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Opening Acceleration across Europe

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OPENAXEL

White Paper on the connection between startups and industry

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About OPENAXEL

Launched in October 2013 and funded within the Seventh Framework Programme of the European Union, OPENAXEL (www.OPENAXEL.com) is a 32-month project involving eight partners (leading accelerators, institutional entities, and specialised innovation consulting firms) from six European countries and with wide international exposure. OPENAXEL is one of seven projects funded by the EU, under the EUHub (www.startupeuropehub.eu) umbrella, to support ICT companies in accelerating their business growth through internalisation and cross-border financing.

OPENAXEL intends to open the entrepreneurial ecosystem in Europe by identifying the key stakeholders of the acceleration and the ICT industries and fostering coordinated involvement and smart cooperation among them. With this White Paper, OPENAXEL partners wish to contribute to the lively debate on how to shorten the gap between established corporations and innovative digital startups. Leveraging on the European-wide network of accelerators built during the project, the analysis has been focussed on the role of business accelerators in facilitating these collaboration initiatives.

> **OPENAXEL started in October 2013 and will finish in June 2016.**
>
> The main objective of this report is to identify the instruments which can be implemented to connect startups with corporations, and to describe the role played by accelerators in this process.

1   Executive summary

Corporate – startup engagement (CSE) has been a subject of discussion for many years, but in the last three years it has reached a pivotal role in the debate in Europe as digital transformation has begun to change not only tech-related sectors, but also traditional industries such as banking, logistics and manufacturing.

This OPENAXEL White Paper examines how far advanced European companies are in embracing open innovation and what actions they undertake when pursuing CSE. The driving questions are:

- Are European corporations conscious of open innovation patterns and methodologies?
- How far have they progressed over the past several years in implementing open innovation practices?
- What are their short and medium-term plans to improve collaboration with innovative startups?

As a second point, this paper examines the role of business accelerators in closing the gap between these two worlds. While corporate accelerators are often conceived to achieve these goals, they are not alone. Our analysis attempts to establish guidelines in order to identify accelerators more apt in embracing corporate – startup collaboration as a core component of their mission:

- How do these accelerators operate?
- How many corporations do they manage to reach?
- What are the motivations behind these accelerators?

To shed light on these questions, OPENAXEL conducted field research through in-person interviews with corporate and acceleration managers, and via three surveys, the first for corporations, the second for accelerators and the third for startups. To summarise our findings on corporations, while 97% of European corporations have carefully analysed their needs for open innovation, the implementation of specific actions has been slowed to pick up. Current CSE actions are about improving internal processes such as simplification or fast track procurement (54%), whereas the focus in future actions will be principally in making profound transformations in company cultures to become more entrepreneurial (30%). Many respondents admitted that they have started CSE without attentive strategic planning of performance indicators (57%), and without the involvement of their leaders (46%). For almost half (48%)

of European corporations, CSE still appears to be a quick-fix to innovation needs, rather than a long-term solution to solving strategy problems.

Regarding accelerators, our findings show a varied situation. Although the most popular primary sources of funding are venture capital/business angels or public listing (32%), government grants (27%) and corporations (27%), the vast majority of respondents (92%) depend on hybrid forms of funding. When crossing financing sources with accelerators' intrinsic goals, we observed that for-profit accelerators responding to risk investors or corporate sponsors have the highest average number of connections to corporations (30). However, when it comes to supporting alumni with corporations, the situation is reversed: the most active are 67% of ecosystem builders and 75% of open-innovation accelerators.

Overall, accelerators do indeed play a role in connecting startups to corporations, with 77% across different categories reporting frequent activity along this line. Of the 58% who replied to the investigation concerning how many successful startup-corporate matches they had performed, they reported an average of 33 (from a minimum of two to a maximum of 127), referring to the whole life of the accelerator. However, as only one in ten tracked this metric or, if they did, accepted to share the metric with us, it is difficult to draw conclusions on efficiency.

This White Paper is aimed at:

- Startups and corporations. They will find interesting suggestions on best practices and key problems. Additionally, they can find useful tips on how to identify good partners in the accelerators universe.
- Accelerator managers. They will be able to put into use a new set of self-assessment tools to position their business towards both kinds of clients.
- Policy makers: They will obtain up-to-date examples of good practices by European corporations, and a framework to detect accelerators which could help sustain policies of open innovation.

2 Introduction

2.1 Main objectives of this White Paper

The European Commission (EC) aims at linking startup communities and hubs across borders, to nurture Europe's entrepreneurial culture, encourage female entrepreneurship, improve attitudes towards risk and business failure, and to foster innovation across the continent. Europe's ability to grow its economy within the scope of global competition is strongly correlated with the degree of involvement that European society will be able to manifest in innovative markets and technology. Web and ICT entrepreneurs play a fundamental role in this challenge, since ICT is continuously consolidating its role as a pervasive enabler of economic development in all sectors, from agriculture to manufacturing, from health to energy, from social inclusion to homing amongst others.

OPENAXEL is part of the investment by the European Commission towards these goals done in the scope of the **7th Framework Programme**. It belongs to the European Commission's plan to strengthen the business environment for web and ICT entrepreneurs thus enabling Europe to become a nest of innovation for their ideas and businesses.

The number of startups in Europe is increasing steadily. They all usually need to form partnerships with other firms in order to increase their chances of success. Larger companies and multinational corporations additionally look for startups, which could be of help in their further expansion. However, **startups and corporations speak different languages**, run at different speeds, and serve different purposes. Startups constantly disrupt, invent new technologies, and develop new business models, but struggle at accessing early market traction and capturing business opportunities across borders.

Established corporations have sufficient capacity to bring revolutionary products and services to the market, but are more likely to move slowly with innovation to protect their brand strategies and financial security. Developing innovations is the point where both startups and established companies face the same problem. Both have to develop new products, services, processes or business models.

While startups often have the freedom and agility to think more out of the box, innovative companies have larger shoulders when bringing innovations to market when they leverage the full potential of their existing resources and customer access.

Like different generations, the two sides misunderstand each other. Corporations are perceived as old, bureaucratic and risk-averse. Startups are seen as disruptive, irresponsible and inexperienced. Neither side usually knows how to extract the potential from the other. Here arises the gap. **When this gap can be closed, technological solutions are introduced to market more quickly**, they are distributed to a larger audience, and they provide higher competitive advantage for the European economy in the framework of global innovation markets.

In recent years, a third type of player has joined the game: **business accelerators**. Only a little over ten years have passed since the first appearance of this concept in the United States, followed by its adoption in Europe. Since the original model, started by Y-Combinator in 2005, many iterations of that model have been generated with varying nuances and perspectives. Accelerators have now been established in almost every country and large European city, with a number of them appearing in medium-sized and smaller cities as well. They attempt to attract digital entrepreneurs, developers, business experts and other talented innovators from all over Europe offering them mentorship, pre-seed capital and offices to work from.

Under the seemingly clear mission of "accelerating success" for their startups, these accelerators vary widely in the methods in which they implement this. While in some cases **accelerators can play a pivotal role in connecting startups with corporations**, in others the motivations behind their inception and standalone success make them less interested in being the middle man in these collaborations.

OPENAXEL's contribution in this debate centres around the analysis of the current status of corporation-startup collaborations in Europe, focusing on the role of accelerators in facilitating this relationship. This study is made possible thanks to the map of corporations and accelerators gathered during the project. In order to derive value for all actors of the innovation scene including policy makers, project partners have tapped into this network and distributed three surveys. The **objectives** were twofold: to establish the **status of adoption of open innovation initiatives by European corporations**, and to establish the **archetype of accelerators which play a more significant role in connecting** large companies and digital startups.

The core three chapters of this paper are dedicated to: the **major challenges faced** in collaborations between digital startups and larger companies (Chapter 3), the **strategies used by corporations in open innovation** frameworks (Chapter 4), and the **role played by accelerators** in filling in this gap (Chapter 5). The latter subject constitutes the most original contribution to the many studies that are being produced by other observers and research institutions in Europe. In our research, we will present a new classification of different types of accelerators, their main features and their alternatives, and we interpret the results of our survey around this classification.

This White Paper generated by OPENAXEL will be submitted to the European Commission to contribute to the objectives of the Digital Agenda for Europe in improving services for ICT startups and entrepreneurs.

2.2 Methodology

In crafting this White Paper, OPENAXEL partners **leveraged their extensive network of corporations and accelerators from all around Europe** to gather know-how, best practices, lessons learnt and real stories. A number of partnerships were created with other European projects such as Startup Europe Partnership, INCENSe, IMPACT, and FI-C3 Accelerators (part of the 16 FIWARE Accelerators), and ODINE, amongst others, together with independent research institutions such as NESTA. This allowed for a dense aggregation of data and sources of information from many viewpoints, different actors and geographies of the European startup ecosystem.

The means of data collection were both field research with accelerators and corporations, and desk research on data and literature. The field research consisted of more than 20 in-person and **online interviews**, and of **three surveys** distributed to over 100 innovation managers and executives in large

corporations and SMEs in the digital sector, and to over 60 accelerators of digital startups in Europe. Our surveys were designed with the support of expert researchers in entrepreneurial ecosystems. Finally, a dozen **case studies** were analysed in further detail, the most prominent of which are included in this paper as examples for inspiration. The desk research was based on reading dozens of publications, news, blogposts, and reports available online since 2012.

Collected data, interviews, and literature were analysed and discussed by all OPENAXEL partners, in order to identify patterns and derive recommendations for future actions to corporations, startups, accelerators and the European Commission. The main editors gathered all inputs and gave shape to the paper, in maximum respect of the original assertions and opinions expressed by the other contributors.

3   Current situation

3.1   Corporate-Startup Engagement (CSE): biggest players already in the game

Early February 2016, several Fintech startups consecutively took the stage at Old Billingsgate Market, an event venue located in the heart of the City of London. They all had seven minutes to present their ideas and impress attendees of the London edition of Finovate conference.

Finovate is a series of conferences aiming at linking new and established companies that since its inception in 2007 attracted more than 16,000 attendees and 700 Fintech companies.

The audience was filled with representatives from companies such as HSBC, Société Générale, UBS, all with multibillion Euro revenues, headcount in tens (UBS) or hundreds (Société Générale, HSBC) of thousands of people, all with history dating back to mid-19th century.

Companies including Lendstar, a German startup aiming to combine payment services with messaging, and Spiff, an Oslo-based saving platform, became the centre of attention at the Conference

Spiff (six team members, founded in 2015) and Lendstar (11 team members, founded in 2013) could not be further away from HSBC, Société Générale and UBS with regard to their stage of development and resources. Yet, meetings between young, small but ambitious companies and well-established, wealthy corporations are becoming increasingly popular, as is cooperation between these two groups. In fact, more than half of the world's 500 biggest public companies work with startups, according to research[4] by Insead, the French-business school and 500 Startups, a San Francisco-headquartered venture capital fund and startup accelerator.

Europe turns out to be in the forefront of **corporate-startup engagement (CSE)**, as illustrated by the research from Insead and 500 Startups: out of the five countries with the highest number of companies involved in CSE, four are located in Europe, with France being the top country, followed by Germany, Switzerland, Japan and the United Kingdom. More so, the list of the biggest buyers of EU startups in 2015 is dominated by big corporate players such as German ProSiebenSat1, Ströer Group and French Vivendi, according to data compiled by Tech.eu[5].

3.2   Issues with CSE

Although the wave of CSE is rising, cooperation is challenging not only for corporations, but also for startups, given that established companies might consider disruptive startups as a competitive threat and startups might wish to avoid influence from corporate culture and habits. Some of the most persistent issues connected with CSE are the following, as reported by respondents of our survey:

1. **Corporations are rigid in terms of their internal structure**. They have established departments, goals and procedures. Consequently, it is very hard for them to engage in anything that does not fit

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4 " How do the World's Biggest Companies Deal with the Startup Revolution?", 500 Startups & Insead, February February 2016

5 "Germany, UK lead explosion in European startup exits in 2015", Gedalyah Reback, Ggeektime.com, February 3rd 2016

with their structure. This may result in a slower decision process, as issues can get thrown from one department to another resulting in confusion as to how to proceed with a startup.

2. **Most corporations serve existing customers in their main market**. Startups tend to cater to early adopters in new markets and often endeavour to completely change the way things are being done. As corporations are driven by their customer relations they prioritize issues which customers demand. These demands are often connected with improvements to existing products and services not new, disruptive solutions.

3. **Corporations and startups usually define their key performance indicators (KPIs) differently**, they are thinking in different time horizons and their willingness to risk taking is different. Alignment is not always easy, since on one side inexperienced parties do not spot this problem at first sight, and on the other side even veterans of cooperation restart every time from zero as they treat each collaboration as a different case.

4. **Most corporations, especially public companies, are driven by short term growth in revenue or profitability**. Startups are rarely able to contribute to that. With corporate revenues counted in billions of Euros, a positive contribution of a startup is negligible.

The former problems show that a common language is strongly needed. Corporations should provide startups with navigation tools through their hierarchy and measurable objectives for cooperation, disclosing the market strategy they are pursuing. Startups should endeavour to organise internally in order to align with decision and action times of corporations, and to reserve part of their resources to these precious channels of collaboration.

3.3   Motivations: why corporations and startups work together?

Regardless of the issues outlined above, there are a number of drivers for CSE. Corporations have learned that in digital innovation, size does not matter and disruption in traditional markets can come from unknown companies with household names. Yet, due to intense competition, startups often have a limited window of opportunity to sell their products and services to corporations

Here are some of the most prominent drivers, collected from field experience:

For **startups**:

- support in the definition and quick **validation of its business model and in the business development plans** (mentoring)**;**

- access to **methods of distribution** and **technical know-how**;

- access to **manufacturers and suppliers**;

- forming partnerships;

- access to **working space**;

- **bargaining power** with third parties, **visibility**, **credibility**;

- access to **other markets** (internationalisation);

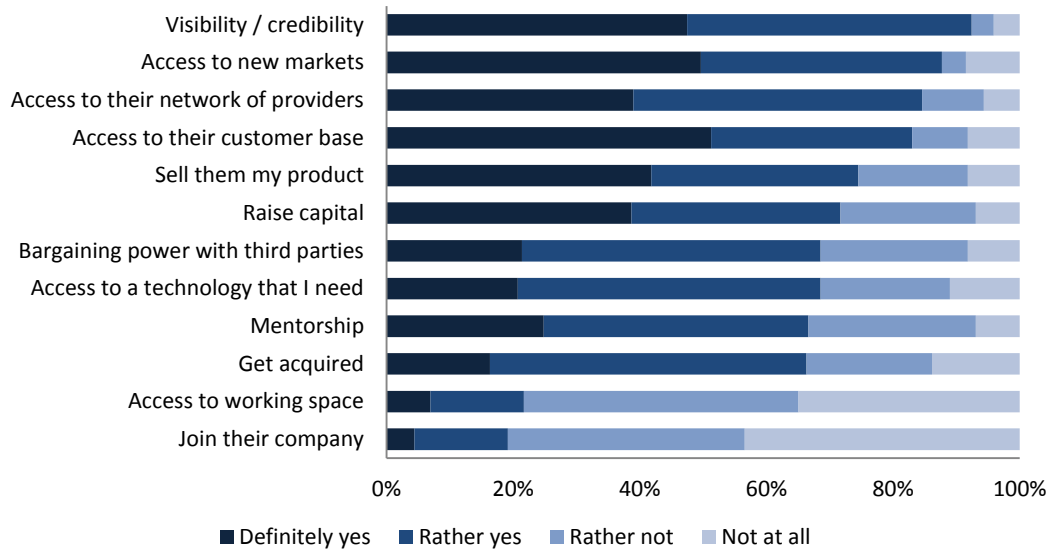- access to **network of clients** and **private partners**.

Figure 1 Startups´ motivations to engage with corporations

OpenAxel survey for startups revealed that the two main reasons for startups to address corporations is visibility and credibility (47% of the survey respondents stated it would definitely motivate them, and 45% that it would rather do so) and access to new markets (88% of respondents stating it would definitely or rather convince them), while often offered service of access to working space seems to be dispensable for startups, only a little over 20% of respondents would benefit from this opportunity.

European startups want to remain independent, their desire is reflected by 81% negative responses to the issue of the possibility of joining a company.

Drivers for **corporations** will be analysed further in the following sections. They can be divided into **three groups**:

- innovation (solving business problems, and by doing so lowering the cost of failure leading to overall lower cost of R&D, and rejuvenating company culture);

- new revenue streams (entering new markets, financial returns);

- marketing (repositioning a corporate brand, corporate social responsibility).
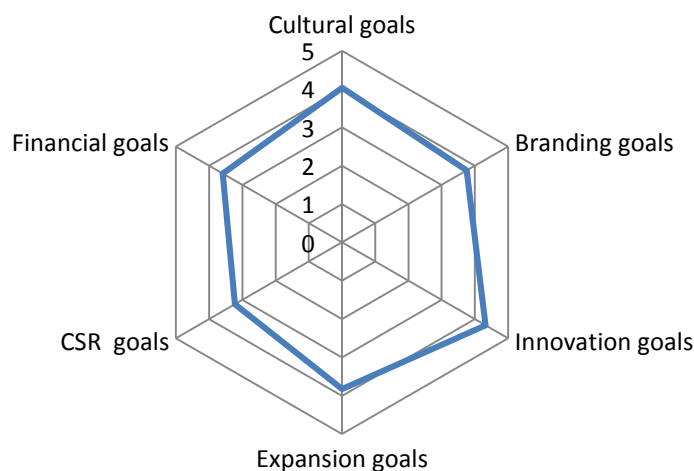

Figure 2 Corporations' motivations to work with startups

Innovation drivers are those which pertain to the introduction of a new process or service in a known business. **Cultural goals** can be assimilated to this category, when they are interpreted as introducing a new culture in existing personnel. Activating **new revenue streams** stem from either **entering new markets** that are outside of a company's core business, or from reaching an exit and the consequential **financial returns** resulting from a successful corporate venture investment in a startup. Finally, **marketing drivers** are related to associating the company's **brand with innovation**, or with goals of **corporate social responsibility** (CSR).

3.4   CSE drivers for European corporate players

The OPENAXEL survey set out to examine which drivers[6] matter the most for European corporations. According to our respondents, **innovation-related drivers proved to be the number one reason** for corporate collaboration with startups, with 83% stating that working with new companies to **solve business problems** is either a very important or important motivation for them to engage in CSE. Apart from search for technologies, companies, or individuals able to solve problems faced by big players, established companies closely watch whether startups might disrupt their industries. The need to stay up to date with emerging technologies and, by doing so, **rejuvenate company culture** was highlighted by 76% respondents as either a very important or important driver to CSE.

With revenues exceeding € 2bn, ProSiebenSat1, surely has sufficient muscle to plan its foreign expansion without the need of external partners. However, in an effort to increase its YouTube presence in the US, the German media giant, acquired a 20% stake at Collective Digital Studio (CDS) in 2014, an online content startup founded in 2011 in Los Angeles. While ProSiebenSat1 has the money, only CDS (currently known as Studio 71 and fully owned by ProSiebenSat1) understood the local audiences and knew how to curate hits such as the Annoying Orange (almost 5 million YouTube subscribers) or Fred Figglehorn (over 2,5 million YouTube subscribers). **Entering new markets** by working with local startups proved to be the **third most popular motive** for CSE among OPENAXEL survey respondents with 66% of them stating that it is either very important (29%) or important (37%) to them.

Working with startups can also be seen as a way to **reposition a brand**, it gives an impression of being more innovative and more up to date with needs of their clients, but also, their employees. After all it is companies such as Google, Apple or Facebook that gather a considerable amount of attention as desirable places to work. All of these companies, not currently startups themselves, are known for embracing startup cultures. Engagement in CSE as a way to reposition a brand was highlighted by 46% of respondents as important and 18% as very important, making it one of the most popular drivers for startup collaboration, according to OPENAXEL's survey.

All these drivers are undertaken by corporations toincrease a company's revenues. However, contrary to popular belief, direct **financial gains** out of CSE (in the form of acquiring equity of a startup and then selling it at a profit after a period of time) **are not one of the main reasons** why corporations jump into the world of startups. Although 27% of the survey respondents stated it is very important for them, and 32% that is it important, the remaining 41% declared that it is not a significant driver for them.

The least popular motive for working with startups is **corporate social responsibility** (CSR). Only 5% of respondents see this as a very important driver of CSE, with over half (55%) of respondents stating that they do not see CSR as a crucial factor behind putting resources to work with startup firms.

3.5   Opening up to open innovation

"We want to be the Uber for energy"[7]. This is not an opening line of a startup trying to gain attention at one of the pitching events, but words of Inken Braunschmidt, the chief innovation officer and head of Innovation Hub at RWE, a German energy company with over 70,000 employees, revenue over € 50bn and a history dating back to the end of 19th century.

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6 Classification of drivers for corporate engagement with startups used in OPENAXEL survey was based on "Winning Together: a Guide to Successful Corporate-Startup Collaborations" published in June 2015 by Nesta, a British non-profit focusing on innovation
7 "RWE's Head of Innovation Inken Braunschmidt: 'We want to be the Uber for energy'", interview by Sonja van Renssen, the Energy Post, October 5th 2015

One thing is to make bold statements like this and another is to find a way to actually make it work in a company with hundreds of departments, thousands of employees and operating models established over many decades. In the case of RWE, according to Mrs Braunschmidt, a focus on startups starts not from disruptive ideas, but from **having CSE approved by the company's top executives**. "The first thing you need is strong support from your top management and we have it. From them, we not only got the task to develop new business models and add significantly to RWE's EBIT (Earnings Before Interest and Taxes) in a few years' time, we also got the task to positively influence the company's DNA," says Mrs Braunschmidt.

OPENAXEL's survey intended to examine whether such an approach is an exception, or the norm across Europe, and what other steps are most often utilised by European companies in order to introduce their collaboration with startups. Generally speaking, such a process can be divided into **three stages**[8]:

- analysis (defining internal needs and objectives, selecting programmes to meet these objectives);

- implementation (securing a board-level sponsorship, developing KPIs and confirming them at a board-level);

- execution (assigning an internal representative responsible for startup engagement, creating a publicly visible single access point for startups, simplifying processes for startups interested in working with a company).
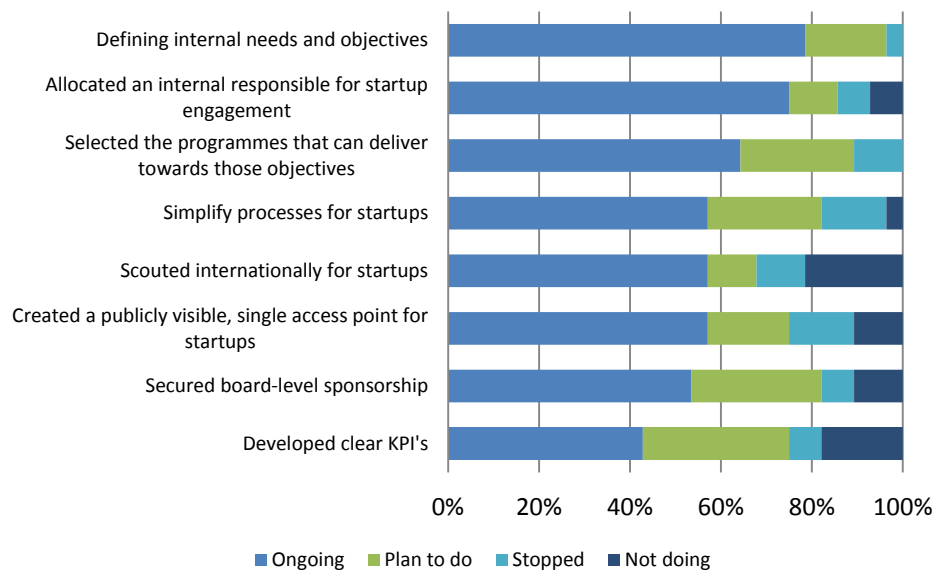

Figure 3 Steps most often utilised by European companies in order to introduce their collaboration with startups

According to our findings, European corporations are for the most part conscious of the importance of the **analysis phase** when introducing a startup-oriented approach: 76% of the survey respondents declared that they **carefully define internal needs and objectives** for such a collaboration (and 17% claim they plan to do so). An overwhelming majority (86%) of companies has already **selected programmes that can deliver towards these objectives** or plans to do so soon.

While European companies come out strong when it comes to the analysis stage, when it comes to the implementation stage, it becomes clear that here lies one of their biggest weaknesses. **Only 43% of the survey respondents developed clear KPIs for working with startups and approved them at a board-level**. What is more, one fifth of our respondents did not even consider doing so. It is hard to think of any non-financial KPIs being considered. When it comes to that aspect of implementing CSE, **only 54% of**

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8 Based on Nesta's recommendations for corporations looking to engaged with startups published in "Winning Together: a Guide to Successful Corporate-Startup Collaborations"

respondents either have board-level sponsorship for CSE currently secured or have had so in the past and 28% plan to do so in the future. Meanwhile 11% did not consider doing so and 7% are yet to fight for a top management backing for its CSE efforts.

In the execution stage, **assigning an internal representative responsible for startup engagement** proved to be by far the most popular tool among our respondents. **75%** of them declared that they either did so in the past and plan to do so in the future, or that they currently have such a person within their company.

Less popular, but still implemented in more than half of the companies surveyed by OPENAXEL proved to be **creating a publicly visible single access point for startups** and **simplifying <u>processes</u> for startups interested in working with a company**. In both cases 57% of our respondents declared that this is the model of CSE execution that they either have tested in the past or currently have in place and will continue in the future. Notably however, in both cases more than a third of our respondents are either yet to introduce these tools or did not consider this at all.

Finally, **more than half of the surveyed corporations (57%) scout for startups internationally**, which shows that cross-border collaboration is becoming prominent in Europe. Conversely **a fifth of corporations still did not ever consider looking at international markets** to spot emerging technologies.

3.6   European CSE: not a mature process

From the numbers presented above we may derive a picture of an **ongoing transformation** in European corporations, which is well on its way but still far from maturity. Even though big corporations today seem to be fully aware of the need to complement their internal R&D with open innovation tools, they **still have a pre-digital mindset and processes** in place. They do not consider the need to engage with startups.

Based on the survey responses, and as it will be discussed in Section 4.2, it appears that **European companies look first and foremost at short term solutions for staying up to date with changes in their industry** (solving business problems being a very important reason for CSE for 39% of the respondents). At the other end of the spectrum is engaging with startups as a mean of CSR, with 5% of our respondents stating it is a very important motive behind their involvement in CSE. All this considered, these might be signs of a new consciousness: while in past years a few CSE programmes were initiated under the responsibility of CSR or marketing departments, our survey suggests that there might be a shift taking place towards more strategic functions. For instance, TIM's Working Capital programme followed exactly this path, from its inception under CSR in 2009 to its most recent implementation under Strategy and Innovation in 2016[9].

Other motivations, such as brand repositioning and entering new markets, although faring relatively high (both are important or very important for well over 60% of respondents) are still a long way away from being the top reasons for becoming involved in CSE. European **corporations may still be looking at startups as a quick-fix of innovation needs, rather than a long-term solution to strategy problems**.

The image of European CSE is not very encouraging when we look at how corporations approach strategies towards startups. Although, as with any new business undertaking, a careful due-diligence is needed before engaging with startups, and whilst it is encouraging that as many (79% of our respondents) state that they define their internal needs and objectives, one would expect that a similar – if not higher – number of corporations would have KPIs and finances for CSE put in place and secured at the board level. In contrast to this, one third of all companies admitted that KPIs and board-level sponsorship is something that they have yet to approve, and one fifth confessed that they did not even consider agreeing on performance indicators with their leaders.

These findings suggest that, in about 50% of OPENAXEL's survey respondents, CSE may be **started at mid-management level or in some form of bottom-up fashion** without proper involvement of top

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[9] http://www.wcap.tim.it/

management. This may **pose serious limitations in its capability of profoundly influencing the company culture**.

What emerges is that, while many European companies are eager to engage with startups, they **still lack the internal structures and support** to do so effectively or are doing so more based on branding imperatives (building an image of an innovative company) rather than on tangible effects on their internal innovation processes. There are still progresses to be made in this area.

3.7 Accelerators: a recipe for successful CSE?

The turn of the 21st century saw an **emergence of accelerators**, with the first one – Ycombinator being established in 2005 in Cambridge, Massachusetts (before moving to Silicon Valley in 2009). Just eight years later there were 213 entities of this kind globally, including 90 in Europe[10].

Accelerators' growth to prominence may be attributed to two factors: **highly visible results** – most accelerators have entrepreneurs publish information on investments secured for startups enrolled in their programme, with leaders such as Techstars, an American accelerator (with local branches in countries the UK and Israel) boasting over $ 2bn secured for its companies. Furthermore, there is an increasing number of people seeking to launch their companies, as confirmed by data collected by the Global Entrepreneurship Monitor.

While accelerators are not perfect (as will be discussed in Chapter 5), they can significantly support CSE by creating vertical and sectorial startup markets that are transparent to the industry and that are a one-stop shop for big corporations and for startups. Chapter 5 focuses on the role of accelerators in facilitating the matching of startups with corporations and on the main features of European accelerators.

3.8 Case studies

Case study 1: Multifaceted approach to working with startups

Case: Telefonica

Established: 1924 (the company), 2011 (CSE)

Quote: "What interests us is innovation and disruptive ideas in multiple sectors, be it Internet of Things or Fintech," Ines Oliveira Ribeiro, global portfolio manager at Wayra

Headquarters: Madrid

Operations: Spain, UK, Germany, Finland, South Korea, China, Mexico, Colombia, Peru, Argentina, Chile, Brazil, Ecuador, Costa Rica, Venezuela, US, Israel

Corporate partners include: Microsoft, Deutsche Telekom, Orange, Singtel, China Unicom, Korea Telecom, Santander, Iberdrola, Endesa, ENEL, Intesa SanPaolo, Ericsson, Cisco

While many corporations still look for ways how to engage with startups or engage with them through one or two tools of CSE, Telefonica, the telecommunications giant headquartered in Madrid, has a multi-layered, wide and open approach to CSE. The company does via its Open Future division which includes initiatives such as Amerigo funds, a network of 6 VC funds which to date have invested in 60 startups, Telefonica Ventures, a corporate VC fund that invests in companies that fit the company's global activities in the US, Europe and Israel as well, competitions for young entrepreneurs (Think Big, Talentum Startups), and an acceleration programme – Wayra – which offers space in 20 co-working facilities (in Telefonica's nomenclature called "crowdworking spaces").

Open Future's multiple approach manifests itself also in the fact, that many of these initiatives are available in a wide array of countries (notably however, exclusively in countries where Telefonica

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10 "It's getting crowded: with roughly 100 startup accelerators across Europe, how many are enough?", Robin Wauters, tech.eu, November 29th 2015

operates). For example, Amerigo funds were introduced to six countries – Germany, Brazil, Chile, Colombia and Mexico, crowdworking spaces in countries such as Spain, Costa Rica, Ecuador, South Korea and China and Wayra accelerators in 10 countries including Colombia, Argentina and Germany. What is more, majority of Open Future initiatives are run not exclusively by Telefonica, but together with partners, both private and public.

Telefonica's multi-layered approach to CSE is best manifested by its acceleration programme, established in 2011 in Colombia. Although telecommunications constitute the core of Telefonica activities, Wayra accelerates startups from multiple non-telecoms fields. "We look at tech companies, but they do not necessarily need to have a fit with Telefonica activities. What interests us is innovation and disruptive ideas in multiple sectors, be it Internet of Things or Fintech," says Ines Ribeiro, portfolio startups business development manager at Wayra.

"There is a number of non-telecoms related innovative ideas that Telefonica can actually implement in our operations," adds Mrs Ribeiro, while pointing to Quidni, a startup accelerated by Wayra London. "They have a great virtual customer management system. We first implemented their product in over 480 stores in the UK, then in more 190 in Spain, now we are working on introducing it in Peru," says Mrs Oliveira Ribeiro.

Case study 2: Traditional institution embraces CSE

Name: Barclays

Established: 1690 (the company)/2014 (CSE)

Quote: "We developed a process to which we can do things five times cheaper and three times faster than through traditional route," Magdalena Krön, head of Rise London and Vice President of Open Innovation at Barclays

Headquarters: London

Operations: 50 countries including UK, Sweden, Lithuania, Russia, Italy, Malaysia, South Korea, Mozambique, South Africa, Brazil, Mexico (for banking operations), UK, Lithuania US, South Africa (CSE)

It is hard to find another company with tradition embedded in its DNA stronger than in Barclays, a bank established over 320 years ago. And it is hard to find an industry more scrutinized than the one in which Barclays operates. And this is exactly why, according to Magdalena Krön, head of Rise London and Vice President of Open Innovation at Barclays, her company introduced its Rise acceleration programme. "Like every company, we need innovation. But startups wanting to work with a bank need to overcome many hurdles, given how heavily regulated our industry is," says Mrs Krön. "We focus on removing those hurdles and helping startups receive necessary permits to work with financial institutions," adds Mrs Krön. "We developed a process to which we can do things five times cheaper and three times faster than through traditional route."

Barclays started its acceleration programme (then named London Escalator) in 2014. Quickly however expanded to other countries and now operates also in Manchester, Vilnius, Cape Town and New York (in the US Barclay's accelerator is run by Techstars). It also expanded the scope of its activities, as Mrs Krön puts it: into "everything that can help Barclays be more efficient". There are 10 startups participating in each cohort and each programme lasts 3-months. The bank takes 6% equity in each participating startup, and while does not invest financial resources in them, startups can obtain investments offered by Techstars and its partners.

Streamlining processes connected with open innovation was not the only outcome of introducing Rise programme. And not the only way in which Barclays engages in CSE, as the company periodically organises hackathons and in mid-2015 announced plans to start running co-working spaces. "We see a strong of culture change within our bank", says Mrs Krön. "Recently we organised an internal hackathon in Manchester which resulted in 14 prototypes. You can clearly see that mindsets are shifting," she says. "Now we are working on including Barclays employees without technical background to also get involved in open innovation," adds Krön.

3.9 Chapter in brief

- More than half of the world's 500 biggest public companies work with startups. Interactions between startups and corporations are becoming increasingly popular and Europe is in the forefront of corporate-startup engagement (CSE). Out of the five countries with the highest number of big companies involved in CSE, four are located in Europe (France, Germany, Switzerland andthe United Kingdom).

- Although CSE is gaining on popularity, corporate – startup collaboration is not as smooth as it might seem, given that startups have different structures, working cultures, business imperatives and KPIs to those of corporations.

- Despite the hurdles there are a number of benefits for both startups and corporations. For startups: gaining credible partners, access to distribution channels and know-how, access to networking and manufacturers and potential business partnerships. For corporations: help with solving business problems, rejuvenating company culture, entering new markets, financial returns, repositioning of a corporate brand and CSR.

- OpenAxel survey for startups revealed that most startups, when searching for a company, hope to increase their visibility and credibility (92% of positive responses) and access to new markets (88% of respondents stating it would definitely or rather convinced them),
- Independence is crucial for European startups, 81% of respondents state they do not want to join a company.

- According to the OPENAXEL survey, the main CSE drivers for corporations are: solving business problems (83% see it as either very important or important), rejuvenating corporate culture (76% stated it is either very important or important), entering new markets (66% respondents stated it is either very important or important). Financial gains and CSR proved to be less significant as drivers.

- In order to implement CSE in companies, according to the British non-profit organisation focusing on innovation Nesta, companies should focus on: defining internal needs and objectives, selecting programmes to meet these objectives, securing a board-level sponsorship, developing KPIs and confirming these at a board-level, assigning an internal representative responsible for startup engagement, creating a publicly visible single access point for startups, simplifying processes for startups interested in working with companies.

- The OPENAXEL survey set out to check which of these guidelines have been introduced by European corporations.

- According to the survey, most of the companies stated that they had carefully defined internal needs and objectives for CSE (76% of the respondents). When added to the 17% of those who plan to do so soon, 93% of respondents are conscious of the opportunities made available through startups and intend to look into it. Many have also carefully selected programmes towards these objectives (86% of the respondents).

- Assigning an internal representative responsible for startup engagement also proved to be popular (with 73% of the respondents stating they already did so or were currently implementing this in their structures). Tools such as creating a publicly visible single access point for startups and simplifying processes for startups interested in working with a company proved to be less popular..

- Securing a board-level sponsorship and developing clear KPIs for working with startups and approving them at a board-level turned to be the least popular, with respectively 52% and 41% of our respondents stating they already did.

4   Corporate involvement in open innovation

4.1   How corporations engage with startups?

Big sums spent by corporations on startups such as Whatsapp, a six-year old messaging platform, bought by Facebook in 2014 for approximately € 19.7bn or Tumbler, a microblogging platform founded in 2007, acquired by Yahoo in 2012 for almost € 1bn, make news headlines and appeal to a wider audience. Especially, as such acquisitions can be seen as the most direct way of cooperation in which motivations of both startups and corporates are clear. Corporations gain new promising technologies, startup owners are remunerated for it, receiving quick financial gains, and these certainly faster that if they were to continue managing their companies independently.

However, forms of CSE are much more complex (as are motivations behind CSE, as stated in the previous chapter) than just corporate giants "swallowing" young innovative companies. Forms of corporate-startup cooperation are the following[11]:

- one-off events

- sharing resources

- accelerators and incubators

- partnerships

- investments

- acquisitions

One-off events are gatherings sponsored (financially or by other means, such as offering a venue for an event or providing mentors) by a corporate entity in a form of a hackathon, conference or a competition for startups. The main take-away for startups to participate in such events are **networking opportunities** with potential customers, mentors and other entrepreneurs, **opportunities to improve pitching or other business-related skills** and **possibilities to receive financial prizes** (it has to be noted that financial prizes in such events are much lower than potential funding received via seed money or investment rounds). The main **take away for corporations is in the early-stage vetting of potentially interesting startups or technologies**.

Examples of one-off events in Europe: Dutch Open Hackathon (with KLM, Rabobank and Philips among its sponsors), 'Next' conference in Hamburg (with partners such as Audi and Telefonica), Venture Cup competition in Sweden (with partners such as SEB and McKinsey & Company), Tech Open Air Festival in Berlin (with partners such as Zalando, Google and Axel Springer)

Sharing resources refers to enabling startups to access the internal resources of a corporation. Such resources can be in a form of an **office space (co-working space)** or **business services such as legal, accounting, marketing or technical advisory**. It can also include free access to technological tools such as **cloud space** or **data analytics platforms**.

Resource-based help is usually connected with core activities of a corporation (for example accounting consultancies providing accounting help, technology firms providing technical help). The main take-away for **startups** is in **access to tools** which otherwise would require substantial financial resources and validation of a business (ability to state that a well-known brand cooperates with a startup). The main take away for **corporations** is a relatively inexpensive (as it engages resources that the company already has) **form of cooperation** with new companies and is a big part of **"educating" startups to use corporate technology**, "incubating" them to become future clients of the resource-provider.

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11 As outlined by Nesta in its "Winning Together: a Guide to Successful Corporate-Startup Collaborations" report

Examples of sharing resources in Europe: Startup Focus by SAP (technical assistance), Saint-Gobain's Entrepreneurship Foundation and HSBC's Financial Planning website, Telefonica's Think Big foundation (business assistance), Microsoft BizSpark, Google for Entrepreneurs, AWS free credits for startups

Accelerators & incubators refers to a more institutionalised cooperation with a startup by accepting it into an **incubator** (for early stage companies) or **accelerator** (for a post-seed stage startups). Startups are usually enrolled in them for a limited amount of time, during which they receive a **business support package**, which can include anything from legal help through marketing to introduction to potential investors.

Startups usually participate in incubators and accelerators by applying for a programme and ceding an equity stake. The main take away for a **startup** is receiving comprehensive help which might even lead to completely **shifting its business model** (such a shift is known as a pivot). The main take away for **corporations** is receiving a **stake in a potentially successful business** and the possibility to participate in shaping a startup at a relatively early stage of its life-cycle.

Examples of business support in Europe: Unilever's Foundry, Telefonica's Wayra Accelerator, TIM's Working Capital, Barclays's FinTech Accelerator, Orange Fab, and Accelerator Assembly supported by Microsoft, Nesta and Wayra among others

Partnerships are a form of cooperation in which corporations work with startups in order to either **co-create a product or tackle a specific problem**. Rather than investing directly in startups, this form of cooperation is based most often on signing a procurement deal becoming a leading customer of a product or service provided by a startup. The main take away for a **startup** is in the **validation of their activities**, as well as gaining a **leading customer** (i.e. an important source of revenues). The main take away for **corporations** is the opportunity to **address R&D-related issues** in a way that requires less amount of resources than acquiring of a new technology directly.

Examples of partnerships in Europe: Holst Centre with partners such as Henkel, BASF and Philips; Go Ignite Alliance with Telefónica Open Future, Deutsche Telekom, Orange and Singtel

Investments refer to corporate venturing. Corporations **purchase an equity stake in a startup**, and apart from providing a cash injection, can also offer comprehensive business support in order to scale up a business or speed up work on a product or service. This form of cooperation requires much larger financial resources than accepting a startup into an accelerator or incubator, but equity stakes received by corporations also tend to be higher. The main take away for **startups** are in **financial resources, validation and business support**. The main take away for **corporations** is in potential **financial gains** if the startup is successful, as well as an opportunity to **test new technologies or products** at relatively low-risk to its core operations and annual revenues.

Examples of investments in Europe: Unilever Ventures, Siemens Venture Capital Santander InnoVentures, Telefonica Ventures

Acquisitions refer to purchasing startups and either keeping them as a **subsidiary of a corporation** (though managed directly or indirectly by the acquirer) or **merging their technologies** into an already existing corporate structure. Companies might also conduct an **acqui-hire** which refers to purchasing a company first and foremost not for its product, but for the skills and expertise of a team behind it.

Examples of acquisitions in Europe: Vivendi's acquisition of majority stake in Radionomy Group in December 2015, ProSiebenSat.1 Media acquisition of Etraveli Holding AB acquired in October 2015 and Smartstream.tv in July 2015

4.2   Levels of involvement, length, costs and risk

Each form of cooperation with startups requires different levels of overall engagement from a corporation: time horizon, risks and costs of engagement. According to the division introduced by INSEAD and 500 Startups in "How do the World's Biggest Companies Deal with Startup Revolution" report, these forms are as following:

Required length of engagement

Each strategy requires different timeframes to be successful:

- short term (investments, acquisitions)

- medium term (accelerators/incubators, partnerships)

- long term (sharing resources, one-off events)

While acquisitions and investments potentially show immediate results, events such as hackathons and business plan competitions require longer involvements in order to be useful.

Costs and risk of engagement

Events certainly represent a cheap and low-risk channel to engage startups, whereas the cost increases when partnering with external accelerators and incubators or creating an own corporate accelerator. Investments and acquisitions are obviously the most expensive and riskiest form of engagement.

- low cost/risk (sharing resources, one-off events)

- medium cost/risk (accelerators/incubators, partnerships)
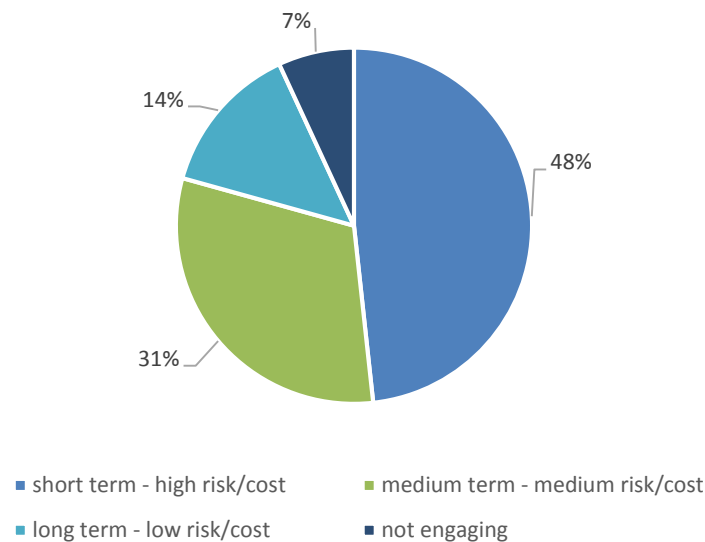
- high cost/risk (investments, acquisitions)

- short term - high risk/cost
- medium term - medium risk/cost
- long term - low risk/cost
- not engaging

Figure 4 Overall involvement of corporations, and attitudes towards length of strategy, costs and risk

It is widely considered[12] that European corporations are risk averse and slow to embrace innovation and react to changing environment. We combined the taxonomy mentioned above with the findings of OPENAXEL's survey mentioned in the previous chapter regarding preferred forms of cooperation to see if this is in fact the case.

Upon closer inspection into the taxonomy one can derive that short-term return strategies, i.e. investments and acquisitions, are also those with the highest costs and risks, and vice versa (i.e. sharing resources and one-off events show both long-term returns, and low costs and risks). An approximation of corporate overall involvement can be made by using the data concerning channels of startup engagement presented in the next session, and keeping in mind the correspondence just established between required length of strategy, and its costs and risks. This can be only an approximation as OPENAXEL's survey data was collected solely for business competition and hackathons (representative of one-off events), external incubators and accelerators, Corporate Accelerators (all representative of accelerators/incubators), and Corporate Venture Capital (representative of investments). Data on

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12 With media further reinforcing this view as evidenced by articles such as: "For startups in Europe, risk aversion stands in a way" (Associated Press, September 2015), "Europe is struggling to foster a startup culture" because it is "very slow, very risk averse" (Wall Street Journal, May 2015)

sharing resources, partnerships, and acquisitions are absent. As an additional consideration, we treated corporations relying on external accelerators and incubators as less risk prone than those setting up a Corporate Accelerator.

Keeping in mind these premises, the survey data can be useful in estimating the general attitude of European corporations towards CSE. Apart from one-off events which proved to be the most popular among the survey respondents and which can be described as low cost, low risk, requiring low overall involvement, but delivering results in the long term horizon, the remaining popular forms of CSE are either medium or high risk, medium or high cost and require medium or high involvement, though they are expected to deliver results in either short or medium term. In fact, **almost half of survey respondents (48%) declared that they embrace high cost, high risk strategies**, promising to deliver results in the shorter term. On the contrary, only 14% of respondents adopt exclusively longer-term, low risk, low cost CSE strategies.

From this analysis we can conclude that, contrary to the popular view, when it comes to CSE, **European corporations appear to be more risk and spending prone (whilst also expecting fast results)**. Whether this is going to be the dominant attitude for years to come, or just the first stage of a longer-term strategy which will eventually move towards pursuing more profound changes in corporate company culture and processes, still remains an open question. Section 4.4 will shed some light on this point.

4.3 Engaging startups: scouting means and channels for CSE

OPENAXEL's survey set out to measure not only motivations behind corporate involvement in startups and the level of their engagement, but also forms in which big businesses initiate the engagement with digital startups.
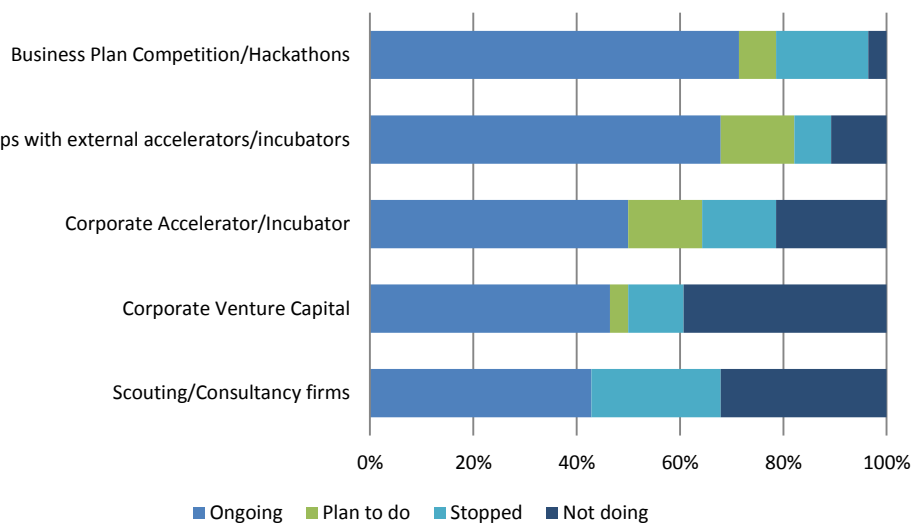

Figure 5 Ways of searching for startups

According to the survey's findings, the most utilised form of initial contact with new enterprises is via **one-off events such as hackathons or business plan competitions, with 69% of respondents** stating they are either currently involved in, or have been in the past and are planning to be in the future. The second most popular channel for scouting are **accelerators/incubators reaching 68%**. To that end, **Corporate Accelerators stand out as the prominent tool for business support** (48% of respondents).

Tools such as CVCs and using services of scouting and consulting firms proved to be the most underutilised with 42% and 34% of respondents respectively, stating that they did not consider such forms of cooperation

4.4 Next steps for corporations

Apart from the current forms of cooperation and scouting for startups, OPENAXEL's survey set out to establish future steps which European firms are planning to undertake in order to deepen their involvement in CSE. The goal was to establish whether the current attitude towards CSE, as described in the previous Chapter and in Section 4.2, is static or part of a dynamic learning process.

At a general level, future steps for corporate open innovation initiatives can be classified in three large categories:

- innovation from the inside;
- improving processes;
- new initiatives.

Innovation from the inside: connected with either identifying internal champions within the company able to foster innovation, or incentivising employees to be more entrepreneurial, or finally enabling internal teams to work with external startup teams with the purpose of co-creation of a new product or service.

Improving processes: adapting rules and procedures that will streamline cooperation between startups and a company by, for instance: simplifying internal legal procedures or contracts with startups, adopting fast track procurement for startups, reducing payment terms for startup procurement, ensuring startups feel comfortable not to be expropriated of their Intellectual Property (IP) or idea.

New outbound initiatives: introducing completely new projects or platforms of cooperation, hence requiring the most resources. Examples include: launching a corporate accelerator, launching specific funds for pilots with startups, or launching a public Application Programme Interface (API) platform to allow for resource sharing.

Among these three broad categories, actions which are being pursued **today** by survey respondents are most prominently those regarding **improvements of internal processes (54% of respondents)**, followed by actions fostering internal innovation (44%). Outbound initiatives such as funds and corporate accelerators have already been activated by just a third of respondents. Regarding future plans, the situation changes: according to OPENAXEL's survey **in the near future European corporations will focus on activating internal resources via promoting the entrepreneurial culture of their employees** (30%). Less than a fifth of respondents plan to work further on streamlining their processes or on launching new outbound initiatives.
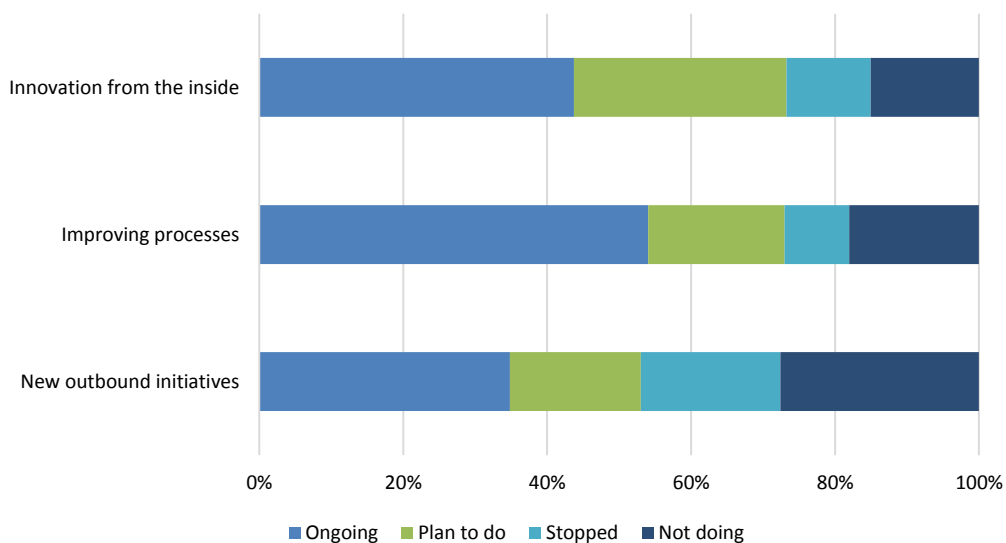

Figure 6 Current and future plans for CSE - categories

The **most common** practices to facilitate CSE for the survey respondents are two initiatives connected with improving processes, with **64%** of them answering that they have **simplified their internal legal and contractual approach** to startups, and as many who declare they have **ensured that intellectual property rights are correctly handled** so that startups feel comfortable not to be expropriated of their ideas.

Other forms of improvement of internal processes are currently less adopted, including fast track procurement (50%) and reduced payment terms (39%). The good news is that improvement in both these lines is a strong priority in the pipeline of future actions, for 21% and 25% of respondents, respectively. However, as many as 29% stated that they never considered making an exception for startups in reducing payment terms, showing that the adoption of this measure may not become widespread across all industries and corporations.

Less popular as the future model of increasing CSE from the inside, is creating mixed internal and external teams for collaboration on new products or services. Only 31% of respondents stated they plan to do so or did so in the past and will do so again. Such a low response rate can partially be explained by the fact that 26% of respondents are already doing so (by comparison only 10% is in the process of identifying internal champions and 21% is incentivising employees for entrepreneurship). Nevertheless, a third of respondents admitted that they did not consider implementing internal and external teams for collaboration (10% did not consider incentives for entrepreneurship and 14% did not consider identifying internal champions).
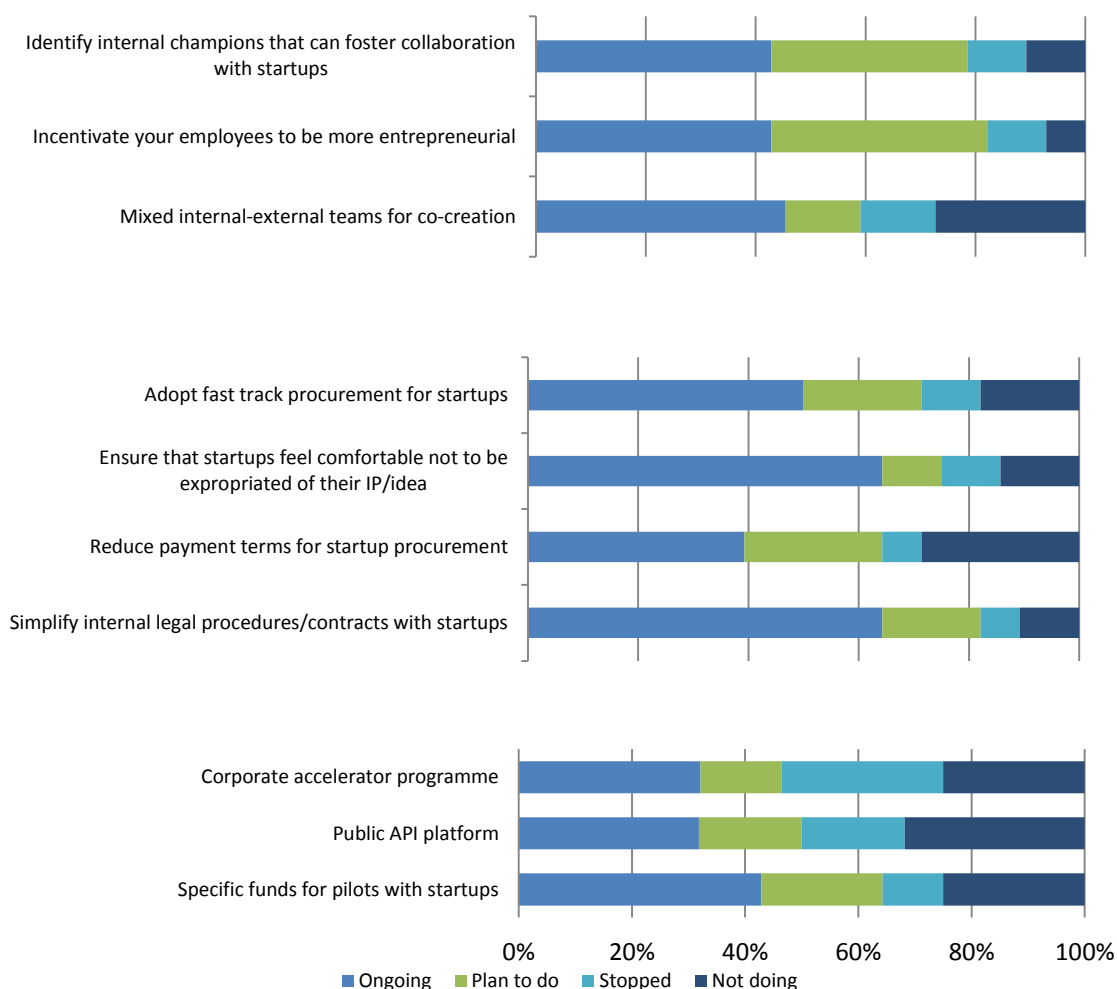

Figure 7 More detailed view of the forms of CSE, both current and in future plans

Concerning future plans, the **most popular next moves** are two forms of encouragement of innovation from inside. **Encouraging their employees to be more entrepreneurial** and **identifying champions of innovation within their companies** appear on the plans of 39% and 36%, respectively, of survey respondents. When added to the fact that 43% of respondents have already implement these actions, both of these are on their way of becoming the most widely used tactics to encourage CSE. Less popular, not so much in terms of current adoption (45%) but rather in terms of future plans (14%) is the third method in the category, namely forming mixed teams of employees and startups to devise new products or services. In fact, 27% of respondents admitted they never even considered such an option.

Introducing new outbound initiatives proved to be the least popular among European corporate representatives. Only 43% stated that they have launched specific funds for pilots with startups (although 21% more plan to do so in the near future), and 32% stated they have shared a public API platform (and 18% more have it in their plans). As to the latter, a third of respondents admitted they did not consider enabling startups access to their proprietary software application via public API platforms. It should be noted that using this tool is not for all: its implementation can be easier or harder depending on the nature of the corporate business. While telco's like Telefonica, or platform companies like Cisco, are naturally better equipped to share resources, other companies in less digitalised sectors, like the iron company Pintos, have a harder time in identifying a suitable way to use this collaboration tool.

The most controversial form of action is launching and running **Corporate Accelerators**. While 32% of respondents have already launched one and will continue to run this activity in the future, **almost as many (29%) discarded this option after attentive analysis, or even stopped their corporate accelerator** after one or more years of operation. Furthermore, one quarter thinks a corporate accelerator is not on their radar or in their ambitions.

4.5   Case studies

Case study 3: Effective scouting

Name: D-Raft

Established: 2014

Quote: "Scouting should be about finding solutions to corporate needs, not soliciting big companies about startups that we happen to have in our portfolio," Jędrzej Iwaszkiewicz, co-founder of D-Raft

Headquarters: Warsaw

Offices: Poland, UK, Israel, Germany

Corporate partners include: Mastercard, Dentons, PZU, PKO BP, Nowa Era

Corporate players seeking to ramp up their CSE and scouting/consulting firms specialising in corporate-startup matchmaking are a natural match. At least in theory. After all it is scouts and consultants by the virtue of their activity, that have access to much wider rolodex of companies and possess expertise in startup or technology sourcing. Yet, as the OPENAXEL survey shows, scouting and consulting services are one of the least utilised forms of introducing open innovation in companies.

Notwithstanding, D-Raft, a Warsaw-headquartered scouting firm since its founding in 2014 landed partners that include global giants such as Mastercard, Dentons or ING Bank, as well as local Polish companies such as Nowa Era and PZU, PKO BP. "We definitely see an uptick in demand for services such as ours, not only in emerging markets such as Poland, where companies seek to catch up with others in terms of their innovation capabilities, but also in developed markets like Germany, UK" says Jędrzej Iwaszkiewicz, co-founder of D-Raft.

The matchmaking process at D-Raft starts from working with a corporate client (who pays for the service, unlike at many scouting consultancies where startups pay for being introduced to potential clients and investors) and defining the business challenge that they want to solve, the budget and timeline for the project. Next, D-Raft taps into its network of 600 VCs, Growth Funds, accelerators and

incubators with briefs on what they are looking for. Based on feedback from these entities and their own research, they choose a number of companies and organise a series of five so-called sprint meetings between different batches of companies. Along the way, they also verify what startups are invited for meetings with their client, as a business problem defined at the beginning of the process often changes.

This approach, according to Mr Iwaszkiewicz, helps to convince corporate clients to use scouting services, even though, as the OPENAXEL survey shows they might be sceptical at first. "Corporate clients are interested in startup scouting, but provided it actually responds to their needs. Scouting should be about finding solutions to corporate needs, not soliciting big companies about startups that we happen to have in our portfolio," adds Mr Iwaszkiewicz. "All too often we see consultancies that for example, builds a portfolio of 10 Fintech startups, charges them a fee and then sends that portfolio to financial institutions, regardless whether they are interested in it or not," says Mr Iwaszkiewicz.

Case study 4: Partnerships between CSE-related initiatives

Name: Mind the Bridge, Startup Europe Partnership (SEP) and European Business Angel Network (EBAN)

Established: 2016

Quote: "We need more cooperation between already existing actors and strengthening them, not simply more actors," Alberto Onetti, chairman and president at Mind the Bridge

Headquarters: Brussels (EBAN), London, Pavia, San Francisco (Mind the Bridge and SEP)

Operations: Pan-European and the US

There is no shortage of startup-focused and CSE-related initiatives in Europe. Most countries have either public or grassroots associations representing local startups, all major cities in Europe already host multiple accelerators, co-working spaces and innovation hubs. "It is getting crowded over here," admits Alberto Onetti, chairman and president at Mind the Bridge, an entrepreneurship education organisation with offices in Italy, the UK and the US. "That is why we need more cooperation between already existing actors and strengthening them, not simply more actors" he adds.

One example of how such cooperation brings Mr Onetti's organisation, which together with Startup Europe Partnership(SEP), an open innovation platform launched by the European Commission (Mind the Bridge is one of the leading organisations of SEP) announced in February 2016 a cooperation agreement with European Business Angel Network (EBAN), a Pan-European organisation representing early stage investors. "EBAN started working with corporates on matchmaking them with startups and this is what we were already doing. Instead of duplicating activities, we decided to join forces," says Mr Onetti.

Cooperation between SEP, Mind the Bridge and EBAN will include hosting SEP's matching event during EBAN's conference hosted in May 2016 in Porto, know-how from Mind the Bridge for EBAN companies in fields such as innovation and the US market, integration of EBAN's e-Xcelerator programme, an alliance between accelerators and business angels across Europe into SEP's platform. "To ensure efficient matchmaking between startups and corporations we need less fragmentation and more transparency. We believe that initiatives such as partnerships between SEP, Mind the Bridge and EBAN can help with that," says Mr Onetti.

4.6   Chapter in brief

- Although acquisitions may be the most visible examples of CSE, the array of ways in which corporations can engage with startups is much broader. Among CSE engagement tools we can point to one-off events (such as hackathons and conferences), sharing resources (co-working spaces sponsored by a company, software, other resources that a corporation already owns), accelerators & incubators (more institutionalised way of engaging with startups focusing on scaling up companies), partnerships (which can include co-working on a certain problem or product), investments (taking an equity in a company in exchange for long-term collaboration), acquisition (buying the controlling stake in a startup).

- Each form of cooperation with startups demands a different level of engagement, cost, length and risk. Based on the OPENAXEL survey for corporations and a taxonomy introduced by INSEAD and 500 Startups, we found that CSE-related activities in which European corporations declare to be engaged, make them more at risk and spending prone (but also expecting quick results) than it is often said.

- The OPENAXEL survey for corporations checked which tools of scouting and initial engagement of startups are the most popular among European corporations. The most popular proved to be one-off events (69% of the survey respondents engaged in this activity), followed by shared resources (64% respondents) and investments (45% respondents).

- Tools such as CVCs and using services of scouting and consulting firms proved to be the most underutilised with 42% and 34% of respondents respectively, stating that they did not consider such forms of cooperation.

- The OPENAXEL survey for corporations set out to discover which current and future actions European corporate players plan to introduce to further engage in collaboration with startups. The majority of respondents have currently performed on improvements of internal processes, such as ensuring that startups feel comfortable not to be expropriated from their IP/ideas (64%) and simplifying internal legal procedures/contracts with startups (64%).

- As to future plans, respondents intend to invest on innovation from within based on encouraging their employees to be more entrepreneurial (39% of respondents) or identifying champions of innovation within their companies (36% of respondents). Other ways of supporting CSE that appear in future plans are: reducing payment terms for startup procurement (25%), adopting fast track procurement procedures for startups (21%), and setting up specific funds for pilots with startups (21%).

- The most controversial ways of supporting CSE proved to be those connected with some types of outbound initiatives: only a third launched a corporate accelerator or an online public-API platform, meanwhile 25% and 32%, respectively, never considered these options at all. Instead, a substantial number of respondents actually considered these options but decided against: 18% for public APIs, and an outstanding 29% for corporate accelerators.

- Overall, while in the past CSE actions have been dedicated to improving internal processes to facilitate collaboration with startups (54%), in the future the major increase will concern activities regarding a change of company culture towards a more entrepreneurial attitude and a better understanding of startup innovation techniques (30%).

5   The role of accelerators

5.1   One name, different organisations

As stated in previous chapters, accelerators do exactly 'what is written on the tin'. They exist to accelerate companies – help them with crafting strategy, tweaking product and building networks of clients or mentors, in order to scale them up (i.e. increase their overall value, often by helping to secure additional investments, and increasing headcount and revenues of the company).

Most accelerators have common goals and common features, which are the following:

- they offer upfront investment (between €10k and €100k), in exchange for equity (~5–10%) or debt (convertible notes or similar financial instruments);

- their support is time-limited (usually up to 1 year, most frequently between 3 and 6 months);

- startups are accepted to accelerators following a competitive application process;

- companies are usually accepted in cohorts;

- they focus first and foremost on small teams rather than individual founders;

- they conduct periodic graduation in the form of Demo Day or Investor Day.

However, apart from these common features, accelerators differ significantly. For instance, in terms of type of startups accepted, they can be divided as: **horizontal** – taking on board all kinds of startups, as long as they meet formal criteria and pass a selection process and **vertical** – accepting startups only from a sector fitting to an accelerator's field of expertise, for example Fintech or mobility. In recent years, the vertical model is especially gaining in popularity as vertical accelerators, thanks to their specialisation, can offer access to particular manufacturers or retailers and a class of closely related startups.

Examples of horizontal accelerators: Seedcamp, TIM Accelerator, university-related entities

Examples of vertical accelerators: Next Media, Grants4Apps, Startupbootcamp

Another possible distinction is based on the development stage of startups accepted. In this case accelerators can be divided into: **discovery phase** – accelerators accepting startups at a very early stage of development to discover/build their operating model and capabilities and search for first investors (the closest to an incubator or pre-accelerator), **validation phase** – accelerators accepting startups already able to show some client traction and/or revenue and looking to attract funds for expanding their activity and **efficiency phase** – accelerators accepting startups with established source of revenue/customer base and seeking to ensure its growth continuum.

Examples of discovery phase accelerators: Startup Sauna, Microsoft Ventures – Berlin Accelerator, Entrepreneur First

Examples of validation phase accelerators: Techstars, 500 Startups

Examples of efficiency phase accelerators: EIT Digital Accelerator

5.2 Funding matters

Accelerators differ widely, but what are the characteristics of an accelerator which could guide a startup when choosing an accelerator? And which accelerators are more apt at connecting startups with corporations?

In this respect, the most remarkable differences between accelerators seem to stem from the set of **goals and motivations** animating each individual accelerator's management team.

Indeed, like every business organisation, accelerators must report their decisions and results to certain stakeholders. Among the most important stakeholders are those who provide an accelerator with the funding to function. For **privately funded** accelerators – the original model born in the United States with YCombinator in 2005 – these stakeholders are investors and the accelerator's main aim is to bring **profit** to its stakeholders. They prioritise expansion potential, strategic advantage and revenue growth as selection criteria, and tend to provide their help to startups in exchange for equity.

Publicly funded accelerators have their operations based on funds coming from authorities – either on a central, regional or municipal level. They are also sometimes funded by other organisations, such as universities or charities, who have only indirect connections to public authorities but often share similar goals and ways of operations. Publicly funded accelerators are often put in place **to animate a startup ecosystem** in a certain location (region, municipality), or around a certain institution (university, charity). This function is reflected in selection criteria (often based on geographical origin of a startup, type of technology used, or other criteria not directly correlated with potential for business growth).

Even though private and public funding schemes suggest to be tightly tied to accelerator archetypes, in reality the distinction is not so clear. There are a number of **special cases** where private funding comes with different motivations other than just profit. One of them is represented by independent teams of **business consultants**, often with previous experience as entrepreneurs and a wide personal network in an industry. They set up an accelerator to access a dealflow of new ideas and technology, to be connected or resold to other partners or sponsors, like corporations or public authorities. They sometimes rely on a mix of private and public funding.

Corporate accelerators are another special case. This type of accelerator is funded within or by a corporation, and often aims at supporting the innovation-oriented efforts of its mother company. However, the relationship with the mother company varies from strong to very loose integration with its hierarchy and core business lines, and so varied are also the objectives and key activities of the accelerator. Although the corporation usually provides substantial funding, these accelerators occasionally rely on public funding for specific projects, or to show a positive cash flow when reinforcing their position as an independent business unit towards upper management of the mother company.

5.3   A motivations-based categorisation

Sources of funding seem to play such an important role in characterising accelerators; yet some accelerators fail to be easily described in clear funding categories. As such OPENAXEL has devised a survey to investigate whether European accelerators can be mapped onto archetypes based on their funding schemes.

As it will be discussed below, our research showed that **the vast majority of surveyed accelerators (92%) rely on hybrid funding schemes**, from both private and public sources. For most of its European early adopters, the equity-based model of investment seems not to have worked, maybe due to the immaturity of later stage capital investors market and the lower rate of exits in Europe versus the US, at least until recently. As a consequence, many European accelerators who started with this model have been obliged to subsidise part of their operations with complementary sources of funding. Additionally, recent actions by the European Commission within the scope of FP7 and Horizon2020 (eg.FIWARE Accelerate, for instance), as well as regional funds, attracted privately-funded accelerators, originally driven by profit, into playing a more active role in building a Europe-wide startup ecosystem.

All this considered, in order to study the attitude of accelerators towards startups and large corporations, we have adopted a system that takes into account **also motivations and goals, together with sources of funding**. While motivations are naturally related to sources of funding, they are also tied to the mission statement, the accelerator's brand, and the management team's background. For these reasons, they tend to be more stable over time than the sometimes opportunistic funding strategies. Management teams tend to align around their original motivations to preserve integrity, but at the same time they have to respond to their stakeholders and financiers. As a consequence, both the original motivations and mission, and sources of funding, should be taken into consideration when analysing the behaviour of accelerators.

Starting from a taxonomy suggested by Nesta[13], we have identified **three main categories of motivations** for which accelerators are initiated and founded:

- Profit;

- Ecosystem building;

- Open innovation.

To each of these motivations we associate a category of accelerator. **For-profit** accelerators are those which focus on profit for their management team or their investors. They either invest in equity of high-risk, high-return startups with the aim of **maximising cash in after exits**, or they pursue a **sustainable business** for the management team – usually composed of business consultants or business angel investors risking their own reserves. For these accelerators the return on investment in financial terms is of paramount importance, and they work hard to create one or more success stories and to stand out from competition and attract the best talents.

Examples of for-profit accelerators: Seedcamp, 500 Startups, iStarter

Ecosystem builders are concerned with a set of performance indicators not related with profit. These **indicators vary from case to case**, they are usually assigned top-down from a supervising player (e.g.

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[13] "A look inside accelerators. Building businesses" report, published by Nesta in February 2015

government, university, corporation, etc.), and often include quantities such as the number of people involved in innovation or training activities from a certain class (e.g. students, researchers, employees, etc.), number of new companies created, number of new jobs, and similar indicators related to economic development or the common good.

As an alternative to maximising some KPIs of economic or cultural development, some of these accelerators **strive to involve as many actors as possible within their ecosystem** in order to increase their interconnections and their connections to outside ecosystems. Passion and sense of duty, as well as ambitions to become networking hubs for a community appear to be the main motivators for their management teams. **Success of startups may be of secondary importance**, although success cases are beneficial to foster the attractiveness of the ecosystem for more talents and companies to join.

Examples of ecosystem builders: Startup Sauna, Numa Paris, OpenFuture crowdworkings

Accelerators voted to **open innovation** are those working to establish and foster an open innovation paradigm in large organisations, e.g. public administration, universities or large corporations, who are usually their **key partners, sponsors or main customers**. Their indicators of success often include the number of successful innovation projects or the number of innovative products introduced in the portfolio of the key partners or sponsors.

Startups are selected on the basis of how they match the business needs of the key partners or sponsors, and **not forcedly for criteria related to profit or economic development**. Examples of accelerators with these motivations are corporate accelerators, or consultancy firms running accelerators for third parties. Their management teams are motivated by career development, sense of duty, and personal gain – in the case of consultancy businesses. The **success of their startups tends to be identified with achieving the objectives set by the key partners**.

Examples of open innovation accelerators: Grants4Apps, Disney Accelerator, Wayra

Although this categorisation resembles the one by Nesta which inspired it, our attempt is to separate motivations from sources of funding, and to use both of these dimensions independently as describers of an accelerator. In fact, as Section 5.4 will illustrate, for European accelerators motivations and sources of funding are loosely correlated but not strictly dependent of one another.

5.4   Main features of European accelerators

Given the instrumental role accelerators could play in supporting CSE, apart from the survey measuring European CSE, quoted in the previous two chapters, OPENAXEL conducted also a survey[14] intended to establish common features of European accelerators, as well as their involvement in matchmaking between corporations and startups.

The survey was **sent to over 60 accelerators from across Europe**. Out of the respondents, all sorts of motivational categories identified in our research are present, with a **prevalence of for-profit accelerators (41%) and ecosystem builders (41%)**, whereas open-innovation driven accelerators were less than a fifth (18%). This classification was established by asking the respondents to prioritise their goals among the three proposed categories.

According to the survey findings, the majority (58%) of European accelerators are agnostic across different digital verticals and have programmes that last between three to six months (also 58% of respondents), followed by programmes that last up to three months (21%) and programmes that last longer than six months (13%). There is no one dominant source of primary funding for their operations, but the three most popular sources are: venture capital/business angels or public listing (32%), government grants (27%) and corporations (27%). Other sources of funding included own funds of accelerator founders (9%), and their own operations (5%) – including tuitions, fees, office space rentals, and event tickets.

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[14] Details on methodology of the survey focusing on accelerators, similarly as the methodology behind the survey focusing on CSE, can be found in Chapter 2 of this report

For what regards the **relation between motivations and sources of funding**, a **loose correlation** can be observed between these two dimensions: for-profit accelerators mostly rely on private investors (56%), open-innovation driven accelerators are predominantly funded by corporations (75%), and ecosystem builders are generally tied to public funding (44%). However, **all types of sources of funding were indicated as primary by accelerators in the different motivational categories.**
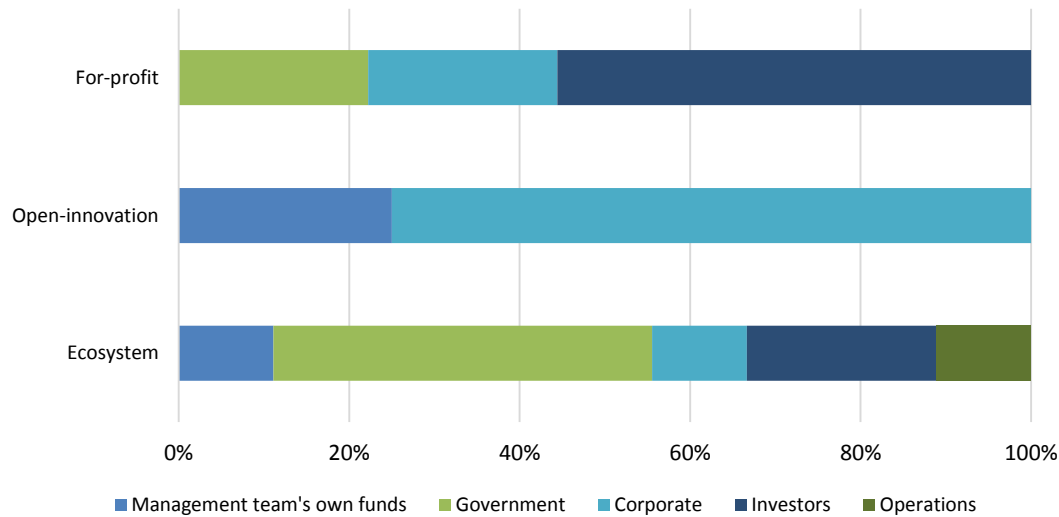

Figure 8 Primary source of funding by type of accelerator

Furthermore, with the exception of two survey respondents, all accelerators fund their activities through secondary sources. When asked about sources of additional funding, respondents pointed into corporations (61%), government grants (28%), own funds of accelerator founders (23%), office space rental (17%), events (9%), university grants (5%), consulting (5%) and tuitions from startups (5%). Figure 8 shows the incidence of all indicated sources of funding for each motivational category. Open-innovation accelerators show a significantly higher incidence of management team's own funds (75%), mainly because the interviewed organisations fall in the category of independent teams of consultants or business angels working with governments or corporations as leading customers. Also, ecosystem builders are strongly relying on corporate funding (89%), and for-profit accelerators are those mostly co-financing their activities with tuitions, fees, and other sources related to their own operations (44%).
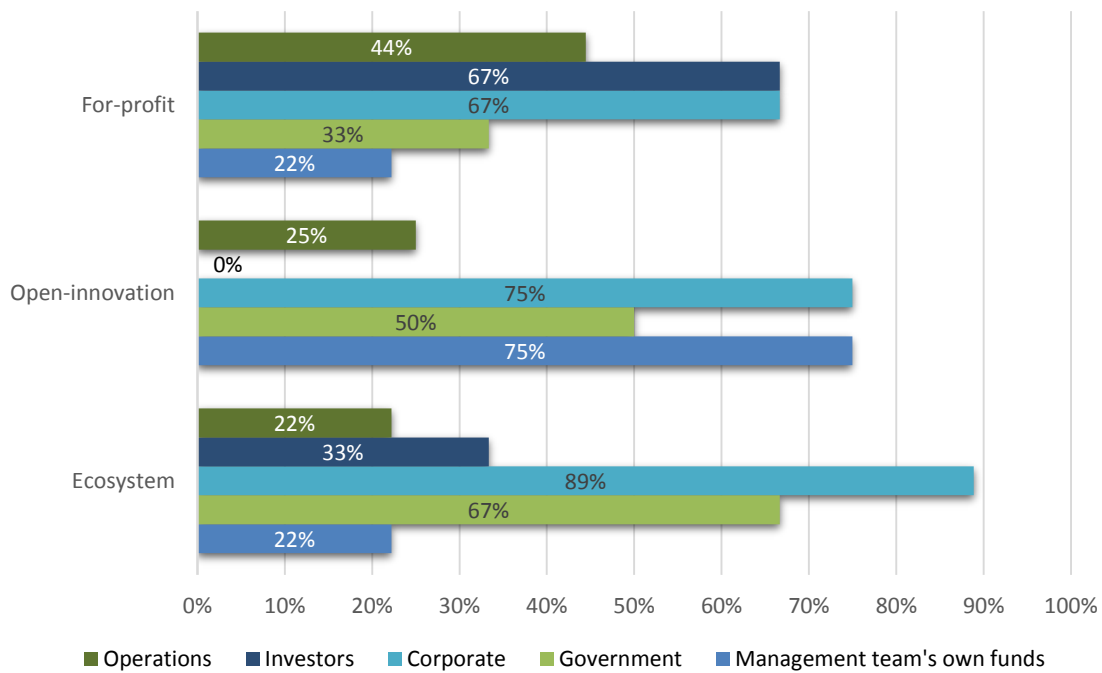
Figure 9 Sources of funding used by type of accelerator

Although acceleration programmes are designed to last for a limited amount of time, with the exception of two accelerators, all survey **respondents declared that they support startups after they graduate**. They do so predominantly by providing networking opportunities with investors (67% of the respondents), alumni reunions & alumni networking (63%), networking with corporations (58%), mentorship (54%) and communications/PR (46%). Networking with corporations is third in this ranking, with **open-innovation accelerators (75%) and ecosystem builders (67%) showing significantly higher support for alumni with corporations** with respect to for-profit accelerators (44%).
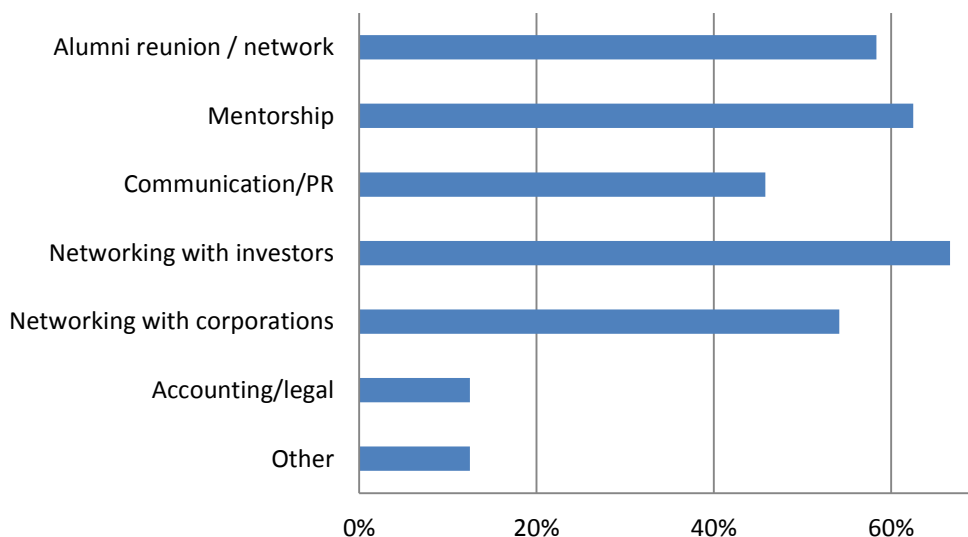

Figure 10 Forms of accelerator's support to Alumni after graduation

5.5   Tools of accelerator-driven engagement in CSE

In terms of CSE, **an overwhelming majority of accelerators work with corporations** (as much as 96% of those that participated in our research), with 47% declaring that they have between one and 10

corporate partners in their close network, 30% declaring they have between 11 and 50 corporate partners and 23% stating that their network exceeds 50 companies.

Overall, **53% of interviewed accelerators have a strong network of large corporations and possess the right assets to potentially act as bridges between corporations and startups**. Unsurprisingly, open-innovation accelerators report on average twice as many contacts than the other two categories. However, the cases with the highest number of corporate connections in our sample are for-profit accelerators, a data which matches the motivations of this typology in developing business opportunities for their startups. The **majority of accelerators stated that they frequently support matchmaking between startups and corporate entities** (77% of the survey respondents). When broken down into the different motivational categories, what comes as surprising is that for-profit accelerators are those with the highest incidence of organisations who do not proactively connect startups and large corporations (33% do not), when compared to the other two categories.
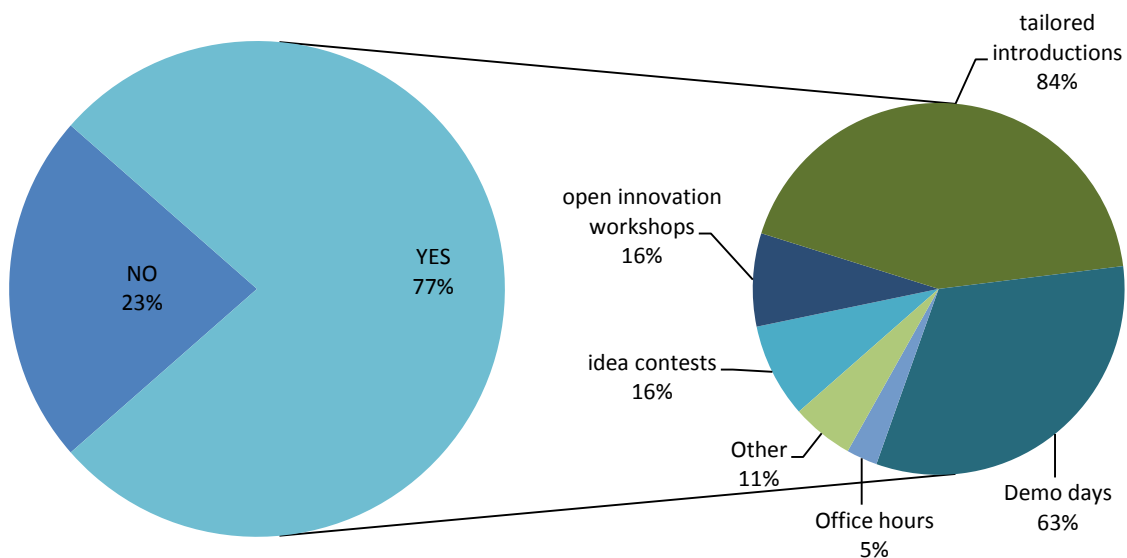

Figure 11 Accelerators' matchmaking support between corporations and startups

They do so first and foremost through tailored introductions to either their own network, mentors or investors (84% of respondents). Lowly tailored networking occasions where corporations play a passive role as guests, such as demo days, are preferred by 63% of respondents. Activities in which corporations play a more active role in defining frameworks of cooperation and objectives are enacted by only 22% of respondents.

These activities include open innovation workshops (16%) and other, less popular means of engaging startups with corporations indicated in the survey were idea contests (16%), office hours for startups (5%) and joint calls between startups and corporations (5%).

As the OPENAXEL survey shows, it appears that accelerators are generally seen as an important element of the startup–corporation matchmaking process: as evidence, corporations tend to be one of the main backers of European accelerators, and **77% of OPENAXEL respondents have corporations either as their primary or secondary source of funding**.

From our analysis, **for-profit accelerators** appear to be either the greatest enablers of connections between startups and corporations (with hundreds of corporate connections, as declared by some respondents), or the least interested in this kind of go-to-market support for their startups (with 33% of them declaring they do not frequently introduce startups to corporations).

Ecosystem and open-innovation accelerators more frequently connect to corporations (especially the latter, with 100% of respondents in the category declaring so), but **they tend to be more narrowly focused on less corporations** when compared to the excellent cases of the for-profit group (on average 10 and 20 corporations in their network, respectively for the two categories, whereas for-profit respondents have 30 on average).

For a startup looking for connections to large corporations, joining the right for-profit accelerator can make the difference but the choice has to go through a **due diligence of the accelerator's network**. On the other hand, for sponsors and financiers, ecosystem builders seem to be a good alternative to open-innovation accelerators. However, startup-corporate connections should be explicitly included as a key performance indicator (KPI) for such accelerators in order to correctly direct their management teams towards maximising their impact in this sense.

5.6   European accelerators: measuring their impact

As stated at the beginning of this chapter, the main role of an accelerator is to scale up startups to increase their value. However, according to the OPENAXEL survey findings, **the vast majority of European accelerators does not measure (at least officially) their success rate** in increasing either revenue or headcount of their Alumni. Thus, they either lack or hide crucial key performance indicators (KPIs) which could indicate whether their sheer existence and operating model brings desired results.

When asked about the total revenue of startups that graduated from their programmes, a staggering 88% of respondents said that they either do not know or that the question is not-applicable to them. Of those that did answer, 8% declared revenues of over € 1 million, but below € 10 million, while 4% declared revenues of over € 10 million.

When it comes to job creation, the record is better, but nonetheless 54% of respondents were unable to answer that question. Among those that do measure their impact on job creation, 17% declared that their alumni created over 500 jobs, another 17% stated that their alumni created between 100 and 500 jobs, while 12% assess that they created up to 100 jobs. When asked about the number of successful matches between startups and corporations, 58% were able to answer, and reported an average number of 33 successful matches (from a minimum of 2 to a maximum of 127), referred to the whole life of the accelerator.

As a matter of fact, European accelerators should improve their performance measuring and reporting standards. Given that many accelerators are privately-owned there is limited room for enforcing changes in that regard, however, a universal definition as to what KPIs for accelerators are, could introduce more transparency.

In this regard, **there is confusion as to what indicators accurately measure how an accelerator performs**, says David Ventzel, investment manager at Copenhagen-based Accelerace[15]. "Jobs and revenues created by startups definitely provide an indication, but these numbers change rapidly, as some startups go bankrupt and jobs that were created are not there anymore," says Mr Ventzel. Another possibility is measuring investments secured by startups, but the flaw here is that "one superstar performer may gather big funds while many others much less", thus a big sum in this case could just be an indicator of a lucky investment. A solution to the KPI for accelerators dilemma could be measuring startup survival rate. That however can only be established over time. "We should look at how many startups perform five years after graduating from the programme", says Ventzel, "otherwise new accelerators will have a greater survival rate of their alumni than older ones".

5.7   Pros and cons of accelerators

According to the research conducted by Seed-DB, a database of seed accelerators**, startups that graduated from accelerators value first and foremost mentorship received** while enrolled in the programme (80% of the survey respondents). They also point to benefits in the form of networking

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[15] Accelerace is one of the top accelerators in Europe, according to "European Accelerator Report" published in 2014 by Fundacity, an online platform connecting startups with investors

opportunities and alumni connections. Investment opportunities also appear on the list of motives, but are not a primary reason for the majority of startups joining accelerator programmes, as the Seed-DB's research shows.

Although accelerators offer clear rewards in the form of mentorship, links to industry leaders and financing, and have been rapidly gaining on popularity across the world, they are not a remedy and need to be complemented by other forms of support while stimulating startups and startup ecosystems to grow. Especially when discussing their role as facilitators in closing the gap between startups and large corporations, accelerators by nature present some drawbacks. Critics point out to the following cons of accelerators:

- **market oversaturation**: "the majority of accelerators are not good for companies and will fail. There are too many of them," claimed in August 2012 David Tisch, a former managing director at Techstars NYC (Fastcompany.com). Four years later, the bubble is yet to burst: more and more accelerators are being launched in Europe, thanks to a better understanding of their role, to higher quantities of public funds supporting acceleration initiatives, and also to the attractiveness of branding as one to pursue the open innovation business. However, quality is unevenly spread, as it is the networking capacity of large corporations in handling contacts with a growing number of innovation partners. Selection and consolidation of accelerators to fewer, more experienced, and more interconnected units could be beneficial in creating real hubs capable of bridging different worlds;

- **giving up equity**: although accelerator programmes last only a limited time, many (60% of our sample) require startup founders to permanently give up a part of their company's equity. For that reason, some critics such as Chris Lynch from Atlas Venture, a VC fund based in Cambridge, Massachusetts, state many accelerators take equity without offering much in return, preying on desperate entrepreneurs (Boston Business Journal, December 2014). In this sense, ecosystem accelerators – taking equity, the least often compared to the other types (only 44% of cases) – could be encouraged to build stronger networks with corporations and act as connectors with startups at a fairer deal;

- **ill-conceived mentorship**: according to Seed-DB's survey on why startups engage in accelerators, respondents stated that in some accelerators mentors are either not as straightforward as they are expected or that sessions with mentors are overwhelming. Additionally, in some accelerators, the network of mentors is so wide that finding the right advisor can prove to be time consuming. As the European ecosystem becomes more mature, accelerators should become more selective when signing up their mentors, since mentors represent such an important asset for the programme participants. Also, paying mentors in equity or salary could make commitment stronger and reduce dependency of pay-forward system;

- **distractions**: Seed-DB's research shows that some startup founders see Demo Days, a graduation event designed in majority of accelerators, as a goal to which startups enrolled in the programme work towards, as a waste of time or distraction. Plus, the role of Demo Days in creating connections between startups and corporations has been heavily contested. As shown in our research, for-profit accelerators have already reduced the importance of Demo Days in their programmes (only 33% of respondents use it for introductions to strategic corporate partners) in favour of tailored introductions (83% of respondents), and the other categories should quickly recognise that vanity roadshows do not automatically bring an advantage for ecosystem growth or open innovation;

- **lack of transparency regarding results**: as the OPENAXEL survey of accelerators revealed, accelerators either hide or rarely measure the results of their scaling up efforts. They often attract startups with influential mentors or sum of investments secured for startups, this however tells little about the rate of success of their alumni. Especially when using public funding – most often in the case of ecosystem builders, but also for the other two categories for the projects they decide to pursue with this source of funding – accelerators should be required by their public financiers to adopt key performance indicators related to corporate-

startup collaborations, track their progress, and build alumni programmes to continue these actions – as they rarely bring results in the short term (three-sixmonths) of most accelerators.

5.8 Alternatives to accelerators

Whilst accelerators recently appear to be one of the most popular external entities through which corporate players engage with startups, it is not the only one. Among institutions directly or indirectly supporting collaborations between established companies and startups are:

- **co-working spaces** – shared offices, open to startup founders, small startup teams, but also freelancers (both from tech and non-tech field). Apart from providing office space and services, co-working entities organise regular networking events, with some focused on improving business-building skills of their members. The most famous network of co-working spaces is WeWork, founded in 2010 and valued at $10 bn with a network of over 50 offices worldwide. Apart from general co-working spaces, there are also vertical co-working spaces such as the Chicago-based Coalition, which predominantly accepts companies and individuals from a chosen sector (the energy sector in the case of Coalition). In Europe apart from co-working spaces existing in all major cities and increasingly opening doors in Tier 2 cities, there are recently established initiatives such as co-working Europe conference and European co-working Assembly, an association of co-work managers representing their interests in the EU institutions;

- **community spaces** – unlike co-working spaces, which offer shared office space also to freelancers, community spaces such as London-headquartered TechHub, accept as their tenants only tech startups. They do not require equity, but take monthly dues from their tenants. Although they do not have formal programmes aiming at scaling up companies, they organise regular events focusing on business-building workshops;

- **science parks** – entities created in order to promote innovation and university/government/business collaboration, often with municipal or regional authorities or universities as their main drivers (both in terms of financing and choosing their day to day administrators). Unlike accelerators and incubators, which focus on companies (albeit on different stages of development), they focus on research projects and providing help with building companies (so called spin-offs) around them, as well as giving access to laboratory facilities. Spin-offs operating within science parks are usually accepted on a rolling basis, for a limited period of time (usually one -three years), share in equity or IP right differs depending on a country.

Recently **virtual accelerators**, a new model of startup support, has also been gaining in popularity. Examples of virtual accelerators created in the past few years include Mashauri, StartDoms, openfuture.org, and 6Wind. In February 2015 as part of the Startup Europe Initiative, the EU-XCEL - European Virtual Accelerator, was founded. The accelerator, coordinated by the Univeristy of Cork and supported by Europe 2020 funds, has its operating model based on both online and offline initiatives. However, whether virtual accelerators already support matchmaking between corporations and startups or what their potential is to do so in the future requires further examination.

5.9 Case studies

Case study 5: Structured mentor-startup matching

Name: Startupbootcamp

Established: 2010

Quote: "Our role as an accelerator is to connect startups with the most applicable experts in their field through a series of carefully organized events, and from these conversations initial relationships develop into deep connections and often times long term mentors." Andy Shannon, head of Startupbootcamp Global

Countries of operation: UK, The Netherlands, Singapore, Germany, USA, Turkey, Spain

Corporate partners include: Intel, Vodafone, ABN Amro, Cisco, Mercedes Benz, Airbus Group, PwC, Salesforce, Google, Amazon, Lloyds Banking Group, RoboBank, Aviva

Mentorship proves to be the top driver of startup involvement in accelerators. But how to ensure that such mentorship is done the right way? The common sense would be in creating as wide portfolio of mentors as possible and to offer mentorship to the most respected and well connected individuals in their respective fields. But even building an impressive rolodex of names can prove to be ineffective if mentors are out of touch with the need of a startup or if a startup founder is lost in a complex web of mentors.

Startupbootcamp, a 6-year old industry-focused accelerator network with headquarters in London found a solution that helps building more robust startup-mentor links and easily navigate accelerator's wide network of 1000 mentors located around the globe. "Before every new acceleration class starts, we run masterclasses for all mentors taking part in our programme, so they know what is expected and how best to help the startups," says Andy Shannon, Head of Startupbootcamp Global. "We also run a similar series of mentorship preparation workshops for startups, to both set expectations and help them fully leverage the opportunity of meeting over 100 potential mentors," adds Mr Shannon.

Then during the first weeks of the programme, Startupbootcamp organises a series of formal and informal events, where startup teams can meet mentors and decide who they want to ask for mentorship. "We view connecting startups with potential mentors as an organic process that cannot be forced. Our role as an accelerator is to connect startups with the most applicable experts in their field through a series of carefully organised events, and from these conversations initial relationships develop into deep connections and often times long term mentors. " says Mr Shannon.

The emphasis on quality of mentor-startup links continue throughout the programme. "Startupbootcamp's team has regular one to one meetings with each startup where they provide a feedback on how their mentor relationships are developing, so we can alleviate any potential miscommunication or mismatches along the way," adds Mr Shannon.

What additionally helps with avoiding the mismatch is vertical specialisation of each of the programmes offered by the accelerator. "We started as one horizontal programme, but quickly pivoted to a much more focus method of supporting startups. We have found aligning mentors and corporate partners around their industry expertise rather than having a broad, generalist character, and we've found this greatly increases the odds that startups receive exactly the kind of support they need from mentors," says Mr Shannon.

Case study 6: KPIs and regional strategy for efficient acceleration

Name: JIC Starcube

Established: 2010

Quote: "We know what is expected from us and, despite our year-by-year budget, we can plan our activities on a more long-term basis," Vojtech Krmicek, Startup team manager at JIC.

Headquarters: Brno

Corporate partners include: AVG Technologies, Y Soft, Konica-Minolta, Microsoft, Flex, IBM, Honeywell

As the OPENAXEL's survey revealed, an overwhelming majority of accelerators does not measure an economic impact of their activities. This is not the case for JIC, a Brno-based innovation centre that since 2010 runs its accelerator – JIC Starcube. "We have on staff an employee whose main objective is to work with our stakeholders on finding ways how to best evaluate our impact and how to measure our performance against KPIs," says Vojtech Krmicek, Startup team manager at JIC.

And although emphasis on KPIs could suggest that JIC Starcube is a private entity, the half of its funding comes from the South Moravia authorities, the region in which the accelerator operates (the other 50% comes from the EU funds and JIC's own activities). "We want to avoid being associated with ways that

public entities often operate. That is why we constantly look at our performance and work on ways how we can better measure it and increase our economic impact," says Hana Sudakova, JIC StarCube manager.

What helps in measuring KPIs and making the case for the accelerator's continuous activity (its budget is confirmed year by year) is the fact that South Moravia regional innovation strategy, established 14 years ago. "Many regions in the Czech Republic either do not have it at all or it changes more often. Ours has been in force since 2002, so we know what is expected from us and, despite our year-by-year budget, we can plan our activities on a more long-term basis," says Mr Krmicek.

This also leaves JIC Starcube management more room for experiments and checking what approaches can be most efficient in animating innovation in the region. "In a sense we are also a startup, and like startups, we have had our share of pivots," says Mrs Sudakova and adds that in 2010 the accelerator started as a year-long programme, then switched into 6-months, ultimately becoming a 3-month long intense programme.

Similarly changed the profile of startups applying for participation in JIC Starcube, and not only in terms of their specialisation (as many accelerators, JIC Starcube switched from horizontal to vertical specialisation), but also in terms of opening up to startups from different countries. Initially the accelerator accepted only Czech and Slovak companies, but since 2013 it has been also accepting international teams. As a result, for the last edition of the programme, the accelerator received applications from 32 countries located on all continents apart from Antarctica, while the winner of Demo Day at JIC Starcube 2015 hailed from Cameroon. "Turns out that if you can offer to a world-class expert in the region [in the case of South Moravia it is IT Security with AVG Technologies was founded in Brno and now is having its R&D centre in the city], you can also attract talent and ideas from around the world," says Mrs Sudakova.

Case study 7: Building a robust matchmaking system

Name: Luiss EnLabs

Established: 2013

Quote: "For us it is not just about chasing an investor on one big day, but about crafting relationships with corporations built over time," Augusto Coppola, director at Luiss EnLabs

Headquarters: Rome

Corporate partners include: Deloitte, UniCredit, BNL, Wind

For many accelerators, matchmaking between startups and corporate partners does not go far beyond Demo Days. But for Luiss EnLabs, a Rome-based accelerator that boasts having 100 successful matchmakings in the past year alone, it is the centre of its activities. "Our idea is to help startups find customers among our corporate partners and we do so by involving corporate representatives in every-day life of a startup," says Augusto Coppola, director at Luiss EnLabs. *""For us it is not just about chasing an investor on one big day, but about crafting relationships with corporations built over time,"* he adds.

The accelerator does this by requiring startups to explain the progress of their works on regular, bi-weekly meetings. Such meetings, called at Luiss EnLabs checkpoints or Demo Days (while the final, graduation day where startups pitch to the wider pool of companies is called Investors Day) help strengthening links between corporate representatives and startups. "Thanks to regular meetings with startups over the course of our 5-month log programme, corporate partners can better understand the project, see how the team behind a startup operates and they can develop personal relationships," says Mr Coppola.

Such meetings help also in tailoring solutions that can cater for needs of a corporate partner. "They see each other often, thanks to which overtime, corporate representatives can evaluate fit of a certain startup or solution to their company, or if needed, mould it in a way that will make such fit," says Mr Coppola.

Moulding during Demo Days, and as a result, landing a big investor is what happened to KPI6, a social media data company that was part of the accelerator's latest cohort. "At the beginning their main focus was on small and medium businesses, but they were spotted by our corporate partner from Deloitte, who switch the focus of KPI6 in such a way, so it could cater to his company's needs," says Mr Coppola. As a result, two months after KPI6 joined the acceleration programme, their solutions were implemented at Deloitte's operations.

5.10 Chapter in brief

- The main role of an accelerator is to scale up small, innovative companies. Common features of accelerators are: offering upfront investment in exchange for equity, time-limited support, startups are selected via a competitive application process and are accepted into programmes in cohorts, the focus of programmes is on small teams rather than just founders, they conduct periodic graduation in the form of Demo Day or Investor Day.

- Apart from these common features, accelerators vary significantly. They differ in terms of the type of startups accepted (vertical, horizontal) and the phase of development of a selected startup (discovery, validations, efficiency).

- There are two axes on which motivations of accelerators can be mapped: the source of funding, and intrinsic goals. While sources of funding matter because they determine the stakeholder to whom the management team responds, the correlation between primary sources of funding and intrinsic goals of an accelerator is only a loose one.

- When analysing different options for accelerators, a startup should look at both their motivations and their sources of funding to correctly set expectations about the kind of support they will receive, during and after the programme.

- Where sources of funding are concerned, publicly funded accelerators tend to focus more on economic and cultural development, most often without clear performance indicators, whereas privately funded initiatives typically maximise the return on investment for their stakeholders. However, many special cases exist, such as business consultancy firms and corporate accelerators. Furthermore, the vast majority (92%) of OPENAXEL survey respondents have hybrid funding schemes.

- Along the dimension of intrinsic goals, for-profit accelerators maximise their profit, either in terms of equity value and exits, or in terms of fees they apply to their customers (e.g. when consultancy firms run accelerators for third parties). Open-innovation driven accelerators focus on fostering open innovation in corporations or public administrations, which are typically either among their financiers, or sponsors and customers – and this narrows the scope of open innovation actions to those few entities. Ecosystem builders have more of a cultural focus, and try to maximise interconnections between all actors – which sometimes comes at detriment of clear performance indicators.

- The OPENAXEL survey aimed to establish the main features of European accelerators. According to the survey findings, almost 60% of European accelerators are still horizontal, and have programmes that last between three to six months, followed by programmes that last up to three months (21%) and programmes that last longer than six months (13%).

- The most popular primary sources of accelerator funding are: venture capital/business angels or public listing (32%), government grants (27%) and corporations (27%). Other primary sources of funding included own funds of accelerator founders (9%), and their own operations (5%) – including tuitions, fees, office space rentals, and event tickets.

- Almost all accelerators (92%) have more than one source of funding. Among the most popular secondary sources of funding are: corporations (61%), government grants (28%), own funds of accelerator founders (23%), and office space rental (17%). Other, less popular, secondary sources of funding include events, university grants, consulting and fees from startups.

- Accelerators tend to actively work with corporates. Almost all of our respondents work with corporate entities, with 47% declaring that they have between one and 10 corporate partners in their close network, 30% declaring they have between 11 and 50 corporate partners and 23% stating that their network exceeds 50 companies.

- The majority of accelerators (77% of the survey respondents) stated that they frequently support matchmaking between startups and corporate entities. They do so first and foremost through tailored introductions to either their own network, mentors or investors (84% of respondents). Networking occasions where corporations attend, like demo days, are second with 63% of respondents. Less popular support activities include: open innovation workshops (16%), idea contests (16%), office hours for startups (5%) and joint calls between startups and corporations (5%).

- As the OPENAXEL survey revealed, an overwhelming majority of accelerators do a poor job in measuring the impact of their activities. When asked about the total revenue of startups that graduated from their programmes, a staggering 88% of respondents said that they either do not know or that the question is not-applicable to them (8% declared revenues of over € 1 million, but below € 10 million, 4% - over € 10 million). When asked about the job creation results, 54% of respondents were unable to answer that question (17% declared that their alumni created over 500 jobs, 17% - between 100 and 500 jobs, 12% - up to 100 jobs).

- When asked about the number of successful matches between startups and corporations, 58% were able to answer, and reported an average number of 33 successful matches (from a minimum of two to a maximum of 127), referred to the whole life of the accelerator.

- Critics point to a number of drawbacks in the accelerator model such as market oversaturation, need to give up equity by a startup, ill-conceived mentorship, and lack of transparency regarding results of acceleration.

- Among alternatives that directly or indirectly support CSE we can point to co-working spaces, community spaces and science parks.

6   Final thoughts

6.1   CSE and accelerators as catalysts of European innovation

As the European startup ecosystem matures, the node of **collaborations between digital startups and large corporations** is quickly becoming the centre of the European innovation scene. All players have an interest in identifying one or more paradigms of collaboration that are both rewarding and replicable. **As always in innovation, there can never be a cure-all solution**, however sharing best practices and adopting them will constitute to the backbone of an enabling culture and 'craftsmanship' of collaboration.

OPENAXEL´s objective in this White Paper was to assess the status of implementation of state-of-the-art collaboration paradigms in European corporations today, as well as to establish the role of accelerators as facilitators and pivotal hubs in these processes.

European corporations are embracing open innovation instruments with medium-to-high risks and costs, sometimes with remarkable levels of involvement. These practices include for instance corporate venture arms, partnerships with startups, and a growing number of acquisitions. However, in most corporations there is pressure to achieve results in the short term, which puts at an even higher stake the naturally long-term, startup-related investments.

The next step for European business giants is to look inside their existing human resources and fostering an internal culture of innovation, empowering intrapreneurs, and winning C-level support to experimenting with new practices. These steps will move the whole organisation towards being better prepared to evaluate, collaborate, integrate, and eventually absorb externally produced innovations, and to capture the value created by small, agile and independent teams of web entrepreneurs and innovators.

What role do accelerators play in all of this? Accelerators are, by large, still in the process of establishing their role in the startup-corporate collaborations. In a forest of ad-hoc models, tailored by resources, background, and specific goals of each accelerator, the **motivations behind the initiation of an accelerator crossed with its sources of funding** represent today the best analytical tools to spot the pivotal hubs between corporations and startups.

For-profit, privately-funded accelerators, loyal to the original model imported from the United States, may be the best to build the next unicorns, but not necessarily to support innovations in large corporations. Those who stand out for their ability to connect startups and corporations, either combine the pure investor-led model with corporate sponsorships on specific programmes, such as Accelerace's Next Step Challenge in Denmark or StartupBootcamp's vertical accelerators, or they feature a large number of corporate managers as their shareholders and financiers, such as iStarter in UK.

Open-innovation driven accelerators, regardless of their source of funding, are natural candidates to be the main players in this field. They usually take the form of either a corporate accelerator based on funding coming from the mother company, such as Telefonica's Open Future Wayra, or of a small consultancy and scouting firm with prevalent customer-driven revenue streams, like D-Raft in Poland. However, by their very nature, these accelerators sometimes serve only a limited set of corporations, typically those strongly related to their financiers.

Ecosystem-oriented accelerators may become in time a major player in startup-corporate collaborations. They are intrinsically concerned with creating a culture of innovation in their environment, and could become a powerful ally for corporations taking steps in this direction for their employees. Also, they tend to be references for their ecosystems and thus are vocational hubs for bridging different worlds.

Examples of these categories are European projects such as IMPACT or INCENSe Fiware Accelerators, technological platform accelerators, such as AppCampus, or local accelerators run by regional economic development agencies. Most of these accelerators have opportunistic models of funding, or rely on corporate or public sponsorships as well as their own events and training modules. For these reasons, **performance indicators have to be agreed and monitored with care** in order to guarantee both alignment of objectives and effective contributions towards promoting open innovation initiatives.

The importance of startup-corporate collaborations has now been recognised. But when speaking about economically powerful organisations with titanic access to market and a need for digital innovation, are we not forgetting somebody? The same paradigms and reasoning being explored for large corporations can be applied to the ubiquitous machine of **European public administrations**.

Opening public procurement to startups, supporting champions of innovation among public employees, facilitating the flow of information on funding and technological breakthroughs throughout the continent, co-investing along with corporates and venture capitalists on innovative services for the citizens, fostering the aggregation of the still separated startup communities, supporting ecosystem builders, and reducing red tape thanks to digital solutions, are all actionable items, requested more than ever from the European startups and corporations alike to our public officers.

Alongside large corporations, the European public authorities at all levels from regional, to national, up to EU institutions, are urged to take on dynamic steps towards a long-term transformation of processes and tools, as well as of employee culture, to embrace more agile and disruptive ideas which are able to assist European society to thrive in a globalised and interconnected world.

This is even more important in a moment **when governments are changing their approach on how to support innovation in their territories**. With the restrictions on public expense, governments are shifting from providing companies with free money, to a new model where return on investment in their territories is highly valued and attentively measured. They are embracing **an entrepreneurial discovery approach** much like Shumpeter[16] proposed a long time ago.

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[16] Schumpeter, Joseph A. The Theory of Economic Development. 1911.

The European Commission has been a pioneer in this sense, asking European regions to elaborate **smart specialisation strategies**, aimed at identifying areas with greater potential for knowledge-based transformation and value-added generation where innovation is more likely to be successful, as a condition precedent to accessing ERDF in the upcoming funding period. In this framework entrepreneurs "are in the best position to discover the domains of R&D and innovation in which a region is likely to excel given its existing capabilities and productive assets"[17], and thus they can generate the key information guiding the selection of regional specialization.

To enable this process, governments and entrepreneurs need to learn to understand each other. However, regions and states, but also corporates and academia, still have merely a partial understanding of entrepreneurs and digital startups. **Accelerators can play an important role here, in identifying game changers in a region**, and in helping regional or national governments to implement a successful entrepreneurial discovery process. To connect to startups, governments need to provide some kind of short-term compensation to them, and this can be done through financing of accelerators. In this context, FundingBox is an example of an entrepreneurial initiative focused on supporting governments in this entrepreneurial discovery process, by using its specialised services in accessing public funding as a means of attracting attention of innovators in a region and connecting them to the government.

6.2 Learnings

European corporations view CSE (corporate – startup engagement) primarily as a way to solve their current business problems, to rejuvenate company culture, and to enter new markets.

Even though the selection of instruments for CSE is made after a careful definition of objectives, European corporations seldom define clear and approved KPIs for these actions and only one in two manages to secure C-level support.

Overall, European corporations need to strengthen their efforts along the path undertaken in recent years and pursue changes of company culture such as celebration of intrapreneurs, incentives to voice innovation needs from lower ranks and not only from top management, clearer communication of their internal processes, and initiatives concerning entrepreneurial culture in their surrounding ecosystem. These are low-risk, long-term investments.

However, European corporations are currently investing considerable resources in medium-to-high risk CSE initiatives such as corporate venture arms or corporate accelerators, pretending short-term returns. These instruments are precious for the ecosystem as they provide the needed financial fuel for startup growth and for investment exits, but should guide and not overshadow more long-term actions.

When identifying accelerators for their potential role as hubs of corporate – startup collaborations, motivations behind an accelerator's initiation and of their management team, crossed together with the forms of funding, provide a good analytical tool.

For-profit accelerators are, for their majority the worst in creating collaborations between their startups and large corporations, possibly because of their orientation towards customer-based growth rather than partnership development. Notable exceptions are for-profit accelerators who run vertical programmes backed by corporations, or those who have many corporate top managers amongst their investors.

Open-innovation driven accelerators have CSE as their mission, either from the side of the corporation – as in the case of corporate accelerators, or as external third-party innovation consultancy – as for boutique scouting firms running accelerator programmes. However, they are usually dedicated to just a few corporations or even one.

Ecosystem builders are accelerators motivated by growing the culture and interconnections of innovators in a region, university, firm, or all of the above at the same time. Their objectives are aligned with the long-term cultural investments that corporations should seek. However, they often have

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[17] Foray et al. 2011, p. 717

opportunistic funding or lowly driven management teams made of employees, so key performance indicators must be set and monitored with care in order to keep them on track.

For startups looking for support to become a unicorn, for-profit, privately funded accelerators remain the top choice. If seeking growth via a specific corporate launching customer, then they should look at open-innovation-driven accelerators linked to their target. Ecosystem builders need to be assessed case by case, by looking at the corporations in their network and at their previous success cases.

European accelerators for the most part have not yet adopted a culture of tracking metrics in their alumni network. Public authorities and corporations sponsoring these accelerators should impose accountability of results based on commonly agreed indicators. Indicators like pilots made with corporations, or technology licenses sold to corporate clients, would be beneficial to foster corporate – startup collaborations.

For public authorities seeking to increase corporate – startup collaborations, ecosystem-building accelerators seem, in our opinion, a good choice in which to spend their funds. However, this should be done in parallel with setting appropriate metrics to align objectives, and with managing the funding as investors would.

Accelerators cannot substitute completely other forms of CSE, and need to be complemented by actions along all other aspects. Accelerators of all kinds need to mature: aggregation of redundant initiatives, significant selection of mentors, more incisive and tailored actions surpassing the low efficacy of demo days, and more attention to metrics and alumni networks, are some of the directions to pursue.

6.3   How policy makers can support CSE

The OPENAXEL survey respondents and OPENAXEL partners were asked how the European Commission can support corporations in facilitating cross-border partnerships with highly innovative startups. Their ideas are collected here. They can be applied to any context, regional or national, and thus could prove to be appealing for policy makers in general and not only for the EC.

1. **Tying funding for startups to doing pilots with corporations** would give tangible incentives to corporate – startup collaborations. One execution method would be to provide funds to corporate business units, which they can spend exclusively in setting up pilots of new products or services together with startup partners. Corporations would then receive further incentives to bring the product to market through their salesforce.

2. **Defining CSE as a requirement in public procurement acts** would be a sister initiative to the previous, also giving immediate compensation for startups and corporations who collaborate.

3. **Cutting red tape for accessing funding for startups**: governmental and European Commission funding programmes "are too complicated for almost any startup", said a Scandinavia-based survey respondent working at a large multinational conglomerate. Accelerators, thanks to their specialised knowledge of their startup ecosystem, could be used by governments to redistribute funds to startups in a leaner and more accessible way.

4. **A community platform to facilitate matchmaking between corporation and startups** is one tool invocated by many. Such a platform should not just be a technological solution, but a real community, professionally managed and animated, with a set of tools to interact, share ideas, create matches, and apply for opportunities of collaboration or of funding.

5. **Organising workshops for corporations on how to introduce CSE** is an educational activity which would have a dramatic effect on cultural changes, and in this sense it could deserve promotion by public authorities.

6. **Promoting champions of CSE and success stories** would also have a strong cultural effect, providing best practices and role models.

7. **Leveraging the network accelerators and incubators have in their startup ecosystem** by providing co-financing to those accelerators who commit to leading CSE programmes. Accelerators can potentially become the arm of governments for connecting with startups. Clear KPIs of corporate – startup collaborations should be attached to the co-financing.

8. **Identifying a set of reference KPIs to track accelerators performances**: if governments or the EC used a common reference set of performance indicators to decide which accelerators to

back, accelerators would receive an incentive in tracking their metrics and making them public. At the same time, this would help startups and corporations alike to select the right accelerators to become their partners, according to their needs and goals. It could also help the general public to know which accelerators are backed or supported by the EC, as a proof of quality or for transparency.

9. **Promoting knowledge about the positive role of accelerators** among corporate players and entrepreneurs, as well as supporting entities that promote knowledge on the subject such as universities or research centres.

10. **Simplify and unite**: Policymakers should reduce bureaucracy and facilitate startup rollouts across Europe. Many startups underline that it is important to create a standard approach and make the evaluation process and conditions same for all the countries that are members of the European Union.

11. **Provide** an experienced and independent **legal team** to help startups defend their interests against corporations.

6.4   Recommendations for startups

1. **Build a concrete business that provide a solution to a corporation's issue**: corporations are still mostly motivated by solving immediate business problems when they engage with startups. If you want to build a collaboration, make sure to highlight clearly what is the short-term business advantage for the corporate counterpart.

2. **Look for corporations outside of your market**: more and more corporations are driven to startup to seek differentiation of their core business and to expand to new markets. Thus, do not limit your approaches for collaborative projects only to corporations in your own field.

3. **Agree upfront on a common definition of success**: corporations tend to look at different key performance indicators, and to define success in a different way than startups do. When preparing for a collaboration, make sure that you and your counterpart share common goals and common metrics.

4. **When choosing an accelerator, look at both the sources of its funding and at its intrinsic goals**: as with any other organisation, accelerators have to respond to their financiers and to their stakeholders. The management team also has its own agenda, coming from their background (e.g. entrepreneurs, investors, governmental employees, students), their ambitions (e.g. return on investment, career, fame), and their skills. If your target corporation has an open innovation driven accelerator or collaborates with an external one, go for that option. Trust ecosystem builders only if they have clear KPIs towards creating corporate – startup collaborations.

5. **Pay attention to services provided to accelerators' alumni**: if you are interested in using an accelerator to engage in collaborations with corporations, you should analyse the number of success cases of such collaborations achieved by the accelerator's alumni, more than the number of corporations in the accelerator's network.

6.5   Recommendations for accelerator managers

1. **Track your metrics**: all of your stakeholders and clients -the startups -increasingly demand for more measurable results in order to better understand the accelerators phenomenon, and to differentiate between accelerators. Tracking your numbers and publishing them may by itself be a differentiator from other accelerators.

2. **Continuously develop your ecosystem**: a key value of an accelerator lies in its network of mentors, alumni, corporations, and key stakeholders like public authorities. Developing this network might become a core part of an accelerator's business, as a prime means of maximising return on investment.

3. **Clarify your offer and positioning**: whether it is made by adopting a vertical or publishing your detailed range of contacts or by any other means, a clear positioning enhances your recognisability, attracts the startups with the right match, and can place your accelerator more clearly in the radar of corporations and governments. This can also result in a better ability to attract funding.

4. **Exploit the opportunities offered by open innovation**: open innovation is painfully difficult, and those with sufficient expertise to facilitate it are more and more sought after. Building on the offers of their portfolio companies, accelerators might be able to become the missing link in the open innovation chain.

5. **Collaborate with regional and national governments**: in times of economic crisis, governments need to maximise the return on investment in their mandate in order to show tangible results before next elections. Accelerators can help by prioritising interventions in favour of SMEs and startups, and can help by setting up quicker application procedures for startups to access funding.

6.6 Recommendations for corporations

1. **Replicate the positive examples of other corporations**: enacting open innovation in a corporate environment is far from being easy, however you gain inspiration from successful implementations of others. It is also easier to gain support at all levels, from top management as well as from peers, when replicating an approach already experimented by others.

2. **Sustain open innovation effort over time**: engaging with startups requires cultural and procedural changes at many levels of the company. Use any initiative you have already undertaken in this direction to foster a long-term cultural transformation. Something as simple as inviting business unit directors on panels about open innovation can win one more supporter. Enter this game for the long run, use short-term rewards to aliment the marathon.

3. **Start with the end in mind**: in our survey, too many responded that KPIs for collaborations with startups were not discussed before approaching them. The exercise of defining measurable goals will allow for a more thoughtful involvement of decision makers in your company, and would permit accountancy of results and future improvements to strategic initiatives.

4. **Gain board level support**: although starting small is better than not starting, achieving board level support will entail to have a wider impact and pursue the cultural transformation that is needed to make the most profit of startup collaborations.

5. **Experiment with external accelerators**: corporate accelerators are difficult to setup and run, and might not be for all. Additionally, corporate employees may lack the language to speak to startups, while external entrepreneurs called to run corporate accelerators may encounter the same problem when talking to internal business units. Working with external accelerators may lower the risks and costs.

Additional information

About OPENAXEL Partners

- **FundingBox Accelerator** is a young and dynamic non-profitable initiative of econet to support, promote and launch technological & innovative businesses in Europe. The company is formed with a team of experts with more than 20 years of expertise. FundingBox Accelerator is a state-of-the-art hub serving as a catalyst for developing and driving high-impact-technology-based entrepreneurial innovation. The organization's mission includes providing access to funding, expertise and a shared valuable knowledge for startups, web entrepreneurs, existing businesses and nonprofits with innovative initiatives, transfer of technology from science to the business, clustering.

- **Wayra** is Telefónica's seed-stage Startup funding firm, started in April 2011. It was launched, in response to the lack of available support for the growing number of innovative Startups in Europe and Latin America, aiming to become an accelerator for the development of future 'Silicon Valleys' in the countries where Telefónica is present Wayra aspires to identify ideas with the greatest potential in ICT and to boost their development, providing them with the technology, mentoring and financing they need.

- **AppCampus** was a mobile application accelerator program managed by Aalto University in Espoo, Finland. It was a US$24 million joint investment between Microsoft and Nokia over 3 years to foster mobile application development on the Windows Phone and any other Nokia platform.

- **DIGITALEUROPE** is the voice of the European digital economy including information and communication technologies and consumer electronics. It is dedicated to improving the business environment for the European digital technology industry and to promoting our sector's contribution to economic growth and social progress in the European Union. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. Its members include 53 global corporations and 32 national trade associations from across Europe.

- **ECONET** is one of the leading companies in Europe in technology transfer. The Company is an international group created in 1991 and located in Madrid (headquarters) and with offices in different countries in the EU (Hungary, Chez Republic and Poland), and presence (with located or associate consultants) in 6 out of the 27 EU Countries. Econet has developed a complex Open Innovation Platform to link Startups projects with mentors and funding and also has a wide experience in European RTD or innovation projects, either in management and coordination as well as in transversal activities such as evaluation, exploitation, training or dissemination tasks, supported by the large presence of the Company in Europe.

- **Accelerace** has been operating in Denmark since 2008 helping talented entrepreneurs and growth companies to bring their product quickly and efficiently to the market. So far the program has enabled over 150 ambitious start-ups and growth companies to launch their products globally or find new investors. With less than 5% of participants failing with their business and more than 60 % raising significant growth funding, the setup have a proven track record of contributing strategically and operationally to collect and validate the market, expert and customer input and convert it into a strategy that can grow and scale businesses. Accelerace interact with the Startup scene by spotting, facilitating, training and funding Startup talents with the ultimate goal of bringing their companies faster and cheaper to the next step in their development.

- **Opinno** is an advanced management innovation company, partner of MIT Technology Review, whose mission is to provide high quality services to the entrepreneurial ecosystem (individuals, founders, companies, investors and auxiliary industry). Opinno is a global network of talent that uses open innovation as a collaboration tool to build entrepreneurial solutions that help change the world. Opinno is the publisher of the official MIT magazine in the whole LatAm region, carrying the Spanish and Portuguese editions. Opinno is structured in three core activities: (1) Multimedia content generation, events and entrepreneurship competitions and awards (2)

Innovation consulting, creation and management of innovation centers, coworking spaces and accelerators (3) Startup factory and venture capital investment in early stage Startups.

- **IVSZ** represents the interest of the Hungarian information and communication technology sector for more than 25 years. With over 450 members IVSZ is the only major ICT association in Hungary. It's mission is to contribute to the development of the Hungarian information society and knowledge driven economy by identifying and elaborating breakthrough points and through intensive lobbying. IVSZ maintains strong relationships with and exerts strong lobbying at Hungarian government bodies in order to accelerate the creation of a productive legal environment for a competitive Hungarian ICT sector. IVSZ is member of DIGITALEUROPE and is the bridge to the Hungarian ICT business community and supports every initiative that strengthens and develops international business relations.

About accelerators

On our online map available at www.OPENAXEL.com one can find additional information on accelerators and their categories, useful to guide startups in choosing what accelerator to join, as well as for public authorities in identifying what accelerators to support.

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