HOW TO COLLABORATE BETTER WITH STARTUPS

Large enterprises continue to turn to startup accelerators and incubators to speed up innovation, but results are mixed. Here are 3 best practices to improve outcomes

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Innovation in large companies is often compared to steering an ocean liner. Understandably, established companies tend to rely on the practices that have enabled them to compete and thrive, and they are often slow to react and adapt to new opportunities.

As a result, more companies are turning to open innovation tactics to accelerate their efforts: Using startup accelerators and incubators is at the top of the list. Between 2010 and 2016, the use of accelerators and incubators has expanded - in some cases rising from 2 percent to 44 percent, according to BCG data.

Use of startup accelerators and incubators is on the rise: But results are mixed. But results from open innovation are still a mixed bag, with companies often struggling to adopt innovations from their external ecosystem.

A recent BCG survey reveals that collaborations between startups and enterprises are tenous – with 45 percent of corporates and 55 percent of startups reporting themselves “very dissatisfied” or “somewhat dissatisfied” with their partnership.

Inside a corporate innovation accelerator: What I learned

Having just spent the past months embedded in a corporate accelerator, I experienced the story behind these statistics - from both sides of the fence.

As a researcher studying how large incumbent companies undertake digital business transformations, I’m well aware of how companies are being forced to reevaluate and develop new business models in response to digital disruption.

One approach: Build open digital ecosystems, including products and services from third parties.

One such approach is to build open digital ecosystems with products and services not only from their own company but also from third parties. The corporate accelerator in which I recently participated had this strategy in mind, vetting startups that could potentially be plugged into their future digital ecosystem.

I am also a startup entrepreneur, and I constantly encounter barriers in working with large companies. First, it’s difficult to find the right entry point for collaboration and to navigate key stakeholder roles beyond the innovation team that runs accelerators. Also, many of my startup colleagues lament how they struggle with slow decision cycles and a lack of decision-making mechanisms for piloting and scaling startup initiatives within companies.
Three best practices for innovating with startups

How can startups and big players collaborate more productively? The following three guidelines, derived from recent research and best practices, may help you.

1. Have a clear vision for engagement

Big players need a clear innovation strategy that helps them set their venturing approach, the type of mechanism, and when to begin. Successful venturing activities clearly state why they are searching for external innovations, the search fields they are considering, and how they intend to create value.

Startups need to develop a strategy for helping to accelerate corporate objectives, beyond the immediate product and service they provide. A focus on leveraging their know-how, whether through industry knowledge, rapid product development, or user insights, is a good place to start.

2. Size up your collaborator

Recent research indicates that big players' venturing efforts differ according to their stage of maturity. During the first years, most venturing units struggle with organizational buy-in and lack a tangible value proposition to offer partners. During the mid-years, these units often fail to fulfill company expectations (expected ROI) and partner expectations (benefits).

Finally, experienced teams struggle with integrating and consolidating external innovations in their business lines. Both parties should understand the maturity level of their collaborator and help them overcome their specific challenges.

3. Focus on learning capacity

Research shows that it takes most companies years of learning before they can effectively take on new ideas from external partners. However, most initial collaborations between startups and big companies are developed in accelerators, hackathons, challenge prizes, and incubators that usually last only four to twelve months.

Building learning capacity between startups and big players is an achievable outcome that can be derived from such short collaborations.

Startups are often focused on landing a deal to ensure their short-term survival, while big players are intent on building their future roadmap. While these differences can't be immediately resolved, a focus on collaborative learning and know-how to build new skills, identify new trends, and discern useful ideas can help increase the opportunities for continuous collaboration. Think beyond the immediate business deal.
This article was first published by The Enterprisers Project, a collaborative effort between Harvard Business Review and Red Hat.