Dear readers

In our last quarterly newsletter we introduced you to our new thematic focal point: “Controlling of Start-Ups and Start-Up Initiatives”. We presented a variety of insights into the requirements for controllers in start-ups and pointed out the specific needs of controlling at start-ups.

In this newsletter we would like to focus again on established companies to show how they can manage their innovation with the help of start-up initiatives. These include, for example, innovation labs, accelerators, incubators, hubs and corporate venture capital initiatives. The characteristics and differences between these alternatives are in the foreground.

In addition, we would like to inform you about the bestowal of the Green Controlling Award 2018, which we awarded at the 32nd Stuttgarter Controlling & Management Forum.

We wish you enjoyable reading.

Prof. Dr. Heimo Losbichler
Chairman of the ICV Board of Managing Directors

Siegfried Gänßlen
Member of the ICV Board of Managing Directors

Prof. Dr. Ronald Gleich
Head of the Think Tank in the ICV

Stefan Tobias
Head of the Think Tank in the ICV

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Reading tips

The book *Management: Corporate Entrepreneurship* by A. Kuckertz gives established companies interesting insights into the world of start-ups. It highlights how companies can create innovative structures to remain competitive in new markets in the future. This includes not only the strategic orientation, but also rethinking in all aspects of organisational structures, including the responsibility of the individual employee. In short, companies that are already established are shown opportunities and tools for successful entrepreneurship.

Big companies must remain innovative too. The implementation and establishment of an innovation culture, including well-known processes such as lean start-up, are introduced in detail in the book *The Corporate Startup* by T. Viki. Managers and decision-makers are given the most important structures and tools for implementing new ground-breaking ideas.
32nd Stuttgarter Controlling & Management Forum | Bestowal of the Green Controlling Award

The Péter Horváth Foundation, in cooperation with the International Association of Controllers (ICV), has awarded the Green Controlling Award at the annual Stuttgarter Controlling & Management Forum since 2011. The award, which is endowed with 10,000 euros, honours innovative and effective “green” controlling solutions that aim to implement ecologically oriented strategies, programmes and projects. The Green Controlling Award results from the Think Tank’s work on the subject of green controlling. This year the cruise company AIDA Cruises was the winner. Dr. Ali Arnaout (CFO and Senior Vice President Business Development) received the award from Prof. Dr. Dr. h.c. mult. Péter Horváth (Foundation Founder and Chairman of the Jury) and Siegfried Gänßlen (ICV Board Member).

Prof. Dr. Dr. h.c. mult. Péter Horváth initially explained in his laudatory address that the annual Green Controlling Award honours solutions that integrate a sustainability perspective throughout the entire company. This includes not only a clear set of tasks and the involvement of controllers, but also the implementation in corporate management. The award-winning solution in 2018, said Professor Horváth, once again succeeded at “using green approaches to generate profits”. Dr. Ali Arnaout accepted the Green Controlling Award and presented the award-winning green controlling solution. AIDA Cruises decided on the concept of sustainability at the overall company level. Controlling helps to implement the resulting objectives using new and innovative metrics. These metrics make it possible to integrate the three pillars of sustainability (environment, economy and the social sphere) in equal measure into the overall management of the company. The group is particularly innovative regarding the consistency of its planning. The award therefore honoured the group’s technical innovations, which combine economic transformations for business management and the planning of ecological strategies.

In this regard the market leader in the cruise industry is also proud of the AIDA Nova, which was commissioned somewhat more than three months ago. It is the largest cruise ship ever built for the German market that operates exclusively with liquefied petroleum gas. The mounting requirements placed by (EU) countries on cruises has also prompted AIDA Cruises to create forward-looking and clean engine solutions for its entire fleet of ships. As the market leader, it tests new technologies and ultimately implements the most effective and efficient approaches.

From left to right: Prof. Dr. Dr. h.c. mult Péter Horváth, Foundation Founder and Chairman of the Jury; Dr. Ali Arnaout, CFO and Senior Vice President Business Development at AIDA Cruises; Siegfried Gänßlen, ICV Board Member; and Dr. Thomas Schulz, Advisor for Sustainable Corporate Management
Start-Up initiatives | Foundations and special features from a controlling perspective

Controlling does not cease when managing start-up initiatives. It must, however, take into account certain subtleties when regulating and controlling these activities – traditional controlling can play only a limited role.

Companies have been pursuing so-called corporate open innovation activities for several years. They integrate external knowledge into their business environment through partnerships, acquisitions or spin-offs. The idea of integrating a start-up into an established company is tempting: decision-makers hope to achieve agile and fast processes, creativity and growth. Frequently, however, the day-to-day business limits the freedoms for existing employees, which means that the company must first rethink its approach internally, especially with regard to an acceptance and error culture. The next section of the newsletter now introduces how external knowledge can be integrated into companies using corporate open innovation initiatives (see Figure 1).

A corporate business lab (CBL) is fundamentally intended to generate ideas and invent new products that can be commercialised in the market in the near future. Due to the fact that these labs focus above all on developing and creating innovation in a creative manner, they are particularly appropriate in the early stages of the innovation process, as they specify only the framework for projects, not specific product ideas, target markets or customer groups. From a controlling perspective, the company should initially give the lab enough freedom to enable creative design. Fundamentally, highly formalised controlling and strict conditions make little sense in the early stages of the innovation process. After all, ideas are generated amid the prevailing culture, and their development requires broad freedom. For example, companies should promote the creativity of their employees by implementing a “fail-fast & early thinking” mindset. However, tightly planned iterations and meetings should be held regarding the progress of the project so that inappropriate ideas can be quickly terminated. Google, for example, addresses machine intelligence and quantum AI in its so-called Lab X.

The traditional corporate business incubator (CBI) is found in the growth phase. It offers mentoring and networks, often also financial resources and office space. As a rule, the duration of incubators is very flexible, and they remain in place until the target company develops further or starts to grow. Controllers must give the incubator precise requirements, such as clearly defined deadlines and a reasonable budget. Bosch offers this type of programme on its platform Grow.

Corporate business accelerators (CBA) are a special form of incubator. They feature a programme defined in advance for a limited number of promotion projects. The start-ups that then participate in the promotion are divided into groups and usually receive training, financial resources and office space. One point to emphasise in this regard is that when integrating and spinning off start-ups from established companies, the parent company acts as a sponsor, while the newly founded company can benefit from both the fast pace of a start-up and the financial resources of the group. At this stage controlling processes may now be much more formalised. A suitable example of this approach is Telefónica’s accelerator programme Wayra.

Finally, there is also corporate venture capital (CVC), which primarily involves corporate funding to promote existing and advanced companies. These resources are frequently needed to realise scaling-up effects. In return, the investing company receives an ownership interest in the investee. Trumpf recently launched this type of programme in-house.

The corporate business hub bundles all of the initiatives mentioned above. This makes the hub a higher-level unit in the company. One well-known example of this approach is the Siemens next47 programme.

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**Figure 1:** The various types of start-up initiatives

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Focus on accelerators | Mistakes when carrying out internal company projects

If a company wants to establish an internal accelerator programme, it must address several obstacles and problems. Frequently these projects fail due to insufficient patience, deficient coaching or a lack of support.

Internal company accelerator programmes frequently fail because of several factors and mistakes. We would like to introduce you to the most common in the following article (see Figure 2). The company’s own operating business often causes managers to focus too heavily on the business areas / markets that they already know and are familiar with. However, decision-makers should look beyond the horizon in order to realise potential market openings and not miss out on any opportunities. Employees in accelerator projects may be inexperienced and might first need to be taught the necessary skill sets essential for the performance of their project. This learning can take place through suitable mentoring programmes, coaching and workshops. Furthermore, it may be very worthwhile to outsource the programme away from the business premises of the parent company. In this way the company avoids potential constraints on freedom, fosters creativity and minimises the impact of the parent company’s corporate culture. If internal experts reach their limits or lose the incentive to coach the start-ups, external coaches can often fill this gap.

This also involves support of the programme, which should be under the patronage of a responsible person. In addition, the programme should not be terminated immediately if revenues are not realised initially and therefore the financial incentive to continue seems to fade at first glance. Such programmes require time and also the thoughtfulness of controlling, which must exercise the necessary sensitivity when defining the programme’s limits and specifications. If the project succeeds, the company must then continue with the support. This is precisely the point when the company should make its corporate network available and also forge ahead with its own cultural change. Experience has shown that this change can be carried out more easily if a company’s own employees have already worked in start-ups. Controllers should monitor closely the development of such programmes, anticipate these mistakes, and take countermeasures if necessary. They should then intervene at given points, even while the start-up is being established, because they are able to understand the project as a whole in an independent manner. Close coordination with management is very advisable in these situations.

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