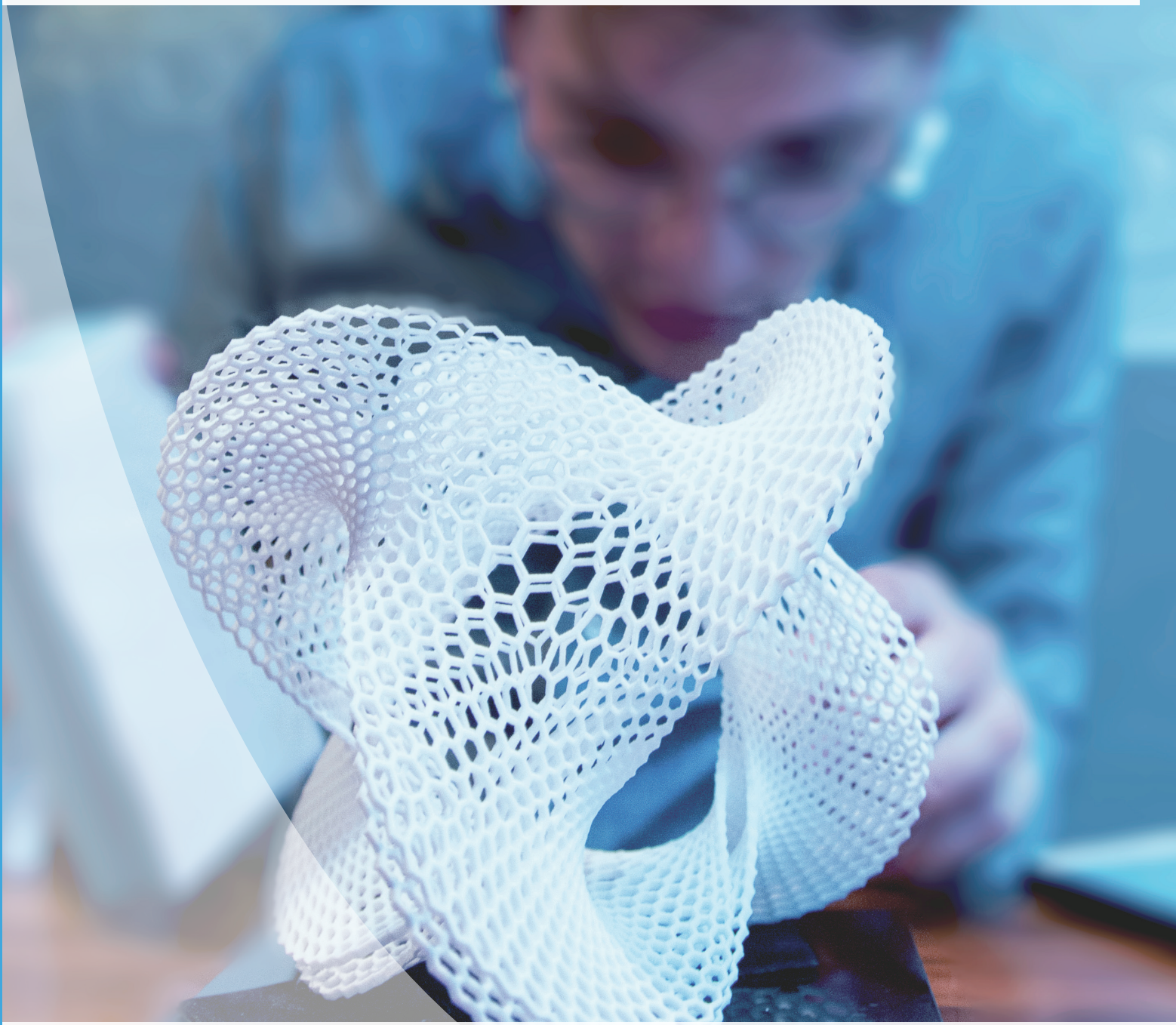
Mind the Bridge

nesta

OPEN INNOVATION IN EUROPE

A Snapshot of the SEP Europe's Corporate Startup Stars 2017



Startup Europe Partnership

STARTUP EUROPE

European Commission

Mind the Bridge

nesta

OPEN INNOVATION IN EUROPE

A Snapshot of the SEP Europe's Corporate Startup Stars 2017

Startup Europe Partnership

About Startup Europe Partnership (SEP)

Established by the European Commission in January 2014 at the World Economic Forum in Davos, SEP is the first pan-European open innovation platform dedicated to transforming European startups into scaleups by linking them with global corporations and stock exchanges.

By participating in the SEP program, global companies have access to the best technologies and companies with the goal of initiating business partnerships and venture corporate investments. Scaleups are exposed to qualified sales/strategic opportunities as well as funding options either via venture capital, private placements or IPOs.

SEP is led by Mind the Bridge, a global organization based in Europe and Silicon Valley.

SEP is a Startup Europe initiative. Partners include leading corporates and the European Investment Fund/ European Investment Bank Group, London Stock Exchange Group, Nesta, EBAN, European Startup Network, The ScaleUp Institute.

For more info:

http://startupeuropepartnership.eu | @sep_eu

Open Innovation is just one word, but can be many things.
From exposure to **disruptive technologies**
to **education** and **digital transformation**,
from startup **acceleration** to **commercial engagement**
to startup **investments** and **acquisitions**.

Not all of these are proven to be effective all the time.
Every corporate is different and requires a **tailored** strategy.

ALBERTO ONETTI
Chairman, Mind the Bridge

Key Data 2016

OPEN INNOVATION IN EUROPE

84% of companies **have a dedicated open innovation unit**

STARTUP CORPORATE ACCELERATORS

52% of the top European corporates **run an accelerator**

19 is the **average** (median) number of **startups accelerated per corporate**

32% of the top European corporates **participate in accelerators run by third parties**

STARTUP PROCUREMENT

87% of the top European corporates **did procurement with startups/scaleups**

10 is the **average** (median) number of **European startups/scaleups engaged commercially** by each corporate

STARTUP INVESTMENTS

71% of the top European corporates **have actively invested in startups/scaleups**

Of them:

50% invested through a dedicated **Corporate Venture Capital (CVC)** fund

27% invested **off-balance**

23% invested **both through CVC** and **off-balance**

3.5 is the average (median) **of European startups/scaleups that received investment**

STARTUP M&As

61% of the top European corporates **are active in startup M&As**

37% of the top European corporates **did at least 1 M&A operation**

1 is the average (median) number of **European startups/scaleups acquired** per corporate

2 is the average (median) number of **Worldwide startups/scaleups acquired** per corporate

The Context

Corporate-led open innovation activities in Europe have changed tremendously over the last decade.
If we compare current practices of corporate-startup collaboration with what existed 6 years ago – when only a few forward thinking organisations (often American ICT companies) were considering startups as strategic partners – we notice a 180 degree shift. **Today open innovation has become mainstream**, both in terms of industries involved and geographical coverage.

The **fear of missing out**, together with an **increased attention to the topic** from many stakeholders (policy-makers, intermediaries, research institutes, successful serial entrepreneurs, and investors), has contributed to creating more awareness about the potential benefits of working with innovative and agile businesses, and has encouraged an increasing number of large firms to play in this new, unexplored field.

This research is a snapshot of open innovation activity in Europe with a focus on corporate and startup collaborations.

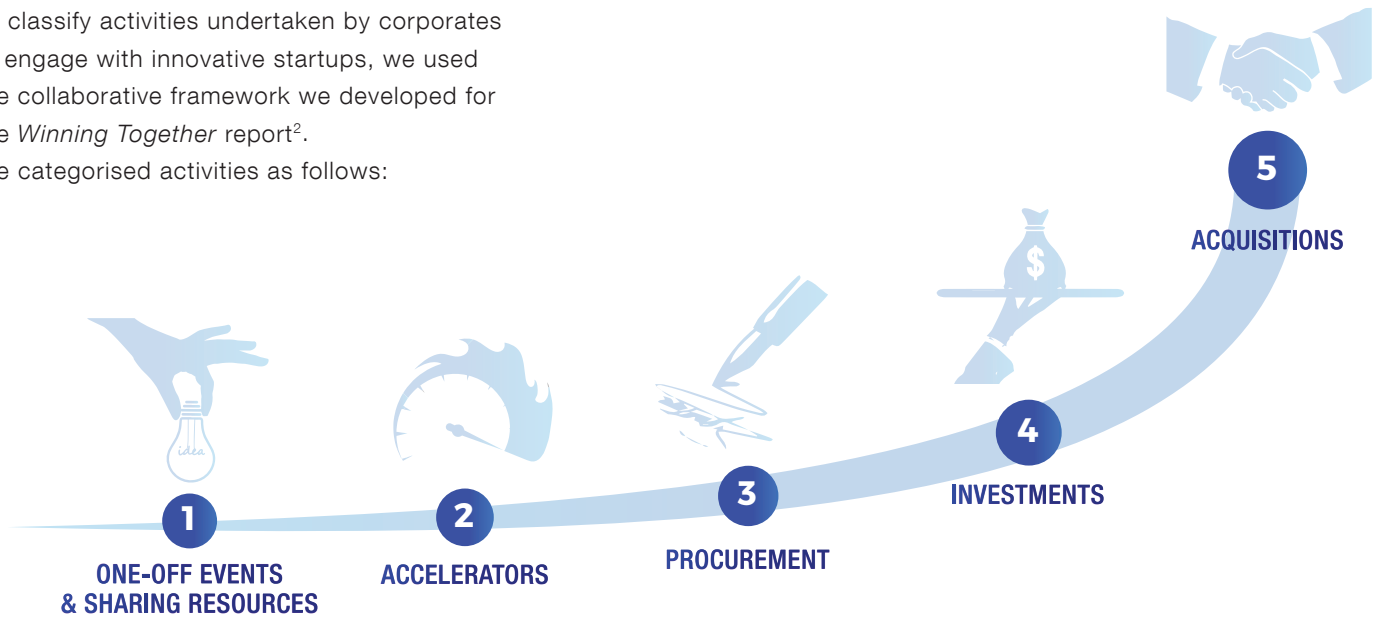
We aim to present the best practices adopted by the leading firms in this area; the types of interaction (e.g. accelerator, procurement, investment, acquisition); their geography; their impact on the ecosystem (e.g. number of startups engaged or invested), and other insights such as the governance structure of open innovation units.

Today, open innovation has become mainstream.

The brief is based on data from the top 36 corporates in Europe, as ranked in the SEP Europe's Corporate Startup Stars 2017, undertaken by **Mind the Bridge** with the support of **Nesta** (more detail about the ranking can be found at the end of this report)[1]. As such, it does not aim to be a comprehensive survey, but rather **showcase current and future trends of successful corporate-startup collaborations** and the direction of open innovation units within companies at the forefront of open innovation.

What Does Corporate and Startup Collaboration Look Like in Europe?

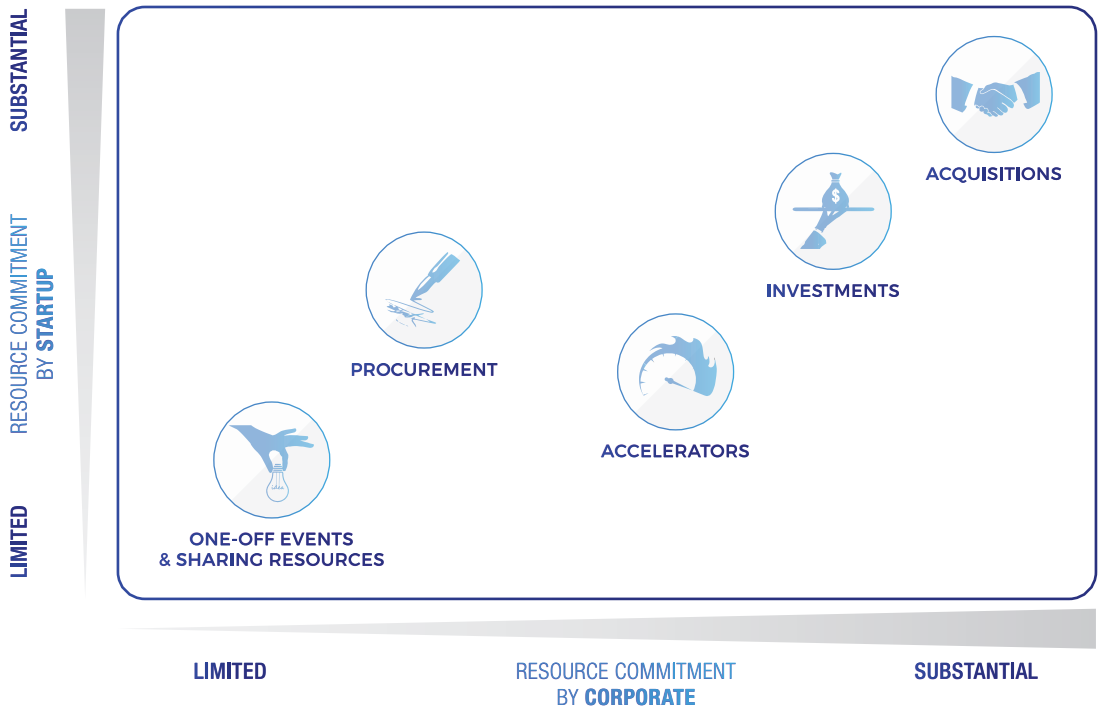
To classify activities undertaken by corporates to engage with innovative startups, we used the collaborative framework we developed for the *Winning Together* report[2].
We categorised activities as follows:



1- Among these 36 firms, we identified the top 31 headquartered in Europe and focused our analysis on those. See Methodology for more details.
2- Bielli, S., Haley, C. and Mocker, V. (2015) 'Winning Together: A Guide to Successful Corporate-Startup Collaborations.' London: Nesta.

CHART 1

INDICATIVE RESOURCE COMMITMENT REQUIRED BY CORPORATES AND STARTUPS TO COLLABORATE THROUGH DIFFERENT PROGRAMMES



Modified from 'Winning Together: A Guide to Successful Corporate-Startup Collaborations', Nesta 2015

When we consider the resource commitment of each one of these corporate-startup activities, one-off events and sharing resources can be placed at one end of the spectrum (low commitment) and acquisitions on the other end (highest commitment). **The human resources, level of analysis and expertise needed all increase considerably as we move from low commitment to high commitment strategies.** In turn, this typically requires an escalation of complexity in the structure of corporates' governance and internal processes.

In addition to requiring different resources, **each of these programmes has a different impact on startups/scaleups**: while an event may provide startups with visibility, a procurement contract can give stability. Finalising such a contract might require months (or years!) but may ensure recurring revenues, access to distribution channels and reputational benefits.

All of the corporates included in our research have implemented at least one of the initiatives mentioned above.

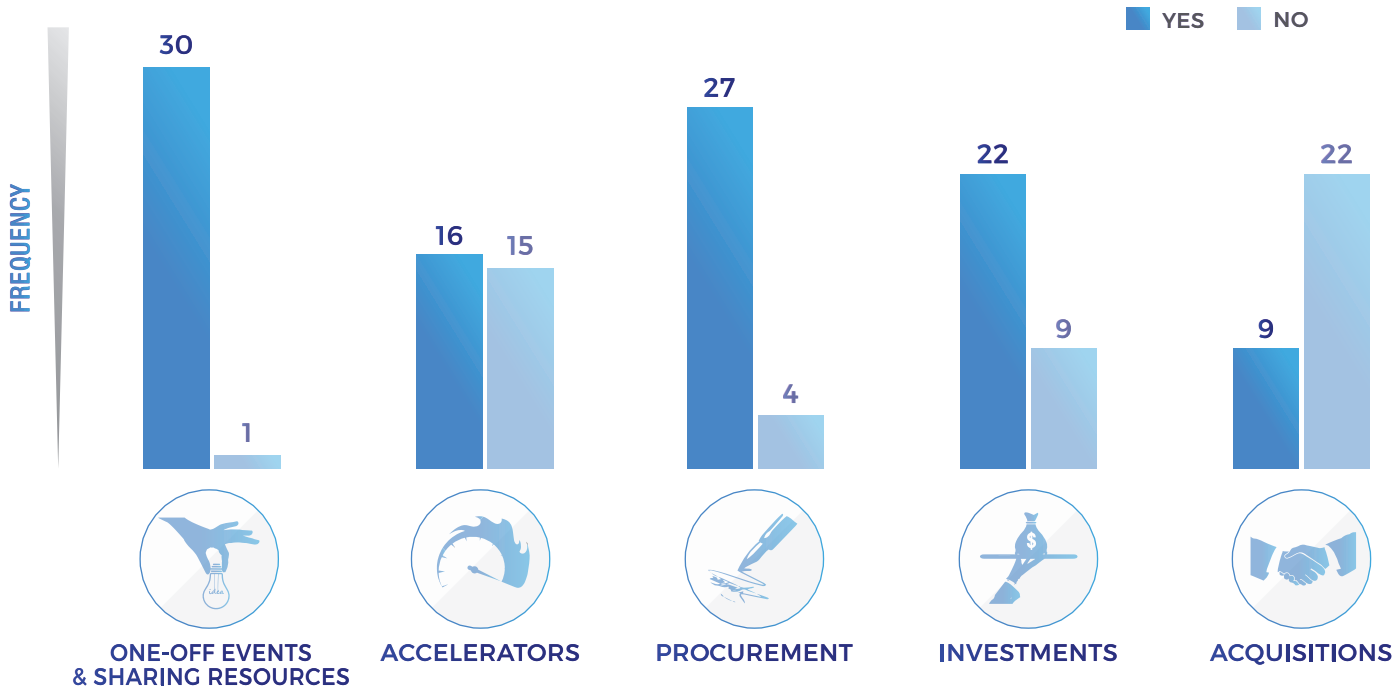
However, as we are interested in activities that make a substantial positive impact on start-ups/scaleups, our analysis is more focused on **acceleration programmes, procurement, investments and acquisitions**.

Chart 2 displays how our sample of leading corporates engaged with startups in 2016. As can be seen, nearly all of the corporates conducted one-off events and/or shared free resources.
Fewer corporates engaged actively through acquisitions in 2016, with only 9 (29%) reporting acquiring European startups in 2016. If we also consider acquisitions of non-European startups, this percentage rises to 37%[3]. This is perhaps unsurprising, given the significantly greater resource commitment. **However, if one looks at a longer period (2010 onwards), then the percentage of corporates active in startup acquisitions rises to 61%**.

Below we take a closer look at how corporates are implementing each one of these collaboration strategies.

3- Though a small sample, this data is consistent with other research regarding startup M&As undertaken by Mind the Bridge and Crunchbase, which showed that European corporates were less acquisitive than US corporations. See: Mind the Bridge and Crunchbase, *Startup M&As 2017 Report*, September 2017.

CHART 2
CORPORATES' STARTUP ENGAGEMENT ACTIVITIES



One-off Events and Sharing Resources

Many corporates are highly active in providing one-off events and free resources to startups. This is perhaps to be expected, given that, relative to other strategies, and depending on the nature of the 'free' resources given, such options may enable corporates to reach a broad startup audience for little financial cost, making it an attractive tactic for corporates that want to showcase their commitment to entrepreneurship and innovation. **Another benefit from one-off events and free resources is the learning that takes place for both parties** - corporates gain exposure to innovative products and services, whereas startups may pick up knowledge about how to effectively scale-up (see Case Study 1), as well as industry insights.

Chart 3 illustrates the distribution of one-off events and free resources by location: that is, whether they take place **locally** (where a company's headquarters is based), **internationally but with a local focus** (in countries where a company's offices are), or **internationally** (in countries where a company's offices are in addition to countries in which they do not have any offices).

Activities that take place via the web are more likely to address an international audience.

Unsurprisingly, activities that are able to take place (completely or partially) via the **web**, such as giving away free digital tools or competitions, are more likely to address an **international audience**, whereas activities with a fixed locality, such as co-working spaces, tend to be implemented in the city or country where a company's HQ is based.

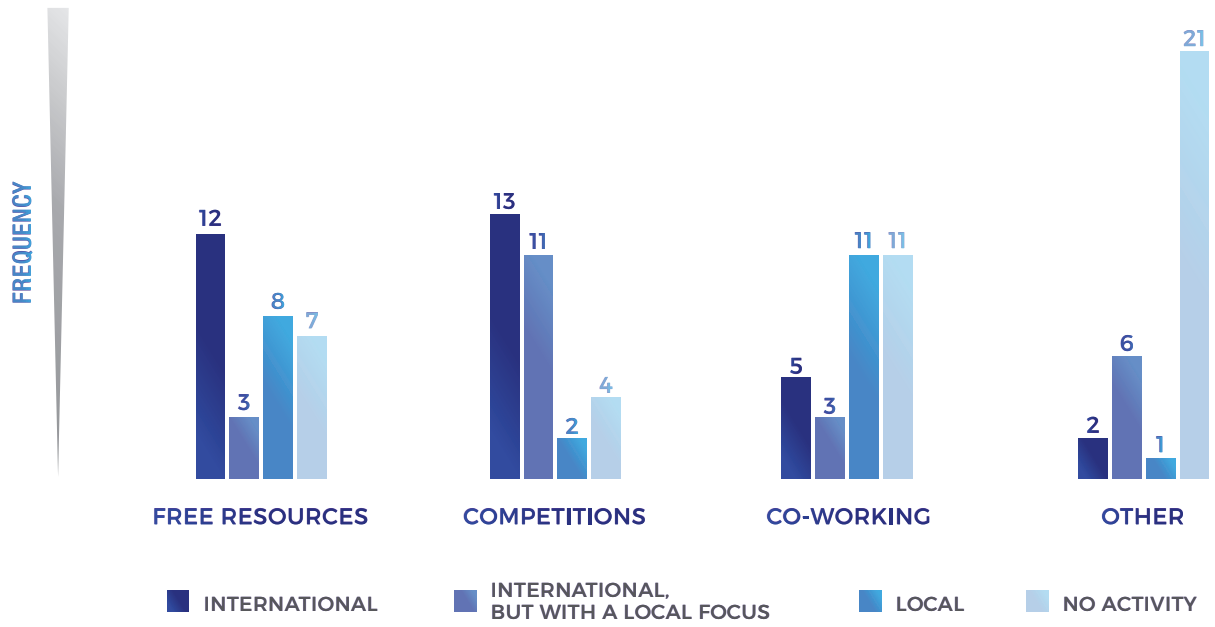
CASE STUDY 1

FROM A STARTUP IN A CO-WORKING SPACE TO COMMERCIAL PARTNER

Starting in Telefónica's crowd-working space in Sevilla, MyFixPert, an IT service repair startup, quickly moved up the ladder after Telefónica spotted its potential and strong fit. MyFixPert not only received investment from Telefónica, but also mentorship and technical support through the telco's accelerator program Wayra.
Through this collaboration, the startup's solution is now being used by a few subsidiaries of Telefónica Spain, generating €11.5 million in revenue for the Spanish telco in the first nine months of 2017.

CHART 3

ONE-OFF EVENTS AND SHARING RESOURCES



One-off events and sharing resources represent a good first step for corporates that are beginning their engagement with startups, enabling the large firms to signal their interest in innovation and entrepreneurship, as well as gaining awareness about innovative technologies at a relatively low cost. Significantly, however, these activities are often **part of firms' communications and/or corporate social responsibility strategies**, and managed by these departments; this may mean that these activities are disconnected with corporates' open innovation strategy and are not conducive to triggering deeper innovative change within corporates.

CASE STUDY 2

FROM PARTICIPATING IN AN INNOVATION CENTER TO BECOMING A CISCO SOLUTIONS PARTNER

Mishipay provides theft-proof scan, pay and leave shopping solutions that eliminate store queuing, making shopping a true omnichannel experience. In 2016, Mishipay participated in IDEALondon through University College London (UCL)'s discovery programme, winning the UCL Bright Ideas Awards. After going through the innovation center, Mishipay quickly became a Cisco Solutions Partner and has since been deployed in beta trials for retailers, earning a host of startup and innovation awards. As part of its Solutions Partner initiative, Cisco has introduced the startup to clients such as Media Markt Saturn, the largest consumer electronics retailer in Europe. Cisco is also helping Mishipay enter new markets - earlier this year, the startup built the first way-finding feature in its app using Cisco CMX, which will be deployed live in Cisco's own booth at the National Retail Federation (NRF), in a real showroom environment!

Accelerators

Moving up the ladder of resource commitment, **accelerators serve as platforms to spur innovation within corporates**: they can expose large firms to emerging trends and technologies, as well as infuse employees with an entrepreneurial mindset and positively influence corporate culture (see Case Study 3).

Sixteen out of 31 corporates in our sample (52%) ran at least one accelerator in 2016, with a significant proportion running more than one across the globe.

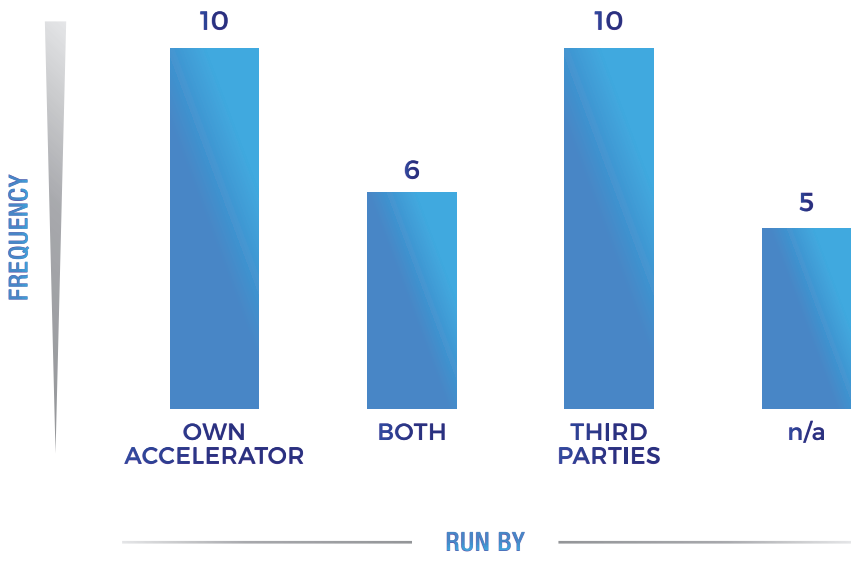
When we consider accelerators ran by third parties, this percentage rises to 84%. **Our data confirms a growing trend in outsourcing acceleration programs to third parties.**

Accelerators serve as platforms to spur innovation within corporates.

While **38% ran an accelerator in house**, an equal percentage relied on third party partners (such as Techstars, Startupbootcamp or Plug and Play) to carry out this activity. 23% ran both an in-house accelerator and one or more separate, outsourced programmes[4].
The choice of having both in-house and outsourced programmes is typically justified by corporates' aspiration to cover more geographical areas and sector/verticals.
The median number of startups per corporate accelerator in 2016 was 19.

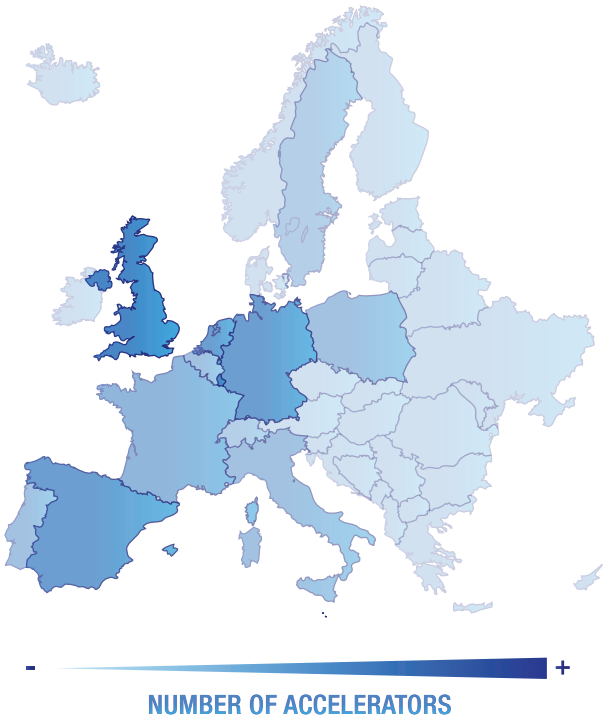
When we take a look at the data by geography, we find that the United Kingdom dominates accelerator activity, followed by the Netherlands, Germany and Spain (see chart 5)[5].

CHART 4
ACCELERATOR ACTIVITY: OWN ACCELERATOR VS. THIRD PARTIES



The choice of having both in-house and outsourced programmes is typically justified by corporates' aspiration to cover more geographical areas and verticals.

CHART 5
GEOGRAPHY OF ACCELERATION PROGRAMMES



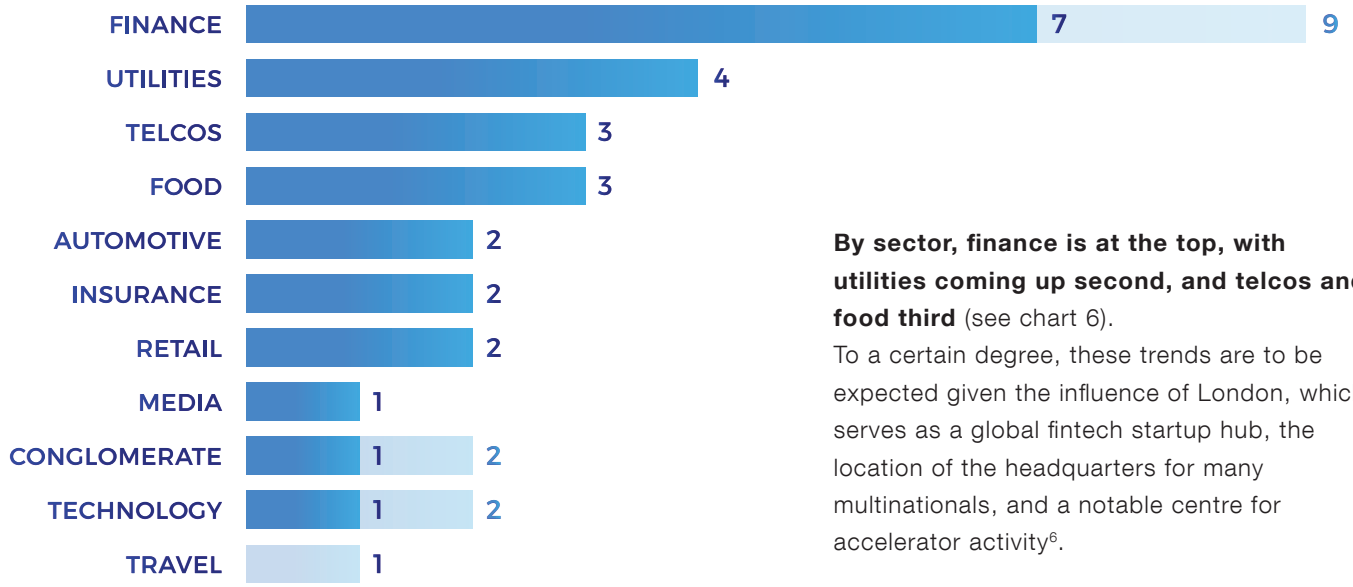
CASE STUDY 3
FROM ACCELERATION TO COMMERCIAL VALIDATION

An example of a success story is SAP Startup Focus Program's engagement with a Munich-based startup called Celonis. Founded in 2011, Celonis works in the area of process mining (i.e. analyzing and visualizing the business processes in a company, across the entire IT landscape, to discover weaknesses and make the processes more transparent, efficient, and cost-effective).

In September 2015, two years after joining SAP Startup Focus Program, Celonis became a highly coveted SAP Solution Extension. As part of this initiative, the German multinational software company tests, validates and supports these solutions to meet the same high standards of quality as other SAP products, creating a high level of trust for customers. Celonis' partnership with SAP has led to significant commercial success for the startup, attracting clients such as Siemens, UBS, and Vodafone. In 2016, Celonis was awarded the E&Y Entrepreneur of the Year Award in the Startup Category.

4- The sample for these findings is 26 corporates who responded Yes to running an accelerator in 2016.
These findings differ from the ones display in the infographic, as the sample of the latter takes into account NA responses.
5- The data reflects the composition of the research population which is composed of 31 leading European companies.

CHART 6
ACCELERATORS BY CORPORATE SECTORS*



* Includes accelerators run by third parties.

By sector, finance is at the top, with utilities coming up second, and telcos and food third (see chart 6).
To a certain degree, these trends are to be expected given the influence of London, which serves as a global fintech startup hub, the location of the headquarters for many multinationals, and a notable centre for accelerator activity[6].

Procurement

While accelerators typically focus on early-stage startups, and allow corporates to test innovative products and services, commercial engagement typically involves startups that are more mature (sometimes called 'scaleups', especially if they have undergone a period of rapid growth).

Commercial engagement typically involves startups that are more mature.

From a startup perspective, a corporate client can be a critical step for validation, gaining stability and scaling-up (see Case Studies 4, 5, 6 and 7). **From a corporate perspective, procurement can be a way of placing validated innovations deeper within the organisation**, or incorporating innovations into their supply chains for the benefit of end-users.

Commercial engagement – Proof of Concept (PoC), co-development, procurement – is the most adopted open innovation strategy, with 27 out of 31 (87%) reporting procuring from a median number of 10 startups each.

CASE STUDY 4
FROM TESTING TO PROCUREMENT

Thanks to the Qurami app, customers can avoid wasting time while waiting in a queue: the app allows users to book a spot in a queue with an exact time indicating when he or she should arrive. Before attaining scale, Qurami partnered with Enel to test the service by running a pilot project.
After receiving overwhelmingly positive feedback from the pilot test, Enel decided to scale the Qurami app by providing it in all 130 direct shops Enel has in Italy.

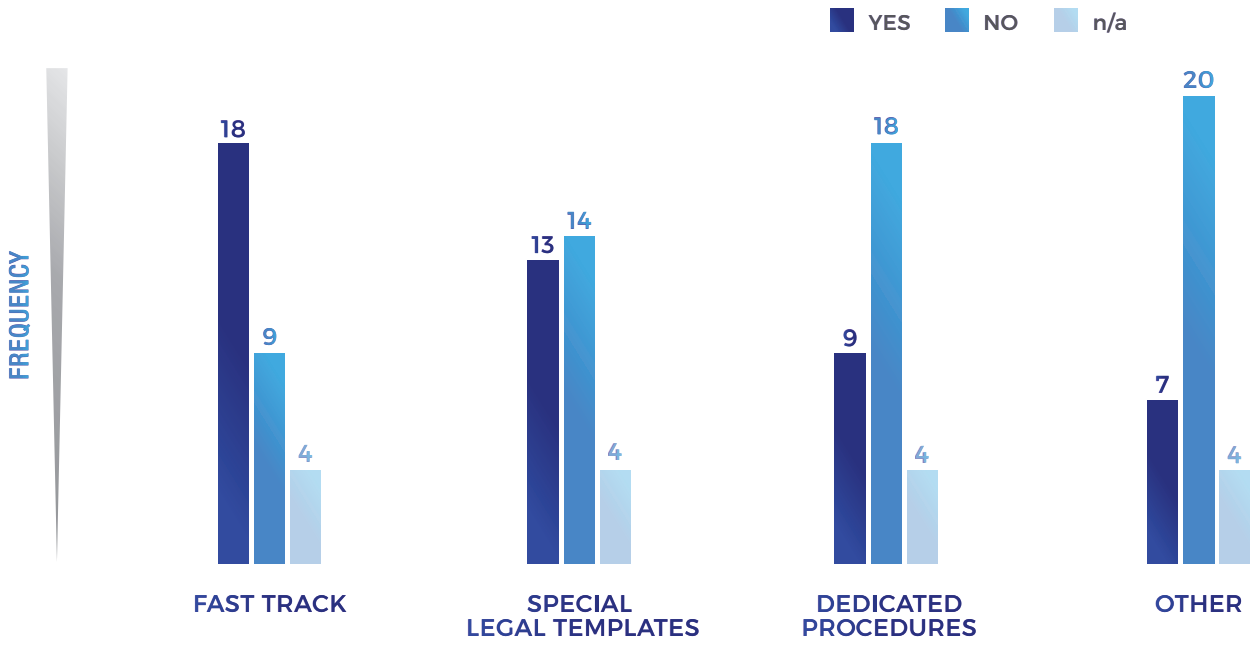
CASE STUDY 5
A WIN-WIN COMMERCIAL AND EQUITY PARTNERSHIP

After signing an exclusive commercial and equity partnership with Orange, the digital music service provider Deezer partnered with the French telco to increase its customer base. At the start of the partnership, Deezer leveraged Orange's bundled offerings to reach wide distribution, as well as gain service adoption and brand awareness. Once these goals were achieved, Deezer's distribution model successfully switched to a premium standalone one.
Fast forward to 2017, seven years after the deal was made (2010), Deezer now gets a significant share of its revenues and customers through Orange's distribution, making the French telco its primary B2B partner.

6- See Bone, J., Allen, O. and Haley, C. (2017) 'Business incubators and accelerators: the national picture', Great Britain. Dept. for Business, Energy and Industrial Strategy (BEIS) Research Paper Number 7

CHART 7

CORPORATES' STARTUP-FRIENDLY PROCUREMENT PROCESSES



The challenge for large firms, however, is that procurement from startups is often 'non-standard', with young firms frequently having special needs, being unable to comply with lengthy qualification processes, having limited cash flow, and operating on a time-frame which does not suit typical corporate procurement cycles.

For these reasons, the majority of corporates that engage in procurement with startups (24 out of 27) report having set up at least one **'startup-friendly' procedure**. As shown in chart 7, 67% of corporates have a "fast-track" option; 48% have special legal templates; 33% have dedicated procedures; and 26% carry out "other" practices such as providing preferential payment conditions and having a full-time person to help startups through the procurement process.

We also investigated the leading corporates' procurement processes and commercial terms. We found that **63% take less than a month to pay startups**, and one third take less than three months. Along similar lines, one fifth of corporates indicated that startups can register as suppliers in less than 3 days, whereas 37% indicated that it takes them less than 2 weeks. Only two reported a time period of more than a month[7].

Procurement often remains a protracted process. However, by simplifying vendor registration and qualification processes, shortening payment times and implementing other 'startup-friendly' procedures, corporates can adapt to startups' needs and remove some of the pain.

CASE STUDY 6

PARTNERING WITH STARTUPS

Virgin Trains East Coast (VTEC) has partnered with startup Pointr Labs to bring indoor location technology into their stations and thus reduce customers' travel anxiety. Although Pointr's technology had been used in retailers and airports, it was the first time being deployed in this setting. Pointr Labs and Virgin worked together for two months to develop a multi-platform standalone app (www.pointrlabs.com/virgintrains). Through this partnership, the startup obtained access to station owners, cut through significant paperwork, and installed the technology in a matter of days. Meanwhile, VTEC gained insight into customer behaviour, enabling them to enhance consumers' overall experience.
VTEC is now looking to expand the use of Pointr's location intelligence technology across the entire network and get one step closer to providing visually impaired passengers the freedom of independent navigation. Pointr Labs, this successful collaboration opened doors to other Virgin Companies including Virgin Atlantic and Virgin Voyages.

7- Two corporates that answered questions from the procurement section did not disclose data on payment time to startups. As such, our sample for this particular question is 25 corporates rather than 27.

DAIMLER

CASE STUDY 7

CO-DEVELOPING WITH STARTUPS

The Startup adVANce Challenge is a co-development partnership program in which Mercedes-Benz Vans works together with startups on developing and producing hardware and software prototypes within the field of "Last Mile Transportation of Goods and People". The challenge pushes startups to turn first ideas into concepts and finally into prototypes. The Finnish startup NFleet is one of the five finalists that made it to the last round (also known as the prototype phase). Together with experts from Mercedes-Benz Vans, NFleet has been working on multimodal transportation planning to enable efficient and customer-friendly transportation.

NFleet

Investment and Acquisitions

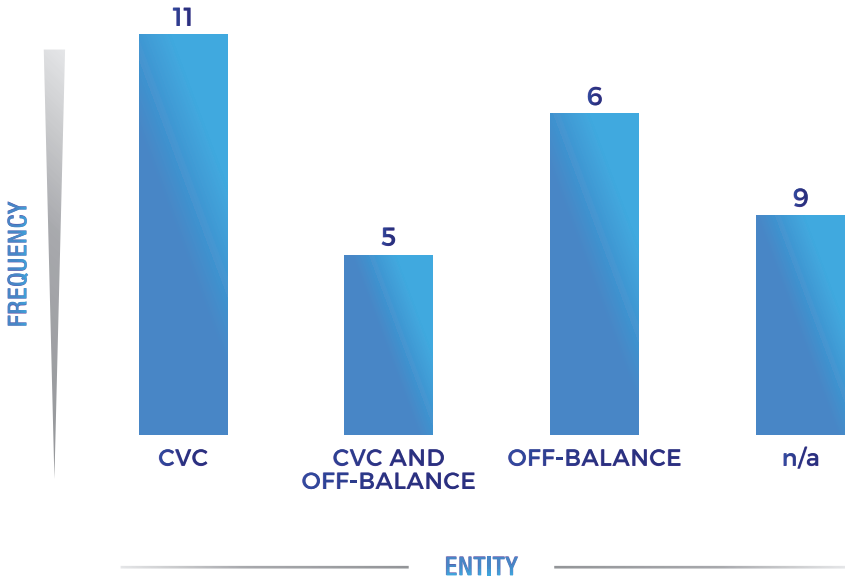
Investing in or acquiring a startup are activities that require significant resources, analysis and expertise. Yet the benefits can be significant, enabling corporates to gain exclusive access to cutting-edge technologies and stay on top of trends (see Case Study 8 and 9).
In our survey, we found that **22 out of 31 corporates (71%) made investments in startups in 2016.** Of these, half invested through Corporate Venture Capital (CVC) funds, while 27% invested off-balance-sheet (direct investments). 23% employed both (see chart 8). Our analysis shows a gradual reduction of the use of CVC funds in favor of off-balance investments.

European corporates invested in 3.5 startups on average (median value). When we take a look at the industry sectors of these **investments**, **finance**, followed by **utilities** and **telecommunications**, dominate.
Only 9 out of 31 corporates (29%) reported acquiring European startups in 2016. If we also consider acquisitions of non-European startups, this percentage rises to 37%.

Out of those that relied on acquisitions, **they acquired a median value of 1 European startups** (2 if we also consider non-European startups). Looking at a broader period (from 2010 onwards), 61% of the top European corporates are active in startup acquisition.

CHART 8

CORPORATE INVESTMENT ACTIVITY IN STARTUPS



kpn

CASE STUDY 8

FROM INVESTMENT TO PROCUREMENT

KPN's work with the networking technology startup Actility showcases the benefits of simultaneously engaging through investment and procurement. In 2015, soon after investing in Actility via its venturing arm KPN Ventures, KPN's New Business division became one of the startup's most important customers, yielding significant advantages for both parties. On the one hand, KPN was able to launch the world's first nationwide LORA-based Internet-of-Things network using Actility's technology. On the other hand, Actility became one of the fastest growing startups in France, raising a $75 million Series D investment round in 2017.

Actility

BBVA

CASE STUDY 9

DIGITAL TRANSFORMATION POWERED BY ACQUISITIONS

In March 2016, the Helsinki-based Holvi accepted an acquisition deal by the Spanish financial group BBVA. According to the founder of Holvi, the Finnish online business banking service found a strong and like-minded partner in BBVA, providing Holvi with a platform for growth, scale, and expertise. From BBVA's perspective, acquiring Holvi represented a strategic next step in the banking group's digital transformation process.

HOLVI

Summary

As the above analysis illustrates, the top European corporates have been highly active in engaging with startups through a wide range of mechanisms. Unsurprisingly, **a greater number of corporates have put an emphasis on strategies requiring less resource commitment** such as one-off events and sharing resources, followed by procurement and accelerators.
Conversely, **a smaller group has adopted strategies that require a deeper strategic involvement** and demand a higher amount of resources – in this case, investments and acquisitions. Among the five activities, we believe procurement is the most promising activity that is conducive to successful results (see chart 9 for a summary of corporate approaches to startup engagement).

We believe that a number of factors – from market competition and speed of technological development, to the expectations of a new generation of employees with a more entrepreneurial mindset – will drive companies to continue to engage in startup activities.

While more corporates will be willing to experiment with startup-collaboration through light-touch programmes, **we expect the incumbents to shift from acceleration-only activities towards co-development projects**, which may in turn lead to broader commercial engagement.

We also predict that companies aspiring to be at the forefront of innovation will dedicate a more generous budget to procuring from, and co-developing with, startups.
Finally, **investments and acquisitions will increase as a result of commercial engagements and strategic considerations** rather than being merely driven by financial returns.

The top European corporates have been highly active in engaging with startups.

CHART 9
CORPORATE OPEN INNOVATION MODELS

INVESTORS

Venture capital model with direct **investments** into tech startups

INNOVATORS

Involvement through **own accelerator** programmes

TRANSFORMERS

Open innovation creating own digital innovation through **POCs, licensing, strategic partnerships** with startups

TOP EUROPEAN COMPANIES

Source: Mind the Bridge

Corporates' Internal Culture and Structure: How Entrepreneurial and Innovative Are They?

While corporates' external engagement with startups is a strong yardstick of their commitment to innovation and entrepreneurship, it does not elucidate the full picture. **Internal practices also play a critical role in spurring innovation** and staying on top of emerging trends.
With this in mind, we investigated their internal processes and structures.

Below we take a closer look at how corporates have been fostering internal innovation and entrepreneurship and structuring open innovation.

Internal practices also play a critical role in spurring innovation.

Entrepreneurial Practices

Incentive and reward systems are highly important in sparking employees' creativity and self-initiative.
The right nudges can turn an interesting idea into a successful commercial venture and valuable lessons. Corporates also empower employees by enabling them to explore intriguing opportunities.

Corporates empower employees to explore intriguing opportunities.

To gauge corporates' commitment to stimulating employees' innovative and entrepreneurial spirit, we asked them to report on how they promote entrepreneurial culture internally. **29 out of 31 corporates indicated implementing at least one practice aimed at fostering entrepreneurship.** The most popular response among corporates was "Other", which includes a wide range of activities such as giving intrapreneurs time with C-level executives to seek advice, exposing employees to innovation via missions and incentive programmes to tech hotspots (e.g. Silicon Valley), and putting together internal competitions/contests to encourage employees to develop ideas.

Case Studies 10 and 11 illustrate how corporates have used internal entrepreneurial practices to spur employees' entrepreneurial ideas. Hiring entrepreneurs came in a close second followed by creating entrepreneurship incentives through KPIs (12 responses) and bonuses (11 responses).

BBVA

CASE STUDY 10
BANKS SPIN-OFFING STARTUPS

BBVA has been designing and building new digital businesses leveraging startup models. As part of its New Digital Business, BBVA has launched the intrapreneurial venture Trust·u, a digital platform providing financing to small businesses that would otherwise be left out of the traditional banking system.
The platform relies on a hybrid risk assessment model that draws from machine learning techniques, in addition to combining social underwriting and bank account transactional data. Recently BBVA launched the intrapreneurial startup Muno, a sick leave insurance platform, and is already working on a few other ideas.

trust·u

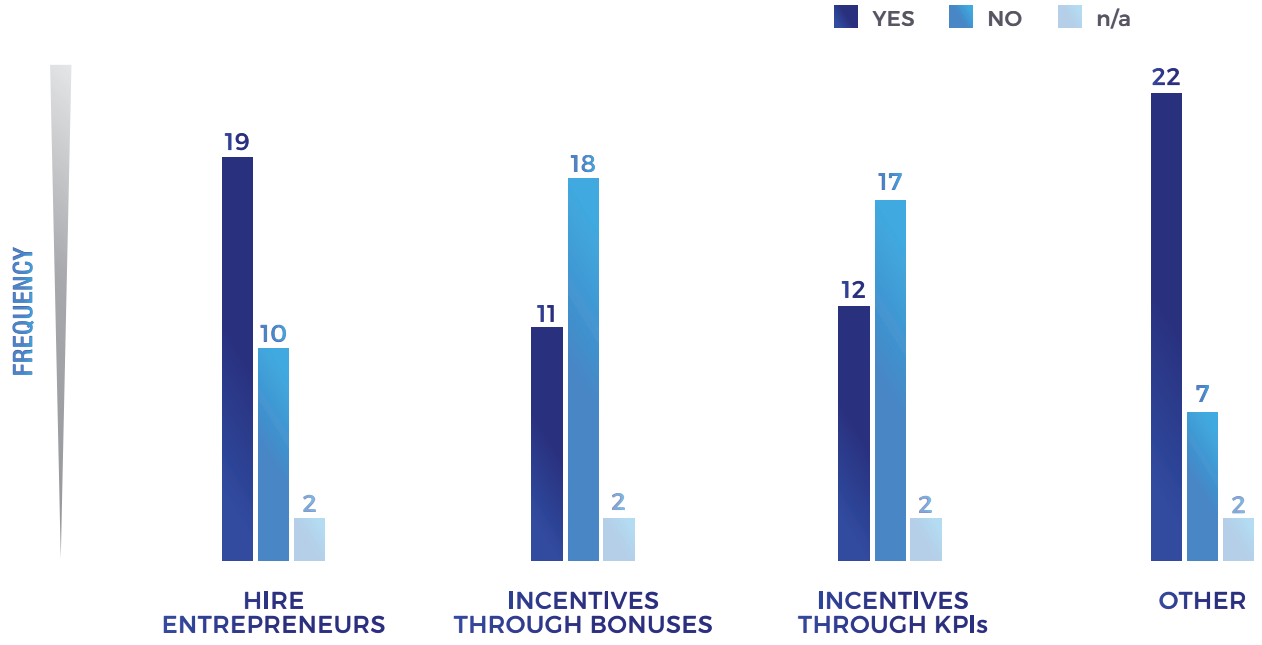
SAP

CASE STUDY 11
SABBATICAL POLICY TO FOSTER INTRAPRENEURSHIP

In 2016, SAP Lab India set up a sabbatical policy for its employees that allows them to pursue their own entrepreneurship ventures for a two-year period. Employees are eligible only after two years of having worked for the company. Once the two-year sabbatical ends, SAP gives its employees the opportunity to come back to the company if they so desire.

SAP

CHART 10
HOW CORPORATES FOSTER INTERNAL ENTREPRENEURIAL CULTURE



Entrepreneurial Structures

Whereas systems and processes incentivize entrepreneurial behavior, organizational structures serve as the guiding principles underlying these incentives. **By establishing coherent strategies with clear objectives and priorities, organizational structures direct employees' efforts and focus.**

To assess corporates' entrepreneurial structures, we analysed their organizational configuration. 26 out of 31 corporates (84%) had a dedicated open innovation unit in 2016. All corporates in the utilities, telcos, automotive, retail and conglomerate sectors reported having a dedicated unit. **Corporates have increasingly given the unit a wide range of names** such as Innovation & Solutions, Rise and Open Innovation, Innovation Network & Industrialization, and Digital Innovation, among others.

Out of those with an open innovation unit, 33% report directly to the CEO or Board of Directors, 38% report to other C-level executives, and the rest, 29%, report to non C-level executives such as the Head of Innovation or Executive Vice President.

61% of corporates now have a C-level executive focused specifically on innovation or digital (e.g. Chief Innovation Officer or Chief Digital Officer)[8].

Speed of digital innovation requires rapid responses which can only be addressed by open innovation.

To a significant degree, speed of digital innovation requires rapid responses which can only be addressed by open innovation, which in turn requires a different reporting structure. Whereas before innovation was mostly driven by R&D efforts, **we now see open innovation units playing an ever-growing role in disrupting the status quo**. Chart 11 illustrates this organizational structure change.

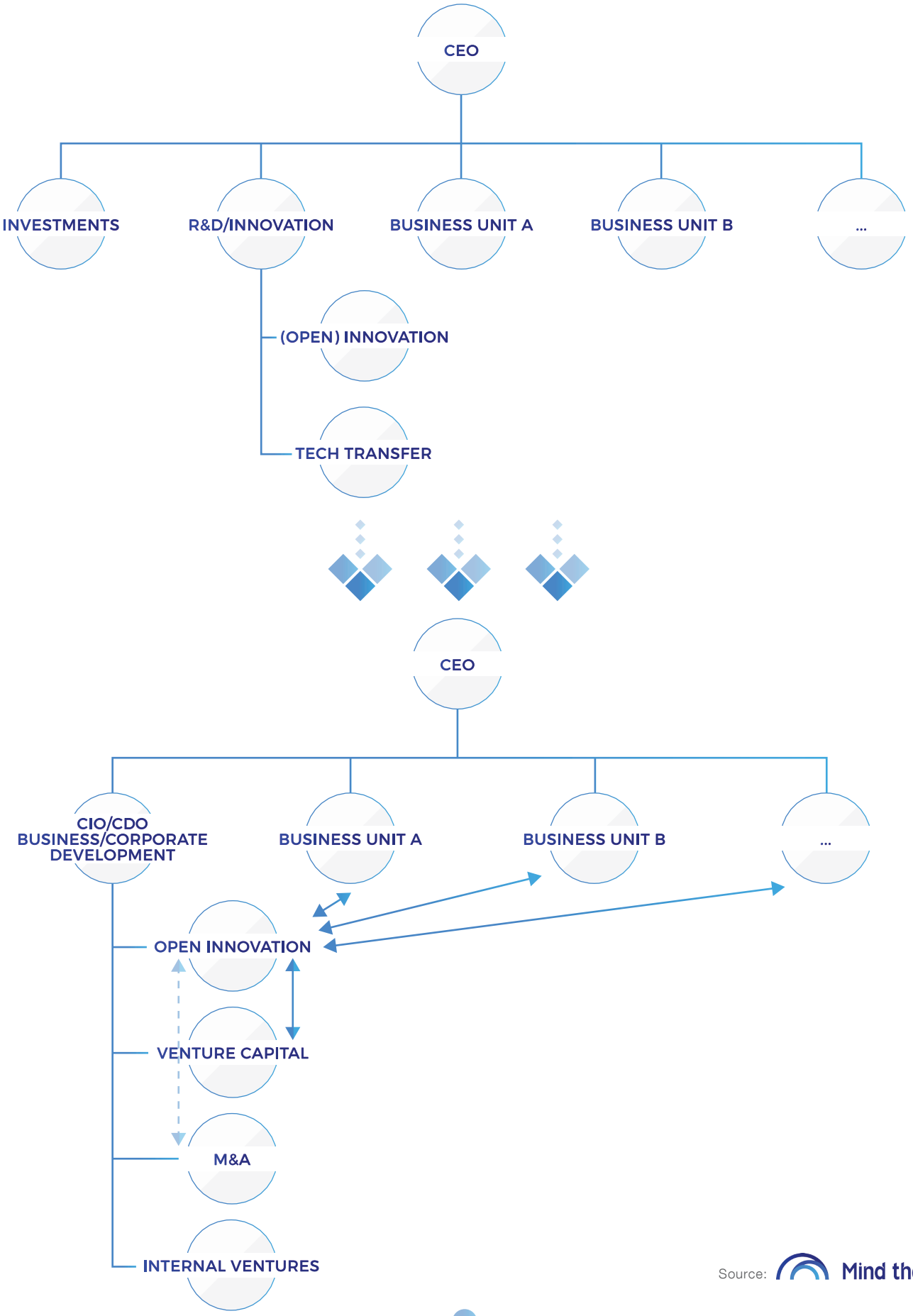
8- Two corporates that answered questions on their open innovation units did not disclose data on their reporting structures. As such, our sample for this particular question is 24 corporates rather than 26.

CHART 11

CORPORATES' ORGANIZATIONAL CHANGES IN INNOVATION

STRUCTURE FOLLOWS DIGITAL CHANGE (AT LEAST SHOULD)

From (mostly) Internal to (more) Open Structures

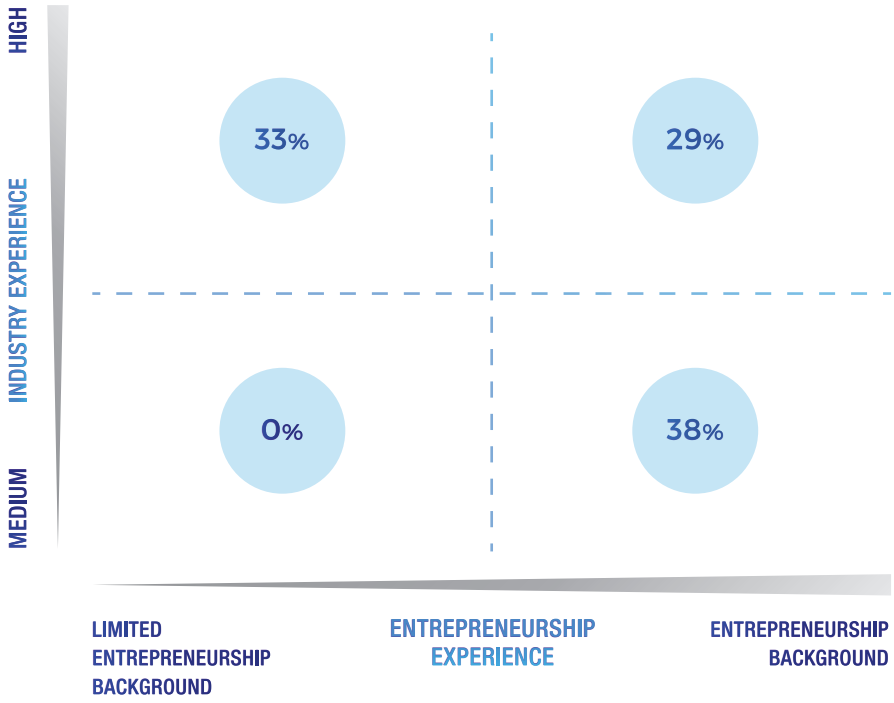


Source: Mind the Bridge

We also asked corporates to report on the composition of their open innovation units. Specifically, beyond the seniority, we aimed at understanding whether the team included people with an entrepreneurial background (i.e. people likely speaking the same language as startups).

To give structure to the data, we categorized employees with an entrepreneurial background as "Entrepreneurship"; employees with 5-10 years of experience in a specific industry as "Medium"; and employees with more than ten years of industry-specific experience as "High". Chart 12 summarizes our categorization. **Out of the 24 corporates that responded, 9 of them said their unit had a Medium + Entrepreneurship background**, whereas 7 corporates indicated having a unit composed of High + Entrepreneurship. Only 8 corporates reported a unit composition with only High experience. None of the corporates' open innovation units were categorized as Medium[9].

CHART 12
TYPES OF EXPERIENCE OF OPEN INNOVATION UNITS



Summary

Intrapreneurial activities seem to be thriving within corporates. Not only is hiring entrepreneurs becoming common practice (60%), but **most open innovation units are now comprised of industry experts and former entrepreneurs**. This is a quite radical change compared to the previous generation of firms in which the only entrepreneur was usually the owner of the company.

These findings signal a **change of direction** and an **increasing awareness** of the importance of infusing an entrepreneurial mindset inside firms. Entrepreneurs can inspire their colleagues, and bring a different approach to thinking and working inside the organisation. In so doing, they can spur a welcoming culture towards the adoption of 'external' innovations (products or services by startups), which would otherwise be rejected—the "not invented here" syndrome is quite rooted in established organizations.

When we combine the practice of hiring entrepreneurs with visits to innovation hubs (e.g. Silicon Valley), two-way mentorship, and resources to build a prototype or test an idea, we see how the framework of a traditional corporation is gradually moving towards a **more collaborative and flexible approach**.

Finally, our findings suggest that, as corporate-startup collaboration gains relevance within corporates' innovation strategies, these **collaborative tactics will become an instrumental component of open innovation activities**, and internal structures will re-shape accordingly.

Intrapreneurial activities seem to be thriving within corporates.

9- Two corporates that answered questions on their open innovation units did not disclose data on their reporting structures. As such, our sample for this particular question is 24 corporates rather than 26.

Conclusions

This snapshot offers an insight into the open innovation activities of leading European firms. It does not claim to be an exhaustive study, but illustrates how the top European corporates have been highly active in engaging with startups through a wide range of mechanisms.

Based on the data we collected, as well as Mind the Bridge's ongoing dialogue with companies, we have identified **five emerging trends**:

CORPORATE ACCELERATORS

Partly because many of the benefits of accelerators are diffuse and difficult to measure, **there are growing concerns about the financial sustainability** (in terms of internal rate of return) **of programmes**. Some corporate executives will take the view that strict impact measurement is neither possible nor needed, especially if the goal is internal cultural change; others will gradually shift from internal corporate initiatives to third-party-managed, shared, vertical accelerators.

Funded proof-of-concept and co-development programmes are being widely used by leading corporates to initiate their engagement with startups, often leading to procurement contracts. This typically favours later-stage startups (i.e. scaleups). Though hard data is unavailable, such schemes are widely perceived as being productive.

STARTUP PROCUREMENT

STARTUP INVESTMENTS

Our analysis shows a **gradual reduction of the use of CVC funds in favour of off-balance investments**.
Investments and acquisitions will increase as a result of commercial engagements and strategic considerations rather than being merely driven by financial returns.

Our analysis confirms that **European corporations are mildly acquisitive**, in comparison with US counterparts.
More activity on the M&A side seems likely and would be beneficial.

STARTUP ACQUISITIONS

OPEN INNOVATON UNITS

Top European corporates have – or are planning to establish – a dedicated open innovation unit. These units typically report to a newly appointed **Chief Innovation Officer or Chief Digital Officer**.

Methodology
SEP Europe's Corporate Startup Stars

The data underlying this research brief* comes from a survey run by Startup Europe Partnership as part of SEP Europe's Corporate Startup Stars.

Through a public call, European startups were asked to nominate corporates that were actively working with startups and were easy to work with. Nominated corporates were then invited to apply for the awards and provide detailed information and references on their open innovation structure, activities (such as accelerators and internal innovation) and results achieved. Corporates identified through secondary research were also invited. Following corporates' submissions, Mind the Bridge and Nesta analyzed and reviewed the applications.

The ranking was then defined together with the SEP Europe's Corporate Startup Stars Awards Judging Committee, which was composed of:

SHERRY COUTU
Angel Investor
Author of the UK Scaleup Report

ANDY McCARTNEY
Former CEO-in-Residence, Microsoft
Founding Partner, Whitespace Ventures

BINDI KARIA
Member of the EU European Innovation Council
Former Vice President, Silicon Valley Bank

CANDACE JOHNSON
Serial Entrepreneur
behind SES and Loral Cyberstar-Teleport
President, EBAN

ALBERTO ONETTI
Chairman, Mind the Bridge
Coordinator, Startup Europe Partnership (SEP)

CONSTANTIJN VAN ORANJE-NASSAU
Prince of the Netherlands
Special Envoy, StartupDelta
Co-Founder & Chairman, Startup Fest Europe

The Judging Committee finalised the ranking and determined the following awards:

SEP EUROPE'S CORPORATE STARTUP STARS (top 12 companies)

SEP EUROPE'S OPEN INNOVATION CHALLENGERS (24 companies)

CORPORATE STARTUP ACCELERATOR AWARDS (Barclays, Mastercard, Philips)

CORPORATE STARTUP PROCUREMENT AWARDS (Enel, Iberdrola, Telefonica)

CORPORATE STARTUP INVESTMENT AWARDS (KBC, KPN, Santander)

CORPORATE STARTUP M&A AWARDS (BBVA, Orange, Telefónica)

SUPPORT THE STARTUP ECOSYSTEM AWARDS (Dell, Google, Microsoft)

OPEN INNOVATION RECENT FAST MOVERS AWARDS (Aviva, Sodexo, VIVAT)

OPEN INNOVATION INNOVATIVE APPROACH AWARDS (BBVA, Mercedes-Benz Vans - Daimler AG, Metro)

All the members of the Judging Committee disclosed conflicts of interest with specific companies and abstained from decisions involving such companies. For the purpose of this research, we only considered companies included in the 'SEP Europe's Corporate Startup Stars' (the 12 most startup-friendly corporates in Europe) and 'SEP Europe's Open Innovation Challengers' (24 companies seeking to catch up with the top 12). According to experts' evaluations, these 36 firms represent the best case studies of open innovation. From this group of 36, we excluded organisations that collaborate with European startups and scaleups, but are headquartered outside of Europe.
The number of companies included in this research is therefore 31: 10 from 'SEP Europe's Corporate Startup Stars' and 21 from 'SEP Europe's Open Innovation Challengers'. The data presented in this report refers to activities and processes carried out by corporates in 2016, though some of the data collected refers to the last 3 years.

(*) This report was written by Mind the Bridge and Nesta. The research team included Siddharth Bannerjee, Simona Bielli, Jonathan Bone, Massimiliano Brigonzi, Christopher Haley, Alberto Onetti, Alessia Pisoni, Giada Riva, and Agustina Sol Eskenazi. The principal authors were Simona Bielli, Agustina Sol Eskenazi, and Alberto Onetti.

SEP
Europe's Corporate Startup Stars

SEP
Europe's Open Innovation Challengers

Data shows that firms in **Europe** are finally finding mechanisms for meaningful and successful **corporate-startup collaboration**. We believe that the ability to **collaborate** across differences in **size** and **culture** is an increasingly important source of **competitive advantage**, and expect to see corporate-startup collaboration continue to gather pace in the years ahead.

CHRISTOPHER HALEY
Head of New Technology
& Startup Research, Nesta

First published in London, UK by Mind the Bridge & Nesta in December 2017

About Mind the Bridge

Mind the Bridge is a global organization that provides innovation advisory services for corporates and startups.
With HQs in San Francisco (CA) and offices in London, Italy and Spain, since 2007 we have been working as an international bridge at the intersection between Startups and Corporations.
We scout, filter and work with 1,500+ startups a year. We support global corporations in their innovation quest driving open innovation initiatives that often translate in curated deals with startups (namely POCs, licensing, investments, and/or acquisitions).
We publish curated reports on the status of the Startup Economy in different geographies, M&A and innovation market trends in various verticals.
We enjoy strong partnerships with entities such as the London Stock Exchange and the European Commission, for whom we run the Startup Europe Partnership (SEP) open innovation platform.
We are the organizer of the Startup Europe Comes to Silicon Valley (SEC2SV) mission and the European Innovation Day conference.

For more info:
http://mindthebridge.com | @mindthebridge

About Nesta

Nesta is a global innovation foundation. It backs new ideas to tackle the big challenges of our time and improve how the world works for everyone. Nesta uses its knowledge, networks, funding and skills to take on these big challenges - working in partnership with others, including governments, businesses and charities. Nesta is a UK charity that works all over the world, supported by a financial endowment.

For more info:
www.nesta.org.uk | @nesta_uk