



**nesta**

# Sharing good practices in scaling

**Milan Scaleup Summit**

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Head of New Technology & Startup Research,  
Nesta  
16th March 2018

# Agenda

Introduction (5 mins)

1. Important common factors in scaling (10 mins)

GROUP: Discussion of barriers & tactics (30 mins)

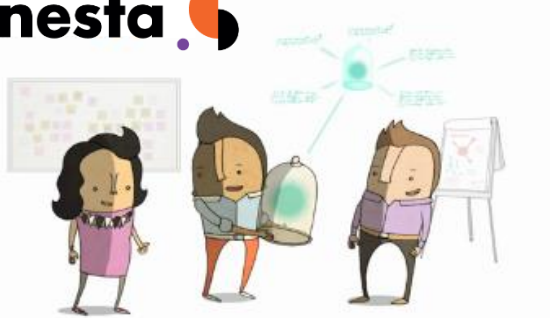
2. Corporate collaboration as route to scale (15 mins)

GROUP: Discussion of corporate experiences (25 mins)

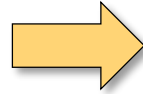
Concluding remarks (5 mins)



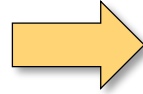
# 1. About Nesta



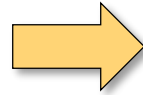
Mission to promote innovation  
Est. 1998 by UK government  
Now independent charity  
Staff ca. 200 people  
Spend ca. £32m p.a.



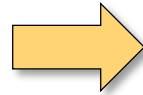
**Research, Analysis & Policy**



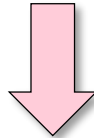
**Tools & Skills**



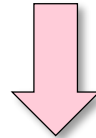
**Practical Programmes**



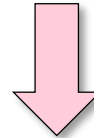
**Investments**



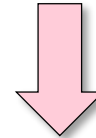
**Health**



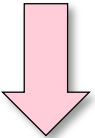
**Education**



**Creative  
Economy**



**Gov't  
Innovation**



**Innovation  
Policy**

# 1. About Nesta (startup investment)

Currently 19 equity & loan investments into startups (~£25m).  
5 commitments to early-stage investment funds.

National Endowment for Science Technology and the Arts founded as a non- departmental government body supporting innovation

Active ventures program initiated including fund investment

Nesta becomes a charity, investment focus switches to impact



 SURFACE GENERATION

 Veryan Med

 PROBE SCIENTIFIC

 cellinovo  
Mobile Diabetes Management

 symetrica

 Haemostatix

 Cambridge

 designed  
technology driven



Six to Start

 SMART SURGICAL APPLIANCES

 springboard();

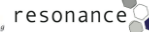
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intuitive behaviour analysis

 eoSemi™  
making waves with precision timing

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KNOW MORE

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FREES

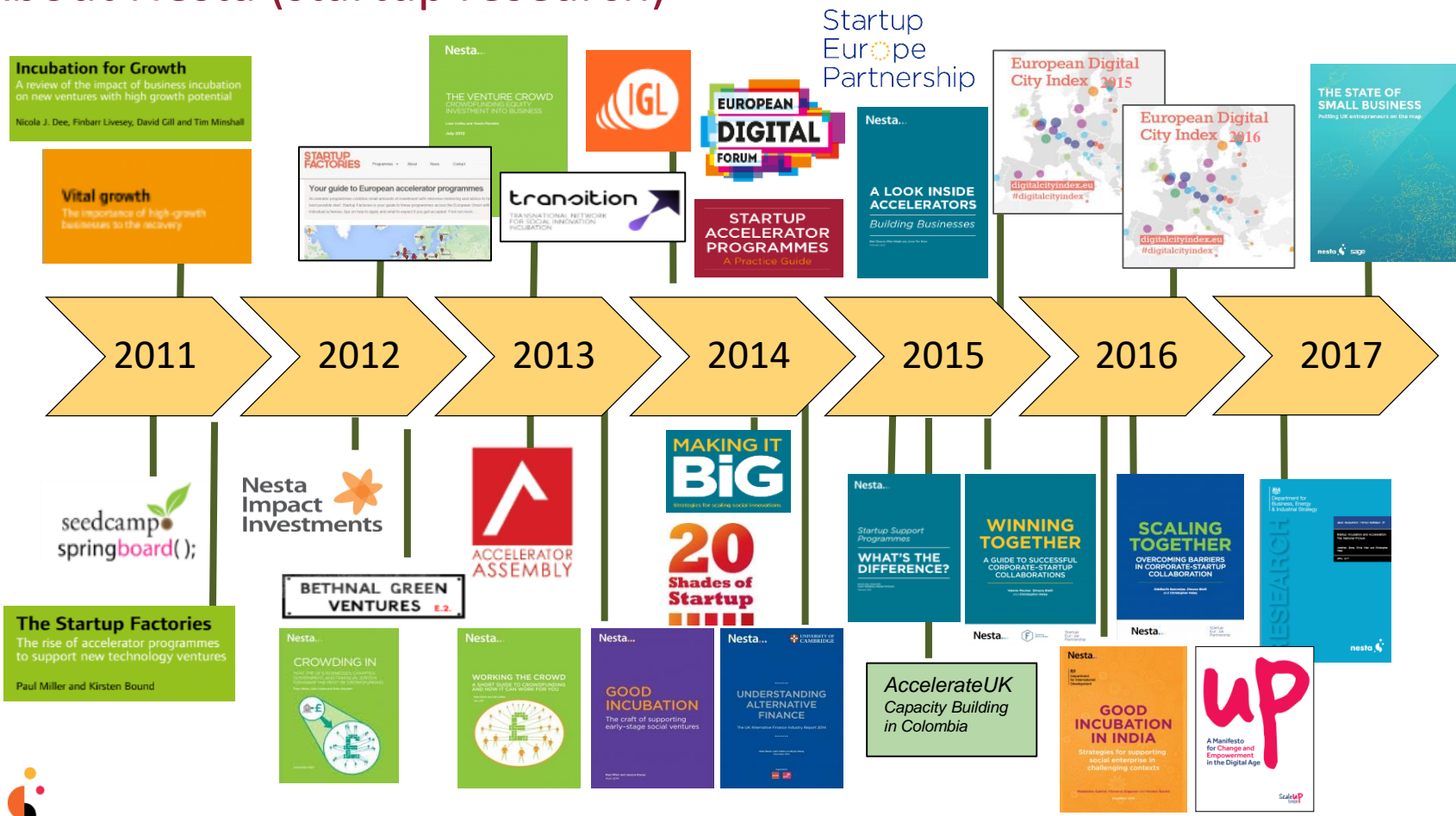
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**nesta**  
Impact Investments

# 1. About Nesta (startup research)



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Introduction (5 mins)

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**2. Corporate collaboration as route to scale (15 mins)**

GROUP: Discussion of corporate experiences (25 mins)

Concluding remarks (5 mins)

## 2. Barriers to Scaling

### THE 5 KEY BARRIERS TO SCALING



#### THE TALENT AND SKILLS BARRIER

Finding employees to hire who have the skills you need



#### THE LEADERSHIP CAPACITY BARRIER

Building your leadership capability



#### THE MARKETS BARRIER

Accessing customers other markets /home market



#### THE FINANCE BARRIER

Accessing the right combinations of finance



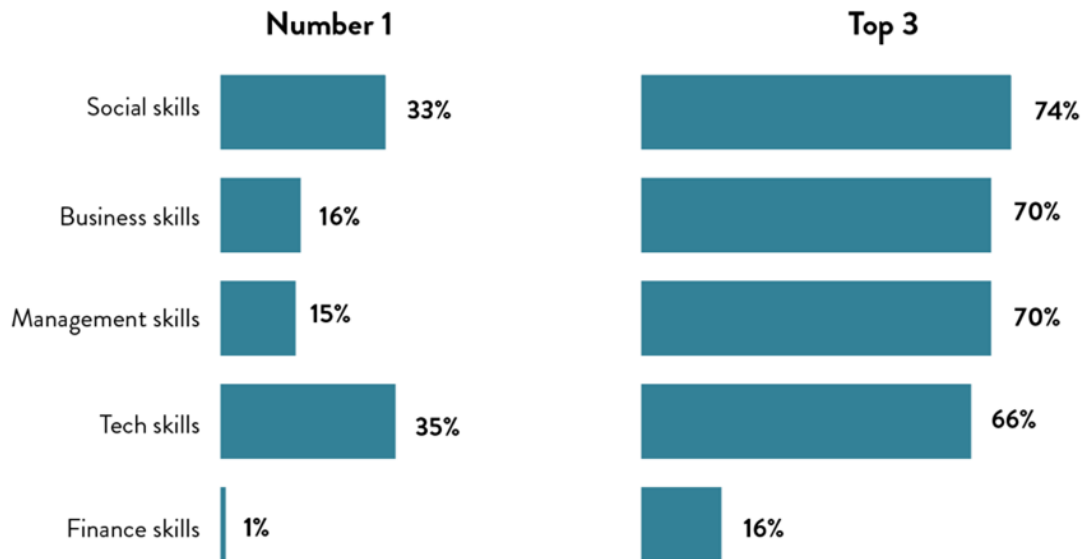
#### THE INFRASTRUCTURE BARRIER

Navigating infrastructure

## 2. Barriers to Scaling: i – Talent & Skills

A combination of social skills and tech remain key for school and graduate recruits, although social skills ranks top when force ranked

*Important skills for school leavers and graduates*



TALENT

Questions:

How do you make yourselves attractive c.f larger firms?

Would links with universities help?

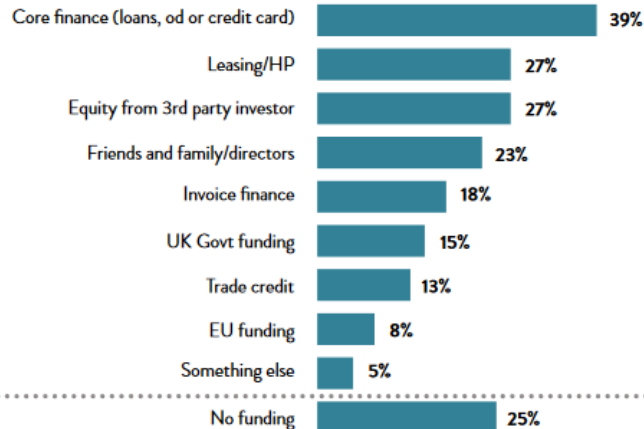
Do you incentivise referrals?

Do you have some contrarians?

## 2. Barriers to Scaling: ii – Access to Finance

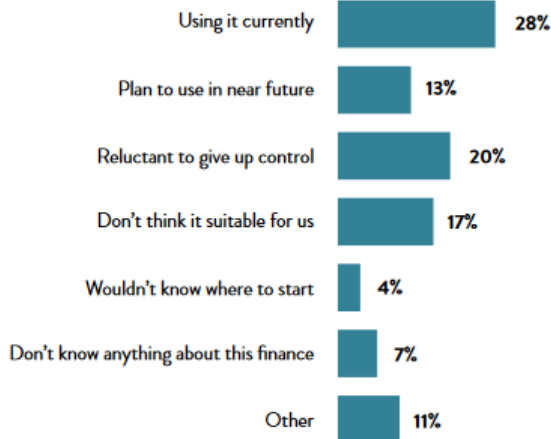
While three quarters of scaleups use external finance, 4 in 10 say they do not have the right amount of finance in place for their needs

Types of Finance Used



A quarter are using equity finance now. The key barriers are the loss of control or a lack of suitability

Attitudes to Equity Finance



### FINANCE

#### Questions:

Do you know how much finance you need?

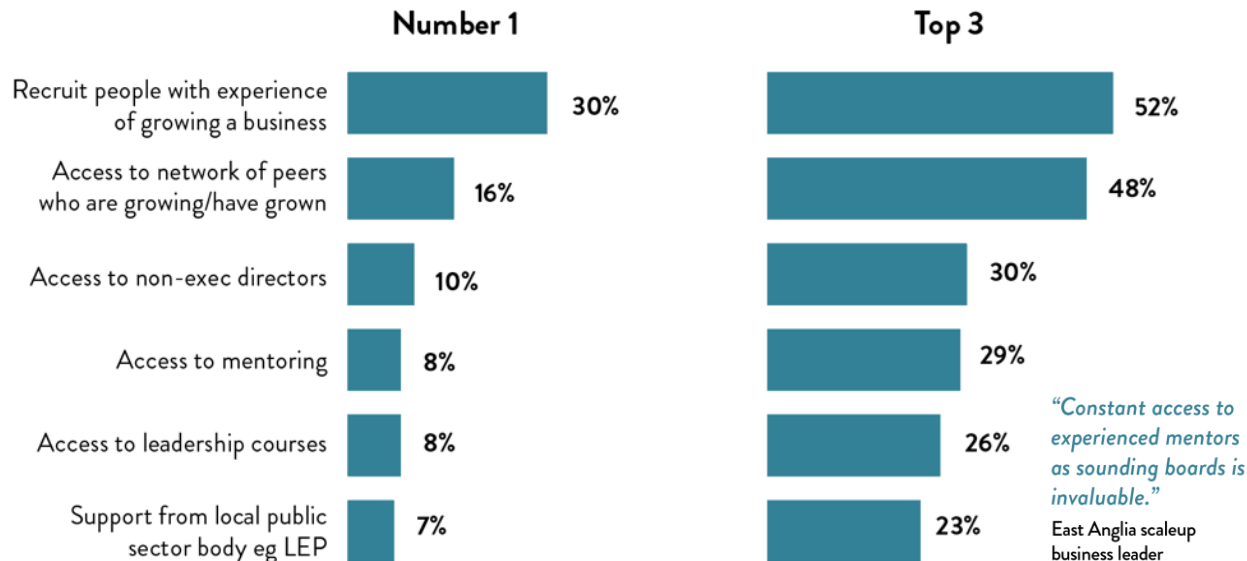
Do you understand the different types (inc. alternative finance)?

Do you know where to look?

## 2. Barriers to Scaling: iii - Leadership

Recruiting people with experience of growing a business is key, as are non-exec directors and connection to a network of peers

Factors supporting growth - most popular mentions



### LEADERSHIP

#### Questions:

Who do you turn to for advice?

How do you make time for your own professional development?

Do you make use of local business networks?

## 2. Barriers to Scaling: iv - Infrastructure

**Physical space and active ecosystems matter.  
64% report access to infrastructure and  
premises is critical to growth.**

What research shows:

- Evidence for the benefits of clusters
- Physical transport links matter, even for service companies
- Digital infrastructure matters, but need digital skills & tools to really benefit
- Accelerators & Incubators: Huge differences in models; a minority may be predatory or harmful
- Inflexible leases: Companies with high rates of staff growth may find themselves locked into leases with landlords that dissuade them from hiring



### INFRASTRUCTURE

#### Questions:

If looking for accelerators & incubators, what checks have you done?

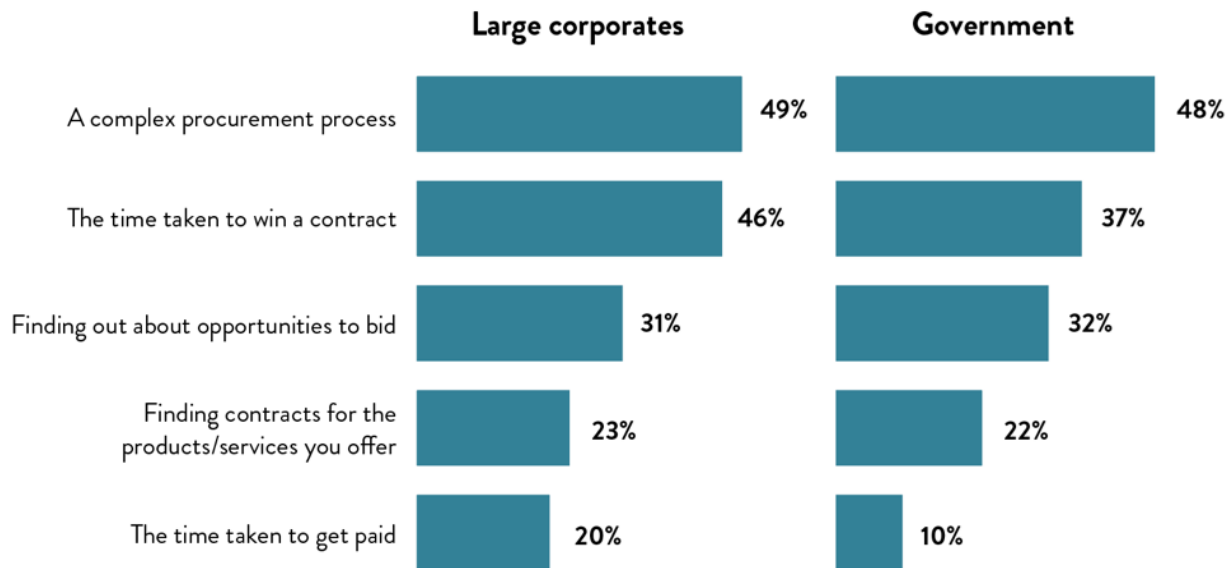
Do you know how your location performs cf. others?

Are you linked with universities?

## 2. Barriers to Scaling: v – Access to Markets

The procurement process and the time it takes to win a contract are the key barriers to working more with government or large corporates

*Key barriers to working more with Government and large corporates*



ACCESS TO MARKETS

Questions:

How do you convince buyers that you're not a risk?

When do you decide to walk away?

Are you on their pre-procurement radar?

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Concluding remarks (5 mins)

## 2. Group Exercise (25 mins)

What have been your greatest barriers to growth so far?

What do you wish you'd known 3 years ago?

What do you anticipate being the biggest barrier to growth over the next 3 years?

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2. **Corporate collaboration as route to scale (15 mins)**

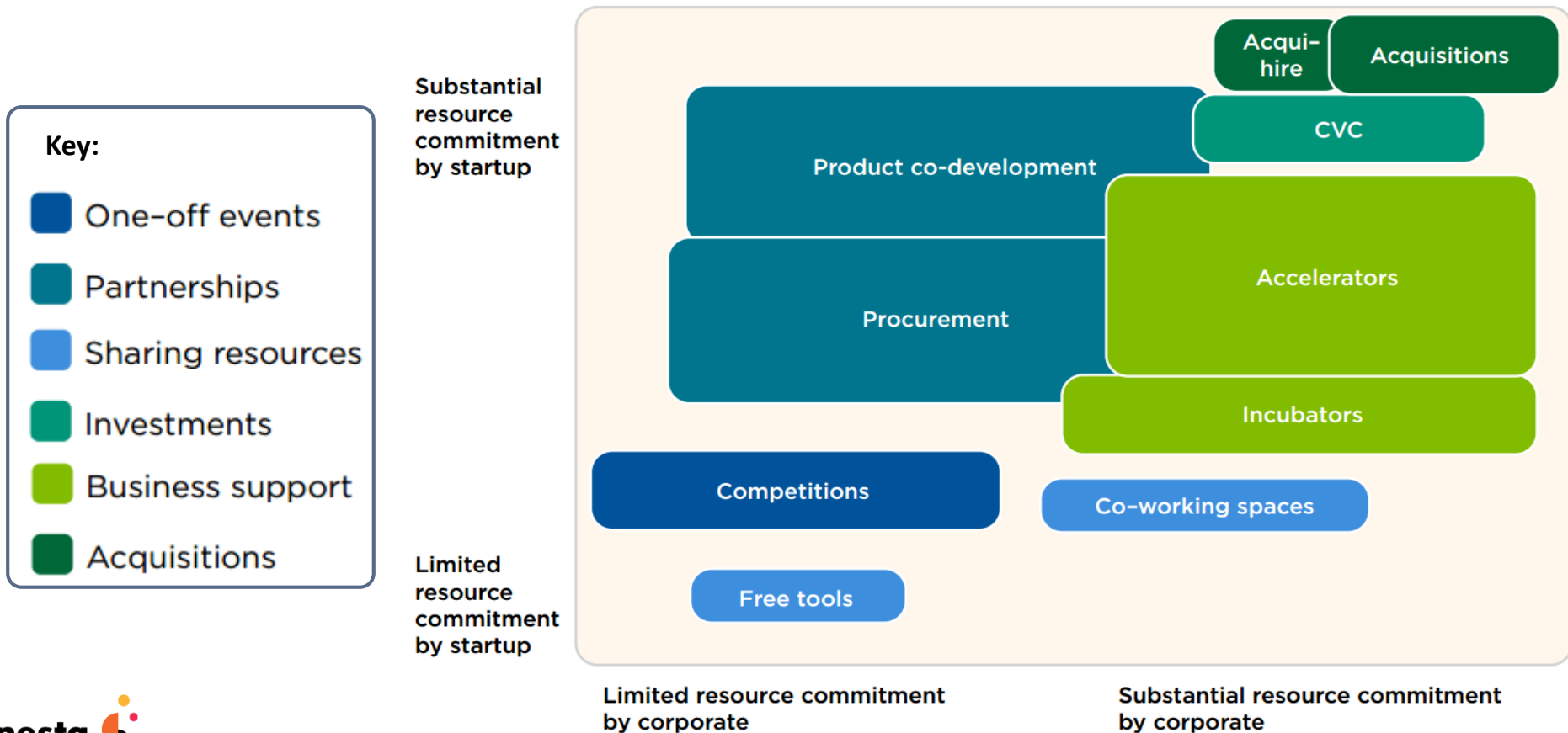
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Concluding remarks (5 mins)

### 3. Corporate collaboration as a route to scale



### 3. Corporate collaboration as a route to scale: mechanisms



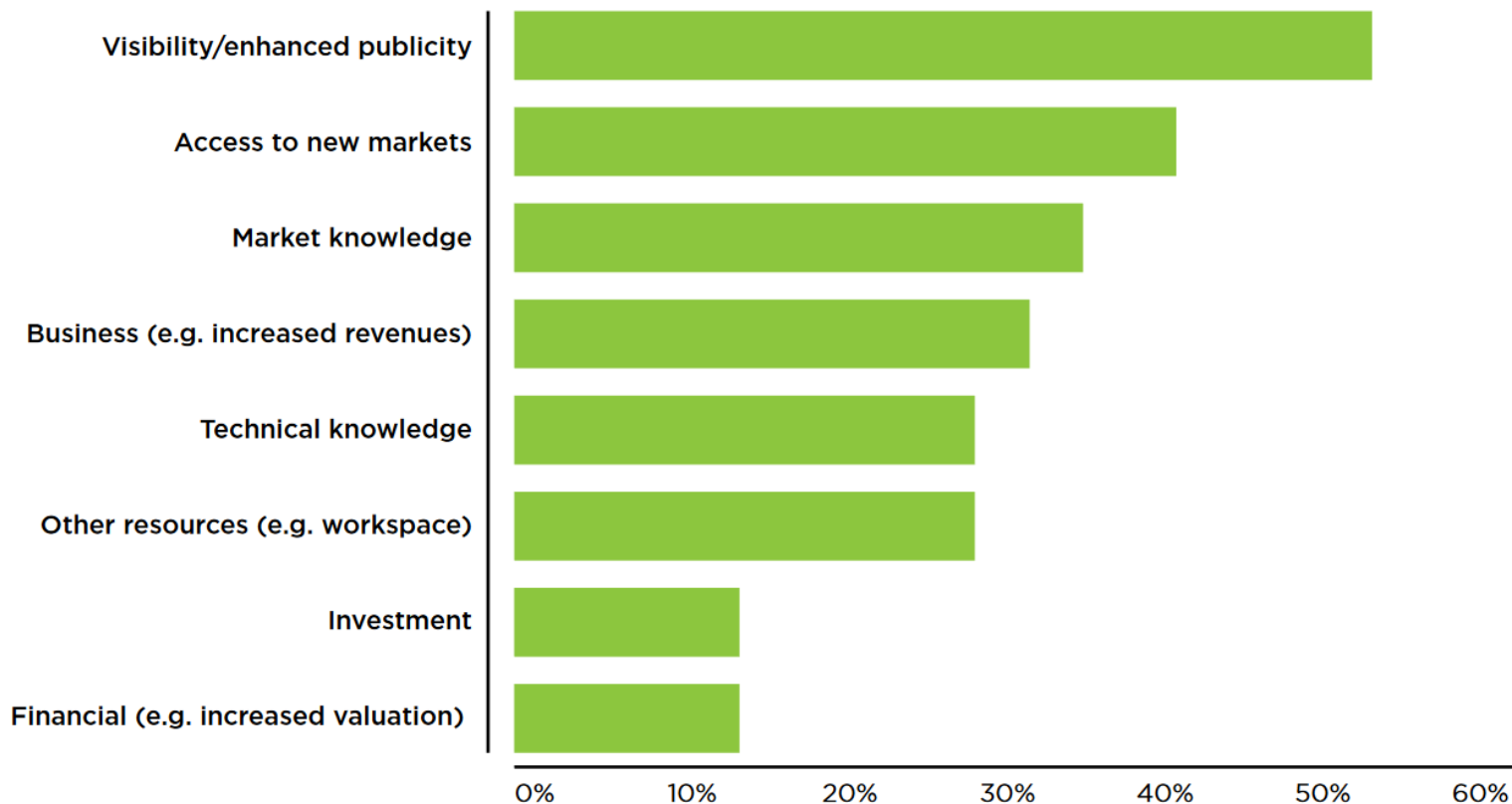
### 3. Corporate collaboration: motives

Common programmes to engage with startups

Objectives

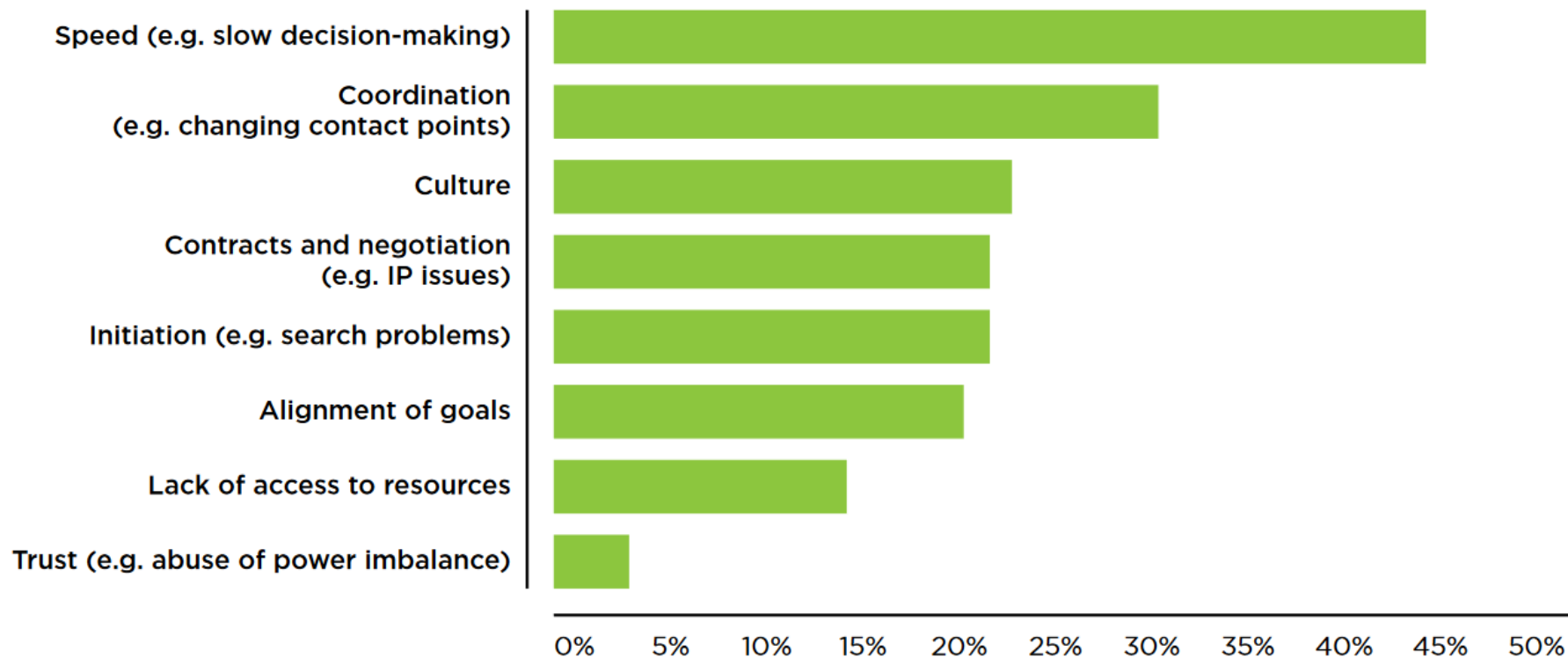
	Rejuvenate corporate culture to create an entrepreneurial mindset among employees	Innovate big brands to attract customers, partners and talent	Solve business problems quicker and at lower risk	Expand into future markets by accessing new capabilities or channels
One-off events (competitions such as hackathons)				
Sharing resources (free tools; co-working spaces)				
Business support (accelerators; incubators)				
Partnerships (product co-development; procurement from startups)				
Investments (corporate venturing)				
Acquisitions (acqui-hire and buying startups)				

### 3. Corporate collaboration as a route to scale: benefits to scaleup



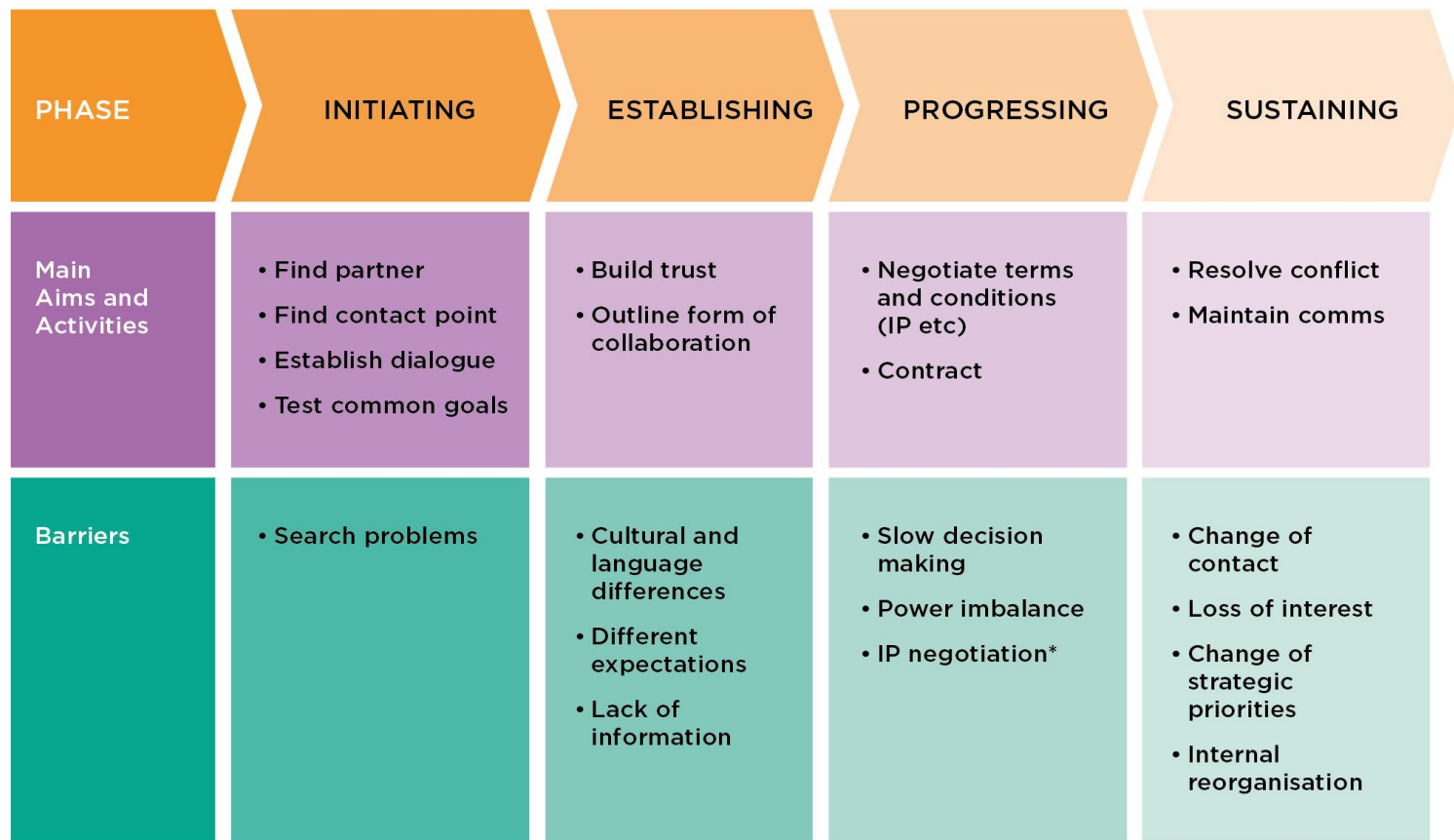
% reporting factor as a benefit. Nesta survey, November & December 2015, N=134

### 3. Corporate collaboration as a route to scale: barriers

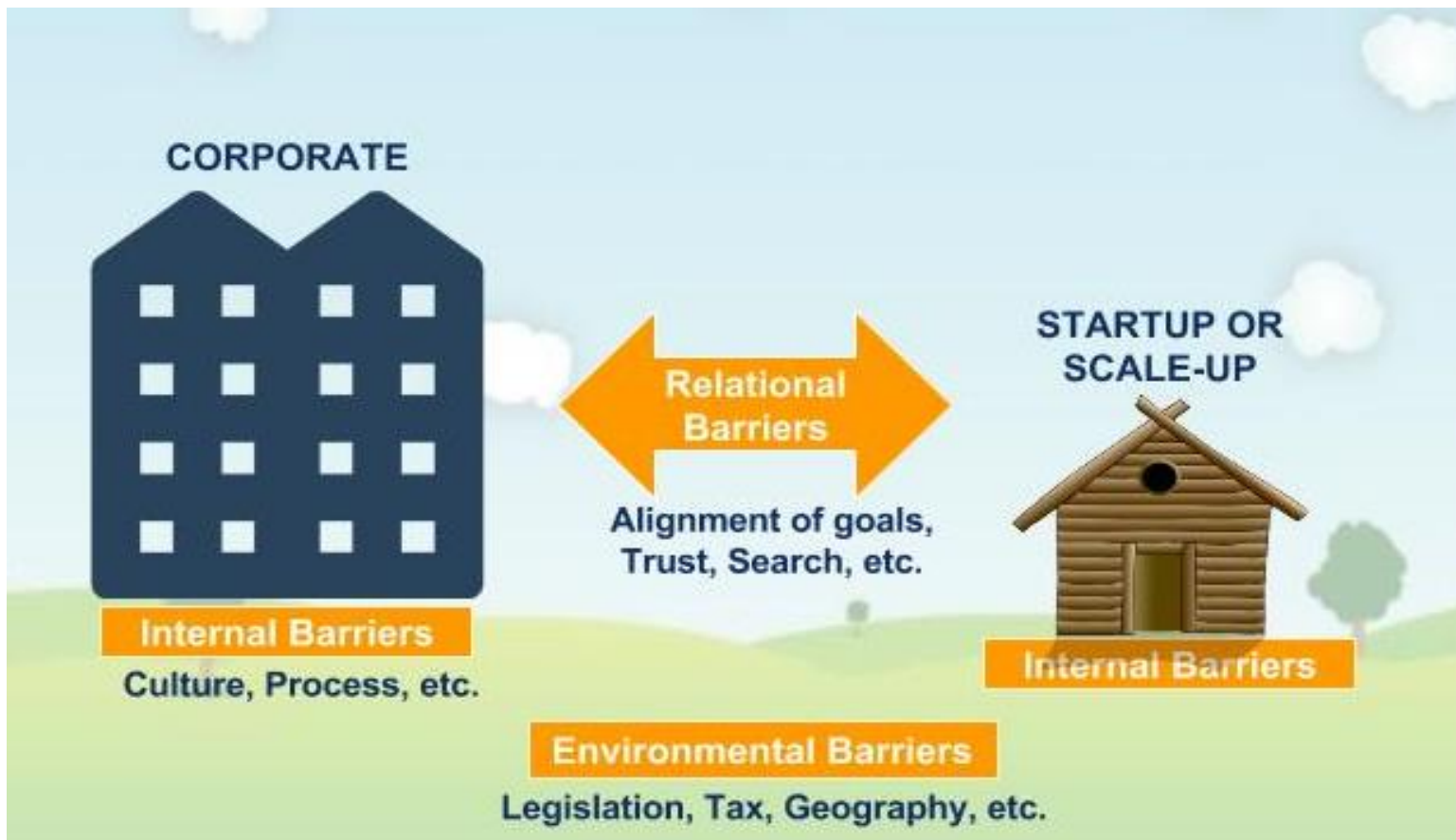


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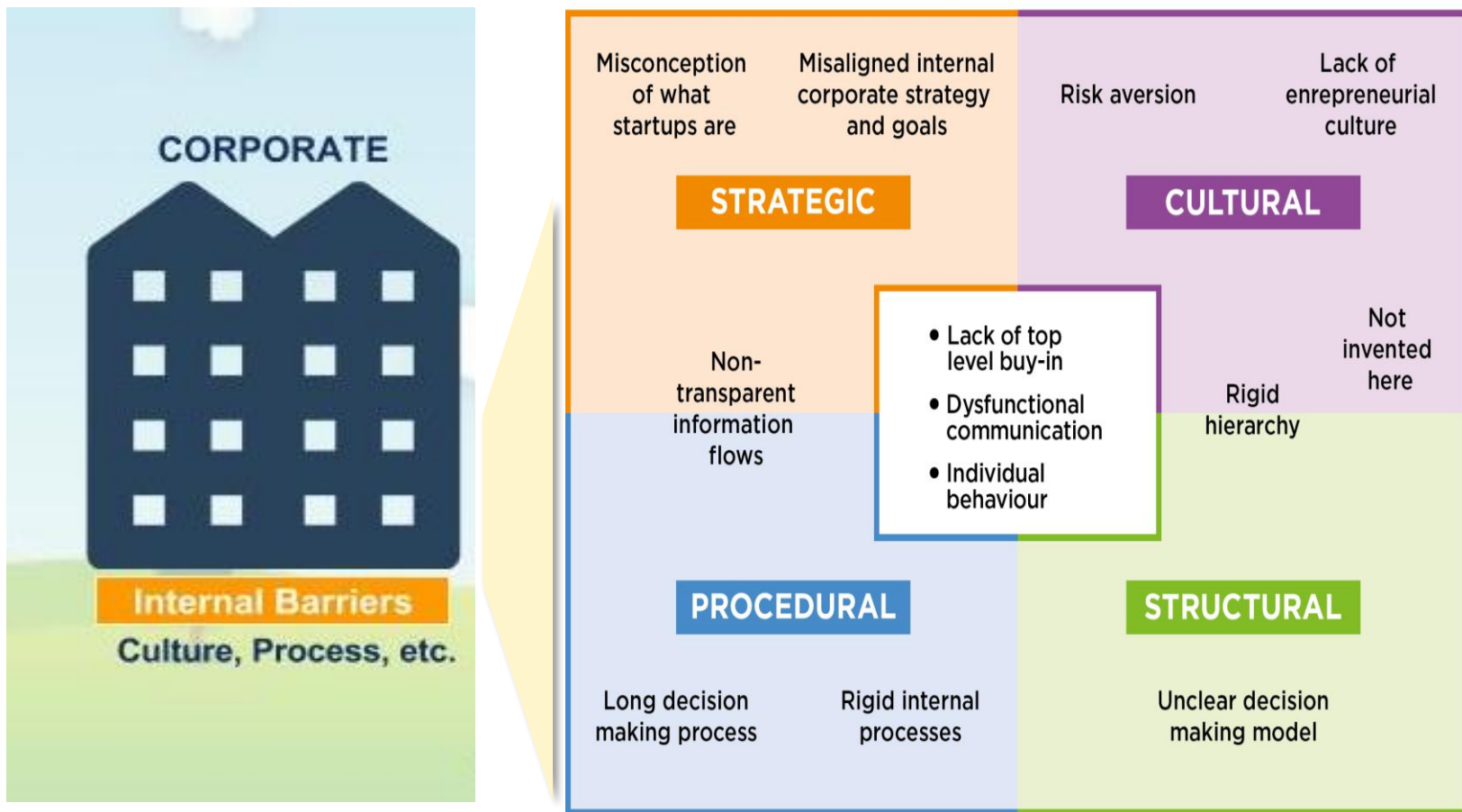
### 3. Corporate collaboration as a route to scale: barriers



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### 3. Corporate collaboration: common mistakes that scaleups make

1. Weak Salesmanship
2. Poor Research
3. Not Listening / Over-interpreting
4. Wrong Language
5. Over-promising
6. Misjudging timing
7. Dependency
8. 'Chasing the ball'
9. Not knowing when to quit

Focus on what you can do for the corporate, not what they can do for you. Understand their pain-points before trying to sell. Think hard about your value proposition. If tech-based, consider Everett Rogers' ACCORD framework.

*“ I don't mind being sold to. I mind being sold to \*badly\* ”*

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Surprisingly few examine what the corporate actually needs. Look at their strategy, recent acquisitions & other news.

“If someone has done their homework on LinkedIn and Google, I'm instantly more inclined to listen to them.”

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Too many report startups 'hearing what they want to hear', ignoring hurdles and interpreting polite interest as meaningful engagement.

“Young companies are very eager. But they're also much too naïve. I probably saw 20 firms that day and each was convinced they'd win”

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VC's may welcome 'disruptive innovation'; corporates (generally) don't. Incremental innovation, which preserves processes, is an easier fit than radical innovation.

“I don't want to be 'disrupted'; I just want to get my job done.”

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Trust lubricates relationships. Hype erodes trust. Honesty about your stage of development & realism over what you can't do, will get to a deal faster.

“Every startup that over-hypes itself makes me less inclined to believe the next one that I meet”

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SMEs massively underestimate timescales until deals are finalised, and often surprised by how slow corporates move. Understanding procurement cycles is also important.

“It's awful, but sometimes a great product just doesn't fit my buying cycle”

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Don't put all your eggs in one basket! Don't cut off options till deal actually done. Avoid becoming a bespoke consultancy for one firm. Be especially cautious of being sucked into free or discounted work.

“I refuse to provide free work now. I charge corporates £10k for PoC and say that it will be deducted from the licence fee.”

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Pursuing every opportunity dilutes effort and weakens your strategy; sometimes it's best to decline to partner.

*“Working with startups is like watching my five-year old play football”*

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Many startups are accidentally killed by corporates - judging when to cut your losses, and how far from your path to deviate, is crucial.

“ Yes, I feel guilty!  
We've accidentally  
killed several  
startups ”

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### 3. Group Exercise (30 mins)

If you have collaborated with a corporate, what lessons have you learned?

- What were the challenges & how did you overcome them?
- What do you wish someone had told you beforehand?

If you have not collaborated, why is this?

To find out more:

## Read the reports:

- [www.nesta.org.uk/winning-together](http://www.nesta.org.uk/winning-together)
- [www.nesta.org.uk/scaling-together](http://www.nesta.org.uk/scaling-together)
- [www.startupeuropepartnership.eu](http://www.startupeuropepartnership.eu)

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