

## Corporate Longevity is on the Decline

It would be an understatement to say that the market is changing rapidly. Technology is transforming the way we work, live and consume. Today, there's a general gravitation to all things around artificial intelligence (AI), machine learning, cognitive computing, fintech and blockchain across numerous sectors. While startups are able to quickly leverage these exponential technologies and reinvent the market over and over again, large organizations struggle to keep up with these paradigm shifts.

Data from the S&P 500 Index states that the 33-year average ten-

ure of companies featured on it in 1964 narrowed to 24 years in 2016 and is forecast to shrink to just 12 years by 2027. And the primary reason for this is that these businesses weren't prepared or agile enough to adjust to the market transitions.

## The Rise of Corporate Incubated Startups

Globally, there is a growing realisation that management boards need to anticipate, and even initiate, radical innovation to survive the wave of market changes and to remain relevant in such a hyper-competitive world. They are actively looking for new avenues to drive business and explore new ideas.

Corporate incubation of start-ups is one such avenue.

In a nutshell, new ideas within the organisation, which have tremendous business potential, are funded and operated in a startup mode. They aren't slowed down by the pace of the larger business and its priorities. Generally, incubated startups are more flexible in terms of their business processes, talent acquisition, decision making, and others, to ensure agility and, by extension, greater chance of success.

There are quite some examples of corporate incubated startups worldwide, which are showing the path for the rest to follow. A quick list includes Qkr (mobile payment)

# MAKING ELEPHANTS DANCE: WHY CORPORATIONS ARE TAKING THE STARTUP ROUTE



By **Aditya Dhruva**, CTO, Mahindra Comviva

Aditya has been associated with Mahindra Comviva for over four years now, prior to which he has worked with Cisco and Nokia-Siemens Networks, and even co-founded VSN Innovations, a mobile telephony and mobile social networking value added services firm.

By Mastercard, Mesh (IoT products) by Sony, HumOn (mobile application) By Samsung, BuyRely (mobile payment) by ING, Avitas Systems (drones) by GE, Adobe Spark (mobile app) by Adobe, et al.

So clearly, internal ventures work, provided it is done right. One needs to set the right incentives and learn to measure, monitor and guide the ventures closely. With the right supporting infrastructure, corporate ventures can thrive and become a strong pillar of growth for the larger corporation.

So how do they differ to incubators or accelerators? Business incubators are a useful medium to test ideas for market traction. The idea is to obtain validation for the business idea, through prototypes and early releases.

Meanwhile, business accelerators are typically expected to scale up the basic premise and obtain customers. The bottom-line is to drive growth aspects for a start-up, assuming, of course, that the idea has obtained market validation. Now, on the same note, the main difference between a corporate incubator and the aforementioned entities is that the corporate incubation primarily serves as a springboard for internal ideas, which cannot thrive in the organization's regular business-as-usual (BAU) ecosystem.

Companies therefore require assessing appropriate mechanisms to value and fund these activities, especially since a start-up's timeline for success is much longer than the next immediate annual operating budget, but temper with realizable short-term intermediate milestones and goals.

### **Why Incubating a Start-up within a Corporate Entity Makes Business Sense: A Technology-Centric View**

According to Harvard Business Review's 'Innovation Ambition Matrix', when it comes to corporate startups, one doesn't need to include all types of innovation but instead focus specifically on adjacent and transformational innovation. In other words, looking at innovation targeting new customer markets and/or new solutions ought to be the bottom-line.

In fact, this point is encapsulated by Gary P. Pisano in his recently launched book, *Creative Construction: The DNA of Sustained Innovation*. His view is that it is critical to understand the explicit difference between, routine innovations versus radical innovation versus disruptive innovation versus architectural innovation. The idea is for entities to define the types of innovation best suited for them and, most importantly, allocate available resources accordingly.

There are several advantages to corporate incubation –

- Innovation gets a fillip – ideas get a platform to get to realisation
- Infuse agility to take ideas from concepts to market readiness in double quick time
- The brand recognition and reach of the larger corporation helps in market access and validation, which typically startups struggle with
- A greater sense of job security, as in case the experiment fails, they can explore other jobs within the larger corporation

CTOs play a vital role in ensuring that such corporate incubations have the right tools and platforms to leverage and build on. Reusing much of the assets within the corporation built over time, using standardized frameworks, getting expert help whenever required, are ways in which the startups benefit a lot and can shorten their execution time significantly. Balancing



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the need to satisfy the grey matter with every available new technology and the business goals is the most important jugglery that the technology heads of organisations need to master.

### **Key Challenges**

While incubating a start-up within a corporate entity, without a doubt, is a sound proposition, it isn't an easy one. There are a number of challenges to be overcome, including:

- The parent organization may not be able to focus on the start-up, as required due to conflicting priorities.
- Funding can become tricky and completely dependent on the performance of the larger organization.
- Expectations may not be grounded in reality. While the idea of any start-up taking off immediately is an attractive proposition, the ground reality may be very different

At the end of the day, innovating is important for companies wanting to stay competitive. Innovation requires agility, focus and space to experiment and fail. Corporate incubation offers a viable medium to allow for internal innovation to thrive and help the larger organisations succeed. [CEO](#)