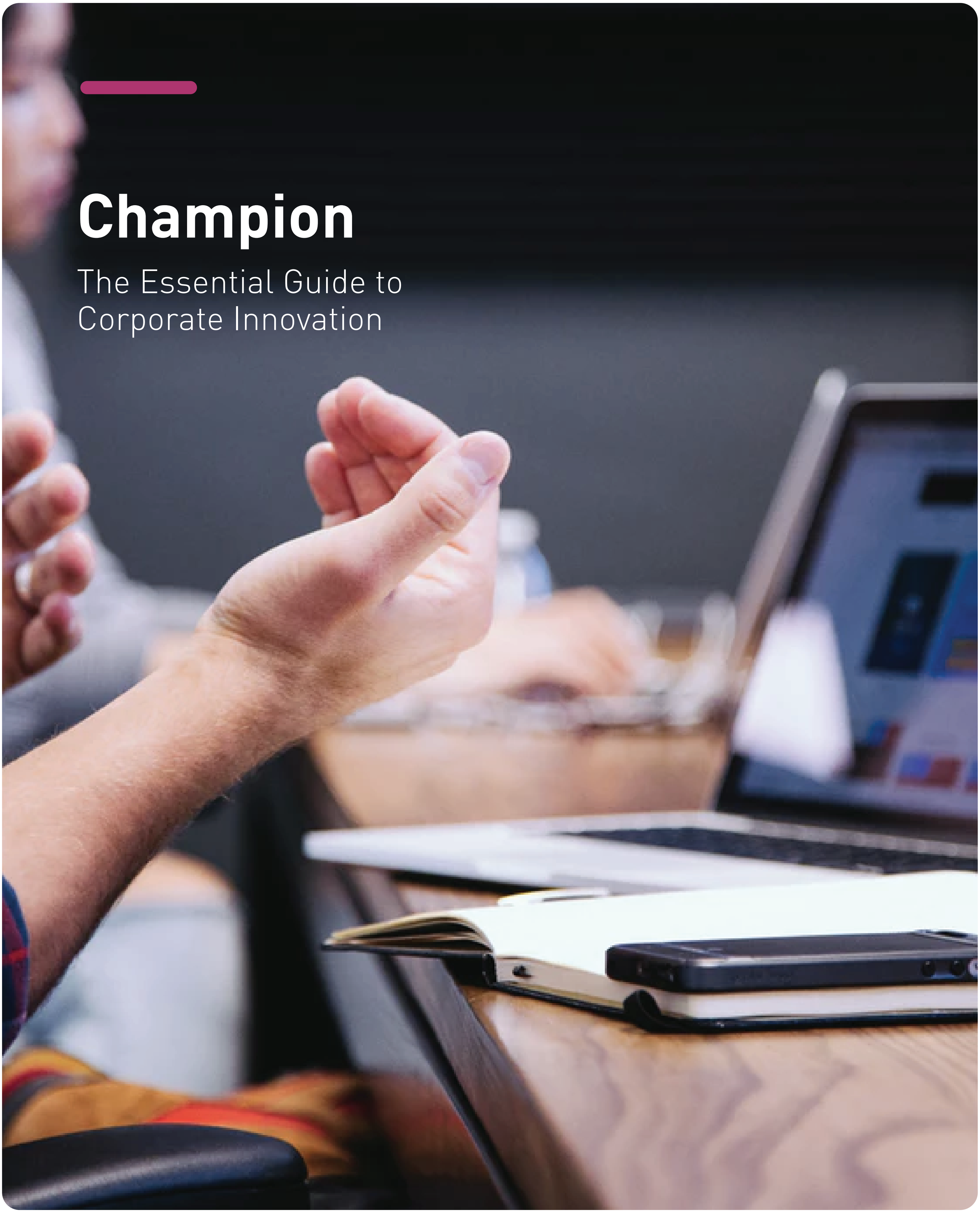
Champion

The Essential Guide to
Corporate Innovation



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What is corporate innovation

As startups are increasingly outperforming their corporate counterparts, it is essential for established companies to embrace the corporate innovation model. A considerable amount of enterprises are proactively thinking about innovation through internal R&D, corporate innovation teams, in-house innovation labs, and external accelerator programs.

So, what is corporate innovation?

The History of Corporate Innovation

Corporations have traditionally been built upon one immensely successful product, and subsequently expanding their enterprise on that existing business unit. R&D departments were solely focused on improving existing products by identifying supporting business models.

However, what was previously successful has now been upturned by an influx of disruptive startups. While corporations have shown to be weak at identifying disruptive opportunities, startups thrive in reimagining the outdated. In the current environment, corporations must rethink and reinvent their business models, incorporating internally generated success with externally generated innovation.

How Corporate Innovation Works

Corporate innovation can be defined as the process of enterprises implementing new innovation opportunities into existing business models.
Established companies who engage in corporate innovation typically have a dedicated team towards innovation efforts.

In a study of 26 corporate partners conducted by Plug and Play Tech Center, a majority have an innovation team of over 20 people. Their main objective is to implement Proof of Concepts (POCs) and pilots across the company. This can be done in multiple ways, primarily through R&D within the company and by working with corporate accelerators to leverage their startup network.

What is a Proof of Concept? (POC)

A proof of concept (POC) is how startups demonstrate to a corporation that their technology is financially viable. The startup essentially creates a prototype in a sandbox-environment to prove their technology is capable of handling real-world applications. The overall objective of a POC is to find solutions or improvements to a corporation's existing technologies and products.

Considering one of the main intents of corporate innovation is to strategically implement a new technology, one clear process is sourcing for startups.

Common ways to source for startups include external accelerators, internal corporate innovation programs, and corporate venture arms (CVCs).

The innovation team must closely evaluate a startup by analyzing a concise set of criteria. Two major questions to consider include:

1. Who are their main competitors?
2. Which business units do they want to work with?

If the startup proves to be a good fit, the innovation team will run a POC or pilot. This allows startups to test their product in a safe environment before fully integrating with the corporation's business model.

The innovation team is responsible for evaluating the startups during this testing period and determining if they are equipped to move forward.

Why Corporate Innovation Is Important

Corporations have historically proven to be immensely successful at advancing existing business models. However, they often fail to identify new disruptive opportunities for growth and expansion. On the other hand, startups are great at re-envisioning how an industry can operate and grow.

Innovation is crucial to a corporation's success by giving a competitive edge in penetrating markets faster. By creating a mutually beneficial relationship with startups and entrepreneurs, corporations can ensure a long-standing successful business for generations to come.

Corporate Innovation Models for the Modern Corporation

Everyone loves an exciting startup idea but, before jumping into the deep end, your organization must know exactly what corporate innovation model is right for you. We often see corporations exercising “silicon valley tourism”, going to conferences to “see what is out there”, and generally showing a lack of cohesion when it comes to practical ways that startups might eventually bolster your bottomline.

All successful corporate innovation models start in the same place: building a strategy around what your company wants to achieve in the future. This can range from improving customer service to building new product lines. Often, this is a directive from the CEO or board of directors and can be incredibly helpful in understanding what will eventually be signed off by your C-Suite.

It’s important to remember that corporate innovation is not something that comes “out of the box”; it varies for every business. However, there are archetypal corporate innovation models that can guide you in the right direction.

Open vs. Closed Innovation and the Spectrum of Corporate Innovation

To start, it is worth familiarizing yourself with the spectrum of corporate innovation models – from closed innovation to open innovation.

For decades, we saw industry titans build huge research and development labs to find the "next big thing" from within their own company. In simple terms, this is the epitome of closed innovation. In some cases, it will result in huge success: the Volkswagen Beetle, the iPhone, and some of the most popular pharmaceuticals on the market today. It can often result in monumental failure too: the Ford Edsel, the Facebook phone, and Apple's Newton Messagepad.

On the other end of the spectrum, we find the likes of corporate acquisition strategy and a corporate innovation accelerator. The barrier to entry is often much lower here because there is no need for a massive R&D facility staffed with cream of the crop scientists and innovation specialists.

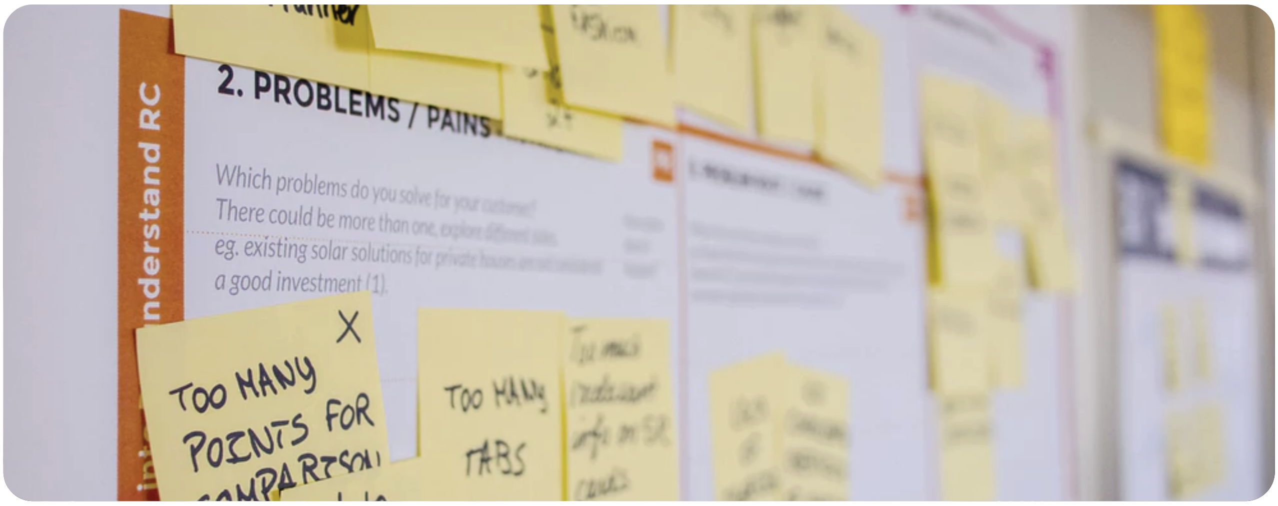
Close Innovation Models

Intrapreneurship Program / Research & Development

As mentioned previously, research and development is a very common approach to modernizing your company. By keeping innovation strictly internal, “intrapreneurs” are provided resources to improve existing products and even launch startups within the company. Unlike most open innovation models, this requires a great deal of capital to even start.

Immediately, this increases the risk level of the internal ventures because they are being built from scratch, have no guarantee of product-market fit, and could be a very public way to fail. For a corporation trading publicly, this can be potentially devastating to the market cap and very unpopular with the board of directors.

Nonetheless, some of the brightest minds in the world might not have taken the entrepreneurial path, but the corporate one instead. An intrapreneurship program will help to identify these great minds and give them the tools they need to make their big ideas a reality. This can be a great way to create a huge competitive advantage and create new products.



Corporate Accelerator Program

Part of our process when we roll out one of our programs into a new location is to find a corporate partner to do it with (e.g., Startup Autobahn, Retailtech Hub, BNP Paribas-Plug and Play). However, our mission is to always allow for a multi-corporate accelerator program to ensure that the startups in each batch are not beholden to just one single corporation's goals and objectives. This creates a fairness for the startup and lowers the risk of them having one, single client.

That said, corporate accelerators are commonplace. Corporations like Disney, Barclays, and even Google have launched their own accelerators that focus directly on their own business challenges and objectives. The benefit for these corporations is that they can almost assure that they will find and work with startups that tie directly what they need.

The downside is potentially very damaging to a startup's lifespan: if a startup lands a pilot or POC with the corporation running the accelerator, they have very little bartering power or time to find other partners to test their solution with. If, eventually, the product does not work for that one corporation, they might have "put all their eggs in one basket". This can be crushing for the startup company – financially and psychologically – and often lead to its closure.

So, whilst ensuring some high level of control of the startups that are accelerated, the ethical responsibility to ensure that startup does not get hamstrung by your demands is one that could leave your corporation in very poor standing in the innovation community. This might pass Warren Buffet's "newspaper test" but it might not get you into any parties in Silicon Valley for anytime soon.

Open Innovation Models

A dedicated "innovation team"

We have seen monumental shifts in the financial services industry through our Fintech and Insurtech platforms – where startups are creating technology that is totally shifting the mindsets of customers. When a company, a bank, a insurer, decides – or fears – that startups are gaining market share, a team should be assembled internally to work on how their institution can futureproof themselves from quicker, more nimble startups encroaching their territory.

Common strategies that arise after an innovation team and its change agents have dug into the future needs of their business are: increase efficiencies, create new product lines, improve customer service, and improve existing products through new technological advancements. The next step is to work out exactly how the company will transform from having no external innovation connections to a robust, consistent, and patient approach of finding the right set of startup partners to fuel their digital transformation.

This is where other corporate innovation models come in like an innovation outpost in Silicon Valley, external accelerator programs, or even a pipeline of startup pitch events.

For the innovation team to do their job effectively, they will need to be the boots on the ground: scouting startups, watching them pitch their product, doing the due diligence, and brokering a pilot program to see if it does indeed make a valuable difference.

An innovation outpost

Different industries focus in different regions across the world. The automotive industry of America was centered in Detroit, London is Europe's financial axis, and Silicon Valley seemingly has an absolute advantage on future high-tech. An innovation outpost should be positioned in the cities or regions that will give you the highest likelihood of finding advancements in your market.

Once your innovation team has been assembled, they can be dispersed across these different regions in outposts, or can be centralized in the main one. For example, we host innovation outposts for many of our large corporate partners in order to help them keep an ear to the ground, react quickly to new connections, and roll-out partnerships with great startups.

The process for building a successful innovation outpost goes from identifying the location, leveraging the networking opportunities, accelerating, piloting, and eventually rolling out company-wide. Setting up the outpost alone should not be considered a success, it is merely the start of the process. An outpost must be tied to other corporate innovation models to really benefit.

External accelerator / Open innovation platform

A low-risk and potentially very high reward corporate innovation model to leverage is the external accelerator (or, as we like to call it, open innovation platform approach).
Firstly, you are not fronting the full cost of a program, you are picking a level of engagement that works for your company and reaping the rewards of a vast network already assembled. Secondly, you can choose to have "voting rights" on the program – i.e. an active say in which types of startups are sourced, which startups are accelerated, and which startups to meet – which gives you a level of control on the program that can drastically improve the outcome for you.

At Plug and Play, one of the things we strive for with our multi-corporate partner, industry-specific accelerator programs is to ensure that:

1. We aggregate the technology interests and challenges of a lot of different major corporations in a given market. This allows us a significant advantage in understanding the core trends facing that industry and relaying that back to our partners and startups.

2. Ensuring that our startups have the opportunity to meet with the decision makers at the world's largest companies (we do this primarily through "private dealflow sessions"), which means that, if your solution is good, you will find a lot of clients and will not be tied to one single partner.

3. One major underlying advantage that our corporate partners are increasingly taking advantage of is the ability to network with other corporate partners – in the same industry as themselves or not – and collaboratively working on innovation best practices.

The overriding benefit of a truly open innovation approach is that there is an unbridled amount of opportunity for entrepreneurs, corporates, and venture capitalists to meet, brainstorm, and build lasting relationships.

Investment and acquisition

Corporate Venture Capital (CVC) can play a pivotal role in the innovation roadmap of a corporation. In the last year, we've seen an explosion in the amount of corporate venture capital (CVC) firms.

In this open innovation model, the innovation assets begin outside the corporation and remain outside the corporation. CVC arms often take only a minority stake in the startups they fund, but the initial investment often leads to a substantial ongoing relationship.

Picking the Right Corporate Innovation Model for you

We love to help corporations find the right model because, after all, we want startups to succeed and a corporation with well oiled innovation strategy makes that much more likely.

Join our platform today

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