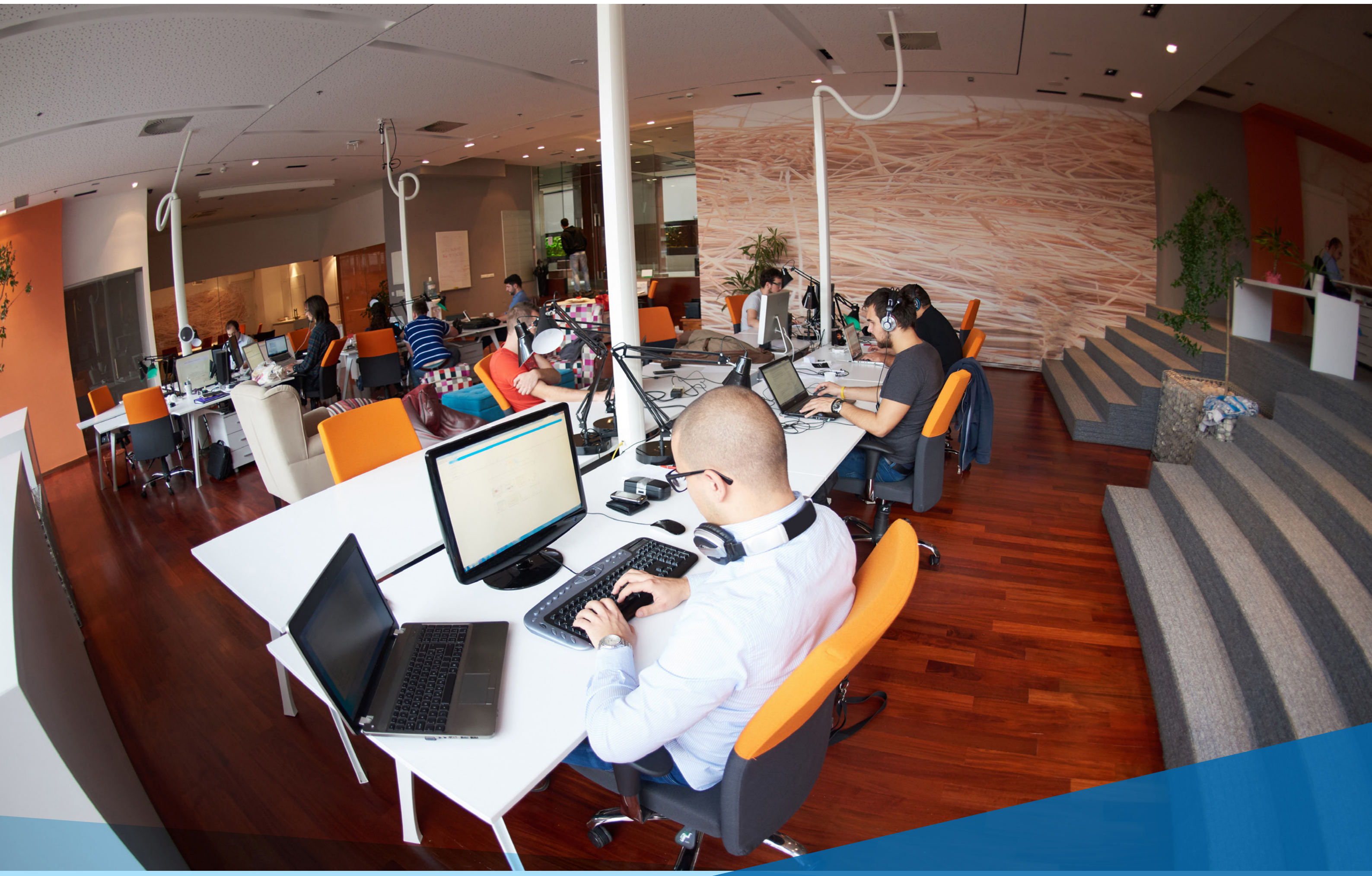
The Newbie's Guide to Playing with Startups

HYPE Innovation White Paper

by Jaspar Roos



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HYPE Innovation Report

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by Jaspar Roos

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Introduction

The Newbie's Guide to Playing with Startups follows the story of an experienced innovation manager, Jim, who has the task to solve his company's biggest innovation challenge that threatens its entire existence.
Along the way, Jim learns a lot and gets to dive into an unfamiliar world – that of startups, where nothing seems to be done the way he was thought it should be done.

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Jim closed his eyes and concentrated on his breathing for a second. His head was full of confusing thoughts, going back and forth. And he had a nasty feeling in his gut – ever since the 10 a.m. meeting he'd had that day with Jeff - the CEO of Enterprise Inc.

"Look Jim, it is clear that drones will have a major impact within the next ten years on a number of industries, including the delivery industry – our industry. Amazon is already far ahead of us with that Prime Air drone service of theirs… and now Google is experimenting with deliveries in remote locations!
What are we doing, waiting on the side-lines for drones to get full commercial integration? These deals will be off the market soon and there will be no room left for us. We must catch on! Need to come up with a new strategy. YOU have to solve this!"

When he opened his eyes again, he realized he was in the middle of a circle of people, all peers – each and every one of them an innovation manager at some bank or a tech giant. It was there and then that he stood up and said:
"Hi! I'm Jim, innovation manager at Enterprise Inc. At our organization, we are struggling with innovating and we need to change. We are progressively losing our position and our markets are shrinking by the minute. We need a new approach to innovation and we need it fast."

"Hi, Jim!" said the rest of the innovation managers.

Yes, it was official now; he had joined a support group for innovation managers. What they all had in common was the fact that, despite of their organizations' legacies, market reach, and vast resources, startups were threatening to take them out of business.

Jim was longing for the old times – albeit not so long ago – when corporations were dominating the business scene. Business was all about them and customers were all about the next big and exciting product they would introduce to the market. Nowadays, no one cares anymore...

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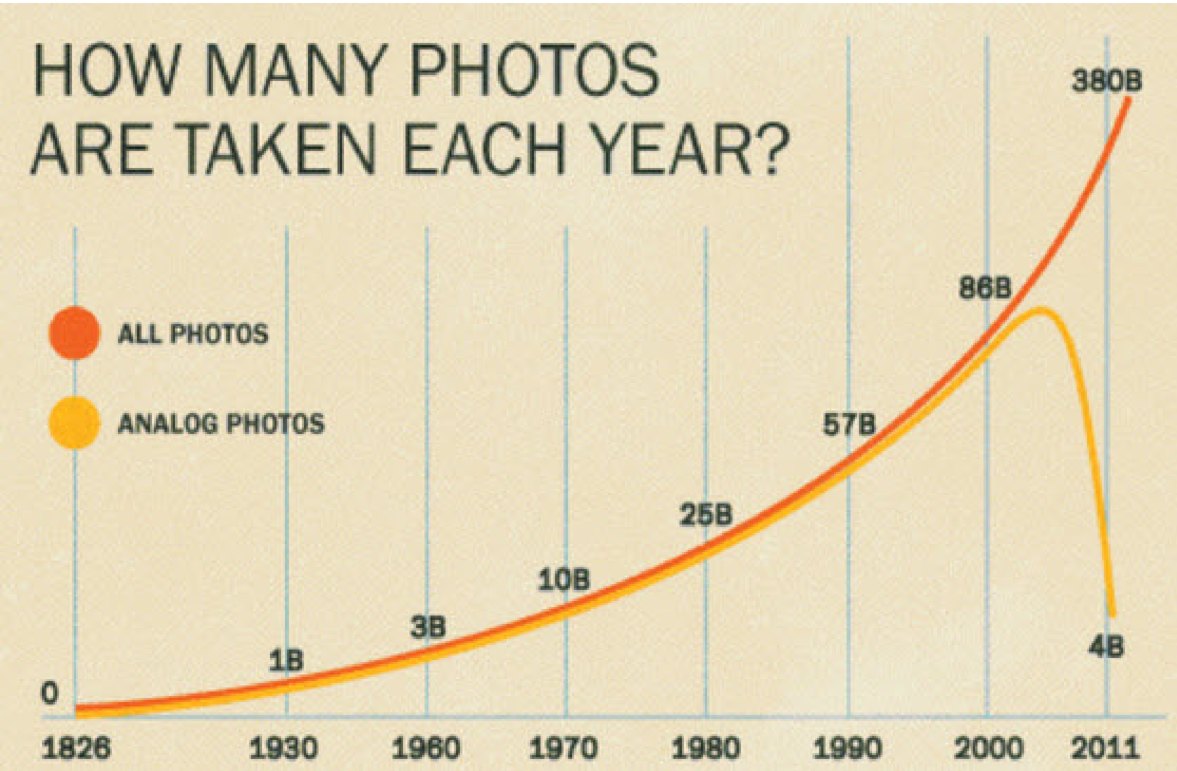
Failure to launch

Globally, companies are under increasing pressure from multiple stakeholders, e.g. the government, if you are in the financial markets, NGO's and ecological institutions for anything in the farming or energy sector, law enforcement agencies, if you are in markets where parties like Uber dominate, and, of course, shareholders. More and more companies are failing to meet their expectations or struggle to deliver better results than their competitors. The current environment is increasingly volatile, uncertain, complex, ambiguous and interconnected, and it is of great importance for companies to learn how to adapt faster than the pace of the market.

In the midst of the "digital disruption" era, the market expects innovations and inventions to come in any form and from any place. There is an evident shift in existing business models. Take, for instance, the way we get news these days – the entire industry has been disrupted by moving form an offline to an online medium of distribution. And it's a fact that in cases like this, big companies are the last ones to make a move. Corporations are slow to accepting and adapting to such disruptive movements but in order to survive they need to take action and get involved.

As a great disappointment to big companies, R&D departments are no longer considered the cradle of the "new". The mantra "innovate or die" is truer than ever before. The stability that corporate giants were once thriving in is now a myth. Markets are changing faster than ever before. The life-cycles of companies are shrinking alongside their markets as startups are radically disrupting the business scene. Think about InterContinental Hotels Group, which has become the largest player in the hospitality world over the last hundreds of years with over 674,000 rooms. Now look at AirBnB, which has created more than one million new 'hotel rooms' over the last seven years without owning a single square of property.

At the current churn rate, 75% of the S&P 500 will be replaced by 2027[1]. As in the case of Kodak, which went bankrupt in 2012, newer, cheaper technology disrupts giants' core businesses, making it difficult for them to survive or sustain competitiveness.

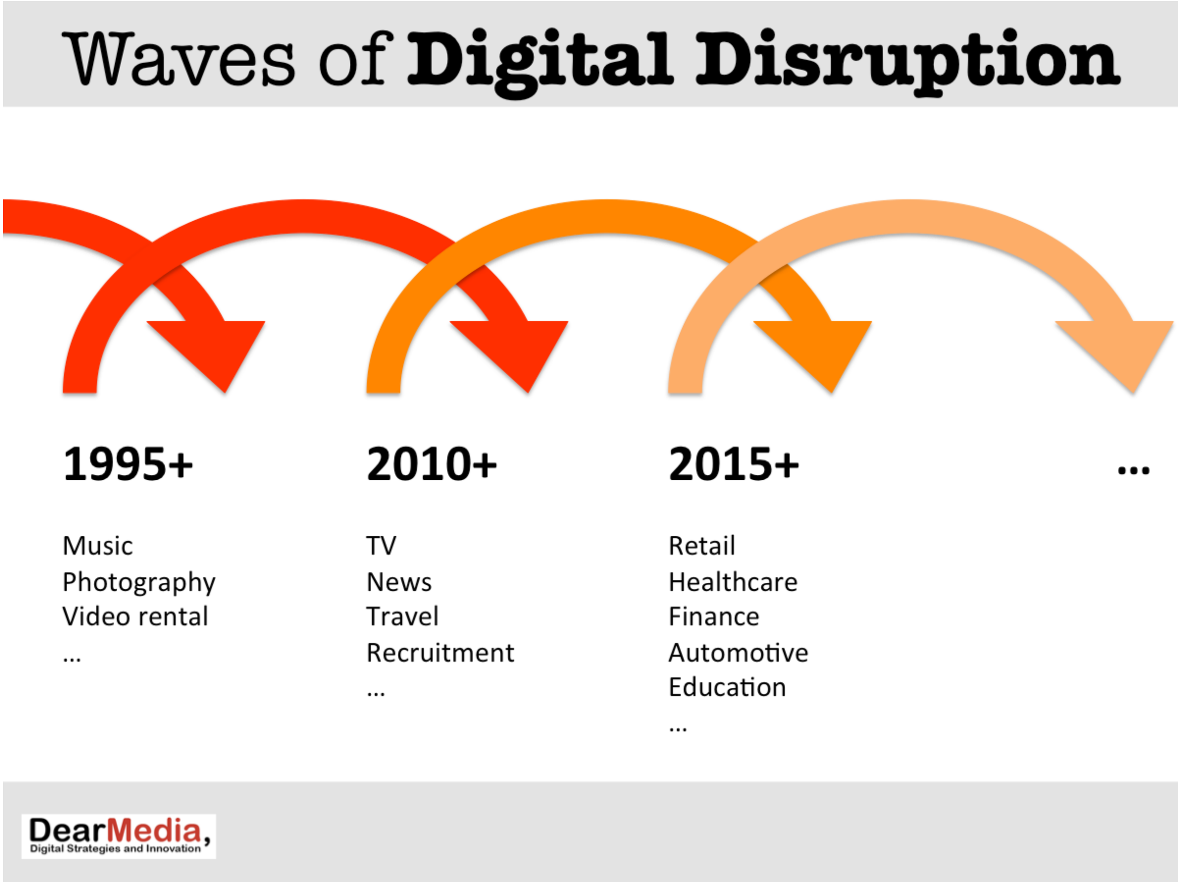


1 [Creative Destruction Whips Through Corporate America]

So Kodak took the wrong path. But how come startups are able to accelerate so fast? The costs for starting a business are constantly and continuously decreasing as the business scene is overflowing with new-comers. They are everywhere and no industry can dodge the bullet. Take for example the financial world: it is a Game of Thrones kind of bloodbath, with new entrants bringing new business models. It started with standard services such as payments and savings – PayPal, Apple Pay, TranferWise, or for example Knab. New initiatives are coming down hard on insurance, pensions, services for wealthy clients, and even complex business services.

Never before has it been as easy to start a company as it is now and this permits one-to-many players in the game. In the current market situation, big companies are standing face-to-face with their younger, more agile, flexible and adaptive competitors.

The situations, described as such, could seem a bit exaggerated and slightly extreme. It is not that doomsday for corporations is around the corner, but there is a rising threat for big companies out there that refuse to jump on board and surf the "change wave". Instead of making a safe bet by clinging onto the present, companies must find a way to ensure a steady inflow of ideas and products that respectively will deliver value to clients.



We have seen these waves of digital disruption overtaking markets in a similar fashion. First digitalization of the industry, being followed by small startups claiming not well looked after niches in an industry. After the niche has been taken, the startup acts like a wedge to prepare the industry to be disrupted in many ways.

More and more, innovation is at the center of attention when it comes to undertaking a different growth (survival) strategy. Big companies that fail to innovate are at risk of extinction. When they cannot find the right solution inside, they must search for it outside the company boundaries.

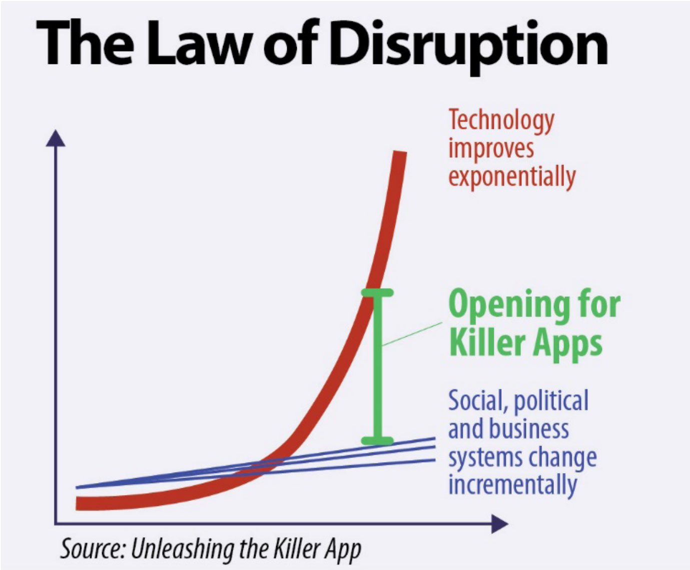
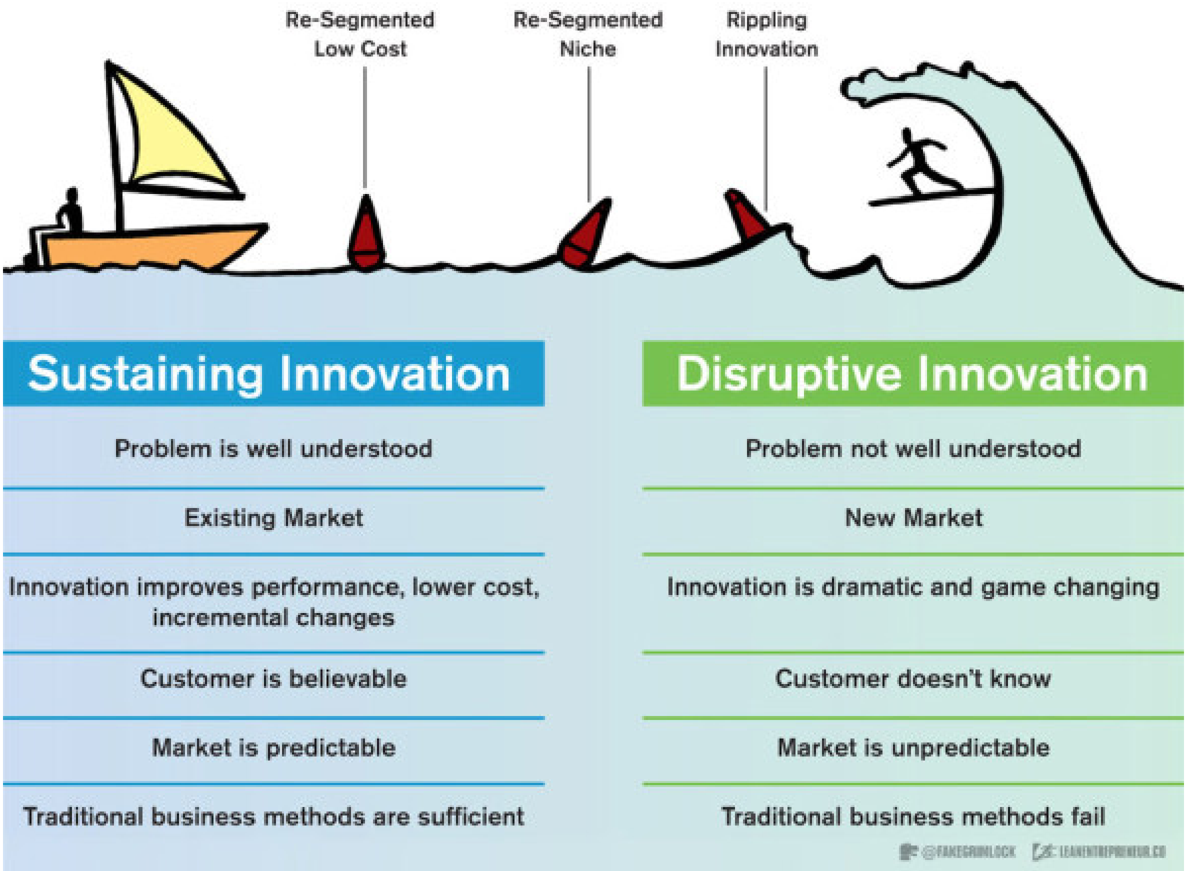


Figure 2 - The Law of Disruption

Evidently, high-performing and forward-looking companies do generate more value by responding to trends and by being prepared for, or even shaping, the future. However, to a certain extent, corporations are prisoners of their past success and their conservative culture. They have issues surviving the law of disruption. The law of disruption describes the different acceleration paths of political, social, and business systems, which change incrementally, while technology has been accelerating exponentially. For many incumbents, it is hard to imagine the possibilities of new technologies. They often perceive technology as changing incrementally, which creates many opportunities for new entrants in the market.

Accepting and fighting their risk-averse nature is still a difficult step to take. It wasn't that long ago when corporations had everything needed to sustain a constant flow of products to the market – the best talents, market influence, resources, finance and technology. The traditional, closed approach to innovating no longer fits its purpose. Coming up with the next breakthrough idea is quite a challenge, especially if you restrict yourself to think inside your own organization's boundaries.



The majority of big companies is bad at innovation, as you might agree. Typically, big companies are quite conservative – at least in comparison to their younger counterparts, and won't engage in activities that are risky and with an uncertain outcome. Moreover, the risk-averse culture within big organizations acts counterproductively to the outcomes to any undertaken innovation efforts. As a manager you have performance indicators that you need to comply with. If you don't live up to the short term indicators you get the boot. This stimulates incremental innovation instead of radical which is the true source of innovative value. And while waiting for the right circumstances, bureaucratic organizations are losing their competitive positions to smaller players that are more prone to taking risks and experiment.

By starting off with a non-friendly innovation perspective, corporate innovation behavior is destined to fail at launch. Stunned by their philosophy and culture, corporations are arriving way too late to the innovation scene. Often the biggest barriers to innovation come from within the company. A C-level manager clearly understands that in order to grow, sustain competitiveness, and deliver new value it is imperative to start collaborating with startups. But that often doesn't meet the understanding of the executors of a decision like that. Often the middle management team may disagree with doing things differently and rather stick to proven techniques.

At the same time, it happens more often than not that talented, young people are dropping out of university, and even out of high-school, to start their own companies. There are numerous well-known examples from the past few years, for instance, Arash Ferdowsi who dropped out of MIT to found Dropbox, Mark Zuckerberg – Facebook, Bill Gates – Microsoft, Matt Mullenweg - WordPress. PayPal's co-founder Peter Thiel is among the rising number of proponents to the claim that going to college is not worth it in the age of startups. Chances are that the next big market disruption is currently under construction by a group of smart tech grads who joined forces and understood what the market wants – better and faster.

* * *

Remember Jim? Well, after his meeting at the IMA (Innovation Managers Anonymous), he started reflecting on everything that had been discussed that evening. He could clearly see a tendency among all of the innovation managers – all of them explicitly or implicitly blamed the situation they were in on startups.

“Indeed,” Jim thought to himself, “in the past years startups have dramatically changed the business scene. They always seem to have the first-mover advantage, coming up with these ‘garage’ inventions. Seriously! It’s like they are pulling those out of thin air!”

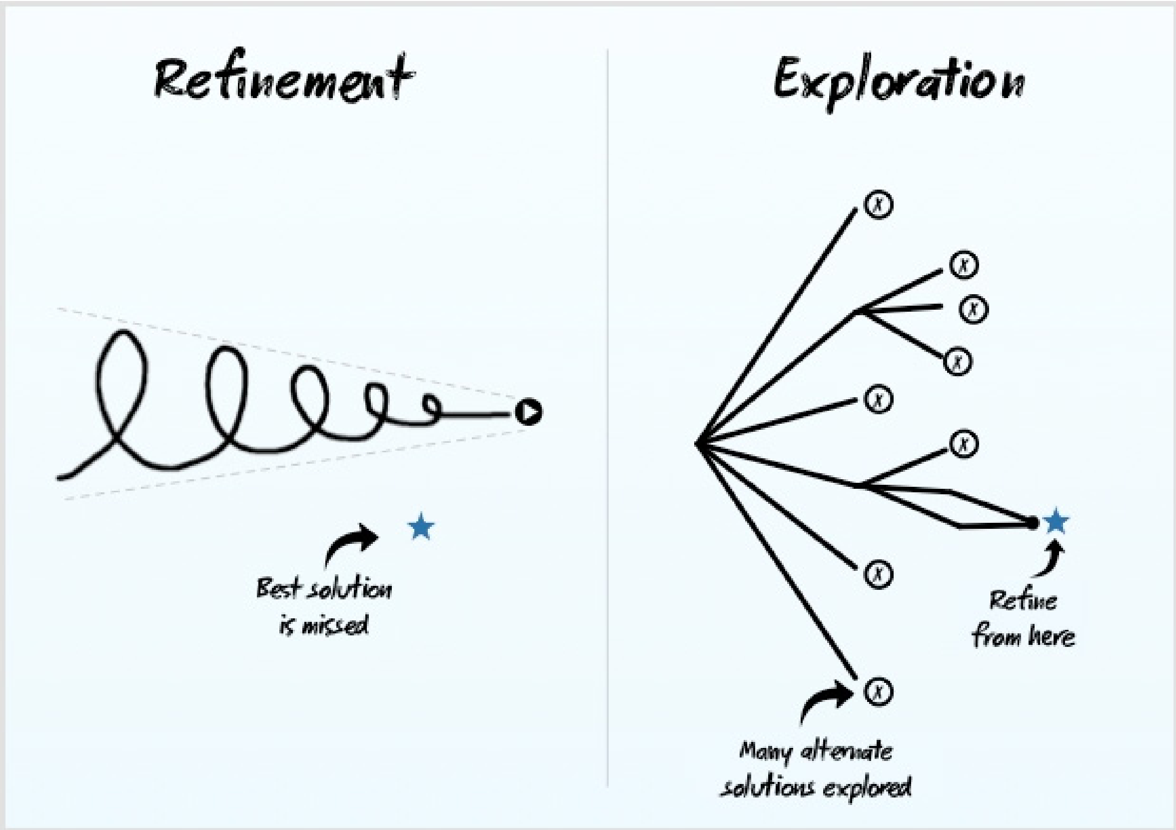
“Moreover,” he was wondering, “are the brilliant minds at Enterprise Inc. simply unable to come up with great ‘garage’-like inventions? If this is so and we can’t do it ourselves, maybe we should look for ways to bring such innovations in from the outside.”

* * *

If you can't beat them – join them!

Every company wants to be innovative and disrupt the market. Innovative companies get bigger and live longer. Simply being a successful company, though, doesn't mean that the organization is a disruptive one. Moreover, not every company can become innovative by itself. A recent study by EY[2] shows that around 39% of big organizations globally have been experiencing challenges in product innovation within the last three years.

Faced with innovation challenges, more and more companies are starting to recognize the need for a different approach.

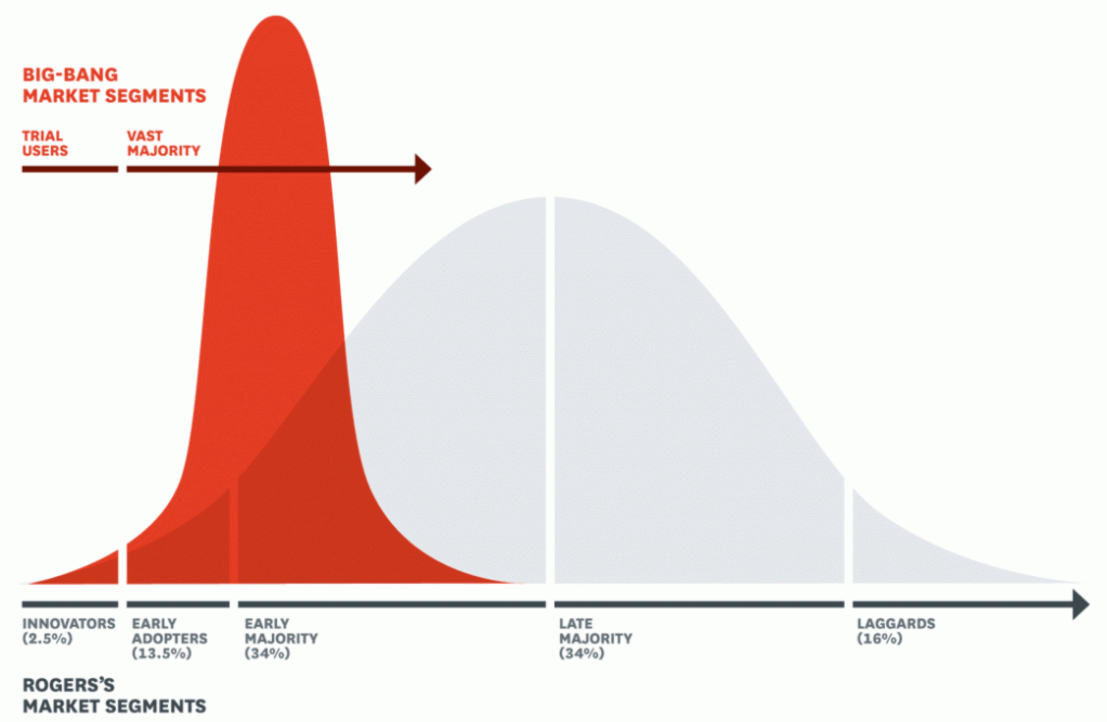


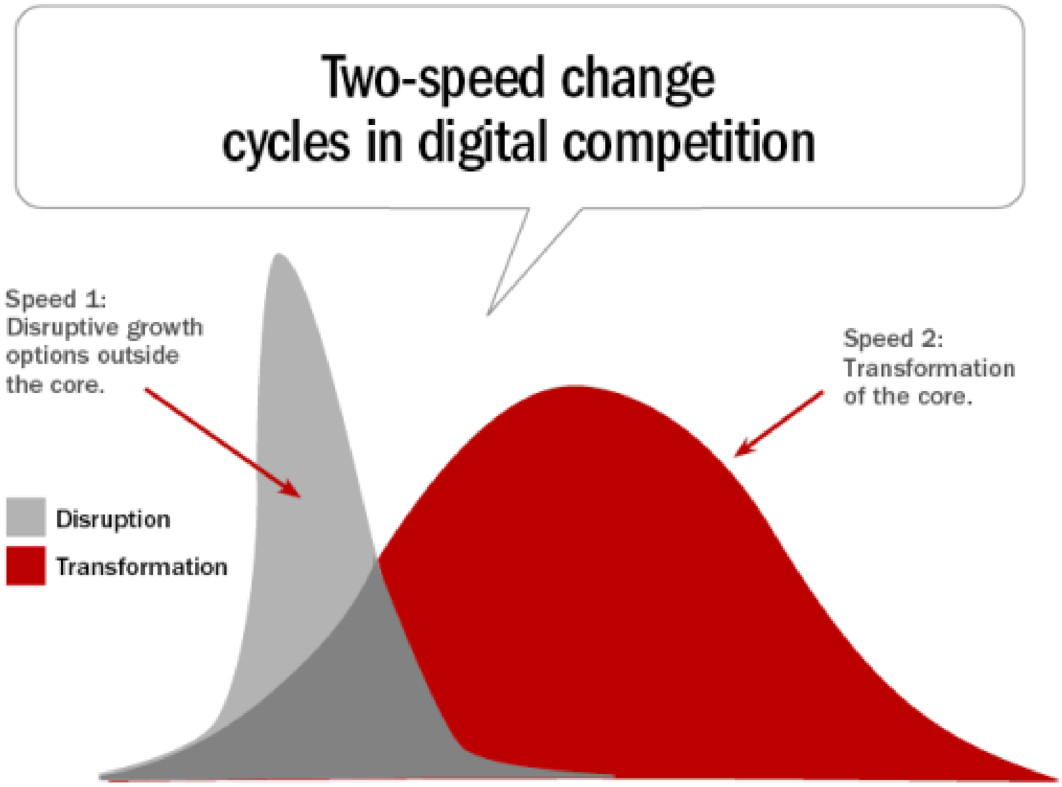
Who is hiding and who is seeking? Are corporations and startups looking for each other?

2 EY - Delivering agile innovation

To a certain extent and at a certain point in time, corporates and startups are looking for each other as they share common interests for survival and growth. For corporations, it is important to stay on top of global trends and to seek for inspiration in industries other than their own. Pushing the limits is essential if they want to innovate. Although most giants are not used to changing themselves and they are slow and unfamiliar to the process, some of them are trying to be more flexible as they recognize the need to do so.

In recent years, we see a growing number of companies are starting to implement startup-like techniques, such as the lean startup and scrum methodologies, in their efforts to be more sustainable and efficient. As an innovation manager you can't allow yourself to be waiting on the side lines for a new technology to hit the market and try to buy it. If you do this, you will just find yourself lagging behind. By the time you actually manage to get your hands on the technology, the opportunity to turn it into a viable product that would be of interest to the market will be long gone. Your organization cannot afford to wait for innovation to knock on the door, but rather has to strive to stay in line with current disruptions and be explicitly involved with those startups that are responsible for the occurring disruptions. The speed of change is different and clearly visible comparing Rogers's market segment theory with Downes' big-bang disruption.





Source: Adaption from Larry Downes, Paul Nunes, "Big Bang Disruption: Strategy in the Age of Devastating Innovation," 2014 © August 2015 The Financial Brand

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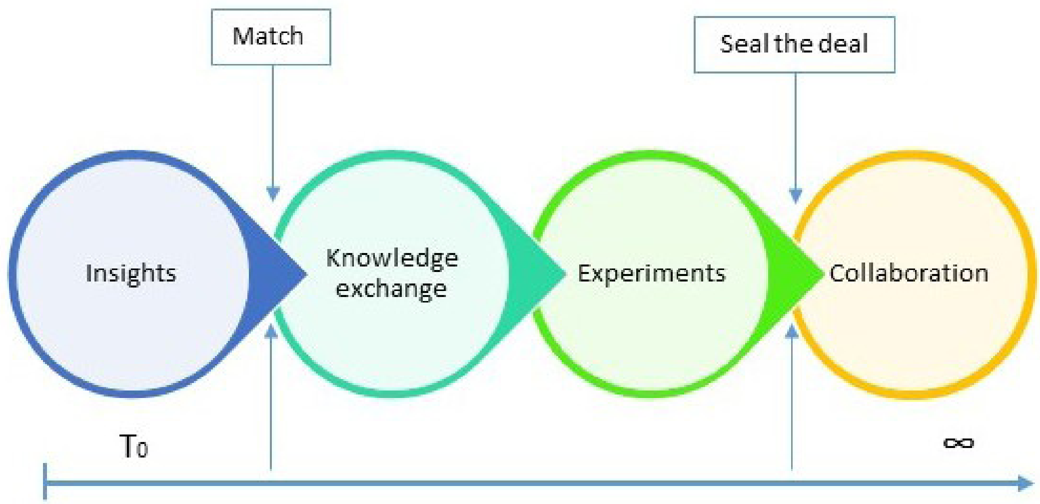
Jim clearly recognized the perks of working together with startups. After all, he wasn't blind to the tendency for new products coming from smaller, previously unknown players on the innovation field (Uber, Tinder, Pinterest, Instagram, Xiaomi, etc.).

As he was walking home, he started wondering whether working with startups was the inevitable, fast approaching future for big companies. And if so, how to get together and start the dialogue with them? If only there was a guide for that…

* * *

To some extent cross-organizational interactions mimic (inter)personal ones. Before initiating communication, people observe the situation they are in and gather insights. If there is mutual interest, the actual meet up and match up takes place. At a later stage, when experiences and learnings are exchanged, a more profound interaction takes place. In time, conversations about experiences graduate to sharing experiences.

When talking about corporate organizations and startups working together, it cannot be expected (or recommended) that collaboration happens all of a sudden. Quite on the contrary, collaboration is an ongoing, gradual process comprised of stages with different intensity of interaction.



Collaboration between startups and corporations starts at point T0, when insights about the situation, possible collaborators, and techniques how to approach them are being gathered. The actual match happens after that point, followed by cross-organizational exchange of knowledge and learnings, experimentation, and collaboration. Every next stage of collaborative interaction implies a stronger engagement, commitment, and trust between both sides.

* * *

The next morning, Jim woke up full of energy. He was seriously considering the possibility of working together with a startup, or even a few, to get his company out of the deadlocked situation. By the time he got his morning coffee in his hand, he was asking himself one very basic, but still vital, question: "Where should I start off?" After all, he had spent the last fifteen years in a corporate suit. What did he even know about startups? Not much. Before even considering getting involved with startups, he needed to get some insights. He fired up his laptop and typed a single word into the search box – startup.

* * *

Getting to know startups. Step into wonderland!

Startups – breezy, cool, and hip. They excel at bringing in the new, the other, and the different. Their unorthodox approach is what brings them traction. They reside at the edge of the existing business model and change the rules of the game by disrupting the status quo.

Often startups are referred to as toddlers. Indeed, they could be emotional, naïve and inexperienced. But just like kids, startups are not afraid to ask questions, experiment and be creative.

The world of a startup is profoundly different from the one of a corporation. Many perceive them as the smaller equivalents of corporations, but it is really more like looking at the two sides of a coin – they are in the game together and again quite so different. The difference originates not that much in mission and vision, but rather in the way of working towards achieving these visions. For one, a corporation works on the basis of business cases and best practices. Unlike corporate organizations, startups function on the basis of **"fail fast and cheap"** and favor a **"can do"** mentality, rather than a "let's think about it" one. And this is challenging for stability-oriented, risk and adventure-averse, bureaucratic giants.


Top 10 Reasons Startups Fail
Based on an Analysis of 101 Startup Post-Mortems
No Market Need 42%
Ran Out of Cash 29%
Not the Right Team 23%
Get Outcompeted 19%
Pricing / Cost Issues 18%
Poor Marketing 17%
Ignore Customers 17%
Products Mis-Timed 14%
Lose Focus 14%
Disharmony on Team / Investors 13%
www.cbinsights.com

Despite the general differences, there are plenty of motivations for startups to collaborate with corporations:

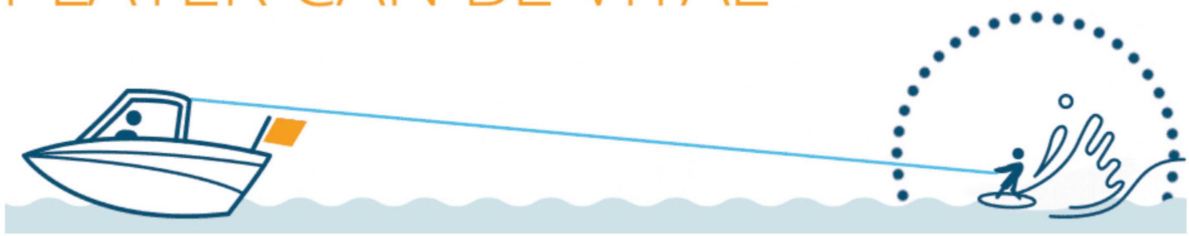
- **Credibility.** Thanks to the abundance of technological advancements in the past years it is pretty easy and cheap to start a company nowadays. Startups are popping up all around, delivering solutions and life-hacking tools. Still, many of them fail. But collaboration with an established company can help the startup to be perceived as serious business and to attract the clients it needs to survive and grow.

- **Market reach.** Startups have limited reach and distribution on the market. Through leveraging corporate distribution outlets they can get to the market faster.

- **Publicity.** Experienced companies that have been out around for a while have been through all the ups and downs of public relations. They can help young firms to get through tricky situations and avoid tragedies by sharing the lessons they have learned.

- **Funding.** It is not a secret that companies need money to survive and grow. Usually, big companies have it and small, developing ones are looking for it.

SMALL COMPANIES: TIES TO AN ESTABLISHED PLAYER CAN BE VITAL



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“Ok, so far so good,” said Jim to himself, “So what could be the best way to meet and get connected to these young disruptive minds?” He continued his search…

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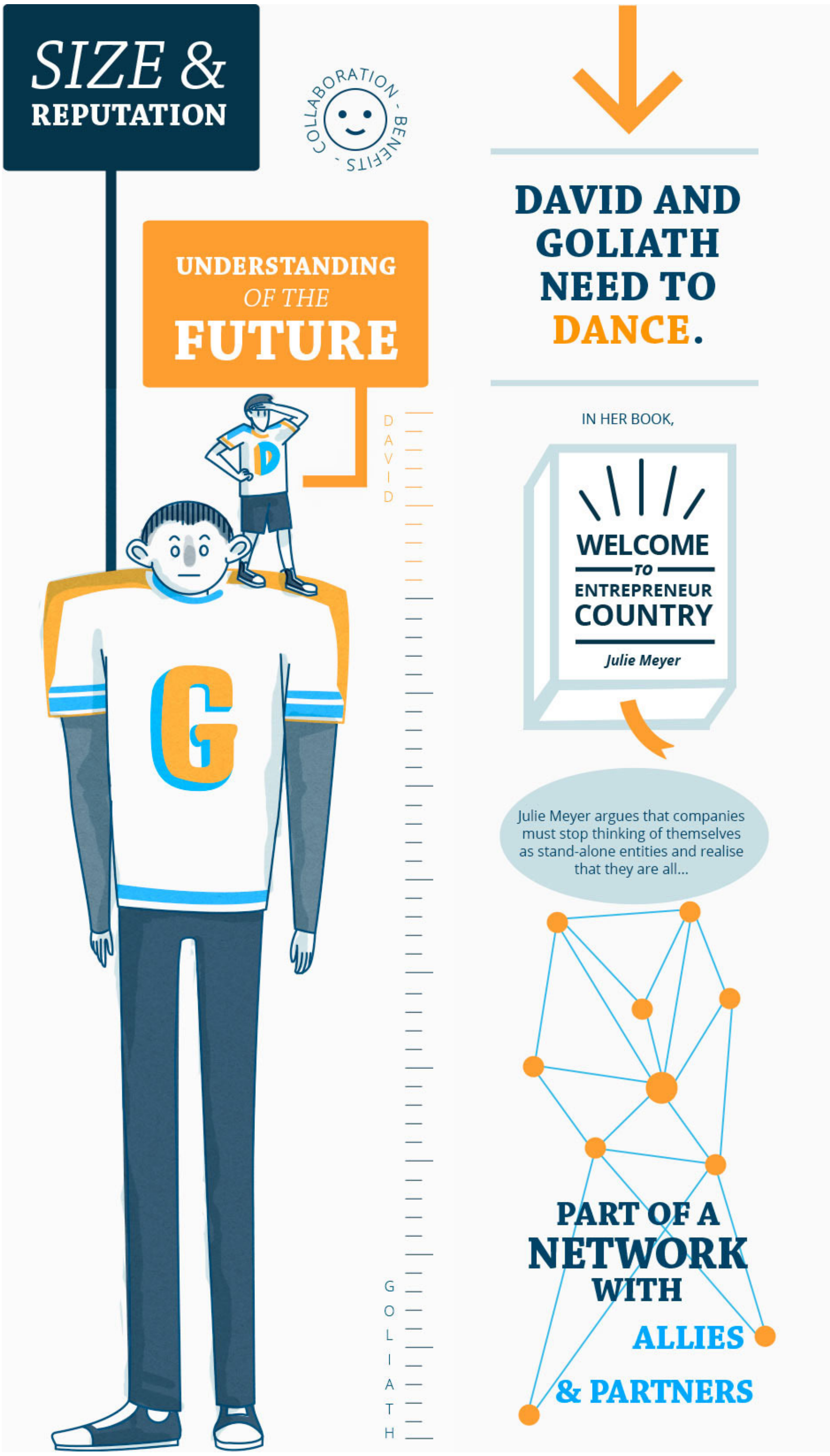


Meeting with startups

Meeting up and connecting with startups is getting easier and easier. There is quite a range of activities that a big organization can engage in to start the dialogue with smaller organizations.

- **Keep track of startups via databases;** startup databases can be thought of as address or phone books for startups. This a straight forward approach to sourcing contact and other general information about small companies in the market. Some examples are platforms like VentureScout, DutchStartupDatabase, BetaList, AngelList, or www.ventur.es.

- **Attending and hosting startup festivals;** startup conferences, festivals, and fairs are a good place to meet and network with startups. At events of this sort, startups usually show off their products and services. This is a great opportunity to get a first-hand demonstration of what the startup's solution is, get insights on the product and potential pitfalls.
  Startup festivals and annual summits have shown how big companies can directly engage with the startup world. For instance, Unilever engages with startups through a direct call for collaboration at global events such as the annual Mobile World Congress (MWC) in Barcelona in 2014, where they managed to sign contracts with 11 startups.

- **Reverse pitching;** usually we have entrepreneurs, innovators and startups pitching their ideas to corporations. With reverse pitching events, the tables are turned – corporations are pitching their pain points to startups the same way entrepreneurs pitch to investors on a daily basis. This is a great opportunity for corporations to source solutions from startups that have unique capabilities and to reach talent for future projects and engagements.

- **Crowdfunding platforms;** crowdfunding platforms are another good source for gaining insights on the hottest new startups and breakthrough innovation products. As the venture world is looking for the next batch of million dollar unicorns, investors are eagerly turning to the crowd to source deals. Crowd-based investment platforms, like Indiegogo and Kickstarter, have made it possible to also track the crowd's interest in those products, thus pointing out trends in consumer behavior. Indiegogo has a good track record for spotting winning startup ventures, including social robot Jibo, home security system Canary, and the Misfit Shine wearables.

- **Tours to startup hotspots;** during the past few years, it has been quite trendy for big companies to organize trips and tours to startup hotspots. Companies such as Citrix, Google, Walmart, Cisco, Wipro, Intel, and Bosch pay visits to the incubation and co-creation Startup Warehouse in Bangalore. Moreover, among the top hotspots in 2014 are Silicone Valley, Sydney, Tel Aviv, Sao Paulo, Melbourne, Chicago, New York, etc.

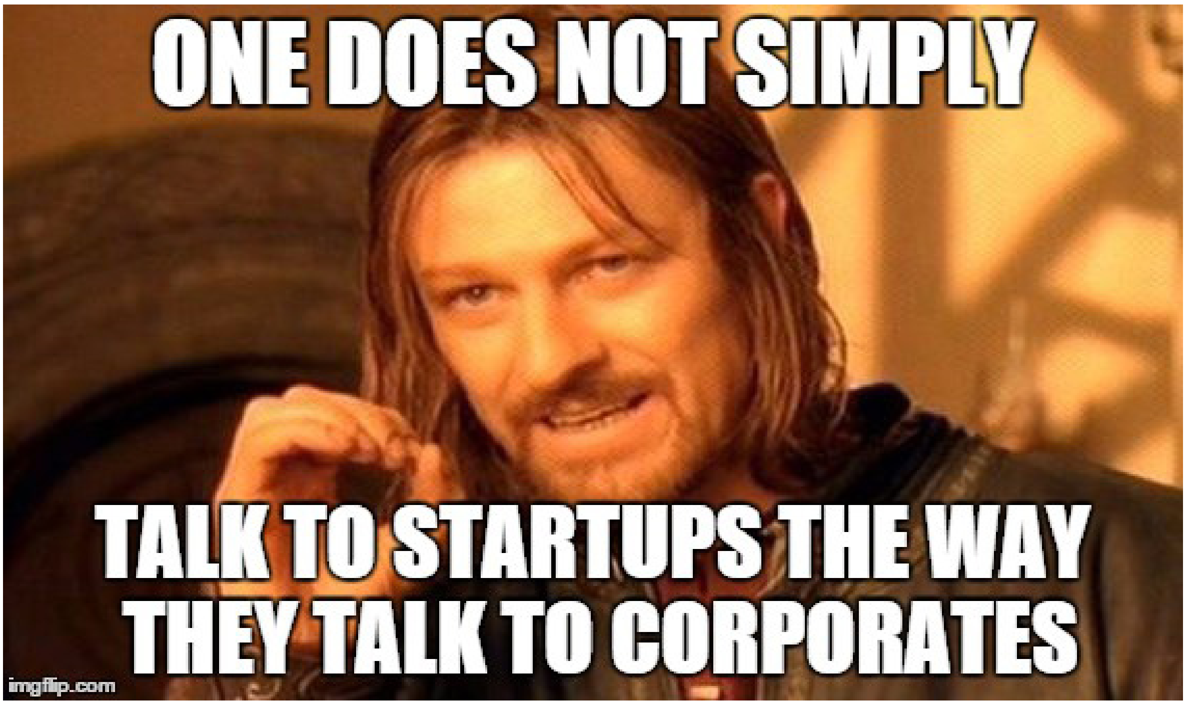
  With a more European focus – Stockholm is a cradle for entrepreneurs, being responsible for big brand names such as Spotify, Skype and Soundcloud. The Netherlands are currently at the forefront of the continental digital startup scene. Dublin is also considered a global startup scene with a remarkably good access to seed investment from a growing number of accelerators. And of course London and Berlin play an important role, both in the financial sector as well as incubating the new USD 1 billion companies, the so called unicorns.

- **Startup networks;** Microsoft, Orange, Google, Adobe, Paypal, McAfee, TCS, Sasken, Morgan Lewis, and Bank of Ireland are all companies that actively leverage startup networks, such as MobileMonday, Startup Week, Open Coffee Club, Creative Sundays and Startup Weekend to meet up with startups. Regularly, at such events, entrepreneurs meet up to discuss current industry trends, talk about issues and solutions, and promote their ideas.

* * *

Jim stepped away from the computer. He never thought there were so many different ways to connect to startups, but in all fairness, never before did he need to even think about how to work with them.

The opportunity to meet startups in person got him quite enthusiastic. He wanted to attend a startup event (of any sort), dive into that world and see what all the fuss was about. Big innovation-focus news outlets like FastCompany and TechCrunch seemed to praise the startup culture and claimed that one does not simply talk to startups the way you do to other enterprises.



That was the point when Jim googled "what to do when going to meet startups". What he found was:

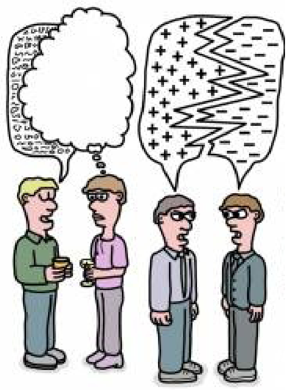
* * *

Six tips to get you prepared when going to startup events:

1. **Keep it casual;** meeting startups is nothing like the average stand-up or board meeting you attend. Loose the suit – a regular pair of jeans and a hoodie will "buy" you an entrance ticket. Naturally, suits are almost always appropriate, but you're going to stand out rather than blend in. Moreover, in a startup environment this could convey seniority and superiority. This, subsequently, can result in pushing away the entrepreneurs you are trying to get a hold of and miss out on opportunities for collaboration.

   Note: Bear in mind that quite a few of the entrepreneurs starting companies have their background in the corporate world. They are seldom impressed and are a tough audience to deal with.

2. **Learn to understand basic startup language;** startups and corporates speak different languages. Often there is a discrepancy between what one side says and what the other understands. In order to collaborate efficiently, corporates must learn how to decipher the startup language. Here is a short dictionary of phrases that can come in handy:



Startup language	English translation
Pre-Money Valuation	A number that you made up.
Post-Money Valuation	A number that you made up alongside your VC with the addition of some cash.
"I'm a serial entrepreneur."	A person who had a couple of ideas, that all had failed.
Failure	A bad thing that the Silly Valley has recently put on a pedestal as something to be celebrated.
"We're doing great."	"We are not doing great"
"We're a design-centric organization."	"We don't know how to code"
"We're seeing great gross margins, and so are investing in growth given our strong, SaaS unit-economics."	"We lose money"

3. **Don't show your true face;** as it is with most conferences you end up wearing a badge with your name, organization, and role at the event. Still, if it is possible, avoid using one. You can dress like them and speak their language but if your badge says "corporate", be sure you are going to get the "investor treatment". Wearing a badge that says "corporate" will immediately attract fund-raising startup founders, but also means that you get information tailored for corporate ears. If you want to learn the full story around a startup and its product, try wearing a "startup" or "founder" badge. You can be sure that then you will hear all about the juicy details, the challenges, and pitfalls.
4. **Don't try to change them, they do it themselves every day;** be prepared for chaos. Startups thrive in a creative chaos and their vision and behavior changes quite often. That is unfamiliar to stagnant giants and can come as a slight shock, creating an urge to reconstruct and bring things in order. But startups don't want to be influenced and be pressured to change by big corporations. They want to stay true to their vision and follow their purpose. For that many startup founders will stray as much as possible from corporate giants.
5. **Try to see the glass half full;** in 8 out of 10 cases when you talk to startups at events they will sell something that is not quite finished yet. Be patient and open-minded. Don't dismiss a good concept right way only because it is not ready for the mass production phase you envision.

6. **Beware of "kissing frogs";** startups need funds and some of them will bend the truth if it gets them the deal. Be cautious when mingling with startups – some will stay frogs but others may turn out to be the real thing.

* * *

Jim was excited. The information he had gone through for the past few hours got him even more interested in startups. He found the way they function, their beliefs and spirit both puzzling and inspiring. Jim clearly felt the need to dive in and explore the startup world.

He did a quick search. Luckily for him, there was the Pitch Your Startup event this same week.

A couple of days later Jim went to the event. He took a look at the crowd of young, hip people and sighed, "Let's go and meet some entrepreneurs!"

You could tell he was not in his element, but judging by the way he looked, he had followed all the recommendations that he found in his research. Apparently, he left his corporate suit at home and wore jeans and a blazer, instead (a hoodie just wasn't his style and seemed to be a little bit over the top). Moreover, he went undercover and skipped the "corporate" badge. With an open mind for adventure he dived into the pool of energetic, future-minded founders.

After spending over four hours of talking to people, Jim began to grow tired. So much information, most of which was basically incomprehensible technological terminology. In his opinion, many of these kids did have great ideas but only little understanding of how the business world works. And it was a shame that only a few would make it because of lack of proper management and guidance.

Among these founders was Steve. His company provided drone technology solutions to a couple of delivery giants across Europe, currently being used for short distance deliveries. They enjoyed a pleasant chat, and now Jim was thinking about if and how to continue their conversation and bring it to a more serious level of discussion. He recognized an opportunity for both of them to benefit from each other's knowledge, experiences, skills, and expertise.

* * *

Knowledge sharing and exchange

Startup strategies are not only for startups anymore. There is a whole lot that corporations can learn from startups. It is not that people working at startups are smarter or more skillful than those at big companies; their advantage is a culture of experimentation and adventurous spirit.

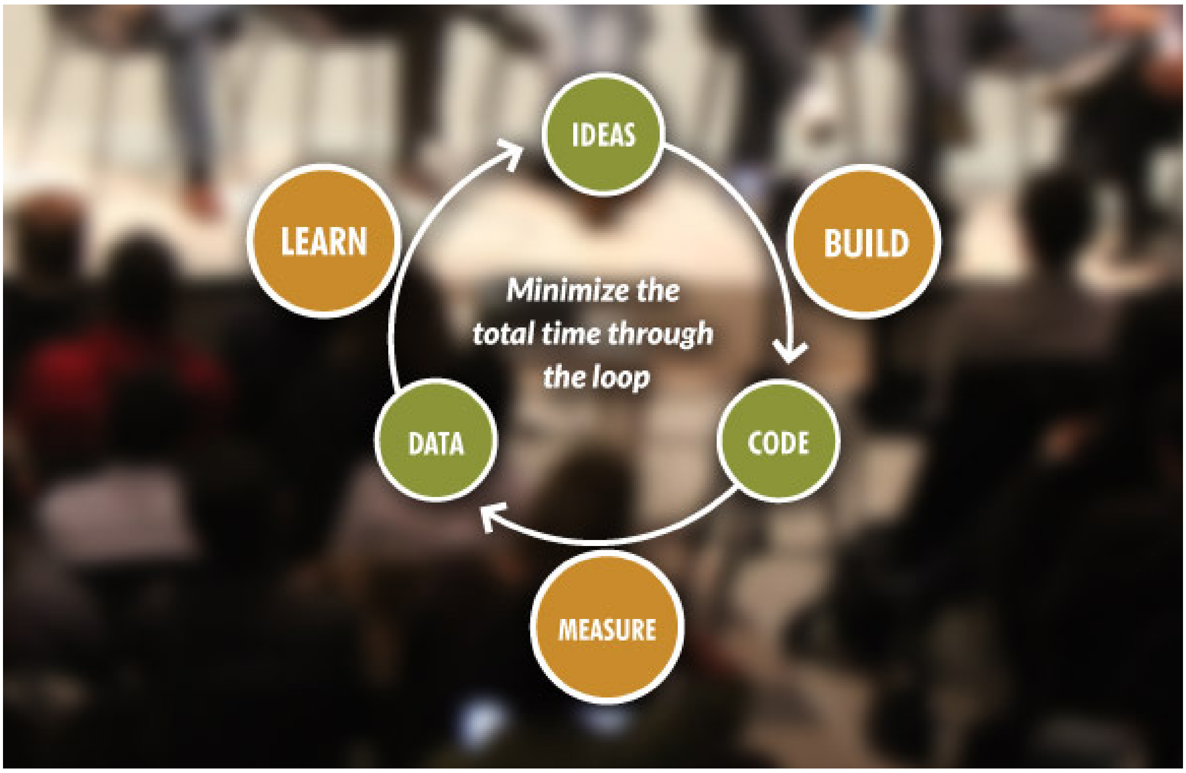
Bigger companies can clearly benefit from assuming some characteristics of the startup mentality.

- In times of rapid change, rapid movement is required. Speed has become an asset that big companies rarely possess. Unlike them, startups are moving fast and gather momentum.
- Startups don't play by the rules because they don't care about the existing business and the market modalities. Rather than that, they focus on delivering customer solutions by redefining the market.
- They rarely do market research the conventional way. Instead, they build a very simple and cheap product version and give it to real customers to assess.
- Startups recognize needs and focus on filling the void even before coming up with a business model. It is all about creating the asset first – profit comes later. Vivid examples of this are most digital businesses today, e.g., Facebook, Twitter, Google.

The Lean Startup

Corporations are rather risk-averse, especially as for them failures are more public. They tend to spend months and even years in developing a new product without ever showing it until it is perfected and ready to go to the market. Ironically, as new products are being delivered to the market with an increasingly rapid pace, their approach holds the exact risks they aim to avoid – not meeting customer needs and wants, an increase in development costs, and, eventually, failure.

The adoption of Lean Startup methodology within corporate innovation programs is on its way to becoming a mainstream technique for bigger organizations. The approach changes the process of innovation and starting a new venture. It builds on rapid experimentation, customer feedback and iterative design development. Lean startup adopters ask a "should" rather than a "could" question, namely: "Should we build this product?"
Some big companies like General Electric, Amazon, Qualcomm and Intuit, have already started to implement the lean startup methodology to transform the way they innovate. At the core of the methodology is the build-measure-learn feedback loop. They start with a minimum viable product (MVP) that addresses a problem. Once an MVP is established, it goes under a learning process of validation, allowing for figuring out what the customers want and how much they would pay for it, and tailoring the product according to these learnings.



The Lean Startup calls for failing fast and cheap. Failing is something that large companies should embrace – if there are learnings attached to the failure. It is a common misunderstanding that failure is valuable by itself. It isn't.

The build-measure-learn loop lowers development costs by minimizing the risk of having a failing final product. Instead, the process provides timely feedback that allows for making improvements during the early development stages.

Growth Hacking

Whether talking about a startup or corporation, growth is the lifeblood of an organization and it should be woven in every aspect of the organization. Usually, within big companies, there is a clear structure and distinction regarding responsibilities across teams and departments – the coders build, the marketers push, etc. But growth should be a priority not only to sales and marketing departments but to all teams across the organization. A product designer should think about growth in terms of user experience. Similarly, a customer support specialist should think of growth in terms of customer satisfaction. After all, displeased customers leave, and negative word-of-mouth doesn't generate new leads.

Traditional marketers are skilled at understanding traditional products, but the internet has so radically changed the way we define products that traditional tactics don't cut it anymore. Growth hackers are not substitutes of marketers. They are just different as they are obsessively focused on the single goal of growth, doing things in a non-traditional way.

Currently, growth hacking is a startup's practice. As startups usually lack resources and established (partner) affiliations that would allow them to effectively apply traditional marketing tactics, they are, in a way, forced to growth hack.

However, there is nothing in the toolbox of a growth hacker that cannot be applied within bigger companies. The practice of growth hacking obviously works without bigger resource investments. Just imagine what the outcome would be if you did invest resources…

Getting a growth hacker into the organization

If you want someone to market your product – get yourself a marketer. But if what you are actually looking for is a person who will be actively involved in helping you shape your product – then your organization is in need of a growth hacker.

Growth (hacking) is still a developing field. There is a growing number of young growth hackers who are looking for opportunities to learn and gain experience, but the number of experts with strong history of delivering results is not that big.

How to find a growth hacker for your company?

1. **Be aware of what the company needs;** in order to find the best candidate and ensure a successful fit for your organization, you have to be in line with the specific company needs. Every company is different and has specific needs for growth that are not universally applicable to other companies. Before even starting to look for a candidate, try answering the following questions:
    1. What stage of growth is your company currently in?
    2. What weaknesses does our company have that a growth hacker could help address?
    3. What particular measures would help your company to grow?
    4. What metrics do you need to determine the “success” of a growth hacker’s work?

2. **Ask for referrals;** a certain amount of caution is advised when looking for a growth hacker for your organization. There is a lot of noise in the field and the worst thing that you could do is picking the best looking resume that says "growth hacker". Instead, refer to well-known, well-respected growth experts for recommendations. This is a solid way to ensure you will actually meet a top candidate.
3. **Recruit from established growth teams;** think about Facebook, Quora, LinkedIn, Twitter, Instagram, Pinterest, BuzzFeed – they all have their well-established growth teams. Looking for candidates within already existing growth teams is a common hiring approach and candidates are already known for their growth wins. For instance, Uber hired Ed Baker from Facebook and WealthFront got Elliott Shmukler from LinkedIn.
4. **Acquire-hire;** early stage companies are known for their determination for growth. To ensure their growth, these companies equip themselves with growth hacking talents. Acqui-hiring a growing early-stage company is a smart way to bring in growth experts.

Experiments (short-term collaboration)

The very essence of experimentation lies in trying out something new and finding out if and how it works. On one hand, we have startups, whose existence is based on the philosophy of being lean, agile, and flexible. In that sense, experimentation is their driving force. In contrast, large companies don't have a let's-try-some-things-and-see-what-sticks type of culture. The majority of giants is neither lean, nor flexible, which makes them less prone to engage in experiments.

However, there are good reasons for experiments, even within bigger corporations:

- **They are short-term commitments.** Short-term engagements and sampling can save a lot of trouble. After all, you don't buy a car without having a test drive first. Similarly, you should not jump into a long term engagement with a startup before trying out a short-term collaboration first.
- **They require fewer or no investments.** Collaboration has many facets. It ranges from informal resource sharing, research partnerships, sharing of contacts, workshops to challenges and competitions. Financial engagements should come at a later stage, especially for companies that have no experience in working with startups.
- **The associated risk is limited.** Since experiments are short-term engagements and have an end date, the risks associated with this type of commitment are small.

Types of startup-corporate experiments

- **Outsourcing tasks (reports, research, challenges);** often opportunities for growth and desires to expand exist within the company. Outsourcing various activities is a great way to look for inspiration and ideas from the outside. In many cases, outsourcing allows access to expert talent, innovative approaches, latest technology, and creative, cutting-edge solutions that otherwise aren't available.

  The objective of reaching out to smaller firms is to obtain new knowledge, applicable to your business' needs, which can eventually result in new or improved products, processes, systems, or services.

- **Organizing hackatons and hackdays;** at hackatons and hackdays, companies have the opportunity to engage with creative and future-minded entrepreneurs to solve specific company issues – ranging from technical to business to social challenges they encounter. These occasions deliver new insights into problem solving and give companies the opportunity to develop ideas into tangible, working products and services. Moreover, events of this sort allow for the identification of bright minds and for monitoring the ideation process.

- **Startup challenges;** startup challenges, usually launched by large tech giants, are aimed at attracting and cultivating the best talents from around the world. Such include the Intel Global Challenge, GE's Ecomagination Challenge, Microsoft's Imagine Cup, and Amazon Web Services Global StartUp Challenge.

- **Accelerators;** it is quite common for big companies to establish and foster startup accelerators to drive disruptive innovation. Accelerators help startups get off the ground, providing small seed capital and access to a mentor network usually in exchange for a small percentage of equity. Among the most well-known accelerators are Y Combinator, Techstars, and Brandery.

  The goal is to "accelerate" the growth of an existing company, shortening the process from a couple of years to a few months. Within these few months, startups are being guided and helped to get the company into the best possible shape – getting to the point where their product is impressive enough to raise investment.

- **Incubators;** there is a common misconception that accelerators and incubators represent the same thing. Indeed, incubators also provide fruitful environments for startups to grow and get better chances for attracting future investments. However, incubators focus on developing disruptive ideas into viable business models and companies.

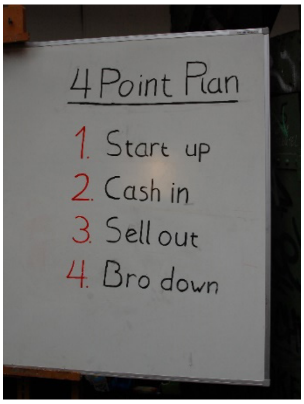
Incubators can be independent but also sponsored by large corporations, venture capitalists or government entities. Depending on the sponsor, incubators can have a specific market focus. For instance, an insurance company may look for home security automation technology startups.

Sealing the deal and long-term collaboration

Once the experimentation phase has proven successful, we are looking into a potential long-term commitment between the startup and the corporation. In other words, this is the "dating, pre-marriage" phase – discussing, brainstorming, and trying to meet each other half-way. At that stage, potential hurdles are being discussed and questions and concerns about the shared future spring up:

- **Kissing frogs.** "Frogs" (startups) are willing to "kiss" a lot "royalties" (corporations) in order to get the funding they need to turn into a prince (as the fairy tale goes). They need to stay alive so they are willing to "date" anyone with money, give promises and pledge their love. It all comes down to the trust factor of human relations. Can we trust them? Are they who they say they are? Do we want to be working with these people?

- **What if the founder flees?** A lot of startups are built around a technology and one or two visionaries. The question that arises in regard to this is, how sustainable and scalable will the technology be without the founder? Is it useless without the brainpower and the passion of its creator? Can we continue developing the technology by ourselves and is our knowledge sufficient?



- **Keeping the startup mentality alive.** Corporate culture differs significantly from the culture of startups, and it is quite difficult for them to comprehend and embrace the chaos that comes when working with smaller companies. Thus, keeping the startup mentality alive can be quite the challenge. To bring back the balance, corporations could be tempted to impose their rules. However, if the startup culture suffers, creativity will suffer, too.

- **Bureaucracy & slow decision to action.** When it comes to processes, big companies have everything worked out. They stick to models that are tested and work. Any deviation from the established order brings a feeling of losing control. Unlike bigger organizations, startups are not used to this degree of formality. Complying with organizational bureaucracy decreases the speed of decision-making and action-taking. Thus, the entire innovation process gets slowed down. And the idea behind bringing a startup in was to accelerate innovation, right?

Putting things in perspective

A lot of things can be said about working with startups. However, as a corporate, you have a solid base for innovation established before you start working with startups.

1. **Create a culture for innovation.** This is the most important element in any organization. Make sure you have an organizational culture that supports innovation and has commitment from all management layers, including the top management. Involving cross-functional teams from all over the organization in creating a culture innovation helps to recognize new innovative possibilities in the first place. The cultural aspect is the most important element to stimulate people to learn to free their minds, experiment, and dare to challenge the status quo. In this way, as a leader, you empower your staff to be more innovative, and you build the confidence to say, "Yes, we can do this here."

2. **Start internal innovation in a structured way.** Corporations become more innovation-savvy by putting in place a systematic way to gather and process the best ideas from their internal teams. Whatever the process may look like, from early ideation to full-fledged innovation projects, make sure your employees can rely on it. This will result in sustainable engagement and repeatable success. Make sure you take it easy in the beginning and deliver some first results to inspire trust among your employees. In turn, this will positively influence your overall company culture (point 1).

3. **Open up for open innovation and start-ups.** Open innovation programs and the collaboration with external parties will take your innovation program to the next level. Whether you work with partners or startups, open programs can allow for new market entries, cross-market insights and business changing innovations.

Epilogue

* * *

So, in the end, Jim got his innovation. First, he met up with several startups. He chose Drones Inc., a new startup based in Hong Kong. Drones Inc. was a typical university spin-off, with great vision and a first prototype, destined to conquer the market.

After several Skype meetings, Jim invited them to come over and give a pitch in front of his senior management. In the following days, several delays occurred. Compliance and Legal departments first came in with a lot of regulations he had to comply with. The Enterprise Inc. departments were used to work with peers who were able to deal with a lot of legal jargon and thick contracts. This startup didn't have a similar legal office and had trouble sifting through all the hundreds of corporate clauses. So Jim had to find a workaround for this. Help came from his CEO, who gave him a waiver to go ahead with the deal.

Second, there was a long dialogue on what the value of the startup was, as it was very difficult to assess this with the existing valuation models of Enterprise Inc. Should he focus on getting a minority share or a huge part of the shares? He asked for several experts and there was no definite answer. The best answer what he received was a 50 percent split.

Clearly, this was not wat Drones Inc. had imagined beforehand. Although they had no serious sales yet, they believed they should keep the majority of the shares in the company. The three consecutive days, he was not able to close a deal on an investment with them.

However, what he was able to do is create a launch pad for the product of Drones Inc. Combining this into a new service, he was able to leverage both the power of the cooperation as a lead partner and get the cooperation with the startup going. This was much easier. Not only for Enterprise Inc. but also for Drones Inc. this made a lot of sense. They wanted to experiment fast to show the world what they had in store. With a strong partner like Enterprise Inc., they would be able to gain credibility fast and get traction on the sales.
This deal got closed pretty easily.

Jim realized two things:

1. A large organization is very appealing for startups, but many internal corporate processes are not well designed for cooperation with small and emerging startups. You need CEO support to get this off the ground.
2. If you want to get around bureaucratic processes, you need to show some results first by launching experiments with startups. That also helps to understand the process better.

And just to conclude the story, Jim graduated from IMA (Innovation Managers Anonymous) and got his CEO Jeff back on track... ;-)

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HYPE

About HYPE Innovation

HYPE Innovation is a global leader in full-lifecycle innovation management software. HYPE's powerful platform allows organizations to engage thousands of employees in idea generation and collaborative problem solving. We help you focus on measurable business outcomes that can be tracked through to execution. Companies work with HYPE for our flexible products, our deep expertise in innovation management, and our long history of success with some of the largest organizations in the world. Our client community includes global companies such as Siemens, Bosch, RWE, AkzoNobel, Bombardier, DHL, Roche, Nokia, Daimler, Airbus, Petronas, Saudi Aramco, Clorox, and many more.

Visit our website at **www.hypeinnovation.com** to learn how HYPE enables companies to transform their best assets – employees, customers, partners, and suppliers – into dynamic and engaged innovation communities.

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