

Article

A Note on Corporate Open Innovation: Engagement with Startups

Diana Joseph

Founder and CEO, Corporate Accelerator Forum

Arthur A Boni

Editor in Chief, Journal of Commercial Biotechnology

Dennis Abremski

Executive Director, Institute for the Global Entrepreneur, University of California, San Diego

ABSTRACT

This Note summarizes our findings based on an exploratory and initial global research study of best practices for organizations employing open innovation business model strategies. We utilized an expert interview approach to develop a survey that was taken during the Covid-19 pandemic. It was meant to assess open innovation strategies and tactics, particularly focused on partnering with startups and emerging companies. We worked with a cohort of Corporate Accelerator Forum (CAF) members (as experts), prior to a more extensive survey of corporations concerning their engagement with startups. Our experts included key leadership from Techstars, Bayer CoLaborator, and Illumina Accelerator. We plan a broader, more extensive survey of national and international companies as a follow up. Our results highlight and provide commentary on current industry practices and trends during the Covid-19 pandemic, and have applicability to the biopharma, MedTech, and digital medicine/health markets.

Journal of Commercial Biotechnology (2021) 26(2), 33–3. doi: 10.5912/jcb989

INTRODUCTION

THE CORPORATE ACCELERATOR Forum was founded by Diana Joseph to be an intimate, membership-based group of global corporations and their leaders who pursue an open innovation strategy that incorporates working with startups and growth-stage companies. Their strategy is to identify and source emerging opportunities that might be capable of “driving innovation” in their respective organizations, vs. internal development alone. This approach to innovation is described by Boni and Joseph who have identified the “corporate accelerator model” as one of 4 models to engage in the pursuit of innovation, and is particularly relevant to larger organizations; c. f. Boni and Joseph in J. Commercial Biotechnology [See Boni and Joseph; “Four Models for Corporate Open Innovation”, JCB, Vol. 24, No. 4, pp 23–31 (2019); and, “Aligning the Corporation for Transformative Innovation: Introducing Innovation

Dashboard”, Vol. 24, No. 4, pp. 14–22(2019)]. In Fall 2020, we brought together several organizations in the corporate-startup engagement world to investigate how corporations are currently engaging with startups, and what they see in the near future. They included Techstars, Bayer CoLaborator and Illumina Accelerator. A pilot survey was developed by these experts from our advisory group, and then sent out to other experts in their networks, as well as CAF and IGE companies. We were seeking input from a cohort of informed practitioners to shed light on the landscape. This parallels the methodology suggested by Roberto Verganti in his classic book “Design Driven Innovation” published by Harvard Business School Press in 2009. We received 41 qualified responses from CAF and IGE companies with expertise in innovation, of which 8 (~20%) were in the healthcare/pharmaceutical industry”.

This approach was meant to be exploratory and done as a combination of expert interviews combined with the perspectives of a larger cohort.

We covered five areas in the survey, and we offer some key concepts from each in our Summary below.

- **Strategy** – where do corporates place their startup-engagement bets, and why?
- **Tactics** – what are the engagement models in play?
- **Pandemic Impact** – what has changed for corporates and their startup partners or spinoffs?
- **Future /What’s Coming Next** – what do corporations foresee next?
- **Demographics** – industry focus, size of organization, ‘location’ of innovation leaders in their respective organizational hierarchies.

A SHORT SUMMARY OF KEY TAKEAWAYS

A short summary of our findings from the surveys follows in this section. A more detailed report from CAF is available to member companies. If you are interested, please contact the lead author: diana@corporateacceleratorforum.com.

- **Innovation is Important.** Respondents to our survey were self-identified as senior innovation leaders. Nearly one third were directly responsible for P&L and “housed” in departments named as innovation organizations. Ongoing innovation and technical insight were the most-cited reasons for innovation, with much less interest in transformative innovation, culture change, or social impact.
- **Calculated Risk.** Corporates aim to limit both their risk and their expenditures. Over 1/3 of respondents identified their innovation approaches as preferring certainty over risk-taking. Furthermore, they tended to select companies in the risk/cost sweet spot of A-round venture-funded companies, rather than idea-stage projects or more mature companies that would likely be more expensive. They did have

an appetite and patience for longer term outcomes.

- **Stay the Course.** More than 60% intended to continue their innovation strategies thru the Covid-19 pandemic; with over 50% expecting an increase, but 20% foreseeing a decrease in the next 12 months. Nearly 50% look to mid-term vs. short or long-term payoff from their partnering.
- **No Corporation is an Island.** In a rapidly changing world, corporates must engage more actively than ever in their innovation ecosystems. Engagement with startups is viewed as a special imperative.

LESSONS AND INSIGHTS FOR CORPORATES IN THE BIOTECH SPACE

- As large, highly-aligned organizations, corporates need to:
 - Draw close to smaller companies’ agility and speed. Further, they need to leverage other entities to allow them enhanced insight into what is happening in the ecosystem.
 - Create a clear way for startups to reach you — for example, naming a head of innovation tells them who to contact.
 - Identify where to make “bets”, and what models to employ for effective partnering. Partner with VCs for guidance, identification, screening and managing risk.
 - They seek:
 - Companies that already have high quality products, services, and customer interaction.
 - Companies with strong leadership teams and business acumen.
 - Companies amenable to “high-touch engagement” and coaching.

NEXT STEPS

CAF is seeking research sponsors and partners to extend this work in the following ways:

- investigating distinctions between the perspectives of front-line staff, senior leaders, and the startups
- comparing B 2 B and B 2 C companies
- comparing industries and regions
- delving deeper into culture, values, and tools

For more information on our surveys, methods, and results, or to participate in this ongoing research, please contact-diana@dianajoseph.com.

ACKNOWLEDGEMENT

Our thanks to Techstars for their contribution to the survey development and distribution.