

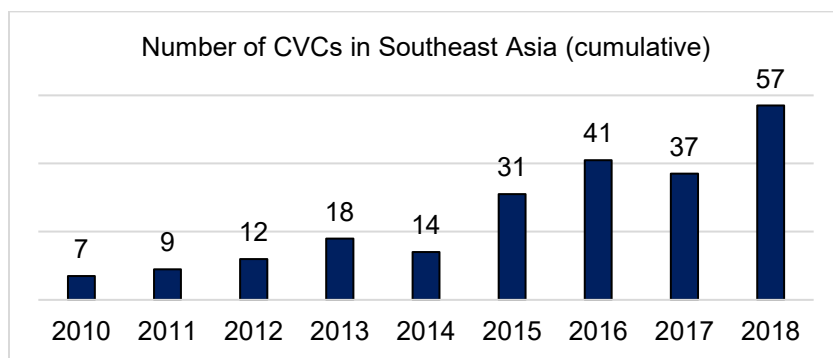
Why Open Innovation Collaborations between Corporates and Startups fail?

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Collaboration with startups is an important mechanism for corporate innovation

In current business world of rapidly changing technology and business models, corporates might find that their traditional way of working is no longer sustainable and can be “obsolete” with the emergence of new technologies. To sustain corporate success or win a bigger slice of the pie, corporates need to innovate. However, bigger corporates might find that they are lacking in the “innovation” aspects and have turned to collaborating with startups to fulfil this gap. On the other hand, startups gain access to funding, resources and customer networks through the collaborations. Increasing collaborations between corporates and startups are observed at each corner of the world. In Southeast Asia, number of corporate venture capitals (CVCs) jumped by ~8x between 2010 and 2018, with the number of investment made by CVCs in Southeast Asia increased to 50 in 2018 compared to 26 in 2015.



Source: Golden Gate Ventures

However, not all collaborations between corporate businesses and startups turned out to be successful. There are many cases where both parties parted way along the collaboration journey. In a study conducted by Bain Consulting Group (2018), 45% of corporates and 55% startups rated themselves as either “somewhat dissatisfied” or “very dissatisfied” with the relationship between both parties. And, only 5% of collaborations work well; 95% either do not work at all or are just mediocre. Why did this happen?

1. Corporate plan to set innovation direction and partnership goals are not clear

Corporates know that they need to innovate but the main challenge faced by them is they are not clear of what to innovate. Staff could be given mandate to search for partners to collaborate for open innovation but were not given a clear direction on what the corporate would like to achieve. Hence, they search for partners with innovative ideas, relevant services, and form partnerships that begin without a clear goal in mind. Needless to say, most of these partnerships ended halfway through the collaboration journey.

2. Key managers or stakeholders are not closely involved in the innovation process

Seeing innovation as critical and one of the top priorities, most corporates set up an open innovation department or a dedicated team for this. However, one of the issues noted is that teams work on silo basis and do not have much interaction with the decision makers within the corporates (especially C-suite) or the business units to make sure that they are internally aligned as the discussion with startups take place. The involvement of key decision makers or stakeholders are only required at a later stage of

the partnership project. Lack of engagement of these key stakeholders from the corporates from the start of the partnership results in:

- the project progressing without executive sponsorship
- partnering startups that might be a misfit to the strategy

3. Different work culture and misaligned project expectation

Work cultures and priorities of both corporates and startups are very different. Startups are more agile and work at a faster pace whereas corporates with its bureaucratic structure take longer time for the multiple layers to approve activities or make investment decisions. For example, in a Japanese corporates, data is gathered and analyze, consensus need to be reached and the most senior people need to be convinced and their approval need to be obtained. This can be time-consuming but when executed correctly after consulting and obtaining support, it ensure that all parts of organization are onboard with a decision and are prepared and commit to implement it together.

In addition, corporates have many initiatives taking place at the same time and hence, there might be different priorities for each collaboration initiative with the startups. This also influences the working speed and decision-making time of the corporates.

Other than the above, as both parties embark on the collaboration journey, they find that there are gaps and misalignment on expectations of roles and project approach:

- What are the outcome to be achieved from the collaboration?
- What are the roles and responsibilities of each party?
- What expertise should each party bring to the collaboration?
- What are the decision rights of each party? What is the level of autonomy given to the startups in business decision?
- What are the key milestones expected and the timeline to achieve such milestones?

IGPI has rich and diverse experience supporting collaborations between corporates and start-ups

Due to the Covid-19 pandemic, many new challenges and opportunities are emerging for businesses. This presents a strong motivation for open innovation collaborations between corporates and startups. SEA is a region with very vibrant startups scene and ecosystem. IGPI is well connected within the region and would be glad to assist corporates that are looking to explore open innovation collaboration within the region with our consulting services.

Recently, IGPI supported JETRO SG and Enterprise Singapore (ESG) in building a digital transformation platform (DXPF) to facilitate the matching of and promote open innovation collaboration between Japanese corporations and ASEAN based (mainly Singapore) startups/tech companies. Three DXPF virtual events were conducted in the month of June and July 2020, where ASEAN based startups/tech companies were invited to share their solutions with Japanese corporates, followed by initial meetings between the interested parties post event. During the project, we leveraged on our past experience and knowledge on open innovation to ensure that the DXPF was built with all key aspects being considered and thus, able to achieve its objective and act as a platform to link Japanese corporates with ASEAN based startups.

IGPI has rich and diverse experience in the startups scene and we have also provided consulting services and support to our clients on projects of various nature such as strategy planning support, running an accelerator, etc. Some examples are as follow:

- Developed the concept of ideathon and developed a business model from the ideas shortlisted from the ideathon for a global fortune 500 to enter a new space in the technology-driven health and wellness sector in SEA

- Organized startup event in Japan (Hongo AI) where yearly pitch contest is organized and outstanding AI startups are being awarded
- Supported KDDI in their accelerator program including selection of startups, service development in KDDI∞Labo, business matching, Demo day, etc
- SEA Point, a partnership between KK Fund and IGPI, which serves as an accelerator program to help corporates collaborate with startups and SMEs across Southeast Asia

IGPI offers business consulting services for multiple aspects of an organization - Get in touch with us!



Kohki Sakata
Chief Executive Officer
+65 81682503
k.sakata@igpi.co.jp



Lei Ling Lim
Senior Manager
+65 94880526
l.lim@igpi.co.jp

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