

European Innovation Council Advisory Board

European Innovation Council engagement with global corporates: a win-win proposition

The European Innovation Council is the EU initiative to identify, support and scale up high-impact and breakthrough innovation in Europe. It has a proposed budget of €10 billion in the next EU budget (2021-27) and is currently in €3 billion pilot phase (2018-20) supporting over 5000 startups, SMEs and advanced research projects. The EIC pilot Board advises on the strategy and implementation, and is composed of 22 members from research, startups, corporates, investors and ecosystem builders. This paper was prepared under the leadership of Jim Snabe, Chair Siemens AG & Chair AP Moller Maersk A/S, supported in particular by Hermann Hauser, Kerstin Bock, Bindi Karia, Ana Maiques, Yousef Yousef.¹

1 Global corporates and the search for high-impact, high-risk innovation

Global corporates all require breakthrough ideas to create their futures. Yet, there are major difficulties inherent: such ideas will disrupt their existing markets (the “innovators dilemma”) and the extremely low success rate for such ideas makes it hard to justify the investment. Most corporates established venture capital arms to respond to this dilemma. However, this leads to further tension: in-house VCs tend to generate low return (unable to take the necessary risks) while independent VCs have low relevance (pursue avenues of limited interest to the Corporate).

Corporates therefore need a way to outsource the risk while staying involved.

The new European Innovation Council provides a valuable proposition in response to this need:

- *A single “window”* on the startup ecosystem in Europe. The EIC provides global corporates with privileged, curated access to the most exciting startups and emerging technologies. The EIC operates at continental level, pooling external expertise to select the most promising high impact, high-risk innovations from all fields of civilian technology and application.
- *A risk-sharing partner* willing to invest and support the very early stage risks in breakthrough technologies and startups through use of public grant funding. The 5000 startups and SMEs in the current EIC portfolio have all received grant funding of up to €2.5million to de-risk their technologies and innovations to become investable.
- *Co-investment partner* for higher risk corporate venturing to an aggregated (Europe wide) deal flow of relevant investment opportunities. The EIC Fund invests directly in startups selected by the EIC (up to €15million), pro-actively seeking out other investors.

¹ A full list of Board members is available at <https://ec.europa.eu/research/eic/>

The engagement of global corporates will also make the EIC more attractive as the investor of choice for startups in providing facilitated access: to corporate partners as a route to scaleup in large global markets; to corporate facilities and knowhow for development (prototyping, testing, demo projects etc); and to corporate investments and business opportunities.

2 The EIC pilot is already engaging well with corporates, but much more is needed

An important and successful initiative in the pilot phase has been the organisation of EIC “Corporate Days”, where Corporates meet a number of EIC portfolio companies, which are selected and coached specifically for the event. Over 45 Corporates have taken part (see annex), generally top 500 in Europe, active in the main verticals of the EIC portfolio (health, energy, etc.) and with in-house “open innovation” units. Their feedback is extremely positive: 88% satisfaction of EIC companies and 100% satisfaction by Corporate representatives, over 2500 business contacts reported and more than 34% of “follow-ups”².

In addition, some corporate VCs have already been active investors in EIC portfolio companies. This includes Bosch, Merck, Samsung, Kraft Group and Danone, who have all invested over €40m in multiple deals. Corporate executives also take part in the EIC juries that interviews the most promising applicants and select which companies to fund. To date 11 (of the approx. 100) EIC jury members come from corporates including Statoil, AstraZeneca, Bayer and SAP (see annex).

The EIC pilot demonstrates both the value and the willingness of corporates to engage, and their activities should be reinforced. We have, nevertheless, identified some important gaps to be filled:

- There is **limited awareness** about the EIC at the CEO level in global corporates and much clearer communication is needed on the value proposition for corporates to engage.
- As well as CEO level engagement, **a targeted approach is needed towards Corporate Venture Capital** given the high relevance of EIC portfolio companies.
- More should be done to **engage corporates around common themes/** areas following a strategic approach, rather than on a purely individual basis in response to demand, also **actively engaging the EIC AB members**.³
- The engagement should not be limited to EIC portfolio companies, but also **extend to the EIC advanced research projects** (“pathfinder”). The new EIC “programme managers” should actively broker opportunities between EIC research projects and corporates.
- While the first focus should be global corporates, the engagement should in future **extend to the many corporates operating at national and multi-regional level** across Europe who would benefit just as much.

3 EIC-Corporate “future strategic ecosystems” events

A specific proposal to address several of the above points would be the launch of targeted high-level events bringing CEOs of global corporates in direct contact with the CEOs and technologists of EIC portfolio startups and projects. Such events would be organised around strategic themes, taking

² Follow-ups: business negotiations between EIC participants and Corporates after 6 months of the event

³ There exists already the Planet.Tech initiative engaging corporates around common themes. <https://ec.europa.eu/easme/en/eic-planettech-co-create-sustainable-solutions-some-largest-corporates-europe>

account both of the strengths in the EIC portfolio (e.g. in digital health, new energy technologies) as well as the common interest of a number of European based corporate CEOs.

Gathering EIC portfolio startups and projects around selected themes or dimensions of a particular challenge can also serve as starting point for connecting entire ecosystems of corporates, innovation agencies and other relevant stakeholders from a diverse range of regions to generate visibility and impact. Future strategic ecosystems that could be considered include the future of work, health, logistics and transport.

We recommend that such events be organised in partnership with existing fora bringing together global corporate CEOs. If successful, such events could be extended to global corporate venturing and corporates operating at a multi-regional level within Europe. The selection process of EIC portfolio companies and of key themes can proceed in cooperation with EIC Programme Managers and Board Members in alignment with the priorities specified by the EC's COVID recovery plan.

4 Engaging with Corporate VCs (CVCs)

For EIC portfolio companies to gain exposure to a wider community of investors, including corporate VCs (CVCs), a further integration of investor platforms is desirable. Launching EIC portfolio companies to a wider audience increases opportunities to find attractive follow up investments from investors who participate in value chains across the globe and who are looking for that missing piece of the puzzle in their own portfolio.

There is a wide variety of approaches to Corporate VCs. For example, in some cases they are organised in a similar way to financial VCs, while in others they are more closely integrated with corporate strategy. Corporate VCs are of particular relevance to the EIC as they can be more able to take longer-term, impact-based, investment strategies.

We therefore recommend organising events/ platforms which bring together the most relevant European based corporate VCs with the EIC portfolio companies. Such an approach should leverage on existing platforms and events, while ensuring trust and mutual benefit between the interests of corporates and those of startups and SMEs.

5 How to measure success

A number of indicators are already being measured which could be used to measure success:

- Number of global corporates participating in events with the EIC (Corporate days, new events),
- number of follow up contacts stemming from EIC – Corporate events (including procurements, partnerships, use of facilities, etc.),
- level of CVC investments in EIC portfolio companies.

Some additional metrics which could be considered include:

- Diversity of CEOs and corporates attracted/ actively participating in EIC ventures (country, region, gender, sector, size of company, etc.)
- EIC brand recognition by Corporates

ANNEX

Corporates participating so far in EIC Corporate Days



Corporate executives acting as EIC jury members

Kristin Aamodt	Managing Director Statoil Technology Invest
Maria Elena Alfaro Martinez	Head of Data & Open Innovation BBVA
Christine Bosse	Board member in international orientated companies (Allianz, TDC, BankNordik, Tele Greenland, etc.)
Mario Branciforti	Managing Director at Samsung NEXT Ventures
Andre Convents	Innovation Leader at Procter & Gamble
Diego Diaz Pilas	Head of New Ventures & Tech Prospects at Iberdrola
Jonas Johansson	Director of Science & Innovation at AstraZeneca AB
Monika Lessl	VP Head of Corporate Innovation and R&D at Bayer AG
Adiari Vazquez	VC Investment Manager Caixa Capital
Claus von Riegen	Vice President, Head of Business Model Innovation SAP
Norbert Windhab	VP Strategic Projects Health Care at Evonik Nutrition and Care