Startup Engagement: Best Practices for Large Organizations
Impact is Innovation Leader’s annual corporate innovation conference that helps senior strategy, R&D, and innovation professionals learn to deliver value and real business impact inside their companies.

At Impact 2019, senior innovation executives from today’s most successful companies including Comcast NBCUniversal, Bose, Clorox, Nationwide, Embraer and more will share their insights and lessons-learned.

Join us on October 22-24, 2019 in San Francisco for interactive whiteboard sessions and workshops, peer-to-peer learning, skill-building, interactive activities, concrete take-aways, and access to a highly-curated network of innovation professionals willing to share best practices and lessons learned the hard way.

Register at impact.innovationleader.com
A Letter From Our Sponsor

Techstars is pleased to sponsor Innovation Leader’s latest research on startup engagement with large corporations. Through our corporate partnerships, we have developed actionable insight into the rate of disruption facing large companies. This report includes results from extensive survey data and wide-ranging interviews with corporate innovation leaders in Fortune 500 companies.

This research reflects our experience that corporations know partnering with startups is a great way to accelerate the entire corporate innovation journey—we would say the best way when done right—but that many of our partners initially have concerns about working with startups.

We get it. Startups and corporations are different in their structures and their needs. We know startups: We’ve helped the world’s top entrepreneurs ride the crest of this wave of innovation, as technology and business evolve faster and faster. There has never been a more exciting time to be an entrepreneur.

But the same isn’t true for large organizations, where you never know what insurgent might appear and give your corporation an unpleasant surprise. Our experience tells us that it’s not a question of if this disruption will occur, but when. The Techstars worldwide network reaches over 110 countries, with over 100,000 entrepreneurs and mentors in the startup ecosystem ready to deliver disruptive and innovative solutions. Corporations that do not innovate, that do not actively disrupt themselves, will be disrupted.

This is why Techstars got into the corporate innovation business. We saw a way to turn this situation into a win-win. We realized that if we could bring together the corporations that were the most willing to innovate with the top technology startups that have the deepest domain expertise, both would benefit.

This is also why we’re so excited to share this research with you. This snapshot of corporate innovation strategies today demonstrates why partnerships between corporations and startups are so necessary and valuable—and more essential than ever right now.

DAVID COHEN & DAVID BROWN
Techstars Founders, and co-CEOs
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How to Approach Startup Engagement

**STARTUPS REPRESENT A TSUNAMI OF DISRUPTION** that is about to crash into your industry.

Startups represent a source of high-potential new products and services, investment and acquisition opportunities, and partnerships that could help you stave off disruption.

If you work in an established organization, depending on the day, all of those messages may be in circulation. And you may also have colleagues who believe that startups are overhyped—fantastical unicorns that attract funding, generate publicity, but never produce profits. Just ignore them, and maybe they’ll vanish…

For this research report, we wanted to understand how some of the top-performing organizations in the world design strategies to engage with startups. We gathered quantitative data from 115 large organizations in a survey we fielded in March 2019.

We also conducted 15 qualitative interviews with a range of companies, from Royal Dutch Shell (82,000 employees, and #5 on the Fortune 500 list, with $311 billion in revenue) to The Shubert Organization, an owner of Broadway theaters and the ticketing system Telecharge, which is privately-held and has 1,800 employees.

None of our interviewees were planning to hold their breath, ignore startups, and hope that they go away. But they acknowledged that some startups fall into the “potential disruptor” category. They may be targeting established players with a new offering—often a more digital one, often with a more appealing price or different business model. They don’t always want to play nice, or figure out how to navigate your bureaucracy to get a meeting. And some of the startups taking this go-it-alone path may simply not view established companies as necessary partners in any way. High-velocity businesses like Airbnb (lodging) or PillPack (pharmacy) didn’t need an assist from Marriott or CVS Health to get off the launch pad. (Airbnb is on the road to an initial public offering; PillPack was acquired by Amazon in 2018 for a reported $1 billion.)

Others, though, are eager to partner with large organizations—for mentorship and advice, joint product development, access to markets, funding, and yes, the potential of an eventual jackpot in the form of an acquisition.

“Big companies need startups, and most startups need big companies,” argues Debra Brackeen, Chief Strategy and Innovation Officer at CSAA Insurance Group. CSAA sells automobile and other kinds of personal insurance coverage to AAA members.

“It’s like our assets and liabilities are the perfect opposite,” she continues. “Big companies have size and scale, and customers, and distribution, but over time they lose their ability to move fast… Startups are creative and unconstrained. They can think outside of the box about new business models, but they don’t usually have scale. … So we need each other, and we’re only going to need each other more as the pace of change accelerates.”
We found that large companies typically consider five issues—and develop processes around them—when it comes to startup engagement.

1. **Strategy:** How will startup engagement create value for our company? How will it tie into an existing or new strategic imperative?

2. **People:** Who will be responsible for startup engagement? Will there be a clear point of contact that startups can easily find? Who in the company’s core functions or business units will be involved, perhaps sharing their needs; opportunities they see; or information about startups they encounter in the market?

3. **Tactics:** What form will startup engagement take? Will you be investing directly in startups, or perhaps in established venture capital funds that invest in a portfolio of startups? Hosting hackathons, demo days, or other events for startups in your industry? Getting involved with an existing accelerator program, or starting a new one?

4. **Interface:** How will startups you’ve partnered with or invested in interface with various parts of your business? How will you set up pilot tests or bigger roll-outs? Often, this is where the most friction occurs, as free-wheeling entrepreneurs encounter the slow-moving gears of massive global enterprises.

5. **Assessing progress:** How will you make the case for the organization to continue, or expand, its initial startup engagement activity? What data points best communicate the value you are creating? Circling back to Issues #1-4, how should you refine your strategy, tactics, and processes going forward?

None of the companies we interviewed had discovered the ultimate, unassailable answers to all of those questions. But all of them are committed to experimenting and making progress, with support from senior leadership and colleagues in functional groups and business units.

And many of them share concrete ideas in this report that may be applicable for your company, like a streamlined “E-Z Pass” system for piloting startup technologies at MetLife; a regular set of meetings that Comcast NBCUniversal holds at the start of the year to gather input and ideas from the business units; or the importance of ensuring that colleagues in the legal and procurement departments are informed about—and aligned with—the startup engagement effort, emphasized by Capt. Steve Lauver of the US Air Force.

A coherent startup engagement strategy is essential for large organizations that want to maintain and build competitive advantage in the 21st century.

“If you’re a large company and you’re not working with any startups, I think you’re at a disadvantage,” says Luke Cherington, an investor at ZX Ventures, a Manhattan-based investment arm of Anheuser-Busch InBev. “You’re not going to see opportunities, and you’re going to miss entire business models, too.”

“Startups come up and they question [all of your industry’s traditional] processes and practices, and come up with new ones,” says Edoardo Manitto, the former VP of Corporate Development and Innovation at Galeries Lafayette, the French retailer. “Most of the time, they turn out to be wrong. But sometimes they turn out to be very right, and they eat into your business.”

You can try to ignore the unicorns. But they don’t always go away. This report offers a look at the strategies, tactics, and challenges of startup engagement that delivers real value. ♦
Startup Companies & New Ideas

“Startup companies have new ideas that would help our company, but we haven’t yet figured out how to engage with them.” Do you...

What types of technology is your company focused on? (Respondents could check all that apply.)

More Experienced Companies: The graph below shows data only from the respondents with the highest level of experience with startup engagement. Significant increases (5 percent or more) from the graph above are indicated with a yellow highlight.

What is Your Focus?
Innovation Strategy

Our innovation strategy and activities are primarily focused on:

- Incremental innovation (improving existing products, services, etc.) 27%
- Adjacent innovation (expanding existing products or services into new spaces) 16%
- Transformational innovation (launching entirely new products, services, business models, etc.) 13%
- A balance or blend of those three 40%
- Not sure 4%

What are Your Goals?

What goals and business objectives does your company have when engaging with startups? Or what goals and objectives do you believe might be achievable through startup engagement? (Respondents could check all that apply.)

- Potential proof of concepts or pilot tests 63%
- Drive internal cultural transformation by adopting startup tools & methodologies 52%
- Better understand customer or tech trends 49%
- Be an early customer: license or buy their technology 45%
- Increase our brand awareness within startup community 37%
- Support the local/city entrepreneurial ecosystem where you are based 36%
- Invest in them and generate a return on investment 36%
- Talent: Identify, recruit and hire innovative, entrepreneurial talent 31%
- Potential acquisitions 29%
- Our goals are not yet established, or established clearly enough 19%
- Not sure 2%
Advice on Startup Engagement

SELECTED ADVICE FROM OUR SURVEY RESPONDENTS ON HOW THEY PLUG IN TO THE STARTUP ECOSYSTEM.

“Level-setting on both sides is critical. Startups need to understand what large companies can (and cannot) do for them, and large company execs need to grasp the different reality of the startup—the cost of delays, turnaround time, ability to scale, etc.”

“It’s critical to have the businesses engaged from Day 1.”

“You need to have a dedicated person who will drive discussions forward and coach both startups and businesses on how to work together.”

“The clock speed between a startup and a large company is very different. They think in terms of hours, days and weeks, [while] we think in terms of weeks, months, quarters. Make sure expectations are set and matched up front.”

“The failure rate of startups is very high. Engaging with a startup implies the risk of investing in something that is not going to be there in the long run (due to disputes among founders, competition, failure to scale up, wrong revenue models, etc...). We found [it] useful to engage with startups connected to accelerators, incubators, and co-working spaces, [which can] increase their chance of success.”

“Would not understate the amount of work needed [to go] from a startup’s output to a fully-scalable joint solution under a top brand.”

“...Streamline points of contact [for startups]. Ventures often leave a conversation through the main door to then come back through the window, which costs the organization unnecessary bandwidth, and it eventually creates a poor/fragmented partnering experience on the startup’s side.”

“Amazingly, it still remains a challenge to secure business unit buy-in for startup engagement and follow-through.”

“Follow an ‘angel’ investor to learn how they work with startups.”

“We focus on three things with startups: a focused product/mission, [rather] than boiling the ocean; a unique value proposition or differentiator that appeals and [is] relevant to [our] clientele; and cost leadership.”

“(You need to) own [the] process for dealing with startups, with independence from the CFO.”

“Think big, but start small.”

“Time might be your friend as a corporate, but as a startup, ‘time to dollar’ is critical. As a corporate, particularly a business unit manager, remember [that] you get paid weekly, [and] some of these folks don’t—unless you sign up. Don’t waste their time. Move quickly.”

“Larger corporations/enterprises will have more success if the startup is looking for [something] beyond just ‘mentorship.’ Startups need to be sophisticated—more than they tend to be now.”

“Consider, evaluate, and engage with startups beyond your geography. Global perspective and engagement [gives you] higher quality from better quantity. Get internal alignment and constantly message to senior decision-makers what partnering with startups actually entails. Changes in core business practices and culture need to move hand-in-hand with external engagement.”

“…We put in place a Startup Engagement Kit to reduce the time of [getting to contract] from two years to six months...”

“Get out there and engage with innovation hubs, and ask any startups you meet how they work with other [corporates].”

“Focus on quality, not quantity.”

“Some terrific opportunities come from our understanding of the market rather than the startup’s anticipation of the market. It is critical if the larger partner can help to define the needs.”

“Find specific problems to solve for different business managers, in addition to sharing ‘cool’ tech with them.”
Have you determined that there is a “best” or “ideal” stage of startup for you to engage with?

**At What Stage Do You Engage?**

- Yes. Seed stage/pre-product: 4%
- Yes. Early product stage: 16%
- Yes. Product in market for 1+ years with reference customers: 21%
- We engage with startups at all stages: 27%
- No, have not yet determined: 22%
- Not sure: 10%

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**Clear Point of Contact**

From a startup's perspective, is there a clear and visible “point of contact” at your company who is responsible for startup engagement?

- Yes: 46%
- No: 30%
- Not Yet: 17%
- Not Sure: 7%
How Do You Engage?  What form has your engagement with startups taken? (Respondents could check all that apply.)

More Experienced Companies: The graph below shows data only from the respondents with the highest level of experience with startup engagement. Significant increases (5 percent or more) from the graph above are indicated with a yellow highlight.
Measuring Impact

How do you measure the innovation impact of your startup engagement today? (Respondents could check all that apply.)

- We don't have any metrics in place: 38%
- Number of startup proof-of-concepts (POCs successfully implemented): 36%
- Number of new ideas in pipeline: 34%
- Learnings/better awareness of new technologies and trends: 33%
- Sales growth/revenue: 29%
- Cost savings/efficiencies: 21%
- Number of products in pipeline: 20%
- Net value of innovation portfolio: 18%
- Faster time-to-market: 13%
- Penetration of new markets/new demographic segments: 12%
- Other metrics (please specify): 10%
- Customer satisfaction/NPS: 9%
- Market share: 2%
# Measuring Impact (Experienced Co’s)

How do you measure the innovation impact of your startup engagement today? This graph shows data only from the respondents with the highest level of experience.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We don’t have any metrics in place</td>
<td>25%</td>
</tr>
<tr>
<td>Number of startup proof-of-concepts (POCs successfully implemented)</td>
<td>53%</td>
</tr>
<tr>
<td>Number of new ideas in pipeline</td>
<td>47%</td>
</tr>
<tr>
<td>Learnings/better awareness of new technologies and trends</td>
<td>50%</td>
</tr>
<tr>
<td>Sales growth/revenue</td>
<td>37%</td>
</tr>
<tr>
<td>Cost savings/efficiencies</td>
<td>25%</td>
</tr>
<tr>
<td>Number of products in pipeline</td>
<td>31%</td>
</tr>
<tr>
<td>Net value of innovation portfolio</td>
<td>34%</td>
</tr>
<tr>
<td>Faster time-to-market</td>
<td>19%</td>
</tr>
<tr>
<td>Penetration of new markets/new demographic segments</td>
<td>25%</td>
</tr>
<tr>
<td>Other metrics (please specify)</td>
<td>16%</td>
</tr>
<tr>
<td>Customer satisfaction/NPS</td>
<td>13%</td>
</tr>
<tr>
<td>Market share</td>
<td>6%</td>
</tr>
</tbody>
</table>

**More Experienced Companies:** The graph above shows data only from the respondents with the highest level of experience with startup engagement. Significant increases (5 percent or more) from the graph on page 9 are indicated with a yellow highlight; decreases of 5 percent or more are indicated with an orange highlight.
Learnings from Startup Collaborations

*WE ASKED SURVEY RESPONDENTS TO SHARE THEIR LEARNINGS FROM HAVING DONE A TECHNOLOGY INTEGRATION, DISTRIBUTION DEAL, CO-CREATION PROJECT, OR OTHER COLLABORATION WITH A STARTUP.*

“Internal managers’ expectations have to be reset so that they understand what matters to the startup, e.g., no internal manager has ever spent a sleepless night worried about making payroll!”

“Our BigCo has resources and networks that need to be shared openly with startups. We need to be open to introducing them to our customers.”

“Co-creation is a must. [It] accelerates learning, lowers cost, and speeds up time to market.”

“They move fast; we don’t.”

“Lessons learned: priorities [were] not always aligned; team members are a critical success factor; [and] expectations and deliverables need to be clearly defined up front.”

“We are focused on our problems. Startups are focused on their solutions. Making the two meet in the middle is not easy.”

“What is difficult? Dealing with the revenue engine that needs to be disrupted—but has the revenue for now.”

“It can be hard to justify distribution deals; we don’t want distraction away from our own products during the sales process.”

“Early alignment of expectation and clarity on what value each company is contributing.”

“What worked well: agility of startup team: fresh ideas from startup; mindset and energy a startup brings. What didn’t work: our internal procurement process; lack of control of what startup was doing.”

“Worked well: the actual co-creation, content discussion, bringing together different expertise and points of view. Was difficult: keeping a good pace, given multiple internal priorities versus a single focus from the startup’s perspective.”

“The drive to [make the] idea successful has worked well. The [different] work style and varying outlook is sometimes a challenge.”

“One to two week proof-of-concepts are better than two to three month ones.”

“I apply a concept called MVS (which I’ve protected). It stands for Minimum Viable Synergies. It helps both startup and corporation define early what success looks like and if the partnership is delivering promising results.”

“Open and honest communication.”

“Get buy-in from business units at the very beginning.”

“With co-creation, the challenge has been [setting] roles and responsibilities relative to product development milestones.”

“Difficult but super necessary: [spend significant time] educating stakeholders on the benefits of co-design and collaboration, and the need for new solutions to break the status quo. Clearly establishing scope and boundaries of the initiative also works to get internal stakeholders aligned.”

“Move at the same pace as the startup. Be agile, [and set up a] dedicated team to work with them. Be clear and aligned on respective objectives and expectations before starting a project. Work on IP ownership prior to start. Limit paperwork.”

“Start small, and build visibility and buy-in before approaching the harder challenges—like IT integration.”

“Keep the deals small. Move fast. Focus on [the] startup’s success with the integration, then introduce them to bigger customers. If they gain traction, we have proof that the integration could work elsewhere.”
“Legal is still difficult and time-consuming.”

“Worked well: They are more agile and able to integrate our needs into their technology roadmaps. Difficult: They do not have funds to do integrations needed for large corporate systems. And our legal requirements and existing corporate policies hinder startup collaboration...”

“Finding the synergies and win-win is consistently challenging.”

“Development was faster, [but] transfer and compliance stuff was difficult.”

“Startups are not keen on data security and compliance. They are in a hurry to close the deal.”

“CEO support was critical. [But it was] very difficult to find the support of the business units or R&D department.”

“The difficulty was getting busy engineers out of their offices to meet startups...”

“All [startup] companies believe their product or idea will be massively successful. Most are not.”

“The business units, or functions we have to engage with to execute our projects, are not dedicated to innovation work. It’s tough to drive projects with speed when startup partnerships are ‘an adjacency’ to these people’s full-time jobs and what they’re being measured on.”

“You need a single point of contact to [help] startups navigate to the right place in your company.”

“The issue is that it takes ages for us to go through all [our] bureaucracy and also to have IT validation. This is really a challenge when it comes to startups.”

“Finding interesting startups has worked very well. [Aligning] regulatory risk appetite is always important and challenging.”

“What works well is a real win-win on a real project that generates a positive ROI.”
Biggest Challenges

If your company has tried to engage with startup companies, what are the biggest challenges you’ve encountered? If you’re still in the discussion/planning stages, please feel free to check off the issues you’re grappling with.

More Experienced Companies: The graph below shows data only from the respondents with the highest level of experience with startup engagement. Significant changes (5 percent or more) from the graph above are indicated with a yellow highlight; decreases of 5 percent or more are indicated with an orange highlight.
Other Challenges

Respondents shared some of the other challenges they are facing or have faced, which weren’t included in our set of answer choices.

“The startups aren’t always ready to work with a larger company, [for example] security, or they lack an understanding about the risk larger companies need to manage.”

“Managing and evaluating the large number of potential startups that are under consideration.”

“A combination of fear factor—what are the risks of a partnership (IP paranoia) and ROI—combined with over confidence. ‘We can do that; we don’t need their help.’ Then, the slow attempts and unproductive failure begins!”

“Not knowing how to meet the startup’s needs.”

“Accepting and taking risk of dealing with a startup.”

“Startup’s ability to scale with [our] existing client base.”

“The incubators/accelerators ring fence off the startups and want to charge hefty fees for access to them. Companies [that] genuinely want to help with free services are frozen out to the detriment of the startups.”

“Startups have the smarts, the drive and the focus, yet many times they don’t have the experience to understand the larger market [or] the partner’s needs. There [a] is gap between the cultures—generally, startup engineers look down at long-serving, yet experienced, enterprise/corporate developers.”

“Internal teams perceive startups as competition rather than partners. Furthermore, they discredit the solutions provided by startups because they think that people who are on average 20+ years younger than an average corporate employee do not have enough know-how or experience to deliver something valuable, or they believe that delivering solutions fast (as startups do) means significant compromise on quality...”

Experience Level

How much experience has your company had with startup engagement to date, whether startup scouting, partnerships, proof of concepts, investing, involvement with accelerator or university startup competitions? 0 is least experience, 10 is most.

- [ ] 0
- [ ] 5.9
- [ ] 10

Threat of Disruption

How seriously would you say your company takes the threat of disruption (by new technologies, existing competitors, changing customer behaviors, etc.) 0 is least seriously, 10 is most seriously.

- [ ] 0
- [ ] 6.3
- [ ] 10
When looking at specific industries, we compared the amount of experience they have working with startups to how seriously they take the threat of disruption, according to our survey respondents.
Who’s Involved?

Who are the primary parties at your company that are involved today in startup engagement? Who is not involved today, but should be more involved? Who should be less involved? (Respondents could check all that apply in the vertical column, but just one option in the horizontal row.)

<table>
<thead>
<tr>
<th>Business Unit/Product Team</th>
<th>Involved Today: 31%</th>
<th>Should Be More Involved: 66%</th>
<th>Should Be Less Involved: 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTO/IT/ Tech Team</td>
<td>41%</td>
<td>53%</td>
<td>6%</td>
</tr>
<tr>
<td>C-Suite</td>
<td>38%</td>
<td>51%</td>
<td>11%</td>
</tr>
<tr>
<td>CFO/Finance</td>
<td>25%</td>
<td>56%</td>
<td>19%</td>
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<tr>
<td>Strategy Team</td>
<td>45%</td>
<td>46%</td>
<td>9%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>55%</td>
<td>44%</td>
<td>1%</td>
</tr>
<tr>
<td>Corp Dev/Corp VC Team</td>
<td>61%</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>Innovation Team</td>
<td>72%</td>
<td>28%</td>
<td>0%</td>
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More Experienced Companies: The table below shows data only from the respondents with the highest level of experience with startup engagement. Significant changes (5 percent or more) from the table above are indicated with a yellow highlight; decreases of 5 percent or more are shown in orange.

<table>
<thead>
<tr>
<th>Business Unit/Product Team</th>
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<th>Should Be More Involved: 66%</th>
<th>Should Be Less Involved: 19%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTO/IT/ Tech Team</td>
<td>55%</td>
<td>41%</td>
<td>3%</td>
</tr>
<tr>
<td>C-Suite</td>
<td>34%</td>
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<td>10%</td>
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<tr>
<td>CFO/Finance</td>
<td>27%</td>
<td>46%</td>
<td>27%</td>
</tr>
<tr>
<td>Strategy Team</td>
<td>43%</td>
<td>46%</td>
<td>11%</td>
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<tr>
<td>R&amp;D</td>
<td>62%</td>
<td>38%</td>
<td>0%</td>
</tr>
<tr>
<td>Corp Dev/Corp VC Team</td>
<td>69%</td>
<td>24%</td>
<td>7%</td>
</tr>
<tr>
<td>Innovation Team</td>
<td>84%</td>
<td>16%</td>
<td>0%</td>
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Sample Titles and Departments

We asked survey respondents about the title of the person responsible for startup engagement at their company, or the department that is most responsible for startup engagement. Titles and departments listed more frequently are at the top of the table.

<table>
<thead>
<tr>
<th>Titles</th>
<th>Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Manager</td>
<td>Strategy/Global Strategy</td>
</tr>
<tr>
<td>Chief Innovation Officer/Group Head of Innovation</td>
<td>External Science &amp; Technology</td>
</tr>
<tr>
<td>Venture Fund Director</td>
<td>New Ventures</td>
</tr>
<tr>
<td>Tech Scout/Director of Tech Scouting</td>
<td>Innovation Department/Innovation Office/Innovation Lab</td>
</tr>
<tr>
<td>President of Investments</td>
<td>CTO’s Office</td>
</tr>
<tr>
<td>Director of Digital Innovation</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>Strategic Technology Director</td>
<td>Corporate Development</td>
</tr>
<tr>
<td>Director of Digital Strategy &amp; Partnerships</td>
<td>Corporate Venture Capital</td>
</tr>
<tr>
<td>Ecosystem Manager</td>
<td>Scouting &amp; Venturing</td>
</tr>
<tr>
<td>Innovation Champion/Innovation Lead</td>
<td>Ventures &amp; Technology Outreach</td>
</tr>
<tr>
<td>Head of Strategic Investments</td>
<td>Technology &amp; Innovation</td>
</tr>
<tr>
<td>VP of Engineering</td>
<td>Open Innovation</td>
</tr>
<tr>
<td>Innovation Center Leader</td>
<td>External Partnerships</td>
</tr>
<tr>
<td>Director of Emerging Technologies</td>
<td>Marketing &amp; Communications</td>
</tr>
<tr>
<td>Head of Open Innovation</td>
<td>Department of Transformation</td>
</tr>
<tr>
<td>Venture Business Development Manager</td>
<td>Digital Innovation Hub/iHub</td>
</tr>
<tr>
<td>Venture Manager</td>
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<tr>
<td>Business Development Manager, Innovation</td>
<td></td>
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<tr>
<td>Head of Growth Initiatives</td>
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<tr>
<td>Senior Director, Corporate Development</td>
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<tr>
<td>Design &amp; Process Innovation Manager</td>
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</table>
Guidance & Tools
Roadmap: Designing an Effective Approach to Startup Engagement

Innovation Leader created this “roadmap” of key considerations, recommendations, and sequential steps related to effective startup engagement, based on the qualitative interviews we conducted.

1. **Strategy**
   Define how startup engagement might create value for your company. How will it tie into an existing or new strategic imperative? Input from both inside and outside the company is extremely valuable at this stage.

2. **People**
   Detail who will be responsible for startup engagement. Will there be a clear point of contact that startups can easily discover? These individuals need permission to be “out of the building” participating in the startup ecosystem. Bonus points if some have startup or venture capital experience.

3. **Tactics**
   Test and learn from various tactics for startup engagement, such as mentoring at universities or accelerators; hosting hackathons or “speed dating” events; making investments directly in startups, etc. Risks here: being focused solely on startups near your HQ, and lack of focus on stage or type of startup that best serves the strategy.

4. **Interface**
   Craft ways to connect startups with your company’s business units or functions. How will you set up pilot tests or bigger commercial roll-outs? What new procedures or agreements can help accelerate these collaborations?

5. **Assessing Progress**
   Now’s the time to make the case for the organization to continue, or expand, its startup engagement activity. What data points best communicate the value you are creating? Circling back to Issues #1-4, how should you refine your strategy, tactics, and processes going forward?
Create an Innovation Win-Win: How Corporations and Startups Work Together

For a large corporation, the best path to true innovation—cultural change as well as problem-solving and avoiding disruption—is to partner with startups. Productive relationships with startups accelerate the entire corporate innovation journey and significantly impact businesses not only in the ways you might expect, like a new tool or a fascinating perspective on an old problem—but in incremental, adjacent, and ultimately transformative ways.

However, two such different entities don’t come together easily. Each requires a third party to translate their needs and facilitate productive communication. This is where Techstars excels.

Want more specifics? We asked Techstars leaders, mentors, and partners to tell us their best advice for corporations hoping to partner with startups.

STARTUP CULTURE INJECTION

At Techstars, we often hear from innovation leaders at large corporations that are looking to inject entrepreneurial energy into their culture. But as Jenny Fielding, managing director of Techstars NYC says, this is often a painful process, at least at the beginning. She should know.

“If it’s not painful, it’s not working!”

JENNY FIELDING, MANAGING DIRECTOR OF TECHSTARS NYC

She’s run a number of Techstars corporate programs in different industries, including Techstars IoT; Barclays Accelerator, powered by Techstars in NYC; and Cedars-Sinai Accelerator, Powered by Techstars.

It’s not surprising that the cultural differences between startups and large corporations can be painful to reconcile. At the same time that the corporation knows it needs this fresh energy, the very structure, and processes that keep it moving to make it resistant to change. All that process—usually a strength—in this case, becomes a hindrance.

“Startups are unstructured. Go with it; it is what makes them powerful.”

DAVID BROWN, TECHSTARS FOUNDER & CO-CEO

The lack of structure that is a hallmark of startup culture can exasperate corporate leaders. But it is exactly what gives startups their energy—and their

Obstacles to Corporate-Startup Partnerships:

- No internal alignment or empowered leadership
- No clear strategy, objectives, or KPIs
- Limited trust and communication between corporations and startups
- Cultural differences between corporations and startups
- Poor strategic fit between corporations and startups
- Startups aren’t ready to collaborate
- Corporations aren’t ready to collaborate
speed. Techstars co-CEO David Brown encourages corporations to celebrate the unstructured nature of startups. It’s not something for corporations to suffer through or fix—it’s part of the very power of startups that corporations want and need to learn from. It’s what lets startups change direction quickly if necessary, or explode with productiveness when they get hold of a big idea.

Corporations that are ready for innovation appreciate the speed at which startups expect things to happen, and honestly, recognize their own lack of agility. Even in this best-case scenario, the actual experience of these two different speeds rubbing up against one another can cause friction.

Mutual respect will go a long way toward making the relationship work. As Techstars Co-CEO David Cohen advises, “Give them a chance to show you what they are made of.” A great startup may be tiny, compared to your large corporation, but top-quality entrepreneurs will have the industry knowledge, domain expertise, and intellect to be peers to your corporate leadership. When you start learning from each other, magic happens, and problems start getting solved—fast.

360-DEGREE MENTORING

Corporations need the tools and methodologies to build trust with startups, creating strong channels of communication to overcome cultural barriers.

When corporations engage key staff to mentor and work side by side with startups—giving their time and attention on a regular basis, week after week—these individuals find that they are changed by the experience. Techstars Partner Manager Laura Sparks knows from experience that the open secret about great mentoring relationships is that both parties learn. Yes, you’re the mentor, but you may be surprised by how much startup culture you absorb in the process.

Best Practices for Corporate-Startup Partnerships:

- Make sure you have sponsorship from senior leaders
- Identify one influential champion to lead the initiative
- Establish clear strategy, objectives, and KPIs
- Incentivize behavior: integrate into KPIs or provide bonus incentives
- Build innovation culture first—or at least simultaneously
- Get the right pilot structure and governance in place ahead of time
- Identify a strategy for finding high-quality startups

“Give them a chance to show you what they are made of. A startup can change everything, and fast.”

DAVID COHEN, TECHSTARS FOUNDER & CO-CEO

After the experience of mentoring startups, nearly 80 percent of corporate mentors have said that they will work differently in the future, with more agility. A taste of startup culture lets them see ways to bring elements of it into their working lives, making them both more efficient and more engaged.

When corporations are ready to embrace cultural change honestly and openly, the barriers can be crossed successfully. We have seen this time and time again.

“A BETTER CORPORATION, A BETTER FUTURE, A BETTER WORLD

Over time, partnering with startups will change your corporation for the better. If you are truly open to change, the relationship will become reciprocal, and both parties will benefit. In addition to making your corporation more agile and helping to attract top talent, you’ll have new insights on the changes in your industry, and new skills for your organization to think, plan, and respond. This is how innovation becomes part of your corporate DNA.

“Be open to learning from them as they learn from you.”

LAURA SPARKS, TECHSTARS PARTNER MANAGER
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BUILD A FRAMEWORK. If you’re a large company and you’re not working with any startups, I think you’re at a disadvantage. You’re not going to see opportunities, and you’re going to miss entire business models, too. If you’re used to going through standard retail sales channels, you’re going to miss changes in direct-to-consumer models and last mile delivery.

But you need some sort of strategy and a framework, which says that “these are the types of businesses that have some sort of strategic value to us internally.” Ad hoc, one-off pilots don’t really work, when you have someone identifying a startup they think is interesting, and someone else signing a contract.

TACTICAL STUFF. You want to be able to fast-track NDAs, and have a separate legal or approval process for contracts under a certain size. That type of infrastructure allows you to move much faster with startups, and it reduces their burden. We’ve templated a lot of our docs, and come up with some different standard operating procedures...

WE TEND TO START WITH PILOT TESTS. Every investment is different, but generally, we like to use our commercial teams as a mechanism for diligence as an investor. If I’m interested in investing, then seeing that they have run a successful pilot with ABI, and we have an intention to expand our relationship, is a good signal that this [business] can work with ABI, and that we can drive adoption to other parts of the business. The best sourcing for us is people within ABI who come to me with a start-up that they’re working with, or impressed with. It’s a pull model, rather than a push model.

It may be [a pilot in] just one region in North America, but we think it could be applied to other places well. That gives us more confidence to invest.

If a commercial team [here] says, “We really think this company has a massive opportunity,” then investing in the startup is strategic. But if they say, “There’s no way we’d work with this company right now,” then I’m being an investor, and not a strategic investor.

Do you really want to take bets on who will be the next Uber or Airbnb? Or do you want to say, “I am going to be able to create value for this business.” If it’s super early-stage and still landing their first client, how much value can you drive? You don’t want to be making bets, but helping drive what the future looks like and adding as much strategic value as you can.

It would be unprecedented for me to [make an investment in a startup and] get on [their] cap table if ABI is the only, or by far the biggest, customer of the company. That’s risky. Everything is tied to one organization. We want them to have other customers.

Anheuser-Busch InBev/ZX Ventures

Formed in 2015, ZX Ventures is charged with building and investing in new companies on behalf of Anheuser-Busch InBev, the world’s biggest brewer. Rather than investing in new brands for the company to sell, though, ZX primarily focuses on companies “that will be vendors to us,” in areas like supply chain or marketing technology, explains Luke Cherington, an investor with ZX. Cherington says that ZX is primarily investing in companies with whom an Anheuser-Busch business has already done a pilot. “If my north star is ROI,” he says, “then it will be more significant because I think we can be a massive customer for [a startup]. That’s a better thesis than investing money [in a startup] and then trying to drive adoption of their product.”
“Do you really want to take bets on who will be the next Uber or Airbnb? Or do you want to say, ‘I am going to be able to create value for this business?’”

**OUR METRICS.** Metrics should be defined by the individuals who are conducting the pilot internally, and the business unit that the company is going to be providing value to. As an investor, I may have revenue targets I want to see, but when you talk about running pilots, those KPIs should be defined by the people closest to the action and the impact.

**MOVING TO LATER-STAGE STARTUPS.** Part of the reason we’ve moved further upstream [to invest in later-stage startups is that] it increases your chance for a successful pilot and long-term value. They have some level of proof point with other corporates, or they have run an extended pilot with your organization. Will we occasionally take more risky propositions for a company that is driving true strategic value for ABI? Yes. But we tend to look for things where we’re not the only customer or only investor.
BAE Systems

With about 85,000 employees and $21.9 billion in revenue, London-based BAE Systems is the world’s third-biggest defense contractor. And recently, BAE has been creating new groups like FAST Labs to better collaborate with academia, government labs, and the startup ecosystem. Peter Cunniffe is VP of Strategy & Planning at BAE, and at a recent event that BAE organized in Cambridge, Mass., he shared two slides that summarized why BAE believes that startups and external innovators can bring value to the company, and his advice for other corporations thinking about developing their own external innovation strategy.

WHY BAE SYSTEMS ENGAGES WITH EXTERNAL INNOVATORS

- Tap into emerging technical and business innovations
- Find new growth paths
- Often cheaper and faster to acquire or adapt external technology versus develop internally
- Look at problems differently
- Identify potential disruptions before they impact us
- Encourage our organizations to operate with speed when needed

ADVICE FOR OTHER CORPORATIONS

- Create a clear business model for engaging with external innovators
- Offer concrete assistance
  - Investment or funding
  - Access to customers or markets at scale
  - Expertise and mentorship
  - Access to company infrastructure
- Be easy to partner with
  - Establish a single point of contact
  - Be clear what we want help with, or areas of interest
  - Move with speed; avoid endless meetings
  - Respect their IP
  - Avoid “big company arrogance”
- Develop a startup-friendly culture
  - Partnerships with startups and other technology providers is encouraged
  - Our businesses readily integrate advanced external technology
STARTUPS NEED EARLY REVENUE. My work is within the R&D organization. We might be looking at new energy efficient separation technologies, which could be relevant to several areas of our chemical production. I would try to make the connection between the startups and our engineering groups, and get that technology on the radar with them. We typically start with a small-scale joint development pilot.

For me, two-thirds of my work is on the academic side, and one-third is startups. But sometimes if you start by talking to a researcher at MIT, you will end up talking to a startup (that they form).

Startups are not like a classical supplier. They can’t go to huge lengths to tweak something to your needs. They have to focus and they have to look for revenue and early customers. Even if it’s a small-scale engagement and you pay for samples, make sure the payment terms are right (and not too drawn out). That helps them a lot, and makes the partnership more fruitful.

UNDERSTANDING THE BUSINESS’ NEEDS. I have to make sure the topics we’re looking at get enough traction internally, and are not just driven by the excitement of working with startups. You can create disappointment on both sides—a startup’s technology may be too far from core, or you just don’t have the right constituent internally who is willing to look at new technologies, or consider a new approach.

One thing I try to do is to get challenge statements from the business units, about problems they want solved. I also leverage our internal ideation platform, and follow what kind of challenges are put out there internally, and suggest that they reach out to specific groups in academia, or specific startups. Or I just keep those challenges in mind when I’m meeting with startups.

I try to be involved with as many of the innovation events they are having internally—to try to understand as much as possible what the business units are concerned with. I also organize conferences and invite academic partners, startups, and business colleagues. I ask them to come and present some of the challenges they would like to see solutions for. So that educates me to understand what the recurring challenges are. That kind of conference takes place once a year.

The business units are all free to engage (with startups or new vendors), and they do, if they find specific partners for their value chain in the startup space. We also have BASF.com/startups, which is a portal where they post challenges, for example. They also describe the different models of interaction for BASF and startups.
THE VALUE OF STARTUP ENGAGEMENT. We view the startup engagement as a complement to our internal R&D activities. We want to invest in and partner with innovative companies that are developing capabilities that can enhance the future of aerospace and transportation. It’s critical to us that we treat our investments as two-way partnerships. We respect the fact that we’re minority investors, and aren’t the only stakeholder of the startups, but at the same time we try to bring the best of Boeing (technical, regulatory, supply chain expertise, etc.) to the startups, to help make them as successful in aerospace as possible.

WHAT WE’VE LEARNED SO FAR. We’ve seen over 4,000 startups since our launch less than two years ago. We think the best startups bring something unique and differentiated, and are led by a strong management team. Given that we’re strategically oriented, we also want to ensure that there is a meaningful benefit from the investment, beyond just the financial dollars into the company. We gravitate to startups that really understand the power that two companies working together can have on aerospace.

Timing and clock speed are always a critical factor in the startup ecosystem. You have to be able to move fast, make quick decisions, and execute at a level that often can be a mismatch with large corporates. At Boeing HorizonX, we deliberately developed an approved corporate venture investment process and committee that could meet these timelines and streamline the bureaucracy...

A DEDICATED PORTFOLIO MANAGEMENT CAPABILITY. We’ve built a dedicated portfolio development unit to work hand-in-hand with our portfolio companies to help them navigate and push for business opportunities with Boeing, either to drive the capability into Boeing tech roadmaps, or for Boeing to become a customer of the startup’s products and services. The team also ensures that the startups have access to the right Boeing capabilities and benefits if and when needed. Aerospace is a tough market to get into successfully, and we want to be an enabler and partner in the startup’s success in doing that.

MEASURING THE OUTCOMES OF STARTUP ENGAGEMENT. This is always the holy grail of questions for strategic investors. For us, we think of success in terms of qualitative and quantitative measures. At the forefront, we want to invest in healthy, viable companies that we feel confident can survive the lengthy time horizons for adoption and success in aerospace. We want to ensure we are good stewards of Boeing’s financial resources—even though we may not be looking to get maximum returns on our investment dollars. More important is the amount of traction and success the portfolio’s various tech and capabilities get inside of Boeing, and where we demonstrate the additional value-add for our startups besides investment dollars. We track and drive tech exchanges, proof of concepts, commercial agreements, channels to market, etc.

ADVICE FOR OTHER COMPANIES. ... Take your time to benchmark and evaluate multiple approaches to corporate venture and tailor an approach that will not only work for the markets that you serve, but that also fits with your company culture. Don’t just do a cookie cutter approach. ♦
Citi Ventures

Arvind Purushotham is a Managing Director at Citi Ventures, where he leads the company’s Venture Investing Program. Previously, Purushotham spent nine years at Menlo Ventures in Silicon Valley. Citi chalked up $73 billion in revenue in 2018; the Citi Ventures group was created in 2007.

HOW OUR INVESTING PROCESS WORKS. We believe that every company is in the software business these days. It could be an industrial. ... It could be an oil and gas company, technology, media, and telecom company. It doesn’t matter in what business you’re in. You’re in the software business.

Having that mentality of, “I need to be out there looking for companies, looking for startups that are working in software technologies that could impact my industry,” that’s a critical function, and one of those important arrows in the strategic quiver. ...

Citi Ventures is a team of 12 professional investors, and we’re quite a small team relative to the size of Citi and the size of the areas that we operate in. We’re highly selective in who we work with. Even though we meet several hundred startups, we work with a small percentage of them on a year-to-year basis.

Our belief is if a startup is not going to be financially successful, it’s not going to be strategic to Citi—or to anybody else for that matter. We use that process to identify those great teams, interesting technologies, and companies that are attacking the large market problems, and so on, to identify the opportunities that we will want to invest in.

Then we apply that additional filter: Is this a fit for Citi and its businesses? Does it fit with the way Citi currently works in, let’s say, the data area or in the payments space? Does it fit the priority of one of our business units or one of our functional groups? ...

Then, we operate pretty much like any other VC. ... We’re supportive investors, we invest in follow-on rounds, and operate pretty much like any other venture capital firm does. ... The ending of that relationship, if you will, is when there is an ultimate exit for the company, and the company either goes public or gets acquired by another company...

SERVING AS A BRIDGE. We end up being the bridge between the startup world and the Citi business unit. What does that mean? It means that we can advise the startup on how to work with Citi, how to navigate a large organization, which can sometimes be complicated. ...

In terms of examples, one of the things that we are proud of is over 50 percent of our startups are beyond the pilot phase.

Many of our startups actually have had commercial engagement with Citi, where the technology is either embedded in our IT stack, or a service has been launched in conjunction with the startup and is being distributed to Citi’s clients and customers. One example of that is a company called C2FO, which we are investors in.

C2FO is in the space of what’s known as dynamic discounting, which is in the trade finance area. Citi has a very strong trade finance business. In addition to an investment, the trade finance team at Citi has done a commercial partnership where we’re able to provide dynamic discounting services to our large clients based on C2FO’s technology.

The partnership is going extremely well. We have closed tens of very large clients jointly with C2FO. That’s a great example of how the power of the startup technology and the power of Citi’s network are leveraging each other beautifully. ♦
HOW WE CONNECT WITH BUSINESS UNITS. At the beginning of every year, we meet with all the internal startup mentors and the business unit leads across the whole company, and we ask them specific things. One of which is, “What are your priorities? What are the things that you’ve seen too much of? What have you not seen enough of?” And, what is the thing on their list that we might be able to help with, that they maybe don’t have the team to work on right now? It’s not necessarily a top priority, but it’s something that could potentially really help the company.

Through that process, we develop our core focus areas for the year. They all fit within connectivity, media, and entertainment in some way. We actually issue those focus areas on our website when we announce that startup class... For this year, it is next-generation marketing; leveraging the amazing network that we have to provide high-speed experiences no matter where you are; a great digital-first customer experience; and immersive and interactive experiences, whether that’s in gaming, in park experiences, etc...

These are focus areas that not just our team, but many parts of the whole company are focused on helping to solve for. So we use that strategy to help us define the types of startups and new technologies that could potentially have the most traction in the company.

WHAT STARTUPS WANT FROM BIG COMPANIES. We met over the last four years with 1,500-plus startup founders and asked them what would make a great corporate startup partnership. And everything we designed was made with their input. ... The things that they told us about were, one—show up, be present. You get a seat at the table by continuing to show up at the table. And we do that every day. That takes a lot of time, but our team is really dedicated to doing that. And all the mentors and executives that we work with actively participate as subject matter experts in the community. ...

[Secondly,] give feedback and potentially be a good place to try pilots and proof of concepts. [In our first accelerator class...eight of the ten companies were doing something by the end of the class with Comcast NBCUniversal business leads. So far, two of the companies have [entered into a] master services agreement with our company. One got Comcast Ventures funding, and two are working on agreements with other parts of the company.

The third area that they told us that they really were interested in...was storytelling. ... We have a really robust social presence [and] regular blogging. And we also have regular content that has been captured through video as well as a podcast.

[You can actually say “Lift Labs” into your [Comcast] voice remote and watch all our content that’s been developed in the last four years. ... And that platform is something that we were asked for by startups. [They said,] “Help us to amplify our stories. Tell our stories. Get the word out about us!” [W]e’re regularly doing workshops on how to tell a great story to the press, how to tell a great story to investors, how to hone in on your elevator pitch even better.

So those are the three things they told us they wanted from us. And we have done everything we can to deliver on what they asked us for most.
WHY ENGAGE? Big companies need startups, and most startups need big companies. It’s like our assets and liabilities are the perfect opposite. Big companies have size, and scale, and customers, and distribution, but over time they lose their ability to move fast. It’s just natural to get more focused on executing your existing business and optimizing it. The consequence is that big companies lose their focus on being nimble and [looking for] the next new things.

Startups are creative and unconstrained. They can think outside of the box about new business models, but they don’t usually have scale. It can be difficult to get access to distribution. So we need each other, and we’re only going to need each other more as the pace of change accelerates.

LAUNCHING A NEW VC INITIATIVE. When I joined CSAA at the end of 2016, the CEO, leadership team, and board of directors had identified the need to create a new function that would house all the innovation efforts underneath one group, alongside strategy. I’m a fan of that, so your innovation activities don’t get too disconnected from the core business strategy of the company.

… Auto insurance is the core of the CSAA franchise, and if you believe in the long-term disruption that autonomous vehicles represent…that’s an existential threat to the future of our business. There was a strong burning platform—just not really burning brightly right now—and that was part of my choice to join.

Under a prior CFO, the company had made three ad hoc investments—one in a startup and two in [venture capital] funds. But there was no CVC investing program. One of the first things I did when I started here is I pulled together a proposal [to do that], pitched it to the board of directors, and got it approved around June of 2017. So we’ve been building up the staffing and the program since then. We have now made three minority equity investments and one additional fund investment in a blockchain fund. We’re now in the middle of closing two other equity investments.

We have a managing partner of the corporate venture function, who will be leading [a new office we’re opening] in Mountain View, Calif., and we have another new partner who just joined. … If you’re going to do corporate venture capital, you want professional investors. That’s very important as a quality check.

SETTING THE RIGHT GOALS. What are your goals you are trying to accomplish, either for [internal] innovation or corporate venture capital? They should be, in my mind, tied to where and how you want to grow. Insurance is a centuries-old business, going back to Lloyd’s of London and the early shipping industry. Now, we’re dealing with this massive influx of billions of dollars into startups that are trying to attack parts of the insurance value chain, [in part by] delivering a better customer experience on the front end, even if they are not as strong on the back end. [So we intend to] proactively engage with startups where we think that together, as partners, we could deliver a compelling solution for customers.
“Big companies have size, and scale, and customers, and distribution, but over time they lose their ability to move fast.”

LINING UP PILOTS. We absolutely work with our business partners on the inside and our portfolio companies to identify ways we can work together. One example is Cape Analytics, which is assessing roof conditions using artificial intelligence. We defined a pilot with them a year ago, and we were so excited about it that we made an investment in their Series A around the time we began the pilot.

We also invested in a consumer hardware company called Owl Cameras, which makes an intelligent dash cam that can see 360 degrees inside and outside of the car, and we have been working diligently with them to identify interesting use cases in insurance.

We do include [acquisitions] in our vision of possibilities. But it hasn’t been a primary area of focus to date.

MEASURING VALUE. Ensuring you are focused on delivering value is an important part of any corporate innovation or venturing program. We track a whole bunch of operational metrics. On the CVC side, how many startups and VCs are you meeting to create deal flow? How many startup candidates do you want in each phase of your funnel, as you’re doing due diligence (and moving toward an investment).

We do the same thing on the internal innovation funnel: How many strategic domains are we trying to innovate in? How many concepts are in flight at various stages?

Those are all leading indicators, of course. It’s important to have a high volume, but also a high kill rate, so you’re only working on and investing in the most important ones.

On the corporate VC side, we track the number pilots CSAA runs with our portfolio companies, because we’re not just investing for financial benefit.

You could almost make a Venn diagram, [with one side representing] the core business’ perspective—the opportunities they see, the gaps they have. [The other side would be the outside perspective we bring in]—what new trends we see, new business models, new signals, from whatever source, that we think are worth paying attention to. We try to align on the intersection of [those two circles].
**Galeries Lafayette/All Turtles**

Groupe Galeries Lafayette is one of the largest European department store operators, with 56 locations in France, as well as international locations in Dubai, Berlin, Jakarta, and Beijing. The 120-year-old private company is family-owned, and has about 15,000 employees.

As VP of Corporate Development and Innovation, Edoardo Manitto oversaw an accelerator program for retail and commerce-oriented startups that launched in 2016. It was run in collaboration with Plug and Play Tech Center, a Silicon Valley-based operator of accelerators and a venture fund. Manitto left Galeries Lafayette the following year to join All Turtles, a startup studio focused on artificial intelligence, as a Managing Director. We asked him to reflect on some of the learnings related to the Lafayette Plug and Play accelerator. Manitto has also been an entrepreneur, as well as an executive at Gap Inc. and Nike.

**HOW WE MADE THE CASE.** In the world of the retail brick-and-mortar store, things move at a certain pace, and they follow established processes and proven approaches. But...tech companies are starting small, but they are eating into ways you connect to consumers... People are changing how they shop, eat, and live.

One of the big problems and barriers in corporate innovation is that...it’s very uncomfortable for large organizations to ask tough questions, to ask the “five whys.” They don’t want to start from first principles, because they’re scared of what they will find. When innovation people go around and say, “Why do you do it this way? Have you looked at this new tool or new approach?” Most of the time you find, if you’re honest, what people do tends to be a bit of B.S. It is the way it’s always been done. Startups come up, and they question those processes and practices, and come up with new ones. Most of the time, they turn out to be wrong. But sometimes they turn out to be very right, and they eat into your business.

**PARTNERING WITH PLUG AND PLAY.** [We signed] a three-year deal [with Plug and Play], and [the company] renewed the deal once. My vision from the beginning was not to create a closed ecosystem, but actually to federate with other corporates in the same industry, and create a platform around it, with players like Carrefour and Aéroports de Paris, which manages retail at the French airports, Lagardère Travel Retail, and LVMH. We really...opened it to as many people as possible to create a win-win scenario.

We had a clear focus on one objective, which was business development opportunities for the startups. [As an entrepreneur,] you join the program with a goal in mind, which is to run proof-of-concepts and [secure] contracts. As a result, you attract good startups that are scaling, and are not too small for corporate partners, and corporates are more interested because they get to play with new technologies that are starting to be proven in market.

There were no vetoes against other partners even direct competitors. Well, there was one veto of the other department store in France, Printemps.

The other corporate partners contributed financially to the program. It was free to the startup—they did not have to give up equity. The only requirement was that they had to be on-site for the duration of the program, and had to be engaged.

**EQUITY VERSUS NO EQUITY.** Corporate accelerators have a very difficult time in doing those small investments of $50,000 or $100,000. It really does not fit comfortably into any corporate balance sheet, and long-term management of that portfolio is a challenge. I see corporate venture funds that struggle to do it. In the case of Techstars, or Y Combinator, or Plug and Play, that’s their business model. They take many small investments. But I would advise against trying to take equity investments. Once you have 5 percent or 7 percent of a small startup, where does it sit in a corporate P&L or balance...
“Don’t do due diligence in a corporate M&A way... With early-stage [companies, it’s] do you like the idea, and does the team seem sensible? Then, write the check and shut up.”

It’s also a question of speed and due diligence. You don’t do due diligence in a corporate M&A way... With early-stage [companies, it’s] do you like the idea, and does the team seem sensible? Then, write the check and shut up.

**SIGNALING COMMITMENT.** Partnering with a third party like a Techstars or Plug and Play or whomever is active in your local market and deals with startups on a daily basis [can be] a good strategy, because it signals your commitment into understanding the world of startups. If you go in solo, it boils down to a question of deal flow. You want to have good deal flow of potential interesting projects, and you want to attract the best potential projects in your industry. To do that, you have to offer [the startups] something that is interesting, and it’s a competitive market.

One of the main advantages of Lafayette Plug and Play was combining the best of Silicon Valley with the best of luxury and retail brands in Europe. Bringing those two universes together made it interesting for startups to join.

**MAKE IT EXPENSIVE TO STOP.** What turned around [the executives at Galeries Lafayette] was having a partnership with a reputable company in that space, [Plug and Play]. If we had done it on our own, it would certainly have stopped by now.

... [One of my decisions] was to make it expensive to stop. ... We have a contract with a third-party that runs for three years, [so] for at least three years, we’re in it, and we can’t change our mind after quarter three when the business is not so great, and this is an easy expense to cut. The program was going to be more costly to kill it off, in terms of image and messaging to internal and external people, than to keep it going. They are at batch number six. It has become a reference program in retail and commerce here in France...

When I left [Galeries Lafayette,] they didn’t appoint anyone in my place, but they have a program director [who is responsible for the accelerator]. ... My legacy is the accelerator. ♦
MAKING THE CASE. One of the four pillars of our enterprise strategy is operational excellence, and under that is a sub-pillar called external orientation. Leadership takes that seriously. It could be a customer orientation, and really understanding and having empathy for the customer. It could be orientation around competitors and the industry. And it could also be around what the next generation of capabilities will be...

The drumbeat of external orientation has been going on for a number of years, and it is now an embedded expectation in our leadership team that when you think through opportunities and challenges, you’re doing it with an external orientation.

BRINGING THE BUSINESS IN. We interview 100-plus leaders across MetLife each year and ask them, “What capabilities would give you strategic advantage?” We do it with claims people, salespeople, underwriting people, and product people. We collect their requirements, and we share them with the VC firms and say, “Here are the things that our businesspeople are looking for. Whaddaya got?” They’ll make intros [to startups they have invested in], and my team will work with an internal group to drive proof-of-concepts to see if those emerging capabilities [can help our business].

We’ve driven more than 100 proof of concepts over the last four years, and about 30 of those have turned into commercial agreements.

In our vernacular, a pilot is when you put [something] in front of customers. A POC is proving it out within the company. Some things might be internal tools for us, like a cyber tool that can strengthen our environment. For that, we’ll do a POC to validate it.

OUR VENTURE CAPITAL STRATEGY. When it comes to startups, we made a decision as an enterprise over 10 years ago that we were going to invest in the venture capital firms themselves as part of our overall investment portfolio. We invest hundreds of billions of our customers’ money so that we can pay them back when we need to. Most is invested very conservatively, but we have taken a small portion and put it into alternative investments like hedge funds, private equity, and venture capital. Today we have north of $1 billion invested in 17 of the leading venture capital firms...so that gives us a unique vantage point [about] where the markets are going, and where innovation is going.

A next evolutionary step [that] we’ve taken is that very often, one or more of these 17 venture capital firms will come to us and say, “We’ve come across this company, and we think it’s particularly strategically relevant to you.” In the past, we’d say, “We really don’t do that type of direct investing.” We didn’t spin up an internal corporate VC group [to source] deals or lead deals. But we have freed up $100 million so that when those opportunities come our way, we can participate alongside of our VC partners. The only circumstance where we’d make a co-investment is if we believe that the capability that the company has is strategically relevant to MetLife, and can create new forms of customer value. An example of that last year was Enigma, [a startup focused on extracting intelligence from data].

LAUNCHING A NEW ACCELERATOR. Last year, we announced that we had entered into an agreement with Techstars to create the MetLife Digital Accelerator, powered by Tech-
stars. They’ve been around for years, and have had a track record of success...

The term accelerator has taken on lots of different definitions and meanings. When we really looked beneath the covers of Y Combinator, and 500 Startups, and the regional ones, many of them are just about, “Hey, startups, join our network and we’ll provide you some informal coaching, plus a little seed capital.” What we liked about Techstars is it is... a defined, 15-week intensive program, where the founders have to co-locate on your campus. That’s unique and powerful, and it explains a lot of the success they’ve had. ... We dedicate MetLife people from all over the company to be mentors—people that range from product to channel to operations, claims, strategy, technology...

We ran our first program with them in Cary, N.C. last fall, and graduated 10 companies. We’re recruiting to companies for this year’s accelerator. [Techstars] believes that each one gets better. It’s not the kind of thing you do once, declare victory, and go home.

... In the most recent accelerator, we had a range of companies [at various stages of product maturity]. A couple were really concepts that just needed to be fleshed out. Some had a very primitive minimum viable product, but three or four had a product you could put in front of customers. All of that is interesting to us. The earlier we can get in, and help shape it and direct it towards the needs of our customers, the better.

From the accelerator, we are looking to pilot in some way...with six of the 10 companies that participated.

INNOVATION STARTS IN LABS AND UNIVERSITIES.

Innovation is a chain, and it starts very early with invention in labs and universities, where you have students creating new capabilities, but not necessarily thinking about commercialization. We have a very strategic partnership with the MIT Media Lab...

SOME STARTUP ENGAGEMENT EXAMPLES. We have worked with a company called Captricity [now known as Vidado], which does optical character recognition on steroids. Their technology ingests documents, even handwritten documents, with an accuracy rate that in many ways exceeds human capabilities. And in our business, there are a fair amount of paper documents still, when you’re dealing with doctors and dental records. We’re implementing it all over the company now very successfully.

Enroll Hero is a startup from our accelerator. Our mission is to help people navigate life, particularly during difficult times. When people are getting ready to retire and choosing a Medicare plan, it can be complicated and overwhelming. Enroll Hero allows you to enter profile information about yourself. It has all of the details of the different plans and options, and it presents the plan best suited for your needs, [taking into account] your age and health and state. We piloted it with some MetLife customers, and we were very surprised at the take-up rate...

MEASURING VALUE. From the very beginning, we looked at measuring success through two lenses. One is activity, and one is results. Often, people say, “My company only cares about results; activity is bad.” But in the world of innovation, if you don’t drive the right activities, you don’t get the right results.

For us, an activity would be saying, “We’re going to interview 120 people this year, and identify 25 POCs or pilots, and enter into eight or 10 contracts this year. We also run internal innovation programs, like brainstorming sessions and facilitated sessions. So we keep track of how many associates we engaged, and how many managers we trained. Those are all activities.

[Results include things like] how much growth we generated, or how much efficiency. Did we improve associate engagement or enhance the customer experience. Those four measures are the four categories we measure to judge the success of the program.

MOVING FASTER. One of the things that has frustrated the startups and the VC world for decades is how slow large companies move when it comes to pilots and POCs. It is really the Achille’s heel...

We wanted to create an effort called Pilot E ZPass—it became known as Pilot Onboard Process. We met with the people across MetLife in procurement, legal, regulatory, architecture—all of the different constituencies who have a say when a vendor comes in. We said, “We want an E ZPass system for these small vendors that isn’t weighted down by bureaucracy. Everyone bought in. We rolled it out last year. [It covers both pilots and proof-of-concepts.]

From the beginning, we said we wanted it to be less than a month [to get a pilot or proof-of-concept approved]. If it’s less than a month, it’s good. It took quite a while to bring everyone along, because you want to protect the corporation. We had to really educate them about what we were trying to accomplish—that we were not trying to do end-runs around important provisions of contracts. I would say it took probably a year from when we conceived of doing it to when it was fully implemented. But the first half of it was introductory meetings and selling. The last half was creating documents and getting decision rights clear. ✪
New York Life

Joel Albarella is Senior Vice President and Head of New York Life Ventures, the corporate venture capital arm of insurance giant New York Life. Albarella founded the Ventures group in 2012, and since then has executed more than 30 venture capital investments.

“You need to be a strategic partner of the business,” Albarella says, “where you’re invited in to think through the three-year roadmap, because you’ve earned the trust and respect of the business.”

BACKGROUND. In 2012, [several senior executives here believed that] the digitization of the world was going to have a massive impact on the future of insurance, and felt that the way to [address that] was to start a corporate venture unit, but make sure that it remained anchored in the strategic opportunity of bringing new startups into the organization.

BUSINESS UNIT CONNECTIONS ARE VITAL. It’s at a corporate venture capital unit’s own peril if they are not capitalizing the first C in CVC. From the very beginning [you need to be] keenly focused on how you’re going to nurture your internal total addressable market, in terms of decision makers and the individuals who run business units and functions within the company. That’s a very valuable resource to an early-stage start-up. I do scratch my head a little bit [when for corporate VCs] it’s only about getting an investment done…and their relationships into the business units is squirrelly at best. And even when they do have those relationships, they’re just bringing an investment they’ve already made to the business unit, which isn’t a way to create trust. They think, “It’s just the CVC guy trying to pawn his portfolio off on me again.”

If all a startup wanted was our money, and didn’t care about getting connected to the right people within the organization to set up a test, it was a red flag to me, early on.

We wanted the deals that were highly-competitive deals, with tier one VCs leading them. And we wanted to have the startup arguing for us [to be involved because] they valued the strategic opportunity, they valued our relationship.

A lot of VCs have bias against CVCs. Some corporate investors can bring a lot of bells and whistles to a cap table, trying to get rights of first refusal and other things that would...complicate an acquisition. Also, some CVCs are here today, gone tomorrow.

ACCELERATOR INVOLVEMENT. We have not sponsored any [accelerators.] We trust our model. We know our space, and we have a lot of faith in our ability to help companies—at least those with an interest in retirement or life insurance. We have a trusted network we’ve built in the last six years. When there are interesting companies in an accelerator or coming out of an accelerator program, we have no issue getting in touch with them.

The accelerators that were relevant for fintech or insurtech didn’t show up until we were into our fourth year of existence. We’ve done some mentoring [with accelerator programs.] but a lot of times they dangle mentorship as if the mentor should pay for that privilege. It’s...kind of icky.

ADVICE FOR OTHER CORPORATES. It sounds trite, but knowing that you’re a corporate is important. “Know thyself.” The biggest value that you are going to have for a startup is the ability to help them spend their valuable resources more wisely. Sometimes people jump to, “Can you become a customer of ours?” That’s important, but [providing] feedback can be just as powerful, like letting a startup know when they shouldn’t waste their time doing something, as they’re trying to figure out where to spend their own business development resources. Or you might say, let us show you what the New York Life tech stack looks like, which can be immensely helpful.

Startups should be a component of a broader strategy, as opposed to a cornerstone. It’s an important part, but it’s just a part.
The Dutch conglomerate Royal DSM today makes a range of materials for the apparel, automotive, skincare, and energy industries, but it traces its roots back to the mining business of the early 20th century. DSM was originally formed to exploit coal mines in the southernmost part of the Netherlands; the company’s name once stood for Dutch State Mines.

Today, the company has left the mines behind. It describes itself as “science-based,” and products include coatings for implantable medical devices and vitamins, and sugar substitutes that go into food and beverages. Revenues in 2018 were $10.4 billion. While the company is headquartered in Heerlen, Netherlands, Pieter Wolters, the Managing Director of DSM Ventures, is based in Boston, Mass. The company has three areas of investing activity: human nutrition, biomedical, and solar. But there is also the opportunity to occasionally invest in businesses outside of those areas.

WHERE VENTURING FITS. The company started an innovation center in 2006. They started by measuring innovation, and setting some targets, like 20 percent sales of products that were new within the last five years, and $1 billion in revenue from those same products. Those targets were set for 10 years later, and they were met.

The physical center is in Holland. But under the virtual roof of the innovation center, you’ll find an incubator, venturing, IP and licensing, and corporate technology, along with innovation programs and excellence, and our EBAs, or emerging business areas. These are businesses that may be pre-revenue, or generating revenue, but are not large enough to stand on their own two feet.

Venturing started by taking limited partner positions, [and investing] in [about a dozen existing] VC funds. But they figured out that it didn’t bring the strategic return they wanted and financially it was hit-or-miss.

RECALIBRATING. When I joined in 2012, my first mission was to recalibrate why we were doing it, should we be doing it, and could we do better. Yes, we’re doing it for strategic reasons, but yes we should make a profit.

The quality of people on the venturing team has also improved over time. You can’t see this as a career rotation step, where you do a few years, then go do something else. We now have very senior people with 30 year careers [in venture capital]. They bring in their own network, and they are credible at the board level... They are also very valuable to the startups, for their network and their experience.

We now have almost 33 companies in the portfolio and have invested in more than 60 over the years.

HOW DEALS HAPPEN. If I take the biggest business in DSM, nutrition, the traditional nutrition business here is a global market leader. They see a lot of what’s out there. So the deal flow is 50/50 between the business and [our venture team]. If I look at some new areas like personalized nutrition, where they may know less, we help bring them new ideas and startups and generate more of the investment leads ourselves.

If I look at solar, where we were completely unknown in the US, and extremely small, [to become better known as an investor,] we organized challenges with the Fraunhofer [Center for Sustainable Energy Systems in Boston] and Greentown Labs [in Somerville, Mass.]. We would throw a challenge out, and let startups respond. We incubated a few at Greentown, and invested in a few.

What very often happens is that out of the deal flow, we usually discuss with the business [a particular startup, but] many of them don’t need investment from us. They often end up having partnerships with the business. So we pass a startup to the business. Sometimes they discover one and pass it to us.

A recent and small one was a company called Mixfit—a personalized nutrition company that has developed sort of a Nespresso machine for your mix of vitamins

**Pieter Wolters**
Managing Director, DSM Ventures
“The true proof that venturing is in the DNA of the organization is if you survive a few CEOs.”

and supplements based on digital inputs. That started with a venture investment, and then a few months later [in July 2018,] the business took a controlling stake in the startup. There will be many more going forward.

**DON'TS.** We don’t like to load up the startups with all types of requirements. We like to keep it light, especially when it comes to giving DSM first rights of an acquisition. That is a double-edged sword that we don’t like to use. It cools off the startup for other strategic players.

Another big “don’t” is sharing information with the business that is related to the investment side of things. We keep that completely separate. Once we’re engaging, we are there for the startup. We take our fiduciary responsibility very seriously.

**MEASURING VALUE.** Internally, it’s all about option creation—creating multiple options in a portfolio way. If DSM were to try to do it all under 100 percent ownership, you’d do a whole lot less of it. By being a minority partner, the startup can do it at a startup pace, rather than a corporate doing it as a 100 percent owned project at a corporate pace.

It’s like an extended incubator at a distance.

**ADVICE FOR OTHER CORPORATES.** If you get started, I’d say this: You need to either do it well, or not start. It needs to be a C-level commitment that lasts beyond one or two budget cycles. You need to get the right people with experience on board, and the market for them is tough. It’s a multi-year, real commitment.

The joke I’ve heard regularly is that the true proof that venturing is in the DNA of the organization is if you survive a few CEOs. It needs to be anchored at that level, until you’ve had the time to prove your worth. I think we’re beyond that point now, and we’ve gotten increasingly better at it.

There will always be people who are believers or skeptics, but you’re in a good spot if there is broad trust at the C-level and [with] the heads of businesses. That takes a lot of time to build. ✨
WORKING WITH NEW SUPPLIERS. On this New Energies side, we don’t have 100 years of legacy business, or legacy supplier relationships, which means that we actively want to work with emerging suppliers related to new energies and digital solutions. We’re wide open to new suppliers. And on the oil and gas side—the core business—we’re trying to get new technology into that whole value chain.

We’re a process-intensive, labor-intensive industry. ... Of course we can run our business better by applying new technologies, like sensors and analytics. For things like analytics, AI, machine learning, we do go to [vendors like] IBM and Accenture, but we realize that most of the innovation won’t come from a large legacy supplier; it will come from emerging vendors, and we have to engage with them.

There are several tools we use to do that, including Shell Ventures. We also have Shell TechWorks in Cambridge, Mass., whose core mission is to solve engineering problems within Shell in the most effective way. If there’s a startup out there that has a solution, or a partial solution, TechWorks will work with that vendor in a heartbeat. They can do system integration, not just with [existing suppliers like] Schlumberger and Weatherford, but also smaller vendors.

Shell’s GameChangers program is kind of institutionalized angel capital. It provides smaller amounts of capital—a few hundred thousand—when someone comes in with a new tech that is maybe not a full business yet. It’s not ready for Shell Ventures or Shell TechWorks. It’s not a released product. GameChangers can give them additional capital and business support within Shell to figure out if the solution works.

Digital Businesses in London is where, if we can’t find anything that fits, we can create or co-create [digital products and services] from scratch. An example is FarePilot, which helps suggest where Uber or limo drivers should be to get the next ride.

ATTRACTING STARTUPS. Any startup that touches the oil and gas sector, they will find Shell. They want Shell as a customer, so they will find Shell Ventures. But on the New Energies side, you may not even know Shell is doing this kind of work. That’s why we were at SXSW [in Austin this year] and why we’re participating in eco-marathons [to build ultra-efficient cars]. We want to get the name out there, so people think about us.

The tactical outreach is going to conferences, participating in office hours [for entrepreneurs]. In every conversation, we say, “Don’t forget to tell people, we’re open for business in the New Energies segment.” But globally, the Shell machine is actively working to spread the message that Shell is also New Energies, not just oil and gas.

It helped us a lot in Boston when Shell won the Mayflower offshore wind leases, and the Atlantic Shores Offshore, outside of New Jersey. That’s the other way to become relevant—having the business making deals in these segments...

ACCELERATORS AND INCUBATORS. We have been investors and mentors [at accelerators like] Surge and Station Houston in Houston. (The energy-focused Surge Ventures pro-
“The bigger the company, the more natural it is to turn inside first, and find people inside who can do it. That’s the wrong approach.”

gram shut down in 2016.) We focused on Houston as the ecosystem where our US HQ is, and the entrepreneurial ecosystem wasn’t as strong as it is on the east or west coasts. We are involved with a few accelerators in Europe—including sponsorship and participation and minor investment—and we encourage our people to be mentors and help out at business plan competitions, at the MIT Deshpande Center. We want to be active participants in the community.

Do [accelerators] have value? Absolutely. But right now, there are a lot of entities that look like accelerators. The question is, how many more do you need? There are so many of them out there.

ADVICE TO OTHER CORPORATES. Find someone like me, and buy me a coffee, and have me do a whiteboard session. Then hire someone [with an experience set similar to mine, in traditional venture capital]. There are enough people out there with scars on their backs. A lot of companies try to roll their own; there’s someone inside who is passionate and connected enough that he or she gets a budget, can become Chief Innovation Officer, and they have the funding to set up an innovation group, an accelerator, and maybe a corporate venture group, and they try to learn it through trial and error, or reading papers—as opposed to finding someone who has actually done it before.

The bigger the company, the more natural it is to turn inside first, and find people inside who can do it. That’s the wrong approach. You can find the people outside, and you will save so much money, so much time, so much hassle by doing it that way.

TWO INCARNATIONS OF CORPORATE VC. Shell Ventures is the second incarnation [or corporate VC within Shell]. We’ve learned a lot about how to do it right and how to do it wrong.

The original version [of Shell Ventures] was 1998 to 2006. Version 2 started in 2013. The first version was focused on spinning out tech, and having majority ownership. The new model is all minority ownerships—usually 10 percent or less—and about taking technology and new business models into Shell.

We call it “deployment” within Shell. That’s the promise you deliver as a strategic investor: We give you money, advice, and access to a big customer.

MAKING SUCCESSFUL DEPLOYMENTS HAPPEN. How do you actually follow through [to make deployments succeed]? There are two specific things we do.

At the time of the investment, we do a double bottom line. One is the financial return profile of the investment. The other is the deployment economics. If you have widget A, and we get it deployed within Shell, we calculate that we will save or generate $X million. Then, the person who runs that [specific] business will say, “I agree with that, and I sign off on that.” It doesn’t have to have a purchase order or a pilot completed; just a discussion of the net present value that can be derived from the deployment.

You have a closed loop mechanism: we projected it would create this value.

The second thing is, we have implementation managers who work for Shell Ventures. Shell Ventures has two, and soon to be three, implementation managers. Those people are very hard to find. They need to be social—good at building a network in the organization. But also have to be sticklers for process—to be firm and assertive without being annoying. They’re super powerful when you get the right people. There is just a lot of project management required to get things deployed. “Talk to this person, pass this test, check off this checklist.”
WHAT SUCCESS LOOKS LIKE. Obviously, exit and success from a financial standpoint is a goal, but I would say the more interesting goal for us tactically is, obviously, these companies and entrepreneurs finding follow-on capital is an important metric we’re looking at.

Frankly, the number of applications is an important metric we’re looking at as well, because one of the more broad-reaching ecosystem play goals for us at Shubert in this is two-fold. One is to make sure that really smart people understand that they can have a career, and they have an impact in the entertainment sector without having to be on stage.

We’re really looking at the next 10 years of our industry and saying, “We all know that the key to success and ongoing health is smart people in your industry.” While we have smart people today, we need to make sure that we stay on top of that.

I think, making sure that technology, entrepreneurs, and people who have an idea and want to make an impact and facilitate how stories are told and who’s telling the stories, will know that, at least, this is one place that they can come to help build those ideas and bring them to market.

The second aspect of it, honestly, is as we think about trying to maintain our cultural relevancy as an art form and as a storytelling medium with successes, like “Dear Evan Hansen”, “Be More Chill”, and “Hamilton.” Those are all great. Those will hopefully continue, but we have to do our part.

A big piece of that is making sure that we, as an industry, continue to stay current and innovate. Innovation is key to maintaining an ongoing relationship with an audience that is changing ... This is just a natural progression and a smart, healthy move for us to be involved. In fact, in some ways leading this part of the industry. ...

Not every company we work with as an accelerator will be a fit for Shubert as a client. That's not the goal of that. The goal of that is to really facilitate the best entrepreneurs and the best companies to have a shot at scaling in the entertainment industry, regardless of whether Shubert will become a client or not. That’s completely separate.

HAVE A CONVERSATION. I think everyone has to look at their own business and see where they most need advancement or opportunity leveraging or problem-solving.

[For] some businesses, [working with startups is] not a good fit. For some, it is. I would say it’s surprising. You don’t have to have an accelerator. You don’t have to take an investment. I think I’m always shocked at the [value] that my colleagues bring to new companies simply by sitting down and talking to them.

The best way to get started is to educate yourself. I think the best way to educate yourself is to just frankly talk to young startup companies. ... I take literally every sales call I get.

A lot of times I get cold calls from startup companies, in many cases. I will always take the call even if it’s not necessarily the best fit. I believe in that process. I find that those conversations always lead to ideas. Whether it leads to a relationship or not is a different story. I’m never afraid to have a conversation. ...

If you have a conversation, nine times out of ten you’re going to learn something. That’s how you get started. ✤
Suffolk Construction

Boston-based Suffolk Construction works on major projects like hotels, beachfront condo towers, casinos, hospitals, and transportation terminals. The privately-held company was founded in 1982 and has annual revenue of about $3 billion. Chief Innovation Officer Chris Mayer oversees a network of “Smart Labs” around the country that are used to test new technologies with the potential to help “transform the construction experience,” Mayer says. That could mean preventing accidents on a job site, or helping a client better visualize the details of what will be built, before it is committed to concrete.

While Suffolk often evaluates technologies from startups, it doesn’t have a venture capital fund or a formal relationship with a startup accelerator—though the company has made one recent investment in a startup.

**AREAS OF FOCUS.** In our business, there are some things you can generally say are going to happen: the cloud, advanced user experience, reality capture, the rise of machine learning and decision support, IoT. So [our mission is,] how do we look at solutions that address challenges our project teams are encountering, not chase just the tech side of it? We’re not just looking at the tech explicitly...

Our group is focusing on four themes right now:

1. Safety
2. Quality
3. Performance/productivity
4. Customer experience

And we’re working on building awareness so we can build engagement with startups. There are a lot of folks who reach out to us following a conference, or reach out to [our] project teams. In a highly-distributed environment [that is] moving as fast as a construction project is, how do we make sure we can capture that information?

One thing we’ve been looking at recently is passive, 360-degree image capture with a helmet on your hard hat. Then, by using GPS, it can sync up images taken over the course of time, and you can walk through the project at two different times, side by side. For something like that, we will bring vendors in, bring our project teams in, and talk about the economics behind the solution, so we can settle on what works best with the organization. ... We have [colleagues] who are always super-interested and super-engaged, and really looking for solutions that will make their lives easier.

**HOW WE SCOUT AND FILTER STARTUPS.** We want [the vendor] to be a more established solution that either we know is going to be there long-term, or we could support ourselves if something is going to change [like the company going out of business]. We look outside of the industry a lot. They may have established customers outside [of the construction] industry, but haven’t yet worked in our industry.

We’ve gotten better at talking not just about the technology, but [making] sure that it has progressed to the point where it’s a solution that we could pilot. It should have a relatively clear line-of-sight to our four areas of focus.

We probably took a look at 20+ pilots [that the organization has run] of anywhere from one to three months long. Then, there’s a more formal pilot where you look to say, “This logistics management solution that works in dense urban areas with traffic congestion, is it also useful in open spaces and rural areas?”

**WHO SUPPORTS US.** Obviously, [CEO] John Fish. Operations leadership was a fan, and is still a fan of this idea of, how can we continue to improve, and connect to new ideas? Their support lent credence and credibility to what we were trying to do. We also had strong support from finance and legal...our Chief Data Officer, who just came on board, and the CIO.
We want [the vendor] to be a more established solution that either we know is going to be there long-term, or we could support ourselves if something is going to change [like the company going out of business.] We look outside of the industry a lot.”

**Evolving Our Role.** We’re right now evaluating [whether there is] a larger or different role that we should be playing, in addition to just that of consumer. When we trade on our expertise, we want to be sure we’re getting commensurate value from that. If we teach people to do smart things and they’re going to sell us that solution back, are those the right economics for us? [In terms of investing.] we did take an investment in Smartvid.io, because we feel like their solution is one we can help make better. They are capturing video [of a project, which they can analyze to ensure that safe construction practices are being followed], and ultimately for image recognition and predictive purposes. We have started to dabble with that mindset.

What we’re getting better at is defining the areas we’re interested in as areas of business alignment. For example, how do we build out on our plan-and-control functionality, which is the way we’re building the digital twin of the project before we go to construction. With that, you can squeeze out design questions and understand design constraints, because pixels are cheaper than bricks. ✦
FIVE ELEMENTS FOR A SUCCESSFUL STARTUP INITIATIVE. In order for an innovation cell to exist within any organization, there needs to be a couple of stakeholders aligned. We actually look at this. We call it the five-node process or the five-node approach.

1. The first and most important node is what we think of as the entrepreneur. That’s the person who has the idea. ... They’re the ones that are passionate about solving a problem and who understand the problem. ...

2. The second one—and this is really key to any innovation program—is leadership buy-in or top cover. If you’re doing something differently or against the grain, you will hit barriers. Having leadership [have] your back is so important for greasing the skids and removing those barriers when they pop up. ...

3. The next one is, in my opinion, are the unsung heroes in many cases. That’s the contract and legal support. ... It’s the lawyers who are saying, “Is this legal, ethical, or not?” We need to have them aligned from the beginning of any new project all the way through to the end because, if we don’t, they’re going to become one of those barriers that we have to figure out a way around or to work with.

4. A funding partner. Whenever we take on a project, we want to follow an actual real problem. ... Having an organization that says, “I have a real problem. I’ve got funding to solve it, if you can find there’s a solution.” It’s super-important.

5. The last one is the actual solution. ... Either a tech solution or...a policy solution.

DEFINE THE PROBLEM, NOT THE SOLUTIONS. We had a tendency to—and this is [common] across the world, not just in the government—see a problem and then to say what we think the solution is, instead of just saying the problem.

[Here’s an example. ... If we want to see over a hill for whatever military purpose, what we have a tendency to do is to say, “Look, I need you guys to create me a satellite that’s going to be in geo orbit. It’s going to have these specifications.” Very specific, and, in reality, we just wanted to see over the hill. We don’t care if they come back with a hot air balloon or a carrier pigeon with a camera on it.

If they can give us the most affordable, most effective solution, whatever that looks like, that’s great. [We are] shifting towards a culture of telling companies our problems, and less so what we think the solutions look like [to] solve that problem. ...

ADVICE FOR OTHER GOVERNMENT INNOVATORS. The first one would be, “Come talk to us,” for sure. Talk to anyone that’s done it before, because we make so many mistakes. We make tons of mistakes. We’re fortunate to have a culture from leadership down that says, “It’s okay to make mistakes. Just fix them fast, and move forward...”

The second...is just get good people, and put them in a room, and don’t over-control them. There’s an “it factor” when you’re talking to people in any organization, but especially in the Department of Defense or in any particular service...when you talk to somebody, you say, “Wow, this person is inspired. They get it. They want to make a difference.”

... Get a small group of those kind of people together and then just start to talk about it. It’s like primordial soup. You just get the right people together and something good will happen. ... Just get good people, and put them in a room, and don’t over-control them.
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We needed to open the door to the outside to see what technologies are possible—those that are not encumbered by having to maintain and innovate incrementally the traditional ways things have been done.

– Marty Guay, VP of Business Development, Stanley Black & Decker