The Art of Corporate Venturing

The **why** and **how** of corporate-start-up cooperations

Vincent Molly, Andries Reymer, Robin De Cock, Pierre Queritet,
Carolyne Vande Vorst, Sean Jonckheere, Charles Cuvelier

Antwerp Management School
Powered by the University of Antwerp

Authors

Prof. dr. Vincent Molly

Co-Academic Director of the Family Business Community at Antwerp Management School; Professor of Entrepreneurship & Family Business at KU Leuven

Andries Reymer

Business design & innovation coach at Antwerp Management School

Prof. Robin De Cock

Professor of Entrepreneurship at Antwerp Management School

Pierre Queritet

Co-lead attorney corporate / M&A at PWC Legal Brussels

Carolyne Vande Vors

Attorney - Director at PWC Legal

Sean Jonckheere

Banking & Finance Lawyer at PWC Legal

Charles Cuvelier

Lawyer - Junior Associate at PWC Legal

Citation

Molly, V., Reymer, A., De Cock, R., Queritet, P., Vande Vorst, C., Jonckheere, S. & Cuvelier, C. (2019). The How and Why of corporate-start-up cooperation. The art of corporate venturing. Antwerp Management School, Belgium.

This study and report is supported by

pwc | PwC Legal

Contents

Foreword

Corporate Venturing has many different definitions, and strictly speaking concerns an exchange of equity between a corporate and a start-up. We approach this concept more broadly as a structural partnership between both parties to stimulate and accelerate mutual innovation and growth[1].

Companies, small and large, are entering the Corporate Venturing arena to obtain one or more of the following objectives: protecting their market position, accelerating innovation and growth, or transforming the business.

Whether you are an SME or a multinational, it is very likely that you have some of the characteristics of a large boat: stable but also slow and difficult to change course quickly. Corporate-Start-up cooperation can help you build a fleet with a central 'mother ship' surrounded by small agile boats that together make the entire fleet future proof. In other words, it is a two-tier model in which the mother ship focuses on 'inside-out' innovation, reinforced by an ecosystem of flexible speedboats that enable 'outside-in' innovation.

The reason for this strategy, which is growing in importance, is simple: when it comes to agility, start-ups have a head start - while larger companies have resources that start-ups can only dream of. The combination of agility and entrepreneurial activity with the scale of larger companies seems a perfect match on paper, but in practice it is not always easy to achieve the obvious win-win. Often because both parties, despite all good intentions, are not fully aligned. Many start-ups are also still in the idea phase or only have a prototype, and therefore do not yet have reached market validation. Even the soft drinks giant Coca Cola has stopped a Corporate Venturing program because too many start-ups were still in the idea phase and it was therefore far too early for them to scale up. Once a start-up reaches market validation (the so-called product/market fit) they are ready to scale up and to become an interesting Corporate Venturing partner.

In order to maximize the chances of success, start-ups and corporates should consider the cooperation on the basis of the following rules of thumb:

- Make the goals and motivations for cooperation explicit;
- Talk about possible restrictions (e.g. cooperation with competitors of the parent company);
- Understand each other's agenda, what is the specific function of the speedboat in the larger fleet;
- Avoid the obligation to follow the procedural guidelines of the parent company;
- Reach agreement on the degree of autonomy and freedom of action.

In this white paper we go deeper into the 'how' and the 'why' of corporate-start-up cooperation to broaden our insights into how making this collaboration a success.

Omar Mohout
Entrepreneurship Fellow at Sirris

Executive summary

Corporate Venturing is on the rise. A growing number of corporations recognize the value of collaborating with start-ups to enhance their innovation powers. However, an important question remains: how to do this in the best possible way to make the cooperation a success for both the corporate and the start-up?

Antwerp Management School has started extensive research to get insight into best practices and guidelines in order to better organize and drive external corporate venturing projects and strategic cooperation between both partners.

In this white paper Antwerp Management School (AMS), PwC and PwC Legal lay out the main motives WHY, and the main options HOW, start-ups and corporates could work together. Based on the research that has been done by AMS and the expertise of PwC, the ambition is to show the contextual drivers for collaboration, and next to that, also the specific challenges and drivers for start-ups as well as corporates in setting up strategic partnerships.

Corporate venturing is happening now, why should you get involved?

Innovation, the speed of innovation and the means to realize innovation are changing. In this white paper we make the link with entrepreneurship and corporate strategies.

Incubation and Acceleration (I & A) have changed drastically over the past decades. While it started very modest in the 50's, it changed towards full-blown incubation mechanisms in the 2000's. Where we now see a strong trend towards more excubation and models such as start-up-as-a-service.

Next to the I & A landscape the innovation landscape is heavily affected by the ever-increasing speed of technology and the opportunities that brings with it. This makes that the 3 horizons model, that has been used to monitor and plan innovation for decades, is no longer working as it used to. Where the horizons were nicely spread over time, with clear timeframes per horizon, these horizons now basically run through each other and should be tackled in parallel.

No matter how big your R&D department is, there is always more knowledge outside your organization than inside. That means that you actually don't need a huge R&D department to be successful in innovation. It becomes more a matter of organizing your external innovation ecosystem well to realize innovation. That is a huge opportunity for SME's and family businesses as well, that are often better embedded in local ecosystems and could use their entrepreneurial spirit to actually start driving innovation themselves.

We explore and highlight the various motives to start these types of cooperation in innovation ecosystems. We discuss specific motives for corporates and start-ups and go deeper into intellectual property (IP) as an interesting trigger to collaborate.

When these motives trigger you to start collaborating, we discuss the main options to start an effective partnership. We identified 20 different ways to collaborate. These different collaboration options require different degrees of trust and formal agreements. We discuss the different 'bridges' that should be acknowledged while setting up collaborations. When should you start talking about confidentiality? When should you start discussing IP?

This is a first white paper out of a series that we are creating, all based on the research that is happening at AMS. If you have remarks or you want to discuss feel free to follow or contact us through
https://offer.antwerpmanagementschool.be/en/corporate-venturing

Vincent Molly
Andries Reymer

Chapter 1: A story about entrepreneurship, innovation and strategy

The growing start-up landscape

In this era of fast-paced change, new technologies and disruption, there is plenty of opportunity to let entrepreneurship thrive. Evidence can be found in the thousands of start-ups being launched every day all over the world, of which many are currently underway to change every single industry significantly in the next coming years.

Last decennia there has also been a high growth and broad variety in incubation mechanisms, set up by various players (policy makers, private investors, corporates, universities and other research institutions) in the field of entrepreneurship.

We can define 3 main waves of incubation mechanisms. In the 50's more traditional business centres and incubators were launched. They became very popular in the 80's but what they actually offered was mainly housing. In the early 90's more business supporting services were added to their value proposition and they opened up their network[2]. Incubators were defined as housing initiatives who offer their clients services as networking, mentoring and infrastructure[2, 3, 4].

Mid 2000 a second wave grew by the introduction of a new incubation mechanism, i.e. the accelerator. When Y combinator was established in 2005 the US became a successful example in the rise of tech start-ups, driven by the declining prices of technologies like sensors, smartphones, or 3D printing[5]. Their cool image ensured a proliferation of accelerators[6]. We can define accelerators as organizations that accelerate start-up creation and development by offering intensive training and mentoring to a cohort of companies during a certain period of time[5,7].

Very recently we see a new, third, wave of incubation mechanisms. Due to the digital revolution that has an ever-increasing impact on companies, even in traditional sectors, we see new organizations being launched in the Incubator & Accelerator (I & A) landscape. While incubators and accelerators were started mainly by public authorities and larger innovative companies, more and more companies are starting their own accelerators in the context of their innovation and corporate venturing strategies. This recent evolution ensures that the different incubation mechanisms get an increasingly strategic and central role in an entrepreneurial ecosystem where they connect the creative talent in the start-up world to an ever-growing group of companies that have built up the resources but feel threatened by new business models and technologies.

In this category, in addition to corporate accelerators, we also find the latest forms of incubation mechanisms such as excubators, start-up-as-a-service, and new generations of incubators and accelerators. It is in this latest wave of incubation mechanisms that Open Innovation / Corporate Venturing (OI / CV) is situated. From conversations with experts we learn that if companies can strategically play out and manage OI / CV this can help in attracting and retaining talent, and it can help to realize and handle disruptive innovation in order to ensure the long-term relevance of companies. With these newest forms of incubators and accelerators also the barrier increasingly lowers for SMEs to join in, and actually participate actively in the start-up ecosystem.

The growing speed of innovation

IOT, AI, Bigdata, Machine Learning, … Technology and the opportunities that come with them are changing so fast nowadays, which raises the questions which organization is able to manage and leverage all these opportunities? Given that even giants such as Google acquire scaleups as Waze, who apparently use the technology differently, or should we say better than Google itself, it is no shame to admit that it is increasingly difficult to keep up pace with innovation.

Since 2009 the 3 horizons framework of McKinsey is being frequently used to manage current performance while maximizing future opportunities for growth in many organizations[8]. This ambidexterity (managing short term and long term simultaneously) remains very hard to manage and realize for most companies. They need to manage their business as usual on the one hand and have to create opportunities for the future on the other hand. The difficulty lies not only in the different skills and resources that are needed in maintaining business versus creating new business, the challenge also lies in understanding and managing new technology that arises and translating this into meaningful innovation.

The speed of technological (r)evolution that we have witnessed the last decade has challenged the timeframe that McKinsey has integrated within the respective horizons. Where Horizon 1 focuses on short-term (3-12months) innovation, Horizon 2 rather concerns mid-term (24-36months) and Horizon 3 long-term (36-72months) innovation. As argued by Steve Blank in HBR (2019), the speed of disruptive innovation urges us to rethink the horizons model[9]. The current innovation speed makes the Horizon 3 developments reaching market readiness much faster than ever imagined. This causes the well-known disruption of that market as we've seen with the fast rise of companies such as Uber, Airbnb, Tesla and others.

To deal with this disruption, established companies should therefore increase their speed of innovation. To do this, companies need to understand the potential of new technology faster, should make the translation to their business faster and should launch faster new products/services based on this new technology. That is a lot to ask from traditional companies.

Besides increasing innovation capacity and redesigning the innovation process IN your organization, activating the innovation-ecosystem OUTSIDE your company will be equally important. By collaborating with research institutes, colleagues and innovative start-ups it is possible to assess, manage and drive new technology to the market at a much faster pace.

The special case of SMEs and family businesses

Small- and medium-sized businesses form the heart and soul of most economies around the globe. This clearly results from their large representation in corporate world and their significant contribution to employment and economic development. Of the 24 million companies in Europe, 99,8% can be considered as SMEs, employing 67% of the total workforce and contributing 57% of the total value added[10]. The vast majority of these SMEs are micro firms (with less than 10 employees), where small and medium-sized firms represent 6% and 1% respectively of the total European business population. Large corporates thus only represent 0,2% of all firms in Europe. And this is not different in the US.

Many of the start-ups today fall within the micro-firm category, eager to grow into successful and well-respected scale-ups. In this era of entrepreneurship, more companies are founded than ever before, although only a minority can be considered as a start-up, i.e. a young firm strongly focused on innovation and fast growth. Estimations in Belgium indicate that about 1 to 2% of all new firms are start-ups.

If one thinks about innovation, people automatically think about start-ups and large corporates. But without any doubt, a lot of innovation potential can be situated in the business category between these two ‘extremes’. A ‘special’ category in this respect are family businesses, i.e. firms in which a family holds the majority of the voting rights and who is involved in the management or governance of the firm. Although these family firms can become large multinationals that are publicly listed, many of them actually belong to the category of small- and medium-sized firms. Estimations indicate that in countries like The Netherlands, Germany, UK, Belgium or France, this category of firms represents between 61% and 83% of the total business population[11]. Their impact on the economy should clearly not be underestimated.

They are often true legacies, well-respected in the industry, locally anchored and successful in growing over generations. Talking about disruption, several of them struggled through world wars and the various industrial revolutions. If they would not have disposed of an innovative mindset, they would no longer have existed today. However, more than ever, many of them now acknowledge that past performance is no guarantee for future results, and that their incremental path of innovation is likely to be insufficient to keep pace with the current speed of change. No matter how experienced they are in their profession, their consciousness grows that there is more knowledge and things happening outside their walls than within, clearing their way towards open innovation.

In this report we will integrate the perspective of these (family) SMEs as well, as practice shows that they are putting cooperation with start-ups higher on their agenda than ever before. In fact, they could slightly be in favor in linking-up with start-ups compared to large corporates, in terms of their more entrepreneurial culture, faster decision-making or their reputation of being a more trustworthy partner.

From financial to strategic cooperation

In academic work and in practice the concept of corporate entrepreneurships knows a long history. When you look at its meaning, it encompasses different phenomena such as strategic renewal, innovation and corporate venturing, which have all been studied extensively, especially in a setting of large corporates[12]. If we focus on the concept of corporate venturing, an important distinction should be made between internal and external corporate venturing, where the latter refers to venturing outside the organization. Although the term corporate venturing is far from new, it lately gets a growing attention from the business world at large. Its origin goes back to the 60s where it was practiced by corporate conglomerates in a variety of industries, inspired by the strong returns of VC firms[13].

Strictly speaking, external corporate venturing encompasses an exchange of equity, for example in a joint venture setting between a corporate and a start-up, or in a minority or majority sale of shares. The main motive behind these operations is often financial oriented, i.e. how to get a good return on your investment in the short- to the medium-term. However, gradually the main motive for most organizations has shifted more towards strategic-oriented goals[13]. Marrying into a start-up allows a corporate to diversify their activities, to get access to new technology, or to transform digitally, which will secure the continuity of the organization in the medium- to long term. In the end, these actions should pay off financially, but the initial motivation has clearly been much broader than that.

Chapter 2: Main motives for setting up a Corporate-Start-up cooperation

In what follows, we will dive into the main motives for setting up a corporate-start-up cooperation, analyzed from both angles (corporate and start-up).

Motives for the corporate

When exploring the different reasons why established firms would approach start-ups and seal a cooperation, we differentiate between 8 different motives.

- Achieve financial goals: Getting a financial return out of an investment is the most basic and straightforward motive to dive into a strategic cooperation. By closing a deal with a start-up, financial targets can be attained such as growth in sales, cashflow or profitability. In this respect also increased efficiency should be mentioned as the products or services of a start-up can allow the organization to significantly reduce the cost and time involved of performing activities internally, going from production, marketing, HR, to any other department-related process.
- Explore new products and markets: There is a high probability that products and markets of the future will look very differently. That the data you generate become more valuable than your machines, or that your customers are no longer interested in possessing goods but in sharing them with others. By cooperating with start-ups, you support your organization in finding significant growth sectors, in developing new markets and in discovering new ways of doing business in partnership and joint development with start-ups who are passionate about changing the status-quo.
- Exploit non-core resources and activities: Many organizations have slack resources that are available but under-used. It can concern office space, laboratories, state-of-the art equipment or machinery that doesn't reach full capacity. In terms of R&D it could go from patents to be licensed to uncommercialized intellectual property or technology. By connecting to start-ups these resources could be further exploited and turned into

attractive future growth projects for both the start-up and the organization.

- Gain knowledge and competencies: The war for talent is strongly present all-over corporate world. For many organizations, a lack of skilled and motivated employees even forms one of the largest barriers to growth. If new competencies are needed within the organization, training and re-orientation of staff could be an option. But strategically cooperating with start-ups forms an attractive option in this respect as well, as it allows having quick access to a highly-skilled workforce with competencies currently lacking within the organization.
- Get access to new technologies: Disruptive technologies such as mobile internet, energy storage, internet of things, 3D printing or artificial intelligence are currently impacting the lives of many individuals and corporations worldwide, and we haven't seen most of it yet. By opening up and working together with start-ups, of which the founders were raised with digitalization, you will provide your company a window to the world to keep track of breakthrough technologies and disruptive economic changes.
- Develop an ecosystem: In the future organizations will compete at the level of ecosystems. Ecosystems have the advantage that they are much more difficult to disrupt than any single firm. This can be accomplished by connecting your company to different start-ups and with other stakeholders such as customers, suppliers, distributors, investors and research institutions. By letting this community of complementary organizations collaborate with each other in a physical or virtual location, they can together address societal challenges and unmet customer needs, which creates value that no single company could have ever accomplished alone.
- Transform your business: If you want to make your company future-proof, a lot of attention should be spent on exploration, meaning that your company needs to be oriented towards experimenting and discovering new opportunities. And to accomplish this, you need an entrepreneurial environment and culture where there is much room for creativity. By linking start-ups to your company, a stronger entrepreneurial, innovative and agile mindset can be created that not only gives energy to your business, but to the people within your organization as well.
- Increase brand awareness: Branding is key for any organization. Whether you focus on customers, employees, investors or any other stakeholder, they all like to connect to strong, well-respected and future-proof brands. By connecting to start-ups, you illustrate your ambition to strongly focus on renewal and innovation, and even express your vision to support young and creative entrepreneurs in moving each other forward in this highly-competitive environment.

Motives for the start-up

From the perspective of start-ups, a strategic collaboration with a corporate usually starts from the following 5 motives:

- Gain mentoring, support and/or advice: This is an easy step up to get to know each other. Especially for start-ups with young and inexperienced founders mentoring, support and advice can be of great value. When you can collaborate with experienced and well-established firms their knowledge and insights can help you make the right decisions. Often SME's and their owners are entrepreneurs themselves. They have been down that road before and can relate well to problems and/or important decisions you have to make.
- Getting access to new markets / Increasing sales: When your company is growing, at a certain point you often need a big leap to jump to new markets, new type of clients, new products. To realize these leaps, you can either rely on your own organization. You can plan, manage and grow organically up to the point where you are strong enough to make the jump. This process can be long and is full of uncertainties. A faster route is a collaboration with a partner that already has access to the markets you want to enter or is already working together with the (big) clients you target. When a collaboration is set up, the big leap can be realized in a shorter time frame and with a solid partner on your side.
- Getting access to financial resources: As mentioned in the previous point, often big leaps can be made faster by collaborating with established companies. When the only thing you need is money to successfully make the leap you can raise funds through VC's, or other investors. But if you want to work with partners that are more strategically committed to the impact you want to realize, often a collaboration withwith a corporate

investor who has mutual interests will be favorable. Corporates might look further than the pure financial return which opens up perspectives towards new developments from which both parties can benefit.

- Access to specialized assets or infrastructure: Another reason why many start-ups seek collaboration opportunities with established companies is the fact that these corporates often have setups in place where start-ups only can dream of. This includes often production capabilities, ICT infrastructures but may also include patents or other IP. When either of the above-mentioned resources are underused, a collaboration with a start-up can be a win-win situation.
- Increasing credibility and brand awareness: As a start-up you need credibility to pursue clients who want to buy from you. You cannot rely on years of experience and a long-proven track record. By organizing a collaboration with a well-known, or well-respected established firm this can create a boost for your own credibility. The buzz that is created with this type of collaboration will reflect on your brand and will improve the brand awareness.

A successful collaboration with an established firm should start from a joint vision for the future. When these motives, mentioned above, are fueled by urgency or other external pressure, this puts a major burden on the success of the collaboration. For any collaboration on a strategic level it seems wise to first discuss and agree on a shared future vision prior to negotiating ways of collaboration.

Our research suggests that a shared vision and a connection on personal level are key drivers for successful collaborations. The shared vision guarantees you that both companies are moving in the same direction. The personal fit lowers the barrier to collaborate and will enable you to get the most out of the collaboration.

Motives related to intellectual property

1. What do we understand under Intellectual Property?

The term Intellectual Property rights (IPR) is used in numerous ways nowadays, to cover very diverse objects and serve various purposes for their owner. Protection of immaterial or intangible assets, creation of value and revenue, incentivize innovation. These are some of the most well-known objectives of intellectual property law.

Technically speaking, the term IPR covers a limited list of intangibles, which can be sorted in two categories, namely registered and unregistered IPR.

a. Registered IPR

Registered IPR means that in order to deploy full legal effect and be enforceable towards third parties, the right has to be registered with, and thus granted by, competent authorities. The competent authority may vary depending on the type of creation and the geographical scope for which protection is sought. The most known forms of registered IPR are:

- A trademark is an exclusive, temporary and territorial right to use and commercialise a sign. Its function is to distinguish its owner's products or services from the rest of the market. To be valid, a trademark must be distinctive, lawful and available. This sign can have various forms and can be a word, a logo, a shape, a combination of those, etc. Depending on the geographical scope of protection one can seek trademark protection, e.g.:
  - for the territory of Belgium (immediately together with the Netherlands and Luxembourg) through the Benelux Office for Intellectual Property[14];
  - for all EU Member States through the EU IP Office[15].
- A patent is an exclusive, temporary and territorial right to exploit an invention. To be valid, an invention must meet four cumulative criteria. It has to be new, inventive, have an industrial application and be lawful. Depending on the geographical scope of protection one can seek patent protection e.g.:
  - For the territory of Belgium through the Belgian Office for Intellectual Property[16] or the Benelux Office for Intellectual Property;
  - For the EU through the European Patent Office[17].

b. Unregistered IPR

Unregistered IPR are not subject to registration to have legal effect or be enforceable towards third parties. Such rights arise directly after the work comes into existence.

- Copyright protects the expression of the work of a creator, its form. This protection will cover the choices that the creator made to give form to his work. The choice of word, colours, sounds, images and so on. Copyright does not protect ideas, but rather the expression of a person's creative effort provided it contains the necessary "originality" or "authorship".
- Sui generis database right offers protection distinct from copyright, rewarding and protection investment made by the creator of the database.
- Know-how, confidential information, trade/business secrets consists in sets of information under the control of a person, whether natural or legal. This person has a right to keep that information secret, to prevent them from being disclosed, generally through contractual means.
- A trade name is protected without obligation of registration and gives the right to its holder to prevent third party to use it.

The digitalisation and digitisation of our economy goes hand-in-hand with the central and evolving role intellectual property rights play in our economies. This is because very often economic actors rely on technologies or new (thinking) processes to create, expand and/or consolidate their businesses on highly competitive markets.

This maintains IPR as a key value driver for companies.

Whereas in the past, the value of a company was mainly calculated based on its tangible possessions, nowadays, intangible assets take precedence as indicators of value for an undertaking.

In addition, the concept and scope of "intangibles" and "intellectual property rights" is tested daily on its limits where companies are seeking to protect and secure exclusive rights on new value drivers. Famous brands and key industrial inventions quickly come to mind but other resources are gaining tremendous value today. Platforms are an excellent illustration of this, with major actors such as Uber, Airbnb or Facebook that rely on their platforms to create vertiginous value.

There are many other examples such as software, technology application, designs for technology, innovative or more cost efficient process (e.g. production process or supply process) and perhaps the most famous one: (big) data.

Unfortunately, taking into account our technical understanding of what IPR cover today, these rights are not (always) flexible enough to grant exclusive rights on such new value drivers. We see a push from international, EU and national lawmakers in steering towards revisiting IPR laws and regulations to make them more future-proof (e.g. new copyright directive[18]) though it remains a challenge to keep up with market trends and current value drivers, let alone anticipate them.

In this contribution, while we speak of intellectual property in the technical meaning as referred to above, the same reasoning can also be applied to the arising new forms of intellectual property (IP 2.0). For the sake of convenience, we therefore use the term "Intangibles" to encompass all possible intangible drivers going from a patented new technology to a pool of (big) data.

2. Why is a corporate-start-up cooperation an ideal gateway to intellectual property?

There are many incentives for start-ups and corporations to combine their resources, one of the main ones being intangibles. The advantages obtained from this association will benefit either one party, the other or both. Hereafter we provide some illustrations of the benefits that are derived from such collaborations:

a. If you're in early on, you have a good chance it's not yet available on the market, as a first mover, this can give you a significant competitive advantage;

b. Investing in an already marketable product allows to have more focus on commercialisation and improve returns on investments;

c. From an investor's point of view, the immature state of a start-up project, and uncertainty of its future will necessarily impact the valuation of the start-up, hence limit capital investment and financial risk;

d. IPR life and management might be subject to disputes from third party, those litigations can be extremely time and resource consuming. In this regard, a corporate can offer greater protection to start-up companies who would otherwise not be financially able to defend themselves against claims.

e. Setting up hubs of exchange to share know-how and specialised staff;

f. Dividing financial risks and legal responsibilities.

3. What could be the main challenges and risks?

Joining forces of an established company and a start-up can be challenging in different ways for both parties. Indeed, vision, objectives and culture of the involved companies will not always be aligned. Here are some points of attention that should be kept in mind by every entrepreneur engaging in such collaboration.

a. Build a robust yet clear (collaboration) agreement and plan in advance for flexible termination scenarios - In this kind of cooperation, one of the first and biggest challenges is to define from the outset clear and solid contractual agreements defining how to share previously existing Intangibles, further developments or changes to such intangibles and/or new jointly developed intangibles. Define who can use or commercialise what, where, to whom and under which conditions. Think about confidentiality: do you want to keep information confidential to ensure future patentability (cf. below) or does the value lie in broadcasting joint R&D efforts as soon and as far as possible. Also, anticipate what should happen when the venture comes to an end, whether in good or bad terms. Provide for flexible yet fair (early) exit strategies rather than locking-in one another. Trust and entrepreneurship tend to profit from partners knowing there is a possible way out if things don't work out.

   When putting in place such an essential contract you want to be specific and work with "SMART" provisions. Making a legally bullet-proof contract does not mean it should only be understandable to lawyers. On the contrary, a good contract should be understandable to anyone: a business colleague, a member of the board, a potential business partner and, not to forget, a court.

b. Uncertainty about ownership of the IP

   i. Immature organisations are more likely to be less diligent when it comes to formally registering of IPR where possible, or agreeing upfront on ownership of R&D results or intangibles and/or duly managing of sensitive contracts (e.g., they don't consistently conclude agreements with involved parties or absence of IP ownership/transfer clauses in contracts with developers).

   ii. A solution often consists of multiple components, some of which may qualify as IPR but not always all. In addition, the legal qualification and possibility of ownership is not always set in stone (e.g. ownership of raw data vs. ownership of enriched data).

iii. Having a solid IP / intangible strategy from the start is key for corporate venturing partners, however, entrepreneurs tend to overlook this matter, or only deal with it at a later point in a venturing journey (e.g. upon exit) even though it is a crucial issue that needs to be addressed from the start and properly, especially where intangibles are the key value driver in the venture.

c. Valuation of IP - The result of the work is often made up of multiple components. It is not always easy to put an accurate value on such components. Furthermore, markets can be very fluctuating hence it is difficult to evaluate the start-up or the solution developed.

   Data is a central input in our information economy; nonetheless, it is typically one asset that raises difficulty when it comes to its valuation - not the mention the tricky question of ownership.

d. Uncertainty about patentability / IP protection of solution: If the plan is to obtain patent protection or other form of exclusivity through IP registration, keep in mind that there is often uncertainty or lack of warranties about the secrecy and hence novelty status of the innovation. Indeed, immature organisations do not consistently conclude NDA's, while they will have tried to sell their solution as much as possible e.g. fairs and events, making it known to the public. This way of operation could result in impossibility to patent.

e. Reputational risk - Corporate venturing can sometimes have prejudicial effects to another intangible asset; the reputation of your company. Cooperating also means that you will not be in control of everything. Law infringement or other inappropriate behaviour from your business partner can spill on your firm's notoriety.

The lesson to be retained is that there are risks and challenges that, if not addressed properly, can have important consequences. The good news is that those risks can be avoided and/or mitigated by being cautious, aware and proactive when tackling them.

Selected case 1

Proximus, founded in 1930 as former R.T.T., is the leading provider of fix and mobile telephony, internet, television and network-based ICT services in Belgium. As a digital service provider, they have the ambition to bring new technologies in an easy way to their customers to improve their live and work environment. Proximus wants to be a trusted partner for enterprises in their digital transformation with integrated ICT solutions and innovative smart solution in the domain of security, mobility and IoT. Therefor, they want to favor a new digital eco-system, open to partnerships and collaboration with new emerging players.

Davinsi Labs, founded by Bob Ruts, Peter Van Hoorenbeeck and Koen Bossaert in 2014, is a specialized firm in enterprise security intelligence solutions and services.

When Christophe Crous, Head of Security & Service Intelligence Benelux met Bob Ruts, the co-founder of Davinsi Labs, at a fair in San Francisco, they chatted away and doing so, several pieces of the puzzle seemed to fall in place for him. Proximus and Davinsi Labs had a collaboration going on for some time already and for Christophe it became clear that the solutions Davinsi Labs offered could be a real added value for Proximus. Davinsi Labs, had a management team who built up a combined experience of more than 40 years in enterprise security solutions and services. Although there was no urge to sell for Davinsi Labs, they did take the opportunity to go and listen to what Proximus had to offer.

The crux of this case lies in these meetings. Proximus succeeded in presenting itself as a valuable partner for Davinsi Labs. Besides a strong personal fit, the future vision was in line and timing wise it couldn't be better, thus the M&A process was initiated in 2017.

The fact that all four previous owners (Bob Ruts, Peter Van Hoorenbeeck, Koen Bossaert and Bram Fabeck) are today still actively on board, shows that the acquisition went quite well. For Proximus, the acquisition of Davinsi Labs was the starting point of developing the idea of an ICT-ecosystem and the positive experience with Davinsi Labs encouraged them to acquire several more start-ups to expand their ecosystem.

Key learnings from Davinsi Labs:

- Only sell when the overall vision is in line.
- Selling the company could be an opportunity to focus more on the core business.
- When your employees are the foundation of your company, make sure they are engaged in the transition and let them benefit as well.

Key learnings from Proximus:

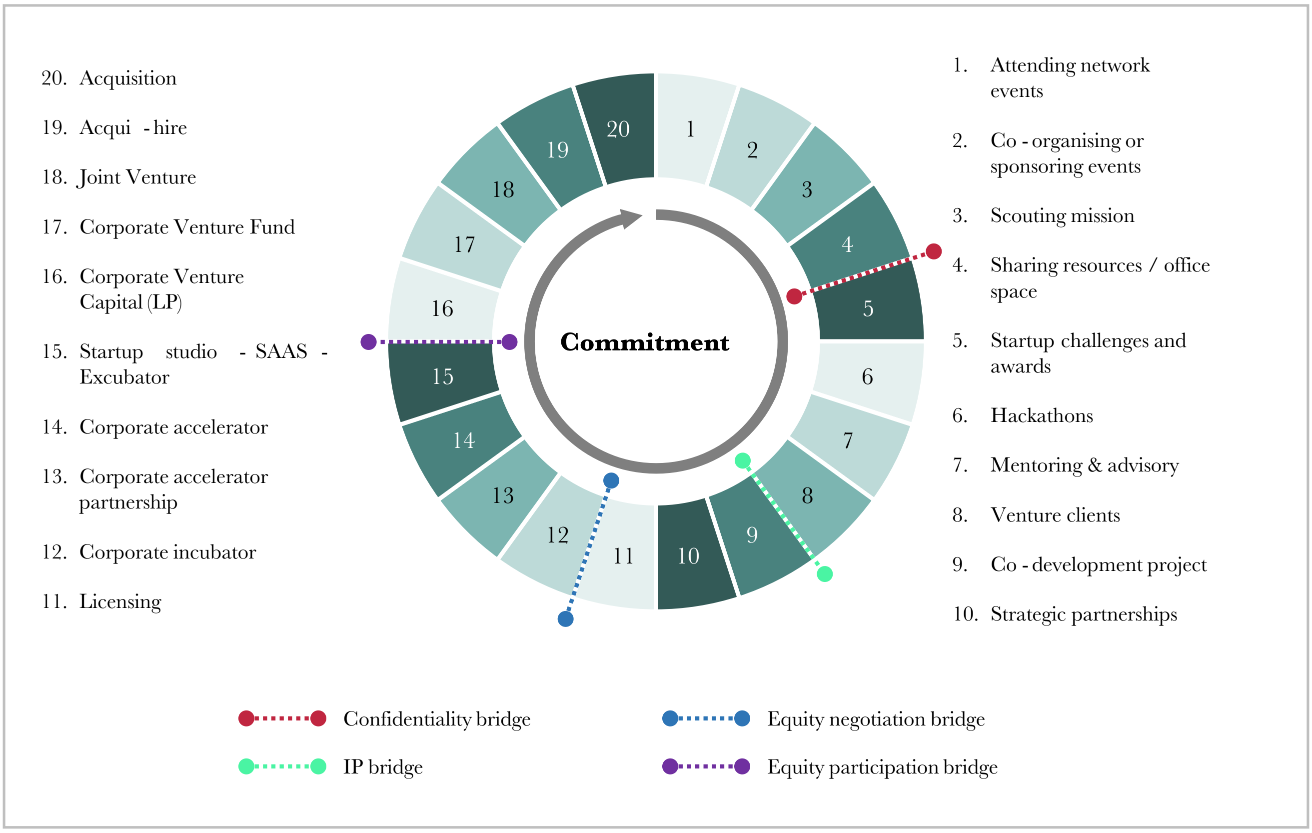
- It was crucial to sell Proximus as a valuable partner to Davinsi Labs. Humbleness is key in the bigger story.
- Flexibility in the M&A process and due diligence should be in place to facilitate the start-up.
- A personal fit between the project sponsor and the previous owners helps a great deal in strategic discussions.

Chapter 3:
Main options in setting up a Corporate-Start-up cooperation

As explained before, the concept of external corporate venturing usually pops up when thinking about corporate-start-up cooperation. However, as indicated in the model below, there are many more ways of closing the ranks between both types of firms. Even without transferring equity, plenty of options remain to consider when corporates and start-ups want to get involved with each other, start to exchange knowledge, and dive into strategic cooperation. In fact, retaining full control and ownership is usually high on the priority list of many SMEs and start-ups, and should definitely be no barrier in creating a win-win between both parties without exchanging equity.

Different forms of cooperation

In the model below, 20 different forms of cooperation between start-ups and corporates are integrated going from networking and getting in contact, to the full acquisition of a start-up by a larger organization. The different options are ranked according to a growing degree of commitment, meaning an increasing use of resources by the corporate, both in time and capital. Corporates can combine different forms simultaneously and can obviously grow gradually in their commitment. In what follows, we go more in detail into these different forms of cooperation.



1. Attending network events: Attending events that are designed to meet and get to know people from corporate and start-up world in order to get inspiration and to explore new business opportunities.

2. Co-organizing or sponsoring events: Taking the lead or supporting (often financially) the organization of a variety of events oriented towards the start-up community or entrepreneurial ecosystem.

3. Scouting mission: Travelling independently or in an organized way to start-up hotspots (inter)nationally. The main goal of a scouting mission is to get inspiration and to get to know a (foreign) start-up-ecosystem and the actors that are drivers within that ecosystem.

4. Sharing resources / office space: Opening up the access to your facilities or slack resources. Often start-ups do not have a dedicated office space (yet). When they are welcomed in your facilities this can bring a fresh breeze of innovation and entrepreneurial spirit into the office and by extension into the whole company. The same holds when putting your laboratory or specialized equipment at the disposal of start-ups.

5. Start-up challenges and awards: Stimulating engagement from start-ups towards your business by designing and communicating specific challenges. These challenges can be business- or more technology-oriented. Key is the communication of a properly defined challenge and the attractive reward for the winner(s).

6. Hackathons: Organizing a design sprint build around specific challenges. Multiple, multidisciplinary teams will develop solutions in a short time frame. Typically, the event has a duration of 2-3 days. The goal of the design sprint is to iterate (build, test, learn) towards a solid concept that is presented in a final pitch. A hackathon is an opportunity for start-ups to incorporate their solution into specific challenges. Crucial in organizing hackathons is the definition of the challenge and the mentoring/coaching during the event.

7. Mentoring & advisory: Start-ups are often looking for mentoring and advice. Most of the time they will find this in accelerator or incubation programs. As an established company you can offer your expertise and experience in topics of high relevance for start-ups, for example by taking up a position in the advisory board of a start-up. For start-ups the mentoring and advice of experienced entrepreneurs/managers in their market could be more relevant than more generic programs in traditional accelerator or incubation programs.

8. Venture clients: A business transaction where established companies buy and use the (innovative) solution of start-ups. Depending on the scope and the impact that new and innovative solutions have on the business, this process of actually selling to corporates could be particularly difficult for start-ups. However, having early clients buying and using their solution is crucial for the start-up's credibility and future growth.

9. Co-development project: Often an intermediate step towards venture clients is the co-development of a specific project that is derived from the initial offering of the start-up. Both parties engage in the development of the project and the use of the solution. Often a co-developed solution is afterwards commercialized by the start-up. Good agreements regarding (developed) IP and commercial rights should be in place before engaging in the development.

10. Strategic partnerships: A partnership that defines collaboration on a strategic level. A collaboration between a start-up and an established firm can quickly touch upon strategic drivers. It makes sense to formalize these collaborations in an early stage. These collaborations can have their origin in co-developed projects, with a more commercial focus (for example exclusive rights for a certain area), or they can focus more on technological elements (for example integration or embedded solutions).

11. Licensing: A business arrangement in which a corporate (licensee) gets permission from a start-up to commercially use or manufacture a product, service or innovation or to integrate it into their own product or service offering. Start-ups can obviously be licensee as well. In terms of innovation licensing can concern patents, copyrights or other forms of intellectual property.

12. Corporate incubator: A program in which a corporate takes the initiative to incubate disruptive ideas from entrepreneurs with the aim to turn them into viable business models and companies. They come quite early in the entrepreneurial process and help entrepreneurs in their initial steps, usually without a tight time frame which could even exceed 12 months. Some of these incubators have an application process and could be focused on a particular market.

13. Corporate accelerator partnership: Compared to an incubator, an accelerator program is rather selective and oriented towards accelerating growth and scaling existing businesses. They usually have a set time frame going from a few weeks to a few months during which the start-ups are put under the supervision of mentors and experts. Here the corporate serves as one of the sponsors of the acceleration program together with other partners.

14. Corporate accelerator: An accelerator program which is funded or sponsored by a single corporate. The operations of the program can be outsourced or directly run by the corporate itself. These programs could be industry specific and related to the corporate's main market. The program allows start-ups to test their projects and solutions in real-life situations, and thus enables the transfer of innovation from the start-up to the corporate.

15. Start-up studio: This approach is also called 'start-up-as-a-service' or corporate excubator, who present themselves as a one-stop-shop offering a wide variety of services under one roof. They build a start-up on request by a corporate who comes with a problem or idea. The start-up studio creates the start-up from the very beginning and tries to develop it into a successful exit to the corporate, a process which usually spans over a period of 2 or 3 years.

16. Corporate venture capital: Funding supplied to a start-up in the form of equity capital, which results in a minority or majority stake in hands of the VC fund. The VC fund collects money from different parties and organizations, where the corporate serves as one of the limited partners making a contribution to the fund. The corporate is therefore not directly involved in the selection of deals, nor in the management and governance of the investments.

17. Corporate venture fund: Equity investments in start-ups exercised by a large corporate who takes up the role of general partner of the fund. The corporate thus runs their own internal corporate venture capital organization as an integral part of the firm's innovation strategy. They are typically involved in the board and provide substantial assistance to the start-up.

18. Joint venture: A strategic alliance between a corporate and a start-up involving ownership ties. It concerns the creation of a new business entity that is jointly owned by both parties who agree to share knowledge, revenues, expenses, risks and control of the new business entity.

19. Acqui-hire: A special kind of acquisition mainly driven by the interest in the start-up's founding team and employees, and less so in its offering of services or products. Usually, the business acquired in the process is closed down later on. Through this transaction the corporate gets access to a lot of new talent who would be difficult or impossible to attract on the job market. The valuation of the start-up could be on a per head basis and usually includes retention payments and incentives.

20. Acquisition: The corporate, the acquirer, fully purchases and absorbs the operations of the start-up, the acquired. The start-up will get fully integrated into the corporate or will become a standalone division, usually with the start-up's CEO as division head. This operation could spur further innovation and entrepreneurship within the corporate, while at the same time realize the start-up's optimal value and scale potential.

The 4 bridges

1. Confidentiality bridge

When building a business, you will most likely have certain (access to) information that other (potential) competitors would gladly get their hands on. To protect this information, a business can make use of an Non-Disclosure Agreement (NDA), a legal contract between two or more parties that signifies a confidential relationship exists between them. In other words, the parties agree to share information - while promising to each other to not use the shared information outside of the relationship in such a way that it could harm the other party's interests.

Ask any lawyer, and he will tell you that you must conclude an NDA from the moment one or more of the factors below is present:

1) A (CV) project is discussed which you don't (yet) want the other party to disclose to other parties/the public to know about;

2) (Details of) a solution is disclosed which is not known to the public and which should be kept confidential;

3) (Details of) a solution is disclosed of which maintaining the secrecy is key to meet the "novelty" criterion and allow patentability in the future / protection as trade secret in the future;

4) A (CV) project is discussed but you are not yet sure the other party is a good match for your business - you want to avoid such party to use it for its proper gain. In this case an NDA is best concluded including a non-compete clause.

In practice however, when it comes to concluding NDAs, there are conflicting interests between businesses and potential investors. As a start-up, when you envisage a Corporate-Start-up cooperation, you need to put yourself out there. You need to make your business and your solution visible and known to the market to attract investment and good talent. As a corporate, you need to make your business and your added value for a start-up visible.

Hackathons or start-up events are there to allow these interactions and they prove to be successful without necessarily triggering confidentiality concerns.

Also, waiving with NDA's and legal documents may kill the buzz of preliminary conversations. Unless you are discussing confidential parts of your project already, as a start-up, do not ask to sign your NDA at initial meetings, network events or interviews. This is not a good way to start off the partnership and may be taken as a sign of mistrust.

Rather share limited parts of who you are and what you do which give enough information to tease the other party into listening to you and discussing possible opportunities in a follow-up meeting (for which you can submit an NDA), but not enough to allow such party to independently (re)compile your solution or business.

Within the CV field, experts also talk of a certain - though informal - code of professional conduct which makes it self evident that, when participating in CV preliminary interactions, one should not abuse the information received for personal gain. However, like any CV journey, it basically comes down to risk management and a good gut feeling about the other party.

From a legal perspective, we can only recommend to go step-by-step and to prepare a good and commercially sound message about your business and what you can bring to the table, without immediately disclosing your hidden treasures. The more the collaboration becomes concrete, the more you can share, and the more it will be expected (and actually best practice / part of the process) to conclude an NDA.

2. Intellectual property bridge

Intellectual creations represent financial, intellectual and human investments and are in this sense substantial economic values. Most companies do recognize the relevance and effectiveness of intangibles and intellectual property. Indeed, these remain essential when it comes to consolidating and enhancing the results of innovative projects, and its formal nature can help clarify partnership relationships. Companies, however, tend not to anticipate adequately the protection of their intangible assets and their management remains perceived as more or less complex, especially in a collaborative framework. Whether the companies will transfer the IP rights to one another or license it to one another, they have to figure out which rights already exist and how they will manage their co-creations, preferably prior to their collaboration by concluding explicit agreements on their IP strategy after, for example, conducting an IP audit. Transparency is key.

The way companies should protect their IP assets "depends on, among others, the maturity of the company, the size of the company, the sector in which the company is active and the region where it is active[19]". Companies must acknowledge that solely depending on the nature of the rights, the ownership and the required investments will differ, just as the duration of the protection and its renewal. Within the broad category of intellectual rights, two major subcategories are traditionally distinguished: industrial rights on the one hand and copyrights on the other. While works protected by copyright need no other formalities other than to exist, industrial property rights, on the other hand, require a legal act to exist. According to strictly prescribed rules, an application for protection of industrial rights must be submitted to an official body (for example, a trademark deposit or a patent application). Registration, for example, requires for companies to settle beforehand on the owner of the right, to identify the competent body and the registration costs. While prior registration is encouraged for most industrial IP rights, registration, in certain cases might not be a recommended option. With regard to patents, for example, it must be taken into consideration that patenting an invention is quite expensive and the commercial success of an invention is not guaranteed. It also has a limited duration. In addition, when filing a patent application, it is required to describe the invention clearly and completely which allows third parties to consult the description. Advertising of the invention is likely to provide third parties with strategic information about the company or to allow them to try to improve the technologies that the company has invented. Companies may want to discuss their strategy before collaborating since investors might be refractory advertisement.

A dilemma may arise between two very different strategies, a "strategy to keep exclusive" vs. a "strategy to broadcast and share without limits cf. open-source", which depending on culture / sector / product / market has its merits and/or business threats.

Companies may also consider for the duration of their collaboration or after, licensing their rights to one another or acquiring licenses from third parties. The license of intellectual property rights and know-how is often an essential element of the industrial and commercial policy of a company. A license agreement allows the licensor to make the costs of research and development more profitable by realizing the research and development result. By this mean, the licensor, in a sense, can keep control over possible improvements to the technology given in the license. For the licensee, on the other hand, the license agreement, allows a competitive advantage by the use of a creation or a distinguishing sign without having to make substantial investments for realizing it. Regardless of the other party, the key points to pay attention to are the following: the scope of the license (all or part of creation/right to use or also commercialise/right to sublicense or not), the geographical coverage (worldwide/ regional), the exploitation of the license, the exclusivity, the remuneration, the guarantees, the protection of the rights, the resolution of disputes

3. Equity negotiation bridge: incubation or acceleration stage

3.1. FAST FORWARD R&D / SALES THROUGH CORPORATE INCUBATION / ACCELERATION

A corporate and a start-up can mutually choose to speed up the R&D process by moving towards an incubation or acceleration stage.

A classic incubation program is intended for start-ups which are still at an idea stage and want to test their concept with the help of the incubator's network, office space, resources and mentors. Most incubators typically do not provide any funding or take equity stakes in their members' companies. An accelerator however, is often an industry specific program designed for start-ups who are already beyond the ideation stage and have a product or prototype ready. These programs are more tailored and help scale the technology. As opposed to incubators, they usually provide some sort of seed investment in return for an equity stake.

Corporate incubators or accelerators are a specific form of seed incubators or accelerators, which are often subsidiaries, or programs of larger corporations that act like start-up acceleration programs. For corporates, these are experimental playing fields either (i) fitting legally within the structure of the organization, but to the maximum extent possible with freedom of entrepreneuring for the concerned start-up, and the perspective to become stand-alone (often a separate subsidiary is created), or (ii) legally being outside of the organisation's structure.

These "playgrounds" ultimately need to be directly or indirectly profitable to survive and deliver sustainable business results.

Two main drivers exist for a corporate incubator or accelerator. They aim purely for financial returns on equity investments through exits (comparable to early-stage venture funds) or the goal is to integrate innovation into the organization.

3.2. NEGOTIATING THE DEAL STRUCTURE AND MAIN TERMS

Off the starting blocks, it needs to be clear for both parties what the contractual rights and obligations will be along the road, which will in any event be a bumpy road, with road blocks, slower traffic and cars trying to pass you by in the fast lane. All such metaphorical situations need to be captured from a legal point of view as well in the contractual arrangements.

Traditionally, the deal is most often based on one of the following categories: a money-for-equity agreement, a resources/knowhow-for-equity agreement, a combination thereof, and sometimes through the intermediate form of a convertible loan/resources agreement. The corporate will if all goes as planned and the contractual/legal conditions thereto are met, own a certain percentage of the equity of the start-up, based on (i) the valuation of the company at entry into the equity or conversion of the loan into equity, and (ii) the amount of money or resources the corporate gives.

a) *Money-for-equity agreement*

This is the most traditional way forward: in exchange for funds, the corporate will own a certain percentage of the start-up, based on the "pre-money" valuation of the company and the amount of funds the corporate gives. If it is not money but resources, it will be key to clearly identify the valuation method to quantify what the resources are worth. Several modalities can be negotiated in the term sheet, such as:

- investment in multiple tranches: release of tranches is linked to obtaining certain (often R&D or sales related) milestones;
- a seat for the corporate in the board of directors, with possible veto rights;
- right of first refusal: before any shareholder can sell to a 3rd party, it must offer his stake to existing shareholders at the same terms;
- pre-emption rights: right to participate in future financing rounds;
- and many more.

As a start-up, it is important to know, amongst others what can be negotiated in this respect and how to protect the founders rights. Every deal should be tailored to the venture as much as possible.

b) *Resources-for-equity agreement*

As mentioned, the consideration for equity does not necessarily have to be a traditional cash investment by the corporate. The road less traveled is for the corporate to accept equity in exchange for providing certain resources to the start-up. Possible resources e.g. are the free office space or the help of expert mentors in sales, IT, or financial reporting. Another can be licensing intellectual property to the start-up (as discussed above). This way, a starting business with little funds and revenue streams available, does not have to burn through its cash, while working on its R&D. These "license agreements with equity" generally also foresee other compensations such as up-front fees, royalties on sales, etc.

c) *Convertible loan agreement*

Convertible debt is essentially a mix of debt and equity: the start-up borrows money from the corporate, with the understanding that the loan will either be repaid with a rate of interest or turned into stock in the company. For start-ups this convertible debt fundraising story makes the most sense when they are not yet ready to set a valuation for their company, e.g. still in ideation stage. The advantage here for the venture is while funds are being provided, the value of equity is protected for later. For corporates, they maintain an exit strategy of the debt structure and the security that comes along with it, yet also have the potential for a (negotiated) discount on the venture's equity if they choose to convert. It can be negotiated that the corporate can convert at a specific discounted rate, e.g. the corporate lends € 1 million with a 20% discount in the first round, meaning they can get € 1.2 million worth in equity in the next round.

4. Equity participation bridge: CVC and M&A stage

4.1. CORPORATE VENTURE CAPITAL

The term Corporate Venture Capital ("CVC") is used to describe the direct equity investment by a large organisation (or its venture capital arm) in external start-up companies by taking a minority stake. As the name suggests, a CVC deal looks and feels similar to a traditional venture capital investment.

Structuring the transaction, will require, at least, the negotiation of following legal documents:

- the initial investment term sheet;
- a subscription and shareholders agreement;
- a new set of articles of association to be adopted by the investee company on completion;
- IP assignment agreements from founders and other developers (if required);
- service agreements for management and key employees.

As is the case for traditional VC deals, the CVC taking a minority stake will want to negotiate at least the following modalities:

- a seat on the board of directors and possibly certain veto rights;
- right of first refusal over any further funding of the company;
- a temporary lock-up of the management's shares, usually under good leaver/bad leaver provisions;
- potentially anti-dilution protection on any future "down-round" (meaning a capital round whereby the new equity provider subscribes to new shares at a lower price than the CVC did in the earlier round);
- preferred shares with certain rights attached, such as giving the CVC a liquidation preference or a preferred dividend pay-out.

4.2. THE ACQUISITION POSITION

As opposed to traditional VC funds that generally look for an economic exit through a sale to the founders, third parties or an IPO, a CVC investor may be more interested in acquiring the start-up once the technology has been tested and proven, following incubator/accelerator stage or once the start-up has reached a certain level of profitability. The acquired start-up can then either be left stand-alone in the group of the corporate, or be carved-in into the existing structures and "disappear" as a stand-alone. The corporate can acquire the company in several ways.

In many cases, the corporate will not in the early stage of the CV partnership want to enter into detailed negotiations about the terms of the acquisition. As discussed above, the corporate will anticipate an acquisition by negotiating certain provisions in an earlier investment stage, such as the right of first refusal (ROFR). In general, before making the offer to a potential buyer, the owner(s) of the start-up must make the same offer to the ROFR holder. The corporate can then accept to buy the shares on those terms and conditions. Another possibility is the right for the corporate to match any third party offer.

In other cases, having some control over the terms and timing of acquisition can be of great interest to the corporate, especially when it is competition-sensitive. Those circumstances call for, indeed, a call option over the remaining shares in the start-up at future date and at an agreed valuation. Often this will be linked to a put option held by the founders, enabling them to buy themselves out on similar terms. Keep in mind however, for R&D sensitive companies the valuation should take into account the IP and not just the EBITDA or other sales figures.

Selected case 2

Benjamin Eysermans founded with his partner Axel van der Donk Bao Living in 2014, a company specialized in affordable and sustainable living. By the end of 2016 they were in need of funding to build a look-and-feel apartment to showcase their solution.

Marc Bernaerts (CEO vanhout.pro, a daughter company of Van Roey) got in contact with Bao Living by chance. They were contacted by Bao Living, who got help from the Belgian Construction Federation in setting-up a meeting. Since innovation is high on the agenda of Van Roey, a large Belgian family-owned construction company, they were very open for a potential cooperation.

It quickly turned out that besides a cultural and personal fit, there was also a clear fit in strategic vision with Van Roey since Bao Living could support Van Roey in bringing affordable housing further to the market. Eventually a deal was closed by the end of 2017 where vanhout.pro bought a minority stake in Bao Living.

For Van Roey co-creation with other partners is their daily bread and butter, because they understand very well that they do not have all the necessary expertise in house. And this also counts for innovation. Creating a partnership with Bao Living can allow Van Roey to bring innovation faster from horizon 3 to horizon 2 (cfr. McKinsey growth model).

For Bao Living the partnership with vanhout.pro not only allowed them to build their showroom, but also to broaden their know-how in the field of construction and to open doors towards the market. It's a real pleasure for them working together with a professionally-run family business that already exists for more than 275 years.

Key learnings from Bao Living:

- Look for external support and advice when starting negotiations with potential partners.
- Make sure you keep your flexibility and freedom as this increases your execution speed.
- It means a lot feeling that your start-up is truly supported by the people internally within the corporate.

Key learnings from Van Roey:

- You need someone dedicated within the firm who is fully committed to innovation and largely involved in creating and governing those cooperations.
- Make sure that the shareholders have a clear view on the bigger picture and are taken along in the whole process.
- Don't set up a cooperation if there is no relational fit and a fit in values.

Conclusion

In this paper we focused on the growing importance and relevance of corporate-start-up cooperation as a response to the challenges of established firms and start-ups in today's era of entrepreneurship.

Start-ups' focus lies on disruptive innovation and they excel at exploring the right customer/product mix that will hopefully turn into a scalable business model. However, many of them will not succeed because of a combination of reasons such as a lack of industry experience, difficulty in acquiring customers or running out of cash. On the other hand, today's economy still largely depends on established companies, of which the majority worldwide can be identified as SMEs and family-owned firms. Some were created centuries ago and have turned into flagships through incremental innovation and through exploiting a business model which allowed them to become a dominant player in their market. However, more than ever, their success from the past forms no guarantee at all that they will continue to succeed in the future. The current revolution requires much more than just gradual innovation, which strongly challenges the knowledge and expertise available within the company.

It seems clear that corporate-start-up cooperation in this respect could offer a solution as it closes the gap between the strengths and challenges of start-ups and established firms. Through this paper we hope to clear the way towards developing better knowledge, guidance and support in bringing start-ups and corporates together, and in sealing and governing the strategic cooperation successfully. May it form a source of inspiration for those organizations from any industry that still underestimate the importance of innovation, that are still hesitant in setting up a cooperation with start-ups or have no idea how to start this courageous adventure.

"Man cannot discover new oceans unless he has the courage to lose sight of the shore."

- Andre Gide

References

1. *Mohout, O. & Van Peteghem, D. (2018). Corporate venturing: Accelerate growth through collaboration with start-ups. Die Keure, ISBN 978-2874034947.*

2. *Bruneel, J., Ratinho, T., Clarysse, B., & Groen, A. (2012). The Evolution of Business Incubators: Comparing demand and supply of business incubation services across different incubator generations. Technovation, 32(2), 110-121.*

3. *Phan, P. H., Siegel, D. S., & Wright, M. (2005). Science parks and incubators: observations, synthesis and future research. Journal of business venturing, 20(2), 165-182.*

4. *Aernoudt, R. (2004). Incubators: tool for entrepreneurship?. Small business economics, 23(2), 127-135.*

5. *Pauwels, C., Clarysse, B., Wright, M., & Van Hove, J. (2016). Understanding a new generation incubation model: The accelerator. Technovation, 50, 13-24.*

6. *Clarysse, B. & Kiefer, S. (2011). The Smart Entrepreneur: How to Build For a Successful Business. Elliott & Thompson, ISBN 978-1904027881.*

7. *Cohen, S., & Hochberg, Y. (2014). Accelerating start-ups: The seed accelerator phenomenon. 16 p.*

8. *Baghai, M., Coley, S., White D., & Coley, S. (2000). The Alchemy of growth: Practical insights for building the enduring enterprise. Basic Books, ISBN 978-0738203096.*

9. *Blank, S. (2019). McKinsey's three horizons model defined innovation for years. Here's why it no longer applies. Harvard Business Review, Februari 1st 2019. Retrieved from: https://hbr.org/2019/02/mckinseys-three-horizons-model-defined-innovation-for-years-heres-why-it-no-longer-applies*

10. *European Union (2017). Annual Report on European SMEs 2016/2017: Focus on self-employment. November 2017, ISBN 978-9279741265.*

11. *Lambrecht, J. & Molly, V. (2011). The economic importance of family businesses in Belgium. FBNet Belgium*

12. *Sharma, P., & Chrisman, J. J. (1999). Toward a Reconciliation of the Definitional Issues in the Field of Corporate Entrepreneurship. Entrepreneurship Theory and Practice, 23(3), 11–28.*

13. *Wolcott, R.C., Bauke, B., & Baierl, R. (2015). Corporate venture capital. Kellogg School of Management, 15p.*

14. *https://www.boip.int/en*

15. *https://euipo.europa.eu/ohimportal/en*

16. *https://economie.fgov.be/en/themes/intellectual-property/institutions-and-actors/belgian-office-intellectual*

17. *https://www.epo.org/index.html*

18. *Proposal for a Directive of the European parliament and of the council on copyright in the Digital Single Market COM/2016/0593 final - 2016/0280 (COD)*

19. *Verlinden, I. & Bakker, A. (2018). Master the IP life cycle from a legal, tax and accounting perspective. PWC, IBFD, 1354 p.*

antwerp
management school

Powered by the University of Antwerp