



On the road to corporate- startup collaboration

NEW HORIZONS 2015



On the road to corporate-startup collaboration

The music is playing and we're dancing. Europe's technology ecosystem is in great shape and we are finally catching up with the Valley. The Netherlands has become one of Europe's leading technology hubs¹ and funding for startups is at an all-time high; it is now cooler than ever to be an entrepreneur. One in five students in the Netherlands wants to start their own business and work on their own terms to achieve the goals they believe in, and we even have our own unicorn!² Starting a company has never been at such a low cost, and innovation has truly democratized. In 2015, funding to companies backed by venture capital globally surpassed last year's multi-year funding³, and almost a quarter of the deals were sponsored by corporate venture funds.

Corporates want a shot of startup DNA

The innovative power and focus of startups are attributes that are highly sought-after by large organizations; many of the corporates we work with are eager for a shot of the startup DNA. Corporates that open their doors to startups may be overwhelmed by the sheer number that come knocking, and last year almost 90% stated that it is essential to work with startups to promote innovation⁴. In the last 12 months we have seen the use of corporate accelerators (pressure cooker sessions to help corporate teams evolve from idea to implementation), a widespread adoption of lean startup workshops and even an increase in corporate venture funds to invest in startups. However, large organizations still struggle to set up startup collaborations, and few have made it beyond the experimentation phase.

The road is long, with many a winding turn⁵

The road to a startup corporate collaboration is long (an average of 9.4 months from the first meeting

until the collaboration is established) and fraught with difficulty, and gaining access to the right people is a time-consuming and frustrating activity for many startups. The problem is not getting a foot in the door, but finding the right person in the business, the person who is actually looking for the solution offered by that startup to solve a problem, and the individual with the authority to launch a project. This should not come as a surprise; the situation has not changed since we started the New Horizons project in 2013.

The clock is always ticking for startups, as they have limited time and resources to prove the robustness and viability of their business model. Startups have to manage their time as efficiently as possible, and entering into lengthy negotiations for a collaboration that may eventually fail to deliver a return on investment could literally mean the end of their company. Engaging with a large organization too early could mean that substantial efforts are diverted from product development and entry into the market.

Innovation departments: achieve the goal or step aside

Today many corporates have a dedicated innovation team that is often tasked with driving an innovative culture internally and stimulating the influx of external innovation. The good news is that startups now have a natural point of entry, but a different picture emerged during our interviews with them. Innovation departments often struggle to achieve their objective, both internally and externally, and much of their time and effort is still spent gaining legitimacy within their own organization. The teams struggle to have budgets approved during airtime with the Board and large organizations have a track record of setting up and closing down innovation teams.

1 The Netherlands a look at the worlds high tech startup capital - <http://techcrunch.com/2015/07/05/the-netherlands-a-look-at-the-worlds-high-tech-startup-capital/>

2 Unicorn denotes a startup company whose valuation has exceeded \$1 billion - <https://www.adyen.com/>

3 CBI Insights & KPMG Venture Pulse Q3 2015, Global Analysis of Venture Funding

4 KPMG New Horizons 2014

5 The Hollies - He Ain't Heavy, He's My Brother

Startups are wary of innovation teams, and some even avoid them altogether; if only the enthusiasm of the innovation team could match the follow-up by the organization. The founders want to get a foot in the door with a company that could really benefit from their solutions, and want to reach their targets as quickly as possible. Innovation teams that lack the right connections, legitimacy and power to bring the solutions to the business quickly are in fact hampering rather than facilitating the startup.

We learned from the interviews that startups are very critical of innovation departments and try to avoid innovation teams that are unable to facilitate a swift entry and an actionable approach. Startup founders want to talk to the business sectors that really need their product, and often approach various entry points simultaneously. Startups don't have time to waste on innovation teams that lack the internal network and legitimacy.

Corporate culture eats startups for breakfast

Large organizations work with startups to harness some of the energy of the operational speed, unconventional approach and creativity applied to

the business. Executives now travel to tech hubs to get their fix of inspiration and to experience the changing times at first hand. Corporates want to improve their image by embracing startups, and frequently invite entrepreneurs to give keynotes at events.

However the experiences of startups are very mixed. On the one hand, they would love to access the client network, investment power, business expertise and legitimacy that a corporate can provide, but on the other, they may struggle in the warm yet firm embrace of a corporate. They fear a 'bear hug'; a situation where the startup culture is overwhelmed and dissolves into the corporate culture. The terms and conditions of large organizations are seldom favourable for startups, and this can be a bitter pill to swallow if the startups want to maintain the relationship. It is clear from the interviews that, above all, startups want to retain their autonomy and freedom of action, so very little has changed since last year in this respect.

The more intensive the collaboration, the higher the impact of the cultural divide. The culture of a startup is often built around the personalities and characteristics of the founders, while the culture at a corporate has evolved over time, so there is a high risk of a culture clash when it comes to integration. In the event of an acquisition, the founders frequently leave the company when their vesting schemes expire. The "if you can't beat 'em, buy

'em" strategy only works if the corporate and startup can bridge the culture gap or if the startup retains a high degree of autonomy (no attempt is made to blend the cultures).⁶

There remains a fundamental problem or dilemma: corporates are interested in startups partly because they are attracted to their culture, while startups fear any interference in their core principles and philosophy and want to remain independent for as long as possible. Borrowing from Larry Greiner, Trompenaars demonstrated in his book "Riding the Whirlwind" that startups often end in a leadership crisis and have to enrich their culture by implementing features that will help them build loyalty and commitment and, in the later stages, a strategic mindset and executive processes. This leads to a series of cultural dilemmas that must be reconciled with the help of a larger organization, such as individual freedom and teamwork, standardization and unique solutions, emotional control and passion, bottom-up leadership and top-down guidance, technology push and market pull. Innovation can only be sustainable if there is the willingness and competence to reconcile these issues.

Edo Roos Lindgreen

Head of Innovation, Partner

Daniël Horn

Manager KPMG Innovative Startups

⁶ <http://www.economist.com/news/finance-and-economics/21633883-fear-being-displaced-startups-turning-firms-venture-capitalists-if>

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Conclusions & tips for successful collaboration

Five recommendations for corporates

Last year, we found that almost 90% of corporates required startups to enable them to innovate. Here are five recommendations based on our experience from working intensively with large organizations and startups, a series of interviews and the startup survey:

1 **Make innovation part of the organizational DNA**

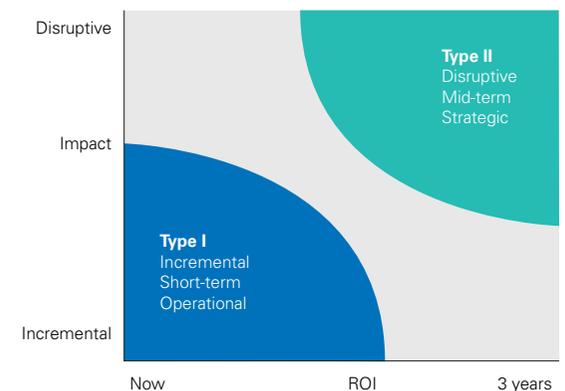
Setting up a separate innovation team is not the most effective way of sparking innovation. Changing the business, bringing new products to market and developing new business models require commitment from the organization as a whole and must become part of the organizational DNA to truly embrace innovation.

Changing the organizational DNA is by no means an easy task; a first step is to distinguish between two types of innovation that require different management strategies. Type I innovations consist primarily of incremental improvements of existing products and services that will earn revenue in the short term. Investing in Type II innovations could lead to radical innovations which will only provide revenue growth in the mid or long term.

Type II innovations require companies to make clear choices and substantial investments

for radical projects that may provide a return on investment in the long run, and these innovations may prove a bad fit in the organization or disrupt the current product offerings. The return on these investments is unpredictable, as it is hard to estimate the likelihood of success. Christensen's "Innovator's Dilemma" deals with Type II innovations.⁷

Figure Type I and Type II investments



Companies seeking successful innovation must maintain a clear focus of innovation across all their service lines and find ways of achieving constant innovation. These companies are likely to embrace open forms of innovation⁸ which could result in corporate startup collaborations across various business activities.

2 It is time to establish the connective tissue

Defining a single point of entry for startups is just the beginning; large organizations need to work on the 'connective tissue' to really drive startup corporate collaborations and to bring a fresh batch of startups into the business. The connective tissue consists of a team (or individual) with a strong internal network, a deep understanding of the organizational challenges and the ability to apply startup solutions to problems that really 'hurt'. Innovation function holders, ecosystem managers or IT departments must look for a constant influx of challenges for the business to match that of the startups they encounter externally. This can be achieved by building extended teams of employees that, for example, deal with startups for a few hours a week, business exchange programs, corporate startup meet-up events, etc..

3 Be concise and clear: tell startups what you think

If you invite a startup to embark on a project, the chances are that the founder will call you the next

day to get the ball rolling. Three weeks is the duration of a project for a startup, but for employees at large organizations three weeks represents the time until the next free slot in their agenda! It is very important to have open and clear discussions with startups and to give honest feedback, because startups are often initially greeted with enthusiasm, but may not receive the real feedback they need to validate their product and find the right market fit. This makes it difficult for startups to estimate the value of a lead with a large organization, and it frequently takes several meetings to realize there was never any real basis for a collaboration. Corporates that evaluate startups should be concise and clear, explain what they feel is lacking and state why the project is unlikely to work. Plan a clear trajectory if the startup and the product offering appear to be promising collaboration material; an official kick-off with an assignment of responsibilities and an overview of the process are key success factors.

4 Set up experiments and earmark a budget for pilots

Innovation is about execution. Large organizations should find the shortest route to a demo to experience the minimal viable product; only then can the potential solution be evaluated. Ideally, the large organization and the startup should be able to find (and finance) a pilot quickly and judge the minimal viable product on its merits. The front-runners are allocated a budget at the outset to experiment and

run a pilot as opposed to the organization using resources to unlock the budget on a case-by-case basis. A business plan scribbled on the back of a napkin will suffice in many pilot stages, which can then be refined based on the outcome of the experiment. However, it is crucial to analyse the revenue model in the early stages to assess how it would work in practice. Is it a partnership, would a revenue share agreement be implemented or will it be a client-supplier relationship with a fixed price per unit?

5 Consider the documentation

We have been discussing this for several years, but only a handful of organizations have grasped the concept. The General Terms and Conditions implemented by large organizations are generally fit for purpose when dealing with other large organizations, and we cannot expect the same maturity from startups for which payment terms beyond the standard 30 days will be more damaging. Get the basics right (letter of intent, non-disclosure agreement and client-supplier terms for startups) to achieve a more efficient collaboration process.

7 (Roos Lindgreen and Fijneman 2014) Innovation in Professional Service Firms: case study KPMG

8 (Ikeda, Marshall and Majumdar 2015) More than magic – how the most successful organizations innovate, IBM Global Business Services

Startups must play their part too

Startups must also do their bit. We have five recommendations based on our research among startups and the interviews and experience of our startup team: KPMG Innovative Startups.⁹

1. Get the basics right

Before you ring the doorbell, you must get the basics right. Have your one-pager and company deck ready, know the sectors and people you would ideally like to contact and, and when you phone or write the email, set your stall out as simply and clearly as possible. Your corporate entry point is likely to be very busy, so make sure you present a clear and compelling proposition. Following a successful meeting, some action is often required on the part of the corporate, so think carefully about how you can make life easier for your contact person. Provide the company with the appropriate material so you merely need to forward an email to your next contact.

If an individual says they are too busy, check when they will have more time for you and follow up accordingly. Still, many startups merely ask to meet for coffee and fail to fully explain their product and the potential benefit to the organization (or person) they are approaching.

2. Nice to have is not nearly enough

Corporates looking for a startup product have to jump through various hoops: they require management approval, risk acceptance and the buy-in of IT. A considerable amount of change is required to use a product on a daily basis, so products that are merely “nice to have” rarely succeed. When engaging with a corporate, startups need to have a clear understanding of the problem they will be solving, which must be serious enough to embark on the project in the first place. A startup will ideally have 1,111 points when approaching a corporate:



Once a startup has found a corporate sponsor (the person who believes in the startup and their product and who strives to ensure that the corporate starts experimenting with/using the product), it is vital to make things as easy as possible for them. Startups should consider what contribution they can make to ensure the success of their sponsor.

⁹ In the past year we have met hundreds of startups through our ecosystem events, research into game changers in areas like Retail, Fintech and the Internet of Things, and have initiated 15 projects in which KPMG actively uses a startup product.

3. Make sure there is a business rationale

If we are advising corporates to make a business case on the back of a napkin, startups should also do the math: what is the revenue model selling to (or with) the corporate? What is your share? How many employees will have to use the product to achieve a substantial return? How much time and budget will be spent to launch a collaboration? Consider the minimal fee that would make the project viable. It takes many months and even more meetings to establish a startup corporate collaboration. Assess the preparation time and likelihood of success to estimate the minimal fee size of a project, and then evaluate if this is achievable with this particular organization. Determining the business rationale should not be a lengthy process, but it is crucial to answer some key questions up front before digging deeper.

4. Pull the plug if you have to

Once the ink has dried, both parties can launch into the project with great gusto. This enthusiasm may wane over time as business opportunities fall short and the collaboration fails to live up to expectations, and startups may struggle to continue the partnership. The startup has invested heavily in setting up the collaboration and trying to make it work, and the cost and effort involved make it hard to wave goodbye to the corporate partner. This is when both parties must discuss and evaluate the situation; either they propose additional changes and commit to a renewed effort for a limited period (with a clear set of KPIs) or it is time to part ways. As a startup, you don't have the luxury of running several projects that all fail to provide a return on investment, so it's either time to try a different approach and work harder to achieve results, or to abandon the collaboration.

5. Commitment from both sides

As one startup said: 'the days of unpaid pilots are now far behind us'. Only when clients start paying for the service, the startup can evaluate whether: a) the corporate really needs the product and b) the person they have been negotiating with has the budget to follow through; it's too easy to create collaborations without demonstrating real commitment. As indicated by Geert Duysters (Vice Dean of Research at Tilburg University and Professor of Entrepreneurship and Innovation), a good collaboration agreement involves commitment on both sides. Corporate ventures and startup corporate collaboration is more than a game of chess; the collaboration agreement must remain immune to a change of leadership.

Infographic: the path to successful collaboration

Insights from the New Horizons study

The study in a nutshell

New Horizons is the annual research project led by KPMG on the potential of collaboration between corporates and startups in the Netherlands. This year the study comprised an online survey of 137 startups that responded to questions on their successful and unsuccessful experiences regarding collaborations with large organizations. The purpose was to find the key success factors in building a fruitful startup-corporate collaboration. We also conducted in-depth interviews with visionary players using the penta helix model to gain insights from different perspectives and viewpoints: corporates, startups, academia, investors and the state. The key findings are presented in this chapter.

Startups and large organizations bring each other opportunities through collaboration that, if designed correctly, will benefit both parties. Startups can be a source of talent, new technologies and service solutions that help corporates survive and remain competitive in their respective industries in a world driven by innovation. Likewise, large firms represent numerous advantages for startups: access to markets, established networks, market knowledge and experience, brand power and additional resources such as capital and funding.

What outperformers do differently

This year the majority of startups (54%) agreed that collaboration with a large organization is both essential for the success of their business

and for preventing startup failure, and 51% of the startups had implemented collaboration. These analyses focus on the outperformers; i.e. startups that have a successful collaboration that has already (or will over the next 12 months) provide a return on investment.

Outperforming startups

72% of all startups surveyed were outperformers. **94%** are likely to repeat the collaboration process with a large organization. Are **31%** faster in establishing collaboration with a large organization?

The path to successful collaboration

A research into successful startup and corporate collaboration. Both parties need each other to innovate and scale, but on the journey to success there are many things that can go wrong. Sample size: 137 startups (companies younger than five year with a strong focus on building a scalable business).

Governance model of the collaboration

- Joint venture (21%) or equity investment (10%)
- Customer – supplier (24%)
- Licensing agreement (19%)

Thumbrules

- 1 Define and discuss the objective for the startup-corporate collaboration upfront
- 2 Use standardized governance of partnership establishment
- 3 Setup clear evaluation-phases

Why collaborate?

- 1 Access to the market (65%)
- 2 Capital / Funding (54%)
- 3 Sales network / economies of scale (54%)

How to enter?

- 1 Come prepared and know the problem you will be solving
- 2 Use your investor network to get introductions at the right level
- 3 Go to the preferred supplier of the large organization

What are roadblocks?

- 1 Slow decision making and red tape
- 2 Culture clash
- 3 The difficulty in finding the right person that actually needs the product and has budget

Speed up forces at the corporate side

- 1 Establish a clear entry point, have a process in place to deal with startups
- 2 Have a budget ready for pilots and experiments
- 3 Alliance manager: someone dedicated to help the startup to navigate internally

Company DNA of Outperforming startups with a successful collaboration

- Funding: at least 58% is funded
- Startup-phase: 44% is market-ready, 24% is ready to scale up and 4% is already beyond scaling
- Company age: 2 years
- Team: 9 full time employees with a total of 23 years sales and business experience and 28 years technical experience (e.g. software development)



Outperforming startups:

1 overcome hurdles on the road to collaboration more efficiently.

Collaboration is not an easy task, and startups find it difficult to find the right people to deal with in large organizations. Bureaucracy and slow decision-making can be major stumbling blocks. Outperformers solve problems more effectively.

2 are more focused on defining the objective of the collaboration up front.

To ensure success, any startup corporate collaboration must begin with defining the objectives. What is the objective of working together, and what do the parties hope to achieve?

3 are 30% more likely to use standardized governance models or partnership establishments when preparing the collaboration.

Before going into too much depth and starting a project, these startups determine who will be responsible, accountable, consulted and informed every step of the way.

4 take an average of eight months to set up a collaboration compared to the 10-months average required by underperformers.

This is in line with the experience of Sander Nagtegaal from MyTomorrows, who explains that it takes time and effort to create collaboration with a large organization. They therefore seek partners who have an equal interest in creating a successful collaboration and who are eager to demonstrate commitment on both sides.

5 are more likely to have found a market fit and are focused on expansion

(24% have a market fit compared to 10% among nonperformers)

6 have a more mature team with more years of sales-, business- and technical experience (51 years combined) compared to the underperformer teams (45 years).

Experience counts when it comes to setting up collaboration, for Volta Ventures (interview) experience is a key differentiator.

Deciphering Collaborations

Startup corporate collaborations can take many different forms, from relatively short-term, transactional commitments to long-term, evolving relationships. In New Horizons 2014 we found that most collaborations were fairly superficial (customer-supplier, licensing).

Equity collaborations (joint ventures, equity investments, acquisitions)

This year we found that collaborations involving equity (joint ventures, equity investments, acquisitions, etc.) comprised a total of 40% of collaborations.

Startups with an equity-based collaboration are:

- 21% more likely to repeat the process required to create the collaboration, i.e. the collaboration was worth the effort in 84% of cases. Equity collaborations are beneficial for most startups.
- 19% more likely to establish the collaboration to access test/production facilities.
- 26% less likely to set up the collaboration for the purposes of exposure and branding.

No collaboration to date

5% of startups are not actively seeking collaborations and, among the startups that are, 44% have no collaboration to date. These startups are typically younger (four months less than the average two years), have an average of three full-time employees (compared to nine) and consequently have significantly lower sales (15 compared to 22 years) and technical experience (13 compared to 28 years) in the team.

Corporate startup
collaboration:
five perspectives



Bianca Oudshoff

Building bridges between startups and corporations

Bianca Oudshoff, Ministry of Economic Affairs

Bianca Oudshoff from the Ministry of Economic Affairs works on behalf of the government to bring startups and corporations closer together.

Three years ago, I set up the 'Ambitious Entrepreneurship' programme at the Ministry of Economic Affairs. The aim of the programme is to enable startups to expand and develop as quickly as possible, which we achieve by creating the right conditions for a healthy ecosystem, such as organising visas and facilitating access to financing.

We bring startups and corporations together

I noticed that in the Netherlands there was no link between the various parties – not only between startups and corporations, but between knowledge institutions and financiers as well. We wanted to change this situation by implementing a range of measures that would bring these parties in touch with one another. StartupDelta – whose figurehead is Neelie Kroes – is the most noteworthy example. StartupDelta was set up to connect, inspire and stimulate all parties in the ecosystem and to put the Netherlands firmly on the international map as a startup ecosystem.

We often noted that corporations wanted to do 'something' with startups, but they lacked a specific direction. These corporations asked themselves what the procedure was for establishing a connection with startups. We were able to play a facilitating role to put corporations and startups in contact with each other. One effective platform for doing so is the Corporate Launchpad, which we designed in part to

enable corporations to share their experiences with their own startups. Other parties can read these accounts to understand how the process works. In doing so, we bring all parties in touch with each other and reduce the gap between corporations and startups. And now that the parties are more connected, they do not have to reinvent the wheel each time – they can draw on the experience of others. This speeds up the learning curve.

Silicon Valley and the need for innovation

Here in Europe, we always think that we are lagging behind in the field of startups and corporate venturing, especially if we look at Silicon Valley. However, this idea of 'lagging behind' is actually logical. One of the main driving factors behind the development of Silicon Valley was that R&D budgets were slashed at major corporations in the 1970s. This happened earlier than in Europe. Startups were a reaction to these reduced budgets. This is why, for example, we are not yet seeing many startups emerge from Japan, because the corporations there still have large R&D budgets.

We have corporate venture capital in the Netherlands as well. This means that companies invest directly in external startups. Corporate venturing is different now to the days when it was a luxury expense that companies could immediately suspend in times of difficulty or if the CEO wanted a quick way to save money. All over the world it is clear that corporations cannot ignore startups for the simple reason that they need these innovations

and innovative way of working. It is just a shame that a large share of this venture capital is used to fund projects abroad. This is why, for example, Startup Delta is trying to activate Dutch –corporate- venture capitalists in order to assess the options in the Netherlands or perhaps even take joint action. They have discussed this matter with Corporate Venturing Nederland; we want to give them some incentive. Furthermore, the Ministry of Economic Affairs and StartupDelta are neutral parties. We serve as a mediator between companies to make it easier for them to consult with one another. Sometimes that is enough.

More ambition is required

In the past, students always wanted to get their foot in the door of a corporation. Now, however, many of them want to work in the world of startups. Almost one-quarter of students have a startup or want to found one within a year of completing their studies. The only thing that they are lacking is ambition on a larger scale. A US-American startup entrepreneur would say that his aim is to sell it for such and such an amount (usually in the millions) or to go public. Dutch entrepreneurs are happy if they have five employees in five years' time. They are slightly more modest. And although we are improving in this regard, it is taking time.

My greatest wish is to remove the barriers between corporations and startups, knowledge institutions, governments, service providers, lawyers and financiers over the next five years. If I look at Silicon Valley, I see that it is normal there to found a startup at university, work with

corporations for a couple of years, and then become an advisor at a VC office or work at a legal firm. It is all closely connected, making it very easy to gain access to the right people that can help you grow.

A Philips manager at a startup

In the Netherlands we often see that startups find it difficult to attract the right quality of manager. Suppose we take a middle manager at Philips – that would be the perfect manager to lead the startup through the following stage of development. But this type of manager does not want to take on a new challenge because of their mortgage, their kids' tuition fees, their great job, etc. Making the switch is not very common in the Netherlands. More flexibility here would be a great boost.

Although the right mentality is indeed important, corporations can also help to change the situation, such as by providing their employees with a guarantee that would enable them to return to their job if they left to work for a startup. If the employee does indeed return to the fold, they now have more experience, which is advantageous for both the employee and employer. It is a win-win scenario. Unfortunately though, it is still not very widespread. I also hope that failure becomes an acceptable practice in the next five years. You do hear about it more often now, but it is still something to consider. I hope that in five years' time we will be able to say: is it true that in the past you weren't able to admit you had failed?

"I also hope that failure becomes an acceptable practice in the next five years."



Joeri Kamp

Everyone has to be aware of the need to transform, otherwise it won't work

Joeri Kamp, CIO at Eneco

Joeri Kamp is Chief Information & Innovation Officer at Eneco. Having started his career at Cargemini, he has held a number of different positions within Eneco.

'Eneco is traditionally an energy supplier, and this continues to be our most important function for the consumer. But ultimately, we will become a company which supplies platforms and services above all else. The supply of gas and electricity should, in the end, only constitute a part of this. This is the ambition we're working on within our new department, Eneco Innovation & Ventures.'

'At the end of 2014, the company still believed that the purpose of an innovation department was to facilitate innovation within existing business units. However, it quickly became clear to everyone that it doesn't work like that. That's why Eneco Innovation & Ventures was established. With a team of 30, we focus on innovative energy projects, partnerships and collaborations with energy startups, such as Nerdalize, Peeeks and Sustainer Homes. Within this context, we concentrate on four different platforms: smart home (Toon), smart building, smart outdoor (Luminext) and flexibility.'

'Perhaps the most well-known collaboration example is the Toon smart thermostat, which was developed with our partner, Quby. This idea started as a project within the consumer department at Eneco. However, we quickly understood that we would only be able to accelerate the development of this platform by separating it from the rest of the work. This has been accomplished and now we focus on the preparation of an international roll-out of this concept.'

Using a platform is the new business model

'When people hear the name Toon, many of them simply think of the little box on the wall at home, but it's the platform behind it which is really important. This also forms the basis of the business model. Our competitors, such as Nest, only provide the consumer with the hardware they need, whereas we are able to offer them a subscription. The relationship we are then able to build up as a result is extremely valuable. Previously, our contact with the customer consisted of a single moment every year, when they would look at their annual bill for five minutes. Now, thanks to Toon, we are in contact with them numerous times a day. This makes a world of difference.'

'Is it possible to roll out a similar innovation strategy within a company overnight? Only if the organisation truly believes that a transformation is necessary. This is what we witnessed at Eneco: since 2007, the company's vision has been of a future which is sustainable, decentralised and collaborative. The ultimate goal is to launch a business model which enables us to ensure that the customer always has energy in their home. As such, we have no problems when it comes to convincing the board of the need to invest in innovation. In fact, it's quite the opposite: Eneco top management is the most significant advocate of innovation as a way to speed up the energy transition and transformation of our company.'

'Around 30% of the projects that we work on come from ideas within the organization. A good example of this is the startup, Jedlix, which we have recently launched. Jedlix provides an app which ensures that your electric

car is charged in the most cost-effective way possible by only charging it when energy prices are less expensive than during peak times in the early evening. The idea came about during a session with Microsoft.'

Make startups part of the service

'The rest of the projects emerge as a result of external collaborations. We invest in startups more for strategic reasons and less for the creation of value. We don't focus as much on 'early stage' startups, but rather on startups which are a little further along in their development. The intention is really to make them part of our service to our clients, both inside and outside of the Netherlands. An example of this strategy is the decision to completely take over Quby, the makers of Toon.'

'There is no shortage in the supply of startups, particularly not since Hans Valk, manager of Eneco Innovation & Ventures, announced that we hope to invest 100 million Euros in startups over the next few years. In the Netherlands, the right startups will be able to reach us. It's a little different abroad: there, we have to begin by telling people our story and make a little more effort to really make our mark.'

Support from outside the organisation

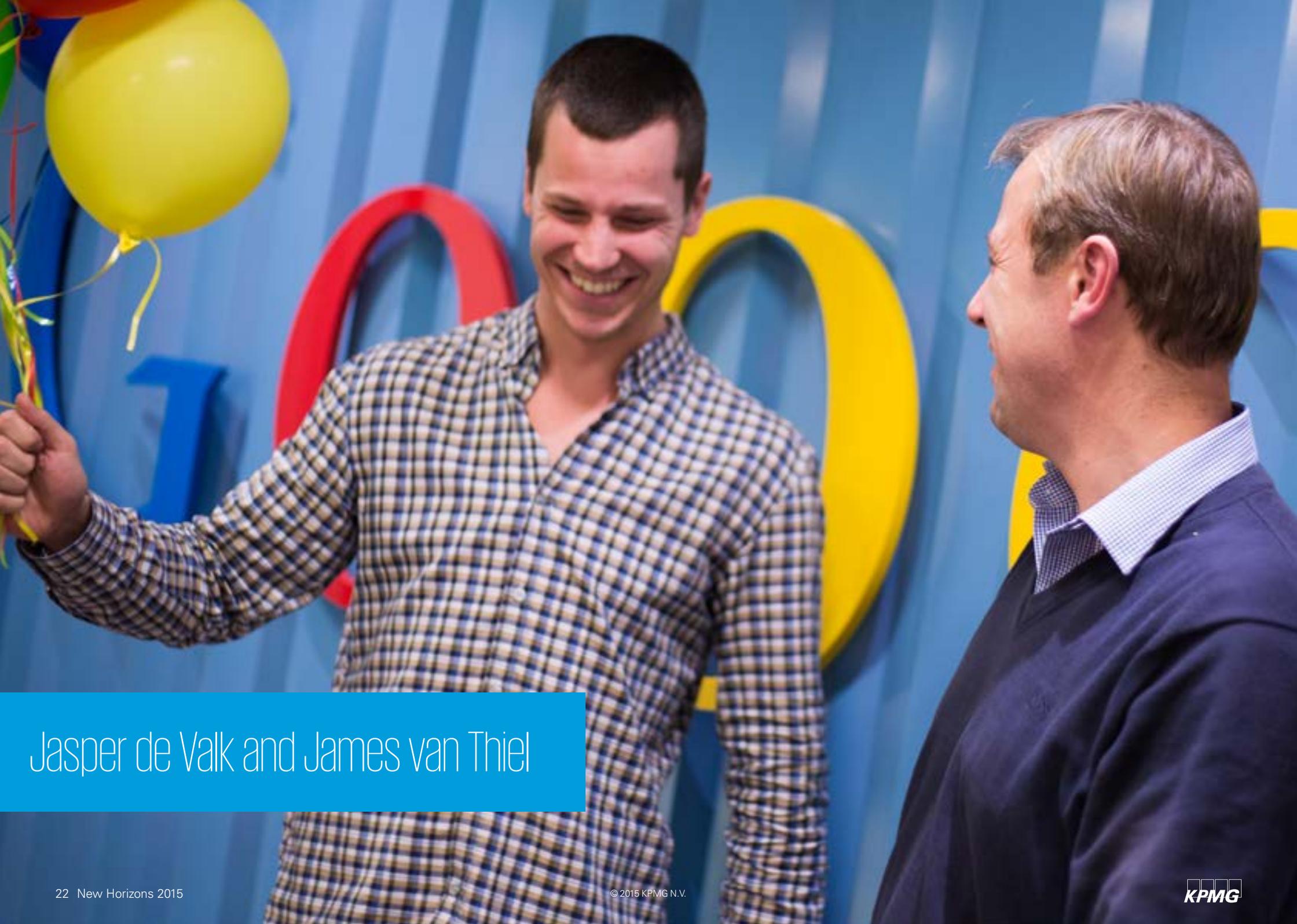
'The most important lesson I can share with other businesses is, above all, not to enter into collaborations with startups if there is a lack of support from the organisation. If part of the organisation is not aware of the need to start working with innovative startups, the collaborations will never successfully get off the ground.'

'For a startup, the most important thing is to ensure that you have a good team. I would rather have a good team with a bad idea than the other way around. Moreover, if a collaboration with a corporate company is going to work, there must also be a strategic match. If the startup's only driving force is to earn a lot of money and it doesn't believe in our strategy, even if it's a fantastic idea, the chance of success is very small.'

'Finally, it is of great importance to provide a startup with plenty of space, both literally and figuratively. Allow them to establish themselves in the environment which is best for them. This is what we have done with CIC in Rotterdam and YES!Delft in Delft. But also be sure to give them the room in a figurative sense. The last thing you want is to impose the corporate culture onto a startup. This can sometimes be extremely difficult as it requires a lot of flexibility from an organisation. Nevertheless, you cannot answer every request by saying that you first have to discuss it with the board and that a reply will probably follow in the next three weeks.'

'The supply of gas and electricity shall without a doubt remain of great importance to Eneco for a long time, but with Eneco Innovation & Ventures, we have really taken a new direction. We're on the lookout for new platforms and services which may form the basis of a radical new business model.'

"We invest in startups more for strategic reasons and less for the creation of value."



Jasper de Valk and James van Thiel



Jasper de Valk



James van Thiel

Innovation is not something you do for one afternoon a week, it's got to be in your DNA

Jasper de Valk and James van Thiel, Google

James van Thiel is Strategic Partnerships Director EMEA at DoubleClick and Jasper de Valk is Senior Industry Manager at Google. Within their functions, they both work a lot with startups.

Van Thiel: 'Google has grown into a company with almost 60,000 employees, but in essence it is still a startup. This is in the company's DNA. This is partially due to the fact that the founders, Larry Page and Sergey Brin, are still very active in the company. However, it's also because many people working at Google have also had a startup themselves at some point. They thus bring a certain mentality to the company.'

'But it doesn't happen by itself. In order to maintain a culture like this, you also have to invest in it. For example, employees at Google are asked each year how they think things are going within the company. The answers are subsequently used to do something genuinely useful. The criticism that you share with your manager then forms the basis of his points of improvement for the following year. In addition, openness is extremely important. As management, share as much as possible about what you're planning for the company, then your employees can use this knowledge to work towards this plan themselves.'

Help for startups

Van Thiel: 'The Dutch have innovative ideas, the country has a good reputation and the infrastructure here is good. We want to help startups become successful. We do this on a number of different levels, meaning that many employees are involved

as mentors for startups. We have also recently organised a special week for startups, through which we helped them fine tune their business plans. Over the course of a week, market research was conducted - amongst other things - with the help of data analysis and other methods. At the end of the week, everyone had a much clearer idea of where the focus of his or her startup should lie.'

'This focus is of great importance. Many entrepreneurs do indeed have a gut feeling about what they do, but if you are very clear on what the core values of your business are, the chance of success is much greater. This then makes it easier to collaborate with a corporate company'

De Valk: 'The focus of the week was also: ask questions, ask questions, ask questions. Startups like these must really understand what keeps the CEO of a corporate company awake at night. Why should such a corporate company collaborate with your startup? Why is there a need for your app? And how are you going to make a corporate company realise this need? Sometimes during one of these sessions, it comes to light that the corporate company's need lies somewhere slightly different and you therefore have to adjust your product a little.'

'In addition to this, we also helped startups with our network. If the startups had any questions, we were able to help them quickly with an answer from a company in our network. As a result, they no longer make the mistakes that the corporate companies have already made themselves.'

Van Thiel: 'Furthermore, in the Netherlands we are involved with the StartupDelta initiative, we offer the Launchpad service to support app developers, and we have started work on an online workspace in Eindhoven which will develop the digital skills of small and medium-sized businesses. However, the most important aspects are perhaps still the 20 tech hubs and 4 campuses worldwide where we bring communities together and encourage the generation of ideas.'

Innovation within businesses

Van Thiel: 'How shouldn't it happen? By forming an innovation department. Innovation must be sustained by everyone within the company, it must be written into their DNA. The more freedom you give to your employees to try something out, the better.'

De Valk: 'It's important to understand that innovation is not something you do during an event or just one afternoon per week. You have to work at it. Moreover, you must ensure that employees' focus is on the external, so they are aware of how the market is developing and are also able to effectively distribute their insights within the organisation. You have to have enough room to really push forward within the company.'

Van Thiel: 'Exactly. The top managers must make it clear that it's vital to ask critical questions. This 'sponsorship' is crucial.'

Startup climate in the Netherlands

De Valk: 'Although there are more and more startups coming to the Netherlands, I think that overseas corporate companies are much keener to collaborate than here.'

Van Thiel: 'Look at London, for example. There, with the help of tax advantages and a specific policy in the field of visas for startups, the right climate has been created. The Netherlands needs to work on a good startup climate in its own way. Nevertheless, a lot of aspects are already good. It's a great place to live, there is a community, it's uncomplicated and easily reachable. And there is a good technical infrastructure in place.'

'In a relatively small country like the Netherlands, collaboration between startups and corporate companies is perhaps even more vital than in other parts of the world. The success of the economy relies on these sorts of collaborations. Therefore, you have to keep feeding this ecosystem. In the meantime, we have put ourselves on the map, both for startups and venture capital businesses and that's something we can be really proud of.'

"But it doesn't happen by itself. In order to maintain a culture like this, you also have to invest in it."

A close-up portrait of Gerard de Leede, a middle-aged man with short brown hair, smiling warmly. He is wearing a dark grey suit jacket, a light blue dress shirt, and a blue and white checkered tie. He is seated in an orange chair. The background is a blurred, light-colored wall.

Gerard de Leede

There's not a lack of good ideas

Gerard de Leede, CTO at Heijmans

Gerard de Leede is the 'Chief Technology Officer' at the Heijmans construction company. The position did not exist before, but the crisis rendered it essential to look for new ways to make money. Collaboration with other companies, the government, science and also startups plays an important role in this.

'Innovation is not only important for Heijmans, but for the entire sector. As a result of the fraud in the construction sector more than a decade ago, it doesn't exactly have a great reputation. On top of that the crisis brought lower returns. Innovative products and services can generate alternative business models.'

'My role as CTO is to search for such opportunities; to find the right ways to market our skills, know-how and innovation. We need to be innovative to win tenders and have a competitive advantage. But it doesn't stop there; we need to think differently within this context. If we were to 3D-print a bridge, our competitors would also have to be able to purchase it. It's abstract thinking, but we are thereby selling innovative solutions to our competitors.'

'It is thus a misconception that we wouldn't want to share our ideas with others. It's not that others are not allowed to know what we are working on, it's about the fact that we want to be the first to realise the idea, to be able to translate it to protected technology and to know how to market it. There is no lack of good ideas, but it's difficult to transform that good idea onto a product that makes impact in the market.'

'Heijmans is of course a large organization. However, we are innovative. Why? Because we do not suffer

under the law of the handicap of a head start. Heijmans has been active in the field of innovation for many years, but it cannot be compared to large companies in other sectors, such as (petro)chemistry, where innovation has been completely institutionalised. We don't have a comprehensive R&D organisation, with an abundance of procedures, decision trees and meetings. That gives us the advantage.'

Smart buildings and infrastructure

'One of the focal points of Heijmans is making buildings and infrastructure smarter. An intelligent motorway starts with road markings that give off light, but the follow-up is to make the markings in different colours or to make them flicker. This increases traffic safety and through-flow.'

'This kind of idea is not rocket science, but it is indeed difficult to develop it completely. It requires a lot of knowledge. Asphalt is a viscous material: this consistency results in rutting and the lights are easily driven out. Furthermore, in the summer asphalt can reach up to seventy degrees and in the winter it's just as cold. We also had to consider the rainwater once again. A solution had to be found for all of these challenges. We have learned to spot this sort of new technology and to quickly bring it onto the market. This can also be done in collaboration with other corporate companies. So, we are on our way to realize smart street lights in collaboration with Philips.'

'Medicare, for example, is also an interesting market for us. We see that elderly people are increasingly staying at home for longer and not going to a care home. This group of people nevertheless need monitoring. Philips is working on movement sensors which register whether someone has fallen to the ground. Companies such as Heijmans must seek to collaborate with providers in this field, known as home automation, with the aim of eventually integrating this sort of technology into construction. For us, an initial step in this development is to offer a house control system as a standard in all new single family houses that are to be built, which we have been doing since this summer.'

Marriage between corporate companies and startups

'We are often approached by startups with new ideas. For us, it is particularly difficult to immediately get a good idea about which startups can really bring something to the table'. It's a little like fishing: you go to a pond which you think contains talent, but you just don't know exactly what's a good catch. Aside from all the information we have about the market, gut feeling about the skills of the team plays a major part in the decision of whether to invest in a startup or not. So the question I always ask myself in order to determine whether we have to invest is: would you invest your annual salary in it?'

'For a successful collaboration, it is important that a startup is very independent. We understand that we don't need to tell a startup what they have to do,

but we can advise them because we have a huge amount of information which they can utilise when making decisions. This information is vital in maintaining focus. Startups should avoid doing everything at once. It's not possible to take on every market and niche, and take over the world simply from nothing. That's not how it works. Google, for example, had a very long startup period.'

'Finally, you have to consider the dynamics of a startup. It doesn't make any sense to invite a startup to a meeting with the board in three weeks' time - they'd prefer to start tomorrow. That's precisely where the strength of such startups lies. We therefore take this into account and, in this way, we see that the cross pollination of a large corporate company such as Heijmans and innovative starters can help both parties to continue along a certain path. It's a path full of pitfalls, side tracks and obstacles, but most certainly also of chances and opportunities to push forward.'

"There is no lack of good ideas, but it's difficult to transform that good idea into a product that makes impact in the market."



James Bryant Graves

Corporations should follow in the footsteps of startups by getting rid of hierarchy

James Bryant Graves, Hackers & Founders

James Bryant Graves, initiator of the Netherlands branch of Hackers & Founders, believes that corporations should be looking to startups for pointers. Why? Because corporations will ultimately have to operate as they do.

After my degree I did a number of different things. I worked at IBM, had a helping hand in two startups and gained valuable experience working at a consultancy. After a while, I decided that I wanted to combine the world of consulting with the world of startups. Six years ago, this was still uncharted territory in Amsterdam. Nobody spoke about startups here. Sure, there were meeting points for nerds and for entrepreneurs, but there was no place where they came together. So I called the American branch of Hackers & Founders and I told them that nothing was happening in Amsterdam. I wanted to change that, which is why I asked if I could use the name of Hackers & Founders and develop things on the ground – they thought it was a great idea. They saw it as a new challenge. And things moved quickly from there. It is been a crazy ride.

Hackers & Founders has been up and running in the Netherlands for six years now. The focus is on monthly meet-ups between ‘tech nerds’ and entrepreneurs. We have more than 3,000 members, of which approximately 85 work in co-working spaces at the Hackers & Founders office overlooking the Herengracht canal in Amsterdam.

Corporations are actively seeking to make contact

Companies have approached me at least three times in the past year because they wanted to increase their amount of contact with startups. I started thinking about a solution, and that is when I conceived the idea of Hackers & Founders Black, which is a way to make the startups we set up within Hackers & Founders productive for the outside world.

Hackers & Founders Black is, in actual fact, our consultancy branch. We scout or train people and give them the resources they need to develop a product. Sometimes we actually go to companies and ask if some of their employees would be willing to work for a startup for a while. This is cost-effective for corporations because they would probably have lost the person to a startup in the long run anyway. Now he or she can found a startup via Hackers & Founders and return to the corporation afterwards. Ultimately, the corporation gets to retain these ambitious people. And when they return they have much more experience and are of more value to the company.

The advantage for startups is that they now have a better chance of talking with the right people and increasing their prospects of success. It may take six months for a startup to pitch its ideas to the right innovation manager

from the right board and to then receive the go-ahead. This six-month waiting period could be damaging to the startup.

When is a partnership truly successful? If a corporation does not seek to impose its business culture on a startup or try to annex it. Because if you do that then you lose the unique power of a startup. This is also the reason why I have doubts about the weight given to innovation departments within corporations. Innovations never come from environments like this. You need external parties. Startups, for example.

Working as a startup

The ultimate aim of Hackers & Founders is to introduce a new manner of working. Take a company in the USA like Valve. It has an employment-to-profit ratio of one million. In other words, every employee generates a million dollars of profit. This is more than Apple and Google get from their people. This is simply unprecedented. They do it by not having any managers. Each employee is taken on without making any requirements as to qualifications or experience. And they are not placed in a hierarchical or corporate structure. These people are then encouraged to approach their work with ideas. How does it work? You talk to somebody at the coffee machine, you have a brainwave and then you both work on the idea.

This is an extremely interesting way to work. And more than that: it is how people actually want to work. This is the workplace of the future. Ultimately, corporate hierarchical structures will crumble and vanish. This form of organisation is based on selective access to information. And this era is over. Today, every employee in a major company has access to limitless amounts of information at the click of a mouse. Technology has changed the way in which information is supplied to us, making hierarchical structures surplus to requirements.

And this is perhaps the ultimate goal of any startup: not only to produce a great product, but to implement something that will ultimately change the world. We are certainly doing that in terms of how businesses are organised.

“Not only to produce a great product, but to implement something that will ultimately change the world”



Marcel Kalse

Giving people room to develop is the recipe for success

Marcel Kalse, director Klant & Business Development at Knab

Marcel Kalse is one of the founders of Knab and was involved from the start of Alex Beleggersbank. Aegon is an ideal partner for Knab precisely because it gives Knab room to develop.

What does innovation look like? A whiteboard, a pen and a good idea. That was the start for Alex. In monetary terms, the plan for the investment bank was probably worth little more than a euro back then. But from this humble beginning, we quickly succeeded in building up a business that was worth half a billion euros. Dexia sold us in 2013 to Rabobank for approximately 40 million euros. And right before the financial crisis Rabobank sold us to Binckbank in 2007 for a cool 400 million. In this time, we were able to generate 100 million euros in profit.

When I left Binckbank in 2009, it was time for a new challenge. I had a plan to found a new bank together with Rene Frijters and Rachelle van der Linden. We needed a lot of capital and a banking license first and foremost. In actual fact, we were looking for a partner that already had these things, because after Icesave and the DSB fiasco, De Nederlandsche Bank was certainly not looking to deal with another bank. Aegon, the first party we spoke to, was highly enthusiastic from the start. Not only did we have a good idea, but we already had extensive practical experience following our time at Alex. Experience that enables you to turn an idea into output is extremely important.

We had just one non-negotiable condition. We wanted to operate independently of Aegon. Luckily Aegon agreed to this. We found our own workforce and premises, drafted our own policies and set up our own IT systems. It is still like this today. It is also important to distinguish between a strategic investor and a financial banker. We have a strategic partnership with Aegon. Aegon and Knab are well suited to each other because the Knab's mission is the same as the one pursued by Aegon: we want to help people make choices for their financial future. A partnership of this kind is different to one with a financial investor that wants to see a certain rate of return over a ten-year period.

A startup mentality

Is Knab still a startup? I am not sure. For me, the more important thing is to have a startup mentality. The key question is: are you managing a company or being an entrepreneur? If you are focused on the management side of things, you are no longer a startup. Startups see opportunities. They are willing and flexible. This is to see from our workforce. We are a very young organisation with an average age of around 30. We employ young people with little experience. At Knab, they are given room to make mistakes and

learn from them. At the same time, we provide them with training and help them to develop their skills. In a small organisation, the contributions of every individual are extremely noticeable, resulting in a huge level of commitment.

Giving people free rein to ensure success

The corporate entity and the startup have to give each other carte blanche to guarantee a successful partnership. A corporation can enter into a partnership with a startup in two ways: by starting something new from your own organisation or by finding a great initiative outside the company. In both cases, you have to maintain a certain distance between the startup and the corporation. You do not want the startup to simply become another department of the corporation. Philips is good at dealing with startups. It acquires all sorts of startups and then looks at which ones work and which ones do not. The key is that it gives these fledgling companies a free hand to operate as they see fit.

This freedom is crucial. Look at it this way: Aegon is an oil tanker that cannot change its course quickly. Knab wants to be an agile speedboat alongside it, not a cabin on the tanker. Give startups the authorisation, budget and freedom they need. This is the most important advice I can offer.

I do not believe in innovation departments within corporations. It is not possible to institutionalise innovation. Good ideas come from all around. They are not restricted to any one department. It seems to me as though the actions of an innovation division are often dictated by the board of management. 'We want to do something with innovation; let's set up an innovation department.' Give people with good ideas and enterprising minds the room they need to flourish.

Whether you are a corporation or startup, do not become fixated on good ideas. There are more than enough good ideas to stumble upon. What you also need is industry experience, which is why good entrepreneurs are essential. People with good ideas, people who can get things done and people with a good mentality. And you need to have balls.

"Give people with good ideas and enterprising minds the room they need to flourish."



Sander Nagtegaal

Don't rely on a corporation; make your own way

Sander Nagtegaal, CTO at MyTomorrows

Sander Nagtegaal is Chief Technology Officer at MyTomorrows. He is also a co-founder of the successful startup Peecho and the brand new Teletext.io. Previously, he was involved in Albumprinter.

The concept behind MyTomorrows is to provide information to patients and physicians about new treatment methods and drugs still in the development phase, i.e. not yet on the market. If the patient and physician want to explore the possible options with one of these drug providers, we offer help with the procedures involved.

We are primarily a tech company, but one that is an expert in biotechnology and health care. We provide patients with access to a database containing thousands of syndromes in which they can search for their specific illness. They subsequently receive an overview of all the information that we have been able to find about clinical trials and early access programmes all over the world.

Patients can also share this information with their physician. After all, the physician is ultimately responsible for prescribing the drugs. We help the physician with all requisite applications and take care of the distribution of the medication to the pharmacist and ultimately to the patient.

In October 2014, we were able to raise 4.5 million euros, partially from our existing investors and venture capitalists Balderton Capital and Sofinnova.

Business model

The business model is based on a payment that MyTomorrows receives from the pharmaceutical companies or biotech companies that offer their drugs via the platform. The companies are frequently asked to make their products available to seriously ill patients before the products are actually registered. However, they often do not have the knowledge or manpower to do so. This is where we step in.

We deal with a range of partners, from small operations to major parties. Our network in the biotech sector is critical to our business. We already have many contacts, partly through the efforts of the company founders. Our venture capitalists are also highly experienced and introduce us to various industry players. Furthermore, we have a stable management board with access to a strong network.

Other corporate partnerships are conceivable as well. In the future, we may want to establish stronger links with health insurance companies, for example. They have access to data that could be extremely relevant to patients. This data indicate which drugs should be prescribed for certain illnesses as well as which drugs either work or do not. Patients could benefit significantly from this information.

After all, why should a patient's physician prescribe a drug that isn't prescribed by the majority of physicians? This should actually be a transparent process. However, collaboration with health insurers could be difficult. Technology is a major bottleneck. If an insurance company wants to work with us, we have to find out whether its database is accessible from the outside. Many of these databases were not designed to distribute data easily.

This is why we focus on biotech firms for the time being. As they are highly interested in working with us, agreements can be concluded quickly with the minimum of fuss. It's never easy, though.

Partnerships between corporations and startups are not all plain sailing

In my personal experience – and I have also noticed this at other startups I've worked for – corporations enjoy working with startups, but the process itself is hard. For a startup, it means a lot of blood, sweat and tears. You may spend a whole year developing contacts and in some cases it can take years before you hear from them again.

In other words, startups should not rely too much on a partnership with a corporation. Only seek a partnership

if you have a product where you can independently ensure its survival. If you need a corporation to keep your startup going, you are doing something wrong. Keep in mind that everything requires much more time to implement than you previously envisioned. So don't focus on it too much. Are you finding it difficult to generate interest from corporations? Try contacting them through one of their preferred suppliers. This could help you get your foot in the door.

Does your corporation want to facilitate the partnership process with startups? Give all divisions of the organisation the space and resources they need to join forces with a startup. Set out a budget and assign sufficient decision-making powers. Do not work with a special team with a mandate for innovation. This just creates additional obstacles, as you have to keep reassigning the team to departments where it could be of use. Keep things simple and the communication channels short. This is essential to ensuring a successful partnership with a startup.

“Keep things simple and the communication channels short. This is essential to ensuring a successful partnership with a startup.”



Geert Duysters

Corporate venturing: from luxury product to bare necessity

Geert Duysters, Vice Dean of Research
at Tilburg University

Geert Duysters is Vice Dean of Research at Tilburg University and Professor of Entrepreneurship and Innovation.

'For many years corporate venturing has been a luxury product. When large companies do well they have the organizational slack to set up a corporate venturing unit. Although there is increasing consensus that corporate venturing has become strategically important to most companies in dynamic environments, it has proved to be a vulnerable organizational mode. Due to the flexible nature of corporate venturing collaborations it is relatively easy to separate the function or to close it down.'

'Something we see over and over again is that a new CEO closes down the corporate venturing unit to achieve a quick win. It is a relatively easy way to achieve cost reductions without the need to do a formal reorganization in the core of the organization. For the new CEO this is a great way to start his assignment, saving costs right away, without an immediate impact on revenues. Since the income generated through corporate venturing is hard to estimate, the impact of the decision cannot easily be determined.'

Experience is limited

'In general, the level of experience in corporate venturing is very limited within organizations.'

There is no formal education for corporate venturing. Therefore, it can be observed that many departments are organized in this way. Due to the waves of corporate venturing (build up, operation, cut off) we often notice the waste of capital, budget and knowledge. There is a tendency for organizations to reinvent the wheel.'

'The first years are about setting up a structure, building knowledge, forming the first alliances and ventures. Then the unit starts to generate value, and often this is the moment the activities are disbanded. It takes years to build up the experience and then the activities stop. From research we know experience is key to generate a return on investment. In many cases the lack of experience makes it difficult to achieve sufficient return on investment, while the potential is tremendous.'

'In the Netherlands we should definitely work on the professionalism of corporate venturing. It is an expertise that needs to be mastered. It seems very easy but creating value by venturing is very complicated. Collaboration is often established for this reason, without thinking through the results and implications for both sides. Parties commit to a collaboration without considering the real required effort, how to deal with each other when things go wrong, effects for their reputation etc.'

Impact of collaboration

'Corporate venturing is about alliances, often between small innovative firms and large firms. There are many collaboration models, of which an equity stake is quite common. It allows a large firm to leverage its bets and to work with multiple companies in the business ecosystem. There is an inherent difficulty: whereby a commitment from the perspective of a large firm in terms of time and budget is often limited and the same commitment is substantial for the startup. When a small startup decides to collaborate with a corporation, in many cases this means a deviation of the focus of the startup. If the collaboration fails to deliver the estimated benefits, the impact is far larger for the startup than the large organization.'

How to get started

'For companies that get started with corporate venturing there are three things that are very important: team, partnerships and the capturing of experience.'
'First of all: the team. A venture is in need of the best people at the organization rather than those a corporate 'can spare'- people who are entrepreneurial at heart, passionate and can work in multidisciplinary teams. Though the team members should not be burdened with the parent organization, an established network within the company is advantageous.'¹⁰

'Equally important is the way the partnership is structured. While a competent partnership enables technological learning, sharing of costs and risks, reduction of time-to-market and increases creativity, it also ensures you remain critical and prove your assumptions time after time.' 'The lack of best practices, combined with a lack of experience within firms, makes it key to learn from both your own experience as well as that of others. In the end, it's a balancing act; balance entrepreneurship and efficiency, corporate and venture goals, separation benefits and synergetic effects.'

How to make it work

'In order to make the collaboration work, interdependency between the corporation and the startup needs to be strong enough. To bridge the uneven relationship both parties should be committed on the project e.g. by bringing exclusivity into the collaboration between the two parties. Beside this, the organizational structure, process and leadership are all important aspects. Corporate venturing units need to be protected from short term tendencies. The worst case scenarios are when corporate venturing departments are cut off after a new C level employee steps in.'

"In general, the level of experience in corporate venturing is very limited within organizations."

¹⁰ Bosch, Jessica Van Den., and Geert Duysters. Corporate Venturing: Organizing for Innovation.



Filip Vandamme and Frank Appeldoorn



PERSPECTIVE 5 > Venture Capital

Partnerships are great, but make sure your expectations are in order

Filip Vandamme and Frank Appeldoorn, Volta Ventures

Since the end of 2014, Volta Ventures has set its sights on fledgling internet and software companies in the Benelux. Both, Filip Vandamme and Frank Appeldoorn have extensive experience in this sector.

Vandamme: 'It is relatively simple for a startup to secure initial funding of 50.000 to 100.000 euros. Friends and family contribute and there are various government schemes whose aim is to help companies at this stage of their development. However, it becomes much more difficult to find investors who are willing to provide 250.000 to 1 to 2 million euros in funding. It used to be possible to secure these amounts through venture capitalists, but they have all moved on to higher amounts in the meantime. This is where Volta Ventures stepped in last year. We invest in early stage internet and software companies in the Benelux and are backed by a select group of experienced ICT business angels.'

'There is now 55 million euros in the fund. We will make new investments for the first five years only. After that, we will further invest exclusively in the successful businesses in our portfolio. The ultimate goal is to ensure healthy, well-timed exits. The fund will remain active for a maximum of 12 years.'

Appeldoorn: 'We have invested in three companies: Beatswitch, Looklive and Sentiance. Unfortunately, we aren't allowed to say how much we have invested so far. But we ultimately want to make 20 to 25 investments in total. The size of the fund enables us to make follow-up investments. This is

good, because it means that we can help the high-fliers become even more successful. Our plan is to build up a diversified fund, partly to spread the risk. But we are also sticking to matters that we understand, hence the clear focus on technology companies.'

Dozens of proposals every week

Vandamme: 'We receive dozens of proposals every week. If we decide to talk to the people behind the proposal, the first five minutes of the meeting are critical. You can usually tell whether it's going to work out or not in that time. We are primarily looking for companies that have already managed to assemble the right team. People with experience, people with a proven track record. We also look at how unique the idea and solution is. Is it genuinely disruptive due to the technology or the business model? Has the market already shown an interest in the concept? Have pilot projects been implemented? Does the startup already have customers?'

'Copying a concept that has been successful abroad and introducing it to the Benelux can be a good idea. This is also interesting because a concept of this kind has already proven itself. The downside is that there is little opportunity for growth, geographically speaking. Although an entirely unique idea comes with more risk, you have the opportunity to successfully launch it in other markets too.'

Expectations of a corporation and a startup

'A partnership between a corporation and a startup can be hugely beneficial to both parties. However, it is important that everybody is on the same page with regard to the direction the partnership is going to take. Is the corporation looking for a short-term commitment only or is it really looking for added-value in the relationship? And if the company decides to invest in the startup: is it doing this for financial or strategic reasons?'

'It is also essential to agree on the degree of exclusivity. This can be positive, because it maximises the effect of the partnership and it means that business opportunities can be created more quickly. On the other hand, it may result in the startup not being able to expand as quickly. And this is not always a desirable scenario for the investors behind the startup.'

Appeldoorn: 'We try to instigate meetings between startups and corporations. We all have a substantial network and actively seek out potentially interesting partnerships, and not just for the companies in which we invest. We also do so for companies in which we do not have a stake as investors. Although the aim of Volta Ventures is, as might be expected, to earn money through the right investments, we also want to help entrepreneurs to develop their ideas. So if I can help someone by connecting them with the right person in my network, I will do that.'

Vandamme: 'More and more companies are focusing on innovation. This is good, but not when they do so from within their own organisation. That approach doesn't work. You cannot simply force somebody to work on disruptive innovations once a week. It only works if you keep it outside the organisation and have a dedicated team working on it. This team's responsibility is to challenge the existing organisation. And if the conditions are in place for it to do so, an innovative team may create a lot of added value for the company.'

'Partnerships between the startups in which we invest and corporations may ultimately lead to exits. But it is often a different exit partner which emerges. When entering into a partnership, there is no point on immediately working towards an exit. That's not how things work. Creating value is the most important goal for a startup and for us. The conditions for an exit will surface of their own accord.'

"Creating value is the most important goal for a startup and for us."

How KPMG Innovative Startups can help

About KPMG Innovative Startups

Bridging the gap between corporates and startups

KPMG Innovative Startups helps large organizations to identify and work with the best startups to promote innovation. We work with startups to build new products and services for our clients and KPMG.

How can we help?

KPMG Innovative Startups helps large organizations to identify and work with the best startups to promote innovation. We work with startups to build new products and services for our clients and KPMG.

- **Run Future-Proofing programs,** explore future megatrends and radical transformations in other industries and technological drivers to define new business models and services. The result of the program is a clear set of strategic growth objectives to drive future revenue. Check out our Innovation Lab for more information: <http://www.kpmg.com/NL/nl/topics/StartupsEnterprises/Pages/Innovate-with-startups.aspx>
- **Scan and monitor** the startup ecosystem using the Innovation & Startup Scan to identify potential disruptors, innovators and partners in the early stages to respond quickly to potential competition and work with startups from the outset (thereby creating a competitive advantage);
- **Bring businesses into contact** with innovative startups to launch pilots and controlled experiments to promote innovation and support further cooperation;
- **Set up an innovation lab** and develop an (internal) venture program to work with the startup and/or run internal innovations as a startup instead of a corporate project;
- **Guide digital transformation** throughout the organization to become a digital organization from end to end.

Thank you,
please
contact us

Contact

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Would you like to find out more?

Edo Roos Lindgreen

Head of Innovation KPMG, Partner
roos.edo@kpmg.nl

Daniël Horn

Manager KPMG Innovative Startups
horn.daniel@kpmg.nl

Ghislaine Bowier

Consultant KPMG Innovative Startups
bowier.ghislaine@kpmg.nl

Mart Beune

Consultant KPMG CIO Advisory /
Innovative Startups
beune.mart@kpmg.nl



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