The 'why', 'what' and 'how' of engaging with tech start-ups

Recognise, implement and maximise

The Whitespace Corporate Innovation Club is a community of over 40 international and global corporate brands with a shared passion and interest in using innovation to help create different and new experiences and revenue models. The senior representatives from the different corporates either have a direct remit around driving innovation on behalf of their company or are a key contributor to it. The purpose of the community is to learn from each other – both successes and failures – but also learn from invited subject matter experts around specific topics or themes.

The Club meets bi-monthly and is always hosted by a Club member and chaired by Whitespace. The topics to be discussed have been collectively agreed by the members to have relevance to them and ones where they can both share and learn from. Depending on the topic external experts are invited to present, engage and provoke an honest and open dialogue amongst all the members.

Meeting Theme

The January meeting of the Corporate Innovation Club looked at best practice for collaboration with tech start ups and the broader start-up ecosystem within a Corporate open innovation context.

As ever the topics of discussion were lively and varied, but on the whole conversation focused on understanding what start-ups themselves expect and want from the process of corporate innovation, and what can be done to maximise the potential and impact of such collaborations. Along with specially invited expert guests and comment from the club's members, the meeting also welcomed three founders of thriving tech start-ups, offering focused, pragmatic and sometimes surprising perspectives on corporate engagement and the experiences they have had but also the recommendations they had for Corporates.

While ostensibly the meeting looked to offer practical insights into best practice for partnering with tech start-ups, the conversation was a notably organic, dynamic one, and many insights explored less tangible aspects of such innovations.

Key Takeaways

Race To The Bottom Line – Corporates can be too quick to execute the tactics of engaging with tech start-ups, without spending enough time considering the desired outcomes both parties will want.

- Start-ups can be disruptive, but consider why your business, and what aspect of it, can benefit from disruption. What needs disrupting, and what kind of start-up is presently disrupting that space or discipline?

- You may become a client or a partner start-up's given tech or service, but that can be done without establishing an innovation ecosystem. Consider instead what your Corporation and a start-up can learn or explore together.

- Look at start-ups as a catalyst for innovative solutions: not as the solution itself.

- Equally, on partnering with start-ups innovation is rarely successful if the Corporate is motivated by looking to invest in or seek ownership of a technology or service provided by that start-up. Not only do innovation and investment/acquisition initiatives require distinct structures to be productive and worthwhile from a Corporate standpoint; tech start-ups are equally well aware of the distinction between the two, and have many innovation initiatives to pick from. That means they can be cautious around those which do not have clear aims, or those that attempt to serve a dual function as both an investment/acquisition initiative and an innovation initiative.

- Such innovation initiatives, however, can provide additional benefits beyond the core aim of a Corporate. They can generate ample data, improve existing internal Corporate technology and services, and inform Corporate culture.

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- Begin by considering what you want or need from a start-up collaboration. Are there direct results in mind? Equally, remember that Corporate innovation initiatives that fail to bring tangible results can still deliver lessons that can be harnessed beyond the innovation project's lifespan.

It was suggested that there are both formal and informal elements to developing an Innovation initiative for tech start-ups. Considering both as distinct can be useful.

- On the formal side there is the organisation, ecosystem and planning of structures like incubators and accelerators.

- On the informal side – which is perhaps less thoroughly considered at a Corporate level – there are many intangibles to consider; the attitudes and motivations of start-up culture, the perspectives Corporate staff must embrace to maximise potential, and the emotional, human elements that can lead start-up decision making.

- Broadly speaking, it was agreed that sympathy for, empathy towards or even the deliberate mirroring of the informal and emotional aspects of the start-up experience can make such collaborations more productive for all involved.

- Start-ups are not afraid to fail, can be very honest about fear and uncertainty, are commonly driven by personal passion and enthusiasm, and have very personal internal culture. Adopting these mindsets – or at least being open-minded to them – within an innovation project can do a great deal to form a democratic and thus productive relationship with such a start-up.

- Start-up innovation within a Corporate framework can take a long time to have real impact on a Corporation – perhaps beyond a year or two. As such, start-up-focused innovation initiatives can suffer from overshooting the financial years that CEOs and other C-suite staff work to. Be realistic about results and manage C-suite expectation before a start-up collaboration has begun.

- Start-up culture is human-centric. Humility, emotions, calling on personal life experience and trusting individual instinct can get you a long way when working with and alongside start-ups. They trust those factors as motivators and decision making tools.

- It was posited that Corporates should try to empathise with the entrepreneurial spirit when engaging with startups; even if it is unreasonable that a Corporate should be entrepreneurial in reality. When plotting your innovation initiative consider the mindset of a start-up founder. Reflect on what engages the ambition and commitment of an entrepreneur at a small, young company.

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The concept of 'frugal innovation' was presented and discussed, which considers how being under-resourced can be a motivator for resourcefulness, while being well resourced can be the antidote to innovation.

Sometimes the best ideas and innovations come through resourcefulness, when 'necessity is the mother of invention'. Equally, tech start-ups are often low on resource and high on innovation. Embracing such a mindset and resisting throwing too much resource at an innovation initiative can deliver better results, though it is a strategy that can be hard to plan for and around.

On a practical note, it was recommended that start-up innovation projects can become stifled if they are too insular, and should instead be shared with other departments and teams within a Corporation.

That openness, can, however, add friction and complication to the innovation process and stall progress. Equally, closed start-up innovators can ostracise other Corporate staff who only see the innovation 'through the meeting room window', and feel progress is being made without them. However, it was also suggested that involving staff from other departments can have a similar impact.

Start-ups can bring in technology, services and culture that will be appealing to a Corporation's own clients.

As such, it can be worth pooling insights on client interest around a start-up's offering before approaching C-suite to pitch such an innovation initiative. As one attendee put it: 'don't ask permission to innovate'. It was a tongue-in-cheek remark, but one with some sincerity behind it.

Significant insights were gleaned thanks to meeting attendance by tech scale-up founders leading relatively mature businesses with proven revenues and robust experience of engaging with Corporate as innovation partners and/or clients.

- Tech start-ups and their founders are extremely savvy to the interests, motivations and process of Corporate innovation.

- They understand that they have as much to bring as they have to gain, so are confident in their value.

- They are very interested in partnering with Corporations that serve markets that are of use to them, rather than Corporations generally. They are, however, open-minded to serving Corporates' clients that might not be an obvious fit for that start-up's offering.

- Start-ups have established and intricate strategies, administrative processes and due diligence in place for vetting and accepting collaborations with Corporations, and are not afraid to say 'no'.

- The start-ups in attendance said they have move beyond being 'distracted by glitter', and now have good senses of what they want from joining a Corporate innovation initiative. They prefer to get straight to the details rather than be courted or impressed.

- They are keen to work with Corporates who understand the culture and pace of start-up practice and convention.

- At start-ups the founders sit alongside and personally know everyone from engineers to interns, and as such know their business very intimately.

- They have grown tired of being 'left hanging' by Corporate innovators slowed down by the process of C-suite approval within Corporations, and have seen fledgling collaborations collapse for that reason. They prefer 'we're working on it' contact to nothing.

- They look to grow and scale fast, but are happy to wait for the right time rather than sacrifice quality for speed of progress.

- They have learned not to overpromise what they can bring to innovation initiatives, and as such believe they should be trusted.

- Start-ups prefer contact with a single Corporate representative rather than being passed around.

- Today 'start-ups' as a term frames a fairly broad spectrum, from entirely new 'micro' teams at a conceptual stage to proven scale-ups with a solid track record of engaging with Corporates. Decide what scale and experience of start-up is most useful to your innovation aims, as well as what they in particular need to gain from involvement.

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For Further Consideration

- What can your Corporation do to realistically embrace and understand the personal nature of start-up culture?

- What can be learned from observing the way investors engage with start-ups?

- How can C-suite be convinced that start-up-focused innovation initiatives should be allowed to fail?

If you would like to find out more about the Whitespace Corporate Innovation Club please contact Andrew Webber from Whitespace at marketing@white.space
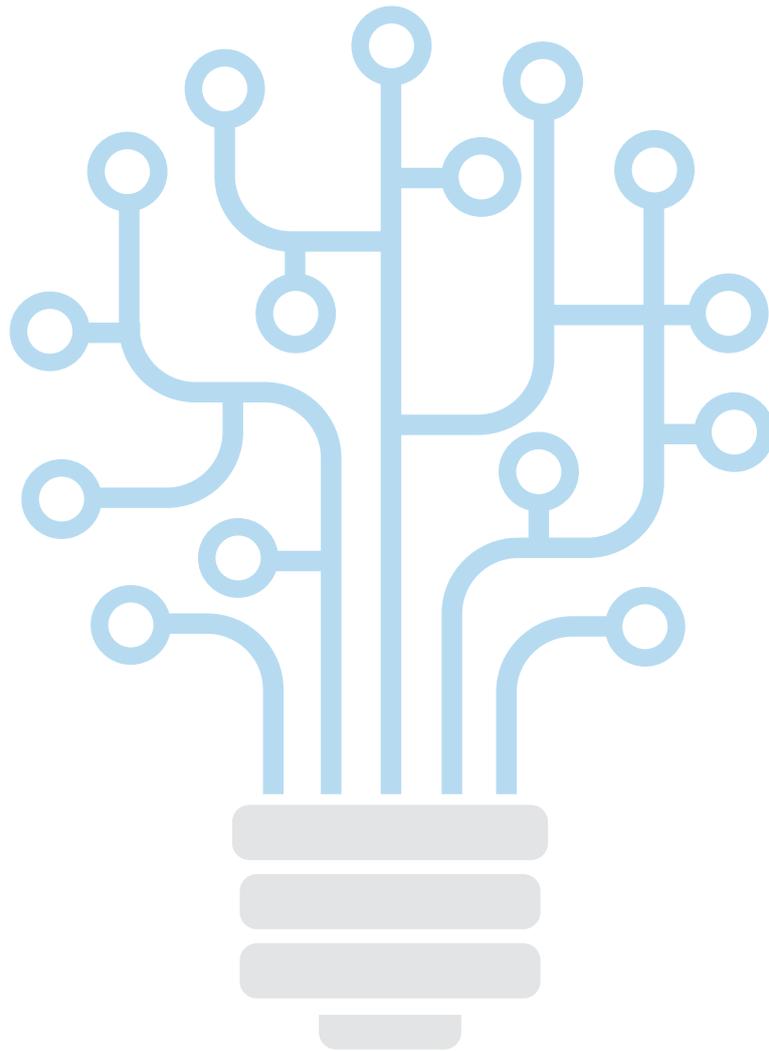
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