

AGILE GIANTS

How Networked Innovation
Accelerates Your Enterprise's
Growth Potential

 Startgrid



FORWARD

Do you have real visibility into your entrepreneurial network today? If you're like most large enterprises, the answer is a resounding "No". As experienced venture capitalists and entrepreneurs who have worked with dozens of corporate innovation programs, we know first-hand how challenging it is to manage global deal flow networks - and how critical it is to stay ahead of fast moving innovation.

Over the past several decades enterprise innovation has seen a marked evolution from primarily captive R&D toward a more open innovation model combining both internal and external inputs. While open innovation strategies - such as accelerators, hackathons and innovation challenges - are now widely adopted, our observation at Startgrid is that they are too often implemented as siloed programs that don't provide an integrated, enterprise-wide approach to managing external innovation and therefore leave strategic value unrealized.

We believe the next evolution in enterprise innovation management is what we refer to as Networked Innovation. Networked Innovation is a strategy for building external innovation ecosystems, tracking internal innovation needs, and delivering pipelines of solutions to key internal stakeholders. It establishes a scalable innovation delivery system that enables faster time-to-market, cost savings, access to new revenue opportunities and improved responses to market disruption. In the following eBook we address four trends that highlight why evolving from open innovation programs to a Networked Innovation strategy has become critical to competitive advantage and growth. We hope that the eBook helps build the business case for implementing a Networked Innovation strategy in your enterprise.

We'd love your feedback and to hear your opinions on what's working and not working in enterprise innovation. Please share your views with me at peter@startgrid.com.

Take care,
Peter Gardner, Founder & CEO, Startgrid, Inc.

THE EVOLUTION OF ENTERPRISE INNOVATION





“ For the world’s largest organizations, innovation has never been more important – or more difficult. We find ourselves in a world where disruption is imminent and can come from anywhere and these digital-savvy competitors are threatening the very fabric of many established industries. Without constant innovation, once dominant players are finding their tried and trusted paths to innovation are now dead ends. It’s time to innovate or die! It’s time to think like the digital customer and employee and also act like a startup to compete for the future right now. ¹

Brian Solis
Principal Analyst, Altimeter Group

1. FAST-MOVING INNOVATION RESIDES IN GLOBAL STARTUP NETWORKS

“ First we tried to incentivize people inside Coke to create innovative solutions to some of our issues, but that didn't work, basically because people already had a day job. Then we tried an entrepreneur-in-residence program in eight countries, but that didn't work either, mainly because many got used to the corporate lifestyle [...] It's now about co-creation, about providing seed funding and being their first customer [...] We know about soft drinks. But others can help us find tech-based solutions to problems in our business that we couldn't tackle [...] This is the next wave of innovation for non-tech companies like us. ”²

David Butler
Coca Cola's VP of Innovation
& Entrepreneurship

In a movement which The Economist likens to a technological “Cambrian moment,” an “entrepreneurial explosion” is establishing dynamic, widespread multi-disciplinary startup networks that “penetrate every nook and cranny of the economy.”³

According to a 2014 survey by KPMG, 88 percent of corporate respondents thought that collaboration with startups was essential for their own innovation strategy.⁴ In 2014 alone, American corporations invested \$16 billion in startups. This was not only a 45 percent increase from the prior year, but the highest amount invested in US startups by businesses in one year in at least a decade.⁵

In this climate, an innovation lab and/or a presence in Silicon Valley must be complemented with programs, partnerships and networks that provide extended reach into a fast-moving, global landscape. Corporate leaders in innovation such as Disney (Disney Accelerator Program), Intel (Ingenuity Partner Program), and AT&T (AT&T Innovation Showcase) are spearheading the growing number of enterprises investing in global startup networks to gain insights and breakthrough innovations.



- ❖ Cultivate relationships with global entrepreneurial networks
- ❖ Develop global partnerships for access to deal flow
- ❖ Invest in strategic Open Innovation initiatives

2. DISRUPTION IS OCCURRING WITHIN AND ACROSS INDUSTRIES AT RECORD SPEED

New innovations are entering industries where they have the potential to disrupt the balance of power.⁷ The disruption often occurs not because a leading enterprise fails at their core competencies, but because a new or previously irrelevant innovation is suddenly critically relevant. Inability to react to this disruption leaves industry leaders vulnerable. The result: 52 percent of companies on the Fortune 500 list in 2000 have since merged, acquired or gone bankrupt.⁸

No industry or enterprise is immune. For example, just as innovative software models enabled companies like Amazon, LinkedIn and Spotify to upend their respective industries, today's advances - in areas like big data, Internet of Things, and mobile - offer the same potential, and threat, even for today's most innovative companies. Regardless of size, *all* companies must innovate both within and outside of their core competencies to address the market's rapidly evolving needs and expectations.

Larry Page, Co-Founder of Google and CEO of the newly formed Alphabet, recently stated, "We've long believed that over time companies tend to get comfortable doing the same thing, just making incremental changes. But in the technology industry, where revolutionary ideas drive the next big growth areas, you need to be a bit uncomfortable to stay relevant."⁹

“ Successful businesses are those that evolve rapidly and effectively. Yet innovative businesses can't evolve in a vacuum. They must attract resources of all sorts, drawing in capital, partners, suppliers, and customers to create cooperative networks... I suggest that a company be viewed not as a member of a single industry but as part of a business ecosystem that crosses a variety of industries. In a business ecosystem, companies co-evolve capabilities around a new innovation: They work cooperatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovations.⁶

James F. Moore



- ❖ Encourage a 'growth mentality' throughout the organization that accepts experimentation & failure
- ❖ Make diversified investments and bets for the future

3. REDUCED TIME TO MARKET CHALLENGES ENTERPRISES TO REMAIN COMPETITIVE

The story of the startup growing into a market disruptor before established leaders could react, or in some cases had even been aware of the newcomer, has become commonplace in today's innovation economy. As was the case with Blockbuster and Netflix, rapidly shifting technology and market trends can make it difficult for the industry leader to respond.¹⁰ Achieving in months what has historically taken years, startups are gaining global market adoption at game-changing rates; this comes at a time when 90 percent of enterprises surveyed in a study reported being too slow to market.¹¹

"Instead of spending years perfecting our technology," Eric Ries, the author of the celebrated book *The Lean Startup*, explained about the startup approach, "we build a minimum viable product, an early product that is terrible, full of bugs, and crash-your-computer-yes-really stability problems. Then we ship it to customers way before it's ready. And we charge money for it. After securing initial customers, we change the product constantly - much too fast by traditional standards - shipping a new version of our product dozens of times every single day."¹²

To keep up, enterprises must now take concrete action before startups beat them to the punch, often by working directly with the entrepreneurs driving the change. As Eric Blumbergs, senior engineer with Honda R&D Americas observed, "...look at the ride-sharing companies, how fast they came out of nowhere. That can really transform the whole business model of automotive." Honda, alongside Ford, is among the corporate sponsors identifying upcoming automotive industry innovation with Techstars Mobility, a startup incubator in Detroit.



- ❖ Cultivate an internal culture that's receptive to novel ideas and innovation from outside the enterprise
- ❖ Set up an innovation program where products/services can be deployed, tested and iterated on quickly



4. INNOVATION NETWORKS MUST BE BUILT AND MANAGED STRATEGICALLY

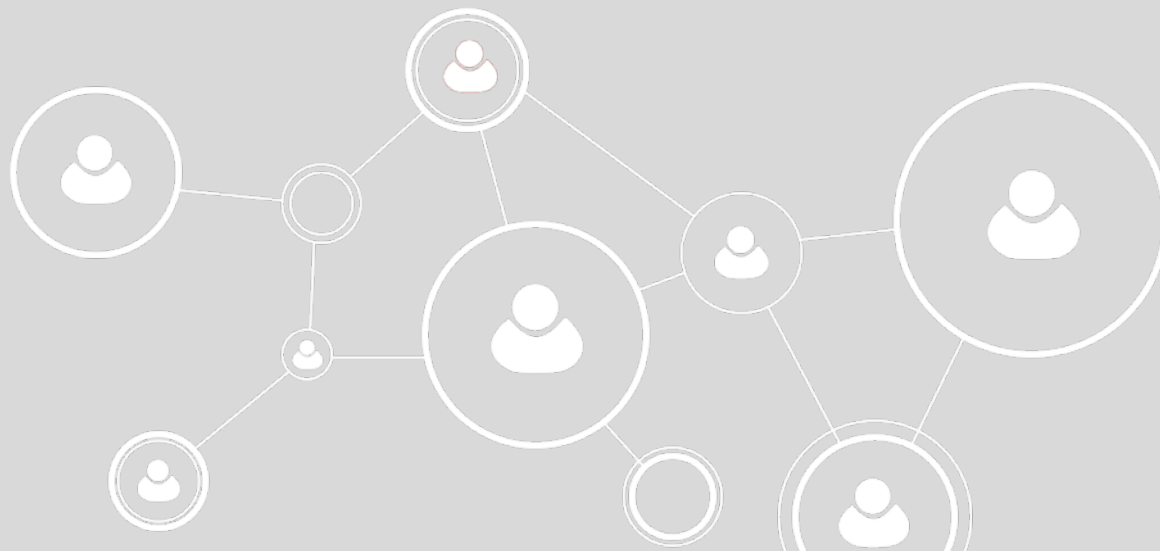
According to one estimate, four of the top five most valuable global brands have adopted strategies where they proactively create, grow and manage a network of entrepreneurs.¹⁴

Of the relationship between enterprises and startup networks, Eleanor Orbei Gann, head of tech and business PR at Visa's innovation hub, Visa Collab, says, "Both sides have value to bring to a partnership... For example, startups are better placed to innovate – they have the flexibility, the agility, the freedom – but a big organization can bring scale, experience and an established network that can help develop, accelerate and roll out those innovations."¹⁵

While enterprise to entrepreneur relationships can be mutually beneficial, it requires a systematic approach to tap latent value in entrepreneurial networks and manage them effectively within the enterprise. Companies who implement a formal system for managing their innovation strategies are 75 percent more likely to say their innovation strategy delivers a competitive advantage, twice as likely to introduce a new business process or model, and 35 percent more likely to report being first to market with new products or services.¹⁶



- ❖ Actively build, monitor and measure the outcomes of your global entrepreneur network
- ❖ Connect external innovation pipeline to internal innovation needs and stakeholders



CONCLUSION

“ *The bottom line is that innovation can work better when a formal system exists to streamline processes, manage risks and mine the data needed to generate new products, services and business models to foster growth. Approached correctly, innovation can be executed at scale, with speed and balance between renovation and game changing initiatives; driving higher strategic and commercial value.* ¹⁷

*Adi Alon
Managing Director, Accenture Innovation
and Product Development*

For large enterprises, building relationships with high-potential entrepreneurs that are delivering disruptive innovation has become essential to competitive advantage in a world that is outpacing traditional, captive R&D strategies. Billions of dollars of market value hangs in the balance.

As we've only briefly explored in this eBook, a rapidly growing pool of data, case studies and expert statements offer a strong signal that Networked Innovation is being adopted as the leading-edge solution to this need. It incorporates the systematic development and management of external ecosystems that deliver a pipeline of strategic innovation to key stakeholders in the enterprise. When properly implemented, the result is faster time-to-market, access to new growth opportunities and improved responses to market disruption.

An investment now in Networked Innovation is a strategic imperative for any enterprise that wants to secure and maintain competitive advantage in our 21st century global innovation climate.

About Startgrid

Startgrid's software platform helps large enterprises build, manage and optimize their entrepreneurial networks. Our product vision is born from years of experience working with enterprise innovation teams and our belief that entrepreneurial networks are a strategic asset that drive competitive advantage and growth.

Learn about the powerful features Startgrid offers to maximize your innovation strategies. For a demo, please contact us at <https://www.startgrid.com/request-demo/>.

FOOTNOTES

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