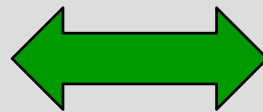




# Bridging the Generation Gap

*Building a Symbiotic Relationship  
between Startups and Established  
Companies*

**Cleantech  
Partnership  
Meeting  
27 May 2009**



**Energy Infrastructure**  
**Transportation**  
**Waste and Wastewater**  
**Air & Environment**  
**Materials**  
**Energy Storage**  
**Energy Generation**



# My Entrepreneurial Journey

1. Opportunity Knocking... A series of firsts.
2. Bridge between Two Worlds... Technology and Business.
3. Team and Leadership Development... Helping others be their best.
4. Not a Traditional Career Path... Following my passion to make a difference in the world.
  - Company 1: Marketing, Service Development, Strategy, International Market Development and New Business Opportunity Identification.
  - Company 2: Internal Venturing.
  - Company 3: Technology Accelerator and Startup Advisor.
  - Company 4: Strategic Innovation Consulting and Teaching.



# Entrepreneurs and Respect

When asked if becoming an entrepreneur is a desirable career choice, people in China, India and the U.S. were most likely to agree; not so in Scandinavia

Nation	Agree	Neutral*	Disagree
China	70%	20%	10%
India	69%	11%	20%
U.S.	69%	16%	16%
Russia	62%	16%	22%
South Korea	61%	22%	17%
United Kingdom	35%	19%	45%
Austria	35%	12%	53%
Singapore	27%	20%	53%
<b>Denmark</b>	<b>23%</b>	<b>23%</b>	<b>53%</b>
Norway	18%	26%	56%
Sweden	13%	20%	67%
Finland	3%	10%	87%

Source: Monitor Company  
Group LP Monitor  
Entrepreneurship  
Benchmarking Survey in Mass  
HighTech March 6-12, 2009

Response Base: 1235

\* Neutral = Neither agree/disagree



# The shame of it all

Respondents in Russia, the U.S. and China were most forgiving and the Finns were the harshest when asked whether they agree that to start a business and fail is considered a disgrace.

Nation	Agree	Neutral*	Disagree
Finland	94%	3%	3%
Austria	77%	14%	9%
Norway	75%	14%	11%
<b>Denmark</b>	<b>74%</b>	<b>13%</b>	<b>13%</b>
Singapore	67%	13%	20%
India	64%	13%	24%
Sweden	60%	20%	20%
United Kingdom	58%	23%	19%
South Korea	58%	30%	12%
China	26%	23%	51%
U.S.	24%	20%	55%
Russia	24%	22%	54%

Source: Monitor Company  
Group LP Monitor  
Entrepreneurship  
Benchmarking Survey in Mass  
HighTech March 6-12, 2009

Response Base: 1234

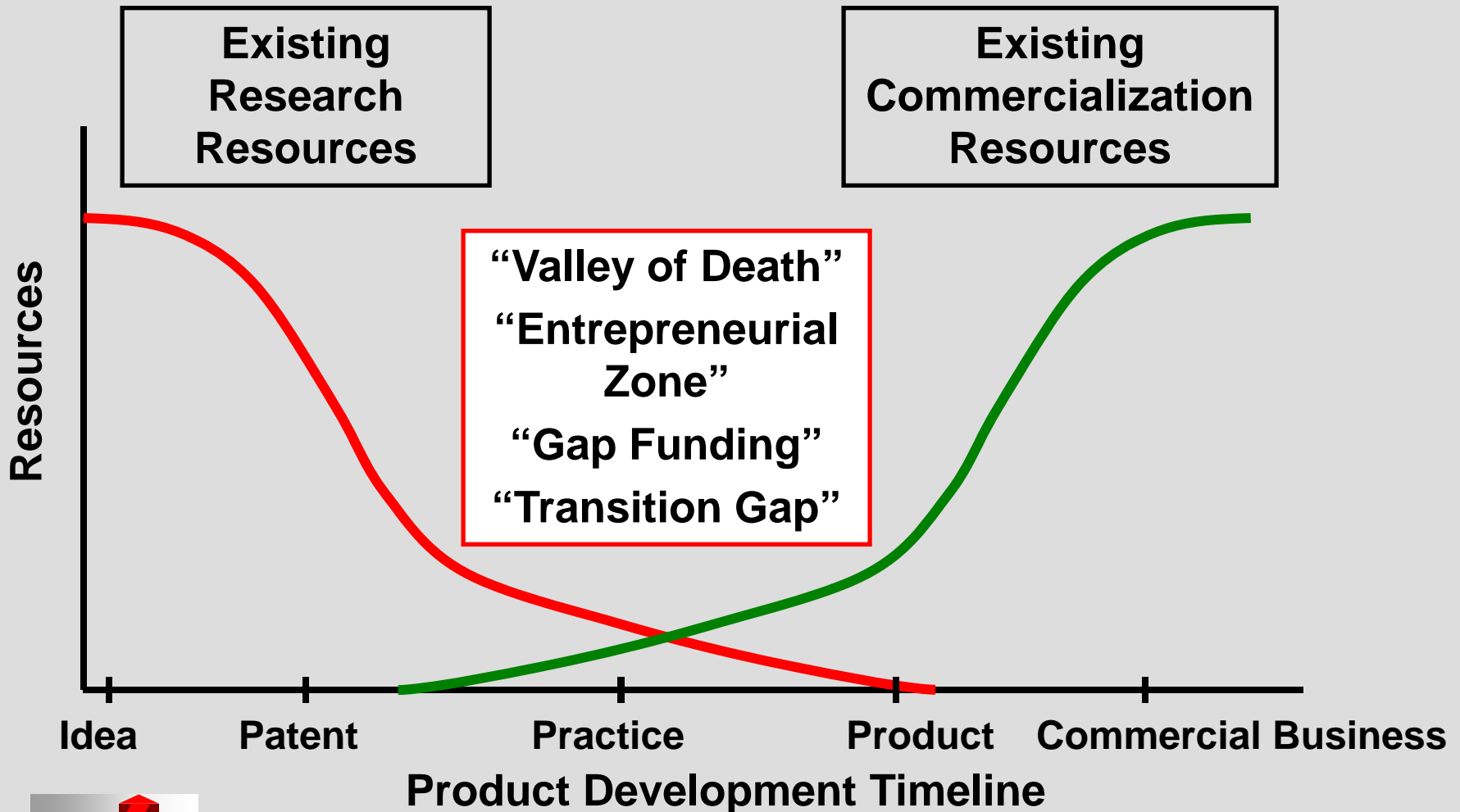
\* Neutral = Neither agree/disagree



RADICAL INNOVATION GROUP

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# Research & Commercial Application Gap



# Business Realities

## Startups

1. Crossing reservoir from technology development to commercial viability without business development experience.
2. Often lacking technology reliability and scalability to grow into stand-alone businesses.

## Established Companies

1. Protecting and growing existing market and customer base.
2. Emerging technologies often disrupt what already exists and lack robustness.



# The Generational Dilemma

1. Chasm exists between entrepreneurial model for startup and efficient systems in place to support status quo in established company.
2. Adoption of an open innovation model and development of a symbiotic relationship is critical for the survival of both sides of the new business development equation.

Symbiotic = “A cooperative relationship (as between two persons or groups).”



# Critical Business Questions

1. How to overcome the generational dilemma?
2. Startups: How to attract the attention of a potential investor/partner with a compelling company/technology value proposition?
3. Established Companies: How to embrace an open innovation model that challenges the status quo and make it work?
4. The Symbiotic Relationship: How do two dissimilar companies work effectively together?





# The Generational Dilemma

*What are the cultural differences that need to be understood?*

*What are the conflicting objectives and expectations regarding timing, risk orientation and performance?*



# Established Companies Cultural Divide

	Operating Groups		Innovation Groups
Strategy and Type of Innovation	Current Strategy; Incremental Innovation to Extend Existing Business	[-----]	Strategic Intent and Opportunism; Evolutionary and Radical Innovation for Growth and Renewal
Culture	Operational Excellence, Customer Intimacy and Execution Skills	[-----]	Cultivation, Employee Intimacy and New Business Creation Skills
Risk Profile	Risk Averse with Focus on System Efficiency	[-----]	Risk Mitigation through Staged Learning
Investment Timing and Revenue Focus	New Products in 6-18 Months; Profit and Loss Focus with In-year Revenue Streams	[-----]	New Businesses in 3-5+ Years; ROI over Long Term with Portfolio Management to Hedge Bets



# Cultural Perceptions and Realities

## Established Company View of Startup

1. Unfocused.
2. Inexperienced.
3. Immature Technology.
4. Demanding.
5. Unrealistic Expectations.

Yet...

Incredible Opportunity to  
Fill Competency Gaps and  
Source Emerging  
Technologies

## Startup View of Established Company

1. Bureaucratic.
2. Risk Averse.
3. Analysis Paralysis.
4. Resource Drain.
5. Opportunistic.

Yet...

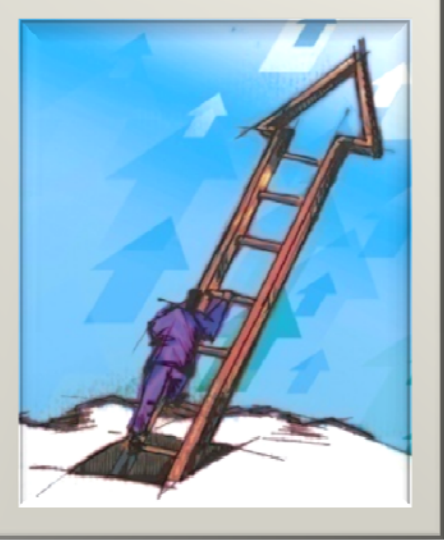
Incredible Assets (Brand,  
Channels, People, etc.),  
Global Reach and  
Economies of Scale



# Stakeholder Expectations

	<b>Operating and Product Groups</b>	<b>NBD/Innovation Groups</b>	<b>Startup Ventures</b>
<b>Market Timing</b>	New products in 6 to 18 months	New businesses in 3-5+ Years	First customer priority and get to trial fast
<b>Risk Orientation</b>	Risk averse with focus on execution and operations	Risk mitigation through staged learning and strategic partners	Risk is the norm and drives the venture
<b>Performance</b>	Profit and Loss/EBITDA management and in year revenue streams	Return on investment (ROI) as long term objective with portfolio management to hedge bets	One bet that must work as no other options exist





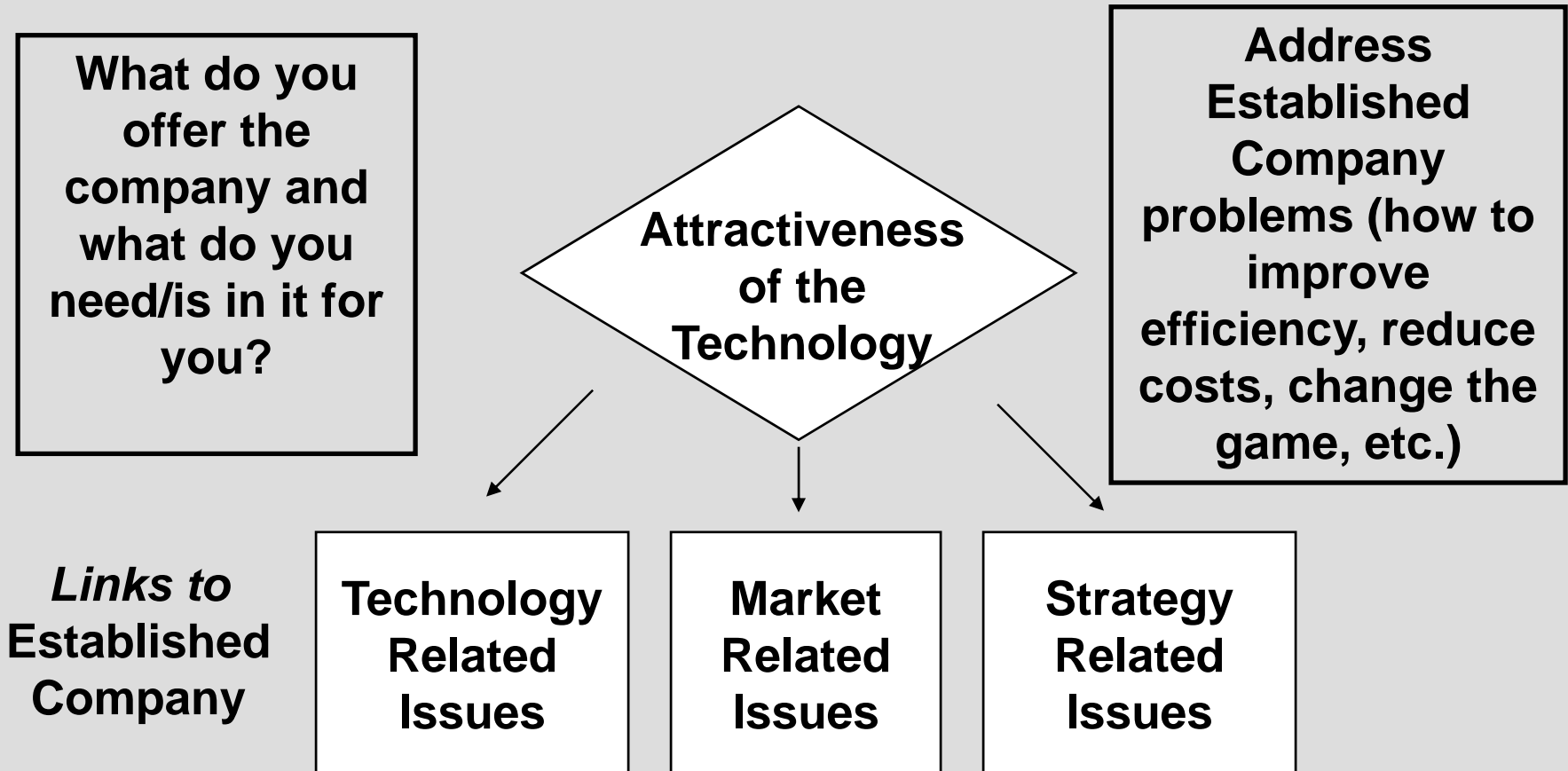
# Startup: Company and Technology Value Proposition

*How does a Startup:*

*Effectively communicate the value of its  
company to attract the attention of  
established companies?*



# Communicating Value



# Business Considerations

## Technology:

- ❑ What is the value of the technology and your technical expertise?  
e.g., feasibility, reliability, scalability, technical capabilities, prototype, etc.

## Market:

- ❑ What is the potential impact of this technology or business model on the market?  
e.g., game changing, application possibilities, technology disruption, value proposition, business network position, etc.



# Business Considerations

Strategic:

- ❑ What business opportunity does your technology or business model offer ?  
e.g., order of magnitude potential market size, strategic alignment, cost savings, innovation potential, etc.
- ❑ What do you need to think about for organizational positioning?  
e.g., technology potential to cannibalize existing business, culture conducive to partnering, champion in place, resources to negotiate and manage partnership, career risk for decision maker, etc.





# Established Company: Embracing an Open Innovation Model

*Why do established companies  
need different management practices  
for an open innovation model?*

*What are the right questions  
established companies should be  
asking to determine partnership  
potential?*



# Describing Open Innovation

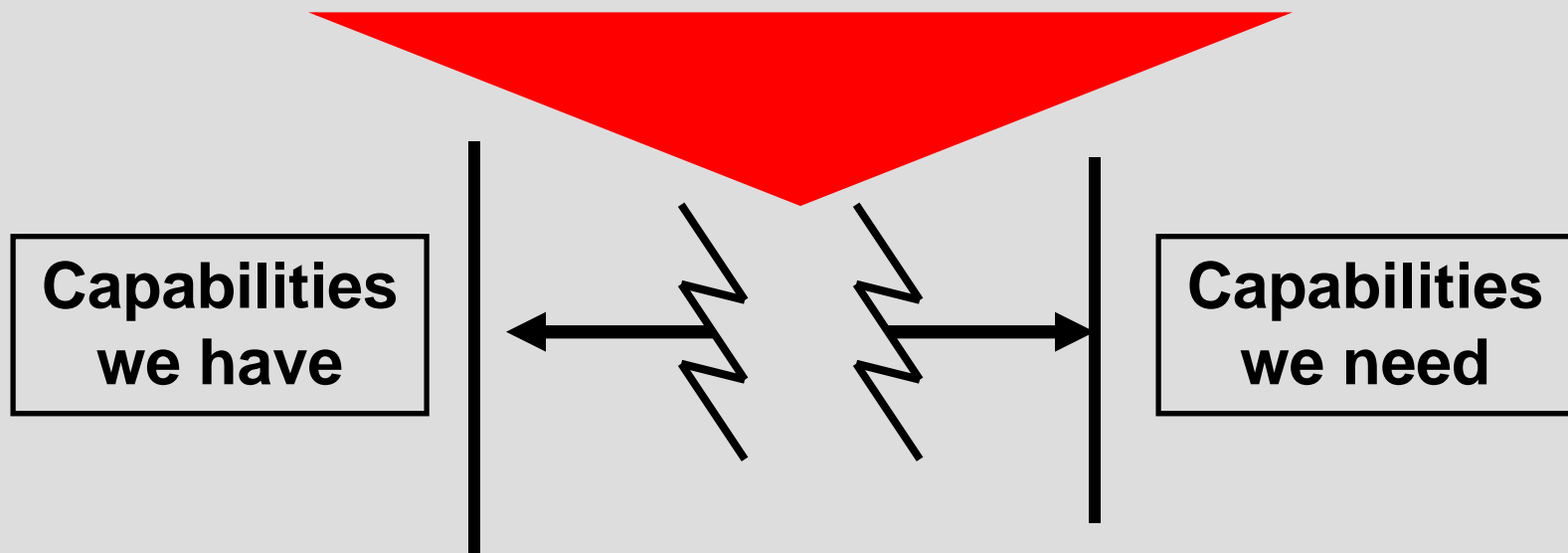
1. ***Invention*** is creation of something that was previously unknown.
2. ***Discovery*** is becoming aware of something that may be known in other venues but was not known to a particular group or the company.
3. ***Open Innovation Model*** = Invention activities from internally focused research + discovery activities within and outside the company.

**Shorten time to understand a technology's or business model's value to the market and accelerate commercialization.**



# New Capabilities Required for Growth

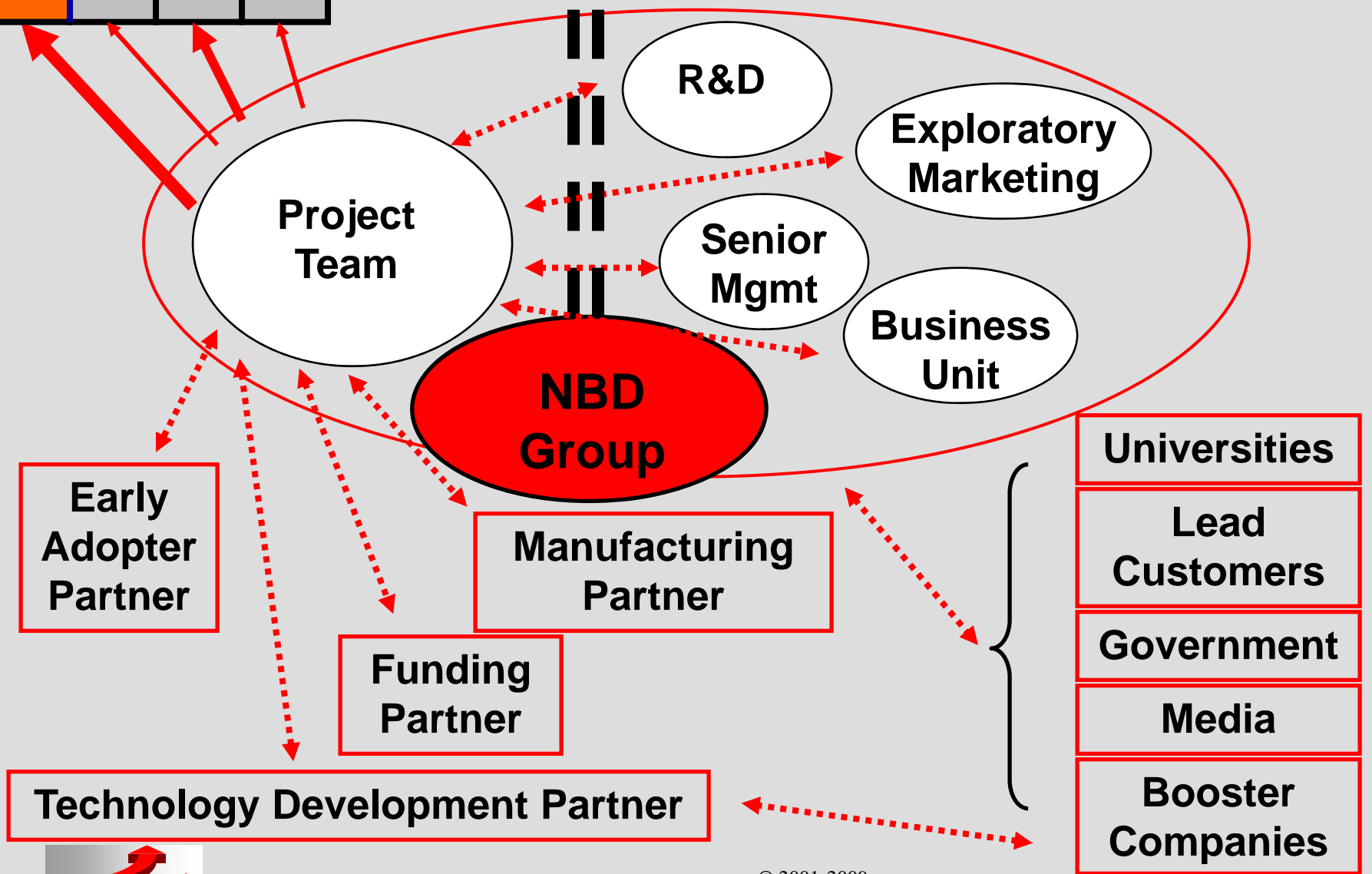
1. Traditional approaches such as internal development or large acquisition of outside firm are insufficient.
2. Open innovation model is emerging to fill technology and other competency gaps through partnering based on co-development versus traditional supplier relationships.





**O** **R** **T** **M**

# Relationship Complexity



# Different Questions Asked: Quantifiable versus Potential Value

## New Products

- How should we position the product?
- How can we segment the market?
- How much market share can we capture?
- How fast will the market grow?

## New Businesses

- What applications will the technology enable?
- What markets could the technology create or disrupt?
- What is the order of magnitude market potential and/or cost savings?
- How can we prototype or scale the technology?



# Strategy Considerations: Business Model and Market Entry Strategy

1. How will the business model unfold?
  - Which is the best path to the market and where are the gaps in the value chain?
  - Which partnerships are required initially and how could this change over time?
  - How should additional partners be encouraged to participate?
2. What will be the market entry strategy?
  - Is the initial application the right starting point? What could be the follow on applications to create a sustainable business?
  - What are the appropriate selection criteria and interim performance metrics?
3. How do we put in place the right resources to proceed?



# Strategy Driven Open Innovation Models

## Strategic Partnership

1. Good starting point to learn more about company and technology.
2. Need to focus on building trust.
3. Significant time commitment to build relationship.

## Competency-Based Acquisitions

1. Accelerates learning about new technologies and markets.
2. Need to focus on integration.
3. Significant time commitment to bring together diverse cultures.



# Opportunistic: Direct Investment in Startups

## Pros

1. Equity in potential growth company.
2. One win leads to large return on investment.
3. View of emerging technologies and markets with initial investment and potential for acquisition.
4. No incubation costs.

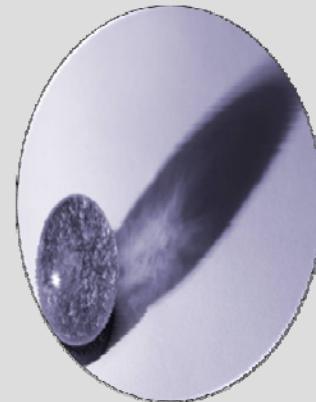
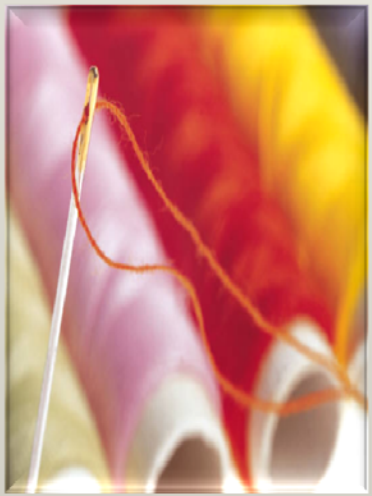
## Cons

1. Risk of business failure or loss of money is high.
2. Must be invested for long term growth.
3. Investment potentially not used for core company development.
4. Partner requires ongoing management (culture critical).



# The Symbiotic Relationship

*How do two dissimilar organizations learn to communicate and work effectively together?*



# Building an Effective Partnership

## Starts with...

1. Appreciation of different worlds and the risks.
2. Respect and appreciation of mutual value.
3. Aligned objectives, scope and definition of success.
4. Clear roles, responsibilities and expectations.
5. Equitable partnership competently negotiated with ongoing interest/commitment of lead.
6. Acceptance of **partnering requirements changes over time** as business matures.
7. Living with chaos and embracing change!



# Startups: Keys to Finding a Match

1. Prepare your ***value proposition*** being realistic about what you can do (having a lead customer helps all!).
  - a. Understand the breadth and depth of your potential market applications.
  - b. Protect your core patent and most promising applications or fields of use.
  - c. Develop a succinct elevator or value pitch.
2. Learn about the ***strategic drivers*** of the targeted company to position the value of your company and technology (be clear on this in your proposals).
3. Find the ***right group***, most often a New Business Development versus Operating Group.



# Established Company: Keys to Finding a Match

1. Focus on understanding the **motivations** of a startup to uncover inherent value.
2. Create and facilitate an **open innovation environment** that recognizes the tension among your **internal dynamics** of entrepreneurial orientation versus operational excellence, the needs of a startup and customer requirements.
3. Identify **value chain and business model gaps** as well as your **likely market entry strategy** to be clear about technologies you are seeking to close the gaps.
4. Develop reputation for being **reasonable on IP requirements** given uncertainty this creates for a startup.



# Partnership Preparation Process

1. Establish a **strategy** that aligns with company goals and vision based on core competencies, current capabilities and gaps as well as level of risk tolerance.
2. Conduct partner **due diligence** to uncover and analyze all the issues likely to impact the partnership and most importantly assess cultural fit.
3. Establish a **governance structure** for decision-making and to reduce ambiguity related to strategic intent.
4. Develop a **scorecard** to measure success of the partnership based on key goals and milestones.



# In the End... It's All About Value Creation

“The convergence of passion, commitment and masochism with chaos, change and uncertainty to inspire the dreams and create the wealth of future generations.” 2001

**“The Rollercoaster Effect”  
Most Rewarding and Demanding Job You will Ever  
Have!**



# Realizing Your Dreams

**Excellence can be attained if you...**

- 1. Care more than others think is wise.**
- 2. Dream more than others think is practical.**
- 3. Expect more than others think is possible.**
- 4. Risk more than others think is safe.**

**NBO Team 1996**



