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Innovation Culture: What Corporations Can Learn from Startups

A guest contribution by Martin Babilas, CEO of the specialty chemical company ALTANA

Agile and innovative startups develop new solutions and thus differentiate themselves consistently from other companies. What is virtually taken for granted when it comes to young technology firms is one of the most important yet most difficult tasks German corporations face to be successful in the long run in the face of global competition. More than 80 percent of industry managers consider the pressure to differentiate their company to be a big or even very big challenge, as a study conducted by the Forsa institute found in a survey of 250 decision makers across all branches of industry.

So it is no surprise that established corporations seek contact with startups. They cooperate with them, purchase stakes in them, or buy them up. Nevertheless, the companies' willingness to network with innovative startups did not increase compared to the previous year. Just eleven percent of the industrial companies surveyed participate in young technology companies.

Cooperation with these companies is much more than just a strategic move to obtain technological knowhow. In addition to their actual innovations, successful startups are marked by very pronounced entrepreneurial thinking and action.

This includes the willingness to take risks. According to the study, however, such entrepreneurial courage is not very widespread in German industrial companies. Only nine percent of the managers surveyed by Forsa consider this aspect to be very strong in their company, while 38 percent regard it as being very weak or virtually nonexistent.

But anyone who invests in a startup has to live with the risk that everything might not go to plan. Rather, calculated risks are a component of many innovation processes, and not only in cooperation with young founders.

Those who want to be successful in the marketplace over the long term have to make investments upfront with no guarantee that their efforts will always yield market successes. Initially, research means spending money to generate knowledge. ALTANA, for example, invests around six percent of its sales revenue in research and development.

A not insignificant share of it is allocated to develop solutions to meet future challenges. It is a question of anticipating the need. To this end, close networks with customers are required, which 95 percent of the industry managers surveyed by Forsa already maintain today.

On the other hand, only 15 percent of the companies use external knowledge expressly for their innovation processes. But exchange with partners outside of one's own company is another key factor for innovations.

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The cooperation between ALTANA and DWI – Leibniz Institute at RWTH Aachen, for example, is fruitful for both sides. At the university, basic research is carried out more intensively than would be possible in an industrial company. In turn, the university benefits from the accelerated implementation of its insights into market-ready applications. In addition, ALTANA participates in startups in a targeted manner, for example in the Israeli company Landa Digital Printing. This not only gives us access to new technologies and markets, but also provides us with future usage possibilities for our own products.

In cooperative ventures with startups, the aim is not only to strengthen innovative prowess through technology. The young entrepreneurs can also inspire industrial companies on another level: Unconventional thinking and action are not seldom on their agenda, while lateral thinkers in corporations often have a tough time. According to the study, the latter only really get a hearing in 12 percent of the industrial companies.

But those who think they can purchase innovation culture externally should think again. Learning from startups, universities, or other partners can only be a supplementary measure. The greatest innovative strength comes from within the company itself, and managers have to give their employees sufficient scope of action. However, according to the study only 22 percent of entry-level professionals perceive their direct superior to be a true role model for lived innovation culture.

Repeatedly reinventing oneself

The “not invented here” syndrome is widespread. Many people tend to defend the status quo and are not receptive to new ideas, particularly when they come from younger colleagues or employees from other departments.

For innovations to arise, however, an open corporate culture is needed. For ideas can only mature when they can be expressed. And only those who are given the opportunity to unfold their potential and outdo themselves can open up growth potential for the company.

After all, the corporation is also interested in reinventing itself in order to remain innovative. In this regard, established industrial companies can learn a lot from startups. The prerequisite is a corporate culture characterized by openness to new things and different opinions. Only then can they master current and future challenges.