## Contents

**Foreword**  
4

**Executive summary**  
5

**Digital and collaboration imperatives**  
6

**Digital is key for differentiated and disruptive value creation**  
6

**Collaboration between large corporates and startups can accelerate pace of digitization**  
8

**Challenges in collaboration**  
10

**Corporates’ four-phase journey of open innovation**  
13

**Actions for the stakeholders**  
21

**Conclusion: Collaboratively, we win**  
27
There is a new breed of low-cost digital startups that is competing with well-entrenched industry players in India. We are witnessing a surge in the number of entrepreneurs supported by a thriving ecosystem of more than 160 venture capital funds, 300 angel investors and 110 incubator accelerators, with active government participation.

These startups are transforming the marketplace and taking business away from large, long-established organizations. These digital disruptors are dissolving traditional boundaries between industries, and accelerating the pace of innovation. Large companies realize the potential of these startups and are increasingly looking at collaboration with entrepreneurs as a way to inject new approaches to technology and talent into their innovation processes. Entrepreneurs, on the other hand, see the promise of accelerated commercialization of their products and services. Accenture research suggests that greater the collaboration, higher the innovation and revenue growth.

Yet the journey toward collaboration is ridden with obstacles. Entrepreneurs often question the partnering organizations' commitment to supporting the growth of their businesses. At the same time, large companies often lack confidence in a startup's ability to move from idea to marketability in the context of a broader business strategy.

One beacon that has drawn large companies and entrepreneurs together is "open innovation," a concept introduced more than a decade ago in the West. It is slowly gaining prominence in the Indian context as well. However, we contend in this report that large companies and entrepreneurs believe collaboration and open innovation are, as yet, underdelivering on their promise.

One reason for this shortfall is the fact that open innovation is a journey of multiple phases. Too often, large companies remain stuck in the early phases—those that primarily involve corporate ventures and incubators or accelerators. Seldom do large companies collaborate in a spirit of joint innovation. Even more rarely do they participate in ecosystem innovation—collaboration among a broader ecosystem of players who are focused less on specific goals and more on continuous idea generation, testing and learning.

The rewards of collaboration are manifold. However, successful ecosystem innovation will require concerted and coordinated efforts among governments, startups, large companies and "bridgmakers"—or organizations that help "connect the dots" among participants, solutions and markets.

Accenture is committed to enabling collaboration between large enterprises and entrepreneurs. We look forward to conversations on driving growth and innovation in a connected world.

**Executive Summary**

Digital has emerged as one of the major trends with sweeping impact across traditional industries and business models. Incumbents have been challenged by a new breed of digital native startups forcing enterprises to accelerate the pace of innovation.

Collaboration between large companies and entrepreneurs can accelerate the pace of innovation, leading to a symbiotic relationship between partners. For large companies, collaboration with entrepreneurs is a means to inject new approaches to technology and talent into their innovation processes. For entrepreneurs, collaboration with large companies holds the promise of accelerated commercialization of their products and services. Accenture research suggests that greater the collaboration, higher the innovation and revenue growth.

There are four phases in the journey toward open innovation, based on the level of trust between the partners and the present and future imperatives. The phases include corporate venture, accelerators/ incubators, joint innovation and ecosystem innovation. The journey toward open innovation, requires various forms of collaboration that allow large companies and entrepreneurs to keep a close eye on the value that each partner can achieve. Effective collaboration involves coming together of parties with complementary skills and resources for mutual gain.

Ecosystem innovation represents a shift from collaboration on the large companies' terms to an "external mindset" driven by a shared spirit of entrepreneurship. It works on a "test and learn" model in which risks and rewards are shared as part of greater levels of digital collaboration.

This report recommends that large companies should set their sights on an open innovation journey, and proactively align their cultures to enable entrepreneurial ambition. Companies will have to establish or participate in platforms that bring together a broad range of partners, and enable a more flexible governance process. To assist, governments will need to put in place incentives and regulations that reward large-scale, experimental models which tolerate a greater degree of risk and failure.
Digital and Collaboration Imperatives

Digital is key for differentiated and disruptive value creation

Digital has emerged as a key driver of differentiated and disruptive value creation. It has enabled low-cost digital startups to compete with well-entrenched industry players. This has had a significant impact on large companies. According to a recent survey, the lifespan of Standard & Poor’s 500 companies has decreased from 61 years in 1958 to an average of 18 years now. According to another research, 52 percent of Fortune 500 companies have disappeared from the list since 2000. Companies are now facing the challenge of staying relevant and staying on top of the disruptive value creation without losing control of operations.

The new breed of low-cost digital startups are offering disruptive products and services that pose stiff competition to larger industry players. For instance, Paytm has emerged as one of the largest payment platforms in India by offering financial services without being a bank and Uber provides taxi services without owning taxis. These startups have disrupted the traditional players that have dominated the landscape for decades.

The key to the success of digital startups is their business models that can keep up with—as well as take advantage of—the ever-accelerating pace of technology-driven change that defines our times. As a result, they are scaling swiftly—at least 10 times faster than other companies competing in the same space. Some can go from a hundred to millions of customers in a remarkably short timeframe—they are known as exponential organizations or ExOs.

ExOs are transforming the marketplace and taking business away from large, long-established organizations. These digital disruptors are dissolving traditional boundaries between industries and accelerating the pace of innovation. Large companies are recognizing that they cannot keep pace by relying only on their internal innovation capabilities. Instead, they need to leverage the innovation ecosystem that has emerged from democratization of entrepreneurship, and tap the radical thinking, the ever-faster ideation and execution of fresh ideas it generates.

In India, entrepreneurs are supported by a thriving ecosystem of more than 160 venture capital funds, 300 angel investors and 110 incubator accelerators. Getting funding is no longer as challenging as it was even five years ago. In 2015, startups in India received more than US$5 billion in investments, double the US$2.3 billion invested in 2014.

In fact, Accenture’s Technology Vision 2016 survey finds that in comparison to their global counterparts, organizations in India are relying more on business partners from outside their industry to help them in pursuing their digital initiatives.

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![Figure 1a: Trends in open innovation](image-url)
Collaboration between large companies and startups can accelerate the pace of digitization

The promise of ExOs is appealing. Large companies see collaboration with them as a way to inject new approaches to technology and talent into their innovation processes. Entrepreneurs, on the other hand, see the promise of accelerated commercialization of their products and services through collaboration with large companies. Accenture’s economic modeling suggests that greater the collaboration, higher the innovation and revenue growth. There is a strong correlation between the approach to collaboration and the potential for revenue, innovation and economic growth.

Increasing revenues

Collaboration can become a critical means to increase digital revenues for both large companies and entrepreneurs. Globally, collaboration with startups on innovation already represents a significant 9 percent of large companies’ total revenue. In India, the incremental potential of digital collaboration in 2015 is valued at US$52 billion, or 2.7 percent of the Indian economy.

Fostering innovation

Digital innovation has emerged as a key driver of differentiated and disruptive value creation. Collaboration with startups can be instrumental in fostering innovation by providing access to new technologies, acquiring strategic assets, experimenting with new ideas, entering new markets and segments, and working with entrepreneurial talent. In fact, in a survey conducted by Accenture Institute of High Performance on 200 large companies from China, India and the United States, more than 85 percent of incumbent businesses said collaborating with their smaller rivals will give them access to game-changing innovation that can help them thrive in technology markets.

Respondents from both large companies and startups see advantages in collaboration

| Large companies see a range of benefits in collaborating with entrepreneurs |
| What are the top benefits in collaborating with startups/entrepreneurs on innovation? |
| Accessing specific skills and talent | 53% |
| Entering new markets | 50% |
| Improving return on in-house R&D investment | 48% |
| Accelerating disruptive innovation in your company | 42% |
| Designing new products and services | 40% |
| Enhancing company’s brand/image | 39% |
| Enhancing the entrepreneurial culture of your company | 17% |

| Entrepreneurs expect a range of benefits in collaborating with large companies on innovation |
| What are the top benefits in collaborating with large companies on innovation? ( Ranked within top three) |
| Getting access to a large company’s distribution network and customer base | 49% |
| Being a supplier for large companies | 45% |
| Securing investment from corporate venture funds | 43% |
| Getting access to a large company’s market knowledge | 42% |
| Working together on joint innovation to develop new products and services | 39% |
| Getting access to experts with specialized skills | 34% |
| Benefiting from mentorship under accelerator/incubation programs | 31% |
| Benefits from brand legitimization | 17% |


Source: Accenture Research
Notes: Respondents included 1,000 large enterprise and 1,000 entrepreneurs. They were asked to rank top three benefits of collaboration.
**Challenges in collaboration**

Collaboration that brings together diverse companies with different cultures and organizational structures is not always easy. Quite often, lengthy and bureaucratic procedures at large companies inhibit effective collaboration with smaller, nimbler partners. Large companies often do not know how to integrate their siloed research and operations into a collaborative economy.

### a. Deficits that drain value from collaborations

Large companies seek a range of benefits from open-innovation initiatives with startups. But they are often frustrated. There are three "deficits" or gaps between the two types of organizations.

**I. Appreciation deficit:** This divergence is apparent during the first stage of the collaboration process, when companies seek a partner to help develop an innovation opportunity. The parties may fail to fully appreciate the nature of the opportunities owing to: first, the large company’s unwillingness to recognize disruptive opportunities driven by technology innovation; and second, the startups’ inability to convince large companies about the value and relevance of their technological offerings.

**II. Assimilation deficit:** If companies can overcome the appreciation deficit, the partners will focus on working together. They will experiment with innovative ideas, develop prototypes and create a market offering. During this stage, the collaborators may fail to assimilate each other’s strategic priorities, goals and needs if: the incumbent firm cannot smooth integration of new technologies into its organization; or, the small high-tech firm cannot customize its technology offerings to suit its large partner’s needs.

**III. Application deficit:** Late in the collaborative innovation process, the partners concentrate on scaling up the results of their collective efforts. At this stage, they may fail to use the larger innovation ecosystem if both companies lack the capability required to invest in and nurture a supportive innovation ecosystem; they fail to leverage government regulations to develop "win-win" business models; or, the smaller firm lacks the strategy and capabilities to support scaling up.

### b. Cultural divide

The cultures of entrepreneurs and large companies often diverge significantly and those differences need to be understood and managed effectively for the collaboration to succeed. For example, entrepreneurs have a more risk-taking approach—they look to prototype ideas quickly and fail fast if necessary as a means of clarifying the best path forward. Large companies have a more risk-averse approach—they proceed more slowly and incrementally to test ideas and avoid failure whenever possible.

There is a difference in the governance and decision-making as well. Large companies are more hierarchical, with centralized decision-making processes, while startups have a more informal and flat structure with decentralized decision-making.

### Figure 2: Comparative cultural trends between startups and large companies

<table>
<thead>
<tr>
<th>Soft factors</th>
<th>Mindset</th>
<th>Innovative process</th>
<th>Decision-making processes</th>
<th>Authority</th>
<th>Uncertainty</th>
<th>Intellectual property management</th>
<th>Financial KPI</th>
<th>Investor expectation</th>
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<tbody>
<tr>
<td><strong>STARTUP</strong></td>
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<td><strong>LARGE COMPANY</strong></td>
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<tr>
<td><strong>Mindset</strong></td>
<td>Disruptive innovation ideas</td>
<td>Prototype quickly and fail fast</td>
<td>Decentralized and “informed enough”</td>
<td>Flat and informal</td>
<td>Risk-oriented</td>
<td>Somewhat informed</td>
<td>Free cash flow</td>
<td>High risk, high return</td>
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<td><strong>Hard factors</strong></td>
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<td><strong>SOFT factors</strong></td>
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<td><strong>INNOVATIVE process</strong></td>
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<td><strong>DECISION-making processes</strong></td>
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<td><strong>AUTHORITY</strong></td>
<td>Flat and informal</td>
<td>Sequential, gradual and avoid failure</td>
<td>Centralized, informed “as much as possible”</td>
<td>Hierarchical</td>
<td>Risk-averse</td>
<td>Very informed, institutionalized</td>
<td>Infinite net present value</td>
<td>Market-average risk and return</td>
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<tr>
<td><strong>Uncertainty</strong></td>
<td>Risk-oriented</td>
<td>Prototype quickly and fail fast</td>
<td>Decentralized and “informed enough”</td>
<td>Flat and informal</td>
<td>Risk-averse</td>
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<td>Free cash flow</td>
<td>High risk, high return</td>
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<tr>
<td><strong>INTELLECTUAL property management</strong></td>
<td>Somewhat informed</td>
<td>Decentralized and “informed enough”</td>
<td>Centralized, informed “as much as possible”</td>
<td>Flat and informal</td>
<td>Risk-averse</td>
<td>Very informed, institutionalized</td>
<td>Free cash flow</td>
<td>High risk, high return</td>
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<tr>
<td><strong>FINANCIAL KPI</strong></td>
<td>Free cash flow</td>
<td>Sequential, gradual and avoid failure</td>
<td>Centralized, informed “as much as possible”</td>
<td>Flat and informal</td>
<td>Risk-averse</td>
<td>Very informed, institutionalized</td>
<td>Infinite net present value</td>
<td>Market-average risk and return</td>
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<tr>
<td><strong>INVESTOR expectation</strong></td>
<td>High risk, high return</td>
<td>Sequential, gradual and avoid failure</td>
<td>Centralized, informed “as much as possible”</td>
<td>Flat and informal</td>
<td>Risk-averse</td>
<td>Very informed, institutionalized</td>
<td>Infinite net present value</td>
<td>Market-average risk and return</td>
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</tbody>
</table>

Source: Accenture Research Survey
Notes: Respondents included 1,000 large enterprise and 1,000 entrepreneurs

### c. Government support

Both large organizations and entrepreneurs see challenges around government policies and expect specific actions to be taken by the government. These include specific policies to support the collaboration, intellectual property regulations, public-private partnership investments in collaboration, alternate financing regulations, and access to open data and digital infrastructure.

Recently the Indian government unveiled the #startupIndia action plan—a startup-friendly and innovation-boosting policy. It has been widely welcomed by the startup ecosystem, and includes new rules that ease opening of startup, self-certification based compliance for early stage startups, tax sops, creating a fund of funds and setting up of Innovation Mission & Research Center, among others.

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6. Open Innovation: Collaborating Successfully with Small–Hi Tech Firms, Accenture. 2015
Corporates’ four-phase journey to open innovation

Where is digital collaboration and open innovation among large companies and entrepreneurs headed and how can it be optimized? Open innovation is a four-phase journey for a corporate depending on its needs and the market forces.

US$4.9 billion invested in startups in 2015, up from US$2.3 billion in 2014.
a. Corporate ventures

Interaction with startups often begins with corporate venturing. This form of collaboration is especially important in the eyes of large companies which seek to de-risk financial bets on internal research and development through external investment, and to scout for next-generation technology and innovations.

i. Global firms looking to invest in India:

In the past couple of years, India has seen a lot of inflow of investments from companies such as Foxconn, Alibaba and Softbank. Foxconn has invested about US$500 million in Snapdeal in 2015; the Alibaba Group, along with its affiliate Ant Financial, has invested about US$680 million in Paytm and Softbank has invested about US$1 billion in India in Snapdeal, Ola Cabs and Housing.com.

ii. Indian firms looking to invest in startups:

Many of the well-funded e-commerce companies in India have started investing in startups. Firms such as Flipkart, Snapdeal and companies in India have started investing in startups. Firms such as Flipkart, Snapdeal and also work toward the development of a common solution, they may or may not share control. Although partners may work toward the development of a common solution, they may or may not share control.

Corporates across industries have tied up for joint innovation

Unilever has launched The Unilever Foundry, a platform that will provide a single entry-point for innovative startups seeking to partner with Unilever. Although the company has been working with startups for years, it now want to scale up its efforts and, ultimately, embed this as a way of working throughout the organization.

d. Ecosystem innovation

In this radical phase in the open innovation journey, innovation occurs among a broad ecosystem of collaborators working on a more equal footing. Ecosystem innovation enables companies to look beyond their four walls to bring in ideas more quickly, enhance their innovation programs, and also create shared value at the intersection of corporate performance and society to solve problems at the macro level.

A platform-based ecosystem will also support a more fluid workforce, which in turn stimulate innovation. In the Accenture Technology Vision 2016 survey, a majority of respondents (79 percent) in India believed a more fluid workforce will improve innovation. Digital platforms and platform-oriented companies are a major enabler of ecosystem innovation. These platforms are typically owned or orchestrated by a single company that controls the development of core products or services. However, the success of the platform depends on the ability of the leader to nurture the ecosystem of players and participants, including startups, encouraging them to offer value-added services on the platform.

India Stack

Digital India is a revolutionary program that will empower the masses and leapfrog India into the next generation of government services. To kick-start the program in a democratized form and tap the innovation talent of the nation, the Government of India has launched an open Application Programming Interface (API) policy. An open API, often referred to as a public API, is a publicly available interface that provides programmers access to a propriety software application. This set of open API is known as the India Stack, which is a complete set of API for developers and includes the Aadhaar for Authentication (Aadhaar already covers more than 940 million people and will quickly cover the entire population of India), e-KYC documents (safe deposit locker for issue, storage and use of documents), e-Sign (digital signature acceptable under the laws), unified payment interface (for financial transactions) and privacy-protected data sharing within the stack of API.

On a recent visit to India, Microsoft founder Bill Gates commented on India Stack: "India is on the cusp of leapfrogging!" With such an open and secure API, India is looking at taking the Digital India program to a whole new level.

Figure 3a: Platform-based business models and innovation

<table>
<thead>
<tr>
<th>Indian executives are more confident about the impact of platform economy</th>
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<tbody>
<tr>
<td>India</td>
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<td>46</td>
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<tr>
<td>54</td>
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<td>50</td>
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<tr>
<td>79</td>
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<tr>
<td>64</td>
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</tbody>
</table>

Source: Accenture Technology Vision 2016 Survey
Depending on their corporate needs and the market dynamics, some large Indian companies have adopted corporate venturing; others have developed incubators and accelerators; few engage in joint innovation or co-creation; and almost none engage in ecosystem innovation.

In the future, to benefit from network effects and to maximize the value from collaborating with external partners, large companies will need a cohesive strategy that interlinks corporate venturing, incubators and accelerators and joint innovation, and advances to ecosystem innovation. To move up the ladder of open innovation, companies will need to demonstrate greater flexibility of engagement and risk taking. Recognizing and working toward shared value for external collaborators, and building an environment of mutual trust is the foundation of ecosystem innovation.

Figure 3b: The four phases of open innovation

- **Corporate Ventures**: Equity investment made by a large corporation or its investment entity into a high-growth and high-potential, privately held business. **Objective**: To de-risk financial bets on R&D through external investment, scout for next-generation technologies and innovations. **Size matters**: Large company in charge of providing financial support.

- **Incubators/Accelerators**: Set up or sponsorship of startup accelerators, by a large company either independently or jointly with other actors, which are fixed-term programs focused on mentorship and educational components. **Objectives**: To insource innovation and R&D, scout for next generation technologies or innovations. **Size matters**: Large company in charge of providing financial support.

- **Joint Innovation**: Collaboration agreement entered into by a large company with one or more startups for co-creation, where partners work toward the development of a common solution. **Objectives**: To insource innovation and R&D, and maximize market opportunity. **Size matters**: Large company tends to exert stronger influence in the co-creation process.

- **Ecosystem Innovation**: Creation of a broad ecosystem of partners to jointly develop new technologies or market solutions and integrate their components, typically through a digital platform. **Objectives**: To create shared value often at intersection of corporate performance and society to solve big or common problems. **Size does not matter**: Orchestrator of the product or platform may exert stronger influence.

Potential of digital collaboration in India valued at US$52 billion, or 2.7 percent of the Indian economy.
Case study: The Mahindra Group

The Mahindra Group is engaged in open innovation programs to encourage innovative business ideas and build disruptive technologies that can help to enhance the revenue stream for the group. The group collaborates effectively in several ways and with several partners.

Hackathons: Tech Mahindra, part of the Mahindra conglomerate, launched two new challenges under Spark the Rise program in 2014. The program allotted US$1 million for:

- Mobility Challenge: US$700,000 for developing driverless cars for Indian roads.
- Solar Challenge: US$300,000 to develop an affordable small-sized DIY Rooftop Solar Kit for household energy needs.

The participants met with industry experts and potential mentors. They had free access to resources section of the firm for the latest updates on the innovation landscape.

University collaboration: The group engages with educational institutes such as Indian Institute of Sciences and Indian Institute of Technology-Delhi to develop new service offerings, and create an innovation culture and incubation frameworks. They also engage with these colleges to conduct market research.

Venture capital: Set up a US$50-million joint investment fund in association with SBI Holdings, a Japanese venture capital firm. The company intends to fund firms in mobility, social networking and cloud. It essentially acts as an incubator for new businesses and aggressively seeks new venture capital opportunities.

Co-creation: Mahindra’s Automotive Division in India co-creates with its suppliers and dealers in the areas of plant quality and manufacturing. Both Mahindra and the dealers reaped the benefits ranging from addressing vehicle defects to shaping new product features, including more productive relationships and faster cycle times. Co-creation began to spread in the extended supply chain network and other divisions.

Case study: Centre for Innovation Incubation and Entrepreneurship (CIIE)

Government funding, paired with private sponsorship, has a strong positive impact on the entrepreneurship ecosystem

The CIIE operates its ecosystem through inspiration and incubation programs. It strives to create an ecosystem of development initiatives which inspire young entrepreneurs.

Its ventures follow a public-private-partnership (PPP) model, with funding from the public and private sectors. It was established in 2007 by the Indian Institute of Management-Ahmedabad (IIMA) with support from the governments of India and Gujarat. A diverse board including academicians, successful entrepreneurs and corporate executives guide the operating team of students and young entrepreneurs to manage multiple programs.

The CIIE has three arms:

- **Infuse Ventures:** The Indian Fund for Sustainable Energy. This is a INR1.25 billion cleantech-focused public-private fund for sustainable enterprises.
- **Aarohan Ventures:** This is India’s first integrated social venture development initiative. It organizes capacity building workshops for social enterprises and support organizations.
- **iAccelerator:** It focuses on ICT-based initiatives. It has sector-focused incubation initiatives for big data, mobile, gaming and infrastructure. It organizes a month-long bootcamp for college students across India.

Actions for the stakeholders

85 percent executives of large companies believe collaboration with smaller companies will give them access to game-changing innovation.
**Actions to be taken by the government**

The government's role in policy making and reforms in the business environment—including reducing obstacles to business entry, lowering administrative costs of compliance, creating a level-playing field and increasing transparency—are critical to the creation and growth of small enterprises. To achieve this, regulators will need to adapt or remove restrictive policies. The Startup Action Plan is a very welcome step in this regard, but more work needs to be done to realize its benefits. These include:

a. **Implement the digital business environment**

As India enters the digital world, the government needs to build a digital ecosystem. In the Startup Action Plan, the government has announced measures to significantly ease the opening of startups and provide a fast track channel to process exits. To ensure a seamless digital business environment, the Prime Minister has set a goal of 650 million Internet connections by 2020 in the country, up from 232 million currently.

In the coming years, the government needs to come up with a policy for paperless economy, envision and develop a digital infrastructure that can make India truly a digital country. The state governments need to pitch in and aim for digitalization of all government-to-citizen services. The government needs to open up API, and engage with developer communities to build innovative citizen-centric, app-based services.

The government needs to also ensure seamless availability of regulator services for ease of doing business (single sign-on), and integration of services offered by various departments and agencies. The government must also resolve basic infrastructure issues such as uninterrupted power and connectivity, particularly outside the metro cities.

b. **Provide access to finance**

The Startup Action Plan has come up with several policies that cheered the startup community including tax exemptions (for three years with capital gains and investment above fair market value) and an INR100-billion fund of funds.

Further, the government must foster a venture capital environment that is on par with other countries, including a 10-year tax hold for venture capital firms which support innovation and new entrepreneurs. The government could also offer a full tax deduction for companies that invest in new companies.

c. **Foster an innovation culture and provide infrastructure**

The Startup Action Plan includes Atal Innovation Mission (AIM), innovation centers in national institutes and setting up of seven new research parks modeled on the one in Indian Institute of Technology-Madras. These are welcome steps in fostering an innovation culture in India. These resources need to be promoted and participation must be garnered to drive effectiveness. Focus should also be placed on grassroot-level innovation and help them come into mainstream.

d. **Incentivize large companies to collaborate with startups**

While the Startup Action Plan calls out startups-friendly procurement policy in the government, collaboration between large and small companies is nascent across all its forms—corporate venturing, private sector incubation programs and joint and ecosystem innovation. Specific government policies and tax rebates to support the collaboration can be considered.

e. **Develop skills and talent**

Entrepreneurship education, fostering "learning agility" as a key competence and ongoing managerial training is very inadequate. Promoting collaboration between government agencies, businesses and stakeholders is critical for entrepreneurial skills and talent development. A comprehensive human resource development policy focused on building human capital which pivot more toward innovation needs to be implemented. The government needs to focus on fostering models such as the Entrepreneurship Development Institute of India (EDII) across the country. EDII promotes the much-needed entrepreneurial mindset which is critical from the socio-economic development perspective.
Actions to be taken by large companies

a. Embrace collaboration top down

A clear strategy and well-articulated goals are most important factors for successful collaboration between large companies and entrepreneurs. The strategy needs to be supported by a centralized and coordinated governance structure, and well-defined goals and KPIs. Most important, it requires an understanding that the collaboration is a partnership based on synergies, not simply a client-supplier relationship.

b. Budget for success

It is important to budget for success beyond simply scanning for startups, investing in a startup, or even piloting the technology in the corporate’s market. Ultimately, the goal is broad adoption of a startup’s innovation in the market place. Budgets to enable a pilot are a good start. However, if the pilot is successful, then significant additional budget will be required to scale that technology and operationalize it.

c. Seed an intrapreneurship culture

Large companies and entrepreneurs are often at opposite ends of the culture spectrum. Companies will need to move closer to the startup culture on dimensions such as speed of decision-making, agility of processes and risk-taking appetite. Corporate initiatives such as sending employees to work inside startups, and allowing employees to invest in startups being incubated within the organization, can help create a stronger “intrapreneurship” culture, embedding a “startup DNA” into the organization.

d. Create a “network effect”

Entrepreneurs are seeking access to large companies’ networks and customers, as well as to become a supplier. So it is important to step up incubation and accelerator programs that allow this access. It is also important to enable entrepreneurs to “supply into the supply chain” of large companies, because many startups may not qualify on the high standards of vendor due diligence. Incorporating involvement of corporate leadership in these incubators and accelerators is a key to success, as is broadening engagement at all levels.

e. Collaborate with the government and peers in supporting startups

It is important for large companies to partner with government agencies on industry accelerators. Large companies can also team with peers, both from within and outside their industry, to mentor startups under different roles.

Actions to be taken by entrepreneurs

a. Align to the market

Companies assign high importance to the alignment of business priorities by startups. It is important for entrepreneurs to recognize the specific needs and interests of large companies if they are to effectively collaborate with them and serve as suppliers.

b. Adapt culture

Entrepreneurs and large companies are often at opposite ends of the culture spectrum. Entrepreneurs will need to be mindful of the nuances of a large company’s culture when it comes to issues such as institutionalized processes and intellectual property concerns. Given their accountability to multiple internal and external stakeholders, large companies will typically take longer to decide and act than entrepreneurs. On both sides, strong leadership and change management will be required to build trust among collaborators.

c. Adopt mentors

Many entrepreneurs are creative but may lack the professional skills (process, structures, etc.) and interest to manage operations in a growth phase. It is important, therefore, to bring in professional management, as well as experienced mentors from large companies, venture capital boards and bridgemaker networks.

d. Time it well

Many large companies are not looking to support startups at the ideation or seed stage. Many large companies view “new products at speed” as a key measure of success. That means it is critical that entrepreneurs have a commercially viable solution in place before approaching a larger company as a collaborator. Market testing an early-stage product is important to ensure it meets the interest of large companies before entrepreneurs invest more resources into a finished product.
Actions to be taken by bridgemakers

a. Open up access to supply chains

As noted, many startups may not initially qualify on the high standards of a large company’s vendor due diligence processes. Bridgemakers can enable connections for such entrepreneurs into the supply chain.

b. Accelerate the network effect

Connecting new entrepreneurs with established, successful ones is extremely valuable, creating a positive effect on culture and confidence. Successful entrepreneurs are often most effective at investing in and mentoring next-generation startups.

c. Bridge the cultural gap

Universities play a critical role in closing the communications and cultural gap through applied research projects involving large corporates, entrepreneurs and students.

d. Provide shared space

Serendipity—unplanned interactions that result in new ideas—plays a big role in entrepreneurship. Bridgemakers can provide the physical spaces to allow entrepreneurs and mentors to mingle for that serendipity to occur.

e. Connect the ecosystem to support specialized clusters

Vertical depth of innovation arises from a flourishing industry and from concentration of large companies in a city. Universities functioning as bridgemakers can also facilitate interaction between stakeholders from different sectors to encourage vertical depth.

Conclusion: Collaboratively, we win

Over the last decade, the digital economy has been driven and dominated by technology startups. The next decade may see the awakening of the entrepreneurial spirit among incumbent industry leaders—regaining competitive advantage, disrupting their own markets or inventing new ones. But to do so, they will need to change the way they innovate, shifting from traditional small-scale and self-serving collaboration with innovators to harnessing the power of digital collaboration across a broader ecosystem. In short, they must break open today’s approaches to open innovation and push further.

To succeed, they must take several fundamental steps. Companies will need to shift their mindsets from collaboration oriented to a predetermined goal or a business idea to an approach that is more open and entrepreneurial. This, in turn, will require a cultural transformation—creating an environment of more trust, and more equal commitment to risks and rewards. Finally, large companies and entrepreneurs alike need to commit to using digital technologies and platforms to reach and work with a greater range of talent, ideas and business models.

The Indian government has taken several steps to promote the startup ecosystem and drive innovation. Still the journey will not be easy and will take time. The actions recommended above will help large enterprises and startups work together more effectively to drive entrepreneurialism and innovation. This will generate significant economic and social growth, and result in a rewarding journey for all the stakeholders.
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Contact details

Avnish Sabharwal,
Managing Director, Growth and Strategy, Open Innovation & Deal Origination, Accenture India
avnish.sabharwal@accenture.com
+91 9845363926

Muralidharan Chandrasekaran,
Open Innovation Lead, Accenture India
muralidharan.chandra@accenture.com
+91 7795026027

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Nidhi Dandona

Aniruddha Jaju