

# EXCUBATION

A best-of-both-worlds  
approach to get  
innovation right

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## Welcome



**Tammo Ganders, MBA**  
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Excubate GmbH



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Co-Founder & Partner  
Excubate GmbH

# excubate

corporate startups

## WHO WE ARE & WHAT WE DO

### Excubate Vision

To be the most trusted **innovation partner**, where **corporates** can continuously **re-invent** themselves to lead in a **digital world**.



Together with our clients we drive corporate re-invention by transforming the core and innovating new business in a way that is second to none.



Our Core Competencies are the Development of New Business Models and therefore necessary Innovation Environments – from Strategy to Execution



We build corporate startups and digital capabilities and design respective incubation and intrapreneurship environments

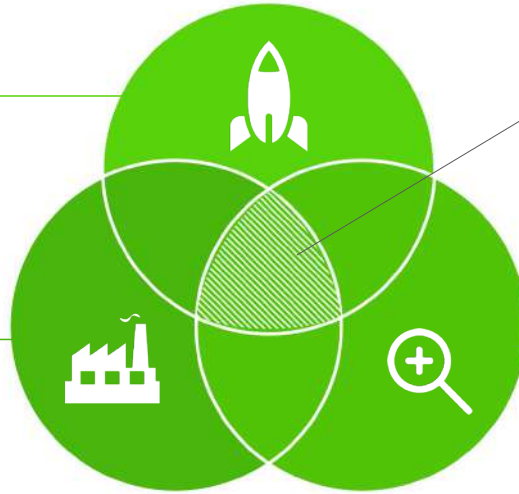
# Our Excubate Team combines a Pragmatic Mindset with three Critical Expertise Areas, you will not find in big consultancies

## Startup & Digital Experience

We have built own startups and digital innovations and know what it takes

## Corporate Experience


We know corporates inside-out and work effectively across all management levels




*Excubate core team combines all three experiences*

## Consulting Experience

We have multi-year experience in top management consulting and run a professional process

 Excubate core team: ~20 People

 Excubate extended team covering broad scope of expertise: ~30 People

## Selected Customers



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## Today's Agenda

- 1. Status-quo of Corporate Entrepreneurship**  
Why it's needed, how it's done and what we've learned

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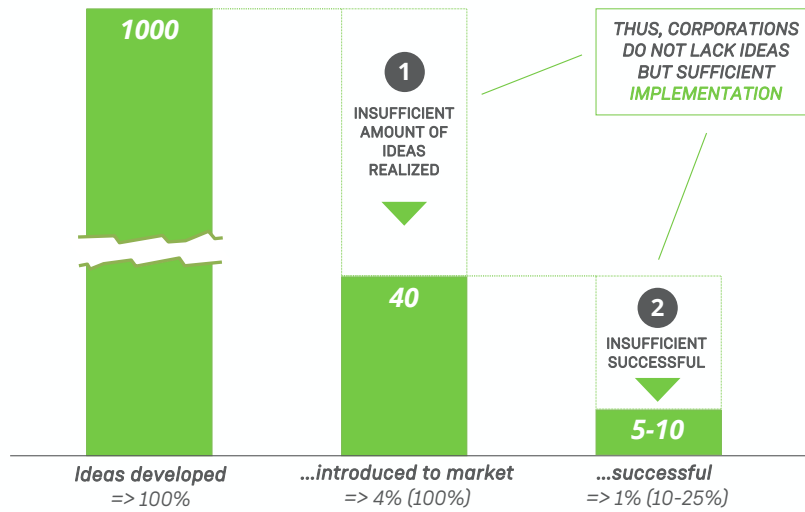
- 2. Excubation as Corporate Entrepreneurship 2.0**  
What it means, how it works and where to start

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# Why: Lots of Ideas, Marginal Impact



Source: Innovative Tools für Decisions, Deborah Heifetz-Yahav, Shlomo Maital

## You know the reasons...



Risk aversion, no innovation-culture



Lack of customer focus and centrality



Focus on stability and protection



Unclear responsibilities and approach



Lack of expertise and unconventional thinking



Inappropriate incentivization



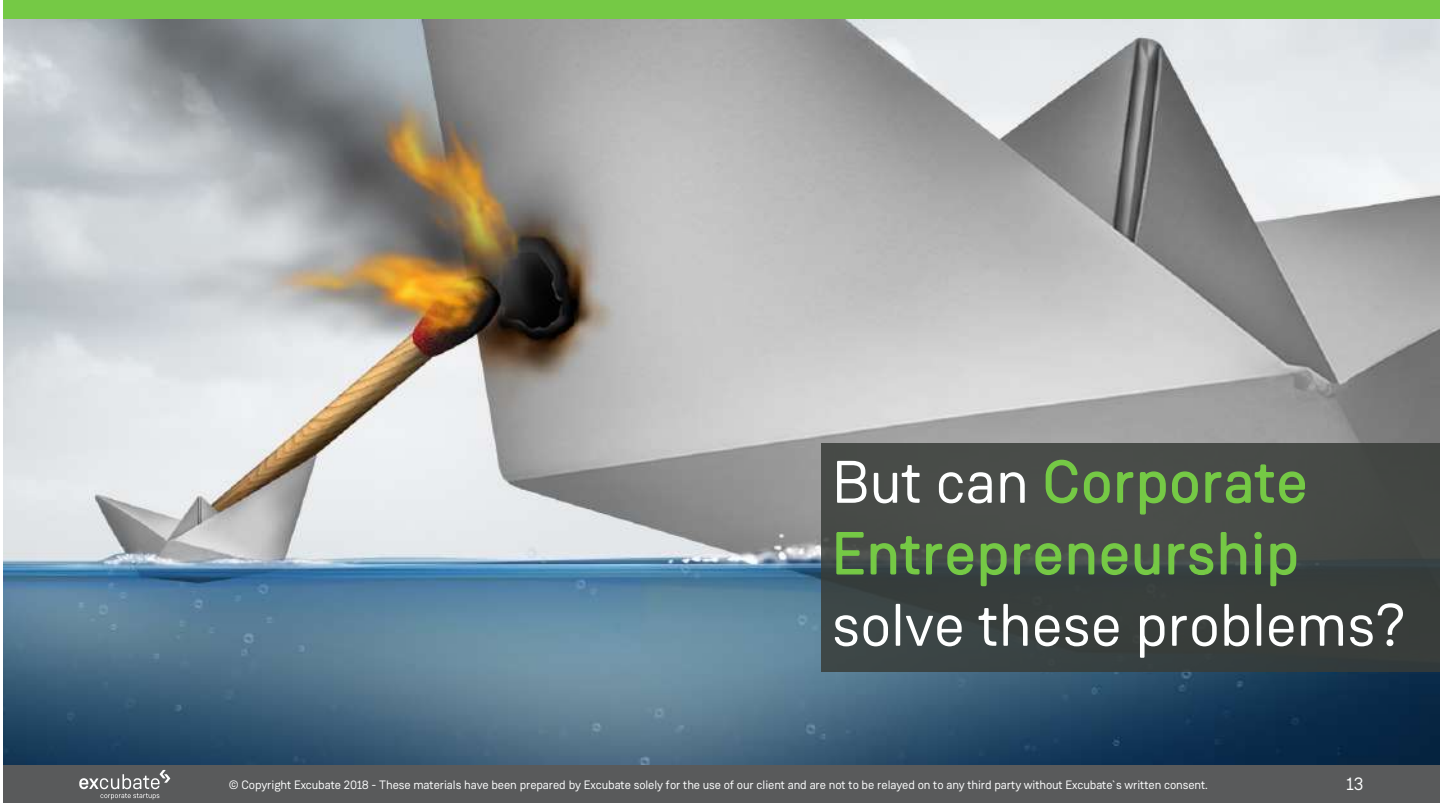
Complex hierarchy and processes



Lack of resources, focus on daily business



Low perseverance, expect fast ROI



But can **Corporate Entrepreneurship** solve these problems?

$$1+1=3$$

*If managed effectively, a **corporate startup** has the resources of a large organization and the entrepreneurial momentum of a small one.*

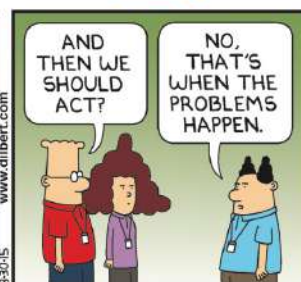
Does that  
actually work  
with corporates?!



**DILBERT**



**BY SCOTT ADAMS**





Can an “intrapreneur” working in a large company really make a difference?

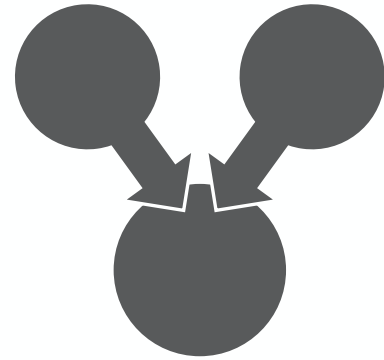


Access to resources and capabilities could become **inflexible liabilities.**



*e.g. blocking the scale process as assets are tailored to execute the existing business model, not to help search for a new one and scale it.*

Internal ventures must fight on **two fronts** risking focus and energy.



*e.g. externally achieving product market fit and scaling the new business AND internally obtaining the permissions, protection, resources needed to launch the venture initiative, and work to retain that support over time as conflicts arise*

Strategic & resource **dependency** leaves new venture at corporates mercy.



*e.g. ...increasing risk to get stopped before showing profits, e.g. imagine one bad quarter for the company or the arrival of a new CEO who wants to clean house*

## Consequences: Poor Products

CORPORATE

**PAYSMART**



1) The customer scans the PAYS MART QR-Code of the supplier

2) The supplier informs the customer on the payment amount as well as a dedicated symbol and number. The customer is then asked to enter all three objects to his/her smartphone.

3) The customer presents the smartphone screen to the supplier which shows the receipt including another security symbol. The supplier then manually ticks of the symbol from his/her security checklist.

VS.

STARTUP



- 1) Select recipient
- 2) Enter amount
- 3) Press „Pay“

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corporate start-ups

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## Consequences: Loss of Entrepreneurial Talent

Ex-Google Employees, who left the company to found these businesses:

Google



twitter

foursquare®

Instagram

asana:

Pinterest

cloudera®

By not providing entrepreneurial incentives to employees, Google lost several multi-billion dollar businesses...

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## What do corporates need to do differently, and why is that hard?



- Enable (right!) team to make decisions
- Relax and watch
- Against the need for control and “perfect” decisions



- Provide pragmatic access to corporate resources
- Not too much, not too little, not forced
- Against the need for synergies and „leverage what we have“
- Hide and protect customers from evil



- Define entrepreneurial upside
- Have people participate
- „We always own 100%“
- The board needs to agree
- The works council needs to agree

## Today's Agenda

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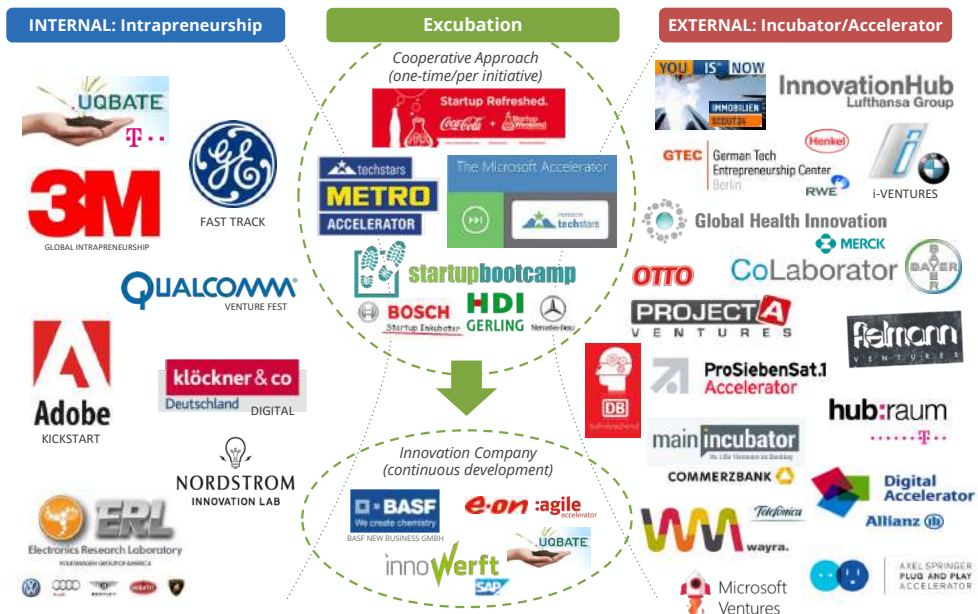
# Approaching AMBIDEXTROUS ORGANIZATION

## First Stage: Mainly internal or external oriented Setups



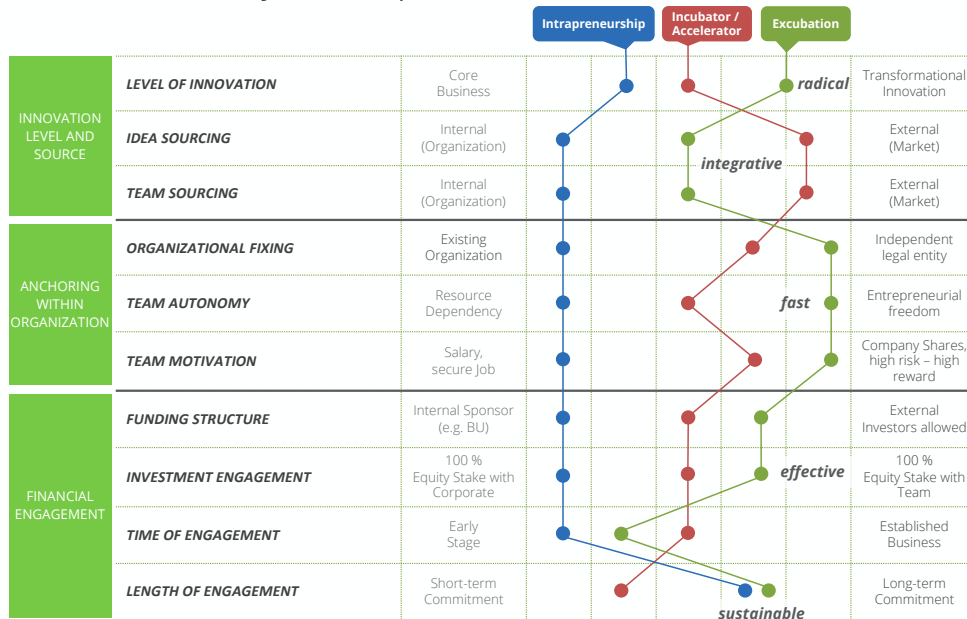
# Approaching AMBIDEXTROUS ORGANIZATION

## Three Different Setups can be categorized across Industries



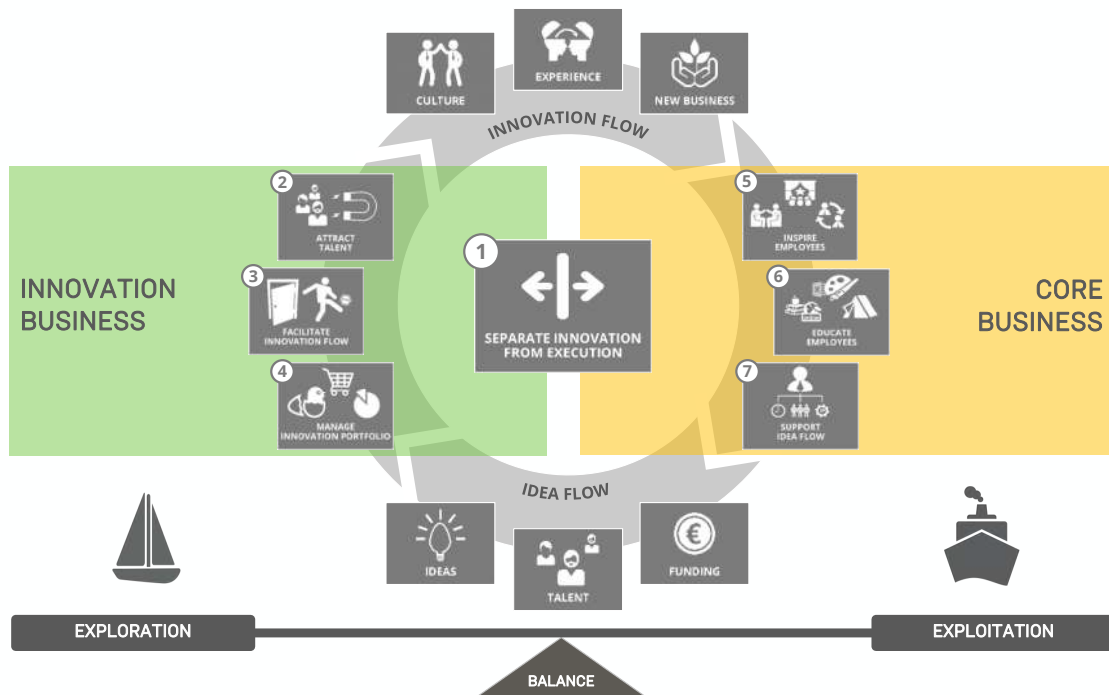
# Approaching AMBIDEXTROUS ORGANIZATION

How do they differ: Important Parameters of the different models



## Definition

“Excubation is the **smart separation** of corporate innovation activities from the **core business** to enable the **effective build-up** of new and more **radical business models** by **combining the best of both** the corporate and startup worlds in an **entrepreneurial fashion.**”



## Setting Organizational Parameters along 7 Rules of Excubation Tendencies resulting from Strategic Direction

IC DESIGN MATRIX		TENDENCY @ YOUR COMPANY		
Rule No.1	SEPARATE INNOVATION FROM EXECUTION	Autonomy of Innovation Company	dependent — <input type="radio"/> —	radical
Rule No.2	ATTRACT ENTREPRENEURIAL TALENT	Entrepreneurial Capabilities of Innovation Company	limited — <input type="radio"/> —	extensive
Rule No.3	FACILITATE INNOVATION FLOW	Competitiveness of Innovation Company	fractional — <input type="radio"/> —	fully-fledged
Rule No.4	MANAGE INNOVATION PORTFOLIO	Portfolio Scope of Innovation Company	singular — <input type="radio"/> —	integrated
Rule No.5	INSPIRE EMPLOYEES	Innovation Culture of Execution Company	limited — <input type="radio"/> —	extensive
Rule No.6	EDUCATE EMPLOYEES	Entrepreneurial Capabilities of Execution Company	limited — <input type="radio"/> —	extensive
Rule No.7	SUPPORT IDEA & TALENT FLOW	Innovation Support through Execution Company	fractional — <input type="radio"/> —	fully-fledged

= Target Picture

# Joint Discussion and Workshop Session

- ✓ Do you apply the rule, and if so to what extent?
  - +
  -
- What works well? Share your experiences!
- What are your biggest challenges? Learn from others!

Rule No. 1

## #1 SEPARATE INNOVATION FROM EXECUTION Setting Parameters for an Innovation Company

Focus: **AUTONOMY** of Innovation Company

### RULE 1 - CORE DIMENSIONS



ORGANIZATION



BUDGET



LOCATION



STRATEGY



PORTFOLIO

#### QUESTIONS:

- How independently should the innovation company operate?
  - With regards to content, strategic focus and scope
  - Hierarchical incorporation and interfaces – relation to parent organization
- Which authorities and decision powers are granted to the innovation company?
  - With regards to Resources, Budgets, Activities ...
- Which instructions apply for the innovation company?
  - With regards to Innovation thesis, Goals, Strategy, Focus, Scope, Ideas/Project selection...
- How independently shall the innovation company be organized?
  - With regards to Facilities, Resources, Finances, Location, Employees, Tools, ...
- ...

#### TENDENCY

dependent radical

- ...
- ...
- ...
- ...
- ...
- ...

### Guiding Principles

- Separation of „Innovation Company“ (Exploration) and „Execution Company“ (Exploitation)
- “Innovation Company” as subsidiary of “Execution Company”
- Organization: independent legal entity, brand and staff
- Budget: independent budget
- Location: separate location (preferably within network of other startups)
- Strategy: disruptive, not bound to parent company strategy



# #2 ATTRACT ENTREPRENEURIAL TALENT

## Setting Parameters for an Innovation Company

Focus: **ENTREPRENEURIAL CAPABILITIES** of Innovation Company

### RULE 2 - CORE DIMENSIONS



QUESTIONS:	TENDENCY
<ul style="list-style-type: none"> <li>How high is the need for entrepreneurial talent and skills?</li> <li>Is the innovation company sufficiently equipped with entrepreneurial talent to reach the defined innovation goals?                             <ul style="list-style-type: none"> <li>With regards to Quality, Skills, Experiences</li> <li>With regards to Quantity, Manpower</li> </ul> </li> <li>Where is the biggest need for action – today, in two, in five years</li> <li>How aggressively should entrepreneurial talent be acquired?                             <ul style="list-style-type: none"> <li>With regards to Culture, Incentives, Secure Jobs, Individual development, ...</li> </ul> </li> <li>From which sources shall the entrepreneurial talent come from?                             <ul style="list-style-type: none"> <li>Internal? Everybody? Only R&amp;D? External? Everybody? Startups?...</li> <li>Temporarily, Permanent</li> </ul> </li> </ul>	<p>limited  extensive</p> <ul style="list-style-type: none"> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> </ul>

### Guiding Principles

- Risk/Reward Model:** Entrepreneurs are willing to take risks, if the rewards are promising and scale with successful implementation (skin in the game)
- Culture:** Establish a culture of empowerment, responsibility, quick decisions and transparency
- Security:** Added security (e.g. salary) can distinguish the corporate from the free market

# #3 FACILITATE INNOVATION FLOW

## Setting Parameters for an Innovation Company

Focus: **COMPETITIVENESS** of Innovation Company

### RULE 3 - CORE DIMENSIONS



QUESTIONS:	TENDENCY
<ul style="list-style-type: none"> <li>To which level do you give up planning reliability and control of the innovation company for the benefit of a shorter time-to-market?</li> <li>How agile, fast and flexible can the innovation company innovate?                             <ul style="list-style-type: none"> <li>Free choice of methods, tool and process selection and design</li> <li>Empowered, to decide like a startup owner vs. reporting, stage-gates, ...</li> </ul> </li> <li>To which level and for which areas can the innovation company open up their innovation process to external parties to accelerate development?                             <ul style="list-style-type: none"> <li>Cooperation cross-industry, External support through experts, ...</li> </ul> </li> <li>Which supporting functions should be offered to the innovation teams by the innovation company to speed up time-to-market?                             <ul style="list-style-type: none"> <li>Mentoring, Access to relevant resources, investors, know-how, administration, ...</li> </ul> </li> </ul>	<p>fractional  fully-fledged</p> <ul style="list-style-type: none"> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> </ul>

### Guiding Principles

- Accelerate:** Remove roadblocks that are not tied to the business model (e.g. provision of lawyers, technology, etc.) and establishing a support system
- Access:** Make networks available, provide access to corporate strengths
- Mentoring:** Provide experts on innovation methods and technology
- Funding:** Clean-cut funding for each stage of development & long-term engagement, external investors

# #4 MANAGE INNOVATION PORTFOLIO

## Setting Parameters for an Innovation Company

Focus: **PORTFOLIO SCOPE** of Innovation Company

### RULE 4 - CORE DIMENSIONS



IN-/EXCUBATION



ACQUISITION



INVESTMENT



INTEGRATION



EMPOWERMENT

#### QUESTIONS:

- Which options can the innovation company pursue to achieve the innovation goals?
  - In-/Excubation of business models, Investments, Acquisition, ...
- Which activities/tasks should the innovation company focus on?
- Which decision power shall the innovation company have?
- Which resources are necessary for executing the activities?
  - With regards to skills, budget, know-how...
- Where do ideas come from for in-/excubation?
  - Internal? Everybody? Only R&D? External? Everybody? University?
- What happens with finalised projects (that might not find a business owner)?
  - Independent company? Sell as a new BU/to an existing BU/external? Shut down?

#### TENDENCY

singular	○	integrated
...		
...		
...		
...		
...		
...		
...		

#### Guiding Principles

- Incubate: Use 50% of the budget for own radical business models
- Acquire: Use 20% of budget for acquisitions of fitting startups, teams or technology innovation
- Invest: Use 30% of Budget to buy shares of startups and innovations that present potential

# #5 INSPIRE EMPLOYEES

## Setting Parameters for an Innovation Company

Focus: **INNOVATION CULTURE** of Execution Company

### RULE 5 - CORE DIMENSIONS



(EXT.) NETWORK



ROADSHOWS



JOB ROTATION



RULEBREAKING



EMPOWERMENT

#### QUESTIONS:

- Are the existing innovation culture, methods and processes suitable and sufficient to guarantee an massive idea and talent flow to the innovation company?
- Does the parent company needs a cultural change as well (and to which extent)?
  - More flexible processes, methods, tasks, job descriptions, ...
  - Open up innovation processes (external collaboration, networking)
  - Empowerment of employees (Rule breaking)
  - Exchange between innovation- and execution-company as well as with startups...

#### TENDENCY

limited	○	extensive
...		
...		
...		
...		
...		
...		
...		

#### Guiding Principles

- Job Rotation: Job visiting with cooperating startups
- Networking: Establishing ties between employees and startup communities and visit startup events (e.g. demo days, startup pitch events, etc.)
- Roadshows: Conduct internal "TED Talks" on a regular basis
- Rulebreaking: Reduce corporate rule systems, e.g. working times, corporate identity, work space, etc.) and honor entrepreneurial thinking instead of sticking to the rules

# #6 EDUCATE EMPLOYEES

## Setting Parameters for an Innovation Company

Focus: **ENTREPRENEURIAL CAPABILITIES** of Execution Company

### RULE 6 - CORE DIMENSIONS



QUESTIONS:	TENDENCY
<ul style="list-style-type: none"> <li>How does the education and training of employees and management staff takes place to achieve a sustainable preparation for, support of and cooperation with the innovation company?                             <ul style="list-style-type: none"> <li>Which methods can be used, to train employees moving ideas to experiments/projects that could be financed? (LS Bootcamps, ...)</li> <li>Which methods can be used, to motivate employees to fight for their ideas and sell them internally? (Co-working, Learning from startups)</li> <li>How can employees be enabled, to act and think like entrepreneurs? (Experimental, fail fast fail cheap, Lean Startup)</li> <li>How can managers be enabled, to support and encourage their employees to think and behave like entrepreneurs and to bring their initiatives forward? (Even if these ideas are not in line with their daily business)</li> </ul> </li> </ul>	<p>limited  extensive</p> <ul style="list-style-type: none"> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> </ul>

### Guiding Principles

- Startup Library: Provide a collection of material, including: books, online resources, access to webinar programmes, etc.
- Experimentation: Create Fab-Labs to propagate entrepreneurial thinking and methods
- Coworking: Provide access to coworking spaces to further cooperation with startups
- Bootcamps: Regular bootcamps to develop and pitch ideas, etc.

# #7 SUPPORT IDEA & TALENT FLOW

## Setting Parameters for an Innovation Company

Focus: **INNOVATION SUPPORT** through Execution Company

### RULE 7 - CORE DIMENSIONS



QUESTIONS:	TENDENCY
<ul style="list-style-type: none"> <li>To what extent is the execution company willing to support/enable the innovation company to speed up time-to-market and to foster innovation success?                             <ul style="list-style-type: none"> <li>Time allocation</li> <li>Resource allocation</li> <li>Know-how/ IP/ Technology provision</li> <li>Access to existing customers</li> </ul> </li> <li>Which and how many ideas need to be developed in the Execution Company and in/-excubated by the Innovation Company?                             <ul style="list-style-type: none"> <li>P/S/BM, Technology, incremental or radical innovations, specific industries, topics, trends</li> </ul> </li> <li>Which and how many employees need to join the innovation company on a full- or part-time secondment to support?</li> </ul>	<p>fractional  fully-fledged</p> <ul style="list-style-type: none"> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> <li>...</li> </ul>

### Guiding Principles

- Time: 10-20% of working time dedicated to new ideas and idea development
- Man-Power: Flexible, need-based support of the innovation company to combat shortages
- Know-How: Support of innovation company by supplying needed skills, experts, etc.
- IP/Technology: Free use of IP, patents, technology, etc.



# Contact Excubate

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