

Overcoming culture clash to catalyse innovation

Innovation is increasingly a team effort. Companies are seeking partners to help create and exploit the latest technologies and innovations at a speed and scale not achievable on their own.

Through these partnerships, smaller firms can get access to: scaling infrastructure, new markets, strategic or technical insight, as well as expertise. Larger firms can benefit from: new ideas, the opening of new doors with existing customers, exciting development opportunities for employees, as well as technologies and talent that would be slower and more costly to develop in-house. While these relationships are an increasingly important part of achieving strategic goals such as growth and improved productivity, this collaborative approach to innovation is not always easy.

Drawing on expertise from across the business community, the CBI's [Big Fish Little Fish campaign](#) aims to help larger firms (big fish) and smaller firms (little fish) identify the issues that can block positive outcomes from innovation partnerships (including Open Innovation and M&A) and share methods for addressing them.

There are many technical, legal, and financial challenges to a fruitful partnership. But, when you dig a little deeper many issues come down to a clash of company culture. It is important to be proactive in diagnosing and addressing these issues, while also nurturing a pro-innovation culture internally.

For every major **barrier** to success there is an **innovation catalyst**; steps that can be taken to avoid points of friction, helping both parties collaborate more effectively.



Barrier #1: Shiny things distract from strategy



Innovation Catalyst: To be a good partner, first get your house in order



Barrier #2: Hesitancy based on assumptions and baggage



Innovation Catalyst: Focus on transparency and trust



Barrier #3: Process trumps progress



Innovation Catalyst: Embrace the need for speed

Barrier #1: Shiny things distract from strategy

The most successful innovation relationships are often determined by what happens before both parties reach the negotiating table.

For the Big Fish, it is easy to be led by trends in technology and chase the “next big thing.” For Little Fish it can be tempting to chase the shiny, best-known companies. These approaches, without a link to a wider strategy, however, can result in frustrations and clashes down the road. Failure to establish the role of innovation partnerships within your internal strategy, or to have a clear understanding of what you want to get out of the relationship, can increase the likelihood of wasted time and limited value. Getting your house in order before engaging will set both parties up for success.

Innovation catalyst: To be a good partner, first get your house in order

Understand your motivation for partnerships, build your strategy and process from there.

Have a laser focus on the ‘why’

There are many motivations for seeking an innovation partner. Knowing your ‘why’ will enable informed strategic decision making on everything from resource commitment to risk appetite. For example: switching from a speculative innovation partnerships model to one aligned to core business challenges or capability gaps, can transform internal buy-in, enabling prospective partners to better understand if you are the partner for them.

Or if like Kainos, our strategic partner for this project, the central aim of a partnership is to develop skills in-house, rather than purely a commercial return, then your risk appetite can be modified. This will give your business greater freedom to streamline internal processes and broaden the pool of companies you are open to working with.

A key driver behind our partnerships with startups such as loyalBe is the desire to provide Kainos employees with the development opportunity to work in new environments and expand their skillsets. It goes beyond an immediate financial incentive and places people at the centre of our long-term innovation and employee value strategy.

Paul Batterham, Innovation Lead, Kainos.

Use your network to perform a 360-degree review

It is invaluable to understand how your target partners work with businesses of a similar size to yours, as well as their perception of your brand.

Reach out to your networks and ask questions that may result in uncomfortable answers:

- What is biggest concern about partnering with us?
- How would you describe our approach to innovation?

This will give you a head start on addressing potential blockers ahead of formal discussions. It is also good to signal to potential partners that you are serious about building strong innovation partnerships.

Barrier #2: Hesitancy based on assumptions and baggage

When it comes to companies innovating together, honesty is truly the best policy. Big Fish may have concerns around the viability or financial stability of the partner, or perhaps the short-term goals and exit strategy of the Little Fish leadership team. For the smaller firm, perceived power imbalances can lead to fears of being bulldozed or the loss of IP.

Building trust is essential to navigating these concerns. Establishing an open and honest dialogue from the start of a partnership will allow both parties to move forward with confidence.

Transparency is a big thing. As a small company, you want to understand the motivations of large organisations, you want to understand who is making the decisions and why. That is the only way trust can be established. Without this, it makes discussions about potentially sensitive issues, such as IP, difficult. Smaller companies should not commit precious time and money to developing partnerships with corporates without this shared understanding. Kainos were very forthcoming with that. With some large organisations it can feel like a black box – you have no idea what is going on inside.

Cormac Quinn, Founder and CEO, loyalBe

Innovation catalyst: Focus on transparency and trust

Businesses need to create a shared framework for success and be considerate.

Share your vision for what success looks like

Be clear with your partner what your objectives are for the relationship. Work to establish what success would look like together to avoid future disappointments or misaligned expectations: set expectations for how you will manage everything from IP, the day-to-day operating model, as well as financial and time commitments. If partnering with a large firm is part of your exit strategy, or you want to have a solution on the market within a specific timeframe, say so.

Be considerate

Corporates must understand that for many SMEs these partnerships are not solely transactional. Employees of small firms will invest significant emotional energy into trying to work with a large firm because for them it can be a matter of survival. A transparent and robust partnership framework allows both sides to manage expectations.

Juliet Eccleston, CEO and Founder, AnyGood?, Sharing Economy UK Chair

Barrier #3: Process trumps progress

It can feel like the difference between human and dog years when comparing the speed of decision making within large and small firms.

Large businesses often have complex compliance and legal procedures in place for due diligence and risk management. The challenge comes when the procedures designed for engagement between companies of a similar size are applied to smaller businesses. The volume of documentation and compliance requests, for example, can be overwhelming for smaller businesses, and result in frustrations and missed market opportunities. To maximise the benefits of working with a more agile, innovative partner, larger firms must ensure internal process are

proportionate to partner and situation. With clear business objectives and open and honest communication, both sides often feel more comfortable navigating these procedures knowing that mutual benefit lies at the end.

Innovation catalyst: Embrace the need for speed

Streamline where possible; be clear who has authority to make decisions, and plan for change

Delegate and keep the group of decision makers small

Increased decision-making speed does not have to come exclusively from drastic changes to legal documents or processes, it can be achieved through a clear delegated authority matrix. This could include:

- Defined areas of authority (signing legal documents, staff overtime, partner expenses, etc.)
- Financial limitations, if applicable (anything up to £1,000, over £25,000, etc.)
- Designated person(s) that can authorise actions and/or spend (project manager, group head plus either CEO or Treasurer to CEO, etc)

This is true of both large and small firms. This matrix can help to ensure sign off is not prolonged.

Appoint business ‘heroes’ or ‘champions’

It can be useful to have a ‘champion’ outside the day-to-day operations of the partnership, who is invested in the successful outcome of the project, to facilitate problem solving, harness capabilities across the business, and enable progress.

Plan for change

Staff churn is a reality in any business. Continuity planning, including efficient indexing of important documents and shared storage using cloud systems, ensures vital project information is not lost if an employee leaves.

According to *Adam Baldwin, Head of Functions and Business Engagement at BNP Paribas* changes to processes have been made to better cater to smaller partners/suppliers’ relationships, including:

- Creation of a **short-form Proof of Concept (POC) Agreement** for smaller firms to trial a service, in place of the full-scale Procurement Process.
- Simplifying **Non-Disclosure Agreements (NDA)** to facilitate quicker exchange of data with potential partners/suppliers.
- Creation of sets of **dummy data** across multiple business lines that can be shared with potential partners/suppliers easily, with fewer internal approvals and IT security concerns.
- Tailoring **Terms and Conditions** to smaller firms, with appropriate negotiation guides; and
- Creation of **Application Programming Interface (API) Developer Portals** - public websites which give potential partners/suppliers access to a range of BNPP APIs. There is a very quick registration process and set of T&Cs, which upon acceptance gives third parties access to a catalogue of BNPP APIs. Partners/Suppliers are then able to work within BNP systems and test out potential products/services, prior to any formal negotiation or discussions.

Partnering with startups has allowed Kainos to give back to the local community and offer exciting opportunities to employees

Paul Batterham
Innovation Lead, Kainos

Name of company partnered with: loyalBe

How would you describe the partnership model you undertook?

I would describe the partnership model as Open Innovation/Advisory

What drove you to form this relationship with another company? What were your goals, or what problems were you trying to solve?

Kainos was initially a start-up from QUIBIS (the commercialisation arm of Queen's University, Belfast). By helping entrepreneurs, we are giving back to the community and ecosystem that helped Kainos so much at the beginning of our journey.

How did you identify the right company to work with? (Professional or personal network, desk research, dedicated research team, government scheme, etc.)

Cormac was a Kainos employee, so we have a personal connection to loyalBe. It seemed like a natural fit for us to see if there was a way, we could help accelerate their journey.

What were the main cultural challenges you faced over the course of the relationship and how were these overcome?

As Cormac worked for Kainos prior to loyalBe he already had an understanding of our culture. That being said, we worked to ensure that he was comfortable working us and to establish a partnership that would be successful for both of us.

What was the direct outcome of this relationship? (New product, productivity improvement, increased sales, etc.) What were the wider benefits?

We have helped loyalBe in a number of ways:

1. We've been able to help narrow down several technical options to one, which has now been taken forward by loyalBe
2. We've worked on their product roadmap to help look at innovative ways in which to progress the product and the company

For us at Kainos, it has also provided another development pathway for our staff. Working with start-ups in such an unknown and fast-paced environment provides a great opportunity to learn.

What did you learn through the process; what would you do differently next time?

The biggest thing for me was transparency from the outset. By this I mean transparency on what Kainos and loyalBe could potentially partner on, as well as the time we could allocate to the partnership.

When it comes to culture, what one piece of advice would you give to a company looking to innovate with a firm of a different size?

Get to know the other company; be transparent about your motivations for partnership. You should be able to draw alignment between the values and reasons for both wanting to innovate together.

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