DESIGNING THE SUCCESSFUL

CORPORATE ACCELERATOR

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WILEY

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This book is dedicated to all the innovators, disruptors, change agents, and intrapreneurs who are working hard to innovate from within your companies. It's often a thankless job as you try to move mountains with only your bare hands and sheer willpower. We've been there and feel your pain. We hope this book helps you, at minimum, with another supporting hand to move those mountains. We know you can make it happen!

Foreword

Finding your way through any unfamiliar jungle is always easier with Google or (gasp) even paper maps. That's why this book is so important – it's the map big corporations need to uncover a disruptive innovation powerhouse inside their own companies. *Designing the Successful Corporate Accelerator* first challenges whether you have the right pieces in place to set up an accelerator at all, and if you do, it helps you navigate the road to success along every step of the way. For the best results, consider sharing this book generously with your leadership team and everyone involved in the innovation process.

Successful disruptive innovation is a war that big corporations have been losing for generations. With your determination and the authors' guidance, perhaps the next decade can be the turning point where companies actually get it right. What the heck, it's only been 75 years since we lost Henry Ford, and 90 for Thomas Edison, right?

Over the past century, large companies poured billions of dollars into allegedly disruptive failures with an embarrassing success rate – well below 10%. Remember Edsel, Saturn, Betamax, and New Coke? They're just a whisper of the cast of fallen characters. Each is incrementally innovative, for sure, but all are simply old solutions with a few new bells and whistles.

And, as the authors discuss, many corporations excel at *innovation theater*: putting young people in cool tech-forward office space with foosball and ping pong plus a dozen exotic flavors of fresh-ground coffee. Seldom have these theaters produced any meaningful disruptive innovation, the kind that changes lives, markets, or the way

we do things. You know, things like self-driving or electric cars, hydrogen fuel cells, iPhones, or even Amazon.com. It's fundamentally different, far more intense innovation, writ large.

Most of the time, truly disruptive innovation is the province of startups – many founded in the proverbial garages like trailblazers Apple and HP. These smaller, more nimble companies – usually led and nearly always staffed by T-shirted, scruffy 20- to 30-year-olds – consistently deliver the lion's share of disruptive innovations that continuously change our universe. Startups aren't shackled by the constraints or bureaucracy of the dinosaur corporations, which allows them to be creative and try things that bigger companies can't (or won't). And they do it at a blistering speed.

In 1973, when I last worked at a Fortune 1000 company before joining the entrepreneur and venture capital world, I mostly worked the 2:30–9:30 a.m. shift, editing news for Westinghouse Broadcasting. Apple, Microsoft, Oracle, and SAP were born at this time. Tesla, Uber, and others followed in a nonstop recurring pattern readily summarized as "startups innovate, corporations execute." And for the past 50 years or so, with a few notable exceptions, truly disruptive innovation has been seen as antithetical to the common wisdom practiced by the world's leading corporations. "No skateboards, risk-taking or failures in these hallowed halls, sonny!" is the mantra. Corporate managers plan, then execute the plan, and the corporation executes those who don't execute. See, it's simple. But how?

Risk-taking that leads to disruptive innovation is just *so* much easier in a startup. Unlike corporations, startups basically have nothing to lose – no customers to screw up, no reputation to sully, and no rulebook or procedures

manual to follow religiously. Most corporate executives described startup operations as chaos theory in action ... there was no formal process, no roadmap to guide the innovation process. Then in 1999 Steve Blank retired after the $8 billion IPO of E.piphany, the company he founded three years prior, and decided to teach and write down what he'd learned in a career spanning a dozen startups.

Steve spent months developing a "test and iterate, then test again" business innovation model called Customer Development, later rebranded as "Lean Startup." It's often likened to the scientific method as applied to business innovation. Since we'd worked closely together launching his startup, Steve asked me to join him and write the method down in painful detail. Two years and 1,000 revisions later, we published *The Startup Owner's Manual* (Wiley), a bestseller in 23 languages. It translates Steve's principles into a granular, gritty, step-by-step process for turning ideas into repeatable, scalable, and (ultimately) profitable businesses.

WHY CORPORATE ACCELERATORS?

The demand for corporate innovation increases almost daily. Markets and customer needs change at an increasing rate, pandemics notwithstanding. New competitors and innovations emerge, often from startups, intensifying the big company challenge to deliver consistent new product launches, topline revenue growth, and steadily increasing profits in the face of unpredictable enemy forces. If you're even thinking about reading this book, I need say no more.

As the authors quickly point out, innovation requires an organization willing to move fast, ignore process, break rules, and take risks – vital ingredients antithetical to and seldom seen in even the fastest-moving major corporations. Internal accelerators bring the rocket-fueled, rule-

breaking, T-shirt-wearing, spunky, devil-may-care entrepreneurs inside the corporation, ideally shielded from many of the processes, rules, and procedures that make big companies successful. Your authors Jules Miller and Jeremy Kagan have seen the movie, fought the battles, and will walk you step by step through the complex decision set that drives a successful corporate accelerator.

Corporate accelerators are hardly a one-size-fits-all proposition, and the book does a great job outlining the choices, pathways, and operating principles in getting the right accelerator launched the first time. And it guides you through the strengths and weaknesses of matching your program with different corporate objectives, environments, industries, geographies, and more.

Now you, too, have a roadmap. In fact, it appears you've already bought it! This wonderfully comprehensive how-to guide is from two seasoned entrepreneurs who have served as "accelerator accelerants" and corporate innovation leaders. With this book, Jules and Jeremy have done exactly the same thing for corporate innovation that Steve Blank and I so proudly created for startups. They've crafted a comprehensive, granular, step-by-step playbook for the process of considering, planning, funding, and executing a successful corporate accelerator.

Use it well, travelers!

Bob Dorf
Serial entrepreneur, startup advisor,
educator, best-selling co-author,
The Startup Owner's Manual.

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To other friends who may have spoken with us just once but made an impact: It may have been a short conversation or a simple anecdote to you, but your guidance and confirmation of your own challenges and successes made the book much better. While we couldn't share all of the amazing stories, they absolutely informed our thinking and contributed to the result.

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mental muscle. Also many thanks go to our fantastic interns and collaborators who helped with interviews, research, and writing, including Zach Epstein, Austin Chung, Richard Tsay, and Scott Jenkins.

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Jeremy continues to realize how much successful writing has been a team effort. To my wonderful wife Katherine, so many thanks – every bit of quiet time for writing I could grab depended on you successfully distracting our three kids. That you accomplished this miracle in lockdown from coronavirus and made it look effortless is why we have a book. And to the kids – Alexis, Rose, and Jacob – Daddy

loves you, even when he needs some peace and quiet to get the writing done. Thanks for your patience and support!

Of course, there is our talented team of experts, the people at Wiley, who believed in this project and provided amazing professional assistance as we brought the book to life. Special appreciation to Michelle Miller and Ewelina Olechowska for the stellar graphics. And thank you to the editorial team for making us sound better and forcing Jules to use an Oxford comma. We appreciate your patience during the moving target of delivering new chapters as we kept trying to make it perfect.

Last, but certainly not least, we are grateful to the readers of this book who are called to work in the field of corporate innovation. Getting this right is a challenging and often unappreciated task, but we appreciate you and can't wait to see you succeed. We've done the easy part of aggregating the existing wisdom and case studies, then mapping out a course to follow. The hard part is doing it, which is up to you.

About the Authors

Jules Miller has alternated between working in the corporate world and the startup/VC world for nearly two decades in Silicon Valley, New York, and Los Angeles. She started her career at Ernst & Young in the Venture Capital consulting group, then became an "intrepreneur" before she had any idea what that was. She would consistently (and annoyingly) suggest new initiatives to her boss, who thankfully allowed her to work on these projects as long as her core job was prioritized, then supported the initiatives that gained traction. This included completing the Big 4 accounting and consulting firm's first carbon footprint and also launching new business units around cleantech and environmental sustainability.

Miller then founded three companies, a consulting firm and two venture-backed tech companies, one of which is still a thriving, profitable business and one of which was acquired. She went through the process of applying to multiple accelerator programs as an entrepreneur and ultimately decided not to participate when accepted due to a perceived lack of value or long-term support that made it seem not worth it to give up a big chunk of equity.

More recently, Miller tried to address these issues when she launched two highly regarded blockchain accelerator programs for IBM and co-founded the IBM Blockchain Ventures group. She felt the challenges of corporate innovation first hand, and as a result has developed a clear perspective on building and managing accelerator programs that work for both the big companies and the participating startups. She now works with several accelerator programs as a mentor and is an entrepreneur in residence at 500 Startups.

Miller is currently a partner at Mindset Ventures, a venture capital fund investing in early-stage enterprise software companies. Mindset started as a partner fund to a global Microsoft Accelerator program, along with several other corporates, and eventually spun out to be an independent entity. They still source many good investments from Y Combinator, the Microsoft Accelerator, and other accelerator programs, and believe fully in the power of corporate-startup partnerships. Miller spends much of her time working with the founders in her portfolio to help them effectively partner with large enterprises.

Miller is a Kauffman Fellow, a scout for Indie.vc, a venture partner for Republic, and an advisor to several enterprise startups and corporations that want to partner with startups. She moved from NYC to Los Angeles in the middle of the global pandemic (and writing this book!), and she is slowly learning to appreciate this thing called work/life balance.

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Jeremy Kagan is a growth and innovation consultant, and advisor to corporations, startups, and digital media companies. He is the former managing director of the Eugene Lang Center for Entrepreneurship at Columbia Business School, where he oversaw the entrepreneurial curriculum, student programs, the Lang venture capital fund, and the Columbia Startup Lab. While there, he launched the Columbia Alumni Virtual Accelerator (CAVA) and the corporate innovation program, partnering companies and student entrepreneurs to start businesses in their areas of interest. Kagan remains on the board of the Lang Center, and is a mentor in residence at the Columbia Startup Lab. He is a judge of the Columbia Entrepreneurship annual business plan competition and the SIPA Dean's Challenge for Social Impact startups.

As a Columbia Business School professor, Kagan co-teaches, with Steve Blank, the annual Lean Launchpad class, an intensive one-week boot camp open to all Columbia University students. He is also a professor of digital marketing, faculty director of the Digital Marketing Strategy executive education program, and teaches both graduate and executive education classes. His book *Digital Marketing: Strategy and Tactics,* the first textbook for digital marketing, was published in 2018 by Wessex Press, and is now in its second edition, with international editions now available as well.

Kagan previously was the founder and CEO of Pricing Engine, a digital marketing platform that enabled small businesses to benchmark, optimize, and expand their search and social advertising campaigns. He was part of the Entrepreneurs Roundtable Accelerator's (ERA) first cohort in New York City, and remains an active alumni mentor with both the regular and global programs. Kagan is also an award-winning mentor at other accelerators around the city, and is an entrepreneur in residence for the Founder Institute.

Kagan has been a speaker and corporate trainer in the digital media industry, where his clients include companies in content, services, and e-commerce, as well as traditional advertising agencies needing digital media expertise. Kagan previously worked at Sony Music Entertainment in the Global Digital Business, where he was the vice president of Global Account Management, working with large partners such as Nokia and Sony Ericsson. Before this, he was vice president/director of Strategy and Customer Insight for Publicis Modem, a leading digital advertising agency, where he headed research and innovation out of the New York office.

Kagan lives in New York's East Village with his wife and children, and now walks his kids to school around the corner from where he used to produce indie rock concerts. Life's funny that way.

Introduction

Now more than ever, big companies realize they must continuously innovate to survive. It's famously been said that software is eating the world, and we see technology-native startups licking their lips, preparing to make a meal of enterprises that are slow to adopt new technologies and business models. From automotive to insurance to retail and everywhere in between, innovative startups are attacking slower-moving incumbents – and the stakes are nothing less than survival. To arm themselves in this competition, it's no surprise that big companies are fighting fire with fire. And the hottest weapon du jour in corporate innovation is the corporate accelerator.

Accelerators are on the rise, with now thousands of programs established around the world since Y Combinator started as the first modern accelerator in 2005, and more are popping up every day. In the past few years, the surge in accelerators run by large corporations is astounding. It seems that every corporate innovation team feels the need to have an accelerator as part of its innovation program.

However, while intentions are good, most corporate accelerators are not achieving the intended results. Sixty percent of corporate accelerators fail within two years, and partnerships with the participating companies are achieved less than 1% of the time.[1] Corporate accelerators are often seen as "innovation theater," one of several cliché and ineffective innovation initiatives that do not produce results and are a last resort for companies that are falling behind the curve.

The reasons for this are complicated. In the modern era, the pace of innovation has dramatically increased, resulting

in traditional R&D programs being augmented by more nimble internal innovation initiatives such as venture studios, corporate venture capital (CVC), accelerators, and startup partnership programs. This is a critical development, as big companies no longer have time to wait for R&D labs to perfect and commercialize technology. They need to go to market earlier, move faster, and allow for quick failures. This is not easy for large, complex organizations to do. Big companies need a way to translate startup energy and speed into the established processes and assets of the corporation.

In an effort to adapt to these new market conditions, corporate accelerators have become a favorite tool for big corporations. The current version of these programs simply mimic successful independent accelerators that are effective in the startup and venture capital industry.

The intention is to give big companies an early view into emerging technologies and business models that could threaten their future, and to develop partnerships that form powerful alliances to turn this threat into opportunity while positively impacting corporate culture. On the flip side, for startups that participate, the potential partnerships with big companies are appealing because they allow for quick learning, an increase in credibility, and massive distribution channels.

This should be a win-win, but most of the time corporate accelerators do not live up to their potential. So why aren't they working? Let's look at a specific example.

A CASE STUDY ON CORPORATE INNOVATION

A didactic case study to demonstrate the complex dynamics of corporate innovation is that of Fabricated Company,

Incorporated – or FabCo for short – a typical multinational public company that has stagnated and started down the path of corporate innovation. FabCo is starting to invest in a variety of innovation initiatives to breathe life back into the aging organization and keep it competitive by partnering with emerging technology-native up and comers. Through its 100-plus-year history, it has experienced both meteoric successes and near-company-killing failures based on its ability (or inability) to innovate and adapt.

It's worth summarizing the corporate story as a benchmark to guide us throughout this book.

From humble, entrepreneurial beginnings, FabCo started in 1912 as a manufacturer of components for the electric telegraph. When 21-year-old founder Federico "Freddie" Giovanni – an electrician and Italian immigrant living in Newark, New Jersey – lost his cousin Vincenzo during the sinking of the *Titanic* in April of that year, he was inspired to start a company that would have saved more lives in that disaster. At the time, wireless telegraphy was critical to enable effective communication between ships, and although it was extremely valuable in the rescue efforts of the *Titanic*, Freddie knew there was room for improvement that could have saved his precious cousin Vincenzo's life.

Based on his experience fixing electrical systems throughout New Jersey that expanded and contracted throughout the year in the cold winters and hot summers, Freddie patented a special polymer for electric telegraph wiring that dramatically increased transmission speeds and was more durable in harsh conditions. He quickly became a go-to component provider for the major telegraph, then telex, then typewriter companies around the world.

Over the years, with slow and methodical growth, Freddie led FabCo to become a major market player. At that time,

the Roaring Twenties were in full swing and public markets were expanding faster than anyone had ever seen before. Freddie successfully took FabCo public on the New York Stock Exchange (NYSE) ringing the bell in March of 1929. Thirty-eight-year-old Freddie was at the top of the world, and this immigrant from working-class beginnings was now a very wealthy man with a thriving business. Coincidentally this month was also when his first and only son, Freddie Jr., was born. "Junior" was Freddie's pride and joy, and also his heir apparent to the business.

Then, only a few months later on Thursday, October 24, 1929 – now known as Black Thursday – the stock market started plummeting in a record crash, culminating a few days later on Black Tuesday, the worst day in stock market history. A tidal wave of panic consumed Wall Street, and the share price of many companies, including Freddie's, plummeted while consumer confidence was obliterated. This led to the Great Depression, the worst economic downturn in the history of the industrialized world, which lasted for nearly 10 years.

FabCo was one of the lucky ones that was able to salvage the business from the brink of destruction. Freddie slowly built the company back up from near ruin with a steady hand and reversion to fundamentals, reinvesting in his core products and services. During these dark times, Freddie was hesitant to take risks and invest in newer technologies. Throughout the 1940s FabCo slowly clawed its way back to stability, and in the 1950s even started growing revenues by single-digit percentages each year. During that time, Freddie had been grooming his son Freddie Jr., affectionately known as Junior, to take over the business. In 1964, at the age of 73, Freddie Sr. retired and Freddie Jr. became the new CEO.

Junior had worked at FabCo since graduating from Yale at 20 years old, with the exception of the 2 years he took off to attend Harvard Business School and a short stint working with his HBS professor Georges Doriot at American Research and Development Corporation (ARDC). He had big ideas and wasn't a fan of his father's old-school business traditions; he wanted to make his own name in the business world by transforming the stodgy telegraphy components business into an innovative company of the future.

By the time Junior took over the business at the age of 35, he was particularly excited about the nascent field of computing as the path forward for FabCo. He was an early follower of Alan Turing once he presented the idea of a universal machine capable of computing anything in 1936. He met with David Packard and Bill Hewlett in their Palo Alto garage in the 1940s and wanted to invest in their business with a new form of financing called "venture capital" that he learned from Professor Doriot at ARDC, the first-ever VC firm. But his father did not allow it. Junior followed closely when William Shockley and his research team at AT&T's R&D arm Bell Labs invented the transistor in 1947. The year he took over as CEO, he watched intently as Douglas Engelbart at Stanford Research Institute (SRI) presented a prototype for the graphical user interface (GUI), which made computing more accessible to the mass market.

Junior believed this was the future and wanted to reinvent FabCo as a modern computing company. He heavily invested in new products related to computing, built up expensive R&D labs and started slashing and burning the existing business related to telegraphy. He set up experimental secret divisions to create new products, which caused intense tension among the executive ranks.

While arguably ahead of his time, Junior struggled to make these initiatives work. Through a series of overambitious plans, huge R&D budgets, internal politics, executive attrition, slower than expected adoption of personal computing, and the depletion of necessary resources from the core "cash cow" businesses, Junior rapidly drove FabCo into the ground. The company was performing so poorly that they were about to be delisted from the NYSE and investors were lobbying intense pressure to break up the company. In 1971, on the same day as Alan Shugart and IBM announced the invention of the "memory disk" (better known today as the floppy disk), the board of directors forced Junior out. In a bold move, the board hired Louis Garrison, a senior partner from consulting firm McKinsey & Co. and outsider to the tech industry, as the CEO to manage this transition.

Instead of breaking up the company, Garrison renewed FabCo's focus on the customer, cut millions in annual costs, returned to the fundamental polymer and telegraphy (now telephony) business, shut down underperforming (and secret) departments, and established the "One FabCo" philosophy to restore the old corporate culture. By the mid-1980s FabCo was back to profitability and out of death's shadow, and even made it to the lower ranks of the Fortune 500.

In the meantime, the computing industry was starting to pick up, as predicted earlier by Junior. Many of FabCo's top researchers had fled to Xerox PARC and continued refining the GUI, leading to technology that became the foundation of most computing systems today. Even Steve Jobs, who started Apple in 1976 with Steve Wozniak, cited FabCo's now-defunct work as an inspiration.

When Garrison retired in 1992, FabCo insider Pam Salisano took over as CEO, becoming only the fourth-ever female

CEO of a Fortune 500 company, after Katherine Graham at the *Washington Post*, Marion Sandler at Golden West Financial, and Linda Wachner at Warnaco Group. A new breed of manager, she focused on both nurturing the core business and investing in the long-term future. This was done with the guidance of management consultants, who later wrote a book about different horizons based in part on Pam's philosophy. Pam was famously quoted as saying, "It's so easy to stick to things that made you profitable, but a core responsibility of leadership is understanding when it's time to change." Unfortunately, most people don't like change. Due to political discontent among her all-male executive team, Salisano was pushed out of the CEO role in 1996.

When her cutthroat deputy Ashwin Templeton took over as CEO, he doubled down on existing businesses, squeezed margins, and reduced R&D in favor of increased services offerings. This kept the company stable, but it faced more than a decade without meaningful growth and missed several disruptive technologies in its industry. FabCo also struggled with the cultural resistance to change and, because "no one got fired for using FabCo," their expensive sales force lost touch with their customers. People didn't really like working with or at FabCo anymore and attrition was high. By the late 2000s, FabCo's market share and profits were steeply declining and FabCo was on the brink of death once again.

Templeton retired in 2009 "to spend more time with his family" – rumor had it that he was forced to retire after a scandalous affair with a subordinate – and the former CFO, Kevin Pearson, took over. He spent the next decade buying growth through expensive mergers and acquisitions, but struggled to integrate the more entrepreneurial companies into FabCo's traditional corporate culture. Most of the original teams left after their earnouts and the businesses