



PIONEERS

zero21

**DACH INNOVATION
LANDSCAPE STUDY**

Full Report

TABLE OF CONTENTS

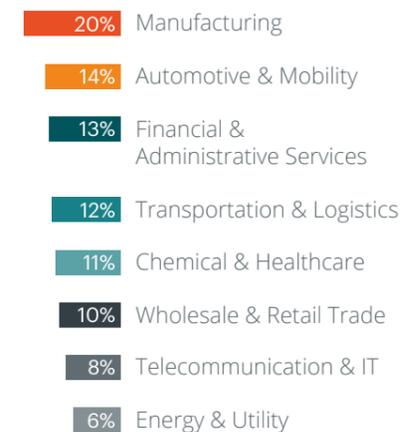
| | |
|---|----|
| 10 KEY LEARNINGS | 4 |
| WHY INNOVATE? | 6 |
| KEY TECHNOLOGIES DRIVING INNOVATION | 9 |
| GOVERNANCE OF CORPORATE INNOVATION | 10 |
| INTRAPRENEURSHIP | 14 |
| Best Practice: ANDRITZ, Magna, Post Finance | |
| STARTUP-CORPORATE COLLABORATION | 21 |
| Best Practice: AVL List, Henkel, Fraunhofer, DB Mindbox | |
| Characteristics of Startup Innovation Heroes | |
| MULTI-CORPORATE COLLABORATION | 35 |
| INDUSTRY ANALYSIS | 40 |
| WHAT'S NEXT IN CORPORATE INNOVATION? | 48 |
| ABOUT US | 50 |
| GLOSSARY | 51 |

About this study

Recognizing innovation as being merely desirable is no longer sufficient. It is necessary to build reliable and systematic knowledge about how to create innovation and exploit it to the full. Afterall, Innovation is a key driver in building dynamic capabilities, which enable corporations to develop competitive advantages. This is especially prevalent in Europe, a geographic area characterized by highly fragmented markets and specialized firms, where being able to build competitive advantage through innovation seems vital for corporate survival.

In the last three years Pioneers has completed over 150 corporate consulting projects, during which we've seen ever-increasing efforts by companies to invest in innovation practices.

To shed light on current innovation practices, challenges and outcomes, Pioneers has conducted the first major corporate innovation study in the DACH region (Germany, Austria, Switzerland). The study provides deep insights into the ways in which companies are tackling innovation, as well as the reasons behind success and failure. The survey data was collected from senior managers (mainly Innovation or Digitalization managers) across 104 companies averaging over 1,000 employees and over €500m in revenue. Each participant responded to 35 closed and open-ended questions about how their company drives innovation. The questions covered the most common innovation approaches, including innovating through employees (intrapreneurship), startup-corporate collaboration and multi-corporate partnerships, as well as the topic of innovation governance. Among participants were renowned companies and DACH champions such as Deutsche Bahn, Fraunhofer, AVL List and PostFinance and many more.



10 Key Learnings

#1 *Corporate governance should provide innovation projects with the possibility to be reintegrated into the business or to be treated as a spin-off.*

When it comes to innovation activities, organizational structure is crucial. 90% of corporates have established dedicated innovation teams, bigger departments or units, with 87% also having an innovation strategy in place. In order to ensure long-term success, innovation units need the freedom from the core organization to innovate. Depending on the alignment with the corporate's core strategy, innovation projects should either be integrated into existing units or grown outside the organization.

#2 *Top-level management support is crucial for the success of DACH innovation projects.*

Top-level management support is seen as a key aspect of success in intrapreneurship as stated by 79% of study participants, with 53% also stressing its importance in open innovation with startups. Therefore, top-level management should be responsible for providing the long-term, strategically aligned direction and the necessary resources to scale up innovation efforts.

#3 *Internal resistance causes major challenges for DACH innovation projects, with companies not investing sufficiently in cultural change.*

The main roadblock for innovation is internal resistance of employees. However, companies still do not prioritize cultural improvement in their innovation activities. Intrapreneurship fails in 47% of cases and startup-corporate collaboration in 46% of cases due to internal resistance.

Improving the innovation culture remains a task that should be prioritised. By combining different practices, companies ensure not only to involve larger, more diverse groups of employees, but also encourage an entrepreneurial and innovative mindset.

#4 *German companies are leading the way in intrapreneurship.*

Overall, the majority of DACH companies have at least tried once to innovate with the power of their own employees through intrapreneurship. Companies headquartered in Germany are leading the way with 87% providing employees time, space or resources to act like an entrepreneur within the organization. In contrast, only 84% of corporates in Austria and 56% in Switzerland engage in this practice.

#5 *Intrapreneurship is scarcely implemented across the DACH region.*

Most corporates have started less than six intrapreneurship projects in the last three years. Findings show that intrapreneurship still lacks effective programs and formats. Companies need to ensure that intrapreneurs have the resources to focus on their ideas. In order to create successful intrapreneurship initiatives, companies have to start learning by doing while developing larger project portfolios and, as many innovation heroes do, get additional external support.

#6 *Collaboration projects with startups are widely adapted in the DACH region.*

While 88% of DACH companies are already working with startups, 98% are also aiming to innovate with startups in the upcoming two

years. On average one out of two collaboration projects results in successful implementation – more specifically, 92% of respondents have implemented at least one collaboration project. Additionally, a steep learning curve clearly shows that increasing experience in startup collaboration activities also leads to greater beneficiary outcomes and increased implementation rates.

#7 *Following a two-step approach for startup-corporate collaboration leads to effective product development, high implementation and satisfaction rates.*

Findings show that DACH companies start collaboration initiatives through running a format that allows them to connect with partners and validate first ideas. This is achieved through organizing collaboration frameworks such as pitching challenges (49%) and hackathons (39%). Subsequently, the next stage focuses on joint product development and innovation by offering financed pilots (69%), as well as access to data (53%) and customers (59%). Through this approach, 65% of respondents reported that the expected product innovations were achieved. An additional solution in this phase could be to organize a design sprint format followed by an acceleration phase with the focus on a working prototype.

#8 *The Manufacturing industry is taking a different innovation approach.*

The industry analysis shows a strong focus on startup-driven innovation. Between 80% and 100%, across seven industries, are already working with startups. Only the Manufacturing industry has less experience with startup-corporate collaboration, with only 59% having engaged with startups to date.

Furthermore, the majority of analyzed industries are putting a stronger focus on innovation driven by employees, i.e. intrapreneurship, than Manufacturing. This may be due to the fact that this industry is more traditional than others. We also see that the Manufacturing industry is mainly using the approach of internal R&D and multi-corporate innovation when it comes to open innovation.

#9 *Multi-corporate collaboration is on the rise but can only succeed when the right partner is found.*

In the DACH region, 78% of corporates already collaborate with incumbents and 81% want to tackle innovation via multi-corporate collaboration formats in the future. It is considered as a key driver of success due to cost-sharing and strategic synergies. The fundamental element is to find the right collaboration partner which is an area that causes challenges for most corporates. However, when both corporate collaboration partners have similar innovation approaches and experiences, the chances for success are higher.

#10 *Ecosystems play a key role in multi-corporate collaboration activities.*

Multi-corporate innovation is used to develop new products (65%). However, building an ecosystem is the second and consistently growing driver of this innovation format particularly for Swiss (25%) and German (17%) corporates. Even though some are building their own collaboration ecosystems for multi-corporate activities, interviews show that many use the benefits of third party eco-systems to get started or to increase their reach when in need of partners.

Why innovate?

Technology is on the rise and new megatrends such as digitalization, automation, data analytics, AI and IoT are changing the way entire industries operate. At the same time, a large number of fast-growing companies with new, often digital business models, are entering the market or even creating new markets. Spotify has completely changed the music industry with its innovative music streaming services. N26 and Revolut are disrupting the banking industry with non-physical banking services and the UX and UI of their apps. Flixbus has turned Europe's Transportation and Mobility industry upside down by offering customers better value-for-money while outsourcing resource-intensive activities (e.g. busses are not owned and drivers are not directly employed) to partners.



87% of corporates already work with innovation strategies.

Faced with this challenging environment, many corporates have strengthened their innovation efforts in order to keep up with the speed of change. Developing innovative products and services lies at the core of long-term strategies for most corporates. Our study found that 87% of companies already have an innovation strategy and 33% additionally measure clear KPIs for their innovation efforts. Voestalpine¹, one of the largest steel producers in Europe, clearly states innovation as a core topic on their website focusing not only on new products and improved processes, but also on developing a sustainable future. Daimler² is another example to include innovation in their strategy, particularly focusing on fostering an innovation culture. Nestle³, one of Switzerland's largest corporates strongly emphasizes innovation to grow and differentiate itself from competitors and increase its brand value.

Who has an Innovation Strategy in place?



Three Reasons why DACH Corporates innovate

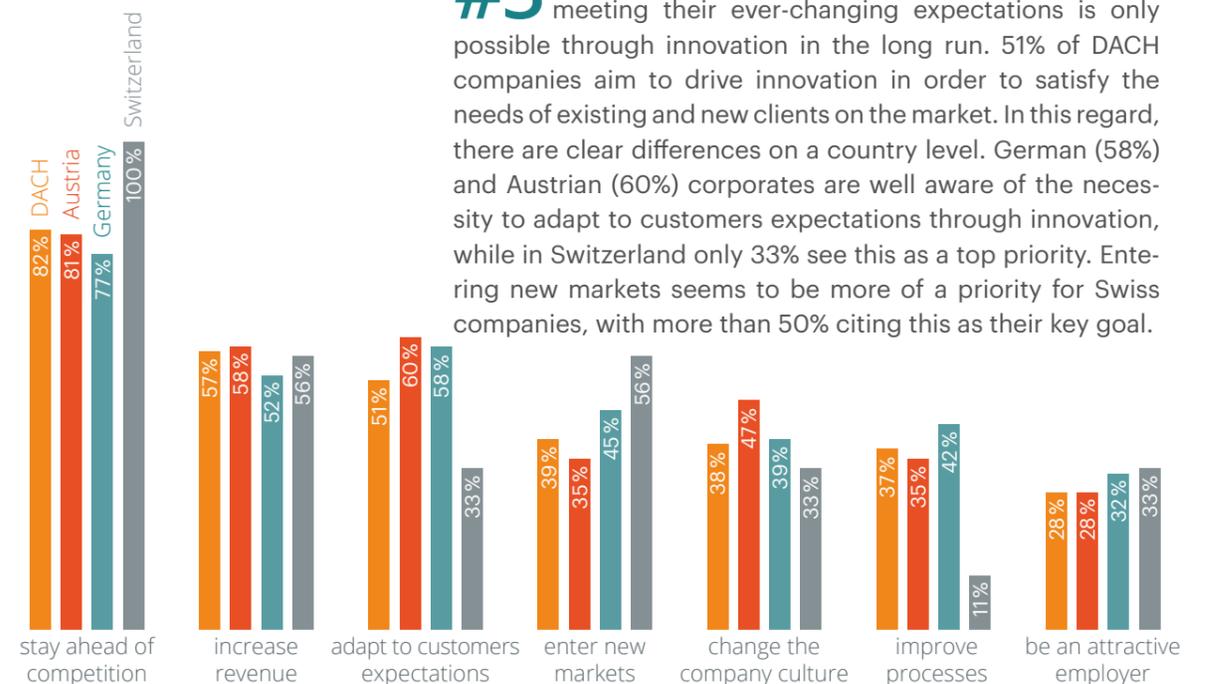
Looking at the overall results from our study, we found three main reasons why DACH companies are putting an effort into innovation activities: staying ahead of the competition, growing the company's revenues and responding to client needs.

#1 Gaining (or maintaining) competitive advantage is the primary driver of innovation among top DACH companies. In fact, 82% of companies engage in innovation activities to stay ahead of the competition. This clearly reflects the pressure from new competitors. 100% of Swiss corporates respond to the pressure of competition through innovation, followed by 81% in Austria and 77% in Germany.

#2 Secondly, 57% of companies aim to increase their revenues through innovation. Looking at the country comparison, Austrian corporates put most emphasis on growth (58%), followed by Swiss corporates with 55% and Germans with 51%.

#3 Third, creating additional value for customers and meeting their ever-changing expectations is only possible through innovation in the long run. 51% of DACH companies aim to drive innovation in order to satisfy the needs of existing and new clients on the market. In this regard, there are clear differences on a country level. German (58%) and Austrian (60%) corporates are well aware of the necessity to adapt to customers expectations through innovation, while in Switzerland only 33% see this as a top priority. Entering new markets seems to be more of a priority for Swiss companies, with more than 50% citing this as their key goal.

Why innovate?





BEST PRACTICE

GOALS OF INNOVATION, INSURANCE PROVIDER



UNIQA Insurance Group AG, one of the leading insurance groups in Austria and CEE, mainly drives innovation to keep up with the ever-changing needs of customers. Clients expect a better customer experience to transact in real-time, wherever, whenever. To create a unique and seamless customer journey, UNIQA invests in digital services, higher speed and quality of delivery as well as easy communication channels and multiple contact points with insurance customers. To adapt to the expectations, UNIQA is collaborating with startups and has set up its own venture fund investing in FinTech, InsurTech, HealthTech transformers and enabling technologies. Alongside this, UNIQA invests in its own people by offering training in new ways of work and modern product development methods such as design thinking that puts the customer at the forefront of innovation. As a result, UNIQA aims to transform itself from an insurer to a full service provider.

"UNIQA's vision is to enable and serve our clients for a better life. By offering them unique innovative services beyond insurance – that we co-create with startups and ecosystem partners – we want to stay relevant for our 10 million clients today and tomorrow."
Andreas Nemeth, CEO of UNIQA Ventures GmbH.

Key Learnings

1. Make sure to be customer centric, when innovating.
2. Collaborate with startups to benefit from their customer focused work approaches.
3. Provide employees with new methods such as design thinking to put the customer at the forefront of innovation.

Interestingly, reasons such as improving the employer's attractiveness (28%) or corporate innovation culture (38%) seem to be less important when it comes to innovation activities amongst DACH corporates. This suggests that many companies believe they already have the right talent inside the organization to drive innovation. In a country comparison, mainly Austrian companies (47%) are frequently innovating with the intention of changing the company culture.

When taking a closer look at industries, we found strong differences in priorities. The Automotive and Mobility sector, as well as the Energy and Utility sector, put more emphasis on changing the company culture through innovation, whereby 58% of Automotive & Mobility companies outline its importance alongside 80% of Energy companies. In contrast, the Manufacturing and financial services industry outline that changing customer expectations and adapting accordingly play a more significant role, according to 76% and 64% of respondents respectively.



In order to succeed you have to make the most out of the means available and start communicating transparently about your initiative early on – even before showing off with success stories. This will get more people on board and shape the innovation culture right away.

Mathias Strazza,
Head of Future Banking
at PostFinance.

Key Technologies driving Innovation

It is clear that new technologies are a strong driver of innovation in any industry. As such we investigated the most crucial technologies for DACH companies.

The study results confirmed that data is the gold of the 21st century. 65% of respondents consider data analytics as a key technological driver of innovation. Ranked second is AI with 59% and IoT with 59%. These technologies rely heavily on data and data infrastructure. Other relevant technologies include Robotics (32%), AR/VR (25%) and Blockchain (16%).

From the results, we could also see strong differences between industries. End-customer facing industries generally gather more data and can therefore build new products and services based on analytics. This new technology is also especially prevalent in the Financial and Administrative industry as mentioned by 82% of companies, whilst IoT solutions are the main driver for the majority of Manufacturing companies (76%). Moreover, AR/VR solutions play an important role for 58% of Automotive and Mobility companies.

What are the top 3 Key Technologies for Innovation?



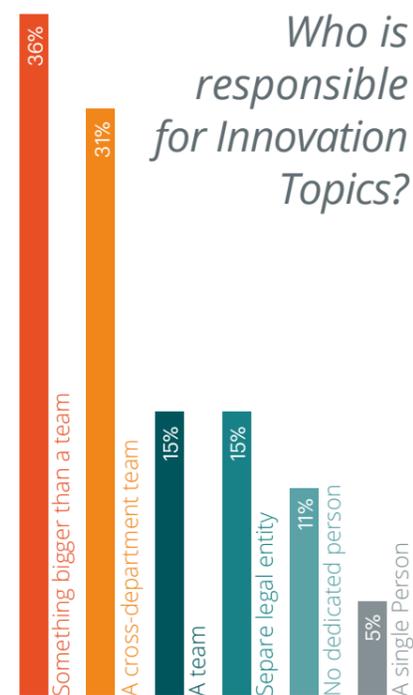
Governance of Corporate Innovation

Looking at governance, (internal) R&D has long been the main unit in charge of driving innovation. In fact, spendings in R&D often account for more than 10% of the company's revenues⁴. While a large amount of knowledge and new technologies are created through R&D, they are often not transformed into products and services that provide value for end-customers.

 R&D turns money into knowledge, innovation is the process of creating money out of this knowledge.

Millions are spent in development without involving the end-customer in the process and products are rolled-out without addressing market needs or producing the expected financial returns. A famous example is Google Glasses⁵ where user problems were not defined and validated during the development and hence, failed to be implemented on the market. Besides the mismatch on the market, developing innovation in-house behind closed doors also poses a strong risk of missing emerging business models that can turn the industry up-side-down.

Currently, the right governance of innovations outside classical R&D is one of the most discussed matters of corporate innovation. While some companies see innovation activities governed by a team integrated into the core organization, another part believes innovation needs to be fostered through a detached unit with room for experimentation. In the second case, corporates are asking themselves how new ideas or solutions developed externally can be transferred back into the core organization. Findings from our study provide first insights into current practices in this area across the DACH region.



While the reported units and teams strongly differ, respondents agree that the dedicated innovation units need some form of freedom from the core organization to develop innovative offerings. However, two potential roads for innovation projects are necessary:

#1 *In the case of alignment with the core business: reintegration into existing units and absorption as a new product, service or process into the core business.*

#2 *In the case of a strategic misfit: spin-off into a new business grown outside the organization.*

Structure of Innovation Teams

The prioritization of innovation itself side by side with new innovation practices have changed governance inside large organizations. There are already several corporates that drive intrapreneurship and open innovation through teams outwith the R&D department. The market has even seen corporates creating separate legal entities with the core purpose of driving innovation. Dedicated teams can explore new opportunities together with external players, or internal employees can get support to turn their own ideas into market-ready products.

Our study has shown that 90% of corporates have already established dedicated innovation teams, bigger departments or units working actively on the topic. 40% of these companies operate cross-department teams with responsible innovation managers across the organization. 25% have a separate innovation team. 33% state they operate "something bigger than a team" while several international companies have teams in a variety of countries. Lastly, 13% of respondents run innovation outside the core organization within a separate legal entity. Our study showed that only around 10% of respondents implement innovation ad hoc or with one designated responsible person. Comparing countries, we can see that Austria is far behind Germany and Switzerland in terms of the size of these teams. While 75% of German and 66% of Swiss companies operate "something bigger than a team", only 30% of Austrian corporates do so.

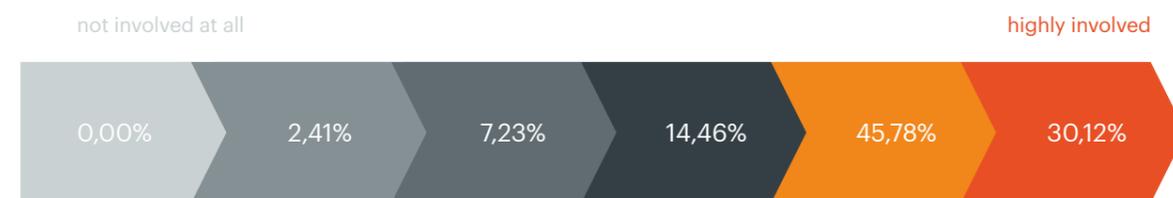
 Governance should allow innovation projects to be reintegrated into the business and treated as a spin-off.

Involvement of Top-Level Management

Top-level management support is widely seen as crucial to the success of innovation. Without C-Level support that pushes towards new innovation approaches, many innovation teams have seen strong resistance to change from core parts of the organization. The famous “Not Invented Here Syndrome” plays a role during integrating external innovation in the company as it is seen as a threat by employees. “We can do it much better ourselves” is a response that every innovation manager trying to use open innovation has faced at least once during the career. This is the reason why employees need to be involved from the very beginning.

Top-level management support plays a key aspect of success in intrapreneurship as stated by 79% of study participants. 53% also stress its importance in open innovation with startups. Fortunately, 88% of respondents reported strong involvement of senior management in innovation activities which proves that innovation is on every large company’s agenda. Lastly, the study found that senior management is particularly important during the transition phase from a non-strategic approach towards a more strategic approach to innovation. In this phase, top-level management has to provide the long-term direction that is in line with the overall corporate strategy and provide the necessary resources to scale up new innovation efforts.

How strongly is top-level Management involved?



Intrapreneurship

What is it all about?

The topic of intrapreneurship has been around for over 40 years now. Originally described as entrepreneurial behavior by employees, today it is now described as an established way to foster innovation from inside the whole organization. More and more companies give employees time, space and resources to develop their own (business) ideas during their working hours or even during pre-defined and structured innovation programs. The latter are strongly on the rise and in the last year the majority of companies have started to run one or several intrapreneurship programs with the goal of supporting employees in developing new solutions internally.



Intrapreneurship refers to the practice of providing employees time, space or resources to act like an entrepreneur within the organization.

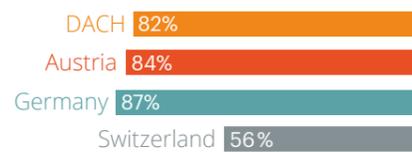
A key differentiator between intrapreneurship programs and R&D is that these initiatives are open to the whole organization. In most cases, any employee of the company, even customer-facing employees without technical know-how, can come up with an idea and receive support in its development. In this way the company can take advantage of the innovation power of all employees and avoid overlooking major market opportunities or solutions customers are asking for. At the same time, intrapreneurship programs also help bring more of an innovative spirit into the organization by providing space for experimentation and learning opportunities for employees.

The study showed that the majority of DACH companies are already taking advantage of their employee innovation power through intrapreneurship. 82% of surveyed participants have engaged in the practice, while 18% haven't yet provided employees the opportunity to work on their own ideas. Germany leads the way, with 87% of companies engaging in intrapreneurship, while in Austria only 84% engage and in Switzerland just 56% engage in the practice.

“
Not everyone needs to be an intrapreneur. But whenever an employee has an idea for a new business opportunity worth exploring, it is the role of the organization to have created a platform where these ideas can and should be further evaluated.

Marius Swart,
 Co-Founder HenkelX

How many Corporates do engage in Intrapreneurship Activities?




German companies are leading the way on intrapreneurship.

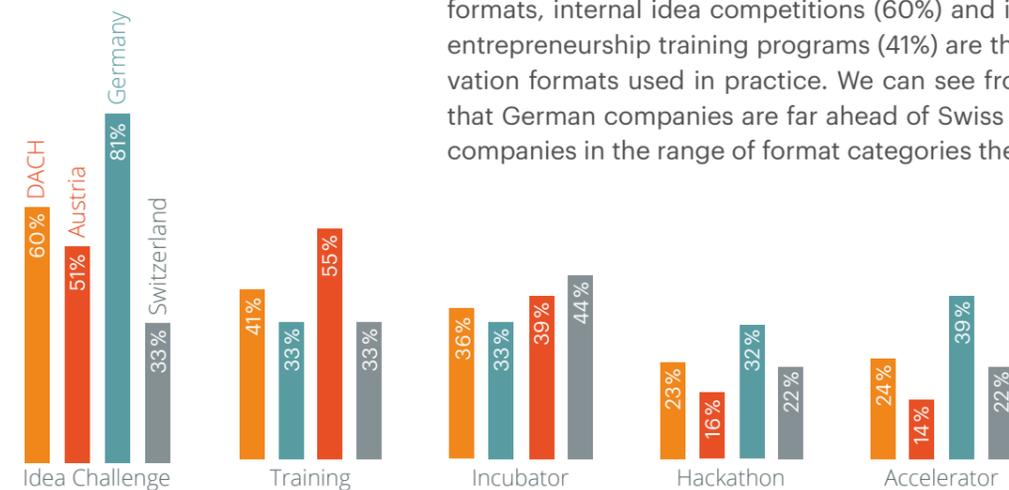
Why Intrapreneurship?

DACH companies mainly engage in intrapreneurship to develop new products and services (82%), foster a strong innovation culture (56%) and improve internal processes (47%). While this is true for Austrian and German study respondents, corporates from Switzerland highlighted they focus mainly on using intrapreneurship to improve their innovation culture (66%).

How is it done?

The majority of companies offer employees budgets (63%), mentorship opportunities (51%) and dedicated time (51%) to work on their own ideas. In general, the findings suggest that intrapreneurs require a high level of freedom to explore new ideas alongside a clear decision process from management. At the same time, strong support and mentorship are key to encouraging employees to take the necessary action towards entrepreneurial thinking within companies. With regards to formats, internal idea competitions (60%) and innovation or entrepreneurship training programs (41%) are the main innovation formats used in practice. We can see from the study that German companies are far ahead of Swiss and Austrian companies in the range of format categories they offer.

Which Intrapreneurship Formats are used?





BEST PRACTICE

INTRAPRENEURSHIP | INDUSTRIAL TECHNOLOGIES GROUP



AI for Industrial Applications

ANDRITZ Ventures has already completed two internal idea challenges with first projects being on the way to market roll-out. One of the internal startups is developing an AI solution for the autonomous plant operation led by Canada-based Arthur Gooch. The trained AI processes information and recommends data-driven solutions for operation improvement as well as assists with plant-wide optimization.

Key Learnings

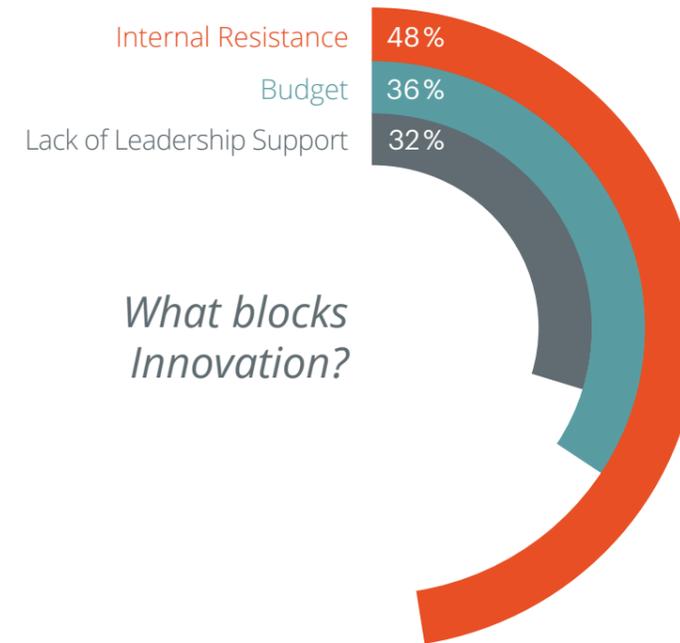
- 1. Market relevance:** Early customer feedback helps speeding up the development and adapt or stop the project, if required.
- 2. Resources:** Group funding in the first two stages of the intrapreneurship program (idea development & prototype phase). As the idea matures (incubation phase) funding also by respective business area.
- 3. Time:** Team members should have at least 50% of their time available for the project. Early manager involvement is key.

“Successful development of a new idea requires two key things: time to work on it and budget”, says Ana-Marija Markunovic, program manager at ANDRITZ Ventures. Managers were involved early in the process to allow for enough time and resources. While at the beginning of the program some overtime for daily job tasks remained, Arthur was offered the opportunity to fully focus on the internal startup. Moreover, dedicated venture funding for the first phases of the idea development was guaranteed.

“The first successes with our program and the interest from customers and the market spark motivation and support from managers and key executives for further initiatives”, states Ana-Marija looking at a positive future for intrapreneurship at ANDRITZ.

What are the Enablers and Barriers?

The study shows that strong involvement of top-level management (79%) and clear strategies and goals (61%) are the main enablers of intrapreneurship. The biggest challenges are internal resistance (48%), low budgets (36%) and a lack of support from company leadership (32%). Interestingly, the performance of internal teams is not seen as a preventer, suggesting that corporates trust in the entrepreneurial skills of their employees. This is shown by 40% of corporates hiring external consultants to support the intrapreneurship process.



Ensuring that intrapreneurs work at least 50% of their time on new internal startup ideas is key to successful intrapreneurship. Therefore we onboard executives early on to ensure commitment throughout the organization.

Ana-Marija Markunovic, project manager at ANDRITZ Ventures.

What are the Outcomes?

Intrapreneurship activities result in product innovations (57%), improved innovation cultures (49%) and motivated employees (43%). Comparing the numbers with the original goals set by our respondents, intrapreneurship fails to deliver the expected results. Neither the goals for product development nor innovation culture improvements are reached in DACH. Germans do, however, state that they reach their goals through intrapreneurship (39% are more than satisfied) while only 18% of Austrians are more than satisfied. On one hand, this suggests that larger efforts in intrapreneurship also leads to better results. On the other hand, the general findings show that intrapreneurship still lacks effective programs and formats to take full advantage of the innovative power of employees.



BEST PRACTICE

INTRAPRENEURSHIP | AUTOMOBILE MANUFACTURER



Project Outcome

An intrapreneur's project at manga resulted in the digitized recording of measurement results and data from test equipment via a HoloLens in the harsh environment of mass production. With this technology, employees can also control their measuring equipment values contactless using speech recognition technologies.

Key Learnings

1. Inspiration: have the idea owner involved during the entire project as he has the strongest vision for the product
2. Environment: provide a pro-innovation environment for your employees (if need be, outside daily business structures)
3. Test: have potential future users involved in the development to test feasibility of implementation early on

The Development Process

In order to bring this solution to the company, employees from several departments worked together with motivated intrapreneurs who pushed the project forward. The innovation team and top management created the necessary space and resources to give team members the freedom to implement and motivate them. The right environment and the close cooperation with future users in production, gave the project the necessary boost. With initial tests and implementations, including voice control, and basic progress reporting, the project was developed at high speed. The project results were successfully transferred to series production. An essential point for the success was that the idea generator and project manager believed in the result and benefits and was able to convey this to his team members.



Intrapreneurship is still done on a quite small scale, with most corporates having started less than 6 intrapreneurship projects in the last 3 years.

Looking at numbers of started vs. successfully implemented intrapreneurship projects, on average corporates only started 4-6 projects with 1-2 successful implementations. Given that most respondents had over 1,000 employees, intrapreneurship is still used on a small scale. Interestingly, 25% were "more than satisfied" or "highly satisfied" with their intrapreneurship activities. This suggests that corporates will also engage more in this practice in the future.





BEST PRACTICE

OPEN INNOVATION | FINANCIAL SERVICES

PostFinance employee Matthias Egli moved to the PFLab around two years ago. Today he leads the startup Ormera (formerly known as “B4U”), which is proposing to implement the following idea: the Ormera platform will allow property owners to measure their own electricity production and charge their tenants directly. The platform is being deployed by the energy provider as part of its overall solution. The process is fully automated and handled via blockchain to enable transparency and traceability. The solution was designed and implemented by the PostFinance blockchain team. Thanks to the consortium's blockchain infrastructure of both PostFinance and Swisscom, the solution could be implemented effectively. In addition, Swiss Post offers the infrastructure on the market as a Consensus-as-a-Service. The startup involves not only PostFinance but also the energy company Energie Wasser Bern (ewb).

Ormera exemplifies how the PFLab embraces, assesses and advances innovation projects. They deal with topics that are currently far removed from the core business of PostFinance and which feature a high level of innovation. They are not about day-to-day business or enhancements to what is already in place – they have to do with experimentation and innovating on currently intangible future topics.

Open innovation is a key approach in their process – opening up their innovation processes to the outside through collaboration with colleges and universities, startups, networks and companies. Ormera was keen to get ewb on board right from the outset. Cooperation between the two came naturally: Matthias already knew the Berne-based energy supplier from earlier projects, while ewb was able to bring valuable expertise from the energy sector and also showed interest in the project as a potential operator.

Innovation projects such as these require the relevant prerequisites and framework conditions to be met for them to come about in the first place. A culture of innovation, for example, where staff such as Matthias Egli can delve into new topics extending beyond their role, or an innovation process in the PFLab that is geared to future topics and allows quick experimentation.

Key Learnings

1. Respect the available resources, processes and support and make the most out of it.
2. Be open and talk about your innovation initiative early on – don't wait for a success story.
3. Internalize the entrepreneurial mindset – fail fast, succeed, move forward!

Startup-Corporate Collaboration

What is it all about?

Young, innovative companies are putting pressure on incumbents' market position more than ever. In fact, the average age of an S&P 500 company is under 20 years, down from 60 years in the 1950s. These new entrants are often highly customer-centric, fast-paced and free of complex organizational structures. In the DACH region alone, 16 young companies became unicorns (private companies with a valuation of more than \$1 billion), changing entire industries, especially in the health and financial industry⁶. For instance, N26, Numbrs or the Swedish Klarna are disrupting consumer financing and payment services while MindMaze and CureVac are putting pressure on healthtech incumbents. Clearly these companies cannot be ignored anymore and as a result, corporates are now seeking collaboration in the form of open innovation.

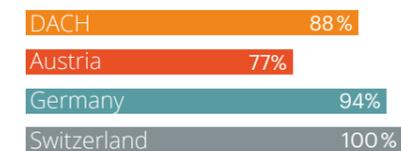
Open innovation, a term introduced by Henry Chesbrough, refers to a distributed innovation approach where companies open up for multiple external sources and, in case of startup-corporate collaboration, share internally developed ideas proactively with startups. Engaging with startups raises awareness for innovation and disruption. Corporates can get out of their daily business, learn side-by-side with entrepreneurs and get inspired by the open, fast-moving environment.



It's always a win-win-win situation. The startup benefits from the corporate through resources and the access to high-quality data – the corporate benefits through the startups' creativity, agility and degree of innovativeness – and finally the customers benefit from innovative products and services. So there's absolutely no reason why not to work with startups.

Study respondent headquartered in Switzerland

How many Corporates are working with Startups already?



How many Corporates are planning to work with Startups in the upcoming 2 Years?



Who is engaging in Startup-Corporate Collaboration?

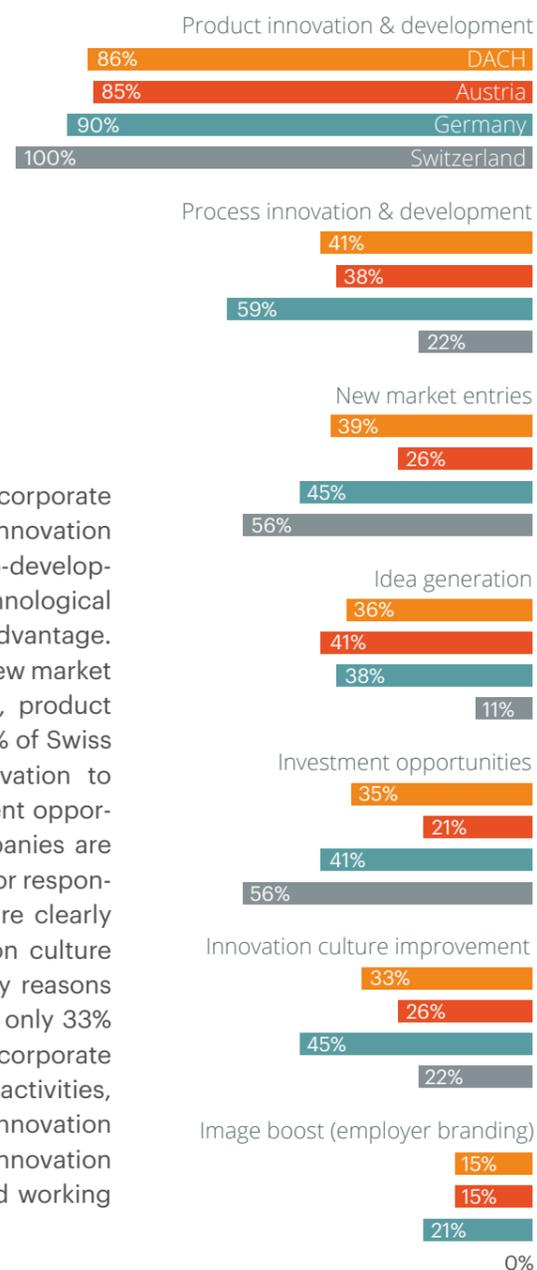
According to the study, 88% of DACH companies are already working with startups. German and Swiss corporates are leading the way with more than 90% having experience in such collaboration activities, while in Austria 77% are engaging in startup-driven innovation. This is a growing trend in the DACH region, as 98% of respondents state that they are aiming to innovate with startups in the next 2 years.

Why Startup-Driven Innovation?

The reasons for DACH companies to foster startup-corporate collaboration are very clear. 86% aim for product innovation through inspiration from startups' fresh ideas or co-development of specific products applying the latest technological solutions, all of which aim to create competitive advantage. Other goals include process innovation (41%) and new market entry (39%). Looking at the country comparison, product innovation is another main driver. Interestingly, 56% of Swiss companies are looking into startup-driven innovation to enter new markets and access promising investment opportunities. In contrast to this, 41% of Austrian companies are aiming for idea generation which is less important for respondents from other countries. German corporates are clearly aware of the positive influence on their innovation culture since 45% stated that it belongs to one of the key reasons for startup-driven innovation. Even though overall, only 33% of DACH respondents are trying to improve the corporate innovation culture with startup-related innovation activities, in our experience from numerous corporate innovation projects many positive effects on employee's innovation mindset can be reached through startup spirit and working methods.



Startup-driven Innovation predominantly aims for product innovation through inspiration from startups fresh ideas or co-development of specific products applying the latest technological solutions.



STARTUP COLLABORATION | POWERTRAIN DEVELOPMENT



BEST PRACTICE

About the collaboration

The car has been connected to the world – but who is connecting the car to the passengers? Emotion3D has developed a software technology which evaluates the position of all human joints and their head poses, recognizing human actions and mimics. In their joint project, AVL and emotion3D tested algorithms that should recognize whether the driver is distracted e.g. by using a smartphone, and even set actions in the event of such a critical situation (e.g. warning sound in the case of driver drowsiness/tiredness). Because emotion3D uses standard sensors like cameras with 2D or 3D technology, the application perfectly fits to a wide range of use cases. Emotion3D became aware of CREATORS EXPEDITION at the Mobility Pioneers Event and applied for the program – seeking to determine whether there is a need for their technology and what experts think about their software. The feedback was very positive, and the cooperation created value for both parties. "It's a great opportunity for us to work together with a leading technology company like AVL and to learn and profit from their structures and possibilities", said CTO Michael Hödlmoser from emotion3D.

Startup: emotion3D

Collaboration Goal:

An AI powered platform for human monitoring in passenger cabins

Key Learnings

1. **Visibility:** Startups are overwhelmed by the vast number of challenges and opportunities. In order to match with the right startup, it is important for a corporate to use well-established ecosystems to assure that everyone is on the same page and that the use case is clear.

2. **Innovate through and with startups:** Corporates do not need to build everything by themselves. Especially in new tech markets, startups often offer smart solutions and innovations that can be integrated into existing products fast.



Focus on the strategic and most important search fields for innovation and quickly try to build prototypes and real pilot tests for common defined use cases.

Ansgar Niehoff,
Head of Technology Platform
"Electronics into Polymers"
at REHAU

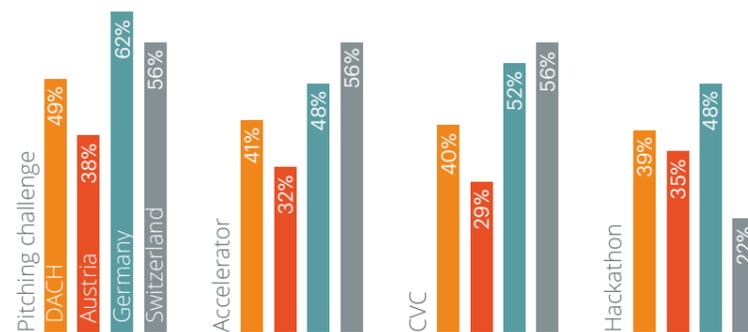
How is Startup-Driven Innovation implemented correctly?

Common practices that lead to successful startup collaboration involve two essential steps. First, many companies host startup pitching challenges (49%) or hackathons (39%) to get to know a large number of potential collaboration partners. Second, the best-fitting startups are offered financed pilots/PoCs (69%), as well as access to data (53%) and customers (59%). Accelerators enjoy high popularity with corporates as 41% run their own six to twelve month programs, thus combining the previously mentioned formats. Incubators (13%) or co-working spaces (19%) are used less frequently.

German companies are putting a strong focus on joint product development by financing pilots/PoCs (86%). 67% of Austrian companies are also doing this whilst also giving startups access to customers (53%). Swiss companies, on the contrary, are predominantly investing in startups (67% offer money/funding). Regarding startup-collaboration formats, pitching challenges are very popular in Germany (62%) but also important for the rest of the region to get first contact to promising startups. Around 50% of German companies are additionally hosting hackathons, building acceleration programs or engaging in CVC (Corporate venture capital), while Austrians are less active across these areas. Many collaboration activities of Austrian companies focus more on an informal, opportunistic or project-basis (24%). Swiss companies usually either host pitching sessions, build CVC funds or provide accelerators (56%).

 Swiss companies are leading the way when it comes to investing in startups and building CVC funds.

When it comes to startup selection, the study reveals that most companies (56%) collaborate with growth-stage startups, as they provide the benefit of an (almost) market-ready solution, first customers and first revenues. Growth stage startups tend to have company structures, business experience and a tested business model which can be an advantage for a smooth cooperation. 21% of DACH corporates work with early-stage startups while 31% are prepared to work with startups at any stage of their development. No significant differences appear in a country-level analysis.



What is offered to Startups?



Which Collaboration Formats are used?



BEST PRACTICE

STARTUP COLLABORATION | CONSUMER GOODS



About the collaboration

In January 2018, the Henkel innovation team met a Toronto based startup called Sampler which at the time was doing just over a million in revenues. Sampler worked closely with our brand teams to help them understand, not only the challenges with traditional sampling methods but also the financial upside when sampling is done right using their digital solution to drive higher conversions and retention rates for brands like L’Oreal, Henkel, and P&G. Fast forward till today and together with Sampler, their Laundry and Beauty Divisions in North America and Europe have seen tremendous success in activating customers for sampling campaigns as well as gather insight on real consumer behavior. For example, over 60% of consumers that Sampler connects with are willing to share their data with Henkel and conversion to purchase rates are around 20%, figures that are way above industry standards. Sampler also enables to gain real time feedback and therefore allows for shorter innovation cycles, paving the way for agile innovation, testing and product launches. In return, Henkel teams have shared feedback on additional features which would make Sampler’s solution even more impactful and many of those features are currently being developed for implementation. A real win-win scenario.

Startup: Sampler (Canada)

Collaboration Goal

Using a digital sampling solution to improve customer conversion & retention rates

Key Learnings

- 1. Mutual Benefits**
Create a win-win collaboration, in which both parties can benefit.
- 2. Startup Stage**
Make sure to work with a startup that is at the right stage for your goal. Direct collaboration, like in this example or in case of accelerators require startups to be in growth stage.

 Companies who seek external support when engaging with startups achieve more satisfying outcomes.

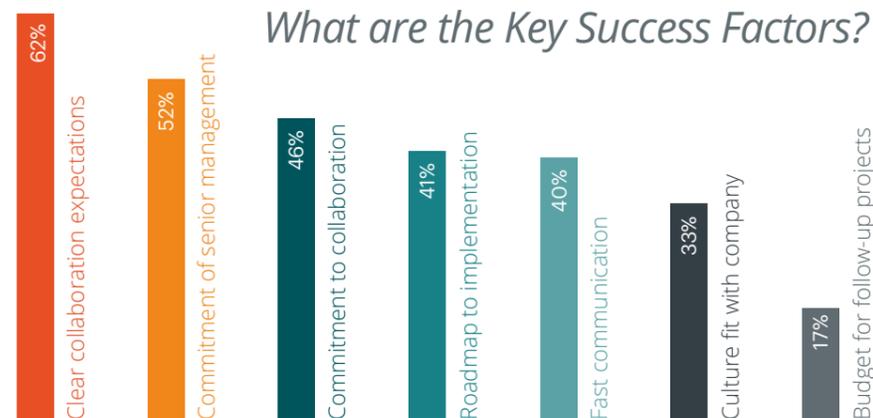
Due to cultural differences and new agile work approaches, most companies (72%) seek external support when engaging in startup collaboration. In fact, 38% are employing external consultants while around 20% are working with universities or external mentors. Looking at the levels of satisfaction with the project outcomes, it’s clear that companies who have no external support are less satisfied with the outcomes than those who do.

What are the Enablers and Barriers for Startup-driven Innovation?

The study shows that the main enablers of startup-driven innovation are clearly-defined expectations for the collaboration (63%), the involvement of the corporate's top-level management (53%) and a strong commitment from both the startup and the corporate to the collaboration (46%). One outstanding example for top-level management support in startup-corporate collaboration is the open innovation program Factory1 from Kapsch⁷. Startups are not only receiving direct support from field experts, but also from the board of directors.

Many respondents underline the importance of clear goals of the collaboration as well as a clear idea of why to engage with startups and what to expect as an outcome. Moreover, attention is frequently drawn towards acting fair and transparently in order to reach a win-win situation. Other success factors, such as having fast communication, a roadmap to implementation, culture fit with the company and budget for follow-up projects, have shown to be less important.

While the prioritization of these success factors is reflected in German and Austrian corporates, Swiss study respondents (67%) put more emphasis on the roadmap to implementation. Even if many corporates have already found a great way of tackling startup collaboration, major roadblocks still slow down or even limit the collaboration.

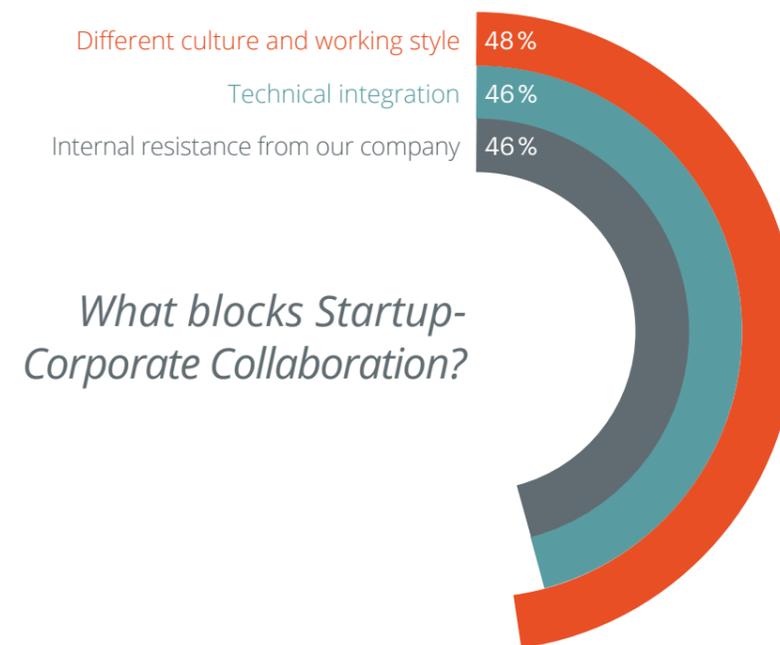


Focus not on your own companies' needs, but instead on what the startup demands. Approach startups on eye-level – they are small in size, but nevertheless, they are in a later stage respectable business leaders.

Christian Stephan,
Head of Innovation
Research at Media-
MarktSaturn N3XT



Even though cultural differences between startups and corporates are major roadblocks during collaboration projects, most companies are not proactively working on innovation culture improvements.



The biggest challenges are different cultures and work methods (47%), internal resistance (46%) and technical integration (46%). In particular, differences in working styles, perception of timing and speed, lacking internal commitment and missing support from business units for the collaboration are causing troubles when engaging with startups in a corporate environment. Interestingly, cultural differences among the collaborating parties are not perceived as key challenges for startup-driven innovation even though this analysis clearly highlights the importance of a cultural fit among organizations. Considering the country comparison, deviations from this prioritization can not be found.

What are the Outcomes of Startup-Driven Innovation Initiatives?

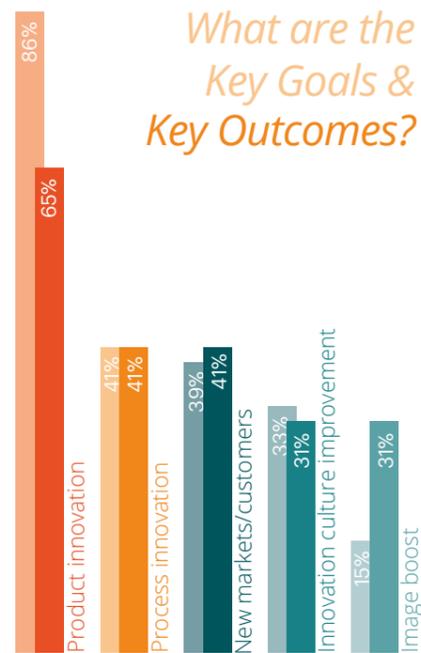
Most startup-collaboration initiatives achieve the expected outcomes, including, process innovation (41%) and entry to new markets (41%). In addition, 65% of respondents report that expected product innovations are achieved. Resulting in a deviation of only 21% between goals and outcomes, product development through startup-driven innovation shows to work very effectively. This ranking proves to be similar in all DACH countries. Only small differences can be found. For example, when it comes to achieving process innovation, only 24% of Austrian companies report clear outcomes. According to 89% of respondents, Swiss companies develop products successfully while improvements in innovation culture are only visible for 22%.

 Startup-driven innovation is an effective approach to initiate cultural changes towards a more open-minded and agile mindset.

Although not many companies consider cultural changes as one of their key objectives of innovation, the results are overall very positive when they do. 32% of all respondents state it as a goal, and 31% report success. This suggests more companies should keep in mind that improved innovation culture is a highly likely outcome. Startup-corporate collaboration seems to have such a positive influence on corporate innovation culture, among others, because of expanding horizons through new perspectives and finding inspiration in the different mindset, speed and working methods of startups.

Another very likely effect of startup-corporate collaboration refers to the company's image. Even though only 15% of respondents aim for an improved reputation, 31% report being seen as more innovative after working with startups.

What are the Key Goals & Key Outcomes?



 Implemented at least one startup-collaboration project successfully

 Startup projects are successfully implemented (on average)

This effect also increases the attractiveness as an employer for innovative talent which contributes to the overall goal of stimulating revenues and growth through innovation. Hence, it might not be seen as one of the most important outcomes but plays an important role for the overall objectives.

 Corporates benefit remarkably from their learning curve in startup collaboration engagement – greater experience in startup-related activities leads to increasingly beneficial outcomes, rising implementation rates and improved satisfaction levels.

Around 40% of questioned companies state that they worked with more than eleven startups in the past three years. Overall, 92% have implemented at least one successful collaboration project with startups, while 14% have successfully implemented more than eleven. All companies that have worked with more than three startups in the last three years managed to implement at least one successful project. A clear trend is visible that the more startup collaborations corporates are engaging in, the higher the number of successfully implemented projects. 53% of companies that collaborated with more than 21 startups implemented more than eleven projects. On average, one out of two startup projects are successfully implemented. According to the study results, we conclude that increasing experience in startup collaboration activities also leads to increasingly beneficial outcomes and rising implementation rates. Nevertheless, our experience shows that even though a lot of startup projects are executed successfully, a remarkable number of them are not integrated into business units or rolled out on the market. In many cases, reasons include challenges with the legal specifications, technical integration or business viability. These kind of roadblocks can be prevented by onboarding important corporate functions such as the legal or IT department earlier during the PoC phase.

We found deviations with regards to the country analysis on the frequency of startup collaborations. The analysis shows that, again, German companies are leading the way as 55% worked with more than eleven startups and 49% implemented more than six projects. In other words, nearly one out of two startup collaborations result in successful outcomes. On the contrary, Swiss companies worked in 55% of cases with more than eleven startups but only achieved successful outcomes in three to five projects. Additionally, only 41% of Austrian companies have collaborated with one to three startups which lead in less than 50% of cases to between one or two successful projects.



*Set clear goals,
define expectations,
start off honestly,
draw a timeline,
take into account
all relevant stakeholders
and build fair deals
for both sides.*

Study respondent
headquartered in Germany



Startup Innovation Heroes

According to our findings, corporates who are engaging in a larger number of startup collaborations also tend to have more success and get more benefits out of their engagement. This is due to the steep learning curve based on hands-on experience. As mentioned before, 53% of DACH companies who had more than 21 startup collaborations implemented more than eleven projects successfully. Only 14% of all respondents have experience in working with more than 21 startups and are innovating with startups on a large scale. Due to their innovation superpowers and startup experience, we called this group “Startup Innovation Heroes”.

What are startup innovation heroes doing differently?

Even though startup heroes also focus on product development, there are some differences. Around 60% focus on mentoring, offer funding and grant access to customers alongside paid PoCs (80%). For example, 60% of startup innovation heroes invest in startups which indicates a stronger commitment from a financial perspective. Additionally, 33% highlight the importance of networks and ecosystems. More than half of startup innovation heroes report that they gained new customers or entered new markets and improved their company’s image as outcomes (54%, respectively) of startup corporate collaboration. Another differentiator is visible in the choice of startup maturity. 47% work with all kinds of startups, not only those in the growth stage. This suggests that this group of DACH companies is striving more for a portfolio approach in their startup collaboration and investment activities.

Three learnings of corporate-startup innovation heroes

While conducting interviews with startup innovation heroes, we collected various insights that can be summarized in three key learnings:

#1 Expectation management and attitude towards uncertainty plays a central role for a successful collaboration. Startup innovation heroes suggest to set a clear framework including goals, expectations and timelines. Even though clarity and alignment with the overall company strategy is important, numerous respondents stress to apply a risk-taking, lean approach. Uncertainty should be embraced and open, agile processes built.

#2 Fairness and transparency are key for success. In order to build long-lasting, rewarding business relationships with startups they have to be perceived as equal business partners and approached on eye-level. Startup innovation heroes highlight fairness, including the focus on both partners needs, the intention to create mutually beneficial, deals and transparent communication.

#3 Startup collaborations only work out well with the right governance and cultural attitude. Corporates need to guarantee a degree of commitment not only from top-level management, but also from relevant business units. One of the most critical aspects is to find the right people internally to work with startups. The right governance also means to adapt processes for startup projects to allow speed and avoid complex decision making. Startup innovation heroes are frequently creating a fast-track for startups including the possibility to run technical tests without integrating the whole organization. In terms of culture, embracing the differences, learning from each other and adapting accordingly is how you make it work. A helpful approach, as suggested by respondents, is to find a “translator” for corporate-startup collaboration.



BEST PRACTICE

STARTUP COLLABORATION | POWERTRAIN DEVELOPMENT



About the collaboration

Fish is an integral part when it comes to feeding the world and most of it is produced in aquaculture facilities. The problem is, however, that 40–100% of fish get lost in incubation. MonitorFish, together with the Fraunhofer Institute for Computer Graphics Research, has developed an innovative solution to tackle exactly this problem. This cooperation did not happen by accident, actually, TechBridge – an initiative by Fraunhofer Venture – initiated this partnership back in 2017 at an “Startups meet Fraunhofer” event in Berlin. After that, the collaboration started with a TechBridge format that allowed both parties to do research, develop pilots and test them in a fast pace. Supported not only by the Fraunhofer Ventures team but also by funds of five-digit sums, the process of developing a working solution and business model was accelerated remarkably. The power of innovation and the focus on the customer need are two key drivers. “We know what we want and we know, what they can do” that’s how MonitorFish summarizes the successful collaboration. In this way Fraunhofer Ventures shows by example how to collaborate with startups on research projects with a clear market need in a high-tech environment.

Startup: MonitorFish

Collaboration Goal

Developing a smart diagnosis system to monitor fish stocks in aquaculture facilities.

Key Learnings

1. Two-sided focus:

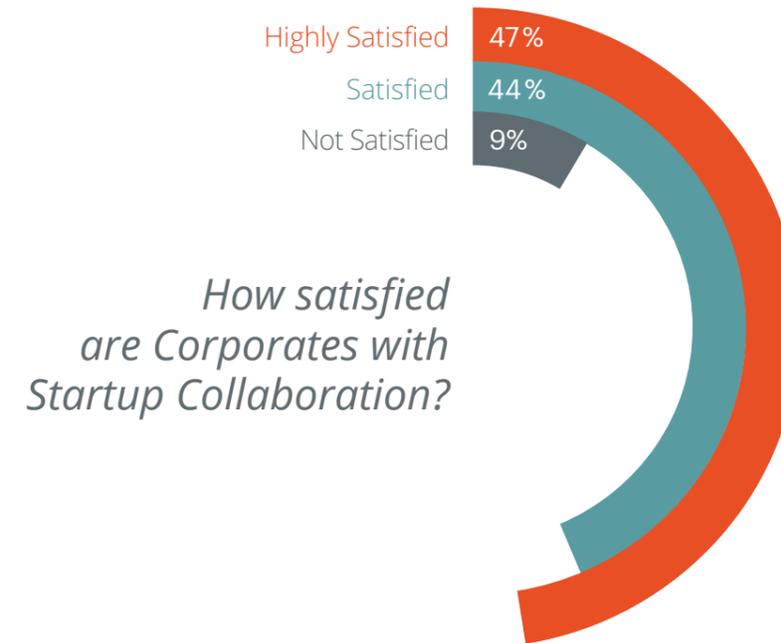
Put the technological innovation and solution for the customer need first, but do also think about the business model early on.

2. Collaboration Framework:

Start by collaborating at a small scale and extend the investment of resources only after first successful pilots.

How satisfied are Corporates with the Outcomes?

The level of satisfaction with the outcomes of startup-corporate collaboration is remarkably high. 81% of DACH companies are at least satisfied. In particular, Swiss companies report highly satisfying outcomes in 77% of cases while Austrian companies do so in only 30% of cases. Taking into account that Swiss companies are not managing to have successful startup projects in many cases, this level of satisfaction with outcomes is surprising. After interviewing some of our participants, we found that embracing failure is considered as one key aspect to successfully drive innovation in the long-term.



How satisfied are Corporates with Startup Collaboration?

 Incubators as a startup collaboration format lead to highly satisfying results – still only a few DACH corporates run such formats.

Respondents were generally positive about the different collaboration formats they had tried, but the enthusiasm varied by format. Specifically, incubators lead to highly satisfying results: even though only 12.5% of the companies had in-house incubators, 80% of them were highly satisfied or fully satisfied with the outcomes. In comparison, 55% of respondents were similarly satisfied with accelerators, 45% with hackathons and 51% with pitching challenges. Even if typical formats like hackathons and pitching challenges are a good way to kick off collaboration initiatives and get to know startups, they are alone rarely sufficient to lead towards product development and innovation. New and more comprehensive formats are necessary in order to achieve corporate innovation goals.



BEST PRACTICE

STARTUP COLLABORATION | PUBLIC TRANSPORT



About the collaboration

In 2016 Holoplot participated in the startup program of Deutsche Bahn (DB) Mindbox which initiated the collaboration. Within three months not only the acoustic systems at train stations had to be developed and tested but also the possible integration of loudspeaker modules under consideration of the technical and structural requirements of train stations had to be designed. After Holoplot delivered the first results with success by providing sound waves precisely to specific groups of people, the long-term collaboration started. Small tests at different train stations and feedback loops with end-consumers such as in Frankfurt and Munich were undertaken. In beginning of 2019 the innovative audiosystem from Holoplot has been installed at the Frankfurt train station as a pilot project so that information from the loudspeakers arrives clear and clean even in the bustle of commuter traffic. 23 audio modules were installed at 11 locations on the tunnel ceiling above the platform. Passenger now receive the information they need in a clear way no matter where they are standing on the rail track. With this solution not only an easier orientation can be guaranteed but also the overall level of noise can be reduced.

Startup: Holoplot (Germany)

Collaboration Goal:

Developing an innovative solution to ensure seamless provision of information at train stations despite poor acoustics

Key Learnings

1. Two-phase approach:

Working on a short-term challenge or project before starting a long-term collaboration program proves to be the perfect test for the fit between both parties.

2. Prototyping: When developing

a new service with startups, prototyping, meaning several tests and feedback loops with end-customers, increases the chances of a successful outcome.

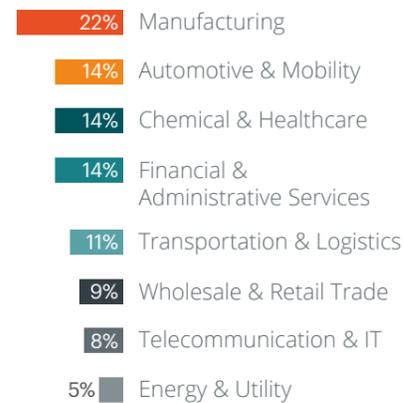


Multi-Corporate Collaboration

What is it all about?

When corporates work together with their peers, whether it be suppliers, clients, or cross-industry peers, in order to jointly reach their innovation goals, we speak of multi-corporate innovation. This can be implemented in many forms such as co-hosting innovation challenges (i.e. multi-corporate hackathons) or joining community spaces (i.e. Factory300) or Joint Ventures (i.e. Vodafone & Telefonica) that lead to combined task forces or even new legal separate entities. Depending on the goal, multi-corporate Innovation programs can be short or long term activities, lasting from months to several years.

Who does it?



78% of surveyed DACH corporate participants have tried multi-corporate collaborations in the past, of which the majority either come from the Automotive & Mobility (14%), the Chemical & Healthcare (14%), the Financial & Administrative (14%) or the Manufacturing (22%) industry. In terms of countries, Austria is the furthest behind to attempt multi-corporate collaboration (75%), right after Germany (77%) while Switzerland is leading the way with almost all companies having engaged in multi-corporate collaborations. This is no surprise as Swiss corporations use Joint Ventures, one of the more traditional multi-corporate collaboration approaches, as a tool to enter new markets and to combine technologies. Known examples are Ringier & Axel Springer and more recently HMM, the Joint Venture of Hyundai Motor Company and H2 Energy.

Why Multi-Corporate Collaboration?

As previously stated, fast-emerging technologies change industries. This does not only lead to open innovation with startups but also with other peers or, in rare occasions, even leads to “co-opetition” (collaboration with the competition). During successful multi-corporate collaboration innovating can become more profitable, improving the time to market using the existing infrastructure of partners, reducing costs through shared R&D and creating additional revenue through combined marketing and sales efforts. Consequently, like with startup collaborations, multi-corporate innovation is used to develop new products (65%). However, building an ecosystem is the second key driver of this innovation format particularly for Swiss (67%) and German (55%) corporates. Many are building their own ecosystem, such as Henkel and ÖAMTC, while others see the benefit of using existing third-party ecosystems. The reason why most corporates decide that it is sometimes not enough to collaborate with startups alone is that there is a substantial risk that a startup, particularly an early-stage startup, could disappear from the market quickly. Furthermore, interviews confirmed that when it comes to working on transformative goals, later-stage startups do not want to focus on developing solutions based on one company alone, but rather on an entire industry or market itself. Working together in a 360° open innovation format (i.e. including other corporates like Henkel X is doing), consequently improves the access to top quality startups. Last but not least, by pairing with equals corporates often have the chance to get direct access to their partner’s end customers by offering a combined solution.



Cross-industrial partnerships are considered as a key driver of success in the future if one wants to keep up or stay ahead of the competition.

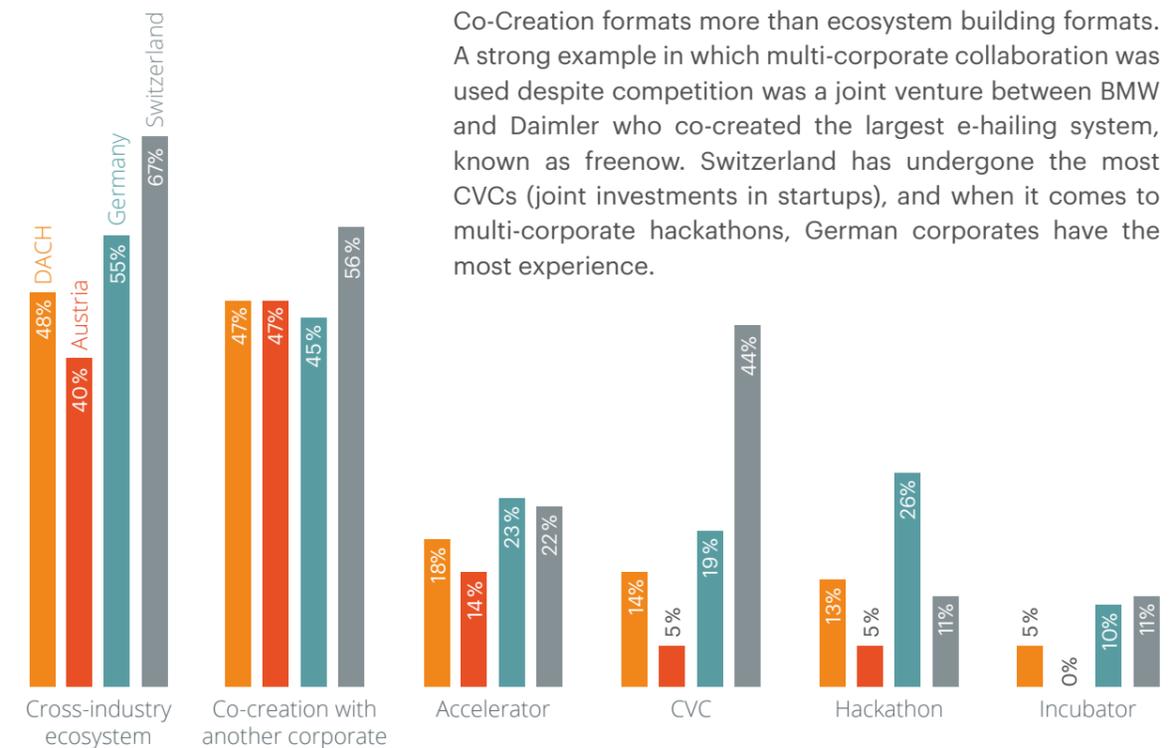


Don't be afraid to collaborate with competing companies that have an open innovation culture, when facing industry specific challenges.

Study respondent, headquartered in Germany

How is Multi-Corporate Collaboration Done?

What Collaboration Formats are used?



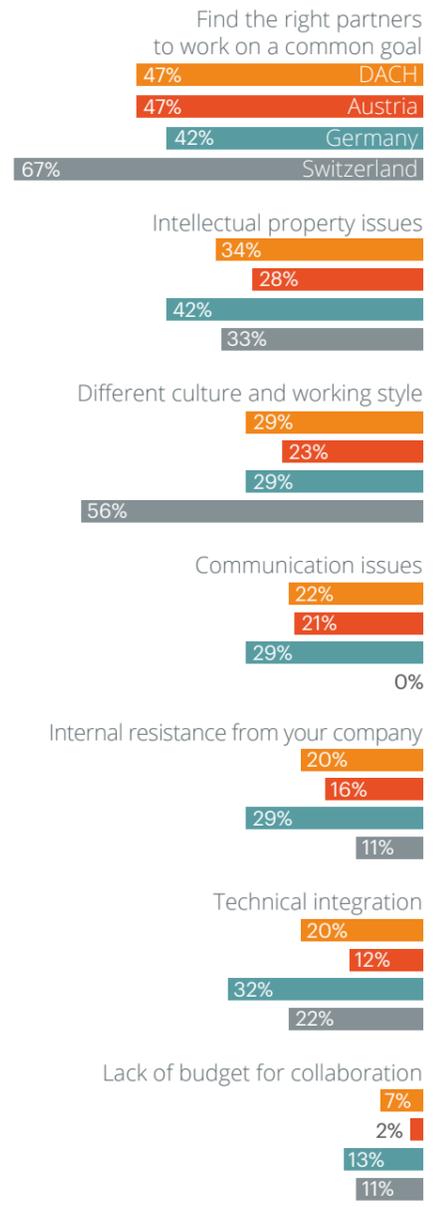
According to our study, using a cross-industry ecosystem is the most common way of multi-corporate collaboration (48%) followed by Co-Creation activities (47%). Only Austria uses Co-Creation formats more than ecosystem building formats. A strong example in which multi-corporate collaboration was used despite competition was a joint venture between BMW and Daimler who co-created the largest e-hailing system, known as freenow. Switzerland has undergone the most CVCs (joint investments in startups), and when it comes to multi-corporate hackathons, German corporates have the most experience.

What are Main Enablers & Preventers of Multi Corporate Collaboration?

More than in any other innovation format, finding the right partner is the biggest challenge of multi-corporate collaboration (47%) and seems to be a fundamental element for its success. Another crucial preventer is the inability to find common ground on intellectual property, even though it seems this is less of a preventer but rather a subsequence of working with the wrong partner. Based on interviews and experience, when looking for a corporate innovation partner, it is of utmost importance to understand your partner's current innovation approaches and internal innovation structures to see if you are a fit. If they are alike and innovation is prioritized in similar ways, the collaboration becomes easier. This goes in line with the third biggest roadblock of multi-corporate innovation; different cultures and working styles (29%). On a country and industry level, the preventers of peer-to-peer innovation do not change much. The exceptions are Switzerland for whom the second biggest roadblock seems to be cultural differences (56%) and the Manufacturing Industry which, according to the survey, sees technical integration (47%) as the biggest challenge of multi-corporate innovation, followed by finding the right partner. The latter may be due to the fact that the Manufacturing industry has the most experience in multi-corporate collaboration.

 When looking for a corporate innovation partner, it is of utmost importance to understand the partner's current innovation approaches and internal innovation structures to see if there is a strategic fit.

What blocks Multi-Corporate Collaboration?



A Word of Advice from Innovation Heroes

Even though there are many challenges when it comes to multi-corporate innovation, the study showed that in the next two years, more companies (81%) want to tackle innovation via multi-corporate collaboration formats. Interviewees also confirmed that partnerships are considered as a key driver of success in the future if one wants to keep up or stay ahead of the competition, due to the cost-sharing, in both the production and the go-to-market strategy, as well as strategic synergies. Last but not least, the following four learnings can be summarized from interviews with innovation heroes:

- #1** Without top to C-level management support, a multi-corporate collaboration on product or service innovation should not be started. Moreover, the involved decision-makers of the respective parties have to be at an equal level of seniority to assure an exchange on an equal footing.
- #2** When the involved corporates have the same or similar innovation approaches, formats and experiences, the chances of success are dramatically higher because the same innovation language is spoken.
- #3** Knowledge sharing through an existing ecosystem is the first channel to find new ideas, opportunities and solve ongoing issues via collaboration.
- #4** Do not be afraid to collaborate with competing companies if the organizational culture is ready for open peer to peer innovation and when facing industry specific challenges. For instance, it may be an opportunity for co-opetition when having to innovate to apply to new regulations.

Industry Analysis

Deep analysis of intrapreneurship and startup-corporate collaboration revealed a number of key differences between industries which we would like to indicate below. As multi-corporate collaboration usually strives for cross-industry partnerships, an individual analysis could not be outlined for each industry.

ENERGY & UTILITY

Intrapreneurship

Energy & Utility companies face strong barriers of internal resistance towards innovation and, in some cases, still need to get the organization structure ready to develop new innovative products, processes or services. This is why this industry uses intrapreneurship mainly to improve the innovation culture. Furthermore, the Energy & Utility sector provides fewer resources (i.e. time, budget, mentorship) to employees to engage them in intrapreneurship projects or develop ideas than other industries (i.e. the Finance industry). In fact, none of the energy and Utility companies reported more than 5 implemented intrapreneurship projects in the last 3 years. This shows that the opportunities of internal innovation are not yet fully exploited.

Startup-corporate collaboration

While intrapreneurship does not seem to be a focus, 80% of correspondents of the Energy and Utility industry are already working with startups. In most cases, companies of this industry do not offer stand-alone support through mentorship or co-working spaces (0%, respectively) but host accelerators (50%), incubators, CVC programs or hackathons (25% each) and finance PoCs (100%). The main goals for startup collaboration are product and process development (75%) which are largely achieved as in 50% new products and in 75% new processes are developed. Core challenges are bad communication (40%) and IP rights issues (60%) which are challenges that are seen less with corporates that work with external consultants (40% of respondents).



TRANSPORTATION & LOGISTICS

Intrapreneurship

Similar to the Energy & Utility industry, the Transportation & Logistics industry faces a strong challenge with innovation culture. That is also why 90% of respondents use intrapreneurship to improve the company culture. Fortunately, measures like giving employees time, budget and mentoring are taken and seem to have the desired effect, as 80% report actual improvements regarding this topic. In terms of satisfaction with the overall results, companies still see room for improvement mainly due to lack of top-level management support. 10% of industry correspondents want to bring external support on board to further improve intrapreneurship activities.

Startup-corporate collaboration

In the Transportation and Logistics industry, 90% of corporates already work with startups in the DACH region. Standout findings include the strong culture focus, which is the primary innovation goal for 57%, alongside product innovation (100%). Positively, 44% achieve culture improvements via startup collaboration and 44% of corporates are also more than satisfied with the overall outcomes of the collaboration. These successful outcomes could be due to the fact that this industry offers funding (67% of respondents) as well as access to data (78%) for startups more frequently than other industries. Having said so, only 11% of the study participants have worked with more than eleven startups. As in many industries, technical integration (70%) and internal resistance (60%) seem to be the major points of concern. Both are challenges that, according to innovation heroes, are best tackled with early & open communication.



TELECOMMUNICATION & IT

Intrapreneurship

The highest number of intrapreneurship projects were reported in the Telecommunications & IT industry. 43% of respondents have started more than 21+ intrapreneurship projects. Additionally, in terms of intrapreneurship formats, we see that the industry is exploring the best variety of different practices including hackathons, idea challenges, accelerators and incubators to bring early-stage ideas of employees to the market.

Startup-corporate collaboration

Within the Telecom and IT industry all participating corporates have previously collaborated with startups. Contrary to other industries, only 14% want to achieve process innovation. The focus is on product development (100%) and entering new markets (57%). Telecom industry players are very open when it comes to granting access to their customers (100%) or to data (71%). Collaborations are frequently initiated by hosting a pitching challenge (71%) followed by offering startups financed PoCs (86%). While working mainly with growth (71%) and later stage (57%) startups, companies in this industry manage to achieve outcomes on the product-side (71% of cases) and often (43%) have successfully implemented more than 11 startup projects. As a result, a large number of respondents are more than satisfied (57%) or highly satisfied (14%) with the outcomes. However, different cultures and internal resistance have shown to be challenging for 57%, even for this advanced industry.



MANUFACTURING

Intrapreneurship

In terms of developed intrapreneurship projects, the Manufacturing industry lags behind with nearly 90% of participants having started only 6 or fewer projects in the last 3 years. With regards to the outcomes in projects, Manufacturing ranks last of all industries. Additionally, Manufacturing is the only industry that performs lower than average for formats used for intrapreneurship. We can see that this is mainly due to strong internal resistance towards innovation. As a consequence, 47% of respondents are now seeking external support to tackle the situation and improve the outcomes of intrapreneurship.

Startup-corporate collaboration

Overall, most industries are actively working with startups. However, Manufacturing companies have a different approach towards open innovation. In fact, 41% are not yet engaging with startups. The Manufacturing business typically relies on high investments in machines, equipment and other assets which requires the availability of substantial resources. Hence, new market entrants – especially young, innovative companies – are having difficulty with incumbents. We believe that Manufacturing corporates are still focusing more on R&D activities because they feel less threatened by disruptive startups and rather collaborate with established businesses, using multi-corporate innovation formats. Based on interviews we believe, however, that startup-corporate collaboration will gain more attention from manufacturers in the next two years.



AUTOMOTIVE & MOBILITY

Intrapreneurship

From the report results, we can see that the Automotive industry is at the forefront of innovation. Automotive companies take advantage of considerably more formats than their peers. The most common formats are accelerators and trainings of employees, with 42% and 58% of companies engaging in these practices. Considering the number of projects, the Automotive industry is also leading. More than 15% report more than eleven successful projects, with 33% reporting high satisfaction with the outcomes of their initiatives, which is the highest satisfaction reported in the study. With over 50% of companies using external consultants for intrapreneurship, they also bring in vast external expertise to support their initiatives.

Startup-corporate collaboration

The Automotive and Mobility industry also put great emphasis on startup collaboration activities. With the main goal of product development and innovation (92%) in mind, corporates usually offer startups financed PoCs and access to data (67%, respectively). Moreover, they run the highest number of co-working opportunities as 42% are offering shared spaces in order to directly work next to startups. 67% of respondents in the Automotive and Mobility sector are putting even more investment into their startup engagement by running CVC funds, while 50% are operating accelerators. Looking at the actual outcomes, startup-corporate collaborations show to be very successful. 92% of respondents report that they have developed products together with startups, hence, the goals are 100% achieved. Usually, focus is on growth stage startups (67%), rather than later stage startups (17%). Success factors include fast communication and senior management support (67%, respectively). While already well experienced in open innovation approaches, 50% of the corporates in this industry receive support from external consultants.



FINANCIAL & ADMINISTRATIVE SERVICES

Intrapreneurship

The Financial and Administrative Services industry is investing heavily in order to keep up with their disruptive competitors. Hence, employees find themselves generously sponsored with resources to drive their own ideas. 73% of interviewed companies offer innovation budgets, 64% offer co-working spaces and 55% offer mentorship programs – more than any other of the surveyed industries. None of the study respondents stated that they facilitate internal accelerator programs or hackathons for employees in order to drive innovation. Looking at obstacles which hinder innovation activities, the biggest challenge is achieving top level management support as well as the development of clear strategies for new initiatives. 55% of companies use external consultants for intrapreneurship to support their innovation processes.

Startup-corporate collaboration

The Financial and Administrative Service industry is clearly more advanced when it comes to startup-corporate collaborations. According to the survey, 91% of participants already co-create together. Similar to other industries, the joint effort is mostly established in order to co-develop new products and services (80%). Most of the financial industry

incumbents pursue these activities by financing PoCs or pilots (80%). However, startups are less frequently given access to data (30%), which is quite an unexpected result – given the introduction of the new EU payment service directive (PSD2). This directive is supposed to revolutionize banks monopoly on customer data as it enables third-party providers to easily access their APIs. As a result, we're expecting the Financial industry to cooperate more intensively with startups in the future, especially when it comes to sharing data. Additionally, further analysis shows that the majority of companies in finance and banking are already operating their own a celerator program, working with all types of startups regardless of their current stage (60%, respectively). Even though 60% of surveyed companies have worked with more than eleven startups in the past three years, only a small amount of corporates managed to successfully implement between one and five projects. Still, 60% of corporates stated to be satisfied or highly satisfied with the outcomes. 55% see technical integration issues as the main blocker, whereas the same number of respondents consider a cultural fit between and startups as the most important success factor.



CHEMICAL & HEALTHCARE

Intrapreneurship

In comparison to many other industries, the Chemical and Healthcare industry places emphasis on internal innovation. Consequently, employees benefit from a higher exposure to co-working spaces and budgets, compared to other industries. That said, they are often given less time to work individually on innovative projects. Internal pitching challenges are favored by 67% of corporates. Industry efforts in fostering intrapreneurship helps to increase the image as an attractive employer. Moreover, the chemical industry is the undisputed leader of intrapreneurship with 33% of companies having successfully started 21+ projects and 33% of companies having established more than six successful projects in the last three years.

Startup-corporate collaboration

In the Chemical and Healthcare industry, 89% of companies work with startups. Most often, startup-collaborations are built on providing access to data (63%), hackathons (63%) or pitching challenges (75%). Actual outcomes, including process development or cultural improvements, are only achieved by 50% of respondents. Moreover, the results show that companies in the Chemical and Healthcare industry are either very active (38% have worked with 21+ startups) or less active (25% have only worked with one to three startups). This gap results in a lower industry average of successful projects, with 38% companies having one or two projects implemented, while 25% achieved six to ten projects.

The average satisfaction rate is moderate with only 50% being satisfied or more with the achieved outcomes. The main challenges are technical integration, IP rights and cultural gaps (44%, respectively). Defining clear expectations is the key to success according to 67% of respondents. One third also stated that budget plays a significant role in order to create successful startup projects or programs. In the Chemical and Healthcare industry, more than 50% of the surveyed companies are either working with external consultants or external mentors. When looking at the cross-industry comparison, this industry shows the highest demand for external support.



WHOLESALE & RETAIL TRADE

Intrapreneurship

The Wholesale and Retail Trade industry is lagging behind in intrapreneurship when comparing formats, outcomes and number of projects. Most of the companies use hackathons (63%), but rarely invest into long-term programs such as accelerators or incubators. Although 75% aim for new products, only 25% actually report achieved outcomes. Nearly 80% of the respondents state that they did not achieve more than two successful projects, suggesting that the industry can still leverage more via intrapreneurship. The low level of outcomes is also depicted in the satisfaction rate. 50% are partly satisfied with the outcomes, with no respondents outlining that they are highly satisfied. The core reason for the low success rate is due to strong internal resistance to innovation, which is why 13% of retailers aim to get external support in the future.

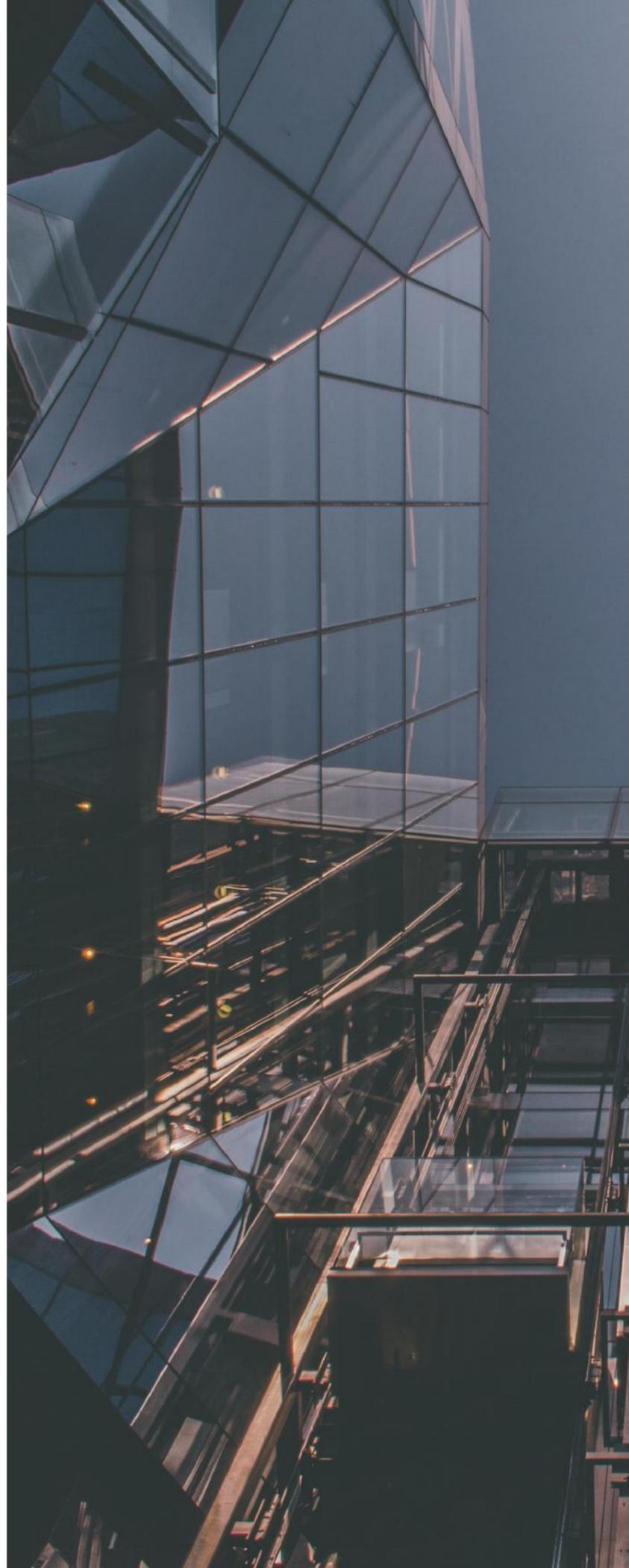
Startup-corporate collaboration

The Wholesale and Retail industry is staying ahead on startup-corporate collaboration. All respondents in this industry stated to be working with startups. Next to product (100%) and process (63%) innovation, idea generation is one of the main drivers. 63% of surveyed companies are engaging with startups for ideation reasons. Their main offer to startups includes mentorship (63%), access to customers (75%) and financed PoCs (63%), while the majority of corporates (63%) are working with growth stage startups. In contrast to other industries, Wholesale and Retail companies are the least likely to offer funding to startups, which is only done in 13% of cases. Consistent with their goals, 63% are hosting startup pitching challenges and 50% are hosting hackathons. Outcomes are achieved in product and process development (63%, respectively), which shows that the latter strategy is performing well. This industry has already gained vast amounts of experience in the field of startup-corporate collaboration. More than 60% of surveyed corporates have worked with more than eleven startups. Bearing those numbers in mind, the survey uncovered that the satisfaction rate with the outcomes – 38% having implemented more than six startup projects successfully – is fairly high. 63% of respondents report that they were more than satisfied. Clearly highlighted by the Wholesale and Retail industry was the importance of senior-level management support as 88% of corporates considered it the key success factor.

What's next in Corporate Innovation?

Looking at the market today, innovation will remain important for companies of the DACH region. However, formats are evolving and the focus of innovation activities is shifting from simply finding the most creative ideas and best partners, to innovation activities that help determine whether or not an idea is worth pursuing and how to implement worthy ideas effectively. Innovation does not have to come in the form of state-of-the-art products, but we will also see corporates innovating their business models in terms of delivering and capturing value through new channels and revenue models.

In regards to **intrapreneurship**, we will see more companies allowing employees to work side-by-side with customers to develop new products and services that fulfill the needs of the market. One format that is highly effective in delivering these outcomes is the Google Design Sprint which we are currently working on with several DACH companies. It was invented by Jake Knapp to help startups and spin-offs remove the bias from a decision and help understand whether a solution is worth being pursued from a customer, technical and financial perspective. In other words, the Design Sprint has the aim to reduce the risk of bringing a new service or product to the market by using a series of UX practices in a sprint format of 5 days. Since its creation in 2010, the design sprint has evolved tremendously and is now an adequate format used by corporate intrapreneurs. Most recently the Design Sprint being used by hybrid programs, where intrapreneurship and open innovation come together. This results in intrapreneurs of two or more companies (startup-corporate or corporate-corporate) using Design Sprints to decide whether or not to pursue a joint project idea. Additionally, we will see corporates ramping up their skills in growing internal ideas into large businesses. These are needed to create new spin-off ventures that do not fit with the core strategy. Lastly, corporates will also find ways to overcome internal barriers and identify and foster internal champions or employees that can lead the organization towards more eagerness and openness for innovation.



For **startup-corporate collaborations**, many new formats are appearing. For instance, the classic hackathon format is still used frequently, particularly in Germany. However, corporates often struggle to provide the right experts for two full days to support startups in their challenge-solving activities. In addition, many startups are facing problems to assign at least two team members for two full days on challenges and have them working on-site of a corporate unpaid. Hence, the typical hackathon is reshaped to formats such as “Ideation hackathons” in which startups work on new concepts, or “remote prototyping days” during which startups access corporate experts via calls and present their final solutions a week later.

Incubators and accelerators are increasingly used in the DACH region. In line with the rise of open innovation, company builders are also starting to take place in the DACH region. While accelerators and incubators are there to support startups at an early stage, a company builder gives corporates the role of a “Co-Founder”, providing startups with the necessary resources and know-how until the corporate decides to exit or dismiss the venture. Lastly, clearly defined use cases and financed PoCs are becoming more important, and a key to success when one wants to get the best startups on board. In other words, a clear startup collaboration strategy will be the key to success.

Multi-corporate innovation formats are still new and are usually an evolution of startup-corporate collaboration formats (multi-corporate hackathons or rapid prototyping days) or intrapreneurship activities with long term goals of over one year, such as collaborative sprints or intrapreneurship accelerators.

There is also the potential of corporates sharing physical spaces where employees share know-how and start joint projects outside the core organization. These new formats could give reason to undertake another innovation study once more ventures of this kind have been implemented by corporates.

About us

At Pioneers, we inspire, empower and create. Our purpose is to foster growth and innovation with a focus on deep tech. Since 2009, our diverse team has built an ecosystem, creating collaboration opportunities for tech innovators. We bring together startups, corporate executives, public sector innovators, and investors through digital solutions, consultancy services, events and investments to create a prosperous future.

For almost one and a half years Pioneers has been part of the startup300 group, a company that supports entrepreneurs and startups, investors and innovative corporates in their projects. The group also represents the zero21 membership club for startups, investors and corporates. The membership brings startups and founders, as well as all interested entrepreneurs, access to a broad network, to various events, co-working spaces all over Austria and numerous personal and business-relevant benefits.

Disclaimer

This publication contains general information and is not intended to be comprehensive nor to provide financial, investment, legal, tax or other professional advice or services. This publication is not a substitute for such professional advice or services, and it should not be acted upon or relied upon or used as basis for any investment or other decision or action that may affect your business. Before taking any such decision you should consult a qualified adviser. While reasonable effort has been made to ensure the accuracy of the information contained in this publication, this cannot be guaranteed and none of startup300, Pioneers or any other of their subsidiaries or any affiliates thereof or other related entity shall have any liability to any person or entity which relies on the information contained in this publication, including incidental or consequential damages arising from errors or omissions. Any such reliance is solely at the user's risk.

GET IN TOUCH WITH THE REPORT TEAM



ANTON SCHILLING

Managing Director

anton.schilling@pioneers.io



ANTONIA FRIZBERG

Manager &
Senior Innovation Consultant
antonia.frizberg@pioneers.io



MICHAEL WLASCHITZ

Innovation Consultant

michael.wlaschitz@pioneers.io



VERENA JUDMAYER

Innovation Consultant

verena.judmayer@pioneers.io

Glossary

Accelerator is a program that gives developing companies a proof of market access to mentorship and investment as well as other support that helps them to scale and become stable, self-sufficient businesses.

CVC (corporate venture capital) is the direct investment of corporate funds in external startups.

Hackathon is an event during which small teams have 24–72 hours to “hack” (solve) a distinct business problem.

Incubator is a program that helps early stage startups to validate their proof of concept by provided services such as basic business training, mentorship and office space.

Intrapreneurship is a program where employees are provided with time, space or resources to act like an entrepreneur within the organization.

Multi-corporate collaboration is referred to corporates working together with peers, may it be suppliers, clients, cross-industry partners, sometimes even the competition, in order to jointly reach innovation goals.

Open Innovation means a situation where an organisation doesn't only rely on internal knowledge, sources and resources (i.e. R&D) for innovation but also uses multiple external partners to drive innovation.

Startup-corporate collaboration starts when companies proactively open up, share and work on internally developed ideas or projects with startups.

Additional Sources

- 1 Voestalpine (2019)** Retrieved from <https://www.voestalpine.com/group/de/konzern/ueberblick/>
- 2 Daimler (2019)** Retrieved from <https://www.daimler.com/konzern/strategie/>
- 3 Nestle (2019)** Retrieved from <https://www.nestle.com/aboutus/strategy>
- 4 Statista (2019)** Retrieved from <https://www.statista.com/statistics/270233/percentage-of-global-rundd-spending-by-industry/>
- 5 Forbes (2015)** Retrieved from <https://www.forbes.com/sites/ianaltman/2015/04/28/why-google-glass-failed-and-why-apple-watch-could-too/#3b89d98b44c4>
- 6 CBI Insights (2019)** Retrieved from <https://www.cbinsights.com/research-unicorn-companies>
- 7 OTS (2019)** Retrieved from https://www.ots.at/presseaussendung/OTS_20190228_OTS0055/factory1-2k19-kapsch-group-startet-zweite-runde-seines-open-innovation-programms

PIONEERS

zero21

At Pioneers, we inspire, empower and create. Our purpose is to foster growth and innovation with a focus on deep tech. Since 2009, our diverse team has built an ecosystem, creating collaboration opportunities for tech innovators. We bring together startups, corporate executives, public sector innovators, and investors through digital solutions, consultancy services, events and investments to create a prosperous future.



@pioneers.io



@pioneers



pioneers.io



pioneers.io