Practical Implications On How Established Companies Innovate With Startups
Tools and Guidelines for Innovation Managers

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ABSTRACT

The study addresses an important literature gap concerning open innovation and startups. The purpose of this article is to deliver tools and guidelines for innovation managers to support their decision-making when aspiring to openly innovate with startups. The study proposes five spectra that show the variance across different collaboration on the following parameters for analysis: 1) investment required; 2) risk level; 3) corporate control; 4) Startup support; 5) ecosystem leverage. The article arrives at a simple weighted decision matrix to be used as a decision-guiding tool in determining the best choice of a startup-collaboration option from a corporate perspective. The research builds on a framework of references to previous literature and follows an explorative approach based on field research and design science research.

KEYWORDS
Open Collaborative Innovation, Startups, Practices, Managerial Advice

1. INTRODUCTION

In order to keep up with today’s fast-paced changes in a world that is driven by digitalization, the ability to innovate is a key determinant of success. Current literature on innovation in large companies highlights that open innovation positively influences a firm’s performance (Dodgson, Gann & Salter, 2006; Gassmann, Enkel & Chesbrough, 2010). Opening up the innovation process to collaborate with startup ecosystems (Yoo, Henfridsson & Lyytinen, 2010; Kohler, 2016) has become an especially noteworthy and growing trend among large corporations on a global scale. A startup is referred to as a nascent venture, typically restricted by its small size and a lack of resources, and “formed to search for a repeatable and scalable business model” (Blank, 2010). A large corporation is typically complex and restricted by established processes as well as administrative procedures, and thus, slow in its ability to adapt to abrupt market changes. External partnerships with larger corporations do not only help startups in the development and distribution of their ideas or technologies (Dahlander & Gann, 2010), but also play a pivotal role in improving and retaining a corporation’s competitive advantage (Weiblen & Chesbrough, 2015). An Accenture (2015) report demonstrates that any form of collaboration between large corporations and startups increases the revenue of large corporations. During this process, the role of corporate innovation managers, as well as their ability to make

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conscious decisions on how to collaborate with startups, will continue to be pivotal. This paper answers the research question, how the characteristics of prominent open collaborative innovation models may serve as a guideline for innovation managers to choose the right option of collaboration.

Peter, Back, and Werro (2018) reiterated the necessity of corporations to innovate with startups based on a literature review study, and the development of a characterizing framework of prevalent collaborative innovation options between corporations and startups. Building on these results, this article develops eight illustrative tools and a weighted decision matrix to answer the question of which collaboration option to choose when innovating with startups (Figure 1) and contributes to the decision-making process of innovation managers.

Design Science Research has been chosen as it qualifies to explore a “wicked problem” (Rittel & Webber 1984) for which “conflicting or sparse theoretical bases exist” (Vaishnavi & Kuechler, 2007, p. 19).

2. COLLABORATIVE OPEN INNOVATION WITH A STARTUP ECOSYSTEM

Startup ecosystems are constituted of people, start-ups (in diverse stages of existence) and different types of companies all within a location, which could be web-based or physical, working together as a network to produce and expand novel startup firms (Suominen et al, 2016; Smorodinskaya et al., 2017). The involved companies can be broken down further into groups like support organizations e.g. accelerators, joint working areas, incubators etc., large corporations, research firms, universities, service provider companies (e.g. financial and legal service providers) and funding organizations. The current literature on the subject of open innovation within such an ecosystem differentiates between two types: inbound and outbound innovation. Inbound innovation describes an inflow of external technologies or ideas (e.g. from a startup) into an organization (e.g. a large corporation) (Chesbrough, 2007; Smorodinskaya et al., 2017). The involved companies can be broken down further into groups like support organizations e.g. accelerators, joint working areas, incubators etc., large corporations, research firms, universities, service provider companies (e.g. financial and legal service providers) and funding organizations. The current literature on the subject of open innovation within such an ecosystem differentiates between two types: inbound and outbound innovation.
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