

OPEN INNOVATION BOOT CAMP



SEP

SCALEUP SUMMIT

LONDON | JUN 28-29, 2018



Mind the Bridge

Agenda



- ◆ Introduction
- ◆ Open Innovation (OI) Pillars
- ◆ Corporate OI Models: Trends, Case Studies and Comparable
- ◆ Mapping: Open Innovation Readiness
- ◆ OI Strategy: Main Lines of Actions

INTRODUCTION



Who



Alberto Onetti, Chairman

- University Professor of Management
- Serial Entrepreneur (Italy/ Silicon Valley)
- Coordinator of Startup Europe Partnership (SEP)

AOnetti@mindthebridge.com

SOME OF THE COMPANIES WE SERVED



Our History

From humble beginnings...



2007

Founded as a side project by Googler **Marco Marinucci**, MTB initially focused on developing Italy's (Marco's home country) startup ecosystem, building bridges with Silicon Valley.

Marco brings on board a top notch Board of Directors and **Alberto Onetti**, an Italian university professor with an in-depth startup experience and knowledge of the Silicon Valley ecosystem, as its Chairman.



2008-2012

2009



In five years MTB supports hundreds of startups, runs an incubator in San Francisco and a startup school that produces **50+ entrepreneur graduates per year**, and organizes several of events attended by thousands.

Our History

To today's role



2012

Marco quits Google to work full time on MTB and raises a **seed investment fund (Mind the Seed)**.

MTB adds an **Angel Investor School** and programs for **Corporations**



January
2014

Creation of MTB inc. Group to scale ops. Developed activities **advisory for corporations** (investment + M&A)

November
2013



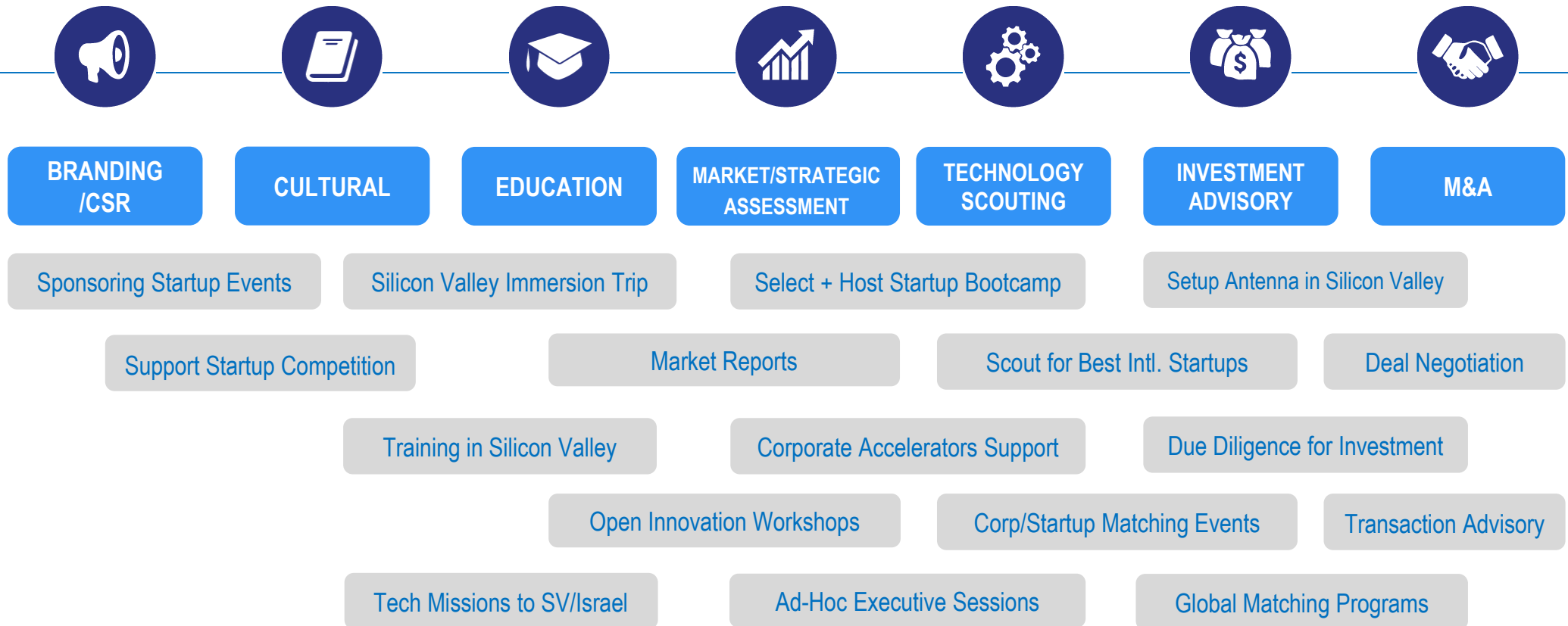
Mind the Bridge is selected by the European Commission to lead **Startup Europe Partnership: scouting for corporations**

2016



Feeding Corporate Innovation Hunger

We serve the entire Innovation Journey of a Corporation



OPEN INNOVATION



Welcome to the New World

"Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1."

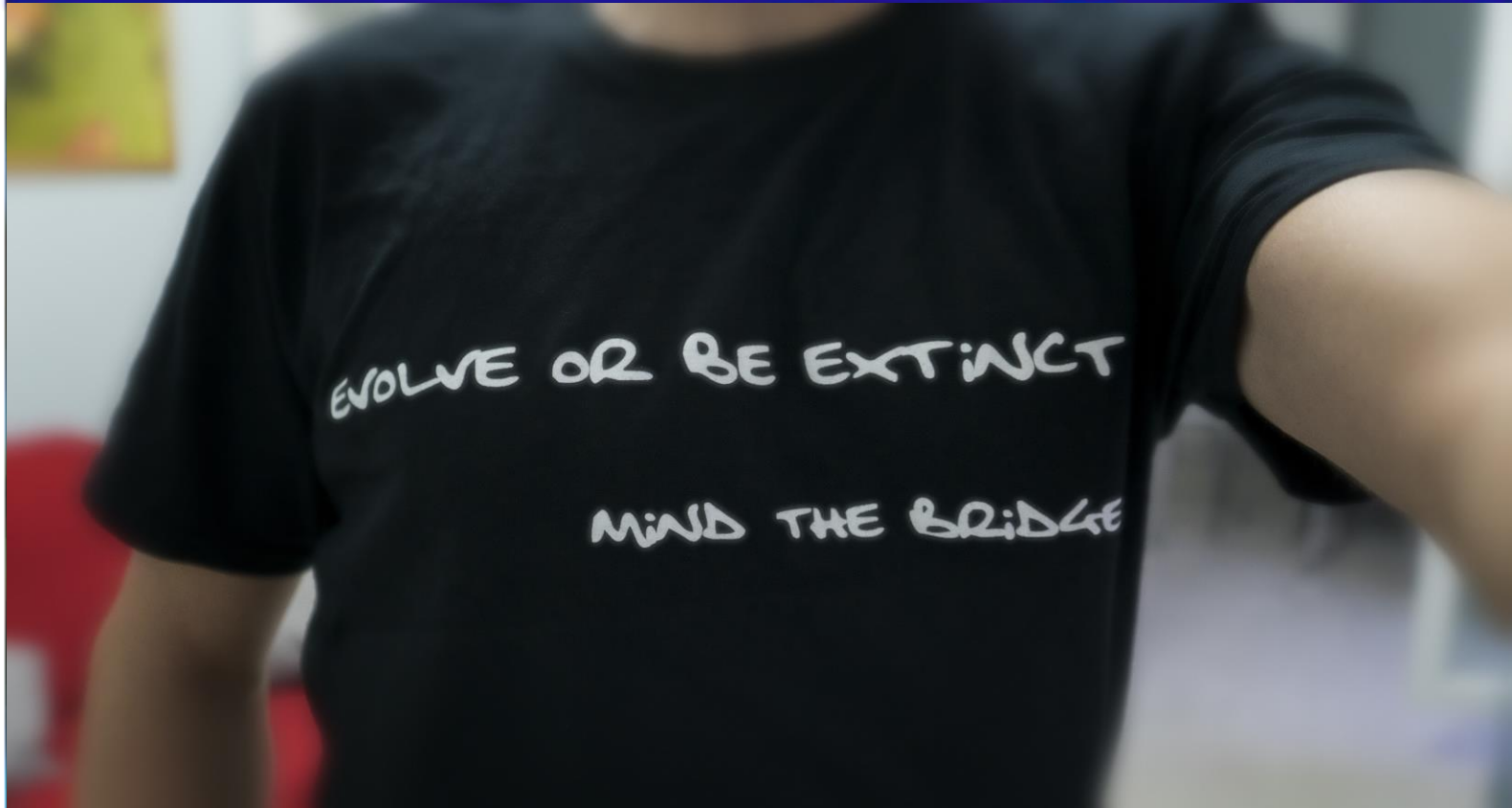
Jeff Bezos



Starter Pack of Essentials for Day 1 Defence

- 1) *customer obsession*
- 2) *a skeptical view of proxies*
- 3) *the eager adoption of external trends*
- 4) *high-velocity decision-making*

Jeff Bezos





"We are too old to innovate"


Disruption. Time is Now

The banking model is built on cross subsidization. New entrants can attack the profitable slices without offering all services

EXAMPLE

Customer journey: Sending £10k from UK to Europe

TransferWise vs. Santander

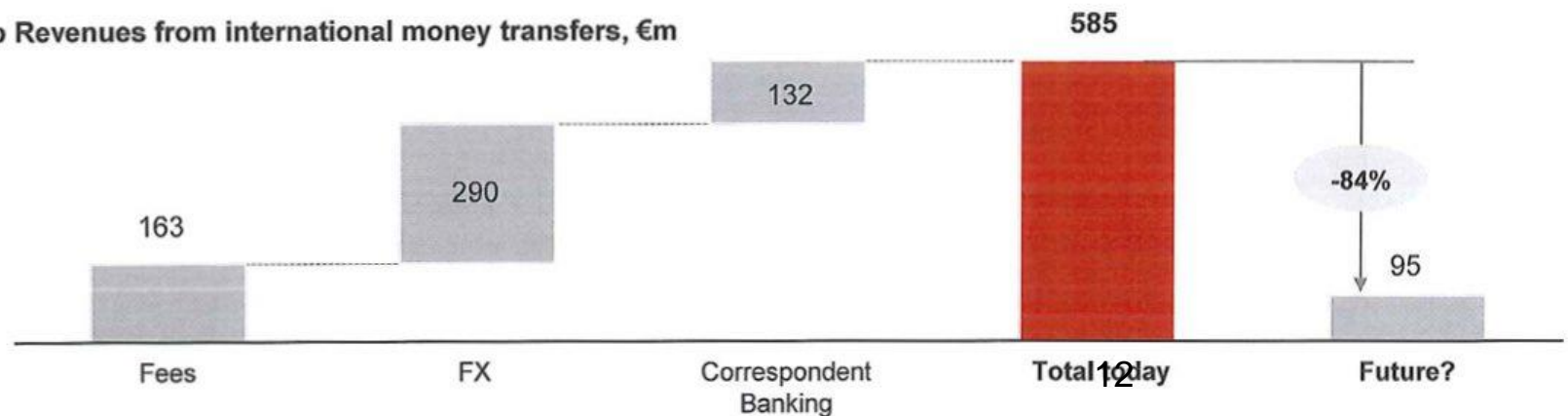
	Fee	FX margin	Total
 TransferWise	£50 ¹	0	€64
 SAN	€106 ²	€288 ³	€394

10% of the Group's profit at risk when international transfers repricing takes place

Revealed: the huge profits earned by big banks on overseas money transfers

An internal Santander memo leaked to Guardian Money says 10% of its global profits come from international cash transfers, and it charges six times more than newer rivals

Group Revenues from international money transfers, €m



Racing Against Time

“The battle between every startup and incumbent comes down to whether the startup gets distribution before the incumbent gets innovation

Insurtechs are becoming insurers faster than insurers can become insurtechs”

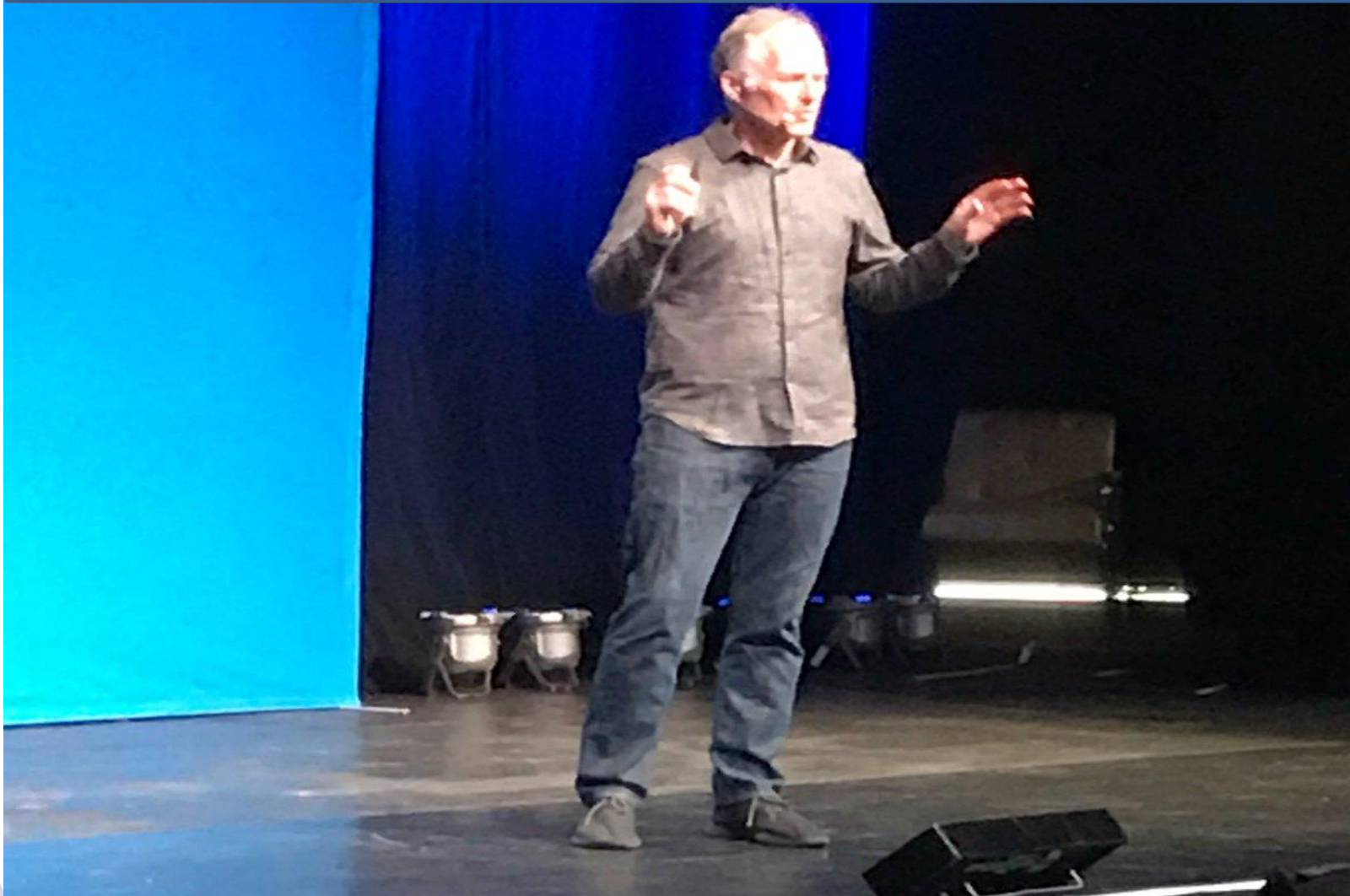
Alex Rampell, a16z



About Digitalization

“Don’t just recreate what went before.
Rethink business models, workflows, and processes!”

Tim O'Really



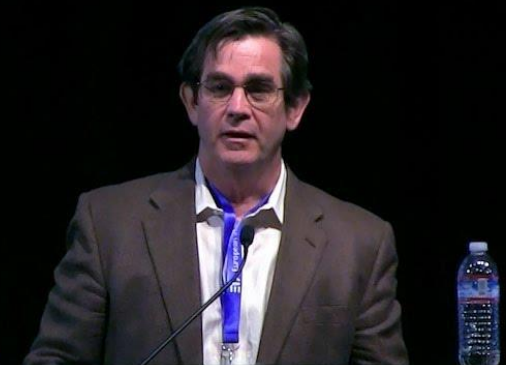
Open Innovation

*“Open innovation is a paradigm that assumes that firms can and should use **external ideas** as well as **internal ideas**, and internal and external **paths to market**, as the firms **look to advance their technology**.”*

Open Innovation: The Survival of the Fittest

Are EU Corporations doomed or can they survive? How EU Corporates are cracking Open Innovation

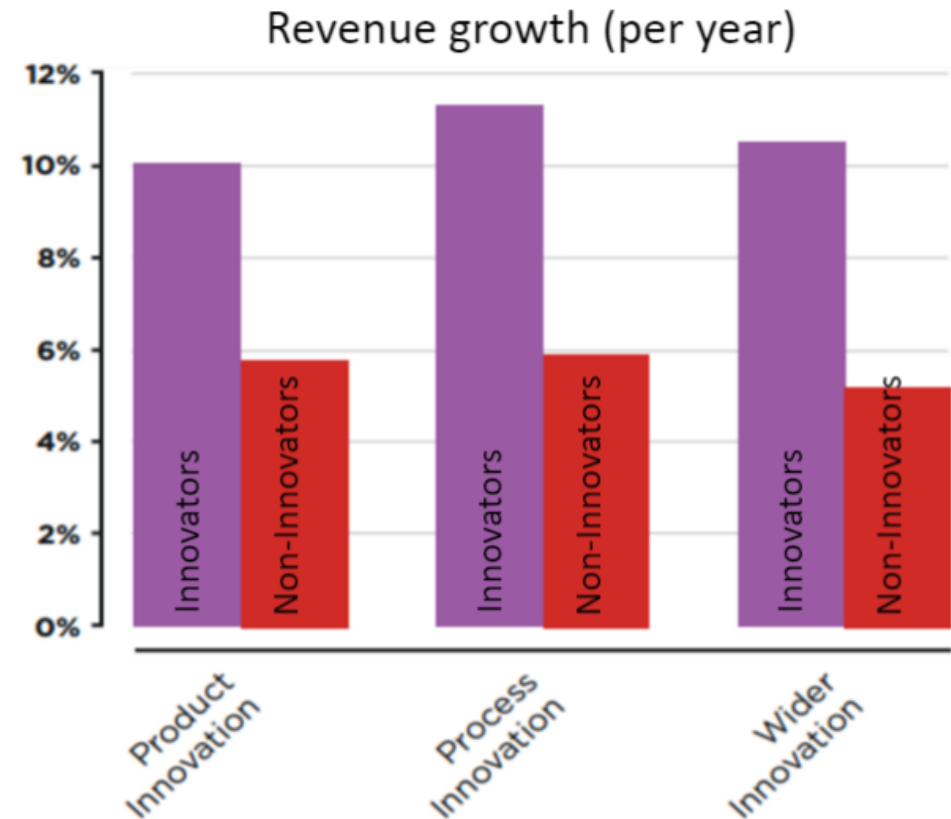
Henry Chesbrough
@SEC2SV EID 2016



Innovation -> Top line growth

Innovation drives growth

Innovative firms grow twice as fast, both in employment and sales, as firms that fail to innovate

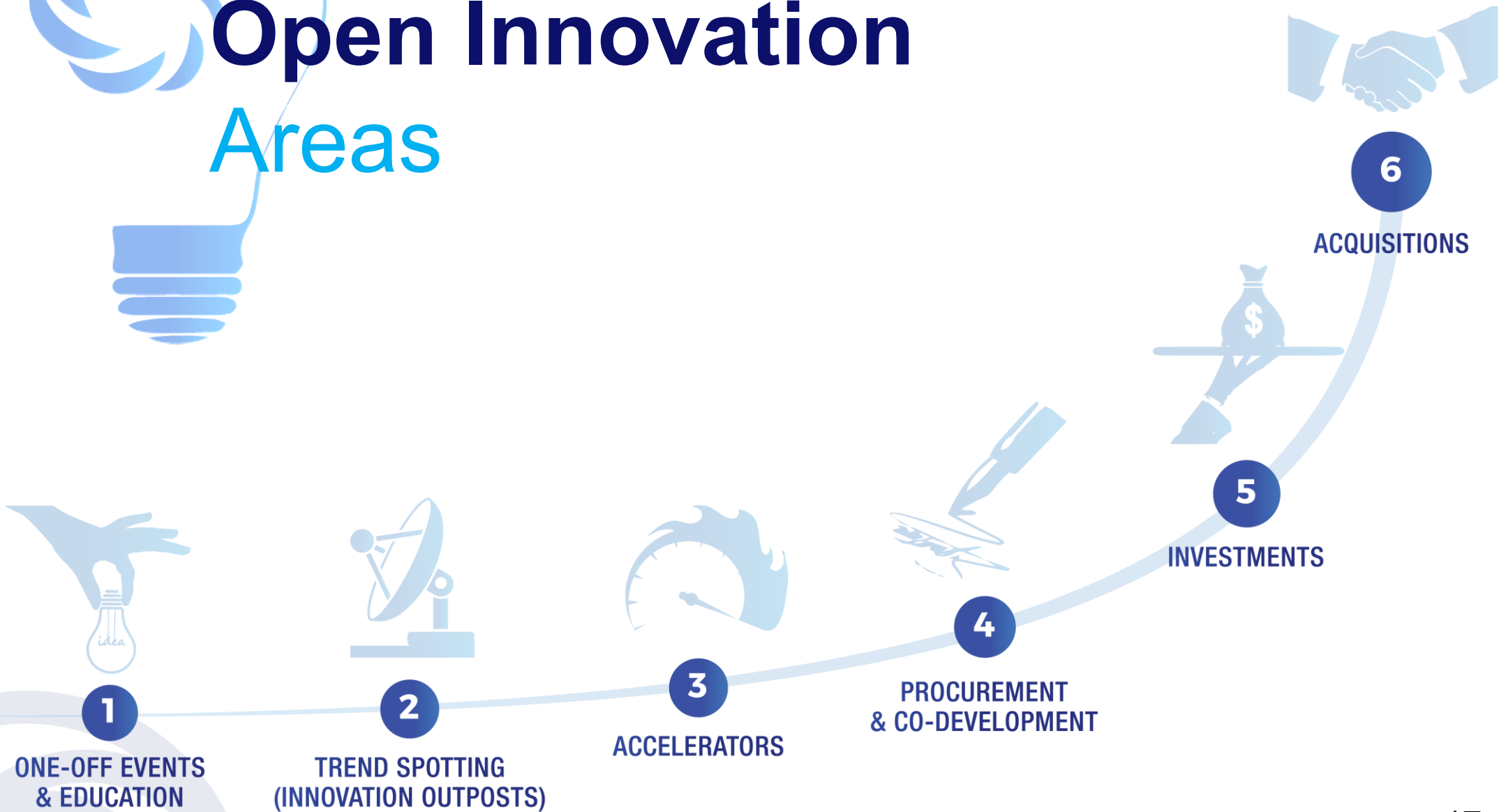


nesta

Source: https://www.nesta.org.uk/sites/default/files/business_growth_and_innovation.pdf



Open Innovation Areas



Engagement from Startup Perspective

ONE-OFF EVENTS AND ACCELERATORS ARE JUST THE MOUTH OF THE FUNNEL
REAL BUSINESS/STRATEGIC OPPORTUNITIES ARE SELECTIVE

150

ONE-OFF EVENTS
& EDUCATION



19

ACCELERATORS



10

PROCUREMENT



3.5

INVESTMENTS



1(+1)

ACQUISITIONS

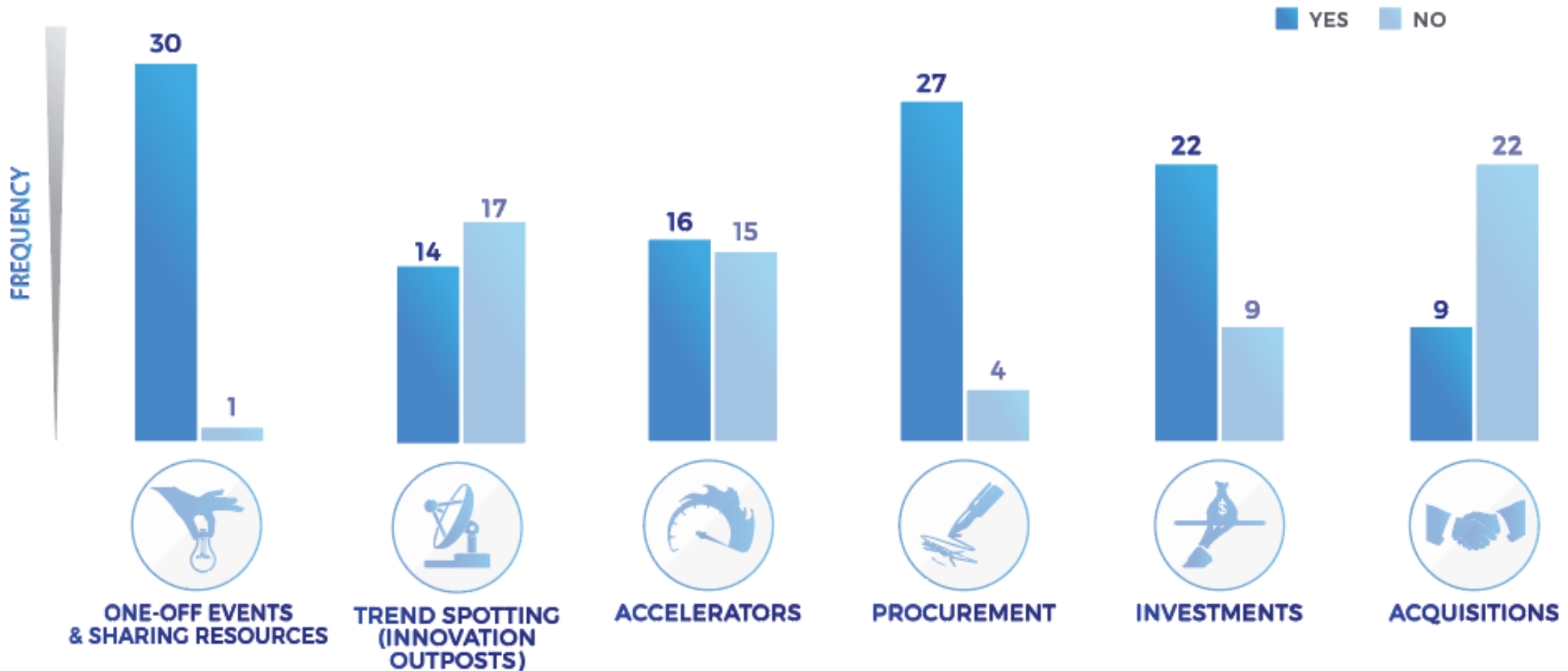


STARTUP ENGAGED
(MEDIAN NUMBER)



Open Innovation in Europe

Who's Doing What



Open Innovation: Trends

The way corporates are approaching Innovation is innovating too



EDUCATION



TREND SPOTTING



ACCELERATORS



PROCUREMENT/CO-DEVELOPMENT



INVESTMENTS



ACQUISITIONS

Open Innovation: Trends

The way corporates are approaching Innovation is innovating too



EDUCATION

Incentive Tech-tourism, Innovation
Excursions and Open Innovation classes
are booming.



STARTUP EUROPE
comes to **ISRAEL**



STARTUP EUROPE
comes to
SILICON VALLEY

Open Innovation: Trends

The way corporates are approaching Innovation is innovating too



TREND SPOTTING

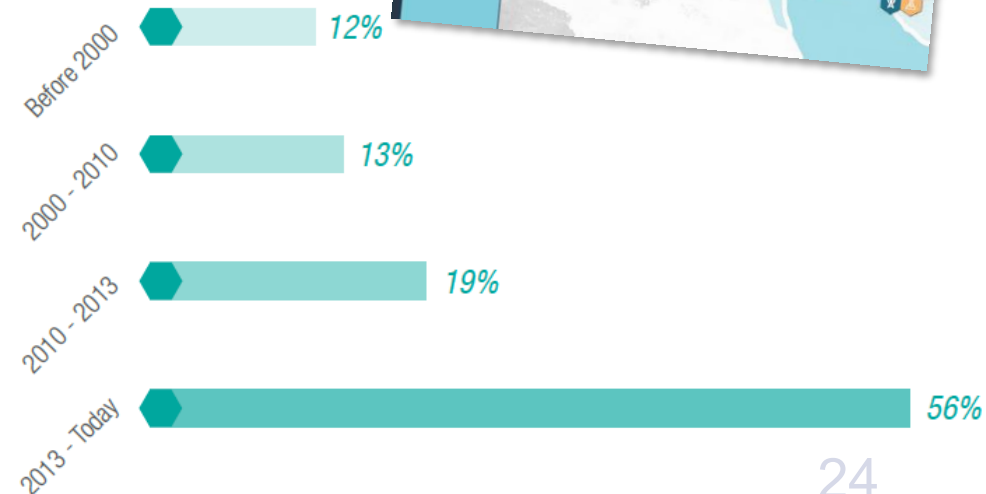
Flexible Innovation: antennas in the main hotspots (**Silicon Valley**, Israel, London, Singapore/Hong Kong).

Innovation Outposts in Silicon Valley



56% HAVE ESTABLISHED AN OUTPOST IN THE LAST 3 YRS.

TREND: TIME IS NOW (LEAN STRUCTURES)

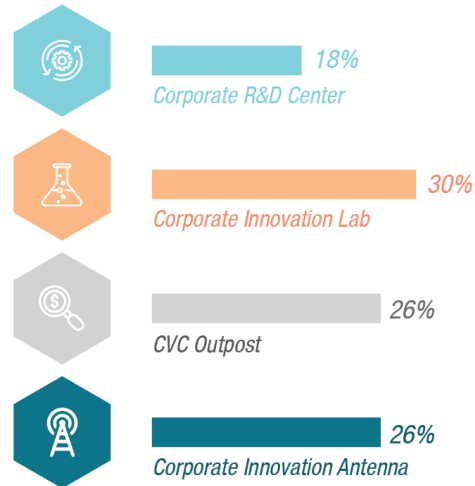


Innovation Outposts in Silicon Valley

TREND: LEAN STRUCTURES

TREND: SAN FRANCISCO
RATHER THAN THE VALLEY

EU Corporate Innovation Outposts in Silicon Valley: Depth of Operation



Innovation Outposts in Israel



HIGHLIGHTS:

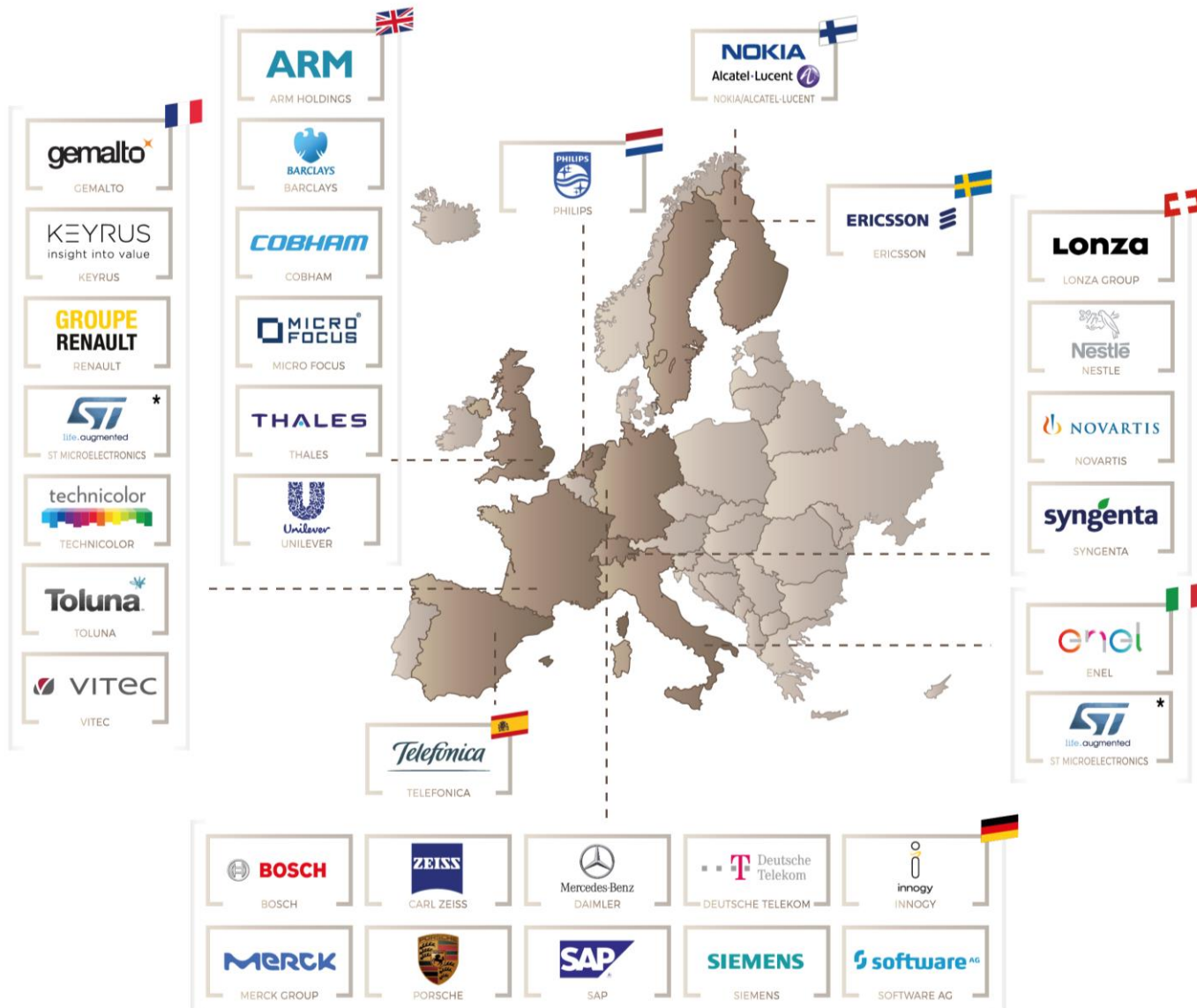
32 CORPORATES FROM 9 COUNTRIES

GERMANY (10), FRANCE (7),
UK (6) PAVE THE WAY

INTERNATIONAL COMPARISON:

US: 70+ CORPORATES WITH AN OUTPOSTS

ASIA: 30+ CORPORATES



* Some companies are multinationals, such as ST Microelectronics that is French-Italian. French Alcatel-Lucent has been acquired by Nokia.

Innovation Outposts in Israel

TRENDS:

- ▶ MULTIPLE PRESENCES (41 INNOVATION OUTPOSTS FOR 32 CORPORATES)
- ▶ TEL AVIV BUT NOT ONLY (15 ARE IN THE TEL AVIV AREA)

ISRAEL VS. SILICON VALLEY:

- ▶ SILICON VALLEY REMAINS THE MOST FREQUENT DESTINATION
- ▶ ISRAEL IS MORE FOCUSED ON R&D, WHILE ANTENNAS AND INVESTORS DOMINATE IN SILICON VALLEY
- ▶ AUTOMOTIVE AND FINANCE ARE AT CORE OF SILICON VALLEY OUTPOSTS, WHILE ENGINEERING, ELECTRONICS AND LIFE SCIENCE DOMINATE ISRAEL



Open Innovation: Trends

The way corporates are approaching Innovation is innovating too



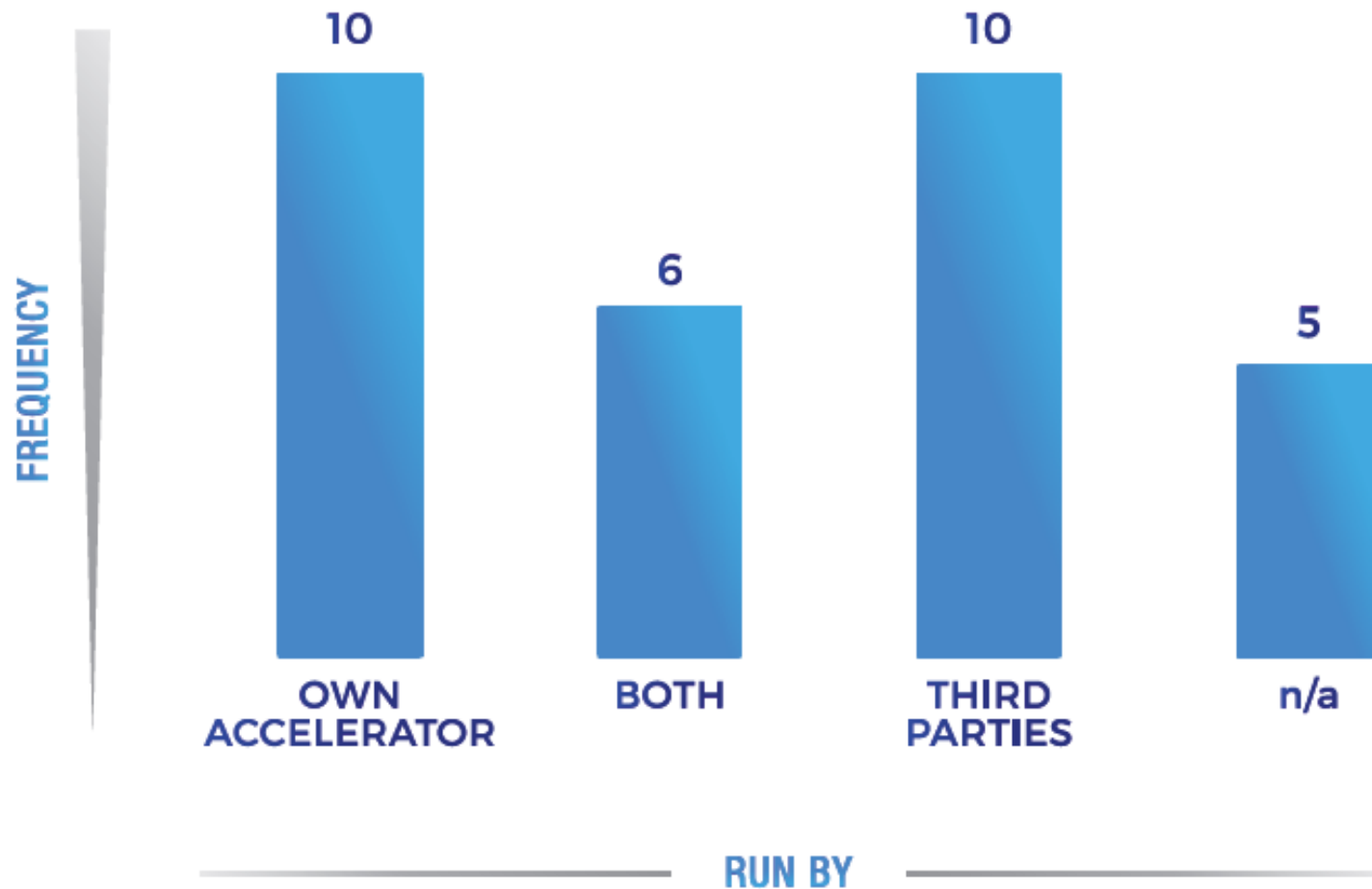
ACCELERATORS

Growing concerns about IRR
Outsource: from internal corporate initiative to 3-party managed shared vertical accelerators.

Corporate Accelerators



GROWING CONCERNS ABOUT IRR
POOR RESULTS BY ENGAGEMENT WITH (TOO) EARLY STAGE STARTUPS
TREND: **OUTSOURCING ACCELERATION** PROGRAMS TO THIRD PARTIES
(OR PARTICIPATING IN THIRD PARTIES RUN PROGRAMS)



Transversal is the new Black



Insurtech/Automotive Global Matching Program

A Deal-Oriented scouting and preparation program in San Francisco, for highly innovative startups in the Insurtech/Automotive verticals. It culminates with 2-day demo day + highly curated 1:1 Corporate<>Startup Matching Meetings.

Confirmed Corporates include



The Program

1
SCOUTING

600+
insurtech &
automotive
startups WW

2
SELECTING

100+
invited in
SV

3
FILTERING

Preparing
Executive
Summaries

training startups

4
PITCHING

Invitation-only
demo day event

5
MATCHING

1:1 Matching
Corporates-
Scaleups

Facilitating the
deal

6
DEAL-MAKING

Open Innovation: Trends

The way corporates are approaching Innovation is innovating too

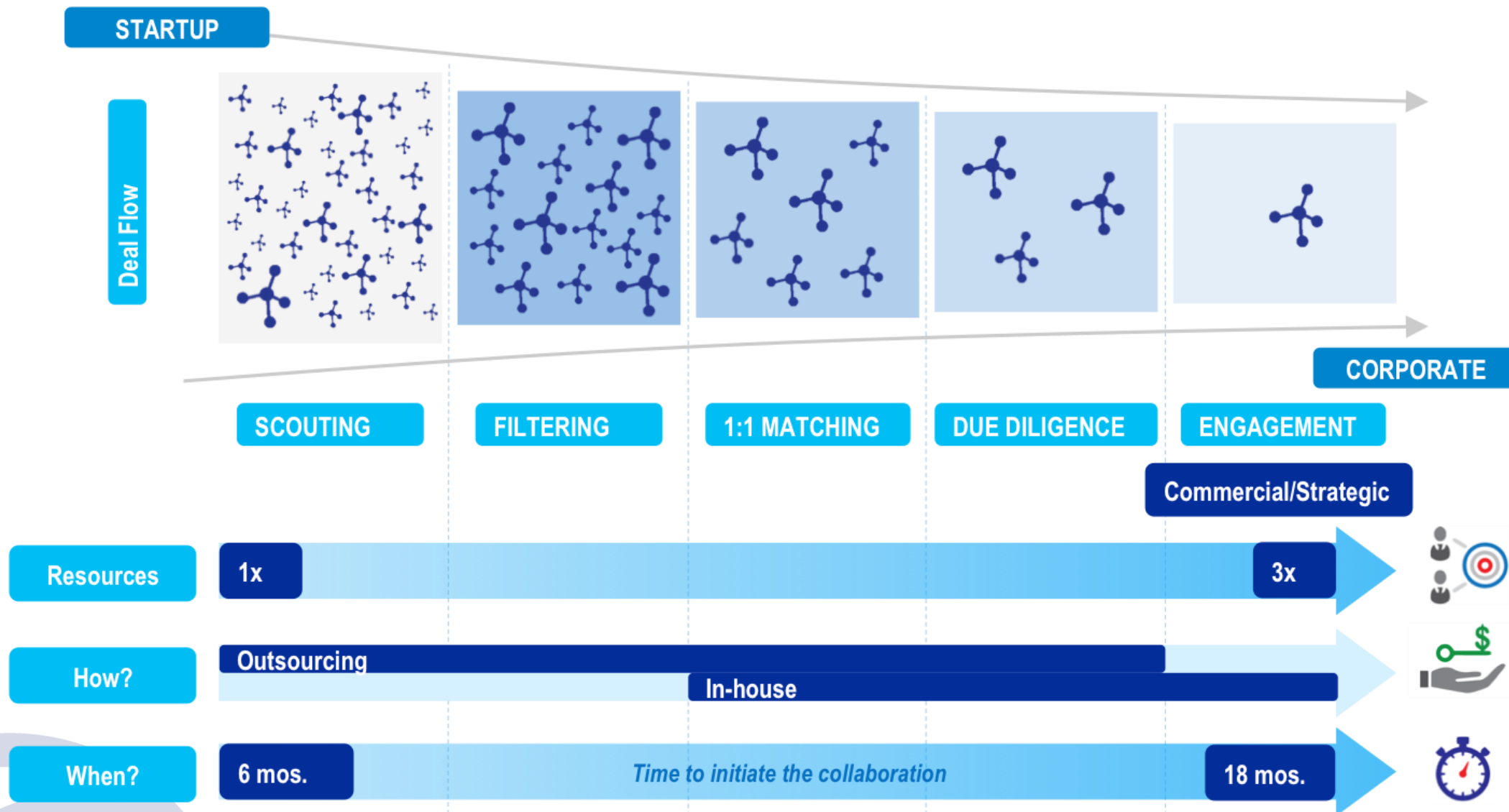


PROCUREMENT/CO-DEVELOPMENT

Focus 100% on integration with Business Units.

Outsource the Scouting (and sometimes the Negotiation).

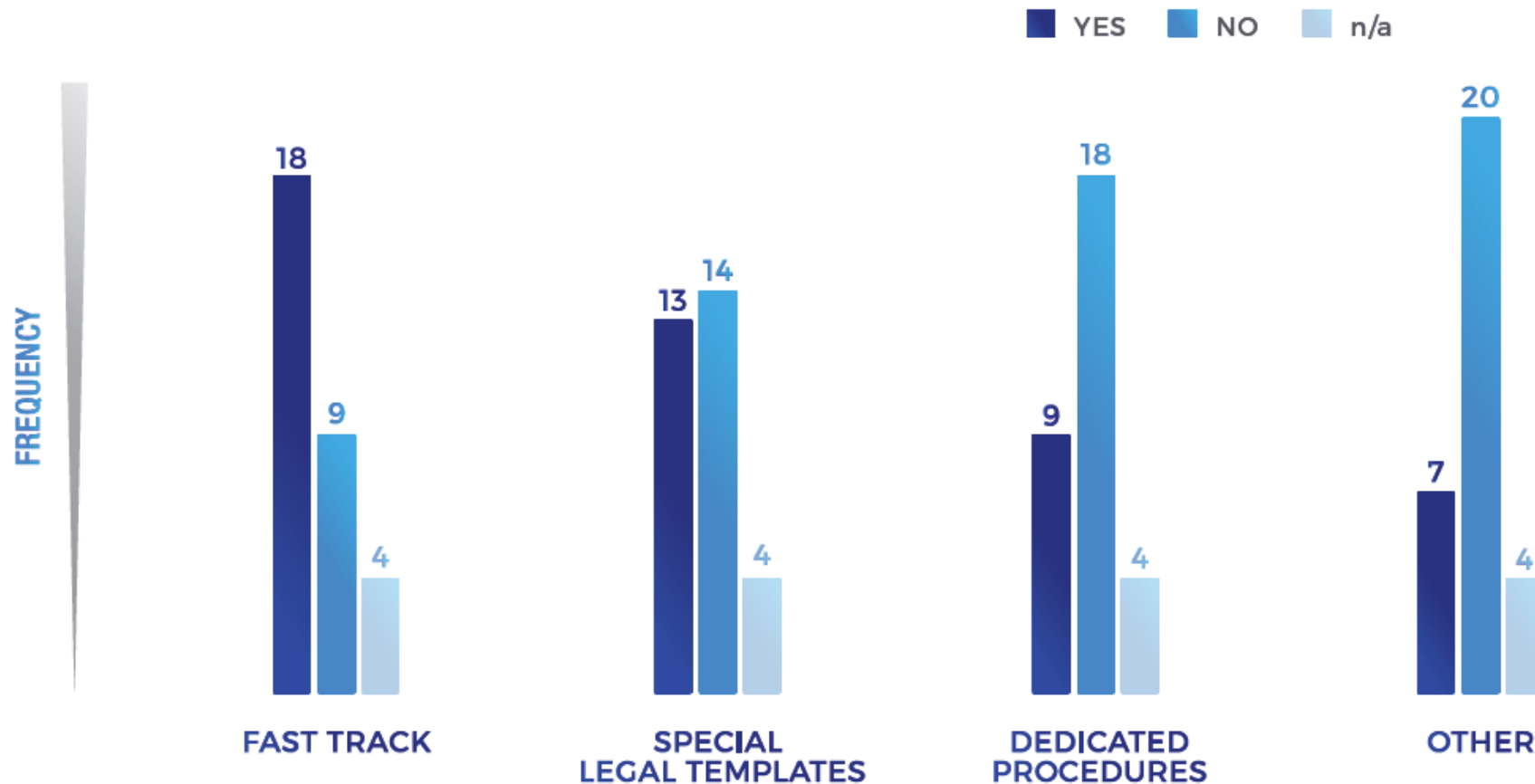
Open Innovation: Phases / KPIs



Startup Procurement

COMMERCIAL ENGAGEMENT IS THE MOST EFFECTIVE OI STRATEGY
PROCUREMENT FROM STARTUPS IS OFTEN '**NON-STANDARD**'
AND REMAINS A **PROTRACTED PROCESS**.

TREND: POC/PILOTS/CO-DEVELOPMENT WITH LATER STAGE STARTUPS



Open Innovation: Trends

The way corporates are approaching Innovation is innovating too

INVESTMENTS

Less CVCs (spawn-outs).
More off-balance investments.

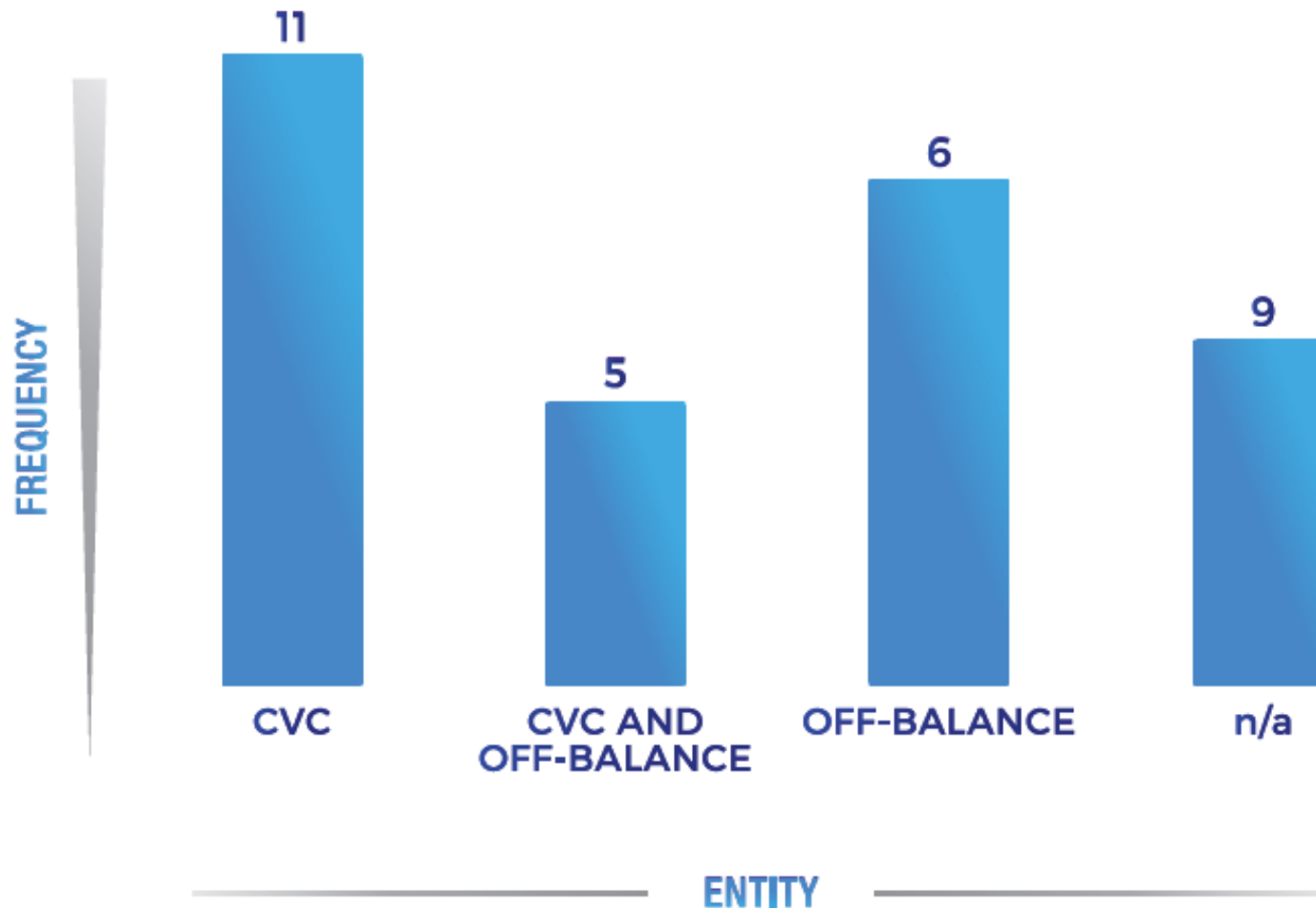


Startup Investments



CVC FUNDS: CONCERNS ABOUT IRR/STRATEGIC ALIGNMENT

**TREND: GRADUAL REDUCTION OF THE USE OF CVC FUNDS
IN FAVOR OF OFF-BALANCE INVESTMENTS**



Open Innovation: Trends

The way corporates are approaching Innovation is innovating too

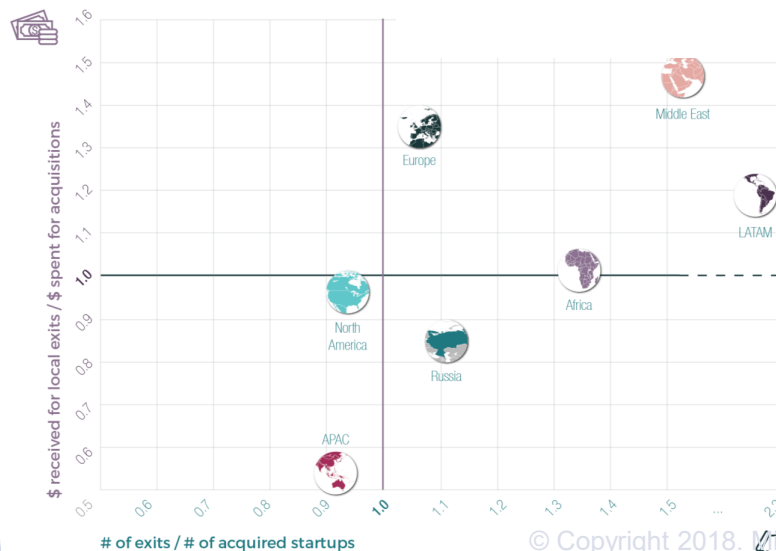
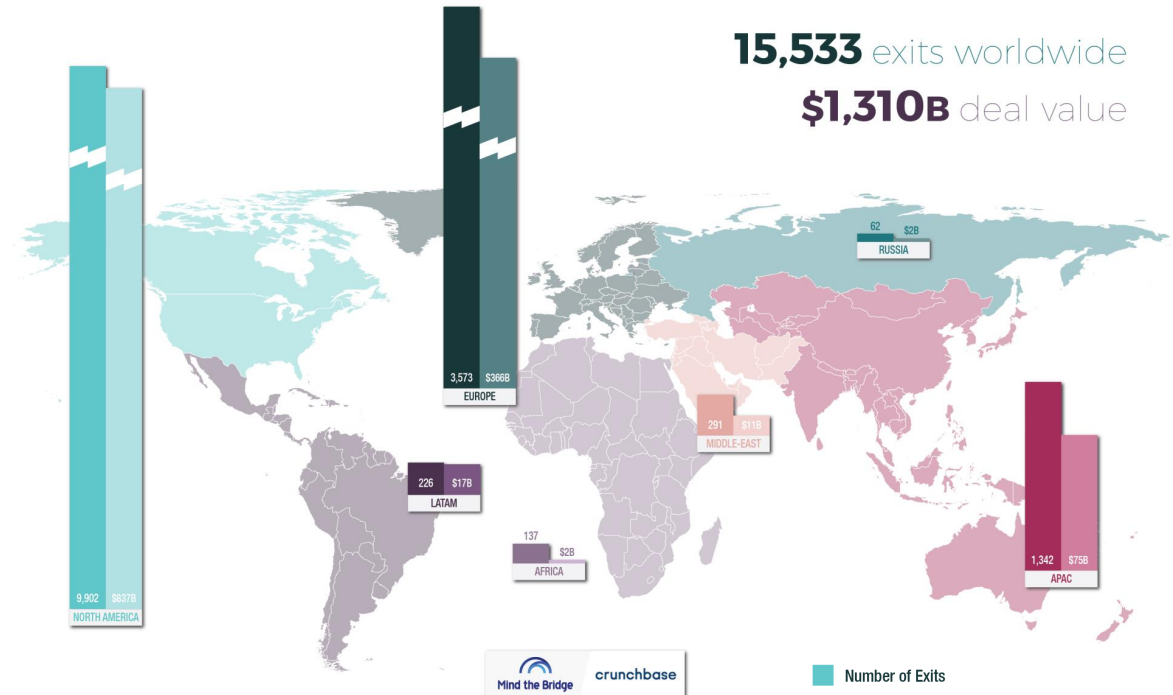


ACQUISITIONS

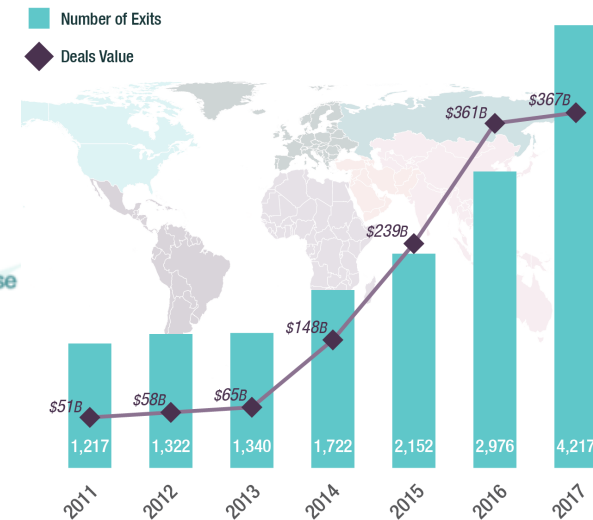
More activity.
Shift from US towards EU startups.

Focus: Startup M&A

US buyers gorge on startups while Europeans (still) nibble



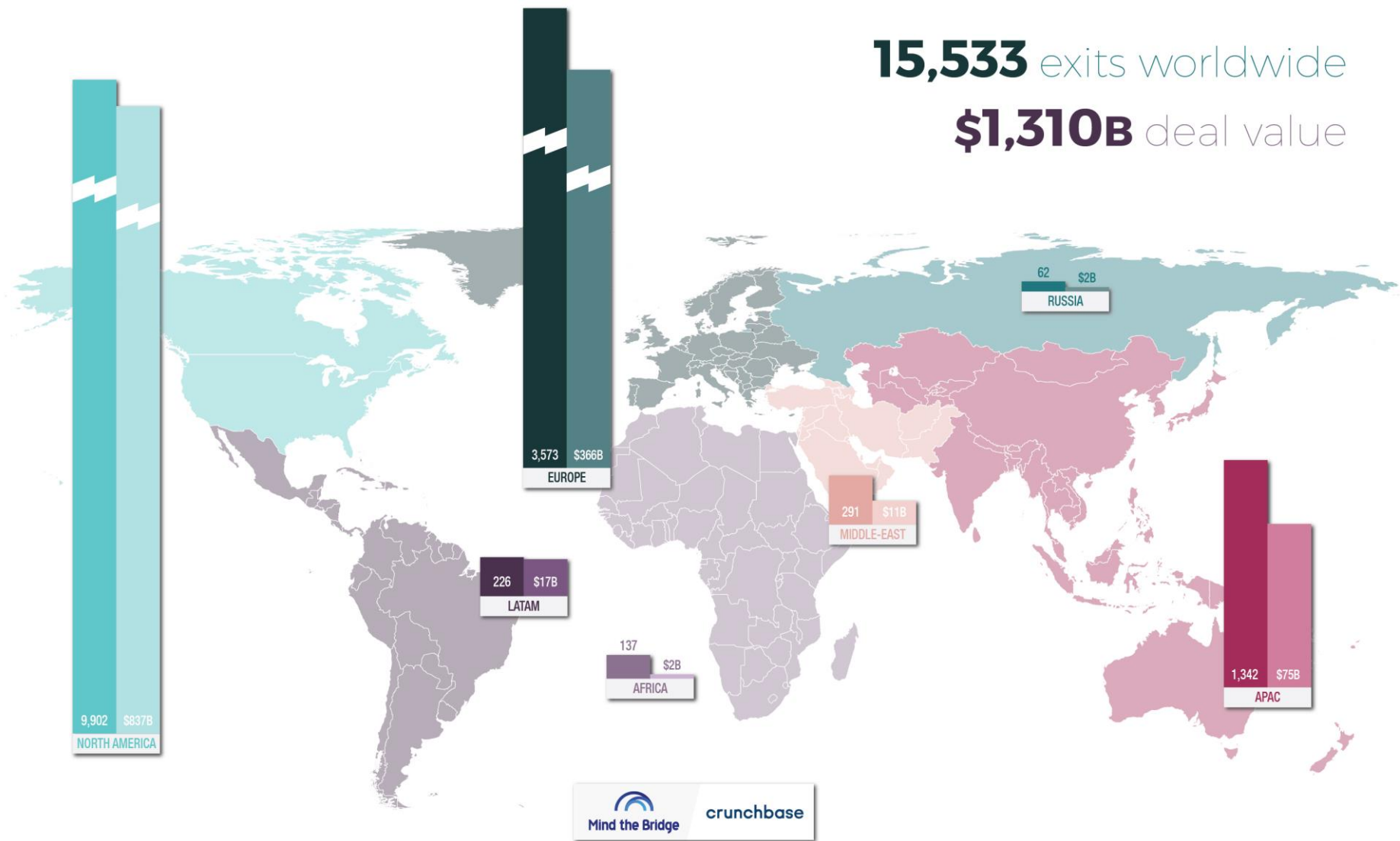
Mind the Bridge CrunchBase



* Data refers to startup acquisitions completed between July 2010 and June 2017.
Annual data refers to the period July (previous)-June (listed)

Focus: Startup M&A

15,533 exits worldwide
\$1,310B deal value

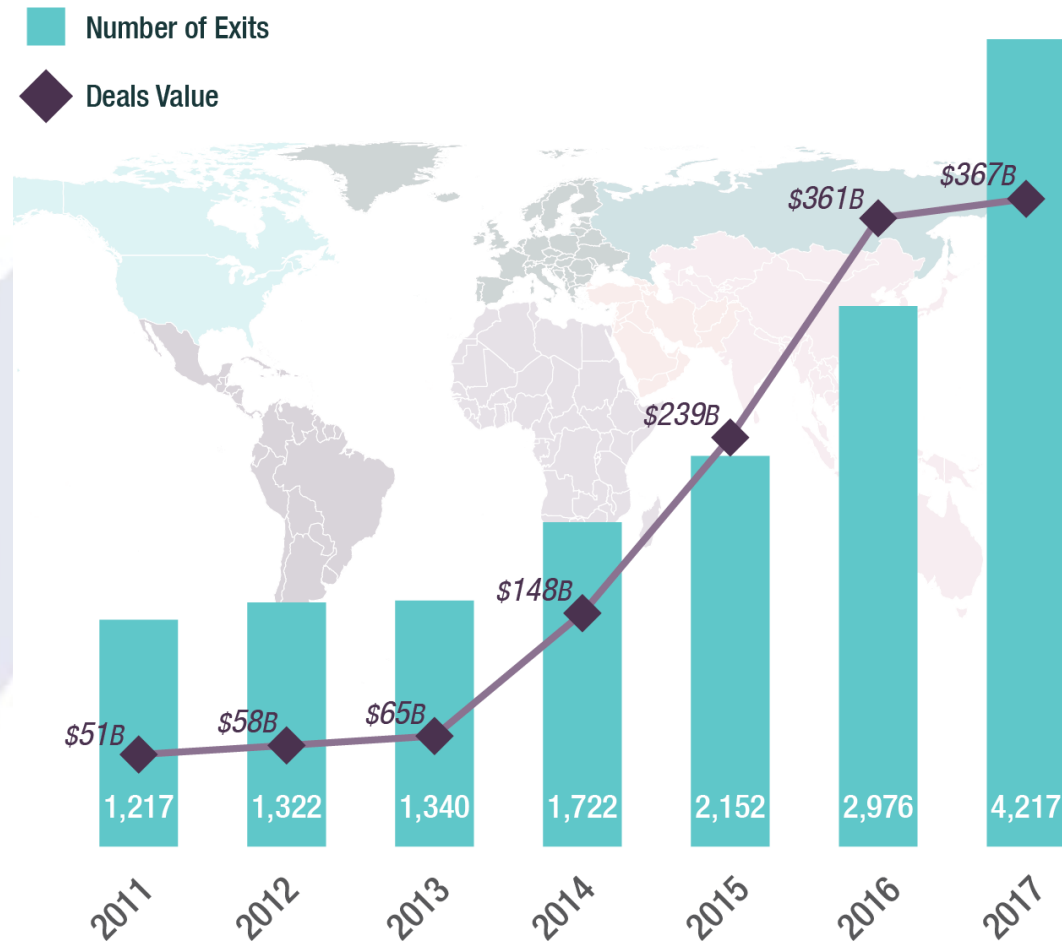


Focus: Startup M&A

SOLID growth in worldwide startup
M&A

ACCELERATED since 2014

Recent growth was not mirrored in
the **VALUE**



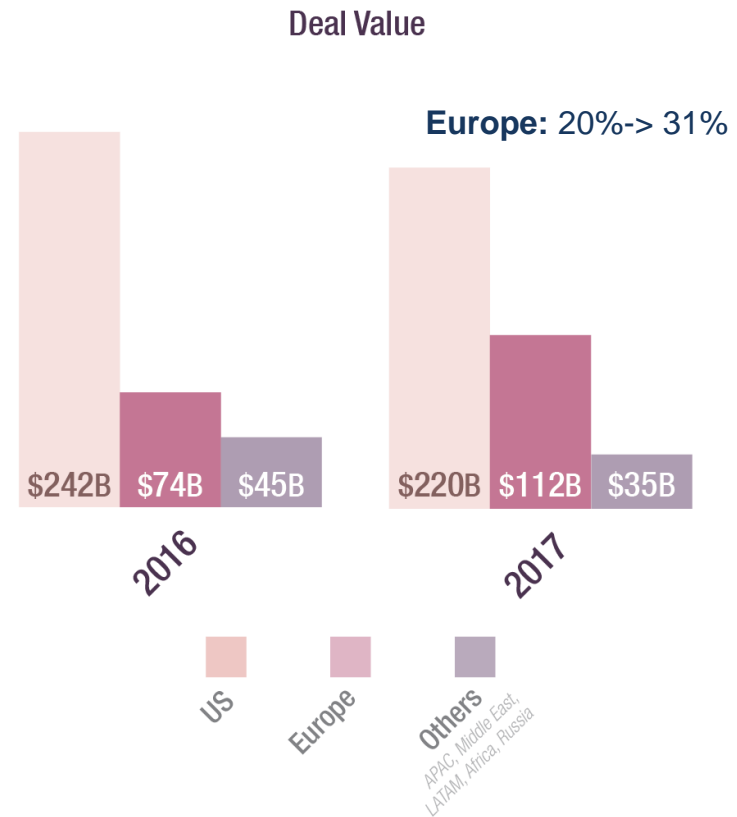
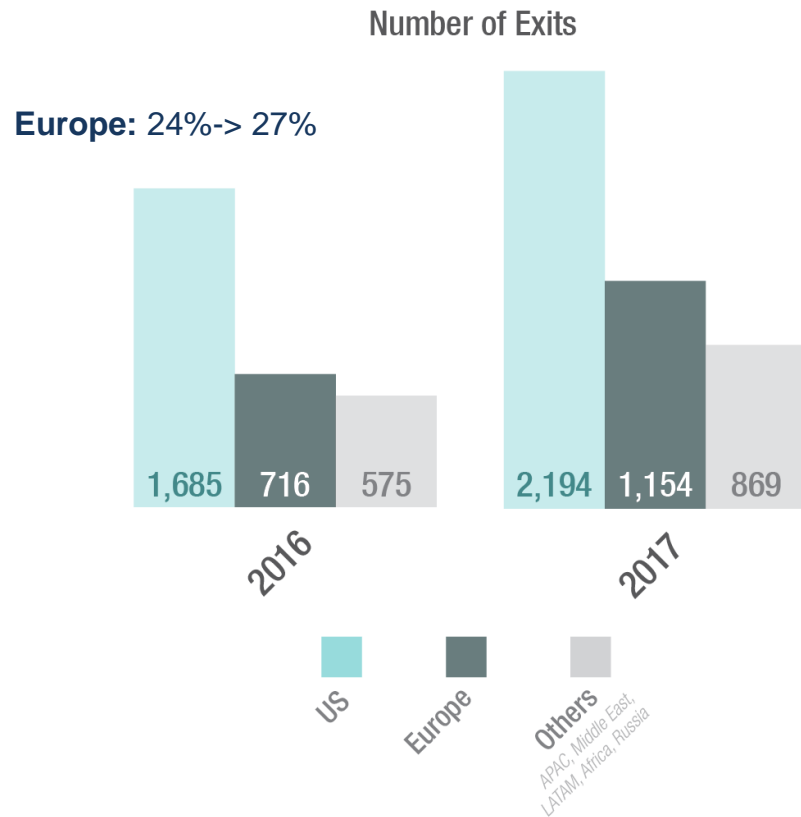
* Data refers to startup acquisitions completed between July 2010 and June 2017.
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Focus: Startup M&A



As global startup exits grow, Europe sees its profile rise

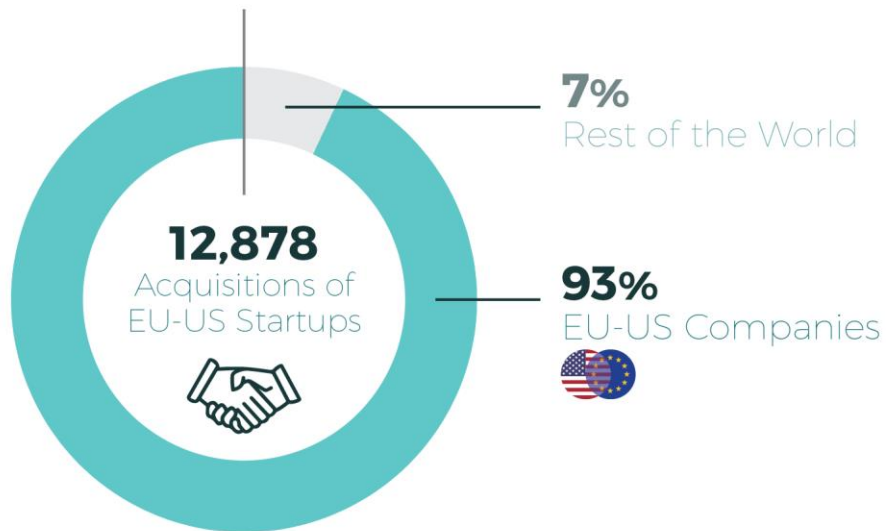
Posted yesterday by [Alex Wilhelm \(@alex\)](#)



**Europe managed to grab more exit share
ASIA is GROWING TOO**

Focus: Startup M&A

US and European Exits:
Breakdown by Nationality of Acquirer



US and European Acquisitions
of Startups in the Rest of the World



1,195 Acquisitions of RoW startups
\$37B Price Paid for Acquisitions



There is a clear preference between US and EU ecosystems for each other.

Focus: Startup M&A

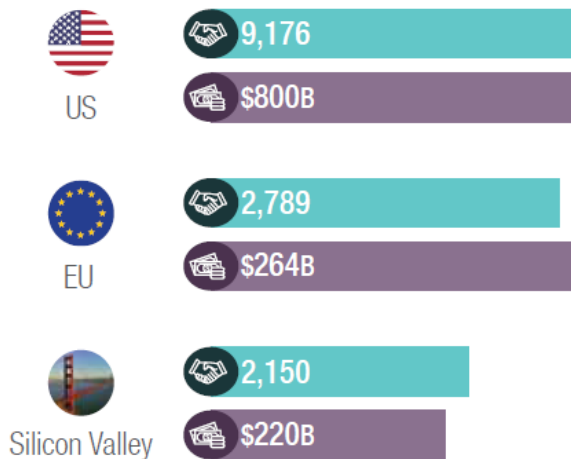
CRUNCH NETWORK

US buyers gorge on startups while Europeans nibble

Posted 10 hours ago by [Joanna Glasner](#), [Alberto Onetti](#) (@aonetti)



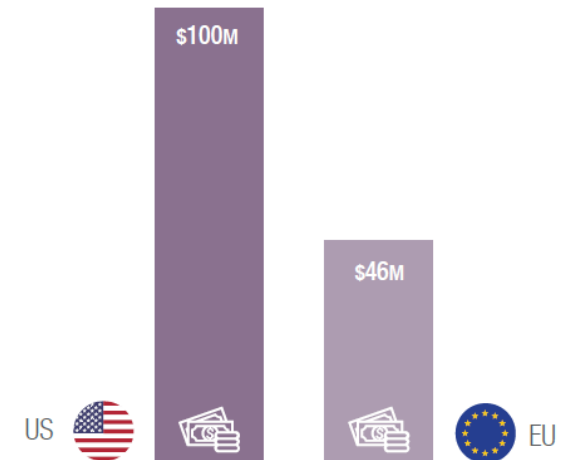
US and European Exits: Breakdown of Buyers by Region



US Acquisitions of European Startups



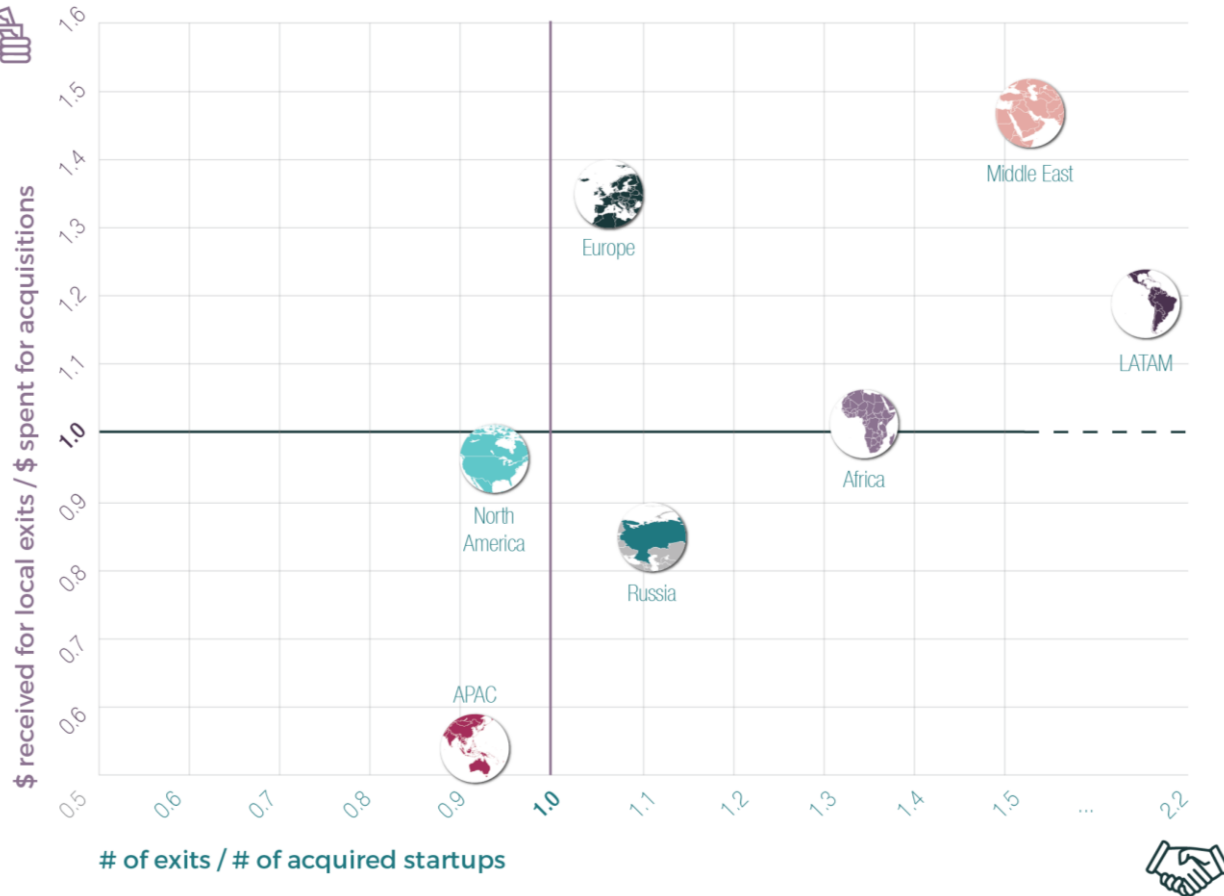
Medial Deal Size of Acquired US and European Startups



US companies acquire 3X startups
than EU companies
EU startups are “CHEAPER”

Focus: Startup M&A

World's Startup Ecosystems: the M&A Balance



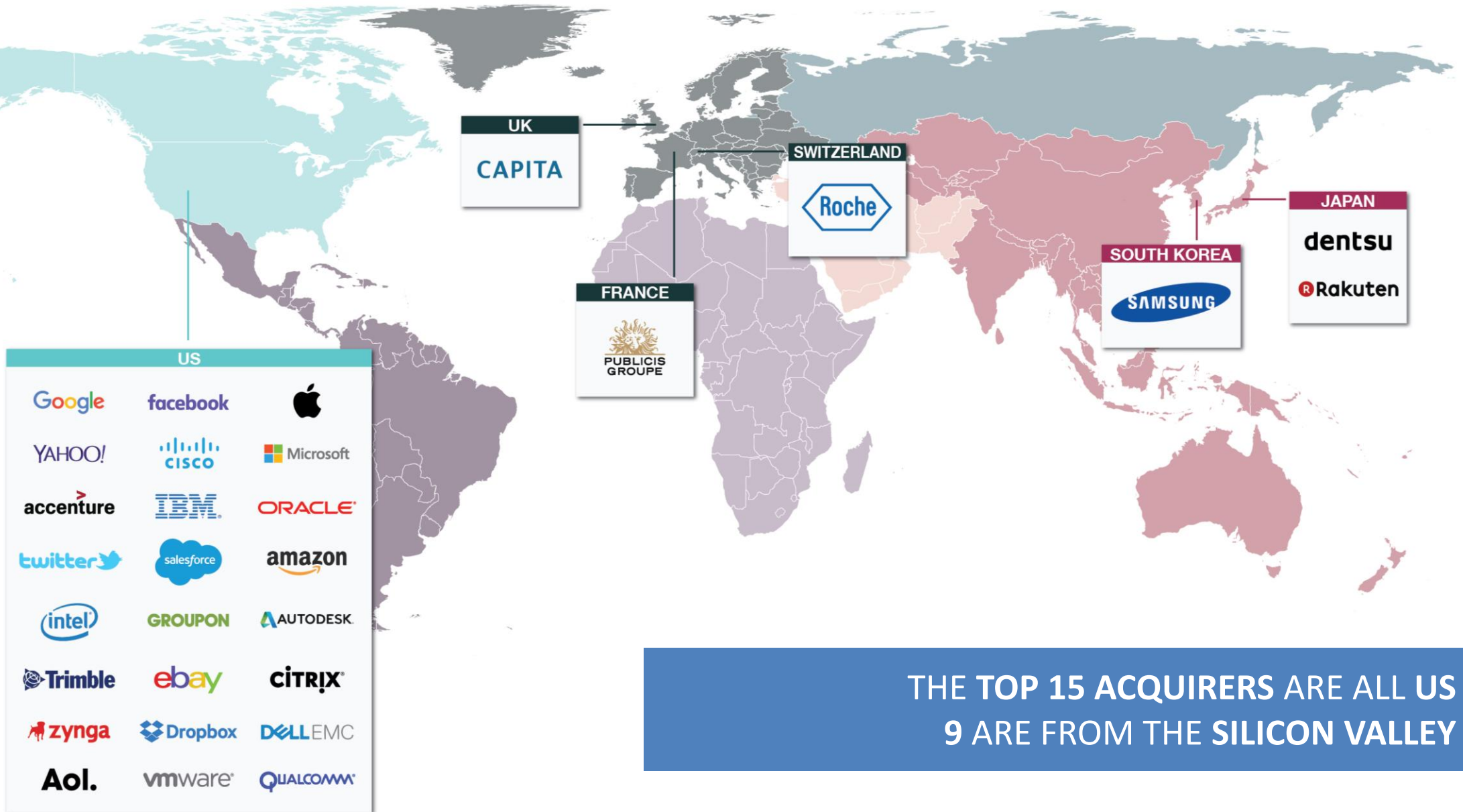
The Exit/Acquisition Ratio

$$\frac{\text{\# of exits}}{\text{\# of acquisitions of startups by local companies}}$$

$$\frac{\text{\$ deal value of local exits}}{\text{\$ price paid for acquisitions by local companies}}$$

NOT ALL ECOSYSTEMS SHOW A **M&A BALANCE**
BETWEEN THE SELL (EXITS) AND BUY (ACQUISITIONS) SIDE































Focus: Startup M&A



THE TOP 15 ACQUIRERS ARE ALL US
9 ARE FROM THE SILICON VALLEY

Focus: Startup M&A

Top 30 World Acquirers: Ranking (2010-2017)

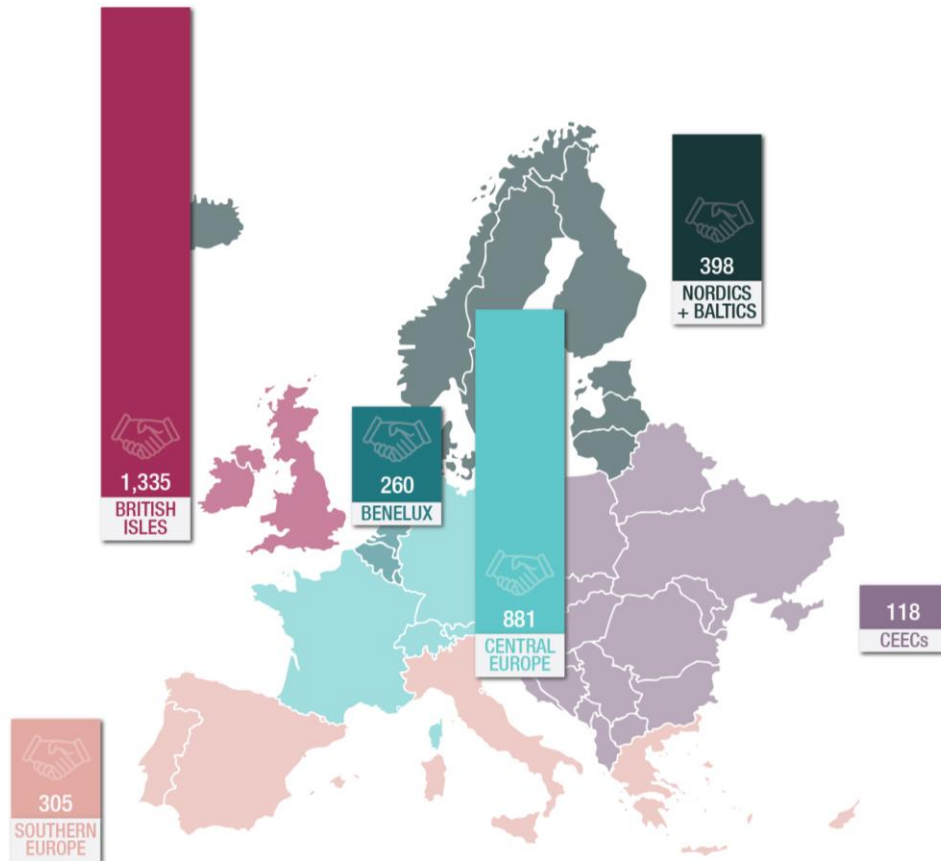
1	Google	Mountain View, CA	
2	Facebook	Menlo Park, CA	
3	Yahoo!	Sunnyvale, CA	
4	Apple	Cupertino, CA	
5	Cisco	San Jose, CA	
6	Microsoft	Redmond, WA	
7	Accenture	Chicago, IL (Dublin, IRE)	
8	IBM	Armonk, NY	
9	Oracle	Redwood City, CA	
10	Twitter	San Francisco, CA	
11	Salesforce	San Francisco, CA	
12	Amazon	Seattle, WA	
13	Intel	Santa Clara, CA	
14	Groupon	Chicago, IL	
15	Autodesk	San Rafael, CA	
16	Dentsu	Tokyo, JAP	
17	Capita	London, GBR	
18	Citrix Systems	Fort Lauderdale, FL	
19	eBay	San Jose, CA	
20	Zynga	San Francisco, CA	
21	Samsung	Taegu, KOR	
22	Trimble	Sunnyvale, CA	
23	Dropbox	San Francisco, CA	
24	Rakuten	Tokyo, JAP	
25	Publicis Groupe	Paris, FRA	
26	AOL	New York, NY	
27	EMC	Hopkinton, MA	
28	Qualcomm	San Diego, CA	
29	VMWare	Palo Alto, CA	
30	Roche	Basel, CHE	



**THE TOP 15 ACQUIRERS ARE ALL US
9 ARE FROM THE SILICON VALLEY**

Focus: Startup M&A

Startup Acquisitions: Most Active Regions in Europe



EXITS: TOP 15 EUROPEAN HUBS
(per nationality of the acquired startup)

1	London	567	
2	Paris	165	
3	Berlin	124	
4	Stockholm	76	
5	Amsterdam	66	
6	Dublin	65	
7	Munich	60	
8	Madrid	58	
9	Copenhagen	44	
10	Barcelona	43	
11	Helsinki	42	
12	Milan	34	
13	Hamburg	33	
14	Zurich	30	
15	Warsaw	24	



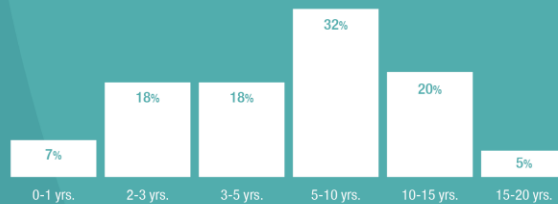
EU
Top Hubs

LONDON REMAINS THE EXIT CAPITAL FOR EUROPE

Focus: Startup M&A

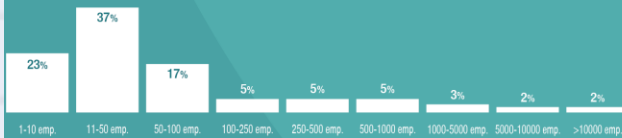
What Is the Typical **Profile** of a **Startup** That Makes It All The Way To The Exit?

Average Age At Acquisition



It gets **acquired** **8** years after foundation

Employee Count at Time of Acquisition



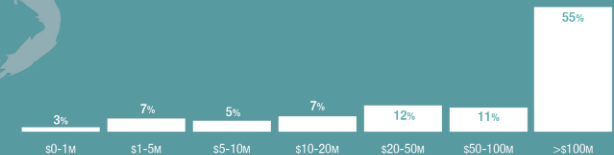
It has on average **10-50** employees

The average **ticket price** is

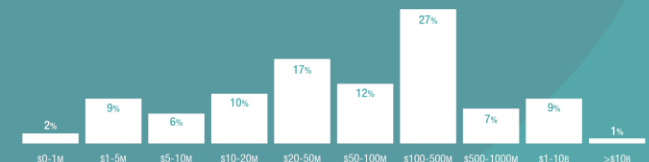
\$70M



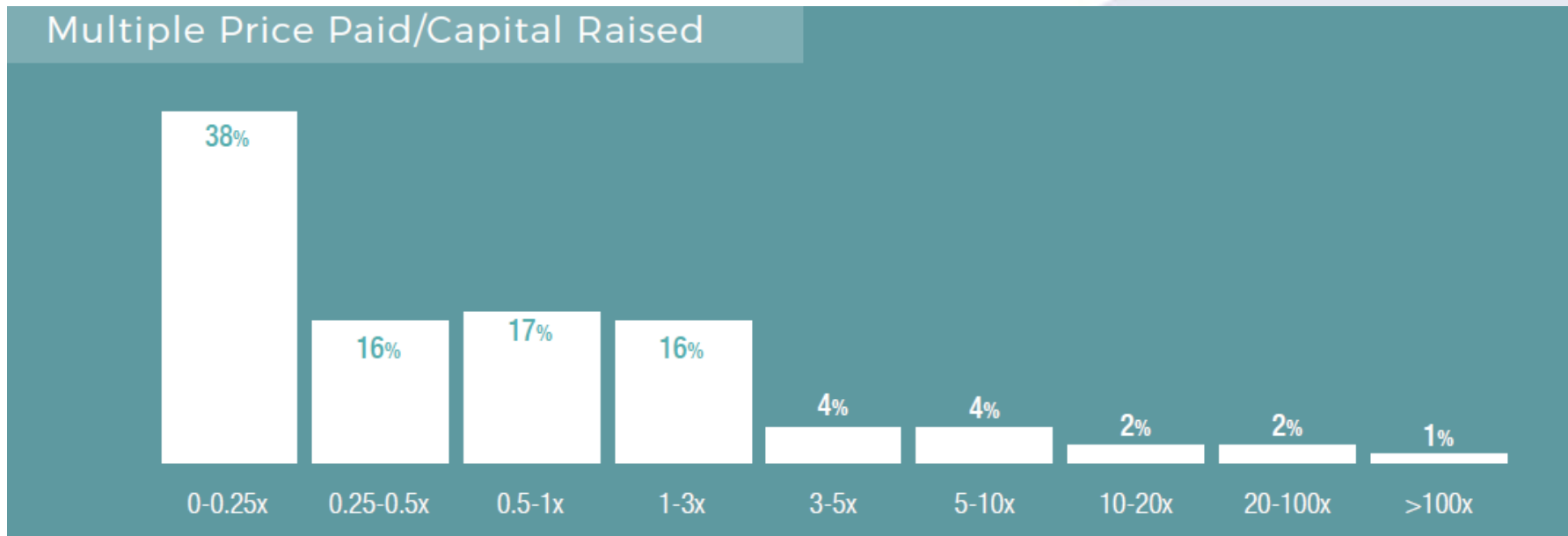
Capital Raised Before Acquisition



Price Paid for Acquisition



Focus: Startup M&A



71% OF THE EXITED STARTUPS DON'T RETURN THE CAPITAL INVESTED

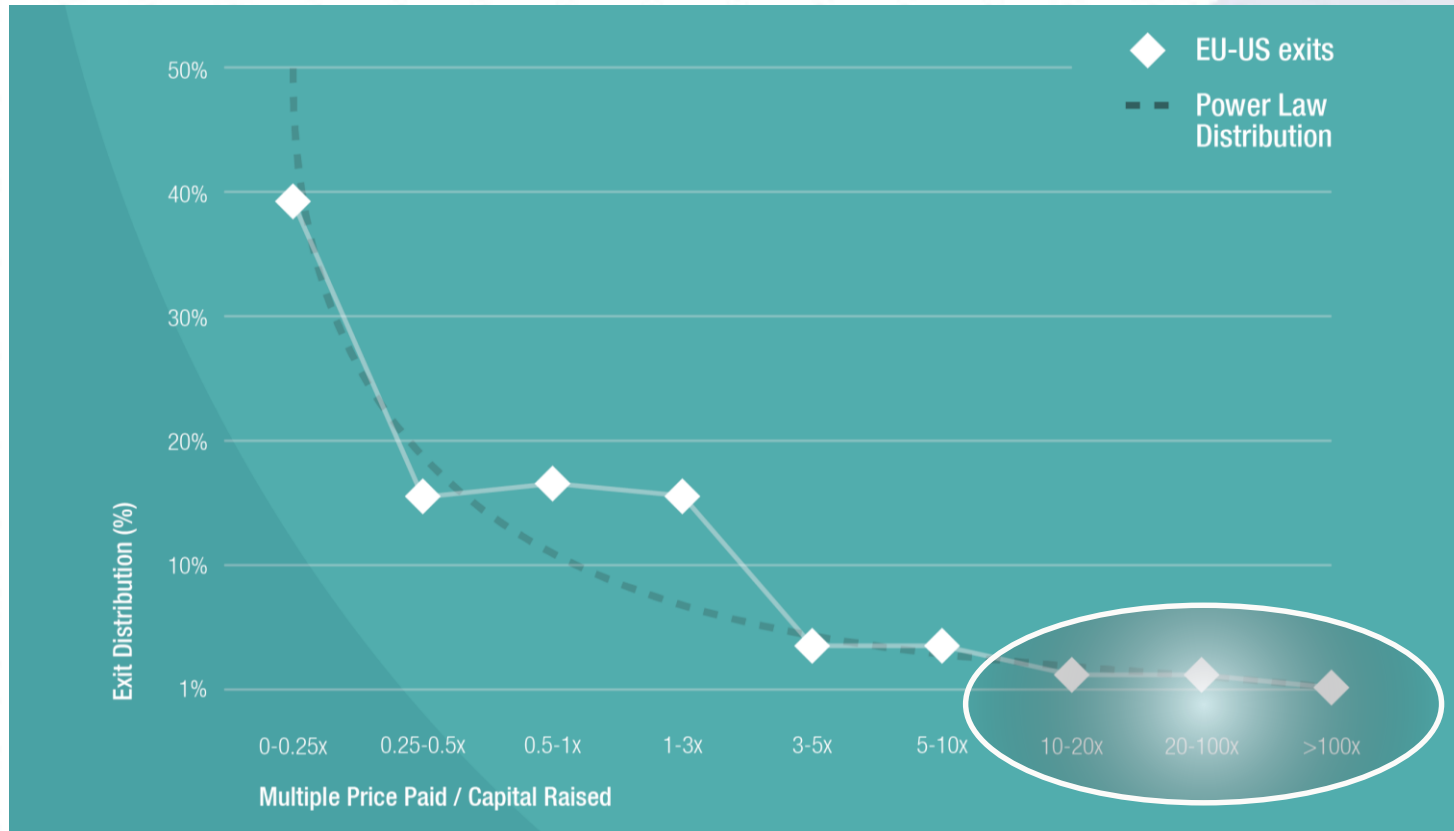
54% ARE FIRE SALES (RETURN LESS THAN 50% THE CAPITAL RAISED)

16% RETURN BETWEEN 1/3X

8% ARE SOLD AT GOOD MULTIPLES (3/10X)

3-5% ARE THE "WILD" ONES (10+X MULTIPLE)

Focus: Startup M&A



4-8% POST LARGE MULTIPLES...
THAT'S THE POWER LAW, BABY

World's Scouting Regions



Europe

5,596
Scaleups

\$83.2B
Capital Raised



U.S.

20,760
Scaleups

\$657.5B
Capital Raised



Silicon Valley

5,872
Scaleups

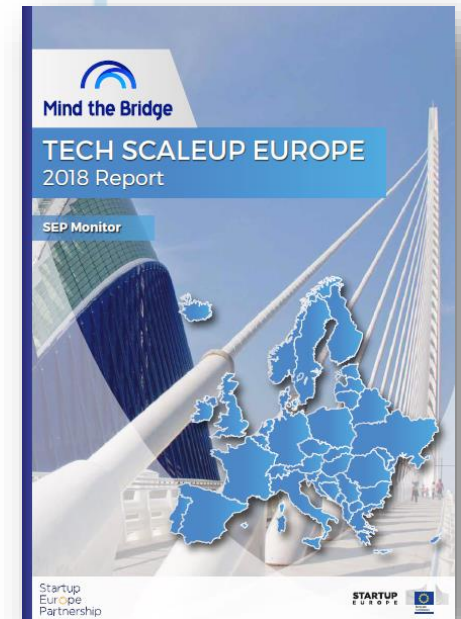
\$239.7B
Capital Raised



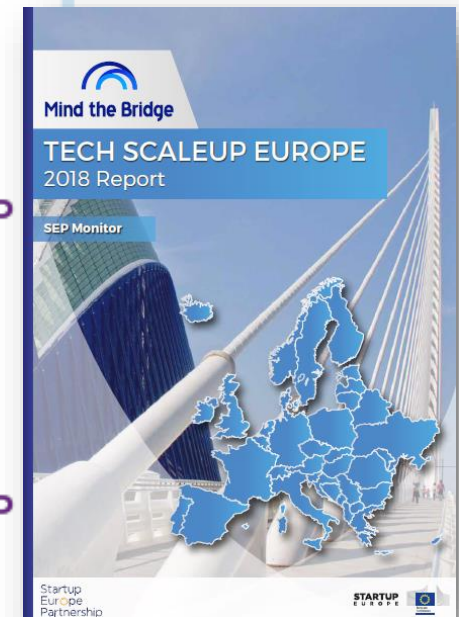
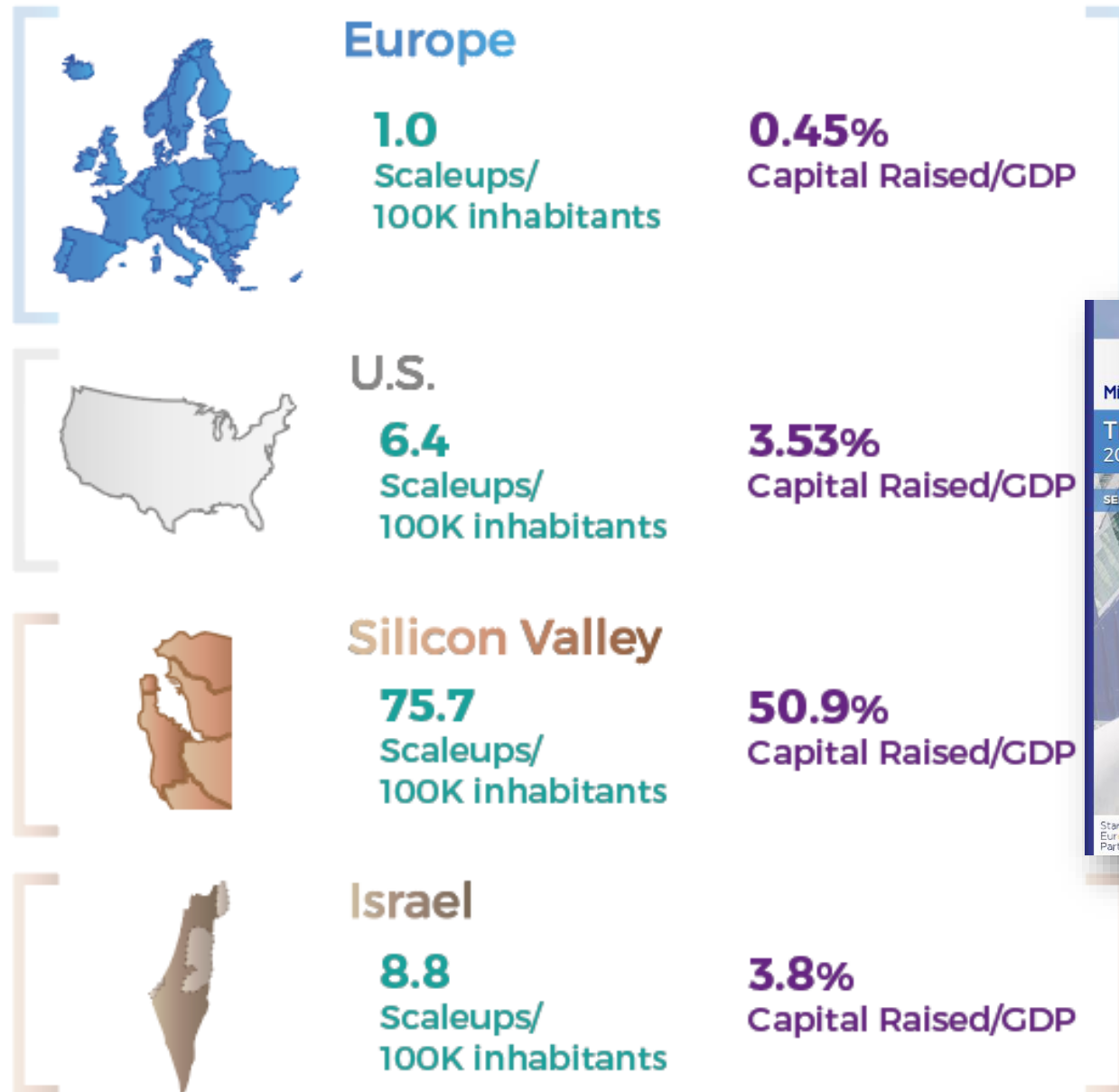
Israel

748
Scaleups

\$12.2B
Capital Raised



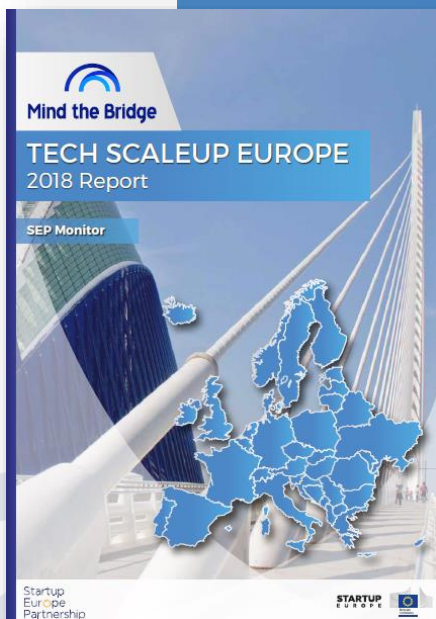
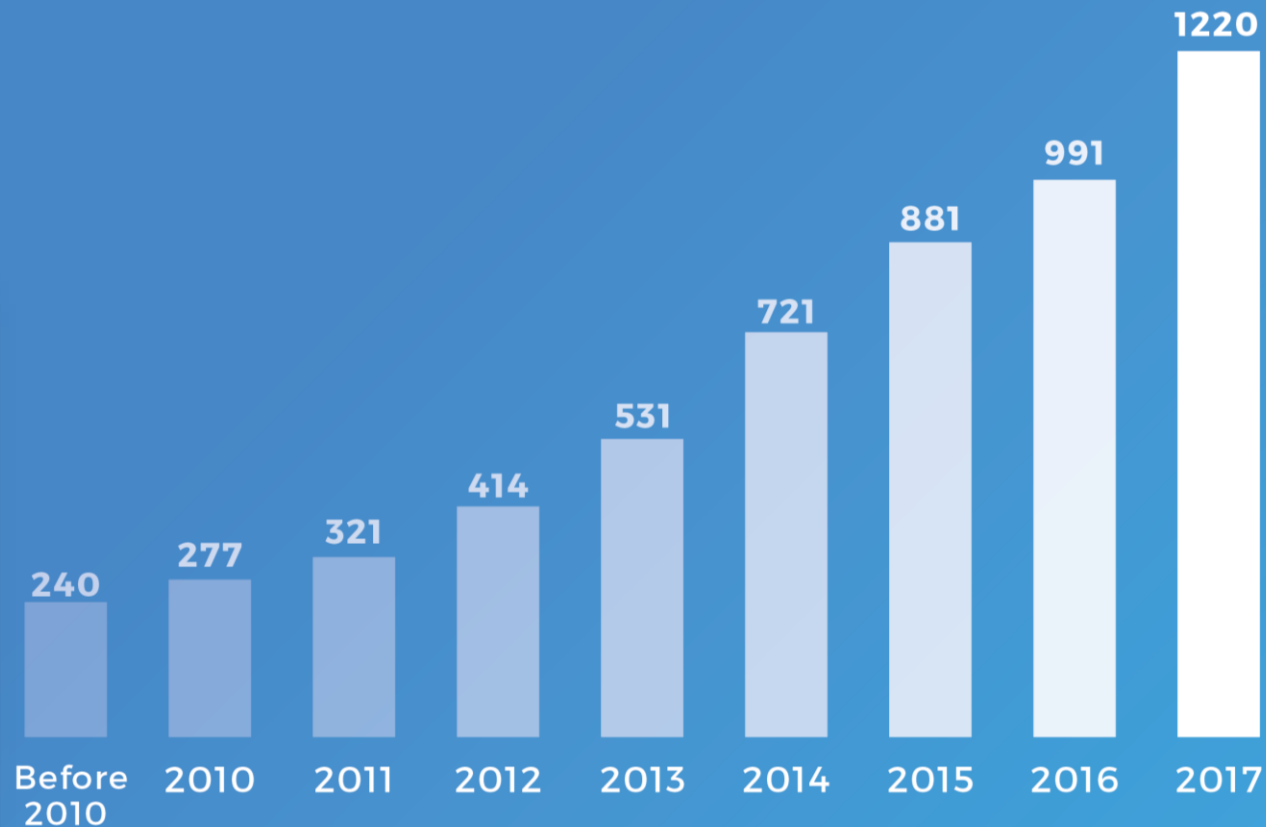
World's Scouting Regions: Ratios



Europe to become more central



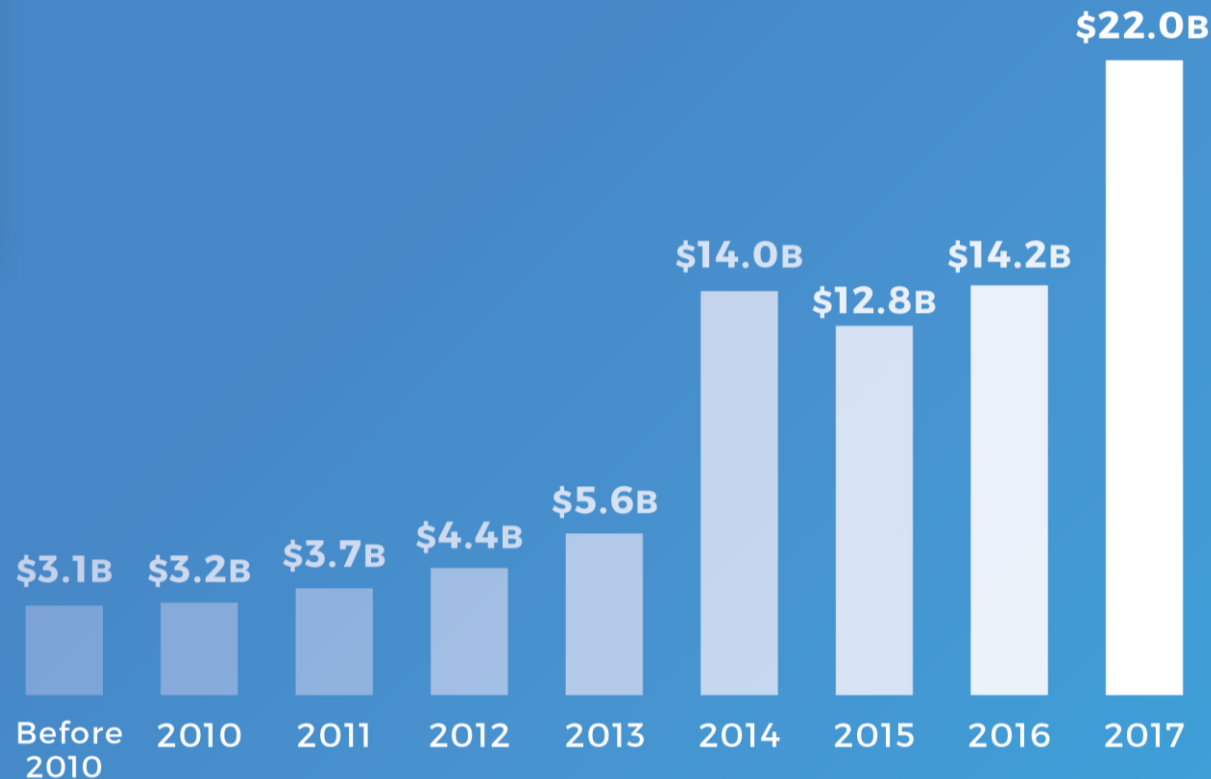
Scaleup Europe: New Tech Scaleups per Year



A Substantial Change of Pace



Scaleup Europe: New Capital Raised per Year *



Tech Scaleup Europe



Number of Scaleups

5596



Capital Raised

\$83.2B



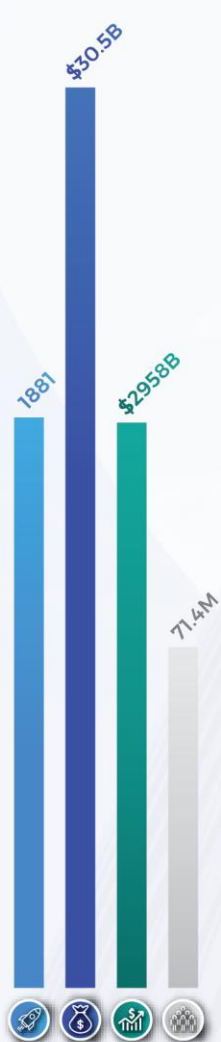
GDP

\$18,634B



Population

592M



BRITISH ISLES



CENTRAL STATES



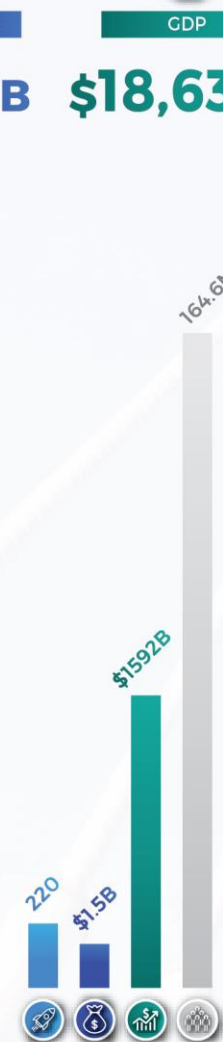
NORDICS



SOUTHERN EUROPE



BENELUX



EASTERN EUROPE



BALTICS



Scaleup Europe Country Index



Open Innovation: Trends

The way corporates are approaching Innovation is innovating too



EDUCATION

Incentive Tech-tourism, Innovation Excursions and Open Innovation classes are booming.



TREND SPOTTING

Flexible Innovation: antennas in the main hotspots (Silicon Valley, Israel, London, Singapore/Hong Kong).



ACCELERATORS

Growing Concerns re: IRR
Outsource: from internal corporate initiative to 3-party managed shared vertical accelerators.



PROCUREMENT/CO-DEVELOPMENT

Focus 100% on integration with Business Units.
Outsource the Scouting (and sometimes the Negotiation).



INVESTMENTS

Less CVCs (spawn-outs).
More off-balance investments.



ACQUISITIONS

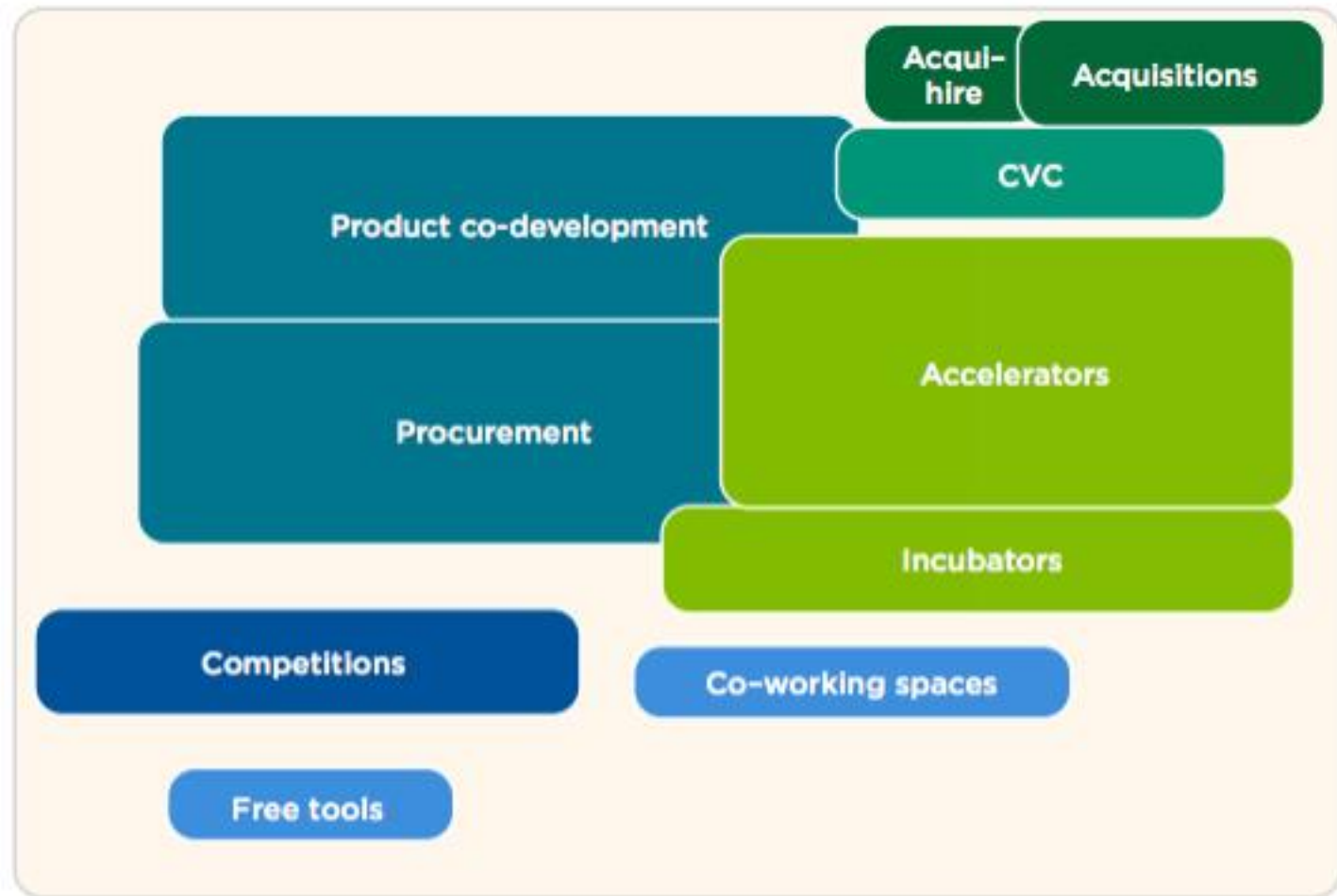
More activity.
Shift from US towards EU startups.

Open Innovation: Resource Commitment

This is what is needed to collaborate with startups

Substantial
resource
commitment
by startup

Limited
resource
commitment
by startup



Limited resource commitment
by corporate

Substantial resource commitment
by corporate

- | | | |
|------------------|---------------------|--------------------|
| ■ One-off events | ■ Sharing resources | ■ Business support |
| ■ Partnerships | ■ Investments | ■ Acquisitions |

**SCALING
TOGETHER**
OVERCOMING BARRIERS
IN CORPORATE-STARTUP
COLLABORATION

Kidharth Banerjee, Simon Bell
and Christopher Haley

Nesta...

Startup
Europe
Partnership

Corporate Open Innovation Models



TREND: TRANSFORMERS RATHER THAN INVESTORS/INNOVATORS



INVESTORS

Venture capital model
with direct investments
into tech startups



INNOVATORS

Involvement through
own accelerator
programmes



TRANSFORMERS

Open innovation
creating own digital
innovation through
POCs, licensing, strategic
partnerships with startups

TOP EUROPEAN COMPANIES



Source:  Mind the Bridge

Open Innovation Structures

Samples of how “Leviathans” are organized to implement OI strategies



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Open Innovation Structures

Samples of how “Leviathans” are organized to implement OI strategies



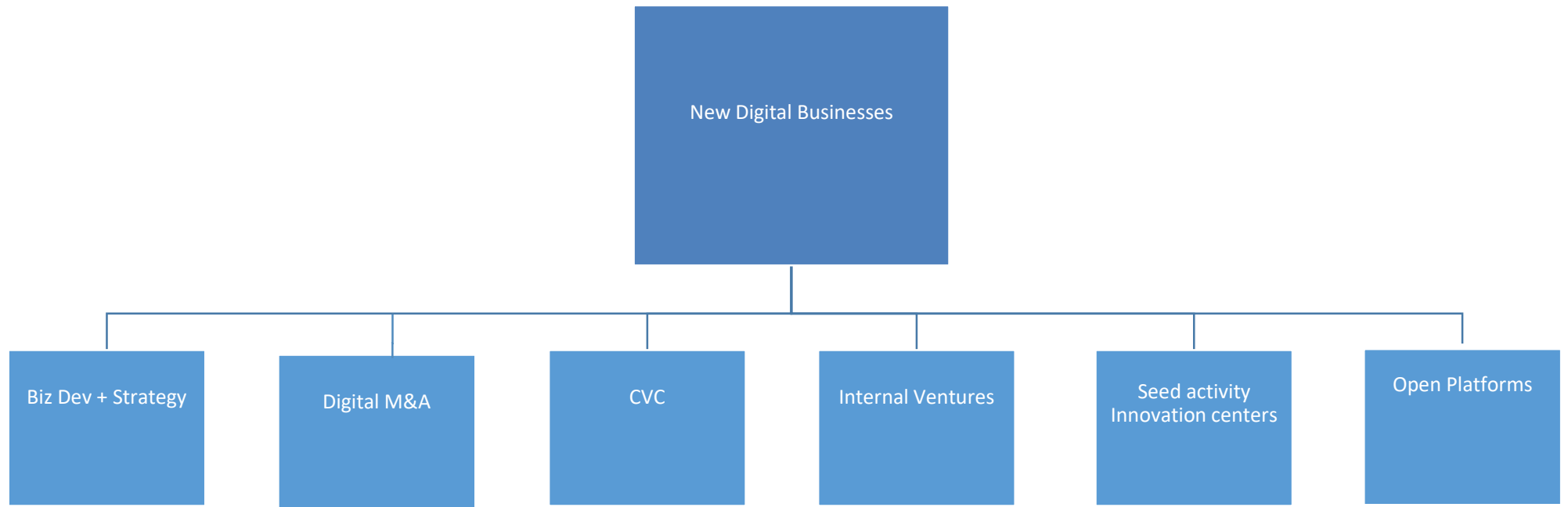
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Comparables



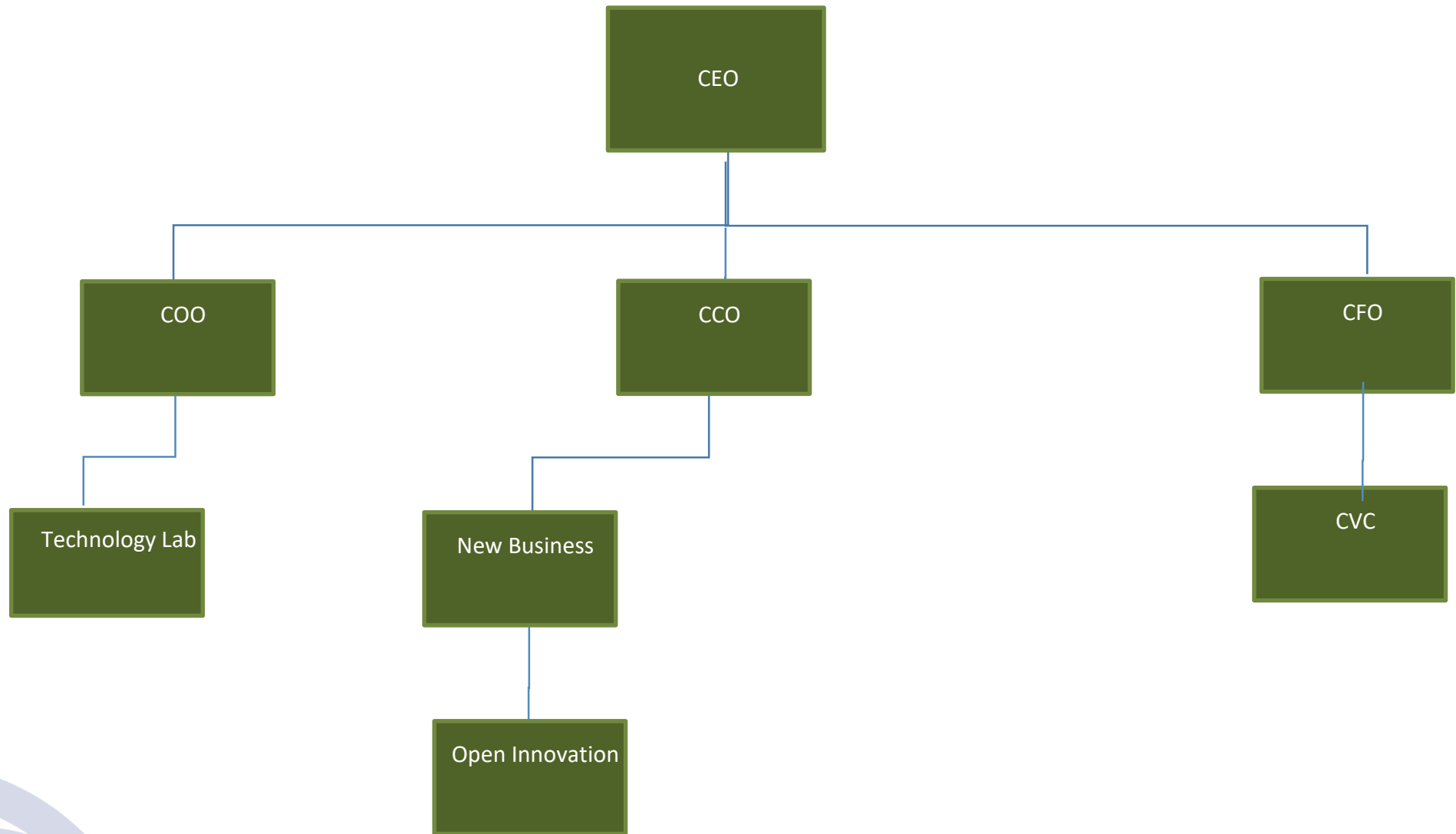
FINANCE



Comparables



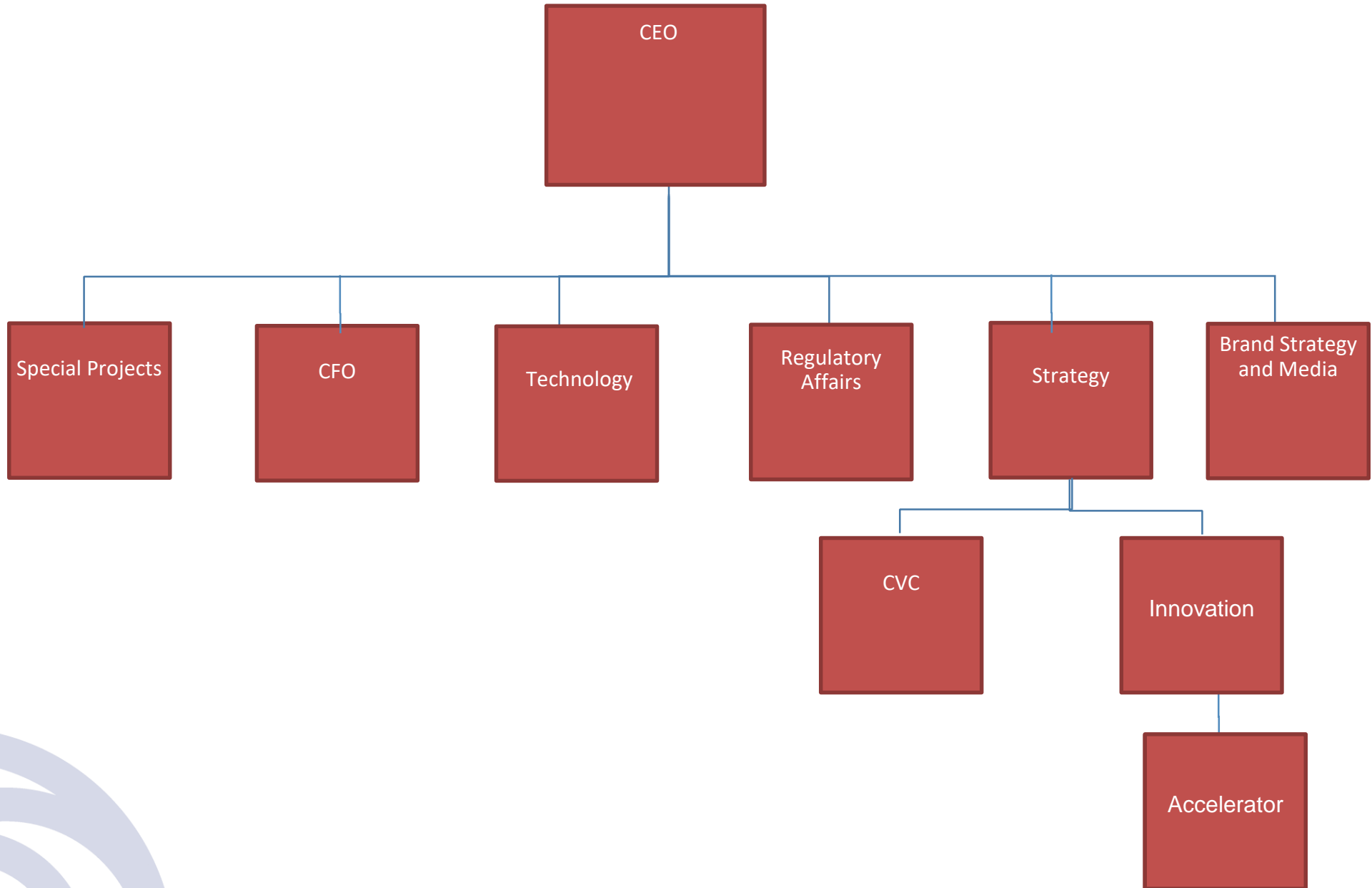
TELCO



Comparables



TELCO



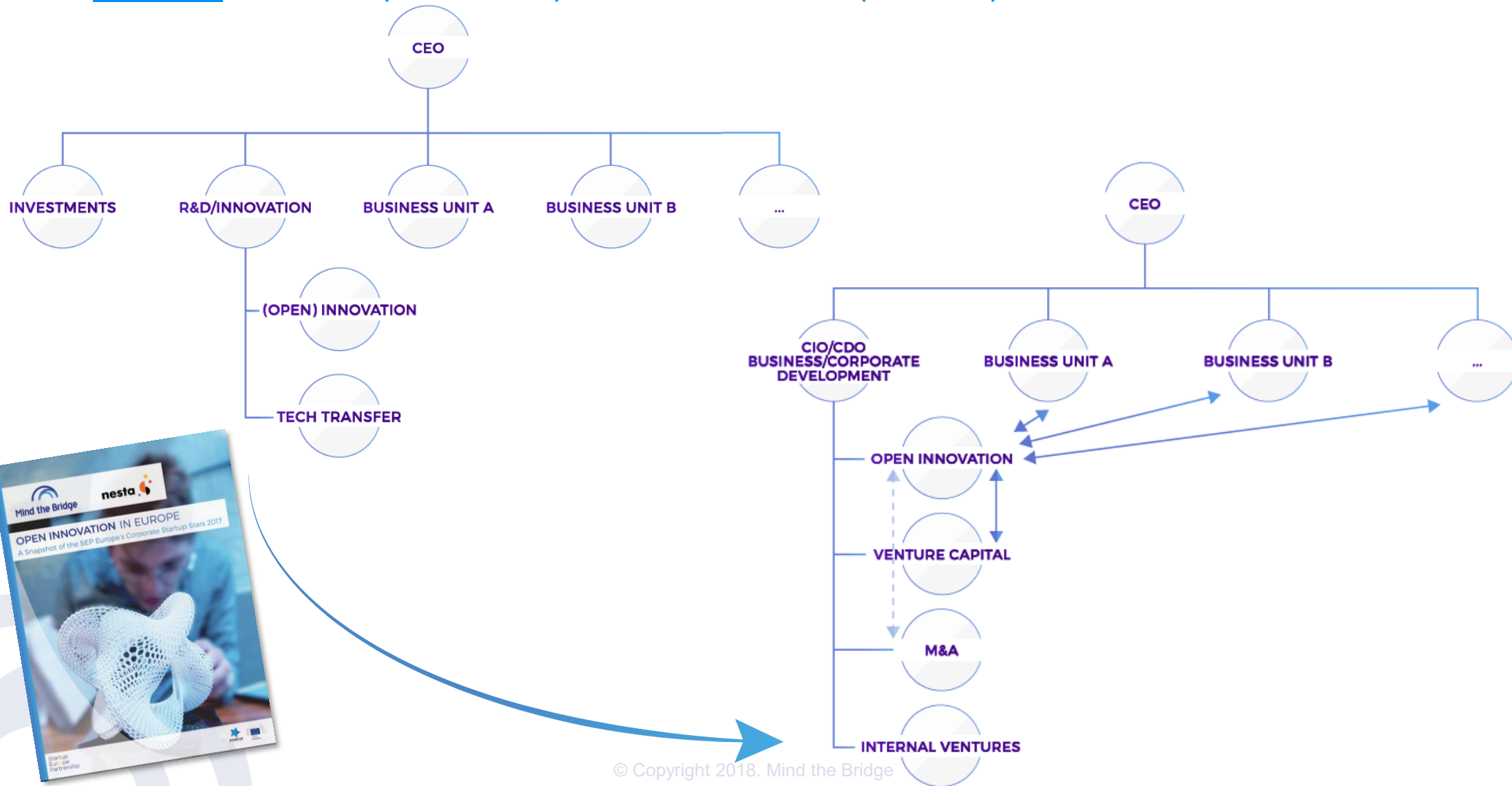
Structure Follows Digital Change

(at least should)



**84% OF TOP EUROPEAN CORPORATES HAVE NOW
A DEDICATED OPEN INNOVATION UNIT**

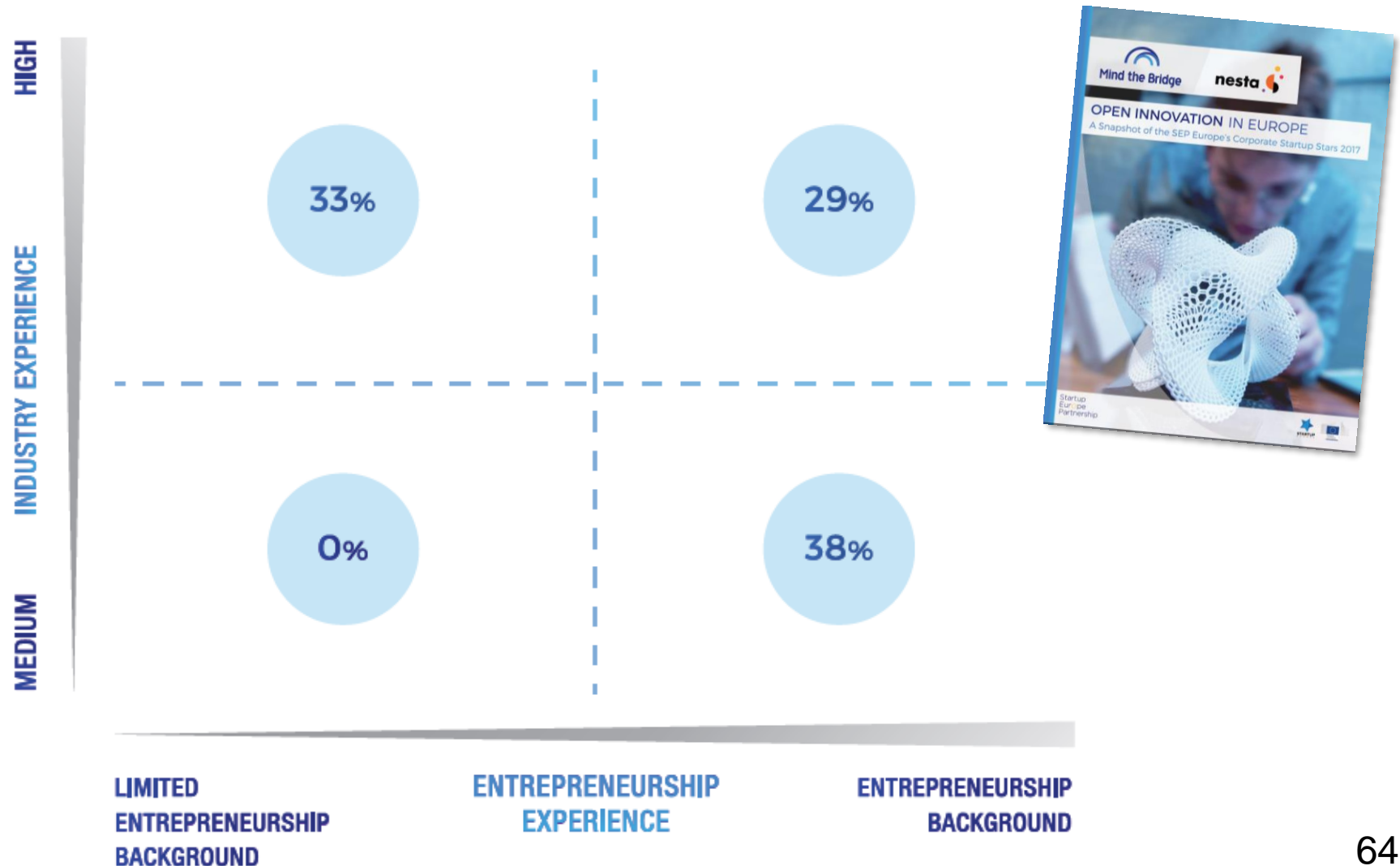
TREND: FROM (MOSTLY) INTERNAL TO (MORE) OPEN STRUCTURES



Composition of OI Units



NONE HAS ONLY ENTREPRENEURSHIP BACKGROUND
INDUSTRY EXPERIENCE IS A MUST





HANDS-ON SESSION

WORKSHOP

To Do: Priorities



INDIVIDUALLY

- What are YOUR strategic key objectives?
- What are YOUR key challenges?



To Do: Priorities



INDIVIDUALLY

- What are YOUR strategic key objectives?
- What are YOUR key challenges?



GROUP

Sharing in groups

To Do: Priorities



INDIVIDUALLY

- What are YOUR strategic key objectives?
- What are YOUR key challenges?



GROUP

Sharing in groups



SHARING + DEBATE

With everyone

To Do: Priorities



INDIVIDUALLY

- What are YOUR strategic key objectives?
- What are YOUR key challenges?



GROUP

Sharing in groups



SHARING + DEBATE

With everyone



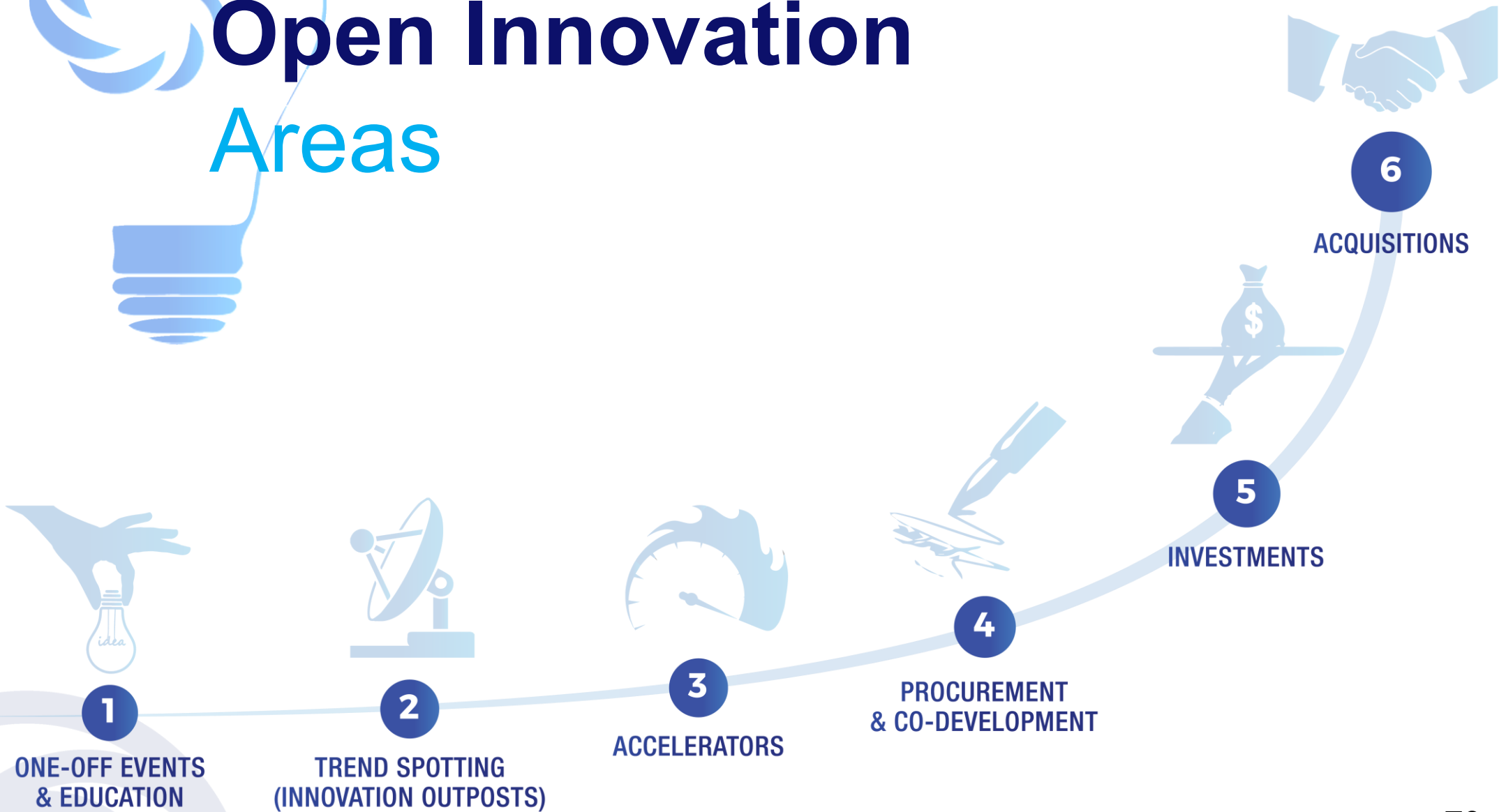
GROUP

Sharing in groups

- Given the key objectives and challenges, what are the priorities that could be addressed using Open Innovation?



Open Innovation Areas



To Do: Priorities



INDIVIDUALLY

- What are YOUR strategic key objectives?
- What are YOUR key challenges?



GROUP

Sharing in groups



SHARING + DEBATE

With everyone



GROUP

Sharing in groups

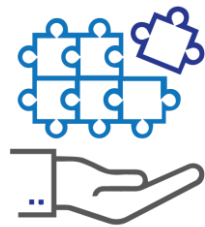
- Given the key objectives and challenges, what are the priorities that could be addressed using Open Innovation?



SHARING + DEBATE

With everyone

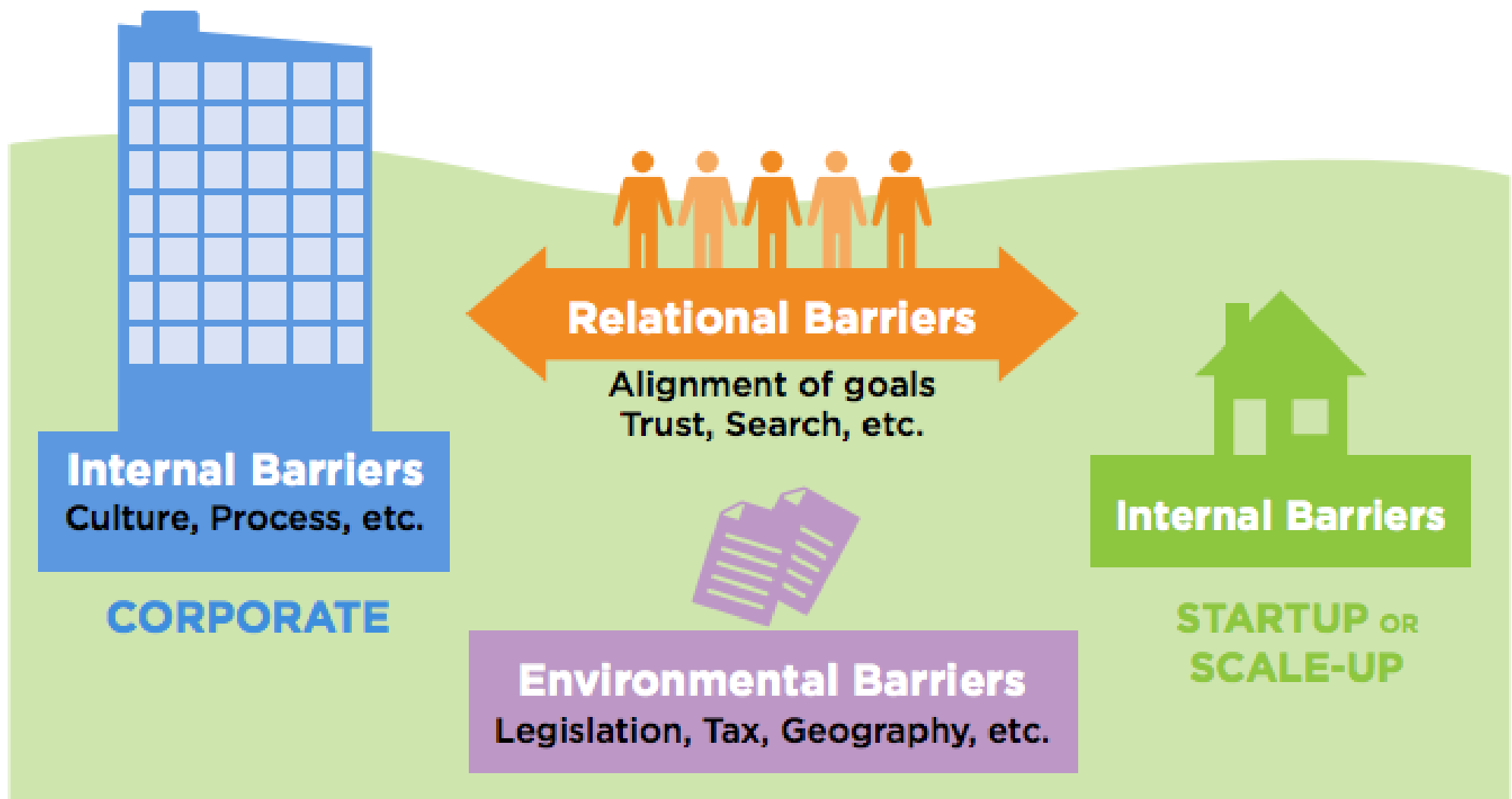
To Do: Drafting YOUR OI Strategy



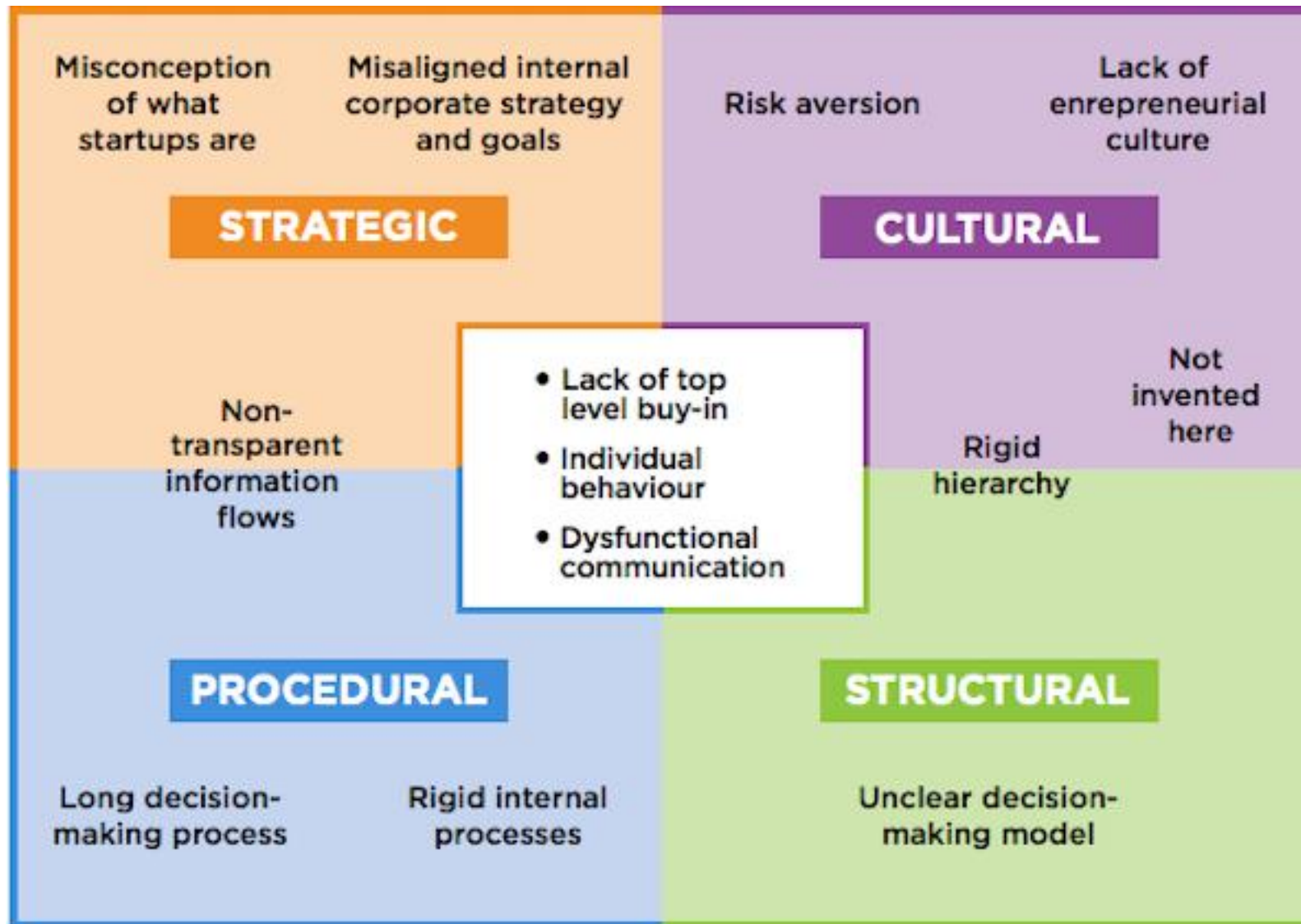
PILLARS

- Which are the main OI Areas you plan to address?
- How do you want to engage with startups and implement innovation?
- What are the key Areas for Technology Scouting?
- Who are the people in charge of the Open Innovation-related activities?
- Who are the internal stakeholders to be involved?
- Who are the decision makers to include?

Barriers to Effective Collaboration



Most Common Internal Barriers



ACTION PLAN

To Do: Action Plan



GROUP

- What is the Open Innovation key objective in 1 year?
- In 3 years time?



SHARING + DEBATE

With everyone



To Do: Action Plan



GROUP

Sharing in groups

- What is the Open Innovation key objective in 1 year?
- In 3 years time?



SHARING + DEBATE

With everyone



GROUP

Sharing in groups

- What are the 2-3 key actions involving startups planned for 2018?



SHARING + DEBATE

With everyone

To Do: Action Items



INDIVIDUALLY

- What are my personal action items?
- in 1 year?
- In 3 years time?



SHARING + DEBATE

With everyone



Today: what we have seen



- ◆ Introduction
- ◆ Open Innovation (OI) Pillars
- ◆ Corporate OI Models: Trends, Case Studies and Comparable
- ◆ Mapping: Open Innovation Readiness
- ◆ OI Strategy: Main Lines of Actions

TAKEAWAY STATION





Mind the Bridge

