Corporate Start-up Collaboration

Cairo, Egypt

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Content

- Corporate Entrepreneurship vs. Corporate Start-up Collaboration
- Cooperation forms between Corporates and Start-ups
- Synergy effects and challenges
- Target group and relevant sectors
- Corporate Start-up Collaboration in Germany
- Corporate Start-up Collaboration in developing countries
- Conclusions and approaches for German Development Cooperation
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Definition – Corporate Entrepreneurship

Corporate Entrepreneurship

“Entrepreneurial management/behaviour/spirit in established businesses”

Internal

“Promotion of a corporate culture of dynamism/innovation/entrepreneurial employer’s attitude”

Spin offs

“From intrapreneurship to entrepreneurship”

External

“Permanent adaption to new market and framework conditions - external innovation impulses”

Acquisition of companies/suppliers

Corporate Start-up Collaboration

Entrepreneurship

“Capacity/willingness to launch a new business”
Corporate Start-up Collaboration

Corporate Perspective

- Collaboration with start-ups is part of a wider corporate entrepreneurship strategy
- **Objective:** External innovation impulse – combination of new resources

International Development Perspective

- New approach as part of start-up promotion programmes
- Private investment mobilisation for sustainable development in (Agenda 2030)
- **Objective:** Employment and income creation
The business case for CSC

Visibility and Brand Positioning

- Companies are associated with embracing the digital era, enabling innovation, and supporting youth.
- Companies establish themselves as trusted stakeholders in emerging innovation clusters.

Corporate Culture and Agility

- Companies observe and interact with agile, risk-taking and less hierarchical startups.
- Employees become inspired and encouraged to think out of the box.

Co-Development and Product Innovation

- Companies create new internal solutions, test, and potentially expand their range of products/services.
- Companies leverage new technology and reach new customer segments.

Financial Returns and Corporate Strategy

- Companies earn returns on strategic investments in emerging, high-growth companies.
- Companies acquire startups to respond to industry trends or pivot into new markets.

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## General forms of collaboration with start-ups

<table>
<thead>
<tr>
<th>Number</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate Social Responsibility</td>
<td>Corporates that support start-ups as part of their CSR activities (event sponsoring, providing of resources, mentoring, support of social enterprises)</td>
</tr>
<tr>
<td>2</td>
<td>Opportunity-based Cooperation</td>
<td>Corporates that cooperate with start-ups on occasional base in case of a specific business opportunity (i.e. cooperation with existing incubators or limited investment in start-ups)</td>
</tr>
<tr>
<td>3</td>
<td>Strategic Cooperation</td>
<td>Corporates that have a permanent strategic priority to cooperate with start-ups (i.e. risk capital, own accelerator programmes)</td>
</tr>
</tbody>
</table>
### Intensity of collaboration with start-ups

| Occasional activity | Competitions/Prizes/Hackathons
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Occasional Mentoring</td>
</tr>
<tr>
<td>Providing Resources</td>
<td>Free use of company infrastructure/services</td>
</tr>
<tr>
<td></td>
<td>Co-working Spaces</td>
</tr>
<tr>
<td>Business Develop. Support</td>
<td>(own) Incubator programmes</td>
</tr>
<tr>
<td></td>
<td>(own) Accelerator programmes</td>
</tr>
<tr>
<td>Partnership</td>
<td>Research and development/ common product development/ Procurement partnership</td>
</tr>
<tr>
<td>Investment</td>
<td>Corporate Venturing (equity stake + mentoring)</td>
</tr>
<tr>
<td>Acquisition</td>
<td>Complete company takeover</td>
</tr>
</tbody>
</table>
## Forms of collaboration - Intermediaries

**Direct corporate start-up collaboration vs. indirect cooperation** (via intermediaries)

|   | **Incubators** | Facilities that strengthen and support earlier-stage enterprises, primarily by providing technical and managerial support services and funding |
|---|----------------|
| 1 | **Accelerators** | Facilities that support companies in the growth stage through intensive coaching in order to boost their development process |
| 2 | **Universities** | Graduates of universities and research institutions are among the potential founders. Many universities already offer start-up consulting and start-up services (incl. incubators) |
| 3 | **Consulting Companies** | Two types of consulting firms work for corporates and act as intermediary: larger technology and consulting firms (such as KMPG) or specialized CSR consultancies |
| 4 | **Partner Companies** | Other partner companies like suppliers/joint venture partner etc. |
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Synergy effects Corporates – Start-ups

Corporate Start-up collaboration can lead to a mutual win-win situation. At the same time, it brings a lot of challenges due to the different starting position of each partner.

Clash of business approaches and business cultures:
• Risk aversion vs. risk appetite and flexibility
• Financial stability vs. financial instability
• Technological stability vs. innovation
• Strategic approach and continuity vs. try and error
• Complex organisational structure versus flat hierarchies
• Operation in established markets – new market approaches

Different interests of each partner require mutual trust for a successful cooperation
## Synergy effects Corporates – Start-ups

<table>
<thead>
<tr>
<th>CORPORATES OFFER...</th>
<th>START UPS NEED...</th>
<th>CORPORTATES NEED...</th>
<th>START UPS OFFER...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets</td>
<td>Access to sales channels</td>
<td>Access to future markets</td>
<td>Access to niche markets</td>
</tr>
<tr>
<td>Capital</td>
<td>Capital</td>
<td>Risk diversification</td>
<td>Risk appetite</td>
</tr>
<tr>
<td>Human resources</td>
<td>Access to expertise</td>
<td>Rejuvenation of corp. culture</td>
<td>New talents</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>Reference clients</td>
<td>Image improvement</td>
<td>Potential success story</td>
</tr>
<tr>
<td>Technological expertise</td>
<td>Implementation know-how</td>
<td>Access to new technologies</td>
<td>Development of new technologies</td>
</tr>
</tbody>
</table>
Synergy effects Corporates – Start-ups

Corporations encounter difficulties to make innovation flourish: “It is not easy steering a big ocean liner”

A good startup ecosystem proves to be better at shortening the cycles of innovation, exploiting technology, enhancing existing business models, and inventing new ones more quickly and effectively than big corporations.
Collaboration risks (corporate perspective)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High probability of failure</td>
<td>58%</td>
</tr>
<tr>
<td>Lack of brand name for startups</td>
<td>26%</td>
</tr>
<tr>
<td>Lack of strong track record for startups</td>
<td>21%</td>
</tr>
<tr>
<td>Working with startups might not benefit my company</td>
<td>18%</td>
</tr>
<tr>
<td>Clash of culture between startups and corporations</td>
<td>16%</td>
</tr>
<tr>
<td>Working with startups is too time consuming</td>
<td>16%</td>
</tr>
<tr>
<td>I do not see any risks</td>
<td>13%</td>
</tr>
<tr>
<td>Size of startups and their incapacity to scale</td>
<td>13%</td>
</tr>
</tbody>
</table>

Note: Multiple answer question

Source: Collaborative Entrepreneurship, The state of corporate-startup engagement in MENA (Based on interviews with 700 regional active corporates and benchmark of 300 global corporates)
Collaboration risks (start-up perspective)

- **Lengthy and complex corporate processes**
  - Negotiations
  - Contracts
  - Sales
  - Payment

  Weak financial basis of start-ups

- **Influence on decision-making** process (the more intense cooperation - the higher influence)
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Target groups – Start-ups

Corporate start-up collaboration programmes target **all kind of start-ups**, main group are start-ups with **technological solutions**.

There is no evidence that the focus on a specific start up phase delivers better results. Programmes **cover all phases**:  
- Seed phase  
- Early stage  
- Growth phase

CSR approaches tend **to prefer seed and early stage start-ups**, especially **Social Enterprises** (information based on an analysis made for Germany, US, India MENA region)

From a development policy perspective (**Small and Growing Businesses** - SGB) have the highest relevance (job creation potential)
Relevance of „technological disruption“

„Digital transformation“ or „Technological disruption“

Challenge for corporates to

• Develop **new digital business models** to enrich the existing core business as well as

• The **transition** from classic to digital business models
Corporates - relevant sectors

Corporate that anticipate **technical disruption** tend to have more strategic collaborations with start ups (main objective: access to innovation), mainly in:

- Information and communication technology
- Media and entertainment industry
- Electronic industry
- Automotive industry
- Commerce (especially e-commerce)
- Chemical and pharmaceutical industry
- Transport and logistic
Reason for cooperation with start-ups – by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>CSR</th>
<th>Improving readiness to face potential disruption</th>
<th>Support in developing an entrepreneurial culture in my company</th>
<th>Support in adapting to changing consumer behavior</th>
<th>Strengthening brand perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>50%</td>
<td>50%</td>
<td>17%</td>
<td>33%</td>
<td>50%</td>
</tr>
<tr>
<td>Media</td>
<td>17%</td>
<td>33%</td>
<td>17%</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Internet/IT</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conglomerate</td>
<td>80%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td>50%</td>
<td>10%</td>
<td>30%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Aviation</td>
<td>75%</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Multiple answer question

Source: Collaborative Entrepreneurship
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Corporate Start-up collaboration Germany

- 1/3 of DAX 30 companies, and - in total- more than 25 German corporates have **own incubators or accelerators**

- **Still low number of corporates** that have a strategic approach for collaborations with start-ups in comparison to i.e. US, but **number is constantly growing** in the last years

- **No clear sector predominance** within German corporates; **non DAX companies** come mainly from retailer sector (i.e Metro, MediaSaturn); International corporates mainly from **electronic, IT and telecommunication industry**

- German corporates from traditional branches (i.e. commerce) have main interest in **digital business models**

- Main physical offer is focussed on Berlin, Munich and the larger German cities – but many German corporates have also worldwide programmes
## Corporate Start-up collaboration Germany

<table>
<thead>
<tr>
<th>Company</th>
<th>Own Incubator</th>
<th>Own Accelerator</th>
<th>Cooperation programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allianz</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Bayer</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>BMW</td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>E.ON</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Henkel</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Lufthansa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Münchener Rück</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>RWE</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>SAP</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Siemens</td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>
Siemens set up a separate unit to foster disruptive ideas and to accelerate the development of new technologies. At “next47” (Siemens was founded in 1847) the company pools its existing startup activities.

next47’s strategy is to combine the speed and agility of an independent investor with the breadth of Siemens’ business and technology. We don’t just fund companies, we connect entrepreneurs to domain knowledge and a global customer ecosystem through three competencies.
Examples

BMW Startup Garage:

- Free access for start-ups to prototyping tools
- Engineer support of BMW for product development
- BMW buys first technology to validate in vehicles

We are looking for startups…!

... with an innovative technology, product or service that can make a significant contribution to BMW Group vehicles, services, factories and systems.

... that want to demonstrate the value of their solution to the automotive industry by integrating it with a BMW Group vehicle, service, factory or system.

... that aim to become a major player in the global automotive market.

INTRIGUED? LEARN WHY TO JOIN THE GARAGE
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Corporate Start-up collaboration in developing countries

The aforementioned approaches are **ideal type approaches** that can be found mainly in industrialised countries - as well as in emerging countries (i.e. India)

<table>
<thead>
<tr>
<th></th>
<th>Industrialised countries</th>
<th>Emerging countries</th>
<th>Developing Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local corporates</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
<tr>
<td>International Corporates</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>International Corporates with R&amp;D activities</td>
<td>x</td>
<td>x</td>
<td>0</td>
</tr>
</tbody>
</table>

Developing countries have no or very few large local corporates, international corporates have mostly sales or acquisition departments and very rare research and development departments.

**Important difference regarding the potential motivation for corporate start-up collaboration**
Corporate Start-up collaboration in developing countries

Motivation for Corporate Start-up collaboration

<table>
<thead>
<tr>
<th>Industrialised/ Emerging countries</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rejuvenation of corporate culture</td>
<td>0</td>
</tr>
<tr>
<td>Improvement of company image (CSR)</td>
<td>x</td>
</tr>
<tr>
<td>Innovation for core processes/ access to new technologies</td>
<td>0</td>
</tr>
<tr>
<td>Solving a concrete business problem/ Access to markets</td>
<td>x</td>
</tr>
</tbody>
</table>

Corporate Start-up collaboration approaches of industrialised countries are only partially applicable for developing countries (technological disruption is generally not main motivation)
Corporate Start-up collaboration in developing countries – Synergy effects

Start-up in developing countries can support the access of corporates to market-oriented solutions for sales and purchasing activities

Market-oriented solutions:
• Adaption of existing products/services to local needs
• Local distribution models
• IT-solutions for market access (SMS Services, mobile applications)

Advantage of start-ups in developing countries:
Profound knowledge of market situation through in-depth integration into local communities

Local expertise and Local solutions
Examples

**African Satellite Programme Nairobi**

Selected start-ups will be invited for a Pitch Day in Nairobi. The best start-up will have the opportunity to collaborate with Merck globally in our Headquarters.

**Awards for the winners:**
- Prize Money ($ 3,000)
- Trip to Merck Headquarters in Darmstadt to pitch in front of Merck experts
- Opportunity to work on a collaboration project with Merck Innovation Center and internal project teams
- Access to Merck Innovation Center Train To Innovate Curriculum
- Office space at Mettā (Nairobi)

Sector: Health
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Conclusions for German Development Cooperation

Collaboration between corporates and start-ups can be a win-win solution for both parties and the entrepreneurial ecosystem of a developing country

Rational for intervention:
Mobilisation of private investment to support potential drivers of growth for local economies (start-ups – especially SGB that have higher chances for job creation)

Reduction of information asymmetry between international corporates and start-ups (trust factor) due to access to both partners
Conclusions for German Development Cooperation

Prerequisites and Success Factors

• Critical mass of local start-up
• Local presence of international corporates
• Existence of a basic support system for start-ups (to support the cooperation)
• Existence of a local development programme (sector specific i.e. agriculture, health or support of the start-up system)

Lessons learnt from industrialised countries:

• Geographical perspective: cultural and physical proximity to partners of the innovation network is essential (especially in the seed phase)
• Projects are especially successful if there is a close relationship and high trust between the partners
Corporate Start-up Collaboration in Industrial Zones/ Business Parks

One major precondition for successful Corporate Start-up Collaboration:

Geografic proximity!!!

Does that make industrial zones and business parks the perfect places for Corporate Start-up Collaboration?
Example: King Hussein Business Park, Amman, Jordan

- A high-quality mixed-use landmark complex in Amman housing over 40 international and local companies, over 25 startups and employing over 3,600 people.
- Outstanding urban location on Amman’s main international corridor with quick access to all city amenities.
- Tenants: Microsoft, Arabia Weather, German Jordan Uni, LG, IATA, Bayer, Samsung, and many others.
Example: King Hussein Business Park, Amman, Jordan

• Grow Initiative was **launched in October 2014** by His Majesty King Abdullah II, as part of his belief in supporting start-up initiatives.

• **A building of 8,000 sqm** was dedicated to be the hub of the Jordanian start-ups providing them with the right infrastructure.

• Targeted sectors: Healthcare and life sciences, Arabic digital content development, gaming and mobile applications, creative industries, clean technologies, education, media and social media.
Example: King Hussein Business Park, Amman, Jordan

GROW success factors:

- Flexible office spaces capable of expanding: which include communal offices within practical environment that drives creativity and innovation. Small offices accommodating 3-18 employees, medium sized offices accommodating 30-100 employee.

- Competitive leasing prices with the flexible leasing contracts (day/week/month/or year).

- Free WiFi and fast download speed from more than one service provider.

- Shared meeting rooms and venues suitable for holding events and conferences.

- A unique interactive eco-system that merges start-ups and networks of trainers, investors and researchers
Example: King Hussein Business Park, Amman, Jordan

GROW is also the hub for:

- **I Park** - the IT incubator belonging to the Royal Scientific Society

- **Zinc by Zain** Telecom that brings together the initiative's and programs under Zain telecoms within their social startup responsibility

- **BIG by Orange** that provides shared communal spaces and technical support for startups

- **The Tank By Umniah** provides training and equips startups with the right IT technicalities
Ready to team up?


Is your organisation ready to team up with startups?

Find out whether your organisation is ready to collaborate with startups, benchmark your score with many other organisations and get insights into the different aspects of successful corporate-startup collaboration.

Start the test  Or see what others are doing

developed by Rotterdam School of Management/ECE and Corporate Venturing Network
Thank you for your attention!