceeded our expectations. Only **2%** of all surveyed corporates in our sample have never collaborated with startups and only another **12%** collaborated “almost never”. The past years almost every corporation jumped on board and launched some startup collaboration activities. Thereby we observe a stronger pressure to collaborate among larger corporations.

More focus, more collaboration, more impact

To collaborate or not to collaborate is no longer a question and corporates’ own behaviors are a good proof point: corporates are not only keen on startups, but actually invest more time and resources into collaborating with startups. As a consequence, corporates today are significantly more experienced in startup collaboration compared to 2016. In our 2016 report, only 26% of all corporations stated to be ”very” or “extremely” experienced; in 2019, this number increased by 10 percentage points to reach 36%.

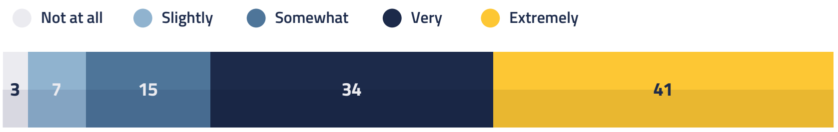
How experienced do you consider your company in dealing with startups? (%)



Startup-corporate collaboration
Any form of relationship between a startup and a corporation, initiated with the intent to drive mutual benefits for both parties.

Likewise, startups understood that they need corporates to grow and thrive their businesses as scaling is becoming ever more time-critical. Corporates therefore tend to be regarded as springboards. **75% of startups** (compared to 69% in 2016) rate corporate collaboration as strategically “very” or “extremely” important, and this holds true for all startup stages (from seed stage to later stage startups).

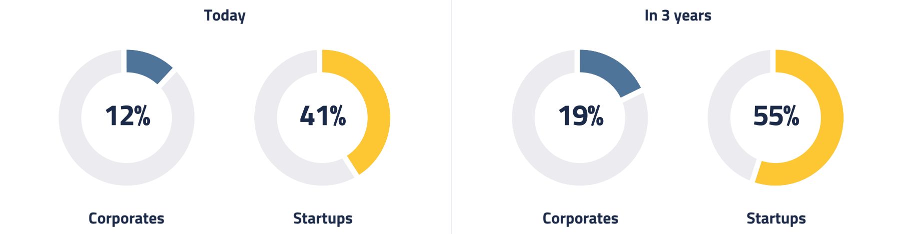
How strategically important is collaborating with a corporate for your startup? (%)



Position and ownership have a more or less aligned view
C-level management is slightly more skeptical vs. second level management when it comes to assessing the company's experience level.
Also analysing by ownership, 42% of respondents directly responsible for innovation vs. 25% not directly responsible for innovation consider themselves as "very" or "extremely" experienced.

We also asked to quantify the impact of collaboration and asked the question: "What share of your total revenues are impacted by any form of collaboration with corporates/ startups today and in three years from now?"; the outcome speaks for itself.

What share of your total revenues are impacted by any form of startup-corporate collaboration?



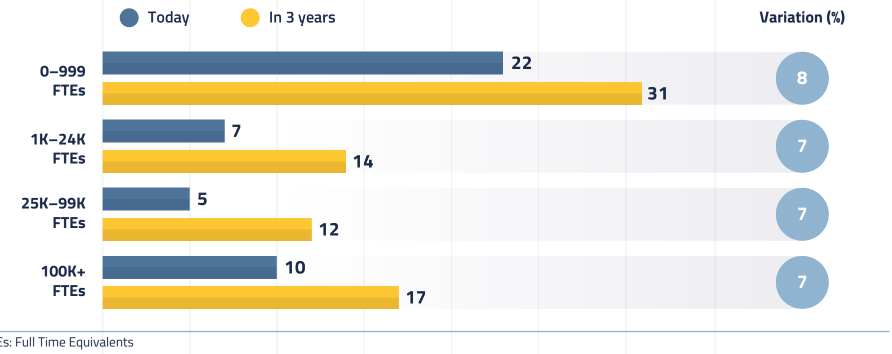
Corporates anticipate the impact of startup collaboration to increase from **12% today to 19%** three years from now, and on the startup side this number is expected to grow from **41% today to 55%**. Clearly no one can take collaboration half-heartedly any longer!

"The rate of innovation that is happening in the startup space is phenomenal. On the corporate side, it is still very limited, but the awareness is increasing."
Prince Thomas, Head of Digital, Ooredoo

INNOVATION IS NOT A 'BIG BOYS' GAME

On the corporate side the smallest companies (<1,000 employees) place the highest level of priority on innovation – 80% state innovation as a top or top 3 priority, 10% more than the rest. Naturally, they also have the highest expectations towards the impact of startup collaboration (from today 22% to 31% in three years). Still the largest companies (> 100,000 employees) anticipate an increase from today 10% to 17% in three years – not too small either.

Revenue impact from collaboration with startups, per company size (%)



FTEs: Full Time Equivalents

HIGHLIGHT

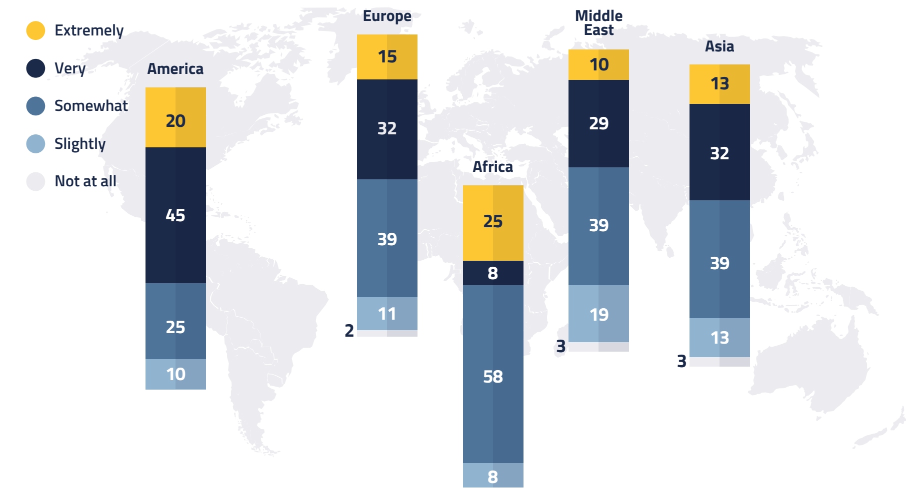
Americas (driven by the US) lead the pack

Do not be fooled by Africa
If we only looked into the corporates collaborating "nearly always", Africa would actually rank first!
Even if still largely unexplored, startup-corporate collaboration in Africa is picking up fast, particularly in the telecommunications space. Collaborations in Africa are still often driven by CSR goals, but are increasingly combined with business objectives. African corporates place high revenue expectations on collaboration with startups (see below) and we expect to see a significant collaboration uptake in Africa.

Read more on collaboration between startups and mobile operators in emerging markets:
www.match-maker.ventures/gsma-joint-work-on-the-report/

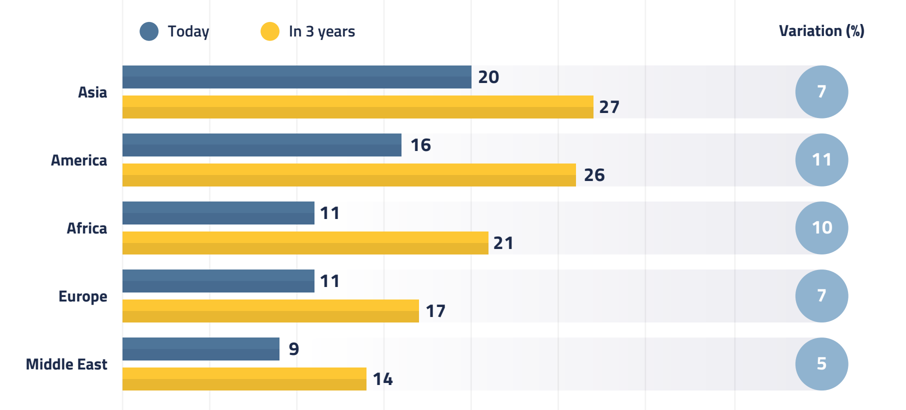
Corporates in the Americas (mostly US) are the most active startup-collaborators: 65% of all corporates collaborate "often" or "nearly always". Europe and Asia follow almost on par with 47% and 45% respectively; Middle East with 39% and finally Africa closes the race with 33%. This order correlates with other key indicators of startup activity such as VC funding: in 2019 to-date 64% of all VC funding was allocated to startups from the Americas, followed by a close race between Asia Pacific (20%) and Europe (16%) (KPMG Venture Pulse Report Q2/2019).

How experienced do you consider your company in dealing with startups? (%)
Regional analysis



In addition, 53% of all surveyed corporates from the Americas consider themselves as "very" or "extremely" experienced compared to only 37% in Europe. The Middle East shows the lowest experience level: only 25% in this bracket, without a single corporate considering itself as "extremely" experienced.
Given the high level of startup activity, it does not come as a surprise to see the Americas region placing high bets on startup collaboration – corporates in this region expect the revenue impact from collaboration to grow by 11 ppt in the next 3 years, more than in any other region. Still, overall all geographies acknowledge the strongly increasing impact of startups. Europe, even if ranking second by startup activity, demonstrates a skeptical attitude towards the impact of startup-corporate collaboration – from 11% to 17% in 3 years, both numbers well below the Americas, Asia and Africa.

Revenue impact from collaboration with startups (%)



2 Collaboration outlook: **who is who?**

From burn-outs to schizophrenics to junkies...

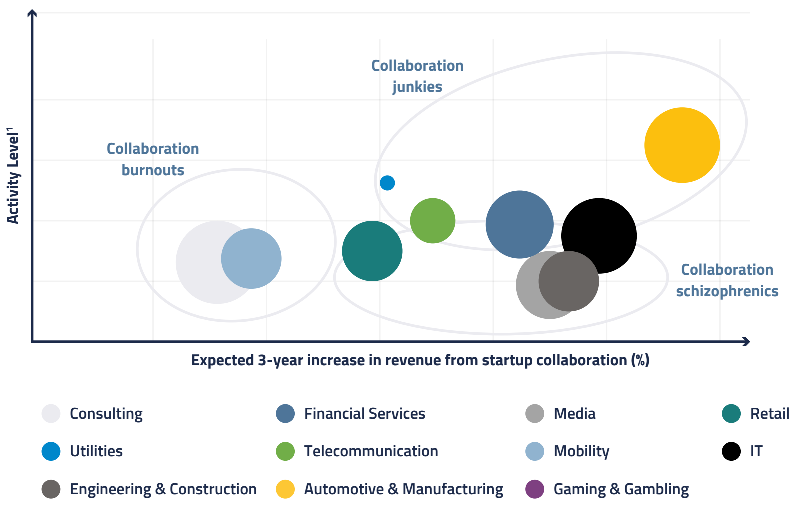
We are observing strong differences in collaboration readiness among industries, and anticipate a further increase due to the impact of new technologies, regulatory conditions, and simply business realities. Based on these different readiness levels we differ three industry clusters:

1. **Collaboration burn-outs** (consulting and mobility)
   Collaboration already had a severe impact, leading to a rather conservative outlook ("Can't become any bigger...") and to an overall low activity level. Established players run the risk of missing out and being disrupted by new players and/ or from other industries.
2. **Collaboration schizophrenics** (retail, media, engineering & construction and partly financial services, IT, telecommunications)
   They are very aware that collaboration will have a significant impact on their future revenues, but still are not able to act accordingly. Established players almost seem paralyzed by the complexity and the sheer number of opportunities.
3. **Collaboration junkies** (utilities, automotive & manufacturing and partly financial services, telecommunications, IT)
   Junkies see a huge value in collaboration and put big bets on the topic of collaboration. They invest both by launching new collaboration vehicles as well as by frequently collaborating with startups. The entire organization is much more receptive of outside innovation and subsequent expectations are high.

"Putting a focus on innovation unfortunately does not automatically lead to innovation reality."
Pranav Shah, Sterlite Tech Ventures

Stuck in the middle
Telecommunications, financial services and IT are all in the top 4 most experienced industries in dealing with startups. Still, they remain stuck between collaboration schizophrenia and true collaboration junkies – what's in their way?
In telecommunications and financial services, we seem to face the all-too-familiar problems of slow execution. For both industries, 1 out of 5 startup engagements still take longer than a year to see the light of day.
IT, on the other hand, can reportedly bring 2/3 of its engagements live within 6 months, but the industry needs to become more exploratory to become a real collaboration junkie.
The two collaboration junkies in this matrix have on average 1 (utilities) and 2 (automotive) more active vehicles than IT.

Industry collaboration outlook
Size of the bubble indicates share of revenue impacted by startup collaboration in 3 years (expected)



1 Activity level = nr. of active vehicles x frequency of collaboration index (with never=0 and nearly always=4)

Where do you play?

We generated individual benchmark reports for each participating corporate and decided to keep the survey open. If you are an interested corporate and want to understand where you stand compared to your peers and cross-industry leaders, please visit: www.match-maker.ventures/aoc and complete the 10 min survey – we will afterwards compile your benchmark report.

Drilling down into the individual corporate level, we see even stronger differences based on the evaluation of all 340 participating corporates along the dimensions of activity level and quality of engagement. Just like before, the activity index considers the number of active collaboration vehicles and the frequency of startup collaboration, while the quality index considers startup collaboration experience and satisfaction with collaboration.

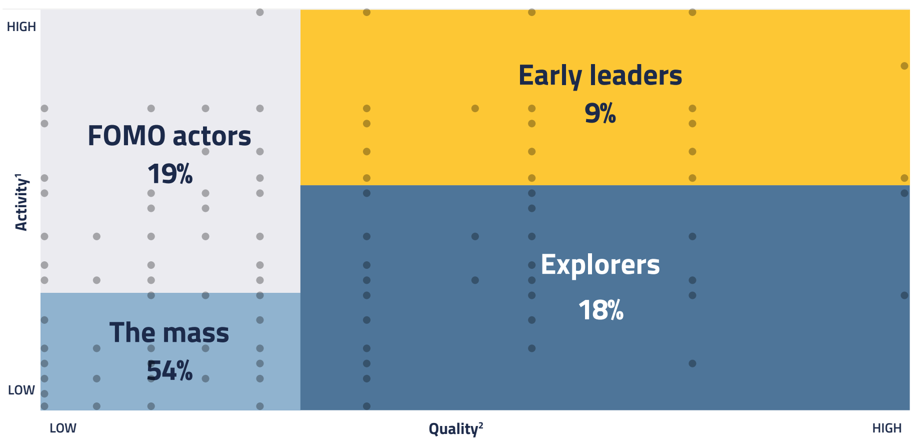
The majority (54%) of all corporates are in **The Mass.** These corporates are characterized by a strong focus on making the existing lines of business better, a low overall activity (only 1.3 engagement vehicles on average) and a very conservative revenue estimation. On the contrary, **Early Leaders** are characterized by being both very active and effective. This results in more PoCs (to gain important learning experiences), higher revenues and higher revenue expectations. **FOMO Actors** are driven by the fear of missing the collaboration train: highly active, but without a clear understanding of their direction (only 14% state to be well aligned on the objectives of collaboration). Lastly, **Explorers** are narrower on their activity, but tend to go deep, leading to a higher quality of engagements.

"In order to explore out of the core, collaboration is only natural."
Prince Thomas, Head of Digital, Ooredoo

Collaboration actors

FOMO Actors
Engage with startups "because everyone is doing it" and without an aligned plan. Only 14% of all state to be well aligned on the objectives of their collaboration. FOMO Actors are measured by activity and have on average 4.7 collaboration vehicles live and run 15 PoCs per year.

Early Leaders
Early leaders are highly active and have on average 5.9 engagement vehicles active. They run 50 PoCs with startups a year – significantly more than the global average. "Creating new" is clearly prioritized over other innovation objectives. Revenue expectations reach 30% in 3 years!



The Mass
The majority of all corporates still remains observative. Focus remains on "making existing better" and barely one active (1.3) engagement vehicle. Revenue expectations in 3 years are on the level of today's global average (12% in 3 years).

Explorers
Explorers are more focused and explore a lower number of engagement vehicles (3.6 on average). Evidence of their focus is the strong alignment on the main collaboration objective (58% of Explorers consider themselves as "very" or "extremely" aligned on the objective of collaboration). They ran on average 22 PoC's over the last 12 months, leading to 13 commercial agreements. Revenue expectations remain high on 28%.

1 Activity level = number of active vehicles x frequency of collaboration index (with never=0 and nearly always=4)
2 Quality level = startup experience index x Corp-Up satisfaction index (with 0- not at all and 4- extremely)

3

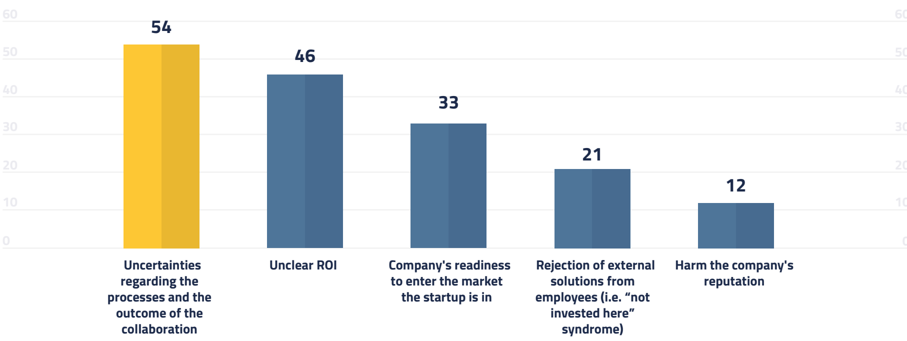
It's a quantity **and quality game!**

Uncertainty is a corporate's biggest fear

"Corporations and startups need to find common ground to build something. It is crucial to have a compromise from both parties."
Miguel Aguiar, Head of B2B Corporate Innovation and Transformation, NOS

With 54% of corporates concentrated on "the mass", one question emerges: what is stopping corporates from collaborating more with startups? Looking at our survey, the answer is clear: uncertainty, the sheer amount of uncertainty. The earlier in the life of any startup, the higher the uncertainty.

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



The uncertainty concern exists for a reason – after all, corporates have everything to lose, while startups have everything to win. Still, the benefits of collaboration can clearly outweigh the concerns if corporates take the right actions to mitigate the risk inherent to any startup. Collaboration leaders are quantity, quality and cost leaders. While being quality and cost leader naturally seems more "right", a quantity leader might come as a surprise – but the reason is simple: one credible strategy to fight uncertainty is just to increase the odds...

In order to deal with the uncertainty of the startup world, corporates should work on the following aspects of their collaboration approach:

1. **Quantity – increase the funnel:** The survival chances of any funded startup are lower than 10%. The success ratio of any startup-corporate collaboration is assumed at 30% (we took the number of "corporates who consider their collaboration activities successful" as a proxy). The odds, that out of 1 collaboration, 1 winning collaboration emerges are quite low. Naturally, one wants to beat the odds, but in the end, odds are odds and corporates should (a) be extremely good in identifying collaboration partners and (b) simply be out there and try.

2. **Quality – build up capabilities:** As any collaboration comes with an inherent cost and corporates need to become efficient "collaboration machines", validation becomes a critical capability (more on this later). To outcompete the odds, it pays off to collaborate with experienced partners and invest upfront into team and processes to ensure staying above the curve.

3. **Cost – get better every day without increasing the budget:** Lastly, a continuous learning cycle needs to be implemented to prevent the big bang of bad news. As we established, startup-corporate collaboration is a startup activity, validated learning is a metric of success and needs to be achieved at all cost – no one will get it right from the beginning.

Choosing the right collaboration approach

Keeping in mind the need to optimize between quantity, quality and cost, there are a few prerequisites which corporates need to check before deciding on a collaboration approach.
Initially, any corporate is well advised to understand the different vehicles to collaborate (= options) and the inherent trade-offs. Second, it is critical to fully comprehend what to expect out of each collaboration approach and what "road to collaboration" they offer. Third, as the name "collaboration" indicates, the startup's perspective needs to be understood. Lastly, when the objectives of both players are defined, the right engagement vehicle shall be chosen accordingly.
Only when the objectives of both market players are in an equilibrium, can real success (or in startup terminology, traction) be generated.

Collaboration / engagement vehicle
A collaboration and/ or engagement vehicle (we use both interchangeably) is the form by which a corporate engages with one or many startups varying from equity investments, to a corporate accelerator programme, to a purely commercial relationship (Corp-Up – see below). The specific vehicle can be setup for permanent purpose or as a special purpose vehicle.

PREREQUISITE 1: UNDERSTAND THE OPTIONS

The first important step to manage uncertainty is to understand the options, i.e. the startup engagement vehicles. We distinguished 7 engagement vehicles in our survey; for sake of simplicity we merged the in-house and third-party managed corporate accelerators in the table below. While in reality many blends have emerged by now (we identified already more than 20 sub-vehicles), we are convinced that this table is a good starting point.

Corporate-startup engagement vehicles

	EVENTS	INCUBATOR	ACCELERATOR[1]	CORP-UP	INVESTMENT	ACQUISITION
Definition	Corporate organizing/ hosting events for startups	An incubator is a unit helping early stage startups to develop their product/ service	Accelerators are usually fixed-term (3-6 months) cohort-based programs of anything between 4-10 startups managed by corporate or 3rd party	Corporate and start-up collaborate on business terms, i.e. buyer-supplier relationship	A financial (minority) investment by a corporate either directly via the balance sheet or via a dedicated fund into a startup	A Corporate acquiring the majority stake in a startup (50+%)
Used when…	Corporate wants to strengthen its external and internal perception of being innovative by engaging with the startup community	Corporate has access capabilities and wants to provide an "idea playground" to external partners with the hope to innovate	Corporate wants to achieve both (a) brand awareness and (b) startup access – key focus rather to get started as significant investment is required	Corporate wants to benefit from startups' innovation power and wants to quickly create business impact leveraging the existing assets	Corporate wants to hedge its own business and wants to engage as a financial investor; can become a strategic investment, when either acquisition or Corp-Up anticipated	A startup possesses a critical assets or know-how either to (a) strengthen an existing line of business or (b) enter a new line of business

1 In our survey we differ between corporate own accelerators as well as third party accelerators

The differences between collaboration vehicles must be understood considering the previously mentioned trio of quantity, quality and cost. We translate them into three dimensions:

1 **Quantity (or exposure to the startup world)**
Quantity in our definition refers to the number of "qualified" startups to which the corporation is exposed. Qualified refers to knowing why to engage and what to look for, essentially to be able at all times to run a mental validation against a collaboration rationale. That's why we rank events lowest – despite the high number of startups usually present in them, usually the exposure is not adequately qualified.
On the other side, Corp-Up involves a qualitative assessment of each startup along a stage-gate process leading (potentially) to a Proof-of-Concept and ultimately (if positive) to a commercial contract. As this is a constant process filled by inside-out and outside-in exposure, we rank Corp-Up highest in the quantity dimension.

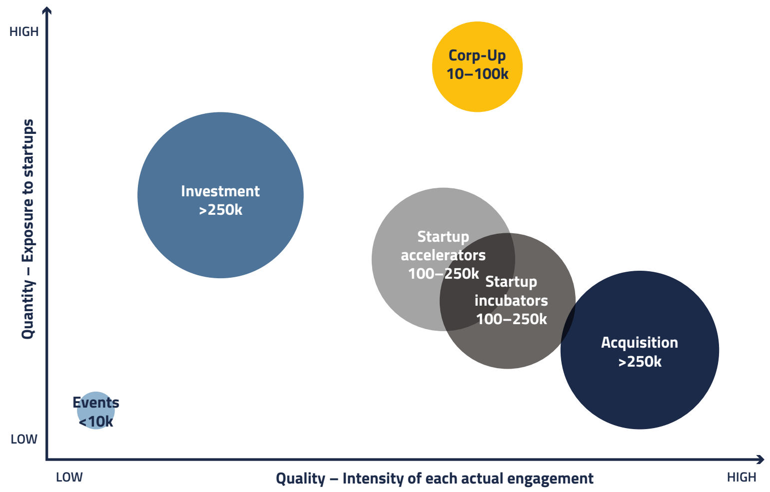
"You need to streamline your innovation efforts as essentially they are costs. The challenge is that you also have to find a setup allowing for certain amount of waste."
Jean-Marc Frangos, Senior VP of External Innovation, BT

2 Quality (or intensity of actual engagement)
Allowing for high quality or high intensity engagements is often painful for corporates. It is fairly easy to conduct a startup fair, a hackathon or even to invest into startups. However, it gets significantly more uncomfortable when the new customer engagement strategy relies on the technology of a startup, or when the entire customer base is exposed to a white-labelled product of a startup under the name of a large corporate. Naturally again, events show the lowest quality, whereas in the case of an acquisition, the engagement cannot get more intense.

3 Cost per engagement
Cost per engagement refers to the fully loaded cost of engaging with one startup in the respective vehicle. Yearly overhead costs are allocated based on the number of startup engagements. These numbers can be understood as a good proxy based on our combined experience and our qualitative interviews. Key cost drivers are usually the internal FTE costs, costs to external parties to support search, valuation, etc. as well as costs related to the startups itself (PoC costs or investment/ acquisition). Not to forget the numerous marketing related costs.

Taking these dimensions into account, collaboration vehicles can be compared according to the matrix below:

Engagement vehicle comparison
(Bubble size indicates cost per engagement)



PREREQUISITE 2: ANTICIPATE THE ROAD TO COLLABORATION

After mapping out the options, it becomes key to know what outcomes to expect from each as the form of collaboration can differ by each vehicle. The collaboration outcome of an acquisition is fundamentally different from that of an incubator. While some vehicles are intertwined, i.e. an event participation might lead to an accelerator participation and ultimately an acquisition, we believe it's important to understand the different steps individually. The table below shall provide some guidance for corporates to understand the road to collaboration.

Road to collaboration per vehicle

	Identify	Qualify	Validate	Prove	Collaborate
EVENTS	Most often open invitation via known networking platforms	Rarely event participants are qualified in a structured form	Corporate organizing/ hosting events for startups	Corporate organizing/ hosting events for startups	Contact to a stakeholder inside the corporate which opens up a new collaboration path
INCUBATOR	Either via call for startup at dedicated times or opportunity driven	Core incubation unit qualifies startup team (qualification driven more on team than on traction as quite early stage)	Core incubation unit usually drive validation process without involvement from existing units	Product/ solution usually developed during incubation time – end outcome is often some form of early PoC	PoC is usually the best collaboration outcome
ACCELERATOR	Corporate accelerators most often launch "call for startups" (usually 2 times per year via a 6 weeks period)	Startups apply for an accelerator and core accelerator team performs qualification	Regularly startup presents to some decision committee in a 2-step process often involving an on-site boot camp for top participants	Core proof is supposed to happen during 3-6 months acceleration phase	Collaboration outcome might involve a Corp-Up engagement, investment and/ or acquisition – most often though ends with a PoC
CORP-UP	Combination of inside-out (active search) and outside-in (passive inflow) identification approach	Core Corp-Up team runs first fit assessment with regards to stage, focus area, proof, etc.	Joint validation process with end-user of startup conducted – involves on-site workshop with startup	Usually technical and/ or commercial PoC conducted – either owned directly by BU or by innovation team	Established buyer-supplier to product partnership to reselling models
INVESTMENT	Predominantly focused on creating inflow of investment opportunities combined with co-investment opportunities via network	Core investment team conducts first qualification	Most often validation process remains with investment team – only few highly strategic CVCs involve core unit	Investment hypothesis approved by investment committee (partly team of CVC and core unit)	Investment received from corporate
ACQUISITION	Most often active search based on corporate strategy/ BU strategy	Either done in-house by M&A team or via external investment boutique	Validation driven by M&A team heavily influenced by future owners of the topic	Usually longer technical and commercial due diligence process	Acquisition often followed by integration; sometimes maintained as stand-alone business

PREREQUISITE 3: CONSIDER THE STARTUP'S OBJECTIVES

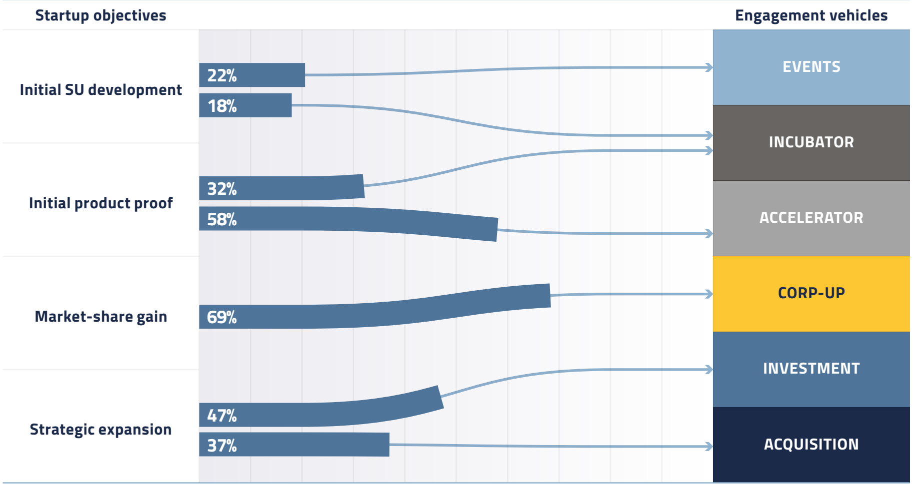
Each startup follows its own objective when wanting to collaborate with a corporate and, consequently, will be aiming for a specific engagement vehicle. We differentiate between:

1. **Initial startup development** (initial funding, PR/ marketing boost, know-how acquisition or coaching/ mentoring)
2. **Initial product proof** (access to corporate's assets, proof-of-concept, first reference customer)
3. **Market-share gain** (buyer relationship, sales/ product partner)
4. **Strategic expansion** (financial or strategic investment or a simple exit).

"Startup are excellent in knowing and applying new technologies; they need help in commercializing it"
Ivan Skender, Chief Digital Officer, A1 Croatia

The graph below shows startup's preferred engagement vehicle per objective. Startups desiring an early proof prefer events and incubators, while startups looking to win corporates as customers (market-share gain) prefer Corp-Up to engage.

Startups' preferred engagement vehicle based on objective



> "It is important to have a mutual understanding of the end objective between the startup and corporate."
> **Roshanth Gardiarachchi, Ideamart Dialog Axiata Sri Lanka**

PREREQUISITE 4: FIND YOUR MATCH!

Likewise, corporates follow different objectives when wanting to collaborate with startups – we distinguish:

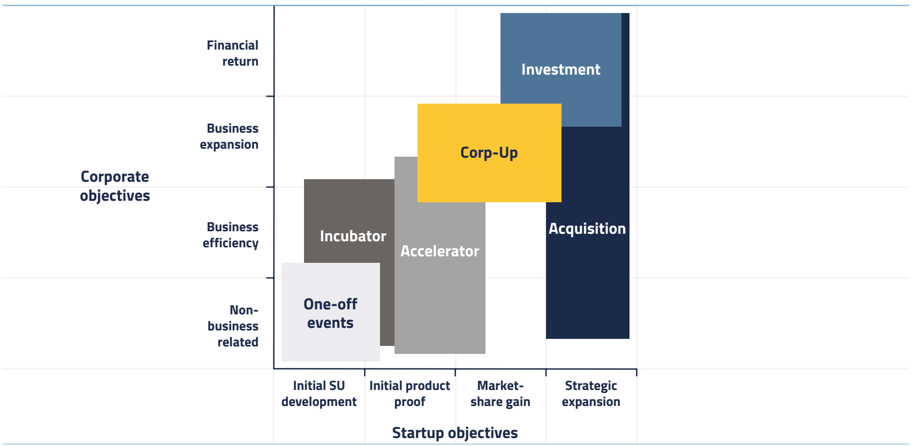
1. **Non-business objectives:** PR & branding, access to talent, cultural refresh, CSR
2. **Business efficiency objectives:** Gain crucial market insights or make the internal better
3. **Business expansion objectives:** Make external better or create new
4. **Financial return driven:** Minority (financial) investment or majority strategic investment

Our collaboration matrix helps to derive the optimal collaboration approach based on the objectives of the involved parties. To maximize chances of success, both objectives need to be in an equilibrium.

Corporates wanting to maximize the outcome of their collaboration activities should always ask the question of the main objective: Why to collaborate? The objective should be articulated in a value proposition to the startup community to ensure the right kind of startups are attracted with the right intention in mind.

Below's matrix shall help to "find your match" by showing the recommended engagement vehicle based on startups' and corporates' objective.

Startup-corporate collaboration matrix



4 Business impact? **Corp-Up delivers!**

The creation of a new terminology

Corp-Up
Any commercial relationship focused on creating business impact by combining the assets of a corporate and a startup. Corp-Up ranges from buyer-supplier relationships (most frequent) to reverse API-agreements.

Corp-Up is a term created by us in our 2016 report to describe a specific form of engagement between a startup and a corporate. We define Corp-Up as **any commercial relationship focused on creating business impact by combining the assets of the involved parties**; it is of immanent importance that the collaboration strikes a **"1+1=3" equation.** In most cases the corporate brings scale (i.e. customers, branding, channels) and the startup brings a technical solution/ product which will create value in the setting of the collaboration with the corporate. We distinguished five main Corp-Up models and asked both sides about their experience with each.

Corp-Up forms and respective usage by corporates and startups

	Buyer-supplier relationship	Reselling model	Referral model	Reverse API agreement	Joint product development
	Corporate procures from a startup	Startup leverages corporate power to resell startup's products/ services	Corporate "refers" startup's product/service to their customers	Startup uses corporate assets exposed on standardized terms	Both sides invest resources to jointly create a new product/service
Corporates	64	50	30	23	57
Startups	52	49	64	11	41

Companies that tried (%) ● Corporates ● Startups

There is no "one right approach"

Buyer-supplier relationships are most common, bringing immediate value for both parties. Corporates get to benefit from the startup's product/ technology in a low risk scenario, while startups not only win a new customer, but usually also benefit from additional opportunities like market insights, PR/ marketing boost which often help in later funding rounds. Jointly developing a product is the next common form of engagement; the focus is on combining expertise and creating something bigger jointly. Reverse API agreements are rather new and, in a way, industry specific. Initially we saw reverse API agreements emerging in the telecom industry (already used by more than 30%), but now we see wider spread (partly driven by regulation as in the example of financial services). We tried to understand how the level of satisfaction of our participants changes according to the form of Corp-Up tried, and no significant differences emerge. There is no "one right approach" to Corp-Up, for as long as the corporate and the startup's objectives are clear and in total equilbrium.

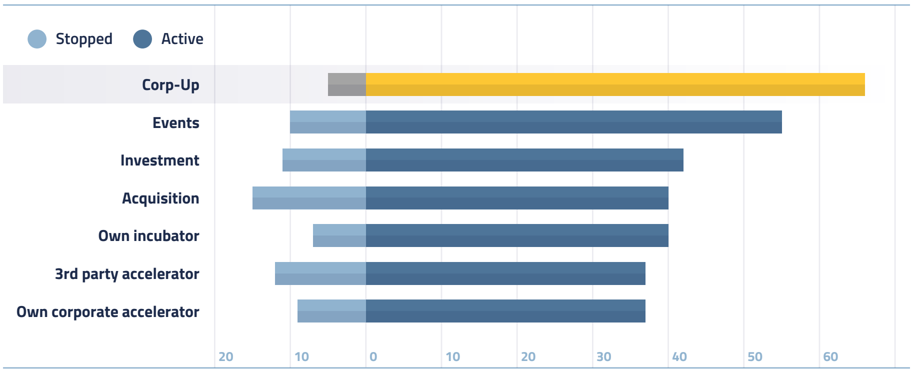
API
API stands for Application Programming Interface: a set of functions and rules on how to interact with a given service/ software for integration

Corp-Up: Most used, least stopped vehicle

> “We didn’t use Corp-Up 3 years ago, but now this is a core of our activities.”
> **Hande Sözmen, Turkcell**

When looking into the most commonly used collaboration vehicles, Corp-Up emerges as the most used (by over **70%** of all surveyed corporates) and by far the least stopped vehicle (stopped by **only 5%** of all corporates).

Corporate innovation vehicles – active vs. stopped (%)



> “Partnerships are the only way to avoid rushed investments.”
> **Pranav Shah, Sterlite Tech Ventures**

Over the past 18 months we also observed that many corporate accelerators tried to integrate some Corp-Up elements. This is expressed by a stronger focus on later stage startups, the extension of the acceleration time, integration of virtual acceleration weeks and/or working in much closer alignments with the business units. All these are characteristics of the Corp-Up approach.

DEEP-DIVE

Wayra learning by doing

Wayra, the corporate accelerator of the telecommunication giant Telefonica, is a perfect example of going the Corp-Up route. After seven years of investing into hundreds of startups and driving an ambitious global expansion (11 hubs in 10 countries), Wayra is focused on increasing the impact of its startups towards the corporate’s core business. The outcome was a drastic re-shaping of Wayra’s DNA to focus 100% on creating value for Telefonica.

Pablo Ramos Martinez, Strategic Partnerships at Telefonica Open Innovation guided us through this journey: “After years working with startups, our key learning is that you have to constantly adapt your company’s processes, culture and platforms if you aim to move the needle of a big corporation. For that we are creating the simplest interfaces to interact with startups within the industry.”

According to our definition, we would even argue that Wayra is no longer a corporate accelerator, but rather Telefonica’s Corp-Up unit. Wayra no longer works with startup batches, but closely aligns with the core business units to identify and validate startups able to create a business impact for the existing businesses. The objective is to create a 1+1 = 3 situation, which requires a strong alignment with the existing business units.

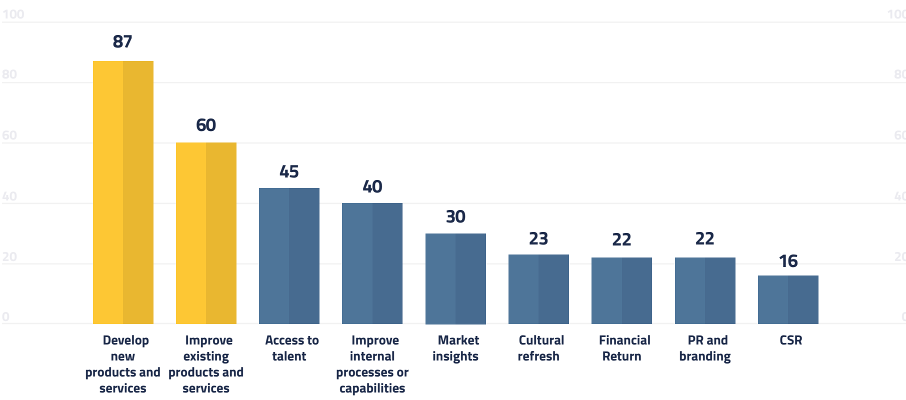
Christian Lindener, CEO of Wayra Germany highlighted the challenges of this approach: “It’s key to understand corporate technologies: what are the things driving the business this year and next year and could this be influenced by a startup?”.

Revenue impact counts

"Prepare a business case and show how the corporate can benefit from your solution"
Peter Gal, Co-founder Bethereum

Corporates using Corp-Up achieve significantly higher revenues from startup collaboration than those not using Corp-Up (14% vs. 8% today and 20% vs. 15% in three years). Likewise, we see a significantly higher level of satisfaction (43% vs. 6% consider their activities "very" or "extremely successful").
Corp-Up should be the vehicle of choice when it comes to developing new and improving existing products and services as those are by far the most common objectives connected to Corp-Up. On the contrary Corp-Up is not the preferred vehicle when it comes to the softer objectives like PR and branding or corporate social responsibility.

Why have you collaborated/are you collaborating with startups on business term? (%)



5

Blame game is over:

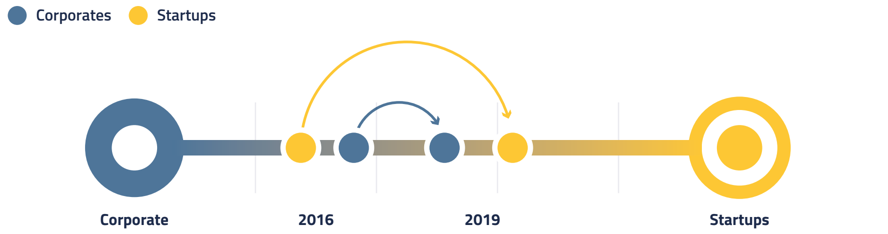
It requires both to drive impact!

It's a game for two

"It's a mother and daughter relationship. The mother should help the daughter that has no idea about growing up with getting more experience. As in a mother-daughter relationship, the corporate should help and guide the startup, but keep in mind that the startup is growing, so there will be unexpected issues and challenges to face."
Michael Jiresch, Austrian Post

It is no secret that it takes the willingness and commitment from both sides for Corp-Up to work. Considering numerous differences between corporates and startups, challenges can and will occur. In our Age of Collaboration I report, back in 2016, we asked who is more responsible for the ongoing challenges in a Corp-Up. Startups and corporates both agreed that it's more the corporate's fault: too slow, too complex and too risk-averse. This picture has massively shifted and as such represents the increasing maturity of the ecosystem: corporates see it as an equal responsibility while startups realized that it's more on them to make things work – "Invest energy in things you can change" seems to be the new mantra.

Corp-Up responsibility for challenges



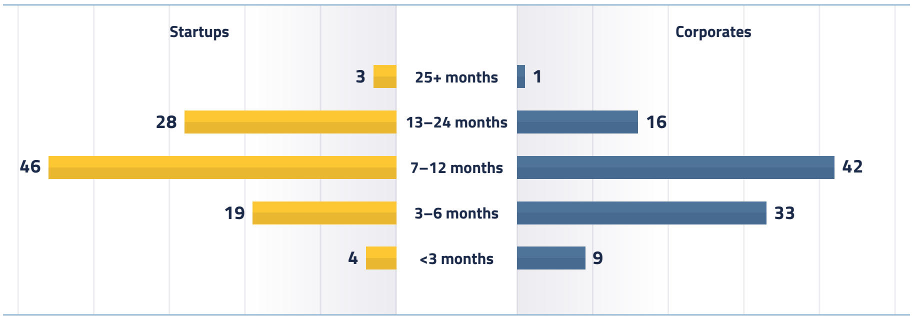
Be realistic

"Be aware that getting to agreements with corporates will take longer than expected"
Daniel Söderberg, Senior Advisor

"Prepare a business case and show how the corporate can benefit from your solution"
Peter Gal, Co-founder Bethereum

Bringing two parties together is a long and exhausting process – although when looking at the average duration from validated contact to deal signature, the numbers don't look that discouraging. While we identified slight industry differences stemming from the nature of the businesses (e.g. as mentioned before, collaborations in the IT industry usually go faster), we received the feedback in our 1:1 discussions that a "below 12 months timeline is excellent". Hence we feel that corporates might have underestimated the time-to-market in our online survey. This is dangerous as expectations rise, which will eventually lead to frustration: setting the right expectations internally and towards startups from the beginning helps to make it through tough times (which will happen) and we strongly advice to: (a) measure the average time it takes for a collaboration to happen; (b) try to measure not only the total time, but to break it down into individual process steps; (c) be able to work and improve the throughput time – this itself is a process and will take time.

How long does it usually take from initial contact with a startup to the actual go-live of a Corp-Up? (%)



Learning pays off! Numbers don't lie

> "Startups are used to selling to investors and audiences, but selling to a corporate is something different and needs to be learned"
> **Christian Lindener, CEO Wayra Germany**

Accepting the realities and focusing on things that can be influenced starts to pay off for startups. Comparing startups' Corp-Up closure rates clearly shows that startups today are significantly more active and, in the end, close more deals. While conversion ratios stayed roughly the same during the period, today's outcome is significantly different to three years ago. Startups approach a lot more corporates, run a lot more PoCs and in the end close twice as many Corp-Ups as three years ago. While this is positive, the conversion ratios indicate areas of improvement: Getting to PoC stage remains challenging and the overall conversion ratio can always be improved.

Corp-Up pipeline: 2016 vs. 2019

Do your homework!

Corporates' Corp-Up readiness is far from perfect and to better understand the current state we asked how ready corporates consider themselves along the dimensions: (1) **aligned objectives**, (2) **dedicated resources and budget**, (3) **well defined scouting process**, (4) **well defined validation process**, (5) **well defined onboarding process** and (6) **well defined scaling process** – we identified two main areas to work on.

1 SCALING AN INDIVIDUAL STARTUP COLLABORATION TO REAL, TANGIBLE AND RELEVANT IMPACT

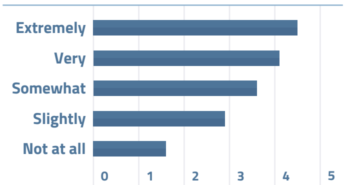
The "scaling process", i.e. the process to drive individual corporate-startup collaborations to success, was ranked overall lowest by corporates. While many corporates manage to run a PoC or even execute Corp-Up agreements, still few manage to drive business impact to become significant in the entire corporate context. This is also reflected by the main concerns speaking against Corp-Up: "Unclear RoI" – supported by 47% of all participants. Hence, corporates should work on internal buy-in and creating lighthouse projects showing that "it can work". More focus should be placed on the real challenges of collaboration – creating real, tangible and relevant impact and less on the front part of collaboration (i.e. How to find the right collaboration partner? How to assess a startup?).

2 CREATING AN EFFICIENT CORP-UP MACHINE TO BALANCE INVESTMENT WITH OUTCOME

Once impact is created the first time, impact needs to be created repeatedly. Corp-Up eventually needs to become the "new normal" – the new normal of innovation, the new normal of product development, the new normal of business development; not as the sole source, but as an integral element to all.

Corp-Up is better served with...mostly everything!
We identified a straightforward correlation in our data set: Corporates stating that they are extremely satisfied with their Corp-Up activities have on average 4.5 different vehicles implemented vs. those being "not at all satisfied" (only slightly more than 1.5 vehicles). Corp-Up may be the most used but remember – it's a quality and quantity game!

Corp-Up satisfaction vs. number of active vehicles
Q: Overall, do you consider your Corp-Up activities a success? (# of active vehicles)

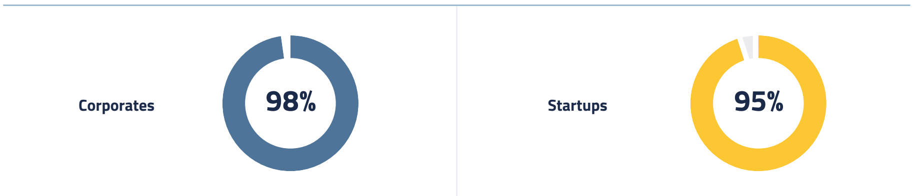


To underline, we asked startups on corporates' collaboration readiness with regards to: (1) **a clear understanding of why to Corp-Up**, (2) **availability of dedicated resources**, (3) **dedicated budget to run a PoC**, (4) **clarity in decision making**, (5) **streamlined procurement/ contracting processes** and (6) **defined scaling process**. While the scaling process was identified as the process which is least ready, this was followed by misaligned procurement/ contracting processes as well as unclarity in decision making. Also corporate's top concern – "Uncertainties regarding the processes and the outcome of the collaboration" – is supported by 58% of all participants and shows the need to invest in becoming a collaboration power-house.

Let's keep going

Collaboration is not an easy nut to crack, but once it's cracked, it will be rewarding. Despite the challenges that corporates and startups have to deal with, the often-painful learnings and certainly many frustrating discussions, the willingness and motivation to keep collaborating remains high: 98% of corporates and 95% of startups would do it again!

Would you do it again?



6 The perfect collaborator: **Corporate perspective**

With collaboration becoming more omnipresent, a growing amount of learnings is emerging from the successes and failures of different corporates. We did not want to conclude this study without compiling our key lessons into a concrete way forward for any corporate seeking to upgrade/get started on collaboration. Below our take on what makes "the perfect collaborator".

"Innovation seems to be welcome, but when it kicks in and people have to change, it's getting more difficult."
Frank Meywerk, CEO of Assessment Systems International

STRATEGY & VISION

Collaborating with startups is fundamentally different from any other prior challenge, which the perfect collaborator understands. To offset, the perfect collaborator defines a vision incorporating startup collaboration and translates the vision into concrete milestones granting sufficient flexibility to change the course of action to deal with the inherent uncertainty. 60% of all corporates reporting to be "very" or "extremely" aligned on the objectives of why to Corp-Up consider themselves "very" or "extremely" successful. In contrast, only 15% of all others reported a similar level of success.
The perfect collaborator's top management team is fully onboard and, as opposed to engaging with startups purely for short-term financial objectives, is deeply convinced that there is no path other than to collaborate with startups: a multi-year strategy has been lined-out and both financial as well as non-financial targets have been defined.

GOVERNANCE & STEERING

The perfect collaborator understands the two governance and steering dimensions required: (1) between innovation activities and with the corporate's core activities and (2) overall tracking of the startup collaboration activities.
To ensure that activities remain on track, the vision is translated into objectives and KPIs. Clear accountability and decision-making powers are allocated to ensure timing challenges can be managed. Resources required are well identified and allocated for the long-term. Hiring is in the accountability of the collaboration leader and "spare resources" are not simply allocated to the collaboration unit by the HQ. This is critical as those reporting to have "very" or "extremely" dedicated resources and budget have significantly higher revenues today as well as future revenue expectations (24% against 10% today, and 30% against 18% in 3 years from now).

PROCESSES & TOOLS

Execution challenges are significant. Only 20% of surveyed corporates stated that all collaboration processes (i.e. scouting, validation, onboarding and scaling) are "very" or "extremely" defined. Nailing the processes is key to be able to experiment and to execute startup collaborations. The 20% of corporates mentioned above reported on average 44 PoC's and 32 contracts signed with startups over the last year (compared to the average of 15 and 12).

Process excellence also enables the perfect collaborator to execute significantly faster. The execution is based on a defined set of processes enabling to deal with a large inflow of startups, from validation to onboarding (procurement, legal, security, etc.) and scaling. The perfect collaborator understands that in particular the interface with the existing BU's and support units are critical and puts special emphasis on optimizing these processes permanently.

"Some companies look at the startups thinking 'You guys are small, we are big', it's an ego-issue. Corporates never put themselves in the startups' shoes."
Dr. Abdullah O. Almusa, Former VP Saudi Telecom

PEOPLE & CULTURE

Cultural differences remain a big challenge between startups and corporates. It needs to be understood that corporates by nature have "everything to lose" while startups by nature have "everything to win". Rightfully so, corporates have to apply a more cautious approach towards change and need to consider twice where to go and what to try. Collaboration leaders put a high focus on cultural change and their startup leaders strike the right balance between an entrepreneur with real understanding of startups' needs, and a corporate warrior ultimately committed to the collective interests of the organization. Also "outside" the innovation team, people are aware and supportive of the company's vision towards startups. Startups are now part of "business as usual", and not an extra-weight on everyday core activities.

ECOSYSTEM

Open innovation is about building ecosystems and the perfect collaborator is actively engaged in developing those. The collaborator understands that this is a long-term game which will pay off only in the mid- to long-term. The perfect collaborator has a clear view on its contribution to the ecosystems and also understands that a clear proposition is required in any direction, not least in order to convince the best startup to collaborate.

Perfect collaborator – Corporate

Strategy & vision	Overarching innovation strategy in line with the company's business objectives defined Key objectives of startup collaboration identified and aligned with other innovation activities Engagement vehicle(s) based on corporate's vision selected Required budget and resources identified and secured for at least 2 years Top management involved in the formulation and committed to the execution of the company's startup program
Governance & steering	Performance KPI's and metrics established to measure startup impact and help top management buy-in Dedicated budget for PoC's, contracts and overall partnership execution approved Decision matrix defined for (1) running PoCs and (2) scaling inside the organization Point of contact for the organization's startup engagements defined Direct communication lines established between the startup point of contact and the business units
Process & tools	Scouting process (inward and outward) defined Efficient due diligence process involving the right people at the right point of time defined Fast-track to PoC with standard PoC agreements and secured resources defined Launch process (from PoC to scale) defined Scaling process (from one use case to many use case, from local organization to global organization) defined Key process KPIs defined (duration of individual process steps) Standard collaboration agreements developed Key tools: Communication platform, startup tracker, KPI dashboard defined
People & culture	Startup collaboration is part of the internal communication strategy and success stories are widely promoted Coaching and support is focused on the startup's real needs Point of contact for startups combines extensive startup experience with corporate understanding Startup ambassadors in the different units are identified and regularly updated
Ecosystem	Active support towards the development of the local startup ecosystem Established ecosystem of partners (incl. universities, research institutions, third-party facilitators, government) Collaborate with competitors to share learnings and exchange inflow

7 The perfect collaborator: **Startup perspective**

We've already looked into how traditional dynamics have changed, with startups now taking the blame for most collaboration challenges. For them too, we would like to provide our recommendations on how to succeed in collaborating with large corporates. Below our take on "the perfect startup collaborator".

TIMING

For 3 out of 4 startups it takes longer than 7 months from approaching a corporate to the signing of a contract. For anyone familiar with the corporate reality, these numbers are actually not that shocking, but for many startups 7 months can be enough to run into a cash-flow challenge. The perfect collaborator will not rush into seeking corporate partnerships, but rather wait until the time is right. This includes guaranteeing the financial capacity to undergo a long decision-making process, and to ensure that the product and team are ready to approach a key account (in most corporates, startups do not get a second chance to make a first impression).

Later in the process, once a target corporate has been identified, the perfect collaborator will wait for the right time to establish contact, knowing that the right timing can significantly reduce the decision-making cycle of the corporate. Still, when stuck in a discussion with no progress and without a foreseeable decision time, the perfect collaborator knows when to pull the plug and channel energies towards other fronts.

PREPARATION

"Before you get married, actually you should know each other (over years) quite well and talk about the expectations of each other and create together a picture of your visions, of the future as a couple."
Michael Jiresch, Austrian Post

"Do your homework – research the corporate you are approaching, check if they have invested already and how much. Check if they had past cooperations and/or investments."
Peter Gal, Co-founder Bethereum

Preparation is the key to success, and that is why the ideal collaborator will make sure to do his/her homework before venturing into collaboration with corporates. First of all, preparation starts with the ideal collaborator identifying and prioritizing his targets. This will in the future enable a better qualification of prospects and an overall higher focus on the right companies.

Once the targets are located, the perfect collaborator will work to formulate a compelling collaboration hypothesis with clear benefits for both sides. When approaching the corporate, the perfect collaborator is already equipped with all support documents and templates to drive the process as fast as possible, including pilot agreements, NDA's, reference studies, etc. This is critical as almost 70% of startups report that corporates only have, at best, a "somewhat" streamlined procurement/contracting process. Last but not least, the ideal collaborator is fully aware of the impact that procurement departments can have in the negotiation process, and will therefore look to involve them early on in the process, while also adjusting its pricing strategy to account for them.

RELEVANCE

"Startups need to go beyond bright ideas: there is a pool of high potential ideas ready to be turned into product inside the Corporates 'daily working processes'. "
Mahmoud AbdelAziz, Founder & CEO DevisionX

Decision-making criteria can get extremely blurry in the environment of a large corporate, and our data confirms that: 67% of startups reported that decision-making in corporates was either "not at all", "slightly" or "somewhat" clear. Corporates aggregate extremely complex stakeholder maps which the ideal collaborator must be able to understand and navigate in order to become relevant. In reality, normally a startup that has done its homework beforehand will already know what it wants from a collaboration. On the other hand, the corporate most likely need some convincing before committing to partner. This means that the startup's focus should be entirely on the corporate, and not on itself. Listening and asking probing questions are key skills mastered by the ideal collaborator, so it can then offer a value proposition anchored on concrete pain points, and not on the product's technical prowess.

At last, to stay relevant within a large corporate organization, the perfect collaborator understands the importance of coming in through the right entry point. For that, he/she will invest significant time in desk research before approaching, and explore other partnerships which can grant him the right access to enter certain corporates.

RELATIONSHIP

"We need to consider the psychological aspect – the human part of interaction between corporates and startups should be more talked about. It's people dealing with people."
Dr. Abdullah O. Almusa, Former VP Saudi Telecom

The power play between startup and corporate will most often lean heavily towards the corporate. The ideal collaborator is therefore extremely cautious in managing the relationship, so as not to be swept away. First, it will seek to ensure corporate commitment from early on, and avoid wasting too much time with opportunities that are bound to never move forward. For example, the ideal collaborator will not commit to any pilot without a clear commitment to advance if certain KPI's are met.

Also, the perfect collaborator will be careful with not giving away too many decision rights and with managing the information flow. He will look to keep the corporate interested, but certainly not giving everything away for free.

Once a deal has been signed and the partnership is live, relationship is again key since 75% of startups say that corporates' scaling process is only "somewhat" defined at best. This means that building a strong internal network will be key to get buy-in and support at different levels of the organization.

Perfect collaborator – Startup

Timing	Financial leeway to withstand a long corporate sales cycle Careful prioritization of corporate partnerships vs. other existing business priorities (e.g. product, team, funding) Timing of collaboration is aligned with the long-term strategy of the startup Waiting for the right timing to approach a specific corporation Knowing when to pull the plug from non-progressing discussions
Preparation	Deep understanding of the different market segments and target customers Defined prioritization criteria and lead qualification rules Understanding of the collaboration hypothesis: what are the concrete benefits for both parts? Ready-to-use standard sales documents which clearly state the uniqueness of the startup's solution Business case template quantifying benefit to the corporate Ready-to-use documents and templates: NDA's, pilot agreements, reference studies Awareness of the role of procurement departments in the negotiation process
Relevance	Understanding of the corporate's stakeholder map Focus on listening and gathering information about the customer's needs / pain points Value proposition anchored in concrete use cases to address the corporate's pain points Easy access to documents and tests, but wary of the information flow Focus on finding the right entry point into the target organization Leverages partnerships to obtain improved access to corporates
Relationship	Ensures corporate commitment from early on No decision rights are given away "for free" (e.g. exclusivity) Careful management of the information flow Regular touch points and focus on building a network inside the corporate Transparency and honesty regarding delivery capabilities Leveraging positive references for further growth Collaborate with competitors to share learnings and exchange inflow

8 Outlook: What's next?

It will come as no surprise that we are predicting more startup-corporate collaboration in the years to come. On a more granular level, we predict the following to happen:

FROM DISINTEGRATION TO RE-INTEGRATION OF THE CORPORATE INNOVATION LANDSCAPE

A few years ago, disintegration started in the corporate innovation field. We experienced the upspring of new vehicles, often set-up quite independently and managed via stand-alone KPIs. Often former corporate heavyweights were "promoted" into these roles to chase the dream of innovation and fight of disruption.
Today we already start to see the beginning of a re-integration wave. Heavyweights like BT put a lot of focus on managing and aligning their overall innovation activities and by this establish the role of innovation governance. We expect to see a lot more activities in this direction and more governance roles to be created.

SHIFTING FOCUS TO BIGGER TICKETS AND LATER STAGE STARTUPS

With the increasing sophistication of the collaboration ecosystem, we expect startups or more specifically scale-ups to be trusted by corporates with much bigger sized tickets. Given the higher strategic importance of those collaborations, we believe that corporates will gradually start looking for more later stage companies as those startups will be trusted with solving corporates' key issues around digital transformation and revenue growth plans requiring a minimum level of proof and financial stability. Once positive outcomes are generated, this can trigger a virtuous circle with more and more elements being trusted into the hands of startups.

AN INCREASE IN CORPORATE DRIVEN STARTUP ACQUISITION

As we outlined, the majority of all corporations are still in "The Mass" segment, i.e. neither highly active nor showing a qualitative engagement approach. With the increasing importance of startups, with more Early Leaders trusting startups with bigger sized tickets and naturally higher media coverage of those successful collaborations, we expect a significant increase in corporate startup M&A activity. The reason is quite simple: in order to catch-up, it is easier to own than to collaborate. Obviously, every acquisition will bring along various other issues and challenges leading to a lot of value being destructed.

AFRICA & SEA TO OUTPERFORM

We are very bullish when it comes to the large South East Asian as well as large African (sub-Saharan) markets. Not only do our numbers show that in many dimensions Asia and also Africa are already ahead of the curve, but also in many cases, there is less baggage to carry. This will enable faster decision cycles and more impact creation. Many of those markets are not only large in terms of population, but also their population is young and often tech-hungry and again there is less baggage to carry.

MATCH-MAKING IS BECOMING AN INDUSTRY BY ITSELF

Lastly, we expect the trend of more and more players focusing on the challenge around startup-corporate collaboration to intensify. We expect to see all kinds of different business models being trialled until eventually the winning business model(s) emerge. As innovation is a scale game and we are experiencing across industries a "winner takes it all" situation, we don't expect anything else to happen in our market.

Contribution partners description

GSMA

The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with almost 400 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces the industry-leading MWC events held annually in Barcelona, Los Angeles and Shanghai, as well as the Mobile 360 Series of regional conferences. For more information, please visit the GSMA corporate website at www.gsma.com
The Ecosystem Accelerator programme focuses on bridging the gap between mobile operators and start-ups, enabling strong partnerships that foster the growth of innovative mobile products and services. Learn more at www.gsma.com/ecosystemaccelerator

SPEED INVEST

Speedinvest is a pan-european brand of venture capital funds with €230M under management that invests in seed stage technology start-ups. Speedinvest operates under a focus fund structure in the areas of Fintech, Marketplaces and Deep / Industrial Tech. Besides providing financial investments, the fund actively deploys its network and know-how to support its portfolio companies. Speedinvest's office in San Francisco supports portfolio companies entering the US market.
Find out more: www.speedinvest.com

MIND THE BRIDGE

Mind the Bridge is a global organization that provides innovation advisory services for corporates and startups. With HQs in San Francisco (CA) and offices in London, Italy, Spain, and Belgium, Mind the Bridge has been working as an international bridge at the intersection between Startups and Corporates since 2007.
Mind the Bridge scouts, filters and works with 3,000+ startups a year supporting global corporations in their innovation quest by driving open innovation initiatives that translate into curated deals with startups (namely POCs, licensing, investments, and/or acquisitions). Mind the Bridge has strong partnerships with entities such as the London Stock Exchange and the European Commission, for whom it runs the Startup Europe Partnership (SEP) open innovation platform.

DDB GROUP VIETNAM

DDB & Tribal Worldwide is a joint venture between the Vietnam Trade Alliance and Omnicom, offering effective integration of creativity and digital solutions, with a focus on innovative marketing. DDB Group Vietnam builds brands and businesses with specialized divisions: DDB (Strategy & Branding), Tribal Worldwide (Platform Engineering & Social Content), Infocus Mekong (Research and Data Analytics) and VTA (Distribution). DDB Group Vietnam is part of DDB Worldwide, the fourth largest communications network in the world, with more than 200 offices across 100 countries.

365X

365x is a scale up program created by Sarona Partners, an international growth ecosystem for startup companies. This program is dedicated to top-notch Software and IoT startups having first traction and looking to scale up their business internationally. It is sponsored notably by Prodware Group, Techdata Corp. and Microsoft Corp.

AUSTRIAN STARTUPS

Austrian Startups is Austria's leading startup platform & think tank for innovative entrepreneurship. Empowered by more than 30.000 supporters, the non-profit organization aims to inspire people to act entrepreneurial, connect them with other innovative minds & change Austria's environment with data-driven recommendations for improvement. Its team of 50 changemakers all over Austria organizes more than 60 events per year, runs Austria's largest startup newsletter & publishes a big yearly report about recent developments in the startup scene – the Austrian Startup Monitor.

SEEDSTARS

Seedstars is a Swiss company founded in 2012, with a mission to impact people's lives in emerging markets through technology and entrepreneurship. Seedstars connects stakeholders within ecosystems, builds companies from scratch and invests in high growth companies through a range of initiatives including startup scouting, company building, co-working hubs and acceleration programs. The group has a network of thousands of entrepreneurs, investors, incubators, corporations, and government organisations from 80+ countries.

INFOCUS MEKONG RESEARCH

Infocus Mekong Research (IFM) was born out of customers' needs to marry the fast changing digital environment of the Mekong Region to better understand their digitally immersed consumers via a relevant and targeted research platform. With over 25 years of experience in the Mekong region, Infocus provides the only mobile enabled research panel to provide fast, cost efficient and high quality consumer insights and market entry strategy.

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MATCH MAKER VENTURES

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