

Tech London Advocates Corporate Innovation Group

Corporate Innovation: Making procurement
work for Corporate – Startup collaboration
June 2018

Introduction

Corporates are working with start-ups in growing numbers to boost innovation. But navigating the procurement process can undermine even the most promising collaboration. Start-ups struggle to cope with the requirements of their much larger partners, and corporates are unsure how to adapt their practices to a new kind of collaborator.

The TLA Corporate Innovation Group June 2018 workshop explored how to make the procurement experience a success.

An overarching theme of the conversation was the importance of communication and empathy - the ability of everyone involved in the collaboration to anticipate the needs, pressures and responsibilities of the colleagues with whom they want to work. Procurement can be a valuable strategic enabler of a productive collaboration. As the discussion revealed though, there are several factors companies should consider to achieve success.

The Risk – Reward relationship

A challenge to successful collaboration between corporates and startups is the asymmetrical relationship between risk and reward. Conventional wisdom dictates that companies aim to satisfy business objectives while minimising risk. This aim is then manifested in procurement frameworks and the expectations placed upon the partners with which companies engage.

However, innovation necessarily involves risk, which often takes the form of collaborations with emerging companies with novel technologies. If the procurement process is not designed to tolerate risk in circumstances where the strategic objective is innovation, then the collaboration will struggle to succeed. The risk then becomes a strategic question of the danger to the company if it fails to innovate.

About TLA Corporate Innovation

The Corporate Innovation Group unites Tech London Advocates from industry, start-ups, academia, government and non-governmental organisations.

Our mission is to help established companies build new business models and develop new markets. We do this by uniting the wide range of knowledge and expertise in the Tech London Advocates network to explore how internal change alongside collaboration with partners and customers beyond the boundaries of the organisation can enhance business success.

The group meets regularly throughout the year and is engaged in a range of activities to support corporate innovation, including events and research.

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In the majority of cases, innovation is a strategic question, while the procurement function rests in the operational domain of the business. A lack of integration between the two means that strategic priorities are not translated into the operational frameworks that would enable more favourable conditions for collaboration with startups.

A possible solution involves large companies taking a more multidimensional view of risk, in which startup collaborations are considered as part of a portfolio of activities. This enables the company leadership and procurement function to take a more balanced view of the risk and reward potential of engagements with startups, by considering each collaboration in the context of the larger portfolio.

Corporate agility

As companies grow, their agility to work with startups can be lost. A common manifestation of this problem is the management of time around a project. A protracted 'courtship' period before a deal is secured, or delayed payments, can do fatal damage to the startup through the impact on resources and cashflow. So while corporates might evaluate risk in terms of the startup's stability, solvency and ability to comply with governance requirements, for the startup the risk evaluation involves balancing the reward potential against the resource commitment necessary to make it a reality. If the process becomes too onerous, then the startup may need to consider when is the right time to 'walk away' in the interests of its own commercial survival.

Investment by the corporate in educating the startup about the procurement process and its requirements can contribute to a more productive and transparent engagement. In the Public Sector this is a particularly important consideration, both in terms of communication (e.g. clarity and ease of access for startups to tendering processes) and accountability (e.g. investment of public funds in innovation projects, their intended outcome and public value). When startups know what will be expected of them, when and why, they will be better equipped to respond, leading hopefully to a swifter and more efficient result.

The panellists

Thanks to our participants in the panel discussion:

Chris Haley, Head of New Technology & Start-up Research, Nesta

Rikesh Shah, Head of Commercial Innovation, Transport for London

Ricardo Simard, Managing Director, Momentum London

Jonathan Spanos: Head of Commercial & Innovation, Virgin Startup

Jamie Vaughan, Chief Commercial Officer, Glisser

Developing a 'lean' procurement process designed around the profile of startups and the objectives of an innovation-based collaboration can also address the challenge. By creating this parallel procurement stream, companies can accelerate their time to value and relieve the burden of onerous procurement processes from the startup, many of which can be irrelevant for fledgling company or incompatible with the goals of an innovation-focused programme.

Startup responsibility

While a great deal of responsibility rests with Corporates to improve the procurement experience, Startups also have a role to play. Striving for better commercial awareness of their corporate partner is an important consideration. Taking time to research and understand the buying cycles and the culture of the companies they intend to work with is an important first step. Also, a sharp understanding of the pain points felt by the end customer and ability to convey the value proposition clearly and succinctly are key.

However, for novice startups, knowing the right questions to ask and of whom to elicit this information is a crucial challenge. Here again, the corporate partner can play a vital role in unlocking the potential value in the partner by investing some energy in coaching the startup on how to engage.

A strategic approach

An important question to consider is, how can the key people with a stake in the project be brought together at the beginning to create a procurement framework that will work for all the businesses and teams involved? Where the goal of the collaboration is to stimulate innovation, one possible route is to create a format or environment in which proofs of concept can be developed as a precursor to a larger project. This gives some validation for the technology and the startup partnership and so a credible basis to scale the idea. However, communication around the proof of concept must be well-managed so that it gets maximum visibility across the organisation and amongst key stakeholders.

A related consideration for large companies is the involvement of first and second tier suppliers in the activity. Having reviewed their own approaches to procurement to better engage with the startup community, corporates may need to encourage their established supplier partners to do the same.

National government may also have a role to play in improving the conditions for corporates and startups to collaborate, by implementing policy and improving the regulatory environment. Indeed, the Public Sector itself has high targets for the procurement of services from the SME community, which may set a precedent for other areas of the economy.