Unlocking Innovation Through Startup Engagement

Best Practices from Leading Global Corporations

Report by 500 Startups

Unlocking Innovation Through Startup Engagement

500 Startups has carried out brand new research on how today's corporations are engaging with startups.

The data and interviews in this report illustrate the best practices learned from some of the world's most successful companies engaging startups. We surveyed over 100 corporate executives overseeing innovation in many different industries to get a better understanding of how these companies are working with startups.

Letter from Christine Tsai

Founding Partner, 500 Startups

Dear Reader,

As the most active startup investor in the world[1], 500 Startups has experienced firsthand the increasing amount of talent, technology and market share migrating to the startup world. Consequently, we've seen increased interest from corporations looking to work with these startups in ways ranging from Silicon Valley "innovation tours" to more advanced engagements, including partnerships, investments, and acquisitions. For 500 Startups, this represents a great opportunity and a great challenge: **How can we create meaningful outcomes for the 1,700+ startups in our portfolio that may end up working with these established corporations in the future?**

The reality is that startups and large corporations are not the most natural fit. While some startup engagements have already materialized into success stories, the corporate-startup landscape requires careful navigation, strategy, and execution. By nature, startups are lean, agile companies who achieve success by challenging business and industry standards. Corporations, on the other hand, are large, established entities with complex sets of stakeholders, business requirements, procurement processes, and objectives that tend to prevent them from moving as quickly.

500 Startups has always been differentiated by our dedication to startup founders. **We run entrepreneur mentorship and growth programs around the world, fostering an international community of startups in over 60 countries ranging from recent seed stage companies in our accelerators to later stage unicorns valued at over $1 billion**. Recognizing that corporations are now a major part of the startup world, we've begun to bridge this gap by working with them directly. Our Corporate Innovation team works with established companies, by building capacity to carry out pilots, advising on strategy, and connecting corporations with relevant startups in their verticals and geographies.

The report you hold in your hands represents our most recent effort in this area. We're excited to share some of the insights that we've discovered by surveying over 100 Fortune 500 innovation professionals on how they work with startups. We hope that you find the information useful as well.

Happy reading,
Christine Tsai

1 According to CB Insights, February 2016: https://www.cbinsights.com/blog/2015-early-stage-investors/

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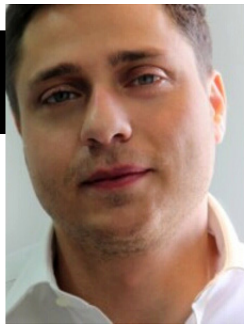


Executive Summary : Unlocking Innovation Through Startup Engagement

Zafer Younis
Partner, 500 Startups

Corporations recognize the need to work with startups, but how are they doing so? The data and interviews in this report illustrate the best practices learned from some of the world's most successful companies engaging startups. **We surveyed over 100 corporate executives overseeing innovation in industries including CPG, healthcare, retail, and finance**, asking questions like:

- How are you implementing your startup programs?
- How is your company organized and how does this affect your work with startups?
- How do you measure success and where have you found challenges?

We discovered that while corporations are highly active in working with startups, the vast majority see **less than 25% of their initial pilots with startups scale into solutions that can be taken to market.**

Why is the success rate so low?

- Not all innovative ideas work for all companies. Corporations need to work with lots of startups to find meaningful wins, yet **only 9% of the companies surveyed are doing more than 50 startup pilots a year.**

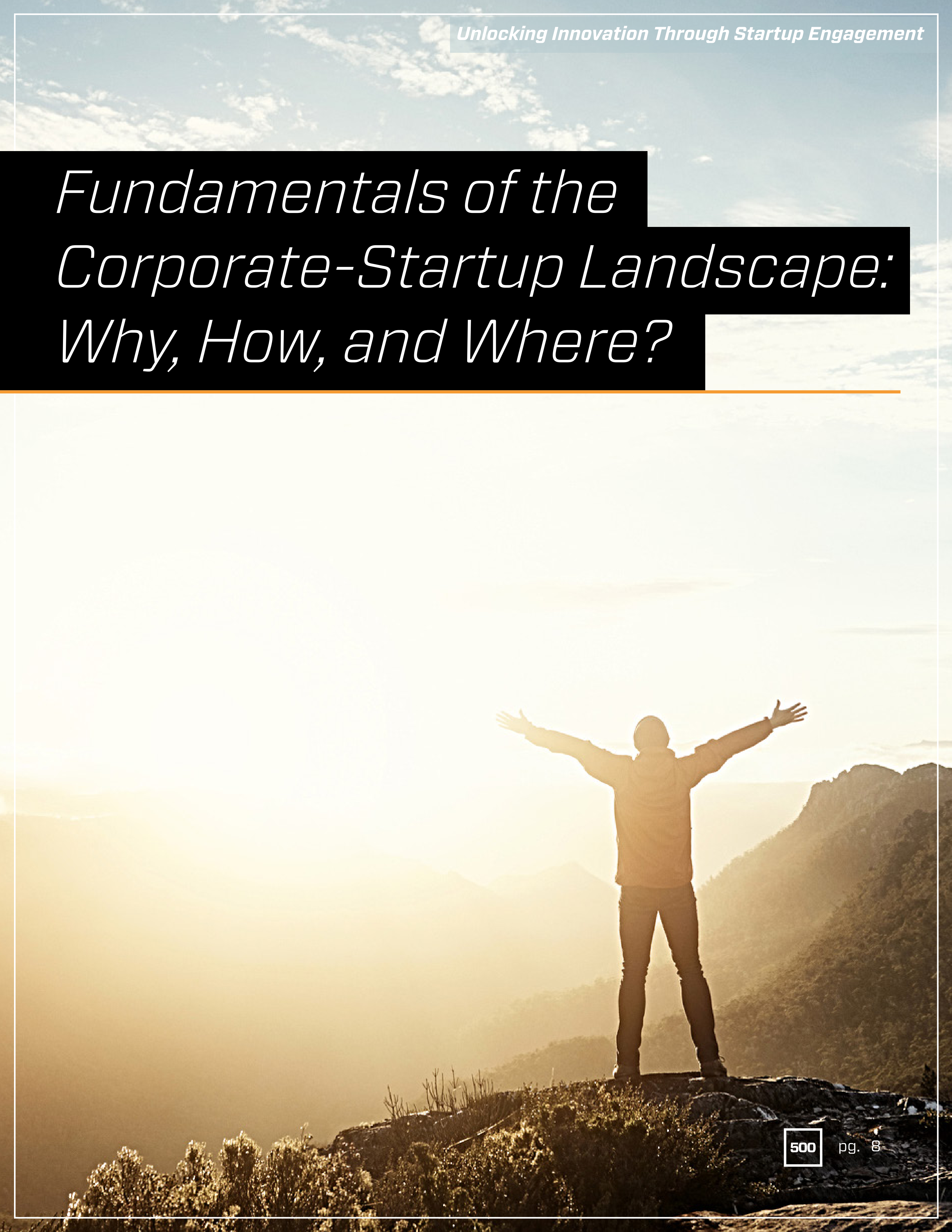
- Corporations can be slow: **20% of companies take more than six months to do startup deals**, which stifles the chances of success.

- Lack of organizational alignment: **corporations identified more than 10 departments that are involved in startup deals**. To keep startup engagements on track, corporations need to align stakeholders, objectives, and resources early and often.

With these challenges in mind, we wanted to learn from outlier companies whose recipe for success with startups has been documented and defined. Alongside the survey data, we conducted interviews with companies who are running effective programs, including VISA, Nestlé, and General Motors. These companies gave insights into five best practices for working with startups:

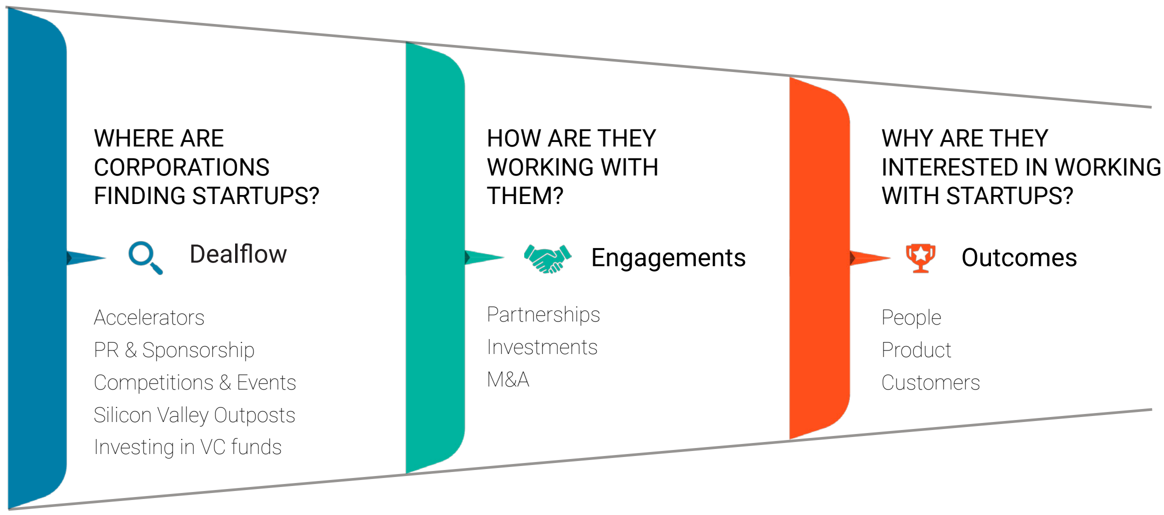
1. Build credibility by solving the short term problems of their stakeholders. As a result, their stakeholders listen when they approach them with disruptive ideas.
2. Take a portfolio approach and derisk their innovation efforts by running many startup experiments.
3. Set specific innovation objectives that guide the kinds of startups they look for and how they work with them.
4. Remove the red tape and create a fast-track process for working with startups.
5. Understand that partnerships are a two way street and figure out how to add value to their startup partners.

Fundamentals of the Corporate-Startup Landscape: Why, How, and Where?



Fundamentals of the Corporate-Startup Landscape: Why, How, and Where?

To contextualize the data in this report, let's start with "why, how, and where" corporations are working with startups.



Why do corporations engage with startups in the first place?

From our survey results, the drivers are clear – overwhelmingly, **most companies engage with startups to gain access to new technology (over 92%)**. In over half the cases, the companies are also trying to execute a pivot or transformation of their business.

To gain access to new technology	92%
To help execute a pivot or transformation	56%
To gain access to talent (through acquisition or joint R&D)	46%
To reach new customers	45%
To collect market information	45%
To reduce cost	34%

How do they do it?

For the purposes of this report we focus on partnerships, investments, and acquisitions as the three most common methods for working with startups. Each engagement has its own set of costs and benefits that need to be understood and executed strategically to maximize its effect.

- **Partnerships** refer to corporations working with startups in a non-investment capacity. This takes two general forms:
    - a vendor relationship between the corporation and the startup; and
    - a shared risk-reward model where the startup may be co-branding a product, co-developing a technology, or taking part in a marketing partnership with the corporation.
- **Acquisitions** in the corporate-startup world can refer to anything from a billion-dollar buyout to a significantly cheaper acquisition of an early stage startup for its talent (commonly referred to as "acqui-hires").
- **Investment** consists of direct corporate venture capital investment in exchange for shares of a startup, as well as LP investments in venture funds, and partnerships with accelerators that invest in startups.

When looking at our survey responses, the most common form of engagement was partnership, with 77% of companies having some sort of startup partnership program.

HOW ARE THEY WORKING WITH THEM?

Engagements

Partnerships
Investments
M&A

Pilot & partnerships with startups	77%
Direct investment in startups	60%
M&A (acquiring startups)	48%

Where do corporations find startups?

Dealflow (to borrow a term from the venture capital world) comes from a variety of different sources ranging from corporate accelerators, to hackathons and events, to investing in VC funds that are active in relevant vertical categories. Overall, corporations are finding startups in a number of different ways.

WHERE ARE CORPORATIONS FINDING STARTUPS?

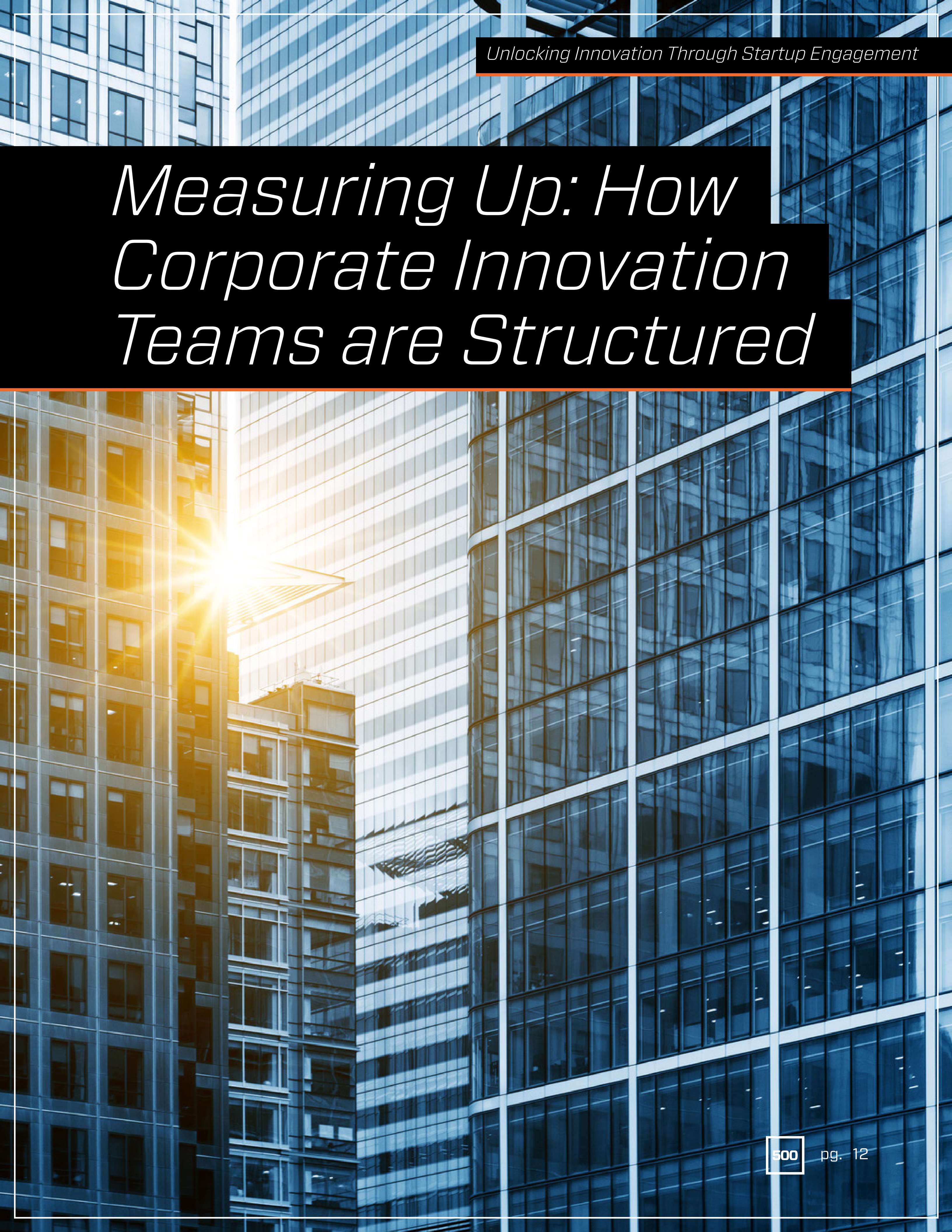
Dealflow

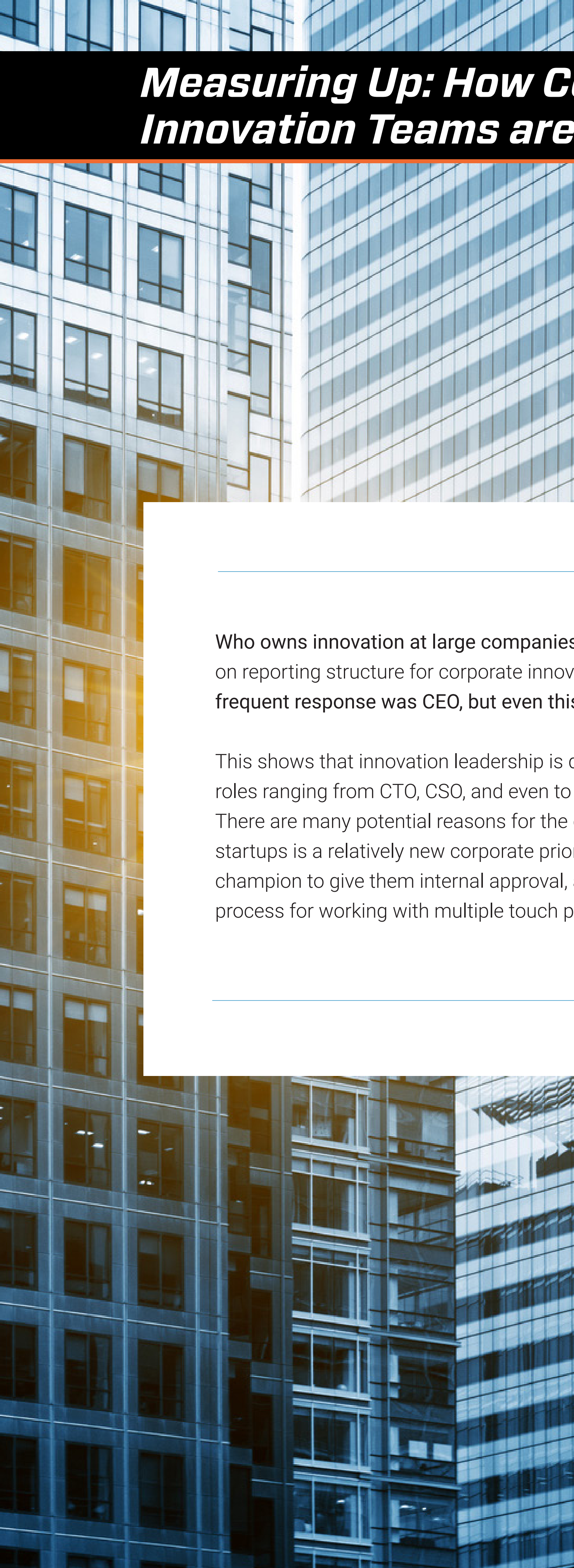
- Accelerators
- PR & Sponsorship
- Competitions & Events
- Silicon Valley Outposts
- Investing in VC funds

Accelerators (your own or sponsorship of accelerators)	59%
Competition, hackathons & entrepreneurship events (either hosted or attended)	56%
Silicon Valley offices, outposts or regular tours	44%
Investing in VC funds	35%

Understanding the nuts and bolts of corporate innovation – where corporations are finding startups, how they are working with them, and, most importantly, why they are seeking them out - is critical step to unraveling the best practices in the field.

Measuring Up: How Corporate Innovation Teams are Structured



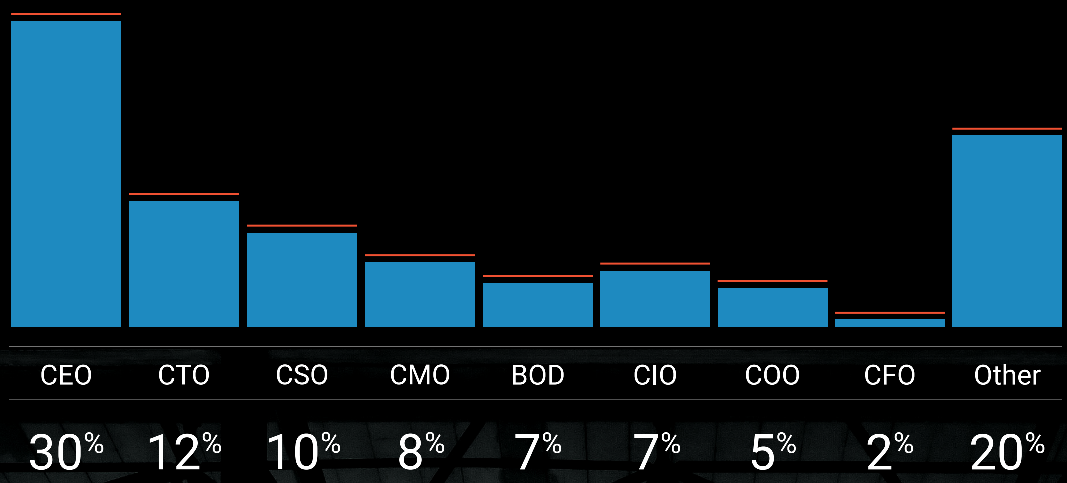


Measuring Up: How Corporate Innovation Teams are Structured

Who owns innovation at large companies? We found that there is no clear consensus on reporting structure for corporate innovation teams. According to our survey, **the most frequent response was CEO, but even this was only listed about 30% of the time.**

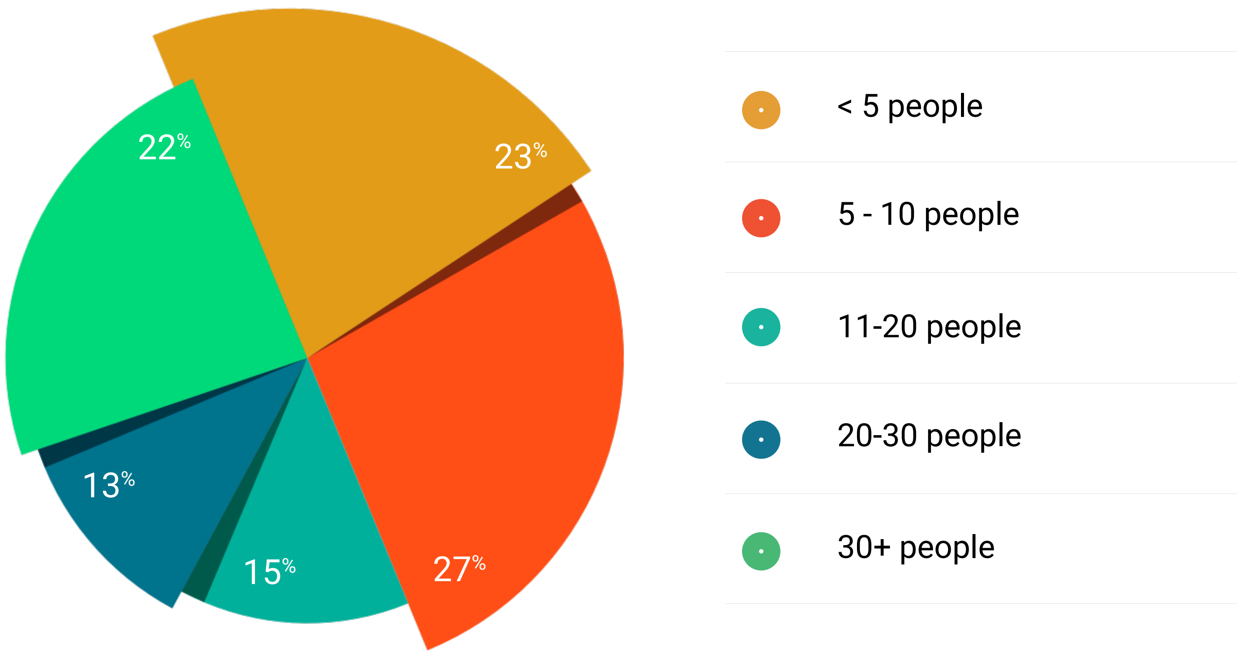
This shows that innovation leadership is dispersed throughout the company, reporting to roles ranging from CTO, CSO, and even to a designated committee in some companies. There are many potential reasons for the distribution of reporting. Since working with startups is a relatively new corporate priority, these programs rely heavily on an executive champion to give them internal approval, allocate resources, and oversee an effective process for working with multiple touch points within the organization.

In your company, what C-level executive does Corporate Innovation report to?



How big are most corporate innovation teams?

Corporate innovation teams come in all shapes and sizes. About half the companies surveyed operate innovation teams with 10 people or fewer, and the other half are made up of more than 10 team members. Part of this is tied to how resources are assigned and whether the innovation team is staffed with the necessary resources to execute (e.g., business development, legal, technology) or are just responsible for innovation strategy and/or scouting.



Five Best Practices to Give You an Edge on Startup Innovation

Five Best Practices to Give You an Edge on Startup Innovation

While our survey data doesn't point to one clear path for how corporations should work with startups, we were able to identify five best practices from the survey results and from our conversations with companies who have developed successful strategies to surmount common challenges. The five best practices are:

1. Build credibility by solving the short term problems of your stakeholders. As a result, your stakeholders listen when you later approach them with disruptive ideas.

2. Take a portfolio approach and derisk your innovation efforts by running many startup experiments.

3. Set specific innovation objectives that guide the kinds of startups you look for and how you work with them.

4. Remove the red tape and create a fast-track process for working with startups.

5. Understand that partnerships are a two way street and figure out how to add value to your startup partners.

Members of our team present each of them with supporting data and interviews in the pages to follow.

Best Practice 1

Galia Mor
Strategic Alliances

Build credibility by solving the short term problems of your stakeholders. As a result, your stakeholders will listen when you approach them with disruptive ideas.

Working with startups is about striking a balance between short and long term goals. You want to find innovative solutions to immediate business problems, while also working to transform your organizational culture for larger, more disruptive industry changes.

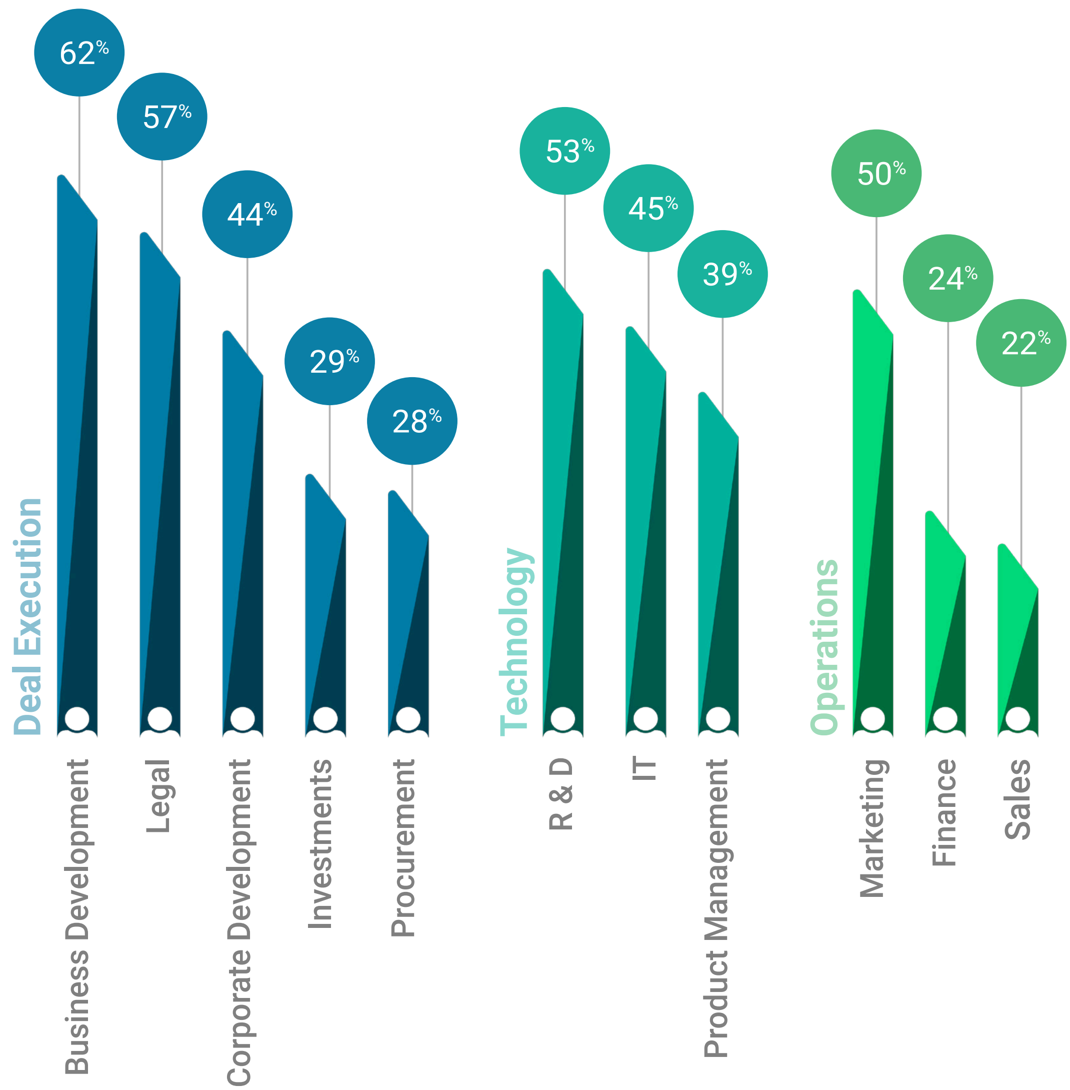
When innovation teams go after big shifts without tangible successes, they lose the faith of the rest of the organization who view innovation as a waste of their time. **The best innovation executives start by helping their stakeholders attack the most pressing problems first, which builds organizational support to evaluate, guide, fund, and operationalize disruptive projects and opportunities**.

This approach also helps narrow down the scope of your search for startups. Often times, innovation teams without a clear mandate make their search too broad and fail to create successes with any of the startups they engage. By using tactical innovation projects to lay the groundwork, these companies create a foundation for increasingly ambitious initiatives down the road.

Our study found that Business Development and Legal were the most common departments that work with startups. This is not surprising given that those two departments are critical for deal execution.

For more than a quarter of the companies surveyed, seven other departments were also involved, which shows how important it is to win the trust of stakeholders. Aligning with the needs of key departments will help identify areas where startups can solve problems internally, as well as make sure that the startup engagements are properly supported.

In addition to Corporate Innovation, what other departments or roles are involved in the startup partnerships?



Interview with **Sandro Valeri**

Head of Corporate Innovation, Embraer

Embraer, one of the world's largest aerospace companies, launched their innovation program less than two years ago, and their success rate for working with startups has been high.

How have they achieved this? **Sandro Valeri, Head of Corporate Innovation**, made sure that initial pilots addressed key business needs by placing members of his team directly with stakeholders in areas that the company had identified as "value streams." He uses this proximity to stakeholders to understand their priorities and to provide resources to help them quickly integrate startups, leading to early wins for stakeholders in departments like marketing. Embraer's innovation team is now building on these successes to expand their scope into bigger projects.

Q: How did you develop your innovation program to align with business needs at Embraer?

A: The innovation strategy at Embraer has two components: 1) identifying startups that have mature technology that could change our current business, and 2) evaluating "moonshots" or big projects that we can use to disrupt the company. We knew that working with startups could be risky, so we carefully chose our first pilots.

The company is organized under five value streams, which include everything from product development to customer services to after-sales support. I assigned team members to each of these value streams and worked with external consultants to take a design-oriented approach to translate customer needs from the value streams into challenges that could be addressed via startup partnerships.

Since I was responsible for creating and naming these value streams two years ago, I had the advantage of knowing people throughout the company.

Q: It's interesting that many of your pilots are not in aerospace; they're in marketing or analytics – how did you arrive at these categories?

A: We focused our early efforts by understanding current technology, cross checking this with our understanding of company and customer needs, and then coming up with our innovation priorities.

For example, AI is a technology that is developing very fast, so we thought about use cases. We noticed that there was a lot of mature technology around marketing AI, so we started to work on pilots with our marketing units. Another vertical we chose is augmented reality (AR) and virtual reality (VR). We asked, "can this be used within the company?" The answer is yes – for manufacturing, in-flight entertainment, and many other projects.

This strategy enabled us to convince Embraer to take on more projects with startups. Once we did the first pilots and showed results, people understood the value and got excited. Now, the internal demand for startup pilots is very high.

Q: What are some of the more disruptive technologies that you're working on?

A: The results we've shown with the early pilots are allowing us to go for bigger moonshot projects. We recently announced a partnership with Uber to work on what we're calling the Uber Elevate Network. Together we're developing and deploying small electric flying vehicles for short urban commutes. We share the vision that the state of transportation in congested cities is ripe for innovative solutions, such as on-demand aviation, and we want to be leaders in this space.

"Once we did the first pilots and showed results, people understood the value and got excited. Now, the internal demand for startup pilots is very high."

- Sandro Valeri, Head of Corporate Innovation, Embraer

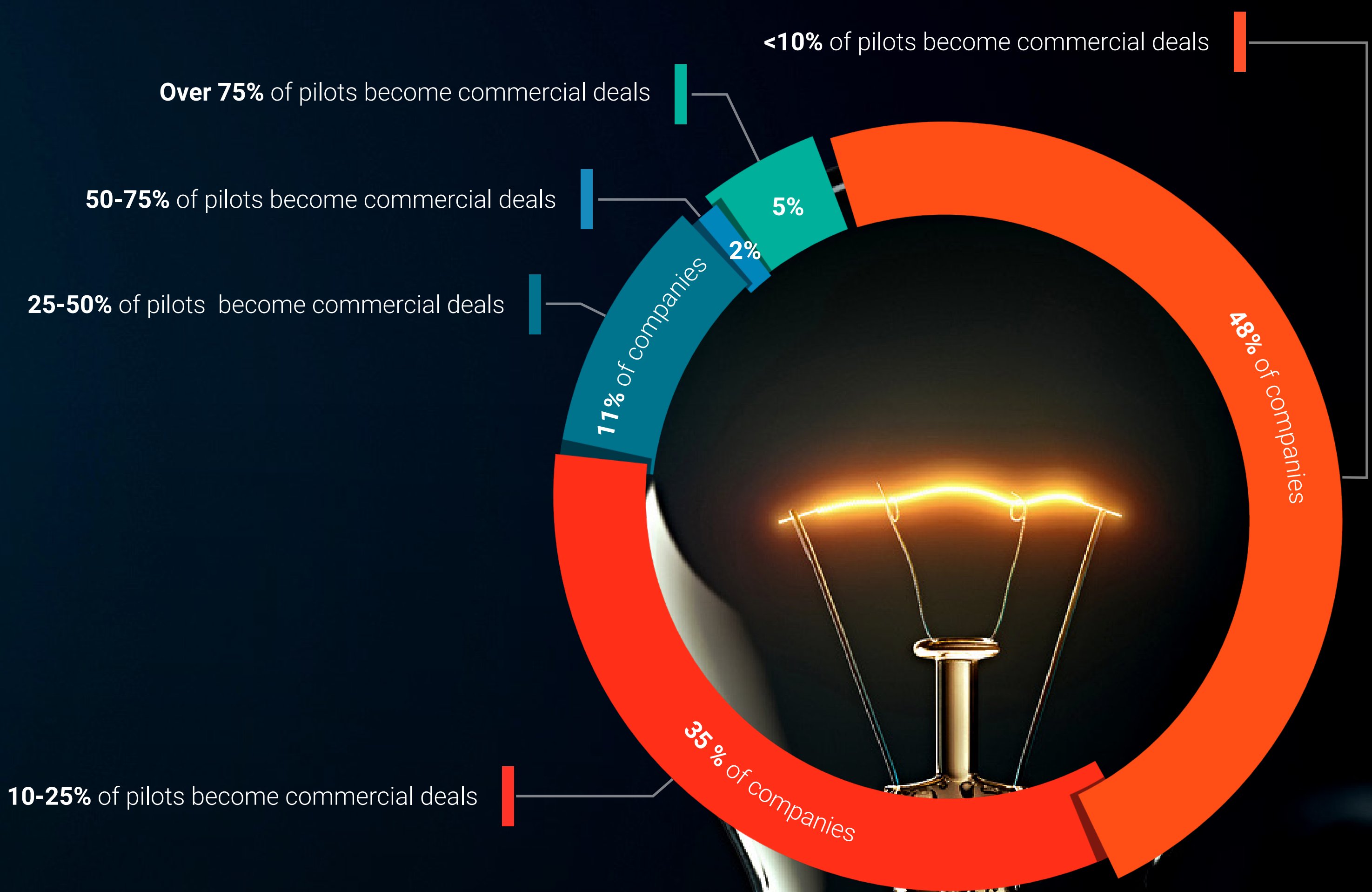
Best Practice 2

Aman Desai
Strategic Alliances

Take a portfolio approach and derisk your innovation efforts by running many startup experiments.

There is an inherent risk to innovation, and the reality is that most startup pilots don't work out. Of the corporations surveyed, **we found that the vast majority (81%) see fewer than 25% of their pilots turn into commercial deals.** This isn't surprising when you're testing cutting-edge technologies with young companies. Whether the technology doesn't work as promised or there's a misalignment with business objectives, innovation teams shouldn't expect every pilot to be a success.

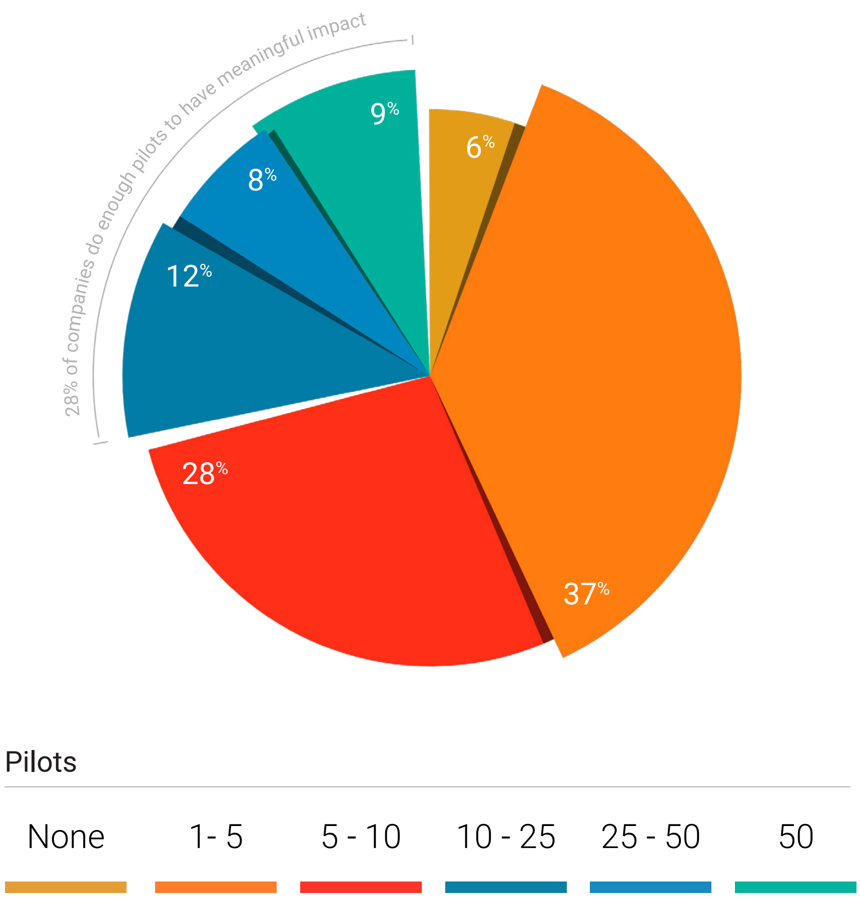
We found that the most successful innovation programs take a portfolio approach to startup engagement in order to increase their chance of finding those transformative business opportunities. In an ecosystem where VCs are investing in dozens (if not hundreds) of startups to find a breakthrough winner, corporations should also aim to build capacity for similar scale.



The vast majority of corporates see **less than 25%** of their initial pilots with startups scale into solutions that can be taken to market.

The most effective companies are significantly scaling their approach by **running more than 50 pilots per year.** Teams running a high volume of pilots not only have a greater chance of success but are also perceived as successful internally, generating the most data and increasing their access to resources.

Number of pilots executed per year



Companies with the most diverse innovation portfolios are not only scaling their pilots, but also varying their activities across pilots, investments, and acquisitions. The biggest benefits from this approach are that 1) risk is hedged through volume and 2) teams are brought together to cross-check, debate, and strengthen the company's overall innovation strategy.

Interview with **Stephanie Naegeli**

Senior Global Digital Marketing Innovation Manager, Nestlé

Nestlé's Silicon Valley Innovation Outpost, for example, started by running only a handful of experiments, but quickly scaled their operations to work with over 50 startups over the course of four years. The company, lead by **Stephanie Naegeli, Senior Global Digital Marketing Innovation Manager**, was able to scale its innovation efforts by working closely with different teams across the organization to understand the particular needs of each division. Nestlé takes calculated risks by seeking out startups that address specific pain points; the company moves quickly on cutting edge technology by having budget allocated for the sole purpose of running pilots with these startups.

Q: How does the portfolio approach apply to what you're doing?

A: When we started the Nestlé Silicon Valley Innovation Outpost, it was a one woman operation: just me. The first year we probably worked with five to eight startups. We saw a lot of interesting companies that could provide value and decided to figure out how to scale our work with them.

Over the course of the past four and a half years, we have developed more capacity and probably worked with about 50 companies to date.

The number of initiatives is an important KPI for us. The other KPI that we value is "are we able to scale a pilot to more brands and businesses?"

Not every startup will become a unicorn, and not every partnership between a startup and a brand will be a success. We take a test-and-learn approach, which enables us to work on challenging and higher-risk initiatives. And we do a lot of experiments.

Right now, we scale roughly one third of our startup pilots to more than just one of our brands or businesses. The way we work is we identify a startup, we do a partnership / pilot program, and then we're able to scale it across the company and apply it to many different businesses. This has huge value because all the risk and work that goes into the discovery and into the pilot is offset once it is scaled across the business.

For example, we have been working with msg.ai to establish chatbot solutions within our brands. We tested the solution in 2016 with one brand and are now looking at global commercialization.

Q: How else have you been able to derisk your innovation portfolio?

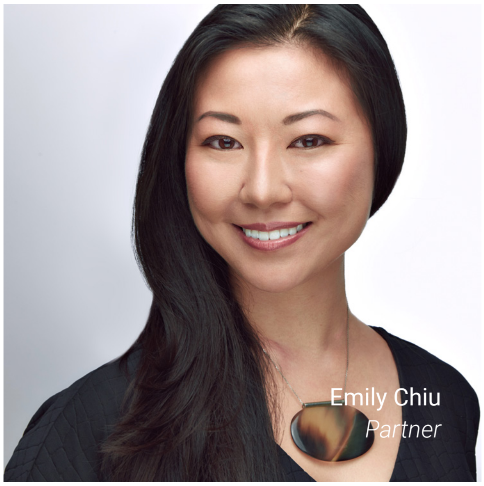
A: We have a multi-million dollar fund that is dedicated to partnering with startups. This capital is not for investing in companies but for enabling partnerships, which is quite a unique approach. On the corporate side, often times innovation is stalled because it is perceived as too risky internally, and there isn't a budget to do risky projects. The dedicated budget allows us to take risks and launch initiatives that are more bleeding-edge.

We also have a venture fund which has existed for a number of years. If there is a strategic opportunity, partnerships can lead to an investment; but investments are not the main focus of the work of the team in San Francisco. There are a range of engagement opportunities between startups and corporate brand teams. Depending on the business challenge and the startup road-map, we consider partnership, co-development, licensing, investment, or acquisition.

“Not every startup will become a unicorn, and not every partnership between a startup and a brand will be a success. We take a test-and-learn approach, which enables us to work on challenging and higher-risk initiatives. And we do a lot of experiments.”

- Stephanie Naegeli, Senior Global Digital Marketing Innovation Manager, Nestlé

Best Practice 3



Set specific innovation objectives to guide the kinds of startups you look for and how you will work with them.

There are too many startups out there to scout without a clear goal in mind. We previously demonstrated that startup pilots have a low rate of success rate. One way to improve this is by ensuring scouting and dealflow match up carefully with objectives.

Before seeking out any startup collaborations, you need to carefully identify your main objectives and reflect upon your internal capacity and process for working with startups. Both strategic clarity and a realistic self-assessment are important in determining the type and stage of startups that can help drive innovation objectives.

For example, a company new to working with startups whose objective is to learn about market trends could benefit from running low-cost pilots with early stage startups to learn about innovation emerging in the field. With the appropriate resources (both financial and personnel-wise) and a defined process, the company may be able to use those pilots to build the case for a more involved partnership engagement or investment into startups. A company may also build capacity in-organically by acquiring startups for unique talent, product or IP, and to accelerate strategic goals.

Interview with J. Skyler Fernandes

Founder and Former Managing Director of Simon Venture Group

To get a better sense of how this plays out in reality, we spoke to **J. Skyler Fernandes, the Founder and Former Managing Director at Simon Ventures**, the corporate venture capital arm of Simon Property (the largest retail property group in the world). Skyler talked about the evolving focus at Simon Ventures and how he targeted specific verticals and startup stages to line up with their goals.

Q: How do you categorize or think about different corporate innovation objectives?

A: It's different for every company. I think there are three, core categories of innovation:

- **Direct Innovation** is often short-term focused, guided by the immediate priorities of internal business units. These could include potential partnerships or innovation initiatives for a particular product or serivce.

- **Indirect Innovation** is geared more generally towards the future, with a focus on partnering or investing in your overall industry. Helping players in the ecosystem strengthens the industry as a whole and can illuminate ways of innovating and opportunities that you hadn't initially considered. You can also leverage these new practices and opportunities within your own company, so there are direct benefits as well.

- **Long Term Development & Disruptive Innovation** allows a business to become something greater than itself, a larger shift that evolves a company into something completely new, rather than relying on a process of iterative innovation. Often times corporations don't know how to innovate themselves, as they are focused on their day-to-day business and can't think outside of that box. Being given creative liberty to think, do, and invest time and money outside your comfort zone makes way for potential innovations or even new business units that could change the company significantly over the next 5 to

10 years.

Q: Keeping these goals in mind, how do you choose the stage of company you are targeting?

A: When thinking about stage focus, you have to consider the short term versus longer term benefits.

If you believe that “there’s nothing strategic about losing money,” then you probably are not a great fit for partnering or investing in seed stage and early series A companies. You should focus more on later stage companies, where every company you’re investing in or working with is profitable or clearly on a path to profitability. These companies are often more ready to work with a large scale enterprise and aligned with your short term goals. If you’re looking to execute something with less risk attached and are willing to pay more, this is usually the play.

But if you can see the strategic value from investing in and working with earlier stage companies (where more disruptive innovation usually happens), then seed and Series A is a good idea. The cost-benefit is a draw, as it is usually significantly less expensive to work with earlier stage startups. But with that price tag comes more risk, which requires more flexibility around the outcomes.

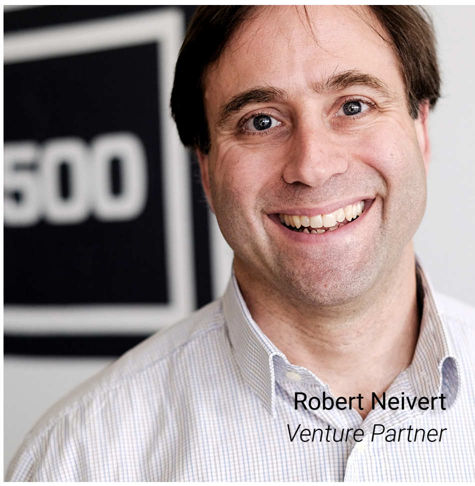
At Simon, our portfolio was split where $^{2}/_{3}$ of the investments we made were directly strategic and the other $^{1}/_{3}$ were indirectly strategic. Roughly a third of our investments were in retail brands that have the ability to open up physical retail locations now or in the future, which is directly strategic to our business. Another third, more indirectly strategic investments were in retail technology companies that help retailers do their job better by increasing revenues, decreasing expenses, or both. If Simon’s retailers are stronger in executing their omni-channel strategies, this strengthens Simon’s business, as well. The final third of our investments were in the Internet of Things (IoT) and Smart cities/buildings category, which is directly strategic to Simon since it helps increase the value of our real estate for the benefit of shoppers and retailers.

Simon Venture Group’s investment strategy evolved over time, as well. When I first started the venture group, it was more focused on early stage technology companies that help retailers and smart building technology. But over time the focus evolved towards later stage companies, investing more broadly in rising new brands, new retail concepts, and marketplaces. This shift in focus was based on growing an established portfolio of technology companies, finding new areas to innovate within retail, and assessing the risk level Simon was interested in taking.

"(Later stage) companies are often more ready to work with a large scale enterprise and aligned with your short term goals... But if you can see the strategic value from investing in and working with earlier stage companies (where more disruptive innovation usually happens), then seed and Series A is a good idea."

- J. Skyler Fernandes, Founder and Former Managing Director of Simon Venture Group

Best Practice 4



Robert Neivert
Venture Partner

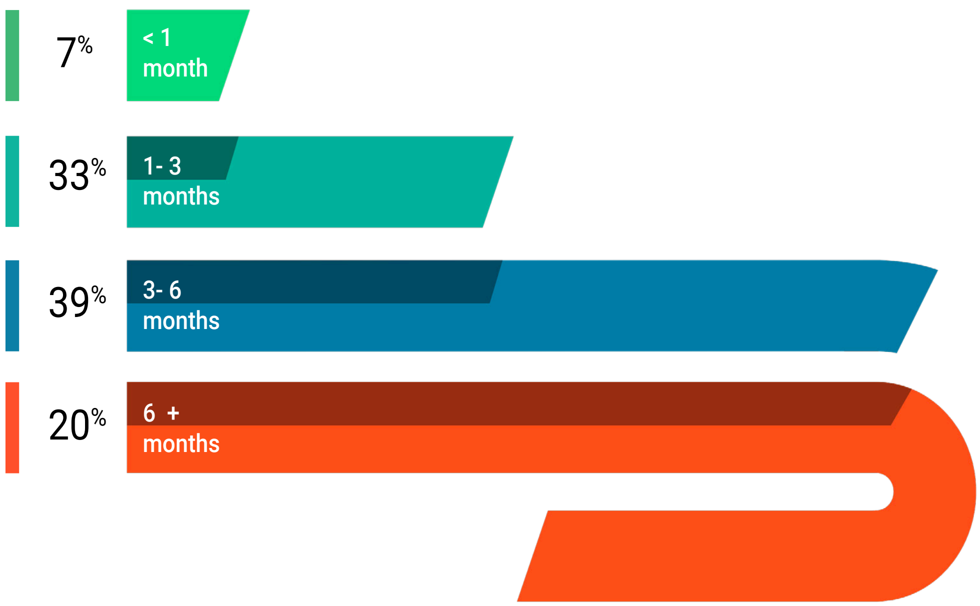
Remove the red tape and create a fast-track process for working with startups.

For growing startup companies, time and resources are at a premium, a reality that large corporations don't fully understand. But in order to engage startups most effectively, you need to be ready to assess, communicate with, and onboard a startup quickly.

The best companies are creating a simple inbound application process, shorter NDAs and purchasing agreements, technology / data sandboxes and a developer program for APIs. Taking these steps reduces the cost of working with startups, reduces friction and internal frustration, and improves perception within the startup community as a partner of choice – all of which leads to higher quality dealflow.

Our research showed that **40% of companies are streamlining the procurement process, with pilot deals taking under three months to complete.** However, 20% of companies take over six months to do deals, which stifles the chances of success.

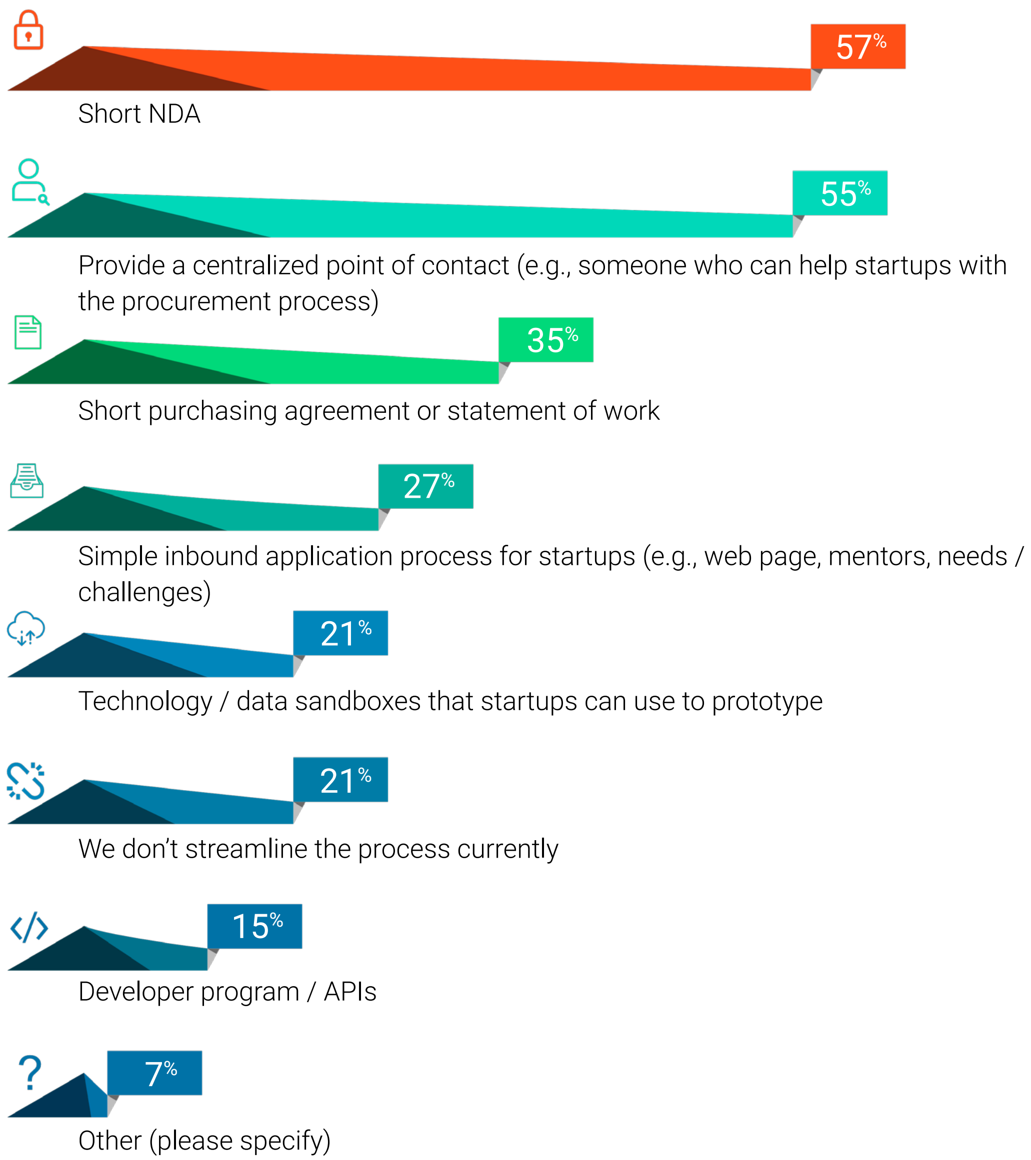
After deciding to work with a startup, how long does your procurement process take to carry out a pilot or proof-of concept with a startup?



In a recent survey of 500 Startups accelerator alumni, startups identify the most common barrier to working with corporations as “slow procurement and contracting process.” So, corporations that want to build good reputations in the startup ecosystem should prioritize efficiency and accessibility in the onboarding process.

How does your organization streamline the process for working with startups?

A little over half the companies surveyed provide a short NDA and a centralized point of contact, and 35% have created a short purchasing agreement. Twenty percent (20%) are also offering sandboxes where startups can test their technologies against real data sets. Yet, 20% of companies still don't streamline the process at all, making it hard to compete against companies that have aligned their resources to streamline.



Interview with Frankie James

Managing Director, Advanced Technology Silicon Valley Office, General Motors

GENERAL MOTORS

Corporations are attracted to working with young companies, as they offer unique access to cutting edge technologies. But the typical corporate onboarding processes that works for larger vendors are a tough fit for these startups. General Motors, for example, has actively engaged with later stage startups for several years, but as of late the company is taking steps to better understand how the early stage game works. In December 2016, GM and 500 Startups announced a partnership that connects GM mentors to early stage startups in 500 Startups' accelerator. We spoke to **Frankie James, Managing Director of GM's ATSVO** about how the program has led to some insights into working with these earlier stage startups.

Q: How is your unit at GM thinking about working with startups? How do you take into account the speed necessary to make things happen with these young companies?

A: In Silicon Valley, there are so many startups. You're basically facing a fire hose of opportunity. The better we understand our stakeholders' needs, the easier and more relevant our search for startup solutions becomes. We would actually like to see these companies' ideas become part of our products before we catch them too late in the process.

Automotive has a very long cycle in terms of getting a product on the road, whereas Silicon Valley, in general, runs on a very short cycle time. So, we've got to start those conversations early to get everybody on board when deciding how to include these technologies in our current product strategy. If we are late in discovering these startups, it will take us seven to 10 years to get the technology in market, which is not what we want.

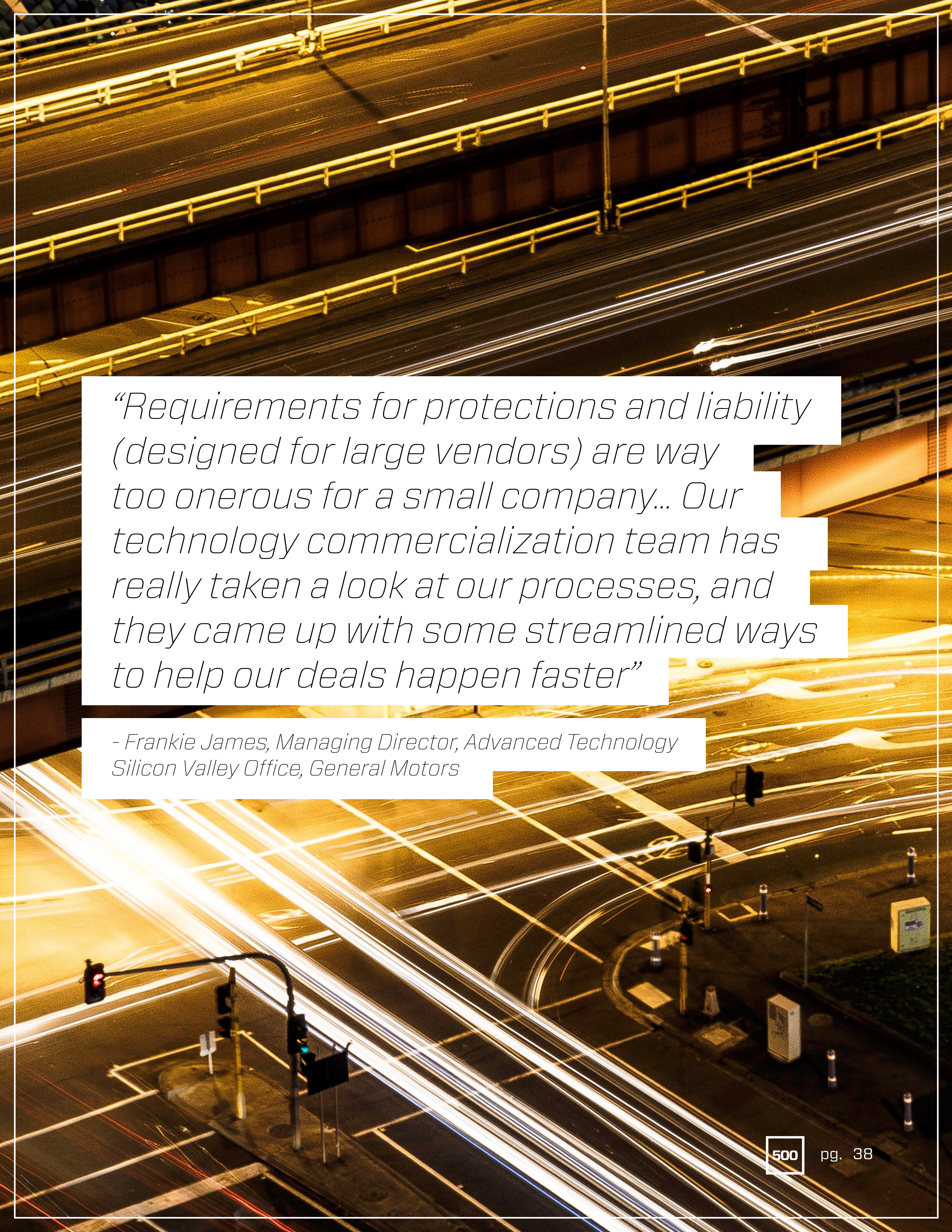
Q: What have you done to improve your procurement process for working with startups?

A: That's something that we're still learning how to do. GM is used to working with big suppliers that have a lot of resources and runway and are able to meet our very stringent product requirements. When we first started working with startups, our purchasing, legal and other teams were trying to treat them like any other supplier – the kind that sells us a million axles or instrument panel assemblies. But those requirements for protections and liability are way too onerous for a small company, especially if we haven't fully committed to taking the technology to market.

My group is research-based, taking on a lot of projects that are never going to go into production. Rather, we're often talking about prototypes and proofs of concept. Our technology commercialization team has really taken a look at our processes, and they came up with some streamlined ways to help our deals happen faster, drawing on our GM Racing team as an example, where if you don't have the part you need by Friday night, you're not going to have the part for the race that weekend.

So, when we came in with the seed stage companies from 500 Startups, we alerted the commercialization team, we alerted legal and purchasing, and we got everybody on the same page. We made it clear that we needed to make these deals happen faster, and they said OK. That was super helpful.

We're still working the kinks out, but we're no longer starting from scratch with the wrong department contacts. This is part of the reason we're working with 500 Startups – to learn more about how to navigate when working with these very early, seed stage startups.



"Requirements for protections and liability (designed for large vendors) are way too onerous for a small company... Our technology commercialization team has really taken a look at our processes, and they came up with some streamlined ways to help our deals happen faster"

- Frankie James, Managing Director, Advanced Technology Silicon Valley Office, General Motors

Best Practice 5

Mike Sigal
Partner

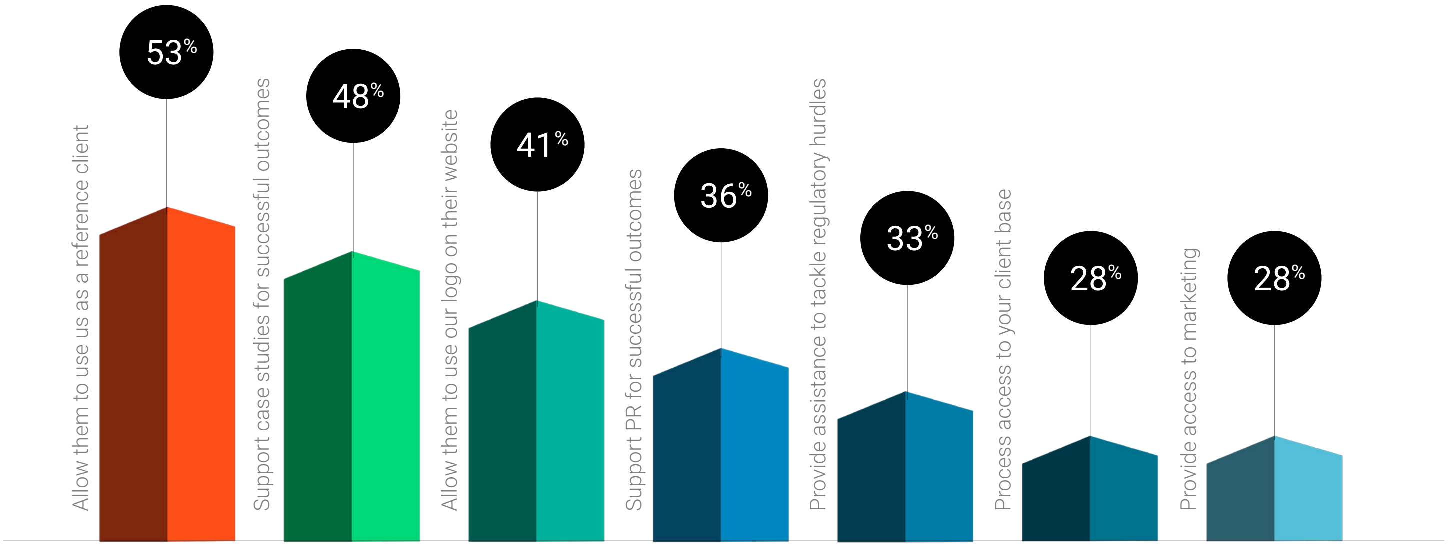
Understand that partnerships are a two way street and figure out how to add value to your startup partners.

The best companies are not only streamlining internal processes to make it easy for startups to work with them, they are also invested in understanding how startups operate and grow in order to figure out how to add value to the startups they work with. **By adding value to your startup partners, your company develops a strong reputation, which then attracts the best startups.**

You can add value to startups in a number of ways, from giving marketing value with publicized partnerships, to offering strategic access to your client base. A startup can receive money from any VC. Getting advice, connections, and industry-specific help from a major corporation is a way to differentiate and attract the best and brightest talent. So while these value-add initiatives may begin as generosity, they pay dividends if your corporate becomes known as a preferred partner.

Aside from revenue, startups from the most recent 500 accelerator classes identify “marketing exposure or connection to a corporation’s clients” as the most compelling reason to work with a corporation. Our data shows some companies have taken note of what makes them compelling to startups:

When your company works with startups, in which of these activities do you engage/support?



Of the companies surveyed, **53% will allow startups to use them as a reference client (after a successful pilot), 48% support case studies, and 36% support PR.** If you want to win over the best startups, you want to be as helpful as you can to support successful outcomes. This will ensure you get the most out of your startup partnerships and become a corporation that the best startups want to work with.

Interview with
Shiv Singh

Senior Vice President, Innovation & Strategic Partnerships, Visa

The financial services industry presents a unique opportunity and challenge for startups: the increasingly digital nature of commerce is great territory for new business, but the industry is also subject to unique regulation, which presents an obstacle for young companies trying to navigate the space. Corporations, on the other hand, have years of experience with these regulatory hurdles, putting them in a position to help startups avoid common setbacks. As an example, Visa has developed the Everywhere Initiative – a platform built to solve specific business challenges for startups and their clients. **Shiv Singh, Senior Vice President, Innovation & Strategic Partnerships at Visa**, describes how this program not only helps the startups gain a major customer with marketing support, it also gives the young companies access to APIs and knowledge from key teams at Visa, who can help them understand and navigate a complex industry.

Q: Can you tell me a bit about your role at Visa?

A: I manage and run Visa's Everywhere Initiative. Through this initiative, we identify three real-world business challenges (our own or our client's) and expose them to the startup community in a challenge format. We choose three winners, one for each challenge, and award them with a cash prize and, more critically, an opportunity for a pilot and introductions to Visa partners.

One of the reasons why the program works so well for both the startups and for us is that it is not startup partnership for the sake of partnership. Rather, we anchor the engagement in our specific business challenges.

Just last year, the three winners of the U.S. Everywhere Initiative went on to collectively raise $20M from the VC community. While they achieved this success on their own merit, we do believe that our endorsement of them served as an influence.

By virtue of the number of startups that compete, another benefit from this initiative is that we get a peek into the latest trends and the latest technologies being developed in the startup community in areas that are of interest to our business – that is hugely valuable.

Q: Are there things that you do to help startups bridge the gap to the financial services industry?

A: We help startups through the lens of the program – for example, when we're running the Everywhere Initiative, we conduct webinars to explain the business challenges that the payments industry is facing and to answer questions on how to use our Visa Developer Platform. We make sure to also cover regulatory requirements and overall education on how the financial services industry works.

We want our startup programs to be mutually beneficial. We do what we do because it provides business benefit to ourselves and to our clients. And invariably when that happens, the startup benefits, as well.

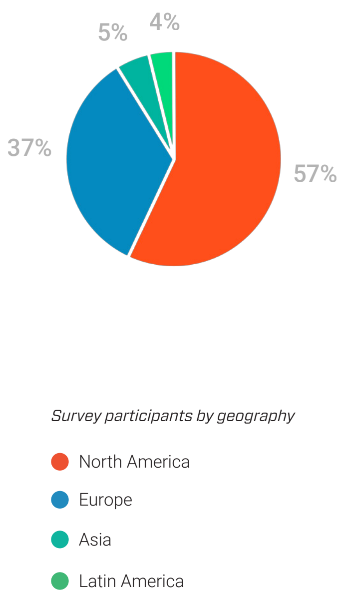
We've evolved into a technology company that offers capabilities and solutions for banks, merchants, tech companies, start-ups, and others. Our aim is to enhance their offerings and help them create their own commerce solutions for consumers. To enable this, we provide access to the digital capabilities of the Visa network via APIs on the Visa Developer Platform. It is truly a core strategic imperative for Visa and our future.

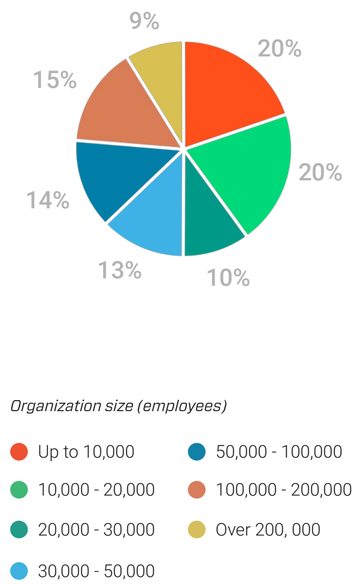
"We want our startup programs to be mutually beneficial. We do what we do because it provides business benefit to ourselves and to our clients. And invariably when that happens, the startup benefits, as well."

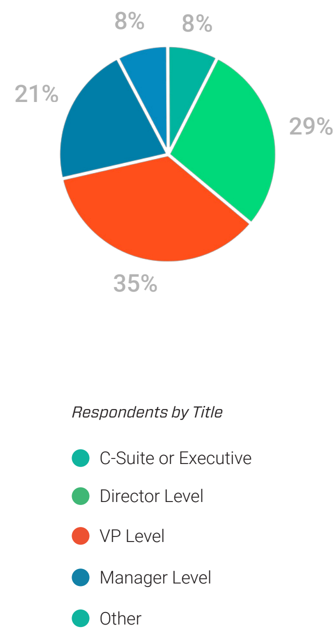
- Shiv Singh, Senior Vice President, Innovation & Strategic Partnerships, Visa

Survey Methodology

Our research for this report is based on data from surveys completed by over 100 corporate innovation professionals. The vast majority were from the U.S., with strong representation from Europe and Asia, as well. All were Fortune 1000 companies, but organization size (by number of employees) varied fairly evenly. Most frequently, the respondents were at the Director, Manager, or VP level, and working directly on innovation at their organizations.







How 500 Can Help You Win

Drawing from our top-tier resources in the startup ecosystem, as well as from our international and experienced team, we've built a comprehensive approach to help corporations achieve more success with startups. From initial strategy and capacity building, to specific consultation on deal flow and startup engagement, our services are designed to provide value at every part of the journey.

Dealflow:
Through our global reach and high volume of investments, we know the startup ecosystem well. We are able to find and connect corporations to the startups most relevant to their innovation goals.

Case Study: General Motors
500 Startups runs an accelerator track focused on automotive related technologies in partnership with General Motors.

Capacity Building:
To maximize the impact of your organization's work with startups, we run training, immersion, and insights programs, designed to help build internal capacity.

Case Study: Deloitte
The 500 Startups Deloitte Upside program works with European financial institutions to formulate strategies around innovation objectives and then runs proof-of-concept tests with fintech startups.

Strategy & Advisory:
We consult corporations on how to yield desired innovation outcomes. We do this through innovation audits, strategy formation sessions, help with team recruitment, and advisory on creating funds, accelerator programs, and startup pilots.

Case Study: Mitsubishi
500 Startups is partnered with Mitsubishi to deliver regular executive briefings on trends, technologies, and startups with cutting edge solutions.

500 Startups has developed a program to help corporations improve the way they work with startups.

Please get in touch to learn more:
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About the Authors

Zafer Younis is a Partner at 500 Startups. He leads initiatives focusing on connecting governments and corporations with resources from the startup ecosystem.

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Co-Author

Mike Sigal is a Partner of 500 Startups FinTech Fund. Over the last 8 years he's helped dozens of financial institutions develop startup-inspired innovation cultures and thousands of startups to accelerate their go-to-market.

Contributors

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Emily Chiu is a Partner at 500 Startups, where she leads Corporate Development, advising startups across the global portfolio on strategy, fundraising, and M&A. Prior to this, Emily worked as a private equity investor at a $12 billion AUM private equity fund, and an investment banker at Goldman Sachs, where she advised on $8 billion in completed mergers and acquisitions.

Robert Neivert is presently Venture Partner at 500 Startups overseeing B2B seed stage startup investments and leading the General Motors corporate partnership. Prior to 500 Startups, Rob founded or worked at eight different startup companies, four of which had exits, all but one in the B2B space.

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