Event Summary

Strong Bottom Line Impact through Corporate–Scaleup Collaboration

Scaleups are the secret ingredient for an improved bottom line performance

The ongoing COVID pandemic and the subsequent difficult macroeconomic conditions have challenged many corporates to improve their bottom line performance and avoid financial distress amid lost revenues. Many corporates turned to scaleups for quick help and efficient solutions. Scaleups offer sophisticated, proven products and services that rapidly support corporates and affect their bottom line. To discuss corporate-scaleup collaborations for bottom line impact, one session of the four-part Scale Up Now webinar series co-organized by Arthur D. Little and Match-Maker Ventures was dedicated to this essential topic. A diverse panel with representatives from the corporate side (Bosch, KPN, Microsoft and Airbus) as well as from the scaleup community (Apiax) shed light on the value of bottom line collaboration between corporates and scaleups. The panel covered a variety of topics, ranging from reasons for corporate-scaleup collaborations to key challenges and success factors in bottom line performance-focused collaborations. This event summary recaps the main takeaways and highlights the discussion's overarching tenor: corporate-scaleup collaborations can generate quick bottom line impact with market-proven solutions.

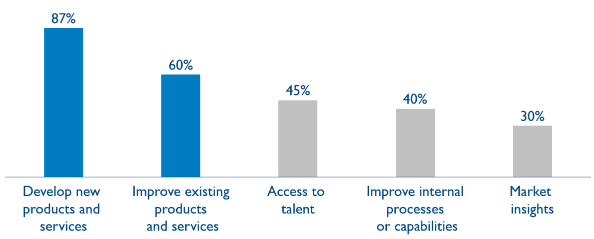
Corporate-scaleup collaborations are a great way to create mutual value

In an increasingly complex world with rapidly changing customer needs and a dynamic market environment, corporates can no longer succeed on their own. Instead, collaborations with trusted parties like scaleups are necessary to gain competitive advantage, create value, and remain successful. "The Age of Collaboration II" report published in 2019 by Arthur D. Little and Match-Maker Ventures highlighted the mutual benefits of corporate-scaleup collaborations.

Five key objectives motivate corporate-scaleup collaborations

The study conducted for the report revealed several reasons why corporates and scaleups collaborate. First, corporates aim to develop new products and services together with an outside partner who can contribute new ideas. Second, additional expertise is valuable to improve existing products and services. Third, teaming up enables both partners to access top talent. Fourth, internal processes or capabilities can be improved by addressing a particular issue or bringing in specialized knowledge. Fifth, by working together both parties gain new market insights that help to navigate complex environments more effectively. Overall, it could be observed that the main objective of corporate-scaleup collaborations is to create business impact which is predominantly related to product or service innovations and the identification of new revenue streams.

Top five reasons for corporate-scaleup collaborations



Source: MMV & Arthur D. Little

At the time of the study, corporates mainly approached scaleups to increase revenues and achieve top line growth. In this respect innovation has always been important. Since then scaleups have earned trust from corporates and, in addition to opportunities for new business growth, now also collaborate on efficiency improvements necessary due to tough macroeconomic developments (such as climate change or the COVID pandemic).

“The real magic of collaboration is: you have something, either a problem or an opportunity, and you bring on top of that the new capabilities of a scaleup. You say, 'let's use this technology,' and actually we become a lot better, we save money, we make less mistakes.”

– Nicolai Schättgen,
Match-Maker Ventures

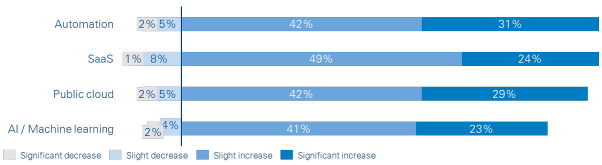
From top line to bottom line collaboration

COVID accelerated the adoption of corporate-scaleup collaborations to create bottom line impact

Prior to the COVID crisis, corporate-scaleup collaborations were considered a great way to benefit from outside innovation and unlock new revenue streams in the prevailing excellent macroeconomic environment. The negative impact of the current economic crisis has accelerated the collaboration need to improve bottom line performance with innovative solutions instead of typically pursuing new revenue streams for top line growth. Many corporates turned to scaleups to keep their business alive by cutting costs, thereby avoiding bankruptcy. Scaleups enable corporates to rapidly improve their bottom line performance thanks to the use of innovative and proven solutions designed by a dedicated team.

Rapid technological developments around automation, software as a service (SaaS), and cloud and machine learning solutions enable corporates to achieve efficiency gains. According to research on Dealroom, the vast majority of corporates expect to spend more on these solutions in the future. On average, 44% assume a slight spending increase, while 27% assume a significant increase. At the same time, the business model of startups and scaleups focus on exactly these solutions. The Austrian Startup Monitor 2020, an annual report published by Austrian Startups, AIT and WU Vienna, found that in the last three years roughly 35% of startups offered solutions that can be categorized as Software as a Service, online services or software development. In sum, the spending expectation of corporates and the large proportion of SaaS firms underline the potential that is available when bringing both sides together.

Percentage expecting change in IT spend in 2021



Source: Dealroom

Successful cases of corporate-scaleup collaborations show the immediate potential for the bottom line

The combination of corporate willingness to invest in technological capabilities and scaleups’ unique business models has already produced successful use cases for improved bottom line performance. The Munich-based scaleup **Celonis**, a rapidly growing process mining company, collaborated with Uber to resolve inefficiencies in their customer support processes that occurred as a consequence of the fast global expansion and autonomy of local subsidiaries. Celonis helped Uber to identify global best practices and standardize customer support processes across the globe. The worldwide rollout of their best practice solution accelerated customer support and created annual cost savings of more than 20 mn. USD.

Another success story is **SmartDigital**, an Austrian scaleup that provides fully-automated drone services. SmartDigital partnered with Atos, a global leader in digital transformation, to offer corporates the possibility for remote inspection of key infrastructure facilities. This service offering not only improves the speed and accuracy of inspection services, but also has serious cost saving potential as no on-site staff is required.

“Startups always bring additional fresh blood and fresh ideas, and energize the corporate.”

– Maximilian Scherr,
Arthur D. Little

Overall, effective scaleup solutions may entail serious improvements for corporates’ bottom lines. However, corporate-scaleup collaborations also have to overcome initial challenges in order to succeed.

Challenges in corporate-scaleup collaborations for bottom line impact

Corporates – Partnership readiness and clear identification of a need

Corporates have to be ready to partner with external scaleups. Without a corporate culture that is willing to collaborate with scaleups and adopt external solutions, it will be tremendously difficult to reap full benefits of the collaboration since both parties might feel frustrated quickly.

Furthermore, corporates need to clearly specify the issues that they are unable to overcome by themselves before entering into a collaboration. If corporates do not have set goals for the collaboration, it will be extremely challenging to find the right partner and leverage the partner’s capabilities in a value-adding manner. Thus, corporates have to determine concrete collaboration needs and outcomes prior to teaming up with a third-party, especially as such a collaboration is expected to improve their bottom line immediately.

Scaleups – functional products and collaboration preparedness

For scaleups, the challenge of collaboration lies in the provision of products or services that create immediate bottom line impact with little room for errors. In contrast to top line topics, bottom line considerations have to create tangible results right from the start. There is no time to iterate to find the most suitable solution. Instead, bottom line collaborations ideally deliver results instantly and help corporates to reduce costs and remain in business.

In addition to viable products and services that create immediate value, scaleups have to prepare themselves for the collaboration with a corporate partner, a process which involves familiarizing themselves with the respective corporate structures. With this preparation and subsequent adaption to the other party, scaleups might avoid an unnecessarily tough start to a collaboration.

"Overcoming corporate process timeframes and finding simpler ways forward is crucial to scaleups' projects success."

– Andrew Campbell,
Apiax

Despite such initial challenges on both sides, the value from a successful corporate-scaleup collaboration far exceeds these barriers. Three crucial aspects allow a corporate-scaleup collaboration to deliver its desired bottom line impact.

Three success factors enable a strong corporate-scaleup collaboration for bottom line performance

(1) Leverage use cases to identify the right collaboration partner

Market-proven product use cases are a clear differentiating factor for scaleups and may facilitate the selection and negotiation processes between corporates and scaleups. Successful use cases allow scaleups to show the stability and scalability of their solution and demonstrate the high maturity level to potential partners. Ideally, successful references result in new business relationships and particularly in trust from new corporate partners who strive for solutions that can deliver instant results.

"Many scaleups, especially in the bottom line area, are now in the phase where they have really good reference cases. And they are probably still cheaper than traditional software giants."

– Maximilian Scherr,
Arthur D. Little

In addition to providing trust and reassurance, use cases make it easier to identify the best collaboration partner. If corporates have a clear target for their bottom line, reference cases show whether the scaleup solution is able to create the desired impact.

"The people you work with should have a mindset that the scaleup can do the job, and they should trust you. For this, reference cases do always help."

– Marie-Jose von den Boomgaard,
KPN

(2) Use the appropriate collaboration structure to tailor the collaboration to the needs of the partners

Corporate-scaleup collaborations can take many different forms ranging from simple partnerships to full-scale acquisitions. It is paramount for the corporate as well as the scaleup to define the collaboration on a case by case basis. When starting to negotiate a new collaboration, both partners need to define the most appropriate structure with their individual preferences in mind. The decision can be motivated by a variety of factors such as the size of the scaleup, the availability of funding, or antitrust considerations.

The panel discussion revealed that a variety of collaboration options can be beneficial. While some corporates prefer acquisitions, others frequently leverage non-equity collaboration models to work with innovative scaleups for bottom line impact. With regards to non-equity collaborations and potential control-related challenges, corporates can use specific contract clauses to protect their interests. Consequently, equity investments are not always needed to make sure interests are not jeopardized. This underlines that corporate-scaleup collaborations should be tailored to the partners' preferences in order to serve as a foundation for an improved bottom line performance and mutual success.

"Startups or scaleups? We talk about maturity stages, innovation stages, or funding stages. But the way that I really think about it, it's about the capability of extending beyond the initial environment that they found success in."

– Andrew Macadam,
Microsoft

(3) Data-driven measurement is essential to be able to quantify the impact generated through the collaboration

After having started a collaboration, it is crucial to evaluate its success and quantify its effect on the corporates' bottom line. However, measuring impact can be challenging – corporates and scaleups have to be innovative and find a data-driven approach to bottom line impact measurement.

During the panel discussion, our expert from **Airbus** shared their approach to making bottom line impact visible. Instead of trying to quantify internal efficiency gains, Airbus measures how much business they generate for their scaleup partner. This revenue generation metric serves in turn as proxy for corporate internal efficiency improvements and subsequent bottom line impact. The example demonstrates that creativity is helpful when having to develop a meaningful as well as practical method to measure impact.

If both corporates and scaleups manage to consider these success factors, collaborations designed to create bottom line impact can generate immediate benefits. A case in point is **Apiax**, a scaleup that developed digital solutions to support regulatory processes. They were able to significantly accelerate internal regulatory processes of a large bank leading to approximately 10,000 hours saved per year with a cost optimization potential of more than 10 mn. EUR.

"It's scaleups and corporates alike that need to learn from and adapt to each other for projects to succeed."

– Andrew Campbell,
Apiax

Conclusion

The COVID pandemic forced many corporates to stop doing business as usual and find new ways to maintain their performance. Corporates are particularly interested in innovative cost saving options and thereby improve their bottom line. Amid the crisis, market-proven scaleup solutions have presented themselves as perfect matches that result in immediate bottom line impact. If implemented in the right way, corporate-scaleup collaborations have the potential to improve a corporate's bottom line performance in a short period of time.

To ensure collaboration success, corporates and scaleups have to recognize three key success factors:

1. Leverage existing use cases to demonstrate the viability of a solution and identify the right collaboration partner
2. Tailor the appropriate collaboration structure to the needs of all partners involved
3. Quantify the bottom line impact to measure the success of the collaboration

In the future, corporates no longer need to achieve incremental efficiency gains on their own: they can partner with scaleups to leverage market-proven solutions for immediate and tangible impact.

This event summary is part of a series of articles on our Scale Up Now Webinar Series 2021. The other articles focus on customer experience, ESG and top line growth.
You can view the other articles in the series here:
https://www.match-maker.ventures/category/webinars/

Contact

Maximilian Scherr
Partner
Arthur D. Little Austria GmbH
www.adlittle.at/en/management-team/maximilian-scherr-0
scherr.maximilian@adlittle.com

Nicolai Schättgen
CEO
Match-Maker Ventures
nicolai@match-maker.ventures

Arthur D. Little

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

For further information, please visit www.adlittle.com or www.adl.com.

Match-Maker Ventures

Match-Maker Ventures (MMV) drives tangible business impact by matching the innovation power of high-growth tech scaleups with the assets of large corporates. Our global network of 100+ industry leaders enables us to identify the best-fitting solutions for the dynamic needs of organizations. Our portfolio scaleups have been thoroughly validated by industry experts and have proven their value through impactful collaborations across 50+ countries in telecom, banking, insurance, e-commerce, and beyond. Through a thorough match-making process, MMV ensures the right partners collaborate in the right way at the right time. Scaleups and corporates who want to learn more about us can visit our website at www.match-maker.ventures