

START-UPS, INKUBATION, EXKUBATION

Ringvorlesung Digitalisierung
TU München, 18. Juli 2017

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SOME BACKGROUND...



**Dr. oec.
Markus Anding**

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- Diploma in Information Systems
- PhD in Business/Management
- ~11 years Management Consulting (Senior Manager Bain & Company)
- ~3 years international experience (Nottingham, Michigan, NYC, Palo Alto, Sydney)
- Entrepreneurial activities since 2001
 - 2001: Software Company (ATWmedia)
 - 2015: Consulting Firm (Excubate)
 - 2015: Real Estate Fund (Wupperform)
- Munich Center for Internet Research since 12/2015



BAIN & COMPANY



ZENTRALE FRAGEN FÜR HEUTE

- Wie wirkt sich die **Digitalisierung** auf **Unternehmen** und die **Entwicklung von Innovationen** aus?
- Welche **(Macht-)Verschiebung** entsteht zwischen etablierten Unternehmen und Startups?
- Was versuchen **etablierte Unternehmen** zu tun, um **langfristig relevant** zu bleiben?
- Und **was sollten sie tun...?**

CONTENT FOR TODAY

- 1. Digitalization – the new normal**
2. Challenge for existing companies: Startups
3. Approaches tried out so far: Incubation
4. Evolving models: Excubation
5. Key take-aways
6. *Follow-up options*



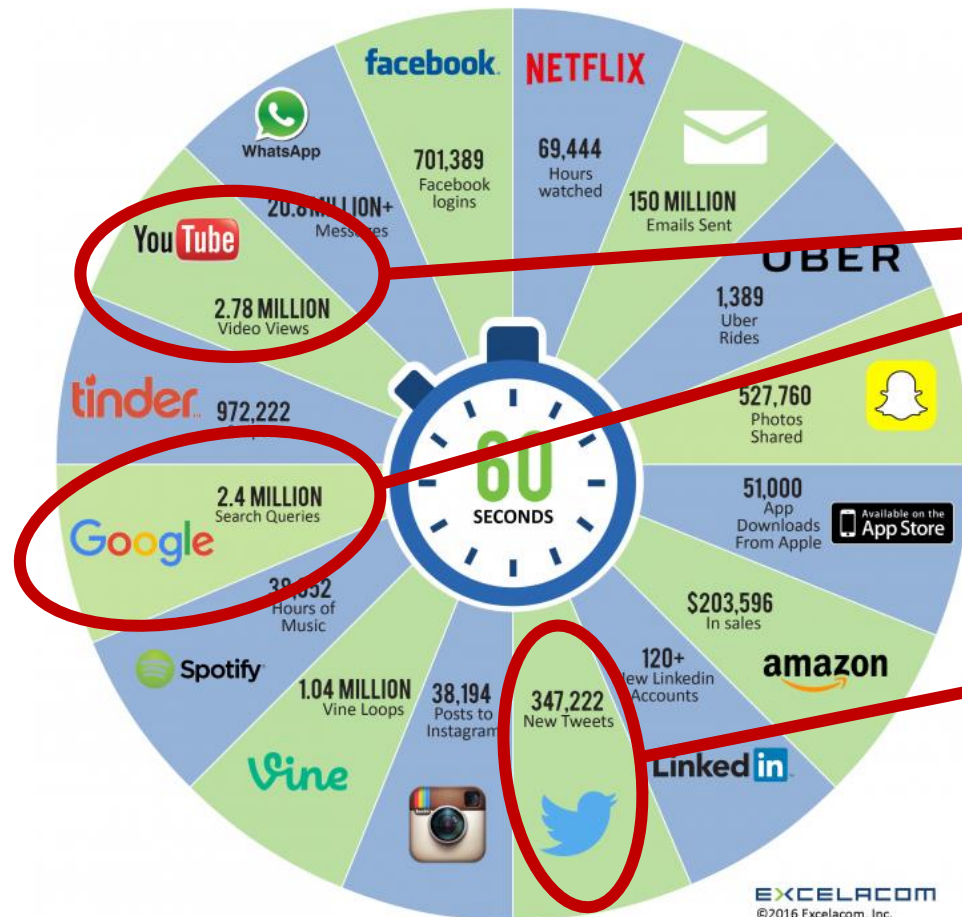


DIGIT(AL)IZATION IS NOT JUST ABOUT TECHNOLOGY

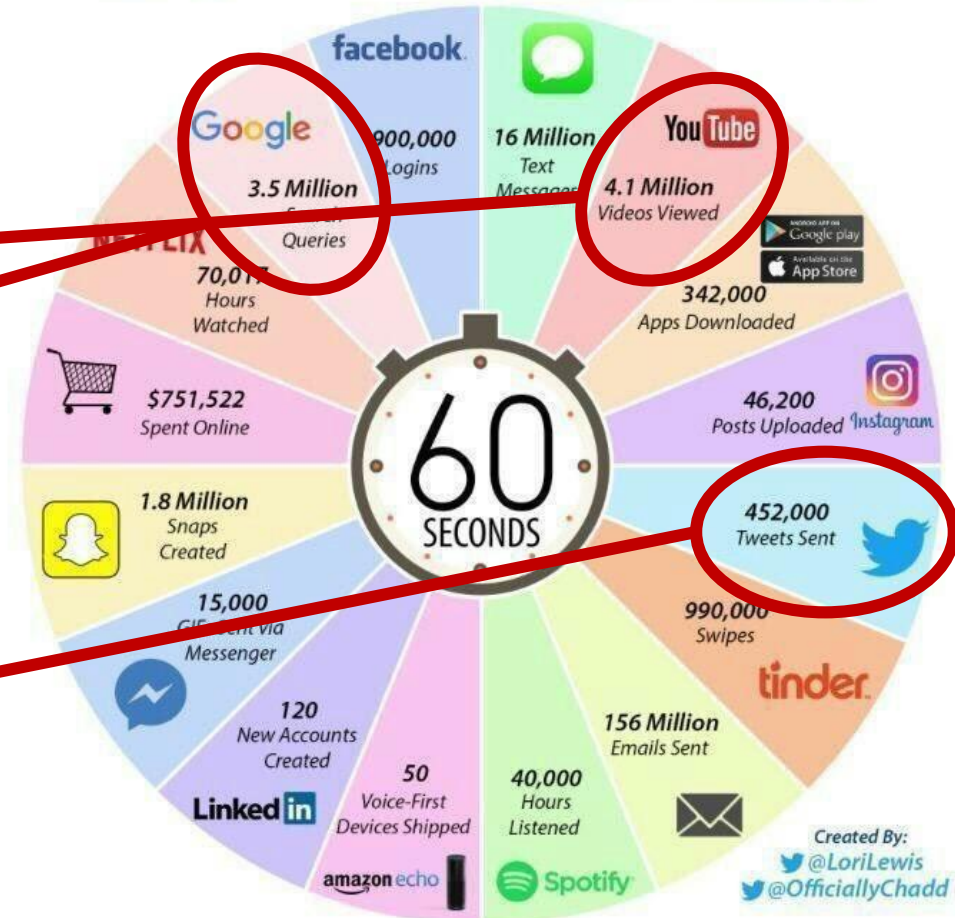
- + Technology
- + Agility & Speed (Scrum, ...)
- + Mindset & Capabilities (Entrepreneurship, ...)
- + Teamwork (Startup, ...)
- + Customer Focus (Design Thinking, UX ...)

DIGITALIZATION ALSO TRIGGERS SUBSTANTIAL DYNAMICS

2016 What happens in an INTERNET MINUTE?



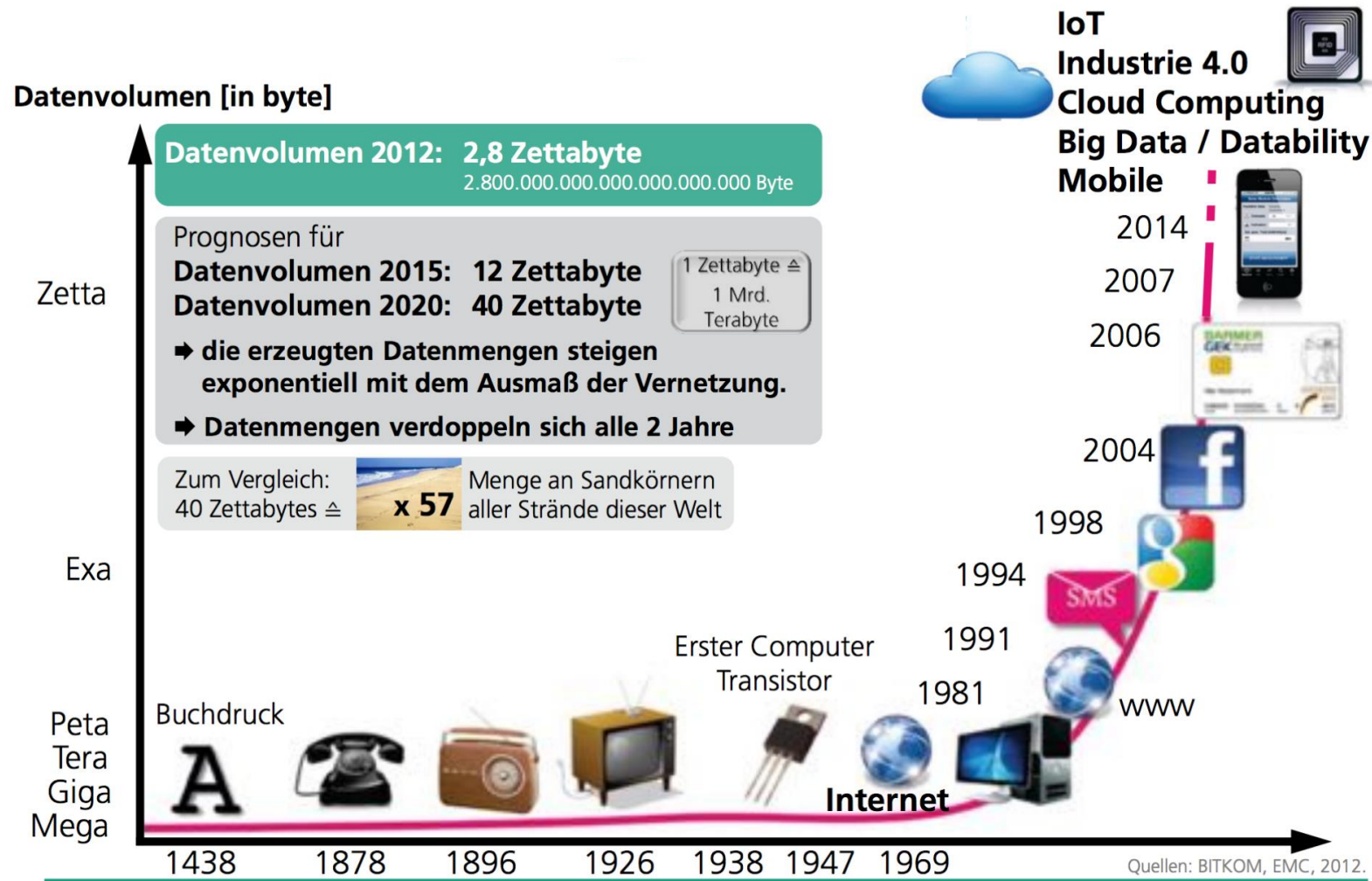
2017 This Is What Happens In An Internet Minute



Source: Leboeuf, Kelly, 2016: 2016 Update: What happens in one internet minute?

Source: Lori Lewis, 2017: Based on coupofy.com/social-media-in-realtime/

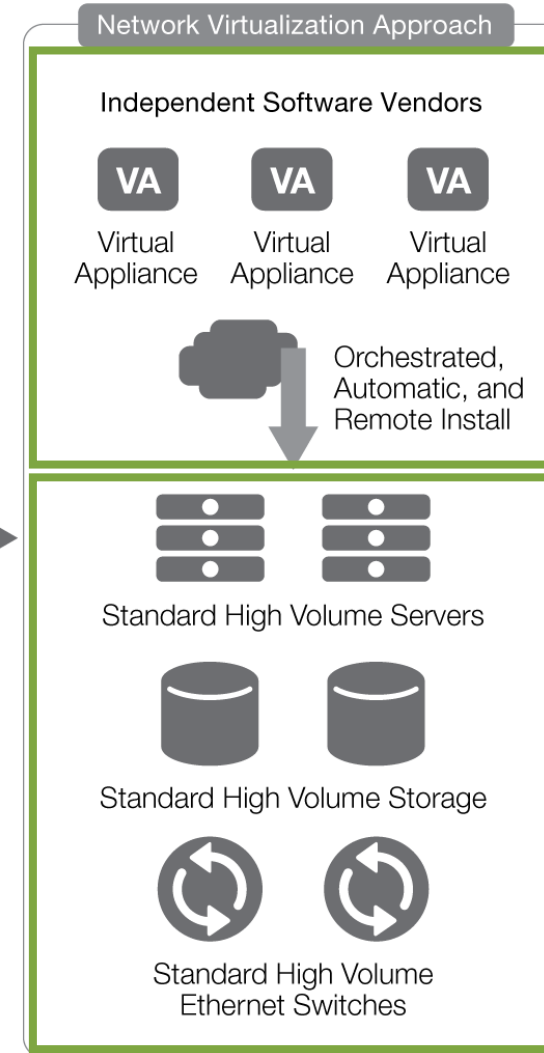
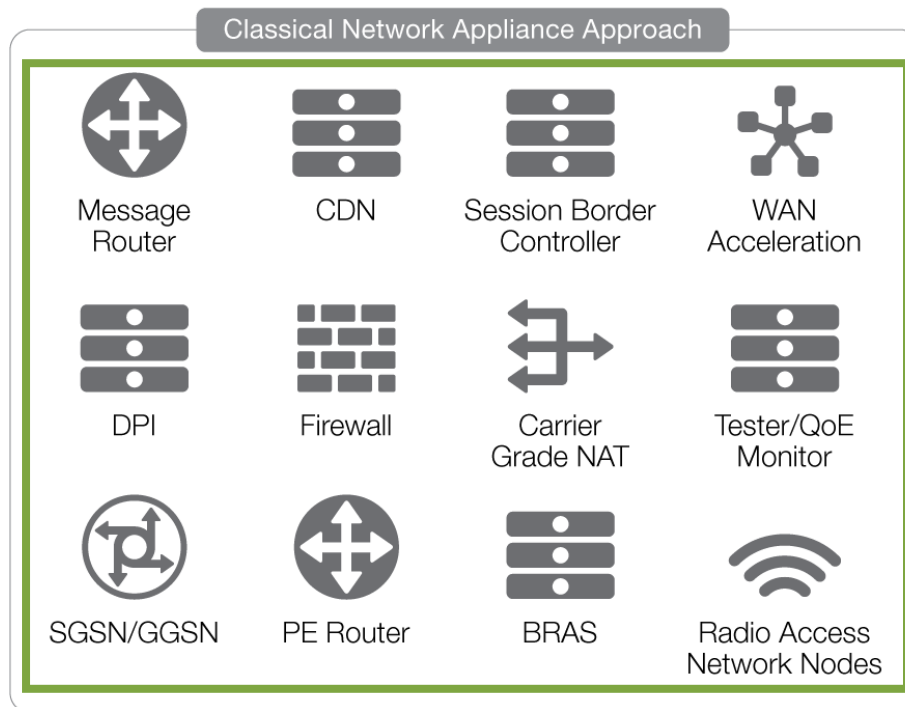
DIGITALIZATION MAKES DATA VOLUMES GROW EXPONENTIALLY



DIGITALIZATION MOVES INTELLIGENCE FROM HARDWARE TO SOFTWARE



**SPECIAL
HARDWARE**



**SPECIAL
SOFTWARE**

**STANDARD
HARDWARE**

Source: <https://f5.com/resources/white-papers/network-functions-virtualization-everything-old-is-new-again>

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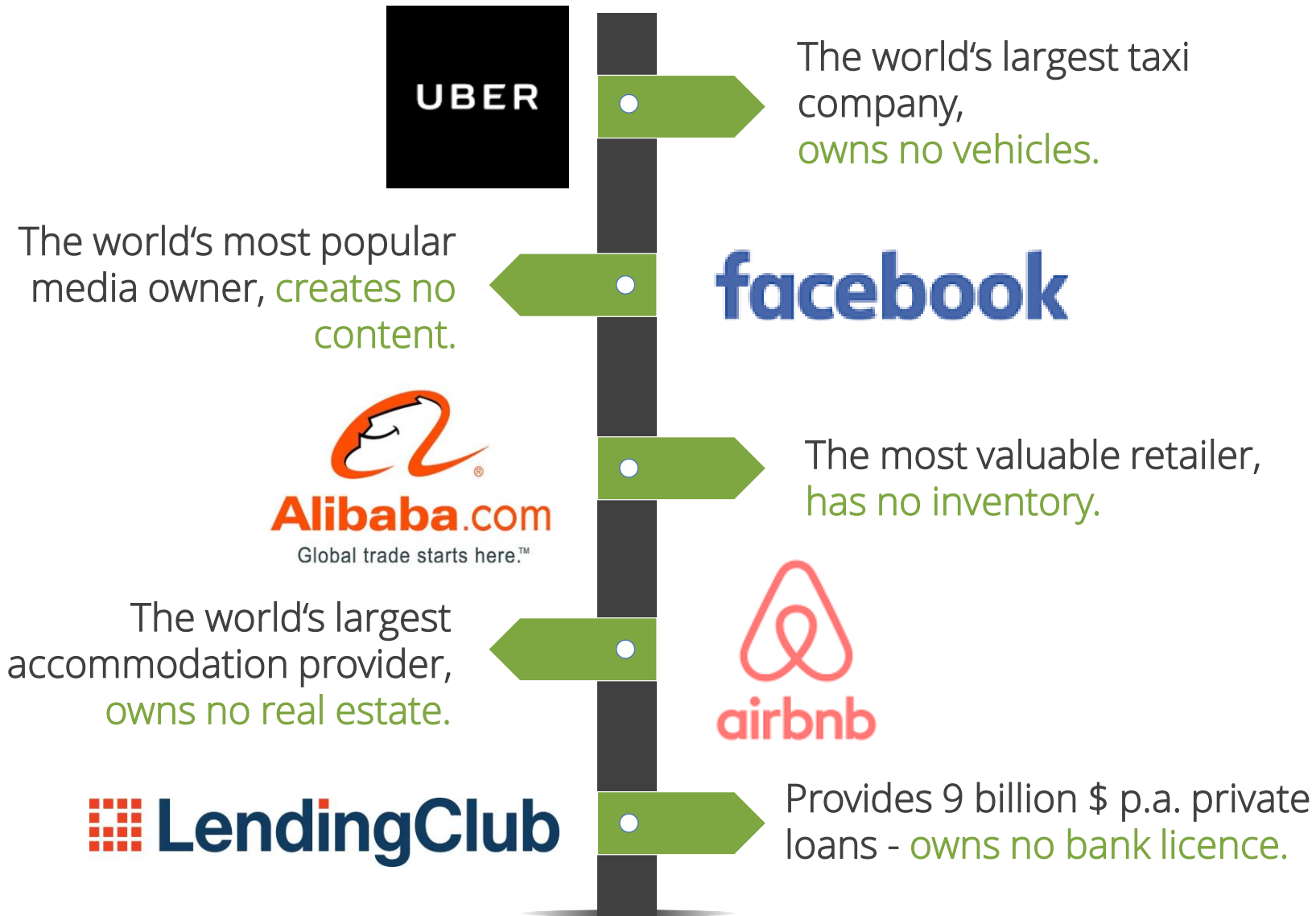
6. *Follow-up options*





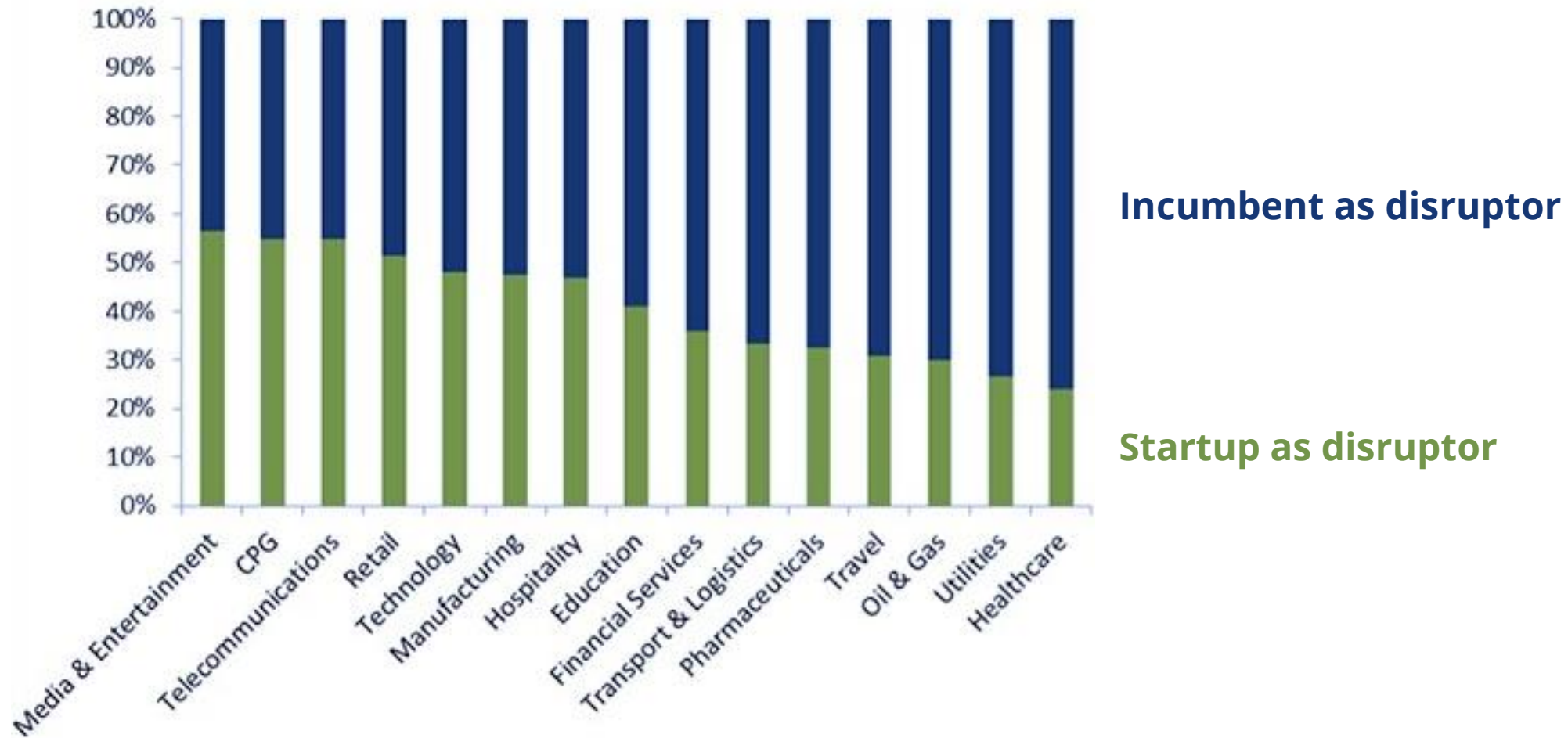
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00101  
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DIGITALIZATION FUNDAMENTALLY CHANGES THE RULES OF THE GAME



Do you still focus on the value of your assets?

LARGE DIFFERENCES IN THE PERCEIVED SOURCE OF DISRUPTIVE THREATS ACROSS INDUSTRIES



Source: DBT Center, 2015; Survey of 1000 Executives across 15 industries

What's really different between corporates and startups?

Innovate

- radical
- autonomous
- creative
- ...

EXPLORE

SCALE

Implement

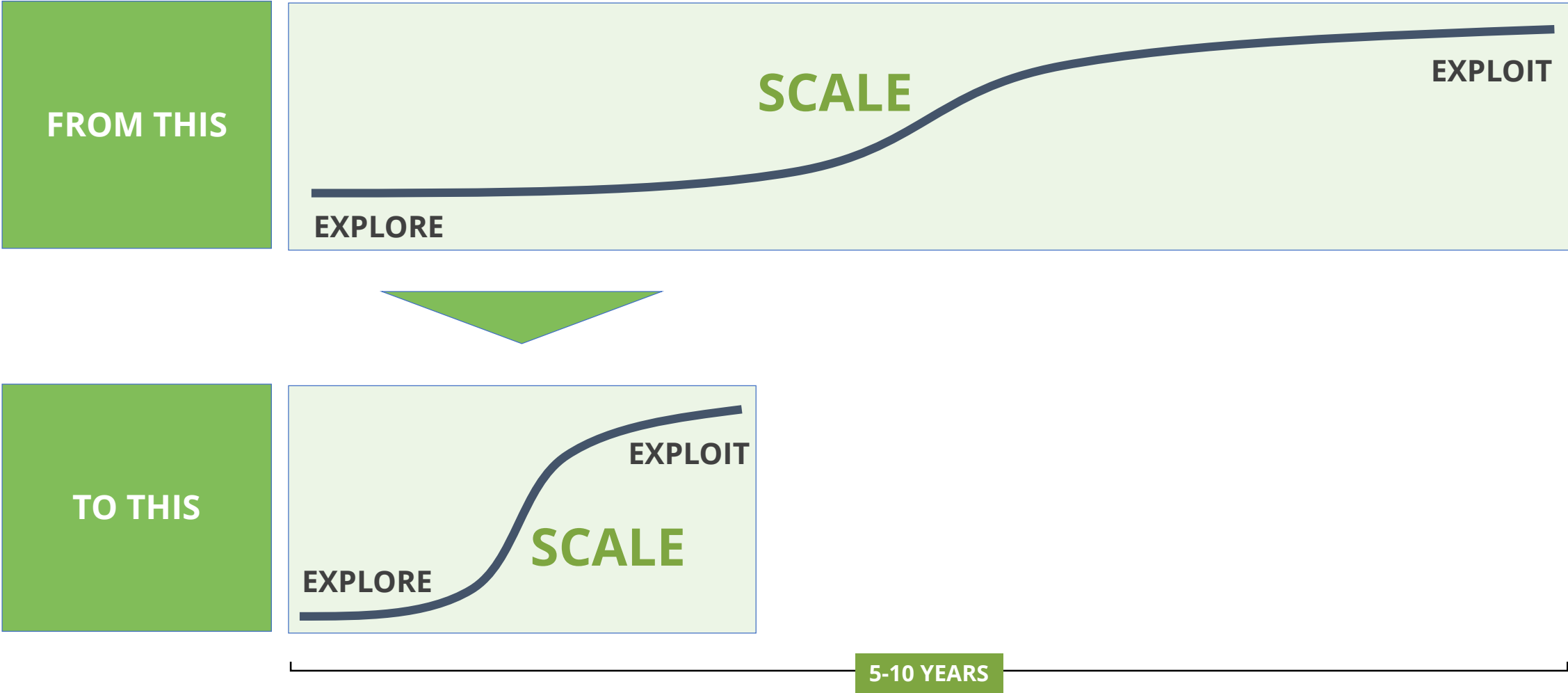
- fast, agile
- aggressive
- repeatable
- ...

EXPLOIT

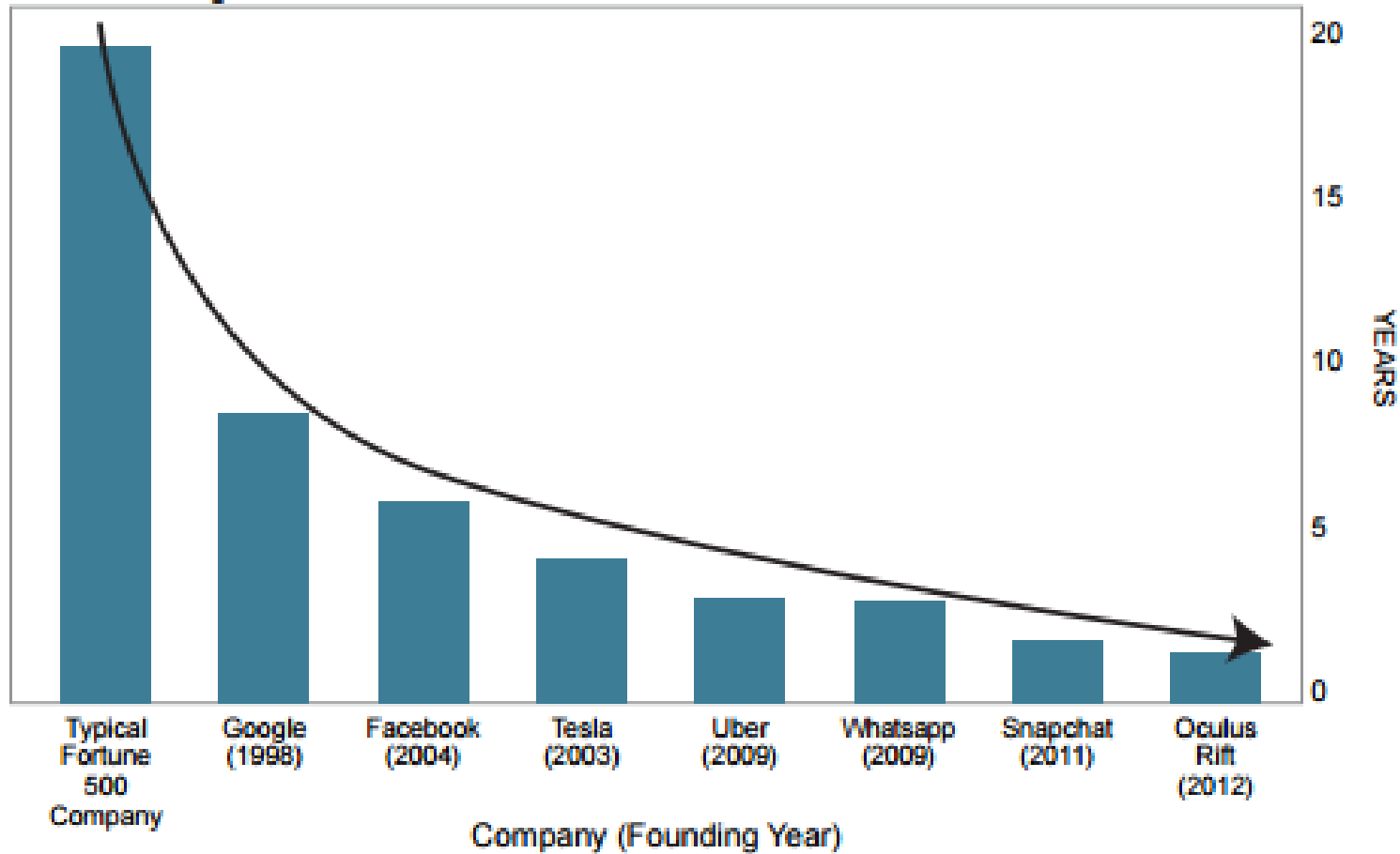
Optimize

- incremental
- efficient
- excellent
- ...

NOW, DIGITALIZATION CHANGES A FEW THINGS HERE...



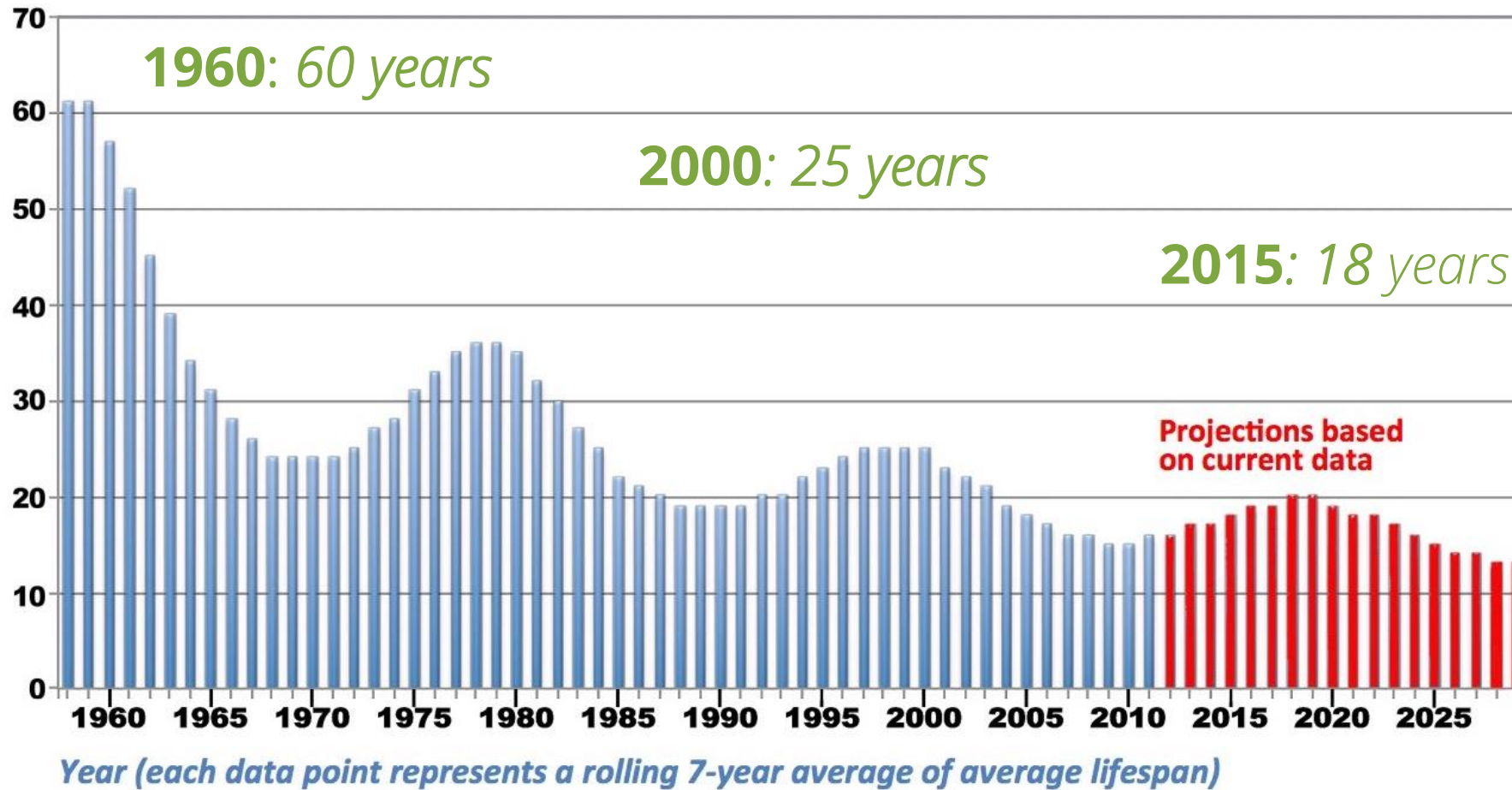
Market Cap to a Billion



Scaling is the new execution

Source: www.bonnerandpartners.com

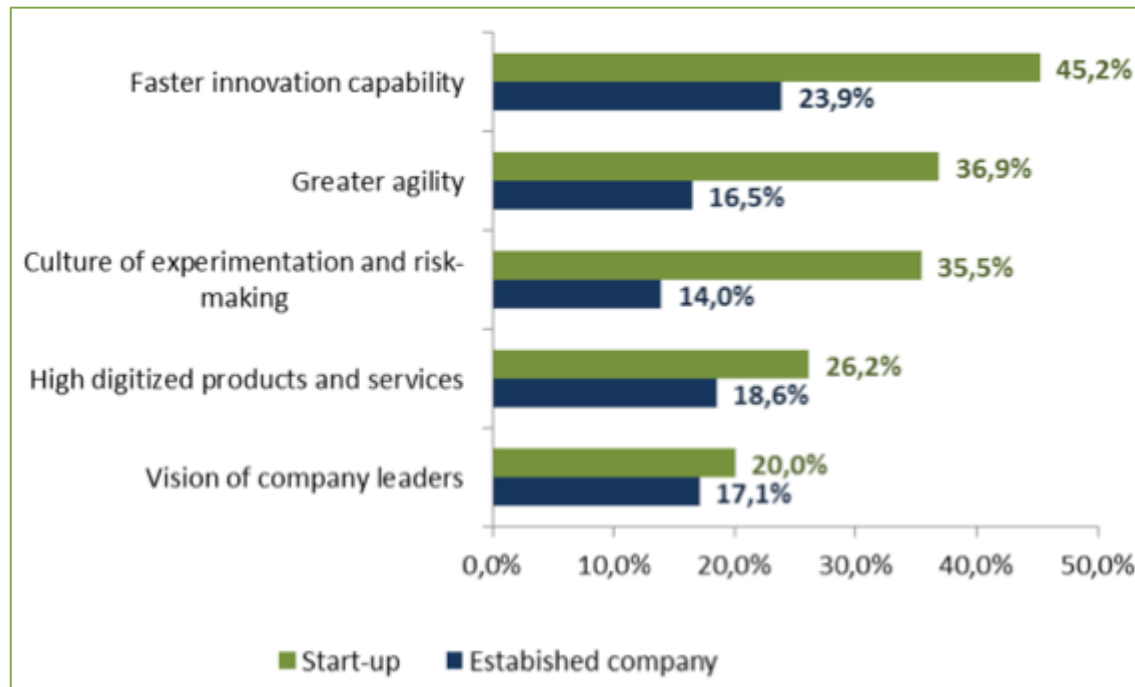
75% OF THE S&P 500 MAY BE REPLACED BY 2027



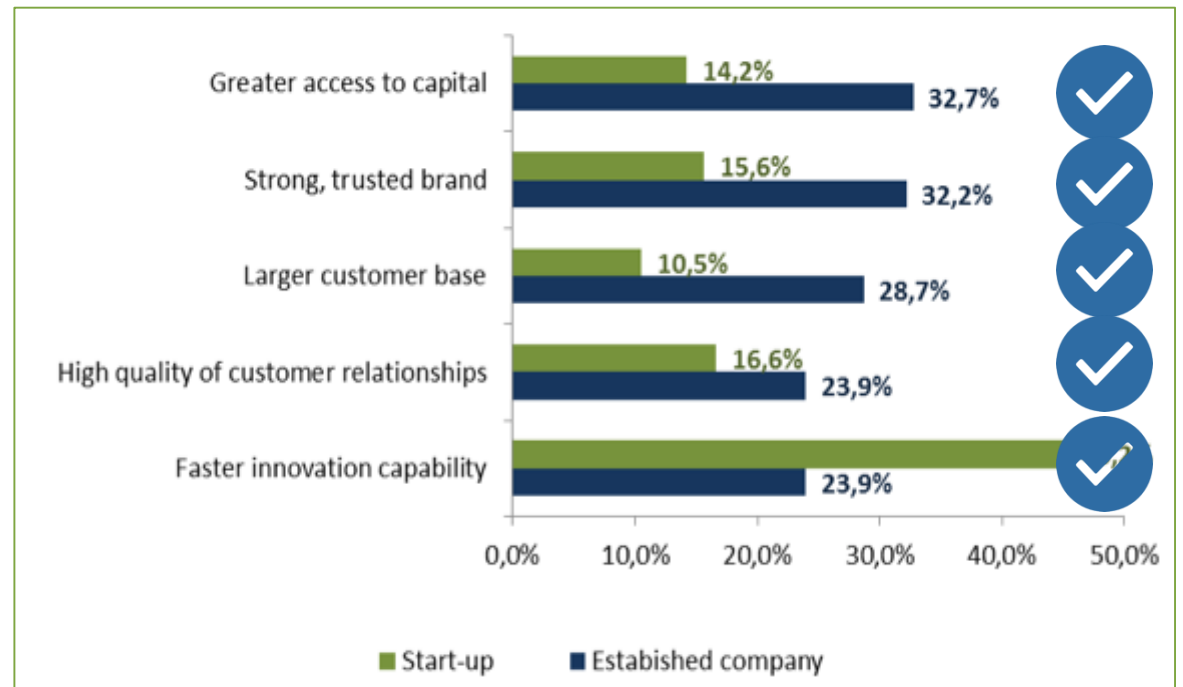
DATA: INNOSIGHT/Richard N. Foster/Standard & Poor's

DIGITALIZATION EVAPORATES HISTORIC ADVANTAGES OF CORPORATES OVER STARTUPS

The top 5 relative advantages of startups



The top 5 relative advantages of established companies



Source: DBT Center, 2015; Survey of 1000 Executives across 15 industries

BEING IN A
STARTUP
IS EASY. IT'S LIKE

RIDING A BIKE

EXCEPT THE BIKE'S ON FIRE
AND YOU'RE ON FIRE
AND EVERYTHING'S ON FIRE

STARTUPS DIFFER
IN THEIR MINDSET



*"Only **20%**
of employees said their
managers encourage
entrepreneurial ideas."*

(Accenture Study, 2015)



*"More than **70%** of successful entrepreneurs developed their big idea while working at an established organization and then left to commercialize it on their own."*

(Harvard Business Review, 2014)

EVEN KNOWN INNOVATORS LOSE ENTREPRENEURS AND, THUS, BUSINESS

twitter

foursquare®

Instagram

asana:

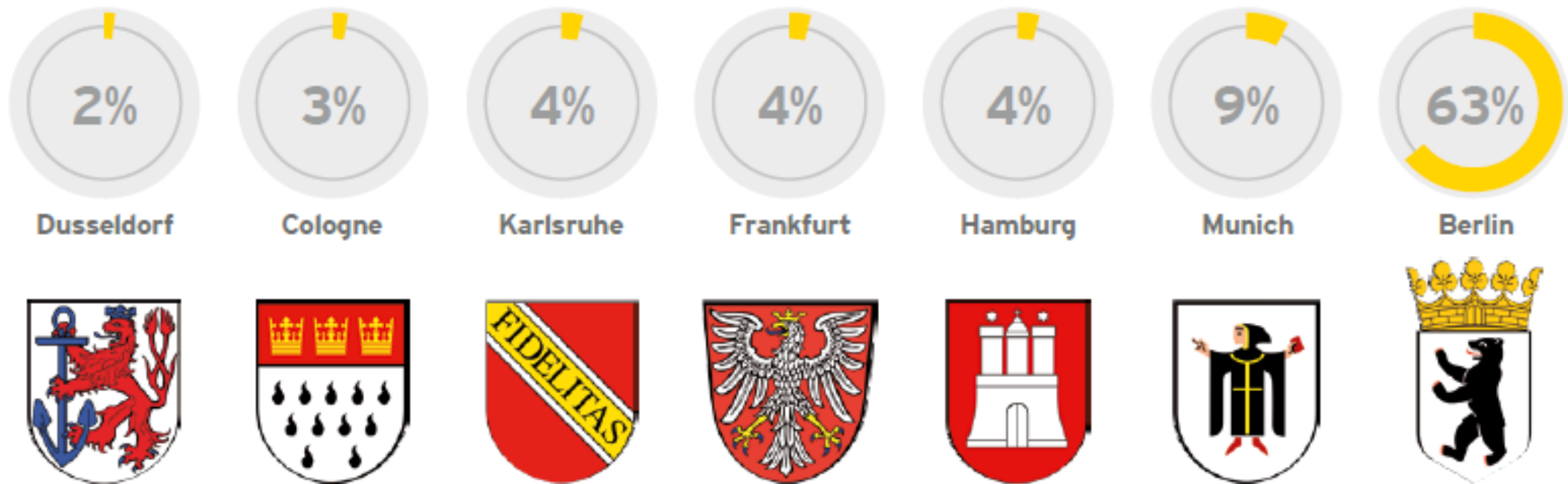
Pinterest

cloudera®

By not providing entrepreneurial incentives to employees,
Google lost several multi-billion dollar businesses...

DO WE ALL HAVE TO GO TO BERLIN NOW?

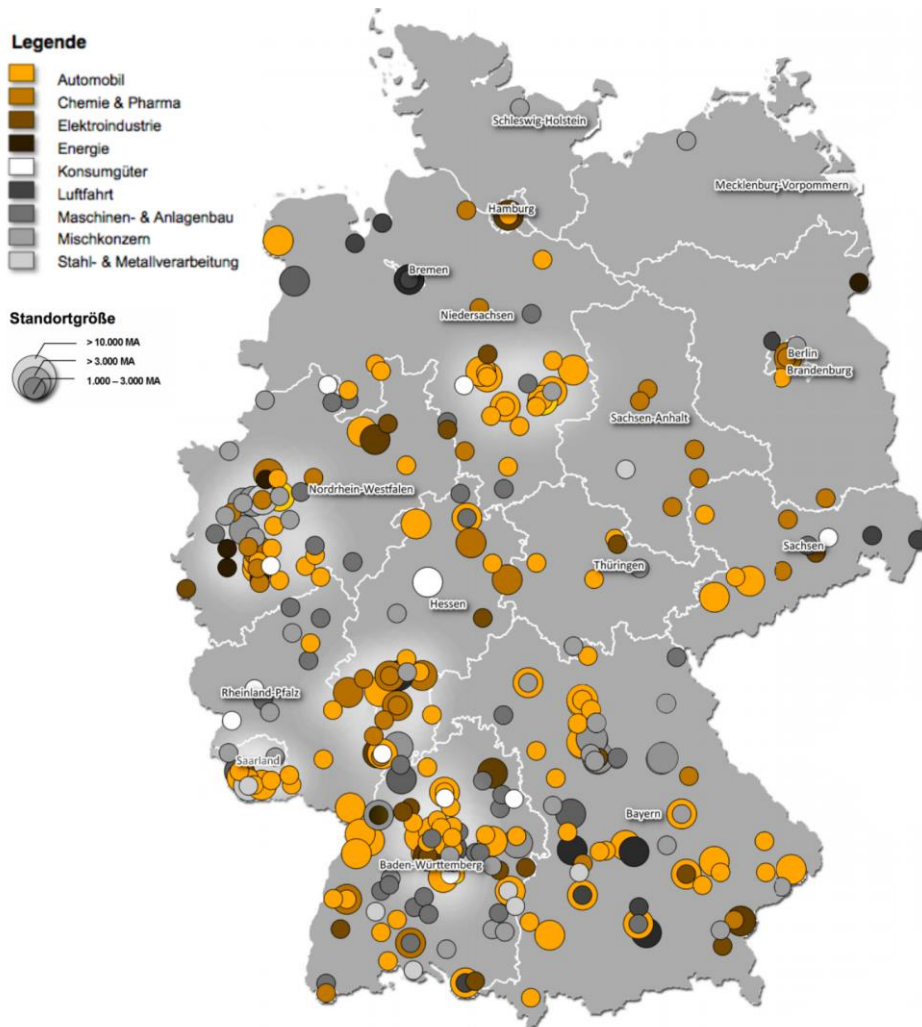
Key locations of Top 100 start-ups in terms of funding



Sources: Thomson One, Mergermarket, Crunchbase, Press Releases / Remark: The remaining 11% are linked to other cities in Germany

Source: Ernst & Young Study: Funding, Growth and Profitability: Tech Start-ups finding the right balance

CLASSICAL INDUSTRY, HOWEVER, IS LOCATED ELSEWHERE



Big player in Germany by employees

Unternehmen	Standort	Mitarbeiter
1. Volkswagen AG	Wolfsburg	53.500
2. BASF SE	Ludwigshafen	36.000
3. Audi AG	Ingolstadt	33.700
4. Daimler AG	Sindelfingen	25.900
5. BMW AG	Dingolfing	18.500
6. Daimler AG	Untertürkheim	17.600
7. Volkswagen AG	Kassel	15.500
8. Audi AG	Neckarsulm	14.000
9. Siemens AG	Berlin	13.600
10. Daimler AG	Bremen	12.700
Gesamtbeschäftigte		241.000

Source: Dr. Jörg-Peter Naumann, 2014; Gesellschaft für Unternehmensberatung

SO WHAT?

- **Historically:** Co-existence of startups and corporates – startups just needed much more time for product development and scaling
- **Today:** Relative speed differences in startups and corporates become much more pronounced due to digitalization acting as catalyst
- **Huge threat for corporates** – if they don't react the right way

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*"More than **7,500**
business incubators
exist around the world.*

Most of them fail."

(Harvard Business Review, 2013)

MANY INCUBATORS ARE RUN BY CORPORATES

*Facts about the 44 most known incubators
(in Germany):*

Name	Typ	Betreiber	Standorte Dtl.	W
Hardware.co	Frei	Hardwareclub	Berlin	w
Microsoft Accelerator	Konzern	Microsoft	Berlin	w
Mindbox	Konzern	Deutsche Bahn	Berlin	w
YouIsNow	Konzern	ImmobilienScout	Berlin	w
CyberLab	Unternehmer-Netzwerk	Cyberlab	Karlsruhe	w
Social Impact Lab	Frei	Social Impact	Leipzig, Potsdam, Berlin, Duisl	w
SpinLab - The HHL Accelerator	Frei	SpinLab Accelerator GmbH	Leipzig	w
Media Lab Bayern	Staatlich	Bayerische Landeszentrale für neue Med	München	w
Techfounders	Hochschule	UnternehmerTUM	München	w
Visionest	Hochschule	Uni Witten Herdecke	Witten	w
Music Worx	Staatlich	Hamburg Kreativ Gesellschaft mbH	Hamburg	w
European Pioneers	Staatlich	etventure GmbH	Berlin	w
EY Accelerator	Konzern	EY	Berlin	ht
Mondelez ShopperFutures	Konzern	Mondelez	-	w
Berlin Startup Academy	Frei	Berlin Startup Academy UG	Berlin	w
Axel Springer Plug&Play	Konzern/VC	Axel Springer & Plug and Play Tech Cente	Berlin	w
MS Spacelab	Konzern	Media Saturn Holding	München	w
BlackForest Accelator	Frei	Black Forest Accelerator Fitness & Gesur	Lahr (Schwarzwald)	w
startupbootcamp	Frei	startupbootcamp	Berlin	w
grants4apps	Konzern	Bayer	Berlin	w
Metro Techstars Accelerator	Konzern	Metro / Techstars	Berlin	w
seedcamp	Frei	Seedcamp	Berlin	w
Techstars	Frei	Techstars	Berlin	w
Kraftwerk Accelerator	Konzern	Stadtwerke Bremen	Bremen	w
Next Media Accelerator	Konzern	DPA + Medienkonzerne	Hamburg	w
Wayra	Konzern	Telefonica	München	w
hub:raum	Konzern	Dt. Telekom	Berlin	w
AtomLeap	Frei	AtomLeap GmbH	Berlin	w



41% are founded by corporates



45% acquire shares from the startup



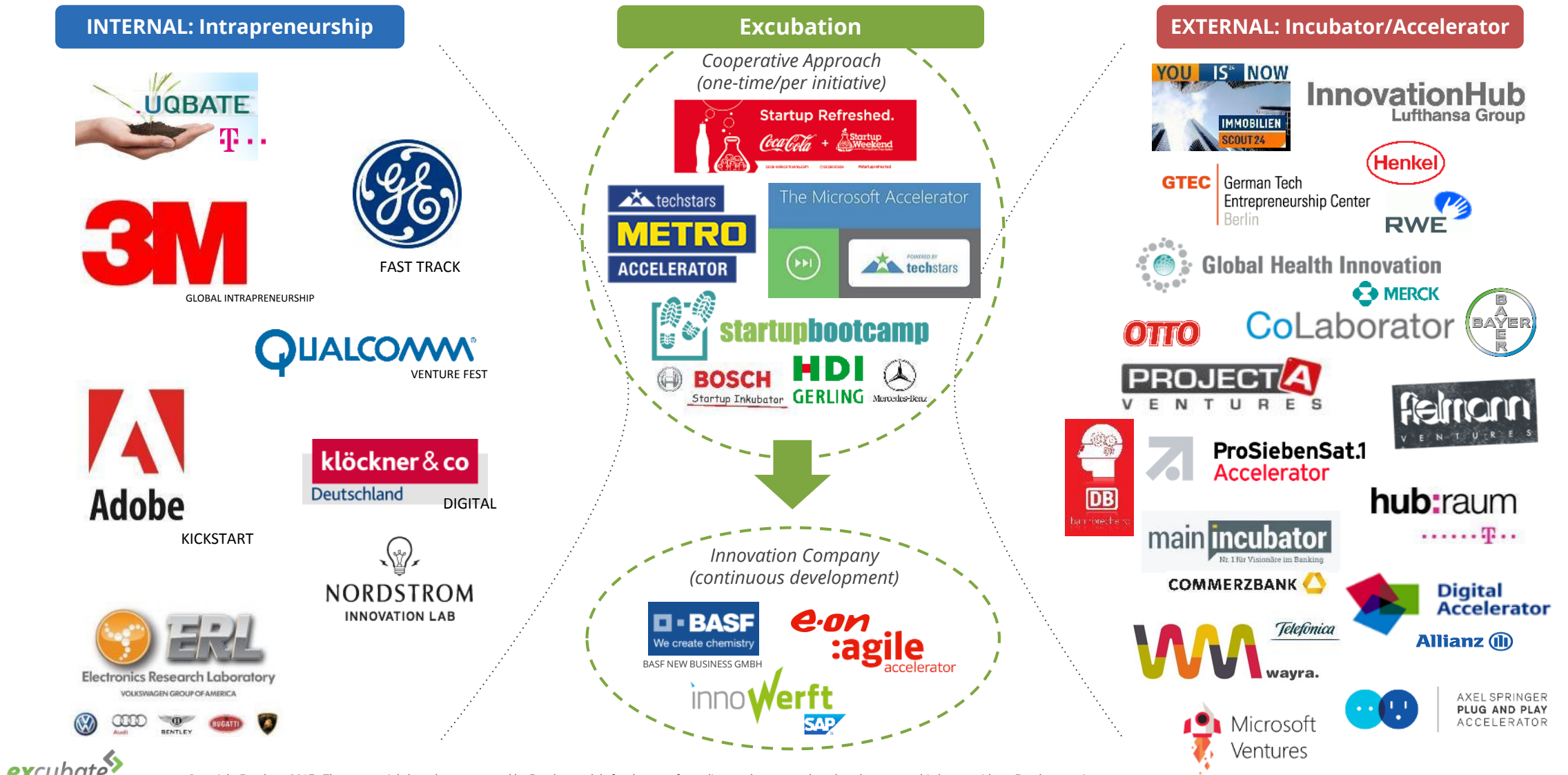
45% are located in Berlin



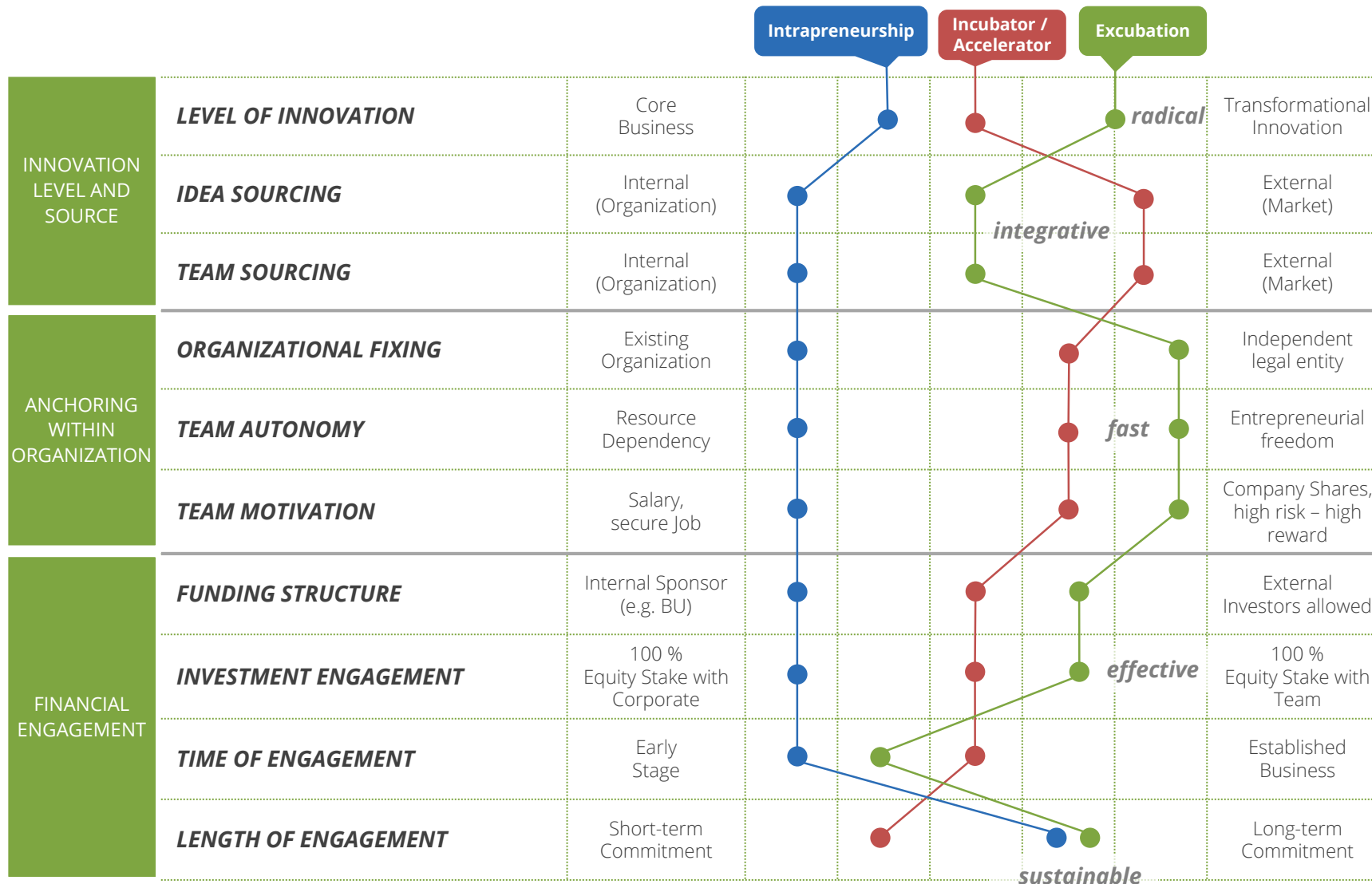
62% provide venture capital

Source: Weber, Eric, 2016: Gründerszene.de

WE'VE LOOKED AT THE VARIOUS CORPORATE INNOVATION SETUPS (EXTRACT OF MORE THAN 50 PROGRAMS IN SCOPE)



EXCUBATION DIFFERS IN CENTRAL ASPECTS FROM EXISTING MODELS BUT IS FLEXIBLE TO MEET INDIVIDUAL REQUIREMENTS



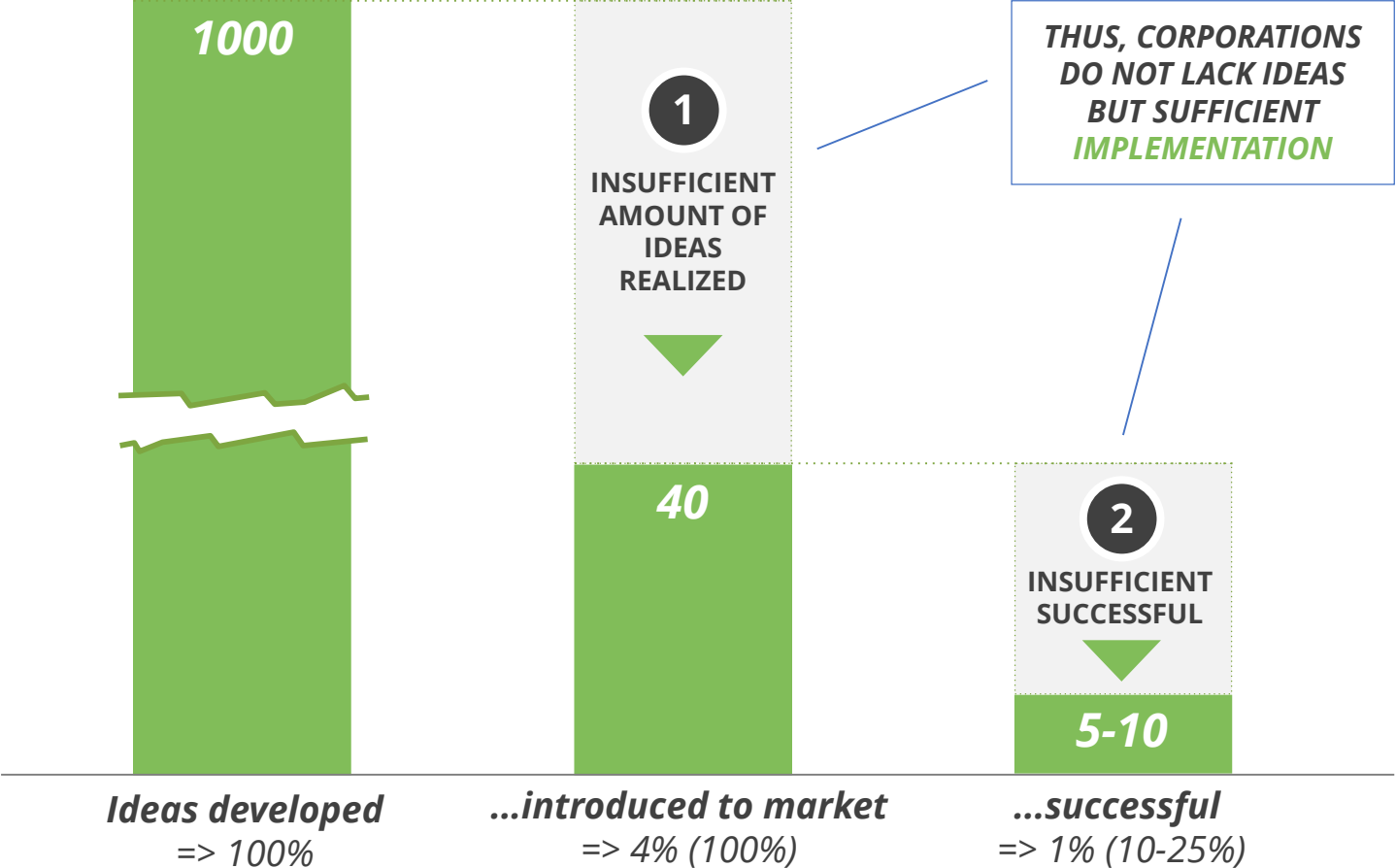
*"If managed effectively,
a corporate startup has
the resources of a large
organization and the
entrepreneurial momentum
of a small one."*

1+1=3

BUT...DOES THAT ACTUALLY WORK WITH CORPORATES?!



PROBLEM: LOTS OF IDEAS, MARGINAL IMPACT



Source: Innovative Tools für Decisions, Deborah Heifetz-Yahav, Shlomo Maital



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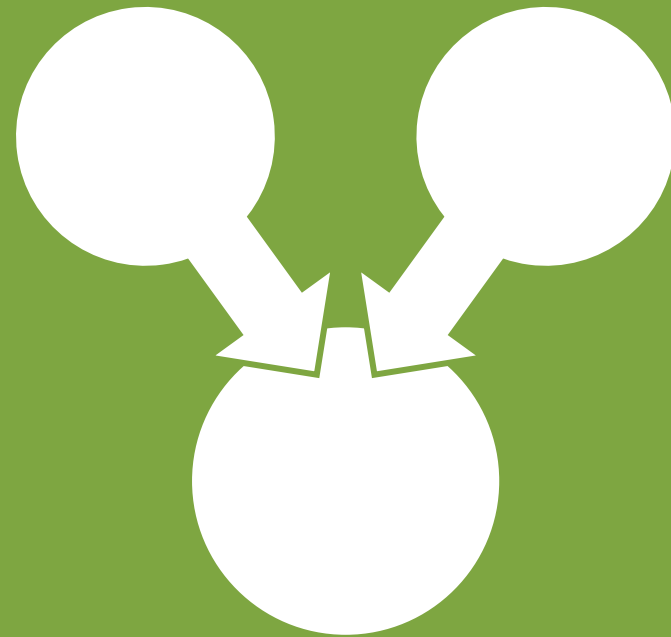
ACCESS TO RESOURCES AND CAPABILITIES COULD BECOME INFLEXIBLE LIABILITIES.

...blocking the scale process as
assets are tailored to execute the
existing business model, not to help
search for a new one and scale it.



INTERNAL VENTURES MUST FIGHT ON TWO FRONTS RISKING FOCUS AND ENERGY.

...externally achieving product market fit and scaling the new business AND internally obtaining the permissions, protection, resources, etc. needed to launch the venture initiative, and work to retain that support over time as conflicts arise



STRATEGIC & RESOURCE DEPENDENCY LEAVES NEW VENTURE AT CORPORATES MERCY.

...increasing risk to get stopped before showing profits, e.g. imagine one bad quarter for the company or the arrival of a new CEO who wants to clean house



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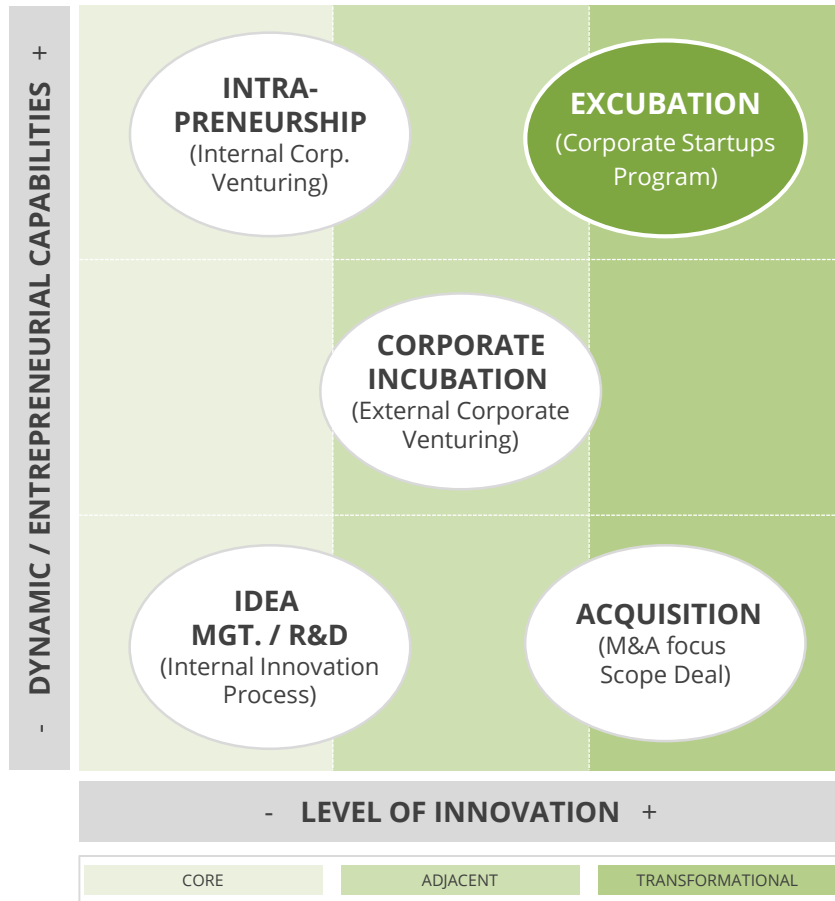
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EXCUBATION AS CONSEQUENTIAL NEXT STEP TO ENHANCE CORPORATE INNOVATION



- Internal idea management too close to core business therefore incremental innovation only, not appropriate for transformational innovation
- Intrapreneurship programs usually lack the required degree of freedom
- Corporate incubators/accelerators usually do not lead to a sustainable increase of the corporates innovative capacity, because they work mainly isolated instead of integrated
- Acquisitions provide access to more radical innovations, but require strong integration capabilities as well as financial power
- Excubation enables corporates to radically innovate whilst fostering their entrepreneurial capabilities

EXAMPLE BMW: THREE APPROACHES IN PARALLEL



- Intrapreneurship Program: Internally developed ideas
- BMW Startup Garage: Connect with external startups

BMW Startup
GARAGE

- BMW Excubator: Ideas further away from core business



Source: BMW, LitSearch

HOW WE DEFINE EXCUBATION

"Excubation is the smart separation of corporate innovation activities from the core business to enable the effective build-up of new and more radical business models by combining the best of both the corporate and startup worlds in an entrepreneurial fashion."

SMART SEPARATION – THREE PERSPECTIVES



LEVERAGE OF
STRATEGIC
SUCCESS FACTORS

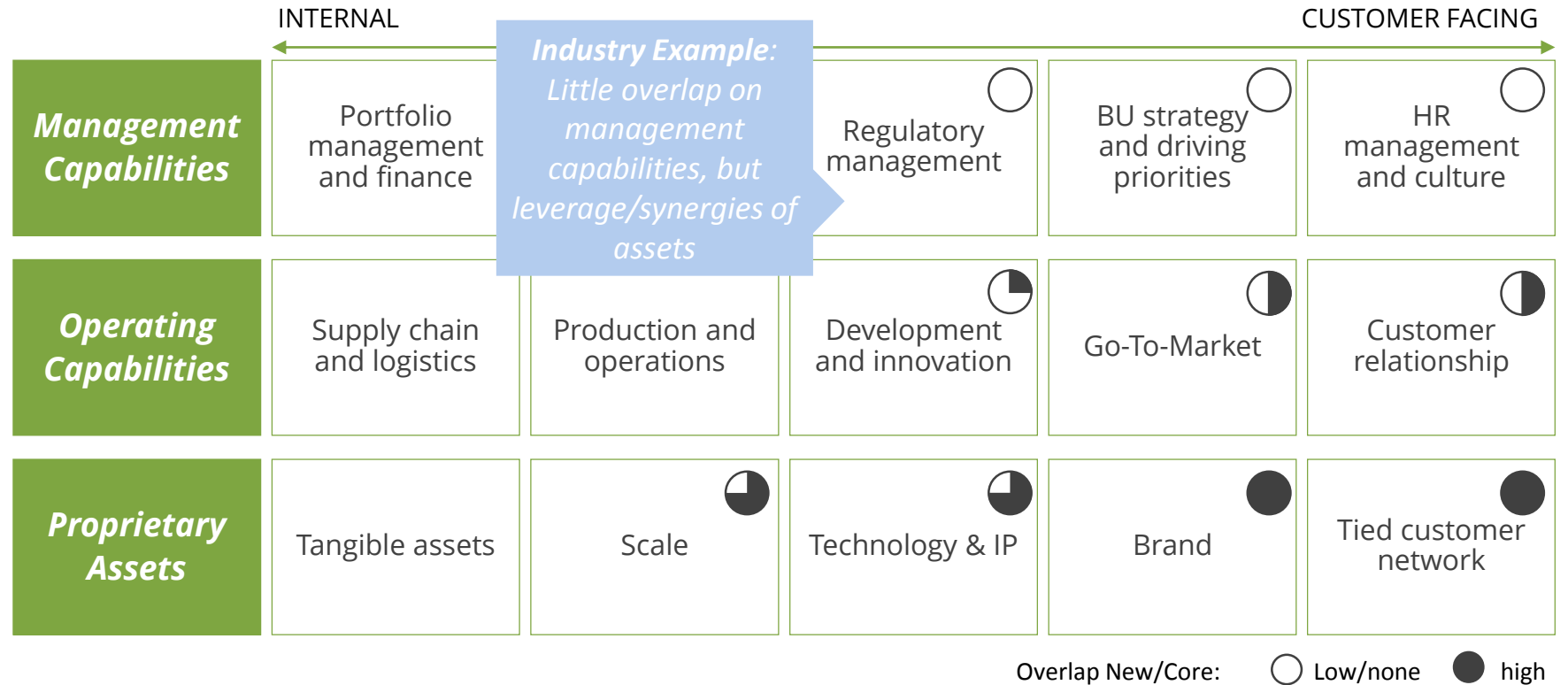


SIMILARITY OF
BUSINESS MODELS



LINKAGE OF
PROCESSES

STRATEGIC SUCCESS FACTORS: WHERE DOES THE STARTUP BENEFIT FROM THE CORPORATE?



- How do we **differentiate** tomorrow (vs. today)?
- Which of these factors would **make the new venture even stronger**?
- Which are the **strengths of the existing core organization** and which can be brought into a the new venture?
- Where are **gaps that need to be closed** by the new venture to successfully scale?

BUSINESS MODEL BUILDING BLOCKS: HOW DIFFERENT ARE BIZ MODELS?



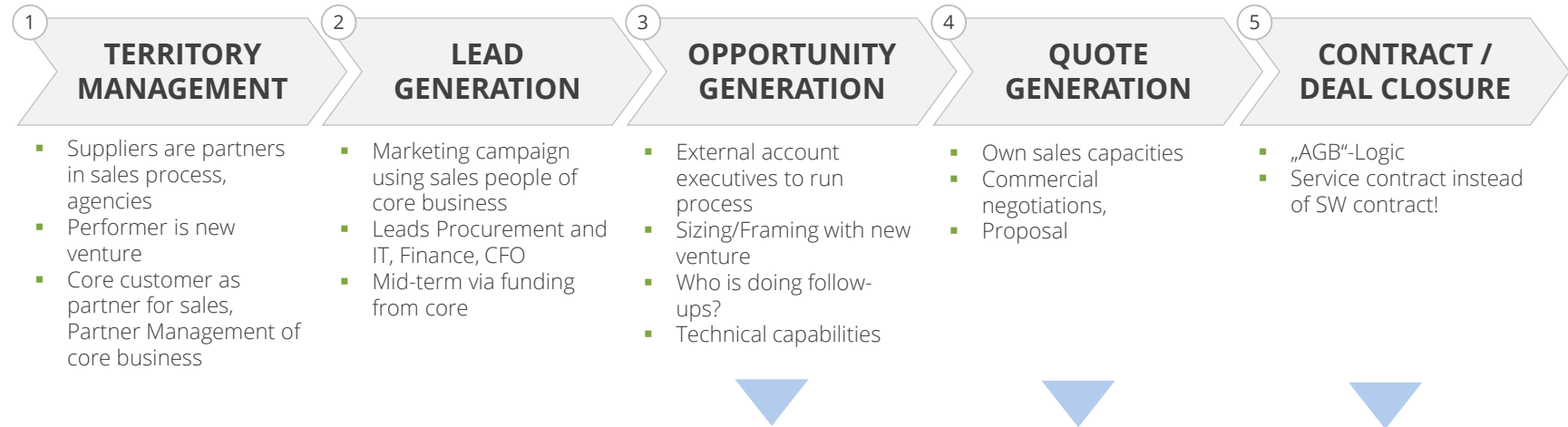
BUILDING BLOCK		SPECIFICATION AT CORE & NEW BUSINESS		ELEMENT SIMILARITY	SYNERGY POTENTIAL	CONFLICT POTENTIAL
CHANNELS	<ul style="list-style-type: none"> Through which communication, distribution, and sales channels are we reaching our customers? 	CORE	<ul style="list-style-type: none"> Same companies but other contacts Core to act as facilitator 			
		NEW	<ul style="list-style-type: none"> Other communication channels (i.e. LinkedIn, FB) 			
	RECOMMENDED SEPARATION LEVEL		Fully Integrate Fully separate			

CUSTOMER RELATIONSHIP	<ul style="list-style-type: none"> What type of relationship have we established with each customer segment? How are they integrated with the rest of the business model? 	CORE	<ul style="list-style-type: none"> Account Executive (Incentives, bottleneck, compliance needs) Quarterly driven 			
		NEW	<ul style="list-style-type: none"> Campaign driven ... 			
	RECOMMENDED SEPARATION LEVEL		Fully Integrate Fully separate			

LINKAGE OF PROCESSES: WHERE WILL THE STARTUP FAIL IF ADHERING TO CORPORATE PROCESSES

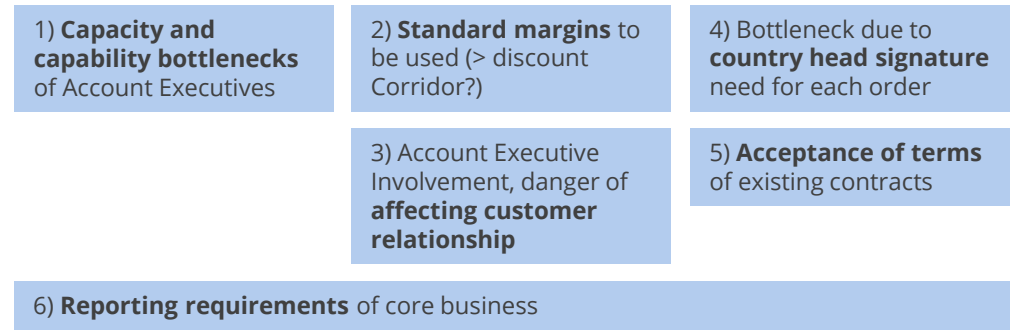


e.g. SALES PROCESS

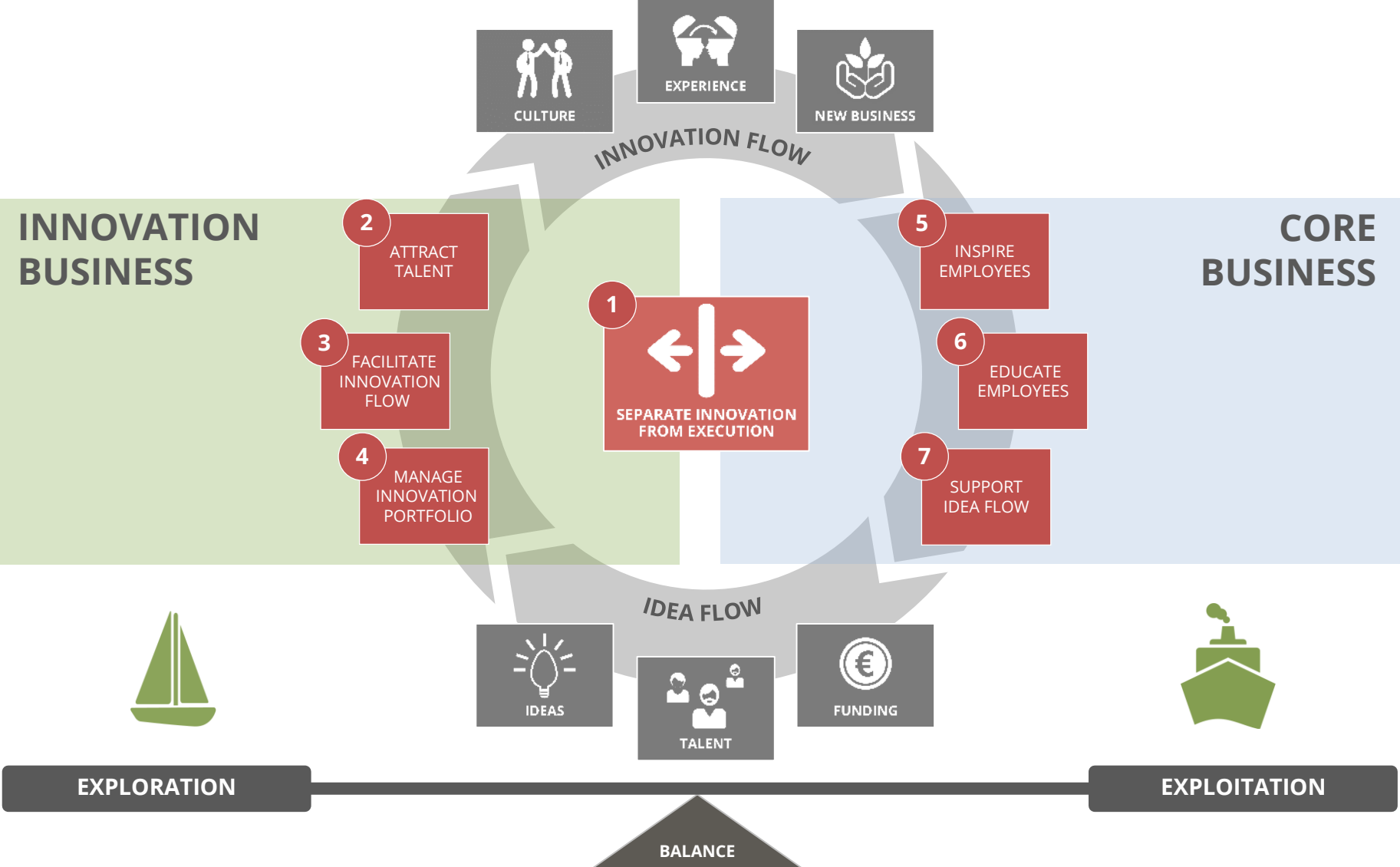


Dependencies CORE/NEW &

Potential Bottlenecks/ Risks re Scaling



EXCUBATION APPROACH OPERATIONALIZED: 7 RULES FOR CORPORATES



WHAT DO CORPORATES NEED TO DO DIFFERENTLY, AND WHY IS THAT HARD?



PROVIDE FREEDOM

- Enable (right!) team to make decisions
- Relax and watch



- Against the need for control and “perfect” decisions



PROVIDE ACCESS

- Provide pragmatic access to corporate resources
- Not too much, not too little, not forced



- Against the need for synergies and „leverage what we have“
- Hide and protect customers from evil



PROVIDE INCENTIVES

- Define entrepreneurial upside
- Have people participate



- „We always own 100%“
- The board needs to agree
- The works council needs to agree

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KEY TAKE-AWAYS FOR TODAY

- Digitalization has a **tremendous impact**: It significantly speeds things up (HW→SW, 80/20, „minimum viable“, ...)
- This **shifts the power between startups and corporates** by enabling startups to scale MUCH faster
- Corporates are experimenting but are **mostly stuck in their incubation and acceleration approaches** with limited success
- Excubation can help via **smart separation of innovation from execution** and better **combination of best of both worlds**

QUESTIONS



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EXCUBATE IS A THOUGHT LEADER IN CORPORATE INNOVATION AND REGULARLY PUBLISHES WHITEPAPERS, BLOGS, CONFERENCES



Building, scaling and managing successful (corporate) startups

Excubate whitepaper, 2016

Innovating like a startup becomes an imperative

For years, corporations have been going after the holy grail of innovation. The challenge of finding the right approach has now become even tougher as digitization and lowered barriers-to-entry speed up and heat up the competition with greenfield start-ups that disrupt corporations' existing business models. As intrapreneurship and incubators continue to fail, excubation could be the long wished-for solution to the innovation challenge.

The world in which corporates are used to compete has been changing dramatically for about a decade now. Two drivers manifest this change, which turn out to be quite challenging to cope with for many corporates. Most of them struggle heavily with a) digital transformation that fundamentally changes processes and business economics and b) disrupting business models, often built by startup companies capitalizing on speed and network effects that digitalization brings.



TRADITIONAL INNOVATION PROCESSES DON'T WORK, NEITHER DO MANY CORPORATE INITIATIVES TO INNOVATE "LIKE A STARTUP"

While having tried to address these challenges with traditional innovation processes and various new innovation approaches like setting up incubators and startup accelerators, most of the ~7,500 incubators globally have failed to deliver real business value for the respective corporate. Many endeavors ended up as marketing or recruiting efforts. To get to the bottom of why this happened and how to do things differently, this paper presents a few specific insights based on research and practical project experience of the excubate corporate startups team.

First: What makes a successful startup?

Today, the startup notion is extremely hyped and it almost is required for a somewhat state-of-the-art business (and business person) to be active in the "startup scene" in one way or another. Each idea for a simple app or service that classically made a product feature, is not set up and thought of as a startup, often because it communicates future proof. However, there is sometimes no real business, let alone

Excubate Corporate Startups ©2016

www.excubate.de

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← Blog Overview

CORPORATE INNOVATION NEEDS A MAJOR MAKEOVER – THE 7 RULES OF EXCUBATION

12.10.16

Author: Markus Anding, Cologne

For years, corporations have been going after the holy grail of innovation. The challenge of finding the right approach has now become even tougher as digitization and lowered barriers-to-entry speed up and heat up the competition with greenfield start-ups that disrupt corporations' existing business models. As intrapreneurship and incubators continue to fail, excubation could be the long wished-for solution to the innovation challenge.

In a nutshell, excubation is a smart separation of corporation exploitation and exploration endeavors, where new ventures are given access to existing corporate assets (client base, etc.), while also being allowed to bypass the typical limitations of the corporate conventions and processes. The "smartness" of this approach lies in ensuring a cohesive, tight exchange between then- and out-flow of innovation.





WE BUILD CORPORATE STARTUPS & RESPECTIVE INCUBATION ENVIRONMENTS

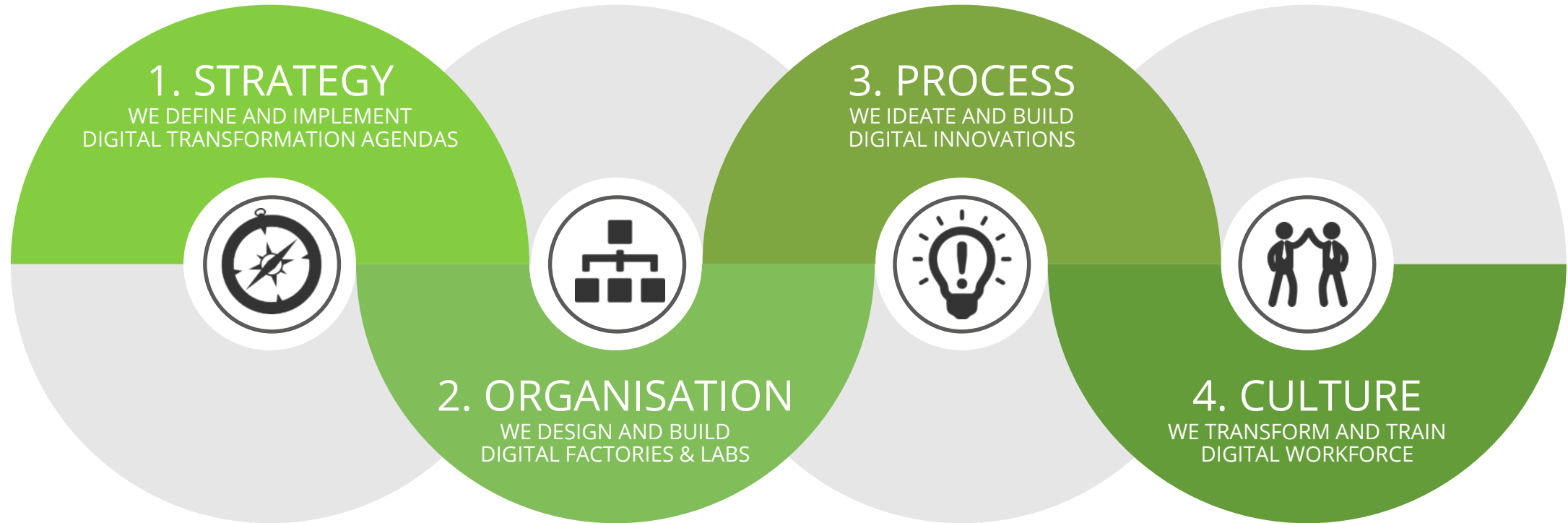
excubate 
corporate startups



The image displays a collection of logos for various corporate partners and incubation environments, arranged in a grid-like fashion. The logos include:

- ZF (Zeiss Foundation)
- ZEISS
- DEVK VERSICHERUNGEN
- CSC
- Postbank
- dfv VERLAGSGRUPPE DEUTSCHER FACHVERLAG www.dfv.de
- SAP
- Dräger
- DHL
- Douglas
- ERGO
- Zürcher Kantonalbank
- BAYER
- pwc
- ThyssenKrupp
- MERCK
- intel
- TELEKOM AUSTRIA GROUP
- Deutsche Telekom
- Telefonica
- Microsoft
- Deutsche Post
- T...Systems...
- PERI
- Melitta
- DAIMLER
- SIEMENS
- TUI GROUP
- VON ESSEN GmbH & Co. KG Bankgesellschaft
- OPTUS
- SANOPI

EXCUBATE'S SWEET SPOT CIRCLES AROUND IMPLEMENTATION OF DIGITAL ALONG FOUR DIMENSIONS



WE BUILD **CORPORATE STARTUPS & DIGITAL CAPABILITIES**
AND DESIGN RESPECTIVE **INCUBATION ENVIROMENTS**

excubate 
corporate startups

www.excubate.de