

Business Finland

Corporate Innovation Hubs

San Francisco – Silicon Valley

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Introduction

This Corporate Innovation Hubs (CIH) report is for Finnish companies considering a San Francisco Bay area presence, or other main innovation clusters, as a part of their innovation strategy. This chapter gives background information about the report, why it was written, to whom, and what it aims to cover. The chapter also introduces key concepts used in the report: Three Horizons of Growth in the context of corporate innovation, and Innovation Cluster.

Background of the report

The San Francisco Bay Area (SFBA) offers a multi-dimensional ecosystem for corporate innovation: it is a home base for the world's most innovative technology companies, top universities, and research institutes. These attract talented researchers, open-minded innovators, and venture capitalists from around the world. A continuously growing number of both United-States based, and international enterprises take advantage of the inspiring Silicon Valley mindset and the environment by starting CIHs with different strategic goals, operational models, sizes, and forms.

Close to 50 Finnish tech companies have operations in the SFBA: The most significant motivation for choosing that location is to have marketing and sales close to their US West Coast customers and potential markets. Some of the companies have R&D activities there too. However, it seems that only a few of the existing SFBA Finnish companies have decided the location based on their strategic innovation goals.

From the corporate innovation point of view, Finnish companies' SFBA activities are still in early phases. Finnish companies continually do week-long Silicon Valley excursions and technology/product scouting trips, which could be pre-innovation outpost activities. As concrete interest towards corporate innovation outposts has started to grow, so has the number of Finnish companies considering that option, for example, Fortum, OP Bank, Kone and Nokia have tested innovation initiatives in the area. San Francisco-based Finnish entrepreneurs and business executives encourage their colleagues to take needed steps, and trial innovation-oriented concepts.

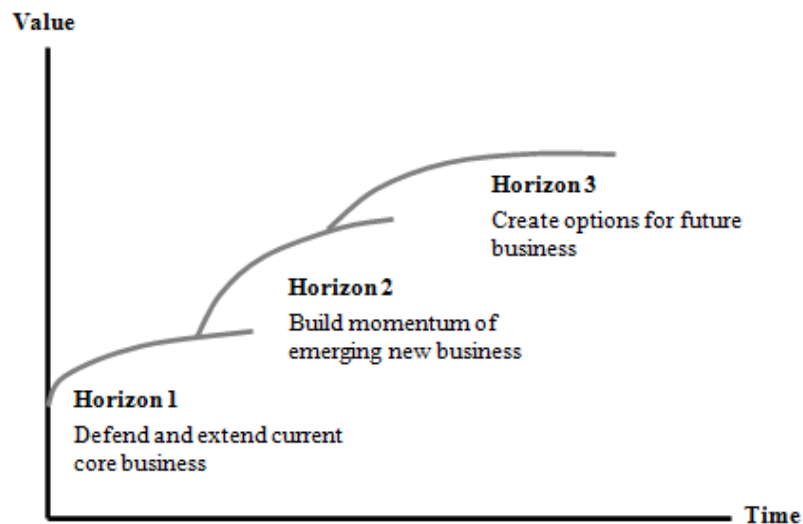
This trend, and signals from the local ecosystem and Finnish corporate executives, are the motivation behind this report: This *Corporate Innovation Hubs in the SFBA* report brings into discussion a summary of current Innovation Hub thinking, combined with experiences as told by people in positions at European / Nordic corporate innovation outposts, or working in innovation ecosystem interface roles.

The report aims to create up-to-date and useful background material for Finnish technology companies who are reviewing their innovation strategy, and could benefit from the SFBA innovation ecosystem. The report also gives these companies an overall picture of the CIH models and activities; it shares ideas to consider and lessons learned.

The report shortly introduces different internal and external innovation structures, concentrating more deeply on innovation outposts and their operational models, shares lessons learned and aims to identify critical success factors. The report includes links to a broader material (reports, studies, research articles). It is based on interviews, forum discussions, and reviewed reports mainly from the year 2017 and early 2018.

Three Horizons Framework for corporate innovation

One key term for any discussion concerning innovation activities is Three Horizons of Growth, as originally introduced by Baghai, Coley and White in their book “The Alchemy of Growth” (1999). The framework is often explained with the picture below, where innovation activities are described using terms related to time and value.



McKinsey's Three Horizons Framework. Baghai, Coley and White, 1999.

The first, short-term horizon (Horizon 1) concerns a company's current core business, and the essential need to produce cash flow, to keep the business strong and profitable, operations efficient and the customers satisfied.

The second horizon (Horizon 2) is a close future-oriented growth and innovation timeline, it is about recognizing emerging business areas, growth by creating new offerings for existing customers or finding new customer segments for exciting products and services, for example, finding growth opportunities with partners and collaborative relationships. The activities target the foreseen future and it is possible to set expectations for return on investment (ROI), and rationalize the initiatives.

The third horizon (Horizon 3) is a set of riskier and longer-term innovation initiatives, which demand investments for exploring disruptive options, which potentially can even cannibalize the existing core business. The third horizon is based on an open-minded and multidimensional innovation strategy, where top management's executive sponsorship is essential for the activities.

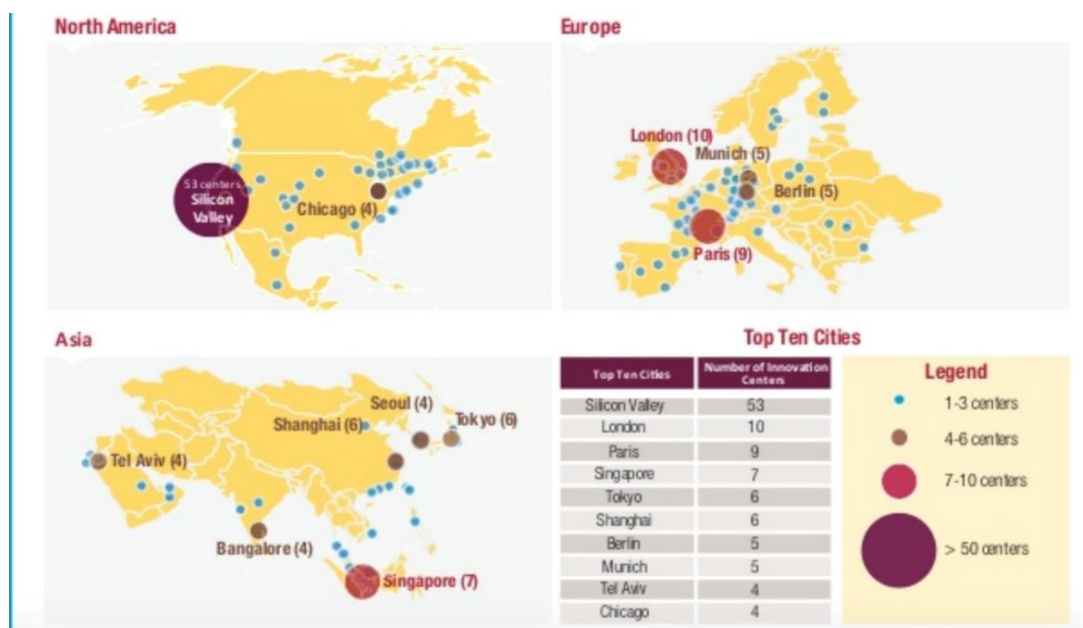
The three horizons framework is a tool for leadership to avoid focusing on the most obvious and short-term issues of the current core business, but encourages them to see the essence of more fundamental innovation to stay alive and competitive in the fast moving survival game.

Innovation Clusters

Silicon Valley and the wider SFBA is recognized as an epicenter for innovation, continuing to be the most significant innovation ecosystem globally – it is a home base for cross-network collaboration between universities and research institutes, for the world's most innovative technology companies attracting talented researchers, open-minded innovators, and venture capitalists, all in close proximity. These kinds of globally attractive innovation ecosystems are also called innovation clusters.

This report concentrates on Silicon Valley and the SFBA, but it is important to keep in mind the new and globally emerging innovation clusters. According to the latest reviews, a majority of existing CIHs are still located in the SFBA, but other clusters are strengthening fast. New innovation clusters are often born around more focused technology areas, and are based on the local expertise, research, and industry needs.

It is not a surprise that Silicon Valley's innovation cluster rivals are often located in Asia: for example, Singapore, Bangalore, Shanghai, and Tokyo. In Europe, the most energetic clusters are found in London, Paris, Berlin and Munich, and in the USA, fast-growing high-tech and innovation clusters are located in Chicago, Seattle, Austin, Atlanta, and Boston. Tel-Aviv has a robust innovation ecosystem inviting investments and companies globally, and lately, Canada has gotten a boost as a place of interest with their innovative atmosphere and immigration-friendly policies.



Global innovation cluster – heat map 2016. Cap Gemini 2017.

Internal and External Innovation programs

A base for any successful corporate innovation program is a shared understanding of strategic goals through the organization and leadership, well-defined and interpreted company values and mission, and up-to-date knowledge of changes in the competitive landscape. Organizations use different ways to approach and set up internal and external innovation activities to evolve their business models, technologies or products and services. Those can cover a variety of implementations from innovation teams inside the organization all the way up to the external partnering or startup acquisitions.

Companies typically focus first on internal activities. They build innovation teams (often cross-organizational), set up in-house innovation programs and processes, and organize corporate governance and reports system to support those. Often newly recognized competence gaps are filled by offering education, knowledge of emerging technologies, and by recruiting new talent.

Next, steps are taken outside of the company walls, by visiting innovation clusters, searching for potential partners and research institutes, by evaluating startups using cutting-edge technologies and new business models. There are also different ways to collaborate with accelerator programs and incubators, and sometimes knowledge, talent and technology needs are filled with acquisitions.

The following chapter introduces the most frequently seen corporate innovation internal and external models and concepts. Companies usually use several approaches and the chosen blend changes over time. The concepts can be overlapping; they need iteration and tailoring to meet a corporation's identified needs and available resources, and to fulfill leadership's vision.

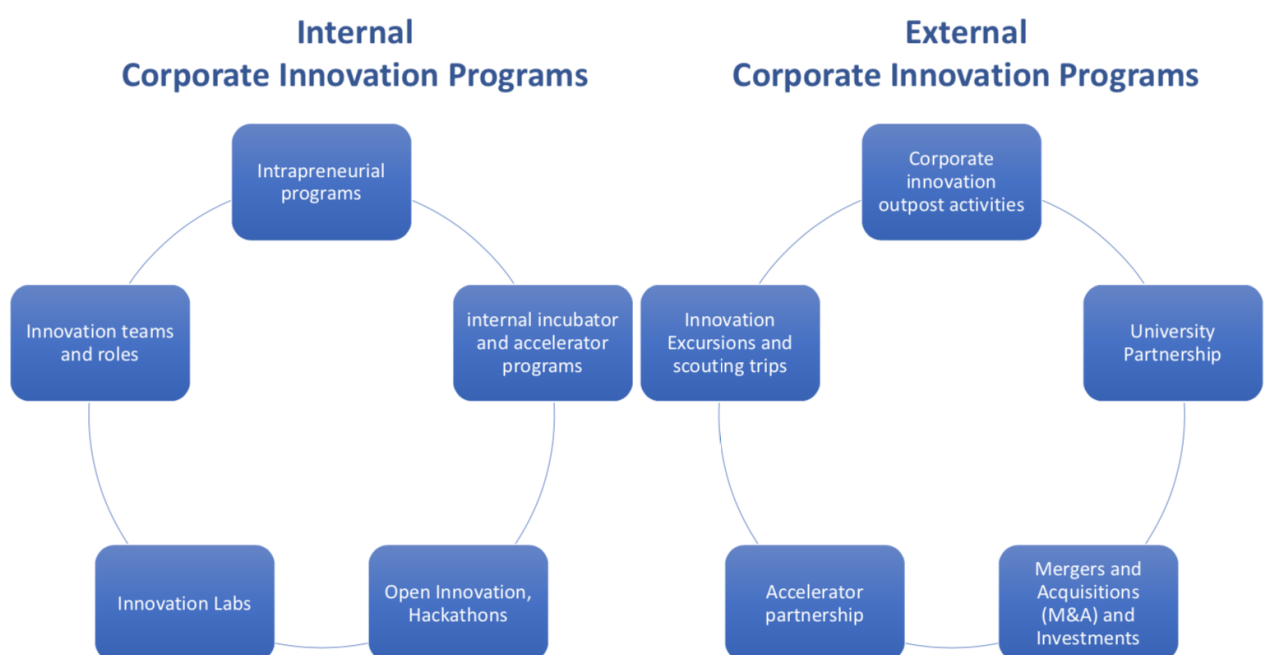


Figure: Internal and External Corporate Innovation Programs.

Internal Innovation within a company

The essence of innovation is evident for any (tech) company aspiring to grow successfully and keep their competitive edge. Most organizations have internal support activities and dedicated teams for developing innovation strategy, helping supporting initiatives to thrive, and managing programs.

Innovation teams and roles: Innovation activities are often run and implemented as cross-organizational functions within a company's existing organizational structure, or as centralized teams, business or product units, or separate intrapreneurial programs. Innovation initiatives are part of most C-level roles, for example, Chief Digital Officer (CDO), Chief Innovation / Information Officer (CIO), and Chief Technology Officer CTO. Other senior executive roles can be, for example, in the areas of Strategy and Development, Business Development or Technology Research. Companies nominate innovation agents or champions inside teams to strengthen innovative culture and improve communication.

Innovation Labs and support organizations: A company may also choose to establish separate new product development labs or an innovation-focused Center of Excellence (CeE). Corporation labs typically have a higher level of flexibility with regard to research, for conquering new technologies, and creating innovative prototypes without taking the pressure off the commercialization process. CoE often offers functions and expertise for standardizing new products and scaling the innovation internally through the company or to the customer markets.

Intrapreneurial programs: Identifying internal entrepreneurs can be a useful and cost-efficient way to boost corporate innovation. It means empowering or giving a "license to hack" to selected individuals with strong entrepreneurship attitudes and an intense belief in themselves and their ideas. In intrapreneur programs, those in-house entrepreneurs are given resources and organizational support to innovate. An intrapreneurship project can bend the standard operating procedures, also by acquiring new technologies and services outside of corporate norms. It is all about a bottom-up and people-centric way to develop game-changing innovations in-house.

Internal innovation models	Company examples	Notes
Innovation teams and roles		
Innovation Labs and support organizations	HP Labs, The Garage (Google Labs), Lab 126 (Amazon), Nokia Bell Labs, AT&T Foundry, Space10 (Ikea), OP Labs, Walmart Labs...	"Working to turn new ideas into new opportunities at long-lived companies." CBIInsight.
Intrapreneurial programs	Adobe, 3M 15% concept & funding, Lockheed Martin "Skunk Works" since 1943, Dreamworks, Google 20% - concept, Intel New Business Initiative.	<ul style="list-style-type: none"> - Separate programs (even divisions) inside a corporation - Workshops - Pitching opportunities - Service providers: RocketSpace, Mach49,

Table: Internal Innovation models inside a company.

Open Innovation inside the company

Corporations looking for new and potentially disruptive growth opportunities want to attract innovative, early phase startups, brilliant minds and fearless explorers. These talented individuals /teams with sprouting business ideas, represent a variety of potential future partners, who can help established companies create fresh insight into their own industries and identify relevant trends. The collaboration is beneficial for both sides.

Open innovation: Previously closed corporations have opened their doors to welcome external input and ideas to accelerate innovation, for example: Wells Fargo or BNB Paribas in the financial sector, Shell in the energy sector and Bayer in health care. Corporations rarely have endless resources to innovate simultaneously in several areas, but they see it as beneficial to combine their own and outside resources. Open innovation concepts encourage companies to share their needs and future views, and to involve customers, research institutes, communities and startups in different ways. Often-mentioned models including startups are hackathons, internal incubators or accelerators, and entrepreneur-in-residence programs.

Sprint-like *hackathons* have been a new normal for corporations over the last few years to "crowdsource ideas", absorb talent, and to hack away from old ways and processes. Hackathons are events where companies invite developers to work around a given focus or theme over a specific time (few hours, a day, weekend). Most often hackathons are collaborative computing programming events, where teams build working prototypes rapidly to solve set problems or by using given technologies. However, a hackathon is a powerful tool also for other technology (and non-tech) areas for brainstorming new ideas, leading to well-defined structures and processes for chosen pain points in business or broader social issues. In general, hackathons are an efficient way to promote enterprise among developers, even compete with disruptive startups, and rapidly get new ideas.

Corporations can also execute innovation initiatives relevant to core business via *internal incubator and accelerator programs*. These in-house programs demand significant investments but give an opportunity for a more in-depth look into experimental technologies and models alongside core R&D, without disturbing and risking existing businesses. Projects can originate in-house when a corporation decides to invest in an innovative idea, or the company can invite external initiatives and teams. Mature results can be merged with the company's core R&D or spin off as a startup. Spin-offs are usually partly owned by the founding corporation and led by a recruited entrepreneur, or an internal employee with a strong entrepreneurial mindset willing to try a startup career.

Corporate *incubators and accelerators with external startups* or research teams are often seen in industries where R&D demands significant investments into infrastructure and laboratories, for example in health and medical technology, or materials and chemical industries. Co-operative programs give startups and research team access to expensive research, production and testing facilities, which would otherwise be unreachable for them. They also get insight from mentors and industry professionals, and potential market positioning with the corporation.

Entrepreneur-in-residence (EIR) programs are a lighter version of the collaboration between startups and corporations taking place inside the company walls. The concept was originally introduced in venture capital firms, but it was later adopted into and universities, government organizations and the (technology) corporate environment. Limited-time programs invite entrepreneurs from a company's ecosystem to work and connect with the industry professionals and give them an exclusive place to learn from top leaders and chase shared goals in innovative markets. EIR also builds connections between the startup community and the host corporation.

Open innovation models	Company examples	Notes
Hackathons	<ul style="list-style-type: none"> - Silicon Valley giants are strong believers: IBM, HP, Mozilla, Salesforce - Successful internal hackathons: Facebook, Apple, Google - Global players: Accenture, Capital One - Social causes: UN Women, Berkeley - Educational: high schools. 	<ul style="list-style-type: none"> - organized by large companies by themselves or by service providers for groups of companies, or other organizations - industries under pressure: finance, retail <p>Critics: harder to see direct short- / long-term business results, a lot of badly organized hackathons</p>
Internal incubator and accelerator programs	Illumina, AT&T Aspire, J Labs, Novozymes, Gore Innovation Center, Bayer CoLaborator, IDEO CoLab, CA Technologies, SAP, IKEA,	<ul style="list-style-type: none"> - often investment-heavy industries like life science, med tech, materials science
Entrepreneur-in-residence (EIR)	Dell, Google, Cisco, Target, City of San Francisco	<ul style="list-style-type: none"> - Large-scale EIR programs - 3–6-month programs

Table: Open innovation models inside the company.

External Corporate Innovation Concepts

Innovation Excursions and Scouting trips

Organizations recognize that innovation often comes from outside of their own company, ecosystem or their business environment. An easy, fast and cost-efficient way to be immersed in new ideas, trends and disruptions, is participation in innovation excursions at global technology hubs or in innovation clusters.

Excursions typically take a week (3–5 days) including visits and discussions with local university professors, research institute leaders, top corporate executives, startups and startup accelerators / incubators. Goals vary from getting inspiration and updates on the latest technology trends, to looking for potential business partners and innovation programs to attend. A short visit does not create a presence or deeper connections in the visited area but works as an internal wake-up call for the organization and the executive team. It is an efficient way to create shared understanding about global competition, or inspiration for next-level activities. A visit can also ignite a fruitful interaction with potential future partners.

Nowadays "Innovation Tourism" is almost its own industry. It is not always seen positively by SFBA business locals if the visitors are not well prepared, and focused, or not able to participate in high-level interactive discussion. Nevertheless, even the busiest programs are eye-opening for individuals and teams and give them energy bursts and ideas to bring back home. Visits often ignite more concrete planning to return to Innovation Clusters with more focused goals.

Executive Innovation Excursions are carefully planned programs for groups of executives to get the latest updates about trends and technologies in their industry from the chosen innovation cluster's perspective. Executives want to see and feel disruptive models in real life and discuss with industry leaders and future shapers. A visiting group can consist of executives from several companies, or it can be an executive / management board of a specific company. One crucial aspect of these visits is also to create a base for the common understanding of actions needed to keep companies competitive in the fast-changing global landscape.

Scouting trips are even more focused "hunts" for potential future business partners, products, and talent. These include searches for products and services, which fit mid- and long-term innovation strategies. The approached companies are contacted, pre-evaluated and often prepared beforehand to guarantee mutually beneficial and efficient business meetings. Goals are in leveraging markets, creating new offerings and services, identifying investment opportunities, and in connecting with inspirational and future-oriented thought leaders.

Innovation Hub

A *CIH* is a longer-term, or a permanent physical presence, i.e., an office and a (small) team in an innovation cluster like Silicon Valley. The location can also be close to a significant customer, partner network, university or emerging market.

The CIH is dedicated purely to an innovation program and associated activities, mostly separated from R&D, sales and marketing. It is a way to set up a presence in a strategic location without significant investments or risks. The concept gives a platform for being an active part of the local network, getting insight into the ecosystem and feeding analyses and trends to the home organization. Sometimes a hub prepares the company for a more mature and structured establishment which would also require significant commitment in terms of budget and management investment.

CIH is a location – a home base, which can host a set of innovation programs all supporting a strategic mission. A strategic mission nowadays often covers themes around digitalization, customer experience reform, or business model disruptions. Activities supporting strategic goals vary widely, for example, startup or research relationship building, talent or investment opportunity scouting, technology trend or emerging market follow-up or future watch.

University Partnership

Deeper research collaboration allows corporations and universities to combine their industry knowledge and customer connections with the latest technology, laboratories, and talented minds. The collaboration is beneficial for both parties, but the interests of the university's research team and the corporation can come into conflict, so extra consideration is needed for the negotiation phase (for example, intellectual property rights and transfer of knowledge).

For universities, partnerships offer extra resources and direct connection to industry, to a test bed and a living lab, and a broader spectrum of research themes. Projects train students to meet real-life expectations, students get valuable mentoring from industry professionals – and the collaboration also creates a potential path to jobs for the future graduates.

Most often innovation-focused university collaboration concentrates on deep technology research. For a corporation, partnership projects offer insight into cutting-edge research, first views to new technologies, which might create potential for commercialization, or be a base for longer-term strategic decision-making. Outsourcing some of the research activities can also be a cost-efficient and less-risky way to trial new areas – collaboration brings laboratories and research resources closer to the corporation without long-term investments.

Business school programs are another arena for universities and corporations to meet. Executive MBA programs look to companies for their diploma projects and real-life case studies. Top-level business schools attract qualified business professionals into their programs and offer an excellent way for corporations to get a consultation team to dive in into their current hot topics, for example in leadership development or market analysis. Universities also offer direct education programs for company executives in the areas of corporate innovation.

Some examples of open university programs fitting corporate innovation purposes:

- Global Access program – UCLA, Anderson School of Management
<https://www.anderson.ucla.edu/programs-and-outreach/global-access-program>

- Haas business school program
www.haas.berkeley.edu/ibd
- Stanford Mechanical Engineering Design Project Opportunities for Industry
<https://me.stanford.edu/groups/design-group/industrial-affiliates/industry-affiliate-program-teaching-design-thinking/me>
- SPARK program <http://med.stanford.edu/sparkmed.html>

Accelerator Partnership

A startup accelerator program sounds attractive for corporations looking for stronger engagement with startups, for example, to test proof of concepts, or to scout for co-investment possibilities and acquisitions. However, setting up, and operating accelerator programs demands functions and skillsets that corporations usually do not need or master. The learning curve is long and creating a credible presence in the startup, mentor and investor circles is a challenging mission, as testified by even the most successful Silicon Valley accelerators.

A growing number of well-known startup accelerators have found business opportunities in corporate innovation space. The accelerators scan, detect and accept the best startups to meet corporations' interests, run a program, and to facilitate matchmaking processes for startups and corporates. These service providers offer 1) to tailor customer-specific accelerator programs exclusively for a particular corporation, and 2) to a variety of partnership levels in industry or technology-specific programs, for a group of carefully chosen corporations. External partnerships minimize financial and operational risks, but still help corporations to thrive in a startup engagement strategy. In the best cases, an accelerator partnership opens fast lane access into the high-quality startups as well as insight into a broader deal flow.

Corporate Venture Capital Programs

Corporate venture capital (CVC) programs seek equity-based startup investment opportunities, with a potentially highly profitable position in niche markets or cutting-edge technologies. CVCs usually take a minority equity position and limited control, for example, a board seat, as defined in terms of investment. In addition to pursuit of success by financial gain, venture investments are increasingly moving towards strategic return goals. CVC initiatives are seen as an integral part of a company's growth and innovation strategy by creating direct access to fast-moving startups. For startups, CVC investments provide in-depth understanding of the industry and potentially opens access to a corporation's customer base.

In this role, CVC is an instrument for open innovation, for seeking new technologies, which could be implemented into an existing service/product portfolio, and improve competitiveness. CVCs scout for new technologies to reach markets outside of a company's core; they tap into an innovative and energetic startup ecosystem and brighten their brand with the new alignments. Simultaneously, CVCs detect weak signals and feed them to the corporate R&D.

The line between a CVC program and open innovation is thin, and corporations deliberately blend those two operations. CVC activities can be run from the head office or other major locations, but

quite often corporations see it as valuable to have a dedicated presence in Silicon Valley or some other innovation clusters. According to Jeremiah Owyang (2017), Investment activities are the most common external corporate innovation concept.

Startup Mergers and Acquisition

Mergers & Acquisitions (M&A) is a well-known and often used method for corporations to catalyze growth and complement internal innovation. M&A is an example of open innovation; it brings in external innovation assets like new technologies, products, services, and talent.

Large corporations have established functions, which actively scan the markets for potential startups as per their growth strategy and requests by internal customers. They have robust processes for the acquisition negotiations as well as for the crucial merger phase. M&A finance/advisory companies offer services for corporations, which prefer to use outside specialists, and help startups, and corporations match their interests. For startups, M&A is often one favorable exit plan.

The following table summarizes the above-listed external corporate innovation models and gives examples of companies running respective innovation programs.

External corporate innovation	Company examples	Activities
Innovation Excursions and Scouting trips	<ul style="list-style-type: none"> - Group visits organized by Chambers of Commerce, regional business clusters, eMBA programs, - Focused business visit organized by companies and corporations 	Inspiration, industry updates, meetups, pitch night, academic workshops and demo days. Focused business meetings, partner and collaboration discussions, and seminars.
Innovation Hubs	Innogy, Volvo, BASF, SAP, Siemens, Cap Gemini, Audi, BOSCH	Activities depending on the company's strategy: trend reporting, scouting, investment, M&A, Innovation Lab, R&D.
University Partnership		<ul style="list-style-type: none"> - Technology research projects - Business development, market validation programs - Corporate innovation programs
Accelerator Partnership	Accelerators offering services: Plug And Play, Alchemist, TechStars, RocketSpace, Companies using services: OP Bank, Kone	<ul style="list-style-type: none"> - Scouting for new products and services, and for partnering - Investments opportunities
Corporate Venture Capital Programs, Startup Mergers and Acquisition	E-on, Yahoo, Nokia, Airbus, BMW, BNP Paribas	<ul style="list-style-type: none"> - Scouting for new products and services, and for co-marketing operations - Investments opportunities

Table: Examples of corporations having external corporate innovation concepts in SFBA.

Corporate Innovation Hubs in San Francisco Bay Area

Silicon Valley mindset

The San Francisco Bay Area has a long history of being a global magnet for talented innovators and fearless pioneers who aim to create new markets and disrupt existing ones with world-changing technologies and business models. Since World War II, Silicon Valley has been a natural incubator environment and test bed not only for research institutes and startups but also for more established companies and corporations. It is a home for Apple, Uber, Airbnb and Tesla, just to mention the most well-known game-changers.

Today, the SFBA keeps offering a vibrant and stimulating ecosystem for corporate innovation activities: it is a compact geographical location and a home base for hundreds of the world's most innovative technology companies, in close proximity with internationally acclaimed top universities and research institutes. Technology hungry "geeks", industry professionals and a well-educated population create an enthusiastic test-user base for new products in all industries present in the area: businesses and people race to be the first ones to try out new solutions and adapt them to daily use before the rest of the world has even heard about the products. Companies can test not only incremental changes but also changes which make a significant impact.

Despite all the changes over the decades and millionaires filling the area, the SFBA still has its charm – the “Silicon Valley Mindset” – where people want to make the world better place, they believe in good karma and a paying forward attitude, the power of sharing openly and the need for running fast to make it, in the continuous race.

The SFBA draws tech visitors and delegations from all over the world, including Nordic countries. A majority of the large and medium-size Nordic corporations have experienced the Silicon Valley mindset with their executive teams over the last couple of years, and the same applies to leading universities, research institutes, national and regional clusters and government organizations. Executives want to see and feel disruptive models in real life, and discuss with the SFBA's world-class industry leaders and future shapers.

R&D Centers and Sales and Marketing Operations

Nordic Corporations seem to set up SFBA outposts mostly for two reasons: the main-focus is either in research and development or in sales and marketing operations. General business development and input for innovation activities can be a minor, additional aspect.

Silicon Valley, or the wider SFBA, is a natural location for *R&D centers* due to the closeness of local universities and research institutes, and the number of advanced R&D centers world-class corporations have set up. Active and open discussion between industry and the research community encourages building formal links and partnerships: To collaborate within technologies

like artificial intelligence, bio and health tech, virtual reality, camera technologies, etc., or to organize business development projects with famous business schools.

The comprehensive ecosystem is rich ground for talent acquisitions, and keeps companies up-to-date with the latest development in prospective technologies. Some well-known Nordic corporations, such as Nokia, Ericson and Volvo have set up Silicon Valley-based R&D centers, and for example, Meltwater, originated in Norway, has transferred their headquarters to San Francisco.

A SFBA-based R&D center helps companies to comply with local (USA and California) laws and regulations. It enables closer and fast connection with USA-based customers, strengthening, for example, customer services and supporting the process of localizing products and services.

Especially for less-known and smaller corporations, R&D talent acquisition and recruitment in Silicon Valley's competitive environment can be very expensive and risky. Costs are 2–3 times more when compared to the expenses in Nordic countries, and the best resources might not be interested in joining an unknown Nordic tech company. Keeping the employees can be even more challenging when companies like Facebook and Google are fighting for the same resources with high salaries and extensive benefits, not to mention their powerful brands and iconic leaders.

Nordic engineers are talented, highly educated and motivated, they are loyal for their employers – so in a majority of the cases it is the best and a very cost-effective decision for the Nordic tech companies to keep their R&D teams back home, and only set up a sales and marketing outpost in the SFBA.

Still, in certain service businesses, it is critical to have technical or design teams close to Silicon Valley markets and customers. Some Nordic-originated companies, leaders and trendsetters in their own niche area have been very successful in attracting local experts. The world-class professionals from the Nordics are a good bait, "Everybody wants to work with the best ones". Offering an opportunity to work in an exceptionally qualified team, and getting mentorship from industry leaders, is a selling point for local talents. Respect for individualism is another aspect: people enthusiastic in their profession do not always want to work for the technology giants but rather join a smaller and independent entity, with an agile startup culture and values supporting individual growth and work-life balance. UX-Design companies, Idean (acquired by Capgemini in 2017) and Digitalist Group, the robotics testing company, Optofidelity (acquired by Changyuan Group 2017), and Smartly, offering social media advertising solutions, are examples of Finnish-originated enterprises, who have been growing organically in the highly competitive SFBA business environment.

Corporations are looking for growth in Silicon Valley markets by a *sales and marketing-focused outpost*, to be close to their customers, competitors, and potential investors. The abundant resources in the Bay Area represent tremendous potential customer base both for B2B products and services, as well as for consumer business. Companies validate their solutions in the competitive and fast-reacting market, and adjust their go-to-market strategies in a live environment. In the early market validation phase, Nordic companies typically send one of their key executives, hire a local business development partner or a sales and marketing person, as a starting point for growing a local team. Larger Finnish corporations, like Kone and Nokia, have

marketing operations in the area, as well as a number of smaller growth-oriented companies like Wirepass, Unikie, Modulight or Firstbeat Technologies.

For a more complete and actively updated list of Finnish companies having a presence in SFBA, see Business Finland's list. <Link>

It is an important strategic decision to choose the role for the SFBA outpost. All types of outposts set a presence in the area, being at the same time the company's "business card" for the local ecosystem, creating awareness among customers, potential partners, investors, and the talent pool. That *PR effect* should not be forgotten or underestimated.

Corporate Innovation Hubs – report

A CIH is a physical set-up dedicated purely to support a company's innovation strategy with a carefully chosen mission and respectively planned activities. It has long-term goals and specific targets. CIHs track new technologies, companies and disruptive business models, and feed the home organizations' development activities to accelerate new product/business development, and to respond to opportunities and threats.

Depending on the source, the number of European-originated companies with SFBA-based outposts is between 400 – 500 (including R&D, Sales and Marketing, Business Development, Customer services). However, the number of innovation-focused hubs is considerably smaller. Mind the Bridge (MTB) published *European Corporate Innovation Outposts in Silicon Valley – The Who's Who* directory on 2017, listing 44 Silicon Valley-based European large corporations' innovation outposts in the area. The directory gives an up-to-date picture of locations, sizes, industries and main activities of the listed outposts.

In MTB directory "Innovation Outpost" terminology covers: R&D Center, Corporate Venture Capital projects, Innovation Labs and Innovation Antennas. Most of the listed outposts were quite recent establishments: 50% of the outposts had been started after 2015 and 30% during 2014–2017. A majority of the reviewed companies in the directory had a more structured presence (Laboratory or R&D Center), but most of the newer outposts had started with a lean approach.

This Corporate Innovation Hubs report mainly details European Innovation Outpost's experiences but includes also insight into some hubs owned by United States-originated corporations. Comments and experiences are mostly industry independent, concentrating on hub models and activities, challenges and best practices, instead of industry-specific topics.

The covered themes include:

- reasons to start CIHs, and what they do
- how companies chose the location and formed teams
- some views to chosen governance system and how to evaluate performance
- ways to keep connection active between home and innovation hub
- insight into ways of being an active part of the innovation cluster
- reflections about potential reasons for failures and future CIH trends

The report combines information gathered through discussions with representatives of the categories listed below. A total of 50 people contributed either individually or in workshops, during September 2017 – March 2018.

Input category	Notes:
Leaders and key managers of SFBA-located Innovation Hubs	<ul style="list-style-type: none"> - Home organization mostly in Europe. - Hubs vary by size, phase, accessibility and strategic goals.

	- Variety of industries: energy and clean tech, health and medical tech, materials technology, chemistry, finance, telecommunication, automotive industry, design services.
Experienced executives and leaders	Nordic-originated companies and government organizations all having a long SFBA experience: - Business executives contributing to the discussion in this category encourage Nordic corporations to check opportunities Silicon Valley has offered for them. - Government / national organizations have Silicon Valley outposts to support customer companies looking for US markets. Their primary focus is to help go-to-market activities, and research and innovation collaboration between their home country and Silicon Valley.
Executives leading Corporate Innovation Services in Silicon Valley	- This category includes top-class Silicon Valley accelerators who also have corporate innovation programs (Plug And Play, RocketSpace, Alchemist, Mach 49). - European-originated world-class consultancy houses and organizations offering corporate innovation services in Silicon Valley (Capgemini, EIT Digital, Mind The Bridge, Nordic Innovation House).

Table: Interview categories.

Contact information

- Contacted people shared openly their lessons learned and analyzed critical success factors. Most discrete areas were government/management systems details and incentive structures (outpost level and personal). A majority of interviewed people did not want to share their names/ company names in the report.
- If the reader has an interest in specific topics and companies, please contact Business Finland or the writer directly for getting more insight.
- Personal introductions can also be organized with a number of the interviewed people when the introduction is seen to offer potentially mutual benefit.

Why have a Corporate Innovation Hub?

These companies saw Silicon Valley and the wider SFBA as the "Rome of Innovation", a critical place for them to be – offering an opportunity to tap into the startup, research and corporate innovation ecosystems like no other location. The companies did not say that the CIH is something every corporation should establish, but they actively encouraged larger entities to evaluate that option. Corporations should make an educated decision if their innovation activities can be covered without a dedicated innovation program in Silicon Valley or any other innovation cluster.

Key reasons to start a CIH	
Startup-driven disruption	<p>Startup-driven disruption was a key reason for all the companies. The SFBA is called a “startup-driven ecosystem” where innovation is often based on the interaction between early-stage companies and corporations.</p> <p>All the met companies had innovation strategy in line with that positioning:</p> <ul style="list-style-type: none"> • They believe that startups can disrupt their field of industry, technology or business (for example finance, energy or automotive industry) in the near future, • They need a push from those same players to stay in the competition. • They are looking for collaboration, potential investment, and M&A opportunities.
Visiting is not enough	<p>Corporate Innovation excursions and business-oriented scouting trips had also ignited planning for a more permanent, innovation-focused presence.</p> <ul style="list-style-type: none"> • Executives had felt that potential benefits of the Silicon Valley can't be reached by visiting there few times per year, but the company needs to create a real local presence with a permanent address, and a small team. • They saw an evident need to be a more active part of the ecosystem, • Or they recognized available opportunities for startup collaboration and investment flows to be fed into their corporate venture arms.
Need for a cultural change	<p>Companies had also identified a need for a more entrepreneurial and creative company culture in their home organizations.</p> <ul style="list-style-type: none"> • Silicon Valley was believed to leverage intrapreneurial-effect, with examples of giants like Google or Facebook. • Setting a presence in Silicon Valley gives an internal and external signal about a company's cultural change objective and initiative to build an understanding of an innovation pipeline mindset instead of R&D silos. • All the companies saw the cultural impact as a supportive aspect for their decision.
Continuation projects	<p>For a few companies, the CIH idea had also come up or had strengthened after attending a university-led business development program, or a corporate innovation program closer to their home.</p> <ul style="list-style-type: none"> • Well-known Silicon Valley players (for example Rocket Space and Plug and Play Tech Center) have programs in Europe and globally, and they attract their customers to continue with deeper collaboration in Silicon Valley. • Or the move was a result of a business development project done with a consultancy service provider like Capgemini. • The initiative was also inspired by following industry competitors/leaders who had already set up an outpost in Silicon Valley (for example in the automotive-industry).
Corporate image	<p>Setting up a CIH is a PR statement.</p> <ul style="list-style-type: none"> • It gives evidence of future-oriented thinking both for the outside world and employees: we are open-minded, we can move and react fast, we are not only following the leaders of the industry, but we are the ones who create the future, • “Coolness-effect” was not a key decision point for any of the companies, but it was mentioned in every discussion.

Table: Key reasons to start a Corporate Innovation Hub.

Choosing the right innovation cluster had demanded exploration and often several visits to different innovation ecosystems, analysis of their relevance and senior management-level discussion and commitment.

Companies assumed that the CIH most probably will evolve over time – even if it starts as a single "innovation scout" experiment, it can later grow, change its direction or strategic focus according to the needs or steering. A smaller innovation hub can be a cost-efficient way to link the core organization with innovation cluster activities and ecosystem and test the model. In some cases, it was thought to prepare the mother company for more mature and structured models, requiring a significant commitment regarding budget and management investment. At the same time, the lighter CIH versions were understood to be trials, or limited-time experiments, which could be terminated quickly.

What is the role of Corporate Innovation Hubs?

A company's innovation strategy had set typically 1–2 top, high-level challenges as a foundation for the innovation outpost mandate. Strategic goals of the interviewed companies were most often covered by the themes of:

- digital transformation,
- customer behavior and experience reform,
- business model disruptions.

For the interviewed companies, the short- and long-term strategic goals had been interpreted into tactical-level actions with measurable targets, which guide innovation outpost's set-up and daily activities. One way to classify those tasks is to use categories of *sensing* and *responding* (terminology by Steve Blank).

Sensing included monitoring and scouting activities, which were in a crucial role according to all the interviewed CIH and accelerator leaders and were also emphasized by local corporate innovation professionals and service providers.

Responding covers different ways to react to the threats and opportunities identified by the sensing activities. The realized risks could even wipe out the company from business, or disruptive opportunities could open adjacent markets or create new innovative offering: but they both demand fast and purposive respond from the corporation.

An example of a real-life challenge:

A company has strong existing assets, but the industry is about to be disrupted. The company wants to use their assets in a different industry and is looking for opportunities through digital transformation and understanding the change in customer behavior.

That could be an energy company, which has a physical grid covering a wide geographical area and a trusted brand of an old stable company with long customer relationships: how can it use the network and strong position in the new business, for example in digital health or smart homes?

Sensing and listening

These activities focused on the tasks listed below:

1. Future watch, industry and competitor intelligence, trend sensing and seeing behind the trends: understanding how and why customer behavior changes and what those changes indicate.	
Top-level public and invite-only meetings and workshops	
Events organized by future watch-oriented institutions	Institute for The Future, CITRIS or Stanford Research Institute International.
University lecture series	Stanford University and UC Berkeley public lecture series, and executive education programs.
Lunch talks, fireside chats, meet-ups,	Organized by companies, local networks and special-interest groups.

2. Scouting and evaluating startups with cutting-edge technologies or products, which could either be ready for implementation or have potential for a more revolutionary approach. Recognizing knowledge (research teams) and talent.	
Collaboration with startup accelerators and incubators	Plug and Play Accelerator, Alchemist, 500 Startups, GVS Labs or Founders Space.
Being engaged with shorter market validation programs	TINC program at Nordic Innovation House, or German Accelerator.
Getting doors opened in corporate accelerators through trusted partnership	
Attending public pitch nights and events	Themed or open pitch event available several days a week.
Attending conferences interesting for startups and investors:	Applied AI Conference, Start Up Grind global conference, Health 2.0 Conference, TechCrunch, Launch Festival, ...
Getting engaged in the startup scene	By attending and opening their own outpost office for meetup groups.

3. Using the opportunities and serendipity in all levels and corners of the Silicon Valley Innovation ecosystem.	
Keeping eyes and ears open, being genuinely interested and ready to listen in all events and discussions.	Not only in business-related interactions or during business hours, but in cafeterias, when talking with your über drivers, getting to know your neighbors or other parents at your kid's school, or after yoga class or in the dog park.
The whole valley is filled with brilliant and highly educated minds from all walks of life	entrepreneurs, corporate executives, researchers, investors, social change leaders, global influencers.

Sensing activities were also seen as one side of creating a presence in the ecosystem. The local network is generous and open for private meetings and giving warm introductions as soon as a mutually beneficial interest can be recognized.

Input for the home organization

CIHs delivered input for the home organization by *pull* or *push mode*.

In *pull mode* the home organization (i.e. business line, product line, development team or management board, ...) can have particular requests for the Silicon Valley-based team to find solution candidates for their existing short-term or more extended needs as per current strategy and roadmap. They also can have more open questions and research topics, where they wish to get Silicon Valley insight. This leads to a direct and straightforward relationship between the home organization and CIH as a foundation for frequent and valid requests.

In *push mode*, the innovation cluster-based team identifies potential technologies, design, business models, culture or leadership ideas and checks with the home organization if they find a match.

In both modes the success rate depends on the relationship between the innovation outpost and the home organization, executive leadership support and how well the Silicon Valley team understand the company's strategy and the changing landscape of the industry.

The focus on the input	
Technology & business development input	Silicon Valley-based intelligence information: <ul style="list-style-type: none"> • emerging technologies • customer behavior change • new business model examples, • digitalization transformation case studies, • technology implementation cases, • service prototypes, ...
Leadership and management development input	<ul style="list-style-type: none"> • candidates for Advisory Board, mentor and inspirational speaker introductions, • incentive structure, • portfolio management,

	<ul style="list-style-type: none"> • leadership insight from the most successful or progressive companies, ...
Company culture input	<ul style="list-style-type: none"> • agile teams and intrapreneurial projects, • mission and value communication, • inclusive diversity of talent, • empowerment of teams and individuals, • physical working environment and co-working practices, ...

Table: Input for home organization.

Startup investment and acquisitions in Silicon Valley

Startup investment was a critical focus area for all the interviewed corporate innovation actors. It was considered as a tool to explore riskier and more disruptive R&D areas for these corporations' next horizons and to review more-efficient new technologies and products to bring into the existing business portfolio.

Investment arrangements covered the whole range of Corporate Venture Capital activities:

- from an early stage, seed and A-round investments with a minor level of control over the company or a board seat to full acquisitions and for merging existing technology and a team with its own organization. (See the chapter External Corporate Innovation Concepts.)
- The expected outcomes also varied from long-term financial returns to product integration or to partnership-style shared marketing and sales.

CIH leaders claimed that Silicon Valley offers ample opportunities and accessible deal flow for investment scouting.

- It was also seen as an advantage to be in proximity to the chosen portfolio companies.
- Typically, CIH teams focused on the early phases: scouting, approaching and evaluating the potential candidates, initiating the discussion and due diligence, finding correct partners in the home organization or investing entity, facilitating the analysis through legal paperwork.

Startups all over the world see the area as attractive due to funding resources and they welcome Corporate Ventures' additional value in the form of existing markets and customers and deep industry knowledge. That was the experience of the interviewees as well – they felt that corporate investment was admitted as a mutually beneficial arrangement.

CIH leaders also felt that the current investment landscape in Silicon Valley has room for corporate ventures as local Venture Capitalists are concentrating on later-stage companies and there is a gap in the markets between angel level investments and the private VC scope. Corporate ventures often focus on earlier phases and tend to avoid a lead investor role. Accelerator programs are one example of the ways to get to be involved and review pre-qualified opportunities.

Incubate & Accelerate

CIHs had also hosted startups on their premises, especially when exploring new potential products and building proof of concepts to convince the home organization. In other words, they had organized small-scale and short-term incubation for potential startups, and that had allowed agile and confidential testing and a fast feedback loop.

One well-known way to fund incubation and acceleration outside of the core organization's walls is to work with Silicon Valley accelerators. The lightest way to collaborate is to reserve seats at pitch days at the end of the program, or they get to be involved as an industry representative already in the earlier phases. Some accelerators offer more profound programs for the corporate innovation field to find the startups, which are the most interesting for industry customers, and to match corporations and startups in early phases.

An accelerator program example: A European bank joins Corporate Innovation program in a well-known Silicon Valley-based accelerator, Plug And Play. The accelerator welcomes applications for their three-month vertical programs from all over the world, pre-qualifies a smaller number of industry customers' reviews. The chosen attendees join the program in the Silicon Valley home base. The mentioned bank has desks among the startups, can follow their development and have confidential one-on-one discussions with founders and naturally have first-row seats for the pitching events. They can freely initiate business negotiations if needs are met.

Partnering and coopetition

Not all the technology and startup scouting is related to the third horizon disruptive ideas but also to search for more efficient, or cheaper high-performance solutions which companies could use to improve their existing core businesses. Companies mentioned that the end-result for scouting could be *partnering* as well; European corporates have strong home markets which they plan to utilize for partnerships.

On the other hand, as a part of competitor intelligence, companies also searched for new and unlikely allies across the industries, reviewing competitors as potential partners. This specific and subtle collaboration with competitors has its own term in Silicon Valley: *Coopetition*, also described as the "sleeping with the enemy" approach. Competitors identify particular niche segments with unique potential value propositions and a growing market and set clear rules for collaboration and competition.

CIH leaders explained that they felt more natural talking with their industry competitors from all over the world when they meet in "no-man's land" in Silicon Valley. They have a unique opening to initiate shared future-watch projects and explore niche-partnering opportunities in diverse markets.

Startup accelerators offering corporate innovation programs (for example Plug And Play Tech Center) have a role in this area – they typically offer corporate programs where competitors review the same startup flow and meet at roundtable discussions. Corporates can choose the level of trust and openness in the discussion.

Partnering example: A European energy company was looking for new products, which could fit to be adjacent to their service and product portfolio. The strategic growth plan was to create a dominance, industry standard, for a new emerging category with the Silicon Valley-based partnership and using their own well-known brand and existing loyal customer base in their European home market. For the startup, that was an excellent introduction to new markets with low marketing costs.

Coopetition example: A European CIH leased desks at its office for an industry competitor's small innovation scout team. They have home markets on different continents but do compete in other locations. In Silicon Valley, they ended up starting a discussion about coopetition potential in a niche market segment and sharing scouting updates and industry evaluation news.

How to choose a location?

After picking up the right innovation cluster from the global map, the company has to choose the exact location and model for the hub.

The following steps define how functional and accessible the physical location will be, and how well it will serve planned functions and activities. More practical-level decisions concern the size and desired address in the area, and the form of the pursued office. Those might sound like trivial and easy questions, but according to the interviews, they need careful consideration and have a deeper meaning than initially thought.

Companies chose the exact **location** based on their needs and goals. Where are the other industry players located? How much do traveling roles demand? Should the team be close to startups? Do they organize events or host visitors? Should the start be as fast, easy and smooth as possible? What is the desired atmosphere?

Silicon Valley is a much broader **geographical location** than often understood – it is a 100-km-long peninsula from San Francisco to San Jose, and the east side of the San Francisco Bay.

- Areas to be considered include, for example, the City of San Francisco, East Bay (Oakland area) and South Bay / Peninsula (Palo Alto and surrounding cities like Redwood City, Menlo

Park, Mountain View, Sunnyvale, and Cupertino) all the way down to Santa Clara and San Jose.

- What is the key factor for the location: Should the CIH be close to other industry players? Close to Universities? Close to competitors / collaborators / customers / partners / emerging markets?

Traffic can be intolerable in the crowded Silicon Valley, and the public transportation system (Caltrain, Bart community train, busses) reach only certain areas.

- If the team is small and the planned activities demand traveling, the location was chosen from the convenience of a commuting/traveling point of view.
- Easy location was also seen critical when CIH wants to attract visitors, organizes events and welcomes delegations.

When the priority is to tap into the innovation ecosystem and startup community, the location needs to be close to startup hot spots.

- One popular option is to start in one of the area's many co-working places. Those are home bases for small startups, which cannot commit to long-term office leases and do not want to use their time and energy for office management tasks.
- Startup communities have some favorite locations in the emerging areas of San Francisco, as well as in the traditional Palo Alto area, or growing Redwood City and San Mateo areas.

Co-working places offer a soft-landing with full-services packets and active communities. Co-working spaces are their own booming industry nowadays; there is a variety of spaces from small and intimate communities, or with national or regional focus, to state-of-the-art office buildings with some corporate service providers. They:

- Are an easy and fast way to kick-start the operations.
- Often a preferred long-term solution for smaller CIH teams.
- Offer flexible and affordable scaling options.
- Have an existing active community for an easy jump into the startup ecosystem.
- Organize weekly / daily events for learning and networking.
- Are typically centrally located, close to public transportation systems.

The SFBA has an abundance of co-working spaces, where it is possible to choose the best fit based on location, services, community and pricing.

Some well-known co-working spaces are listed in the next table. For a more comprehensive overview, please see Kisi's report 2018, Top 40 Co-working Spaces in San Francisco Bay Area.

<https://www.getkisi.com/blog/top-40-coworking-spaces-san-francisco-bay-area>

Examples of San Francisco Bay Area co-working spaces:	
WeWork, from San Jose to San Francisco	The market leader in the SFBA co-working business, having flexible services in multiple locations from San Jose to San Francisco. It is a New York-originated company offering shared workspaces and technology startup subculture communities globally. www.wework.com/
Galvanize, San Francisco	Galvanize offers a community for startups, educators, corporate innovation activities and investors. Galvanize brings tech together with education and entrepreneurship. It is a Colorado-originated and fast-growing company, having 8 locations in US and planning to grow globally. www.galvanize.com/
RocketSpace, San Francisco	Technology campus located in downtown San Francisco, and having satellites globally. Offering co-working and incubation focusing on scaling startups, and newly formed corporate innovation services. www.rocketSPACE.com
The Vault, San Francisco	The Vault offers full-service co-working space, events and networking opportunities mainly for startups. www.thevault.co
HanaHaus, Palo Alto	HanaHaus combines co-working and café cultures in downtown Palo Alto. It was established by SAP, as an initiative to support a local innovation culture and philosophy that “great ideas spring from anywhere and often emerge when people come together”. It offers private seating, hot desk area and meeting rooms www.hanahaus.com
Nordic Innovation House, Palo Alto	Palo Alto-based co-working space for Nordic-originated technology companies, offering both virtual membership (for more limited desk needs) and full membership for dedicated desks. Brings together Nordic entrepreneurs, innovation actors and investors, well connected with the surrounding innovation ecosystem.
The BootUp ventures, Menlo Park	Menlo Park-based BootUp Ventures offers co-working space, acceleration for startups and services for corporate innovation programs. www.bootupventures.com
Plug and Play Tech Center, Sunnyvale and Redwood City	Original forerunner for Silicon Valley incubators and co-working spaces, offering co-working space, and startup acceleration and a corporate innovation program. http://plugandplaytechcenter.com/
Swissnex	Swissnex is an example of innovation hubs, whose focus is to support companies from their home regions to connect with the wider Silicon Valley innovation ecosystem. Swissnex has a network of hubs globally, and in San Francisco. https://www.swissnexsanfrancisco.org/

Table: Some well-known co-working spaces in SFBA

More traditional office hotels offer quiet private office room;, some accelerators provide spaces for corporations (for example Regus, having office spaces all over the SFBA and globally). A growing trend seems to be to sublease an unused part of the office – that is due to the extremely high-cost level and long lease terms.

CIH leaders often mentioned as a learning experience, that *the nature of the activities and desired atmosphere* should have had more consideration early in the planning phase. A corporate style environment with expensive design furniture, glass and mirror surfaces, and breathtaking views from the 24th floor is not always the best choice, if the planned activities could benefit from frequent visitors and a relaxed atmosphere. *A welcoming and casual access* brings a diverse flow

of people to walk in; a flexible and easygoing atmosphere is more inspiring for innovative and open discussions, meetups and network gatherings.

Setting up a presence in Silicon Valley creates considerable *budget* pressures due to the cost of living in the area: high price and terms of office leases are the first surprises to meet a company. At the same time, CIH leaders feel pressure to show how much can be achieved with relatively small funding.

Examples of different physical presences for SFBA Innovation Hubs	
Co-working space	- Cost-efficient, fast and flexible way to start, and access to an existing community. For example: BASF, OP Bank, EIT Digital, EON, Aviva, Nestle, Philips.
Dedicated office	- Private office allowing more branded presence and operations in the space. For example: Innogy, Volvo, Bayer, Orange, Siemens Net 47, Swisscom.
Innovation lab	- A state-of-the-art laboratory / co-creation space promoting innovation and brand, inviting network for collaboration and visits. For example: Capgemini Applied Innovation Exchange in San Francisco, Gore Innovation Center in Santa Clara, Volkswagen Automotive Innovation Lab ('VAIL') at Stanford campus

How to form a team?

All the CIH leaders emphasized the importance of the team as one of the most critical aspects of success. Setting up any corporate innovation activity, small or significant – it is always about the team; the operation succeeds or dies along with the ensemble.

According to the interviews, critical factors for any successful team include a deep understanding of the strategic goals of the company, and direct connections to several parts of the core organization, and enough decision power (direct or indirect). At the same time, the team should have an intrapreneurial/entrepreneurial mindset, understanding of Silicon Valley business culture and a broad local network. In practice, the seen CIHs had diverse teams where different individuals represent required capacities. Agile and cross-functional teams were believed to bring innovative ideas to the discussion.

Suggested team composition	
1. Start with anchors	<p>All the interviewed CIHs had relocated some anchor people (team leaders or the founding team members) from their core organizations. The more experienced employees brought in</p> <ul style="list-style-type: none"> • Direct connections with the executive sponsors of the whole project and local decision-making mandate • a long-time understanding of the company's innovation and growth strategy for new horizons

	<ul style="list-style-type: none"> • knowledge of the company culture • extensive network and personal relations in the core company and business units/functions • Motivation to step out of their previous roles and reach for the new opportunities.
2. Bring diversity	<p>After the anchors, special attention was given to guarantee diversity in the CIH core team. There should be:</p> <ul style="list-style-type: none"> • intrapreneurial/entrepreneurial mindset to start and drive a new activity with less support than corporate activities typically get and to avoid obstacles on the road. • Business, legal and technical understanding. • humbleness and openness to sense early indicators of new trends and see opportunities outside of the existing business.
3. Consider local hires	<p>The locally hired people in Silicon Valley did not know the company well; sometimes they did not even have experience in the company's core industry. But they were valued for bringing in:</p> <ul style="list-style-type: none"> • Fresh viewpoints and legacy-free, out-of-the-box thinking. • Questioning and challenging of the current activities and practicalities. • Analogies from a different industry. • Extremely valuable local networks and connections. • Value as interpreter and guide of the Silicon Valley business culture. • Policy and industry regulation understanding. <p>The local hires were an interesting theme to ponder for a number of interviewees.</p> <ul style="list-style-type: none"> • They were seen as a high-level risk for a small project to invest time and money, and then again, the potential upside was considered tempting. • They could bring a fast lane to a local network and corners of the innovation ecosystem, but the motivation and commitments were seen as risky. • Companies experienced that industry outsiders had brought into evaluation both great discoveries and expensive missteps. Often-mentioned themes were AI and Health Tech where all the companies, regardless of their core industry, believe to have 3rd horizon opportunities.

The almost unanimous opinion was that **CIH core members should have long-term or a permanent stay in the area.** "Long-term or permanent" was understood to be a minimum of two years, as it takes time and dedication to create a functional network and a deeper understanding of the constantly changing innovation ecosystem. Establishing a network is more than just "knowing people", but it includes hard work and the giving forward part as well. Before a person is an appreciated and trusted part of the ecosystem, she/he has to show the value of the common good. Long-term relationships give perspective – discussions might start to pay back after few years' incubation, and that is missed if people change often.

Additional team members can stay for shorter terms. Their role is to be mediators between the home organization and Silicon Valley hub and channel information and trust between those two locations. They validate CIH's role and take the latest trends and knowledge, as well as energy and inspiration back to their teams in different corners of the home organization. CIH gets a valuable update on the needs and pain points where a Silicon Valley team can focus scouting.

Then again, a mutual concern for most of the CIHs was the continuous need to justify the necessity of the long-term members. Home organizations and executives tend to suggest shorter terms and more changes in the teams than CIH's experience is effective. The surrounding Silicon Valley environment loses interest fast if the members keep changing without a clear continuity plan. Anchor members help the CIH to attain the next maturity levels and cultivate the focus.

Governance systems

Innovation is a cross-functional and multidisciplinary activity – an inseparable part of any future-oriented company's existence. Most companies have their top-level innovation governance defined: how to align goals, tolerate risk, allocate responsibilities, or structure decision making for innovation. The formed company and corporate-level innovation governance correspondingly effects to how a CIH governance is organized.

CIH governance also reflects the mission it is implementing. Depending on how CIH's mission and mandate have been defined, it has been expected to bring input from several strategic innovations and growth goals: New technologies, services and disruptive business models are often the first mentioned, as well as investment opportunities. However, there are often other cultural aspects where CIHs are hoped to help too. Those are harder to measure but equally important for developing an organization's innovation capabilities: Innovation is fed by creativity and an entrepreneurial mindset, risk tolerance and acceptance of learning from failures, openness for change and external influence.

This report opens some CIH governance models in general level but does not go into a more detailed level to goal setting and incentive planning, which companies preferred not to share in a public report. Evidently, their goals covered the measurable dimensions of innovation and growth strategy but also targets tied to the pursuit of getting the Silicon Valley mindset back home and for inspiring cultural change there.

Aspects defined in a CIH governance model (by the interviews)	
Mission	Everyone to have same clear understanding of the - Mission, - Purpose and - Goals.
Leadership commitment	Who is the key executive sponsor? - Who are the other high-level sponsors and leaders in the organization? - What is their involvement?

Decision making bodies and structures	
Share of responsibilities	- What are the responsibilities of the main players at home and in CIH? - How are the responsibilities shared?
Measuring execution	- What are the expectations and goals? - How are the incentives built? - How the results are measured.
Budgeting	How the budget is allocated, who owns the budget.
Use of resources	- How the resourcing requests are made and managed. - Balancing and prioritizing: 1) activities of CIH 2) requests from the home organization
Management routines	- Reporting (what, how often, to whom) - Communication practices - Decisions making practicalities.

Innovation Unit led centralized model

A corporate Innovation Unit often has a vital team in the Headquarters close to the top management and operates globally in critical locations with a network of CIHs. Innovation Unit-led CIH was the most popular structure in this report. Corporations typically seem to start with an Innovation Unit inside or very close to the headquarters, and then expand separate entities to other critical locations: close to central markets, the most important customers, development and research partners or in innovation clusters. The Silicon Valley CIH usually came along after the first successful trials closer to the home organization.

An Innovation Unit has visibility in the organization chart, it drives a key role in the innovation mission defined by corporate level governance and has a direct and robust support CEO and other C-level executives. The stronger the emphasis lies on disruptive efforts, the more top management backing is needed. Intentions to cannibalize a company's own existing business requires a mandate from the highest level.

Some notes from interviews:

- "Visibility and direct support from top executives assure management's intensive interest in the hub. Executive delegations are then prone to plan visits for the area, and that helps to further "educate" them about the opportunities what the hub and Silicon Valley offers."
- "Direct reporting to the CEO creates pressure but guarantees instant responses as well."
- "Management change cycle is unpredictable and can lead to uncertainty in quick changes."
- "Reach for business units can rely mainly on personal connections and network of the CIH team if the relationships between the Innovation Unit and Business units have not been defined carefully."

Autonomous model

An autonomous CIH is located in the organization chart as a separate entity. It can be directly connected with C-level management, or it can be formally low in the organization but still have

strong informal connections with top executive sponsors, who empower the program with personal commitment.

The autonomous model can share some features with an intrapreneurial project, “skunk work”, one of corporate’s internal innovation models: more freedom to bypass some normal policies and formalities. The difference is that the CIH is an establishment offering services for not only one specific project but also several projects and requests – both long-term interest and shorter and narrow assignments. In this model, extra consideration needs to be focused on managing, balancing and prioritizing requests from different internal customers, and communication of those policies.

Some notes from the interviews:

- “Flexible and agile actor, informal processes, lean and simple.”
- “Easy and fast to start, model evolves over the time.”
- “Inspiring opportunity for the Silicon Valley team, experimental mindset.”
- “A separate entity can lack official strong position and is fragile for events like changes in top management or budget constraints / cuts.”
- “Can lack visibility: no official communication from top level / other parts of the organization. No formal publicity and marketing inside the mother organization. “
- “Informality can cause practical problems – no tools to push decisions.”

Business Unit-led decentralized model

The third model mentioned in wider, global reports is a Business Unit-led decentralized model. In the cases where the corporation and its Business Units are large entities, also a Business Unit-led CIH model is a practical solution. Business Unit-level management steers actions automatically in a more focused direction, and the closeness of business keeps communication and synchronization transparent.

In this report, we have concentrated more on smaller hubs with lower entry costs and a lean model. The interviewed leaders mentioned a Business Unit-led, decentralized model as one option for managing the center; it was rarely in use. It seems to be more in use for corporate entities, which have expensive laboratory setups, which they let startups use as a part of innovation and co-creation strategies.

Connecting back to the mother organization

CIHs have different ways to keep the feedback loop active between home and SFBA the office.

Alignment with the headquarters and business units was seen as critical for the whole operation in order to integrate the innovation input from CIH, but that collaboration is challenging to manage. Often CIH teams felt that their input was not received with the needed attention, and they had to use the enormous time to find the right contact and ignite interest back home.

Another risk is losing CIH members if the communication does not work. CIH team members achieve over the time excessive network over the different corners of the ecosystem, knowledge of industry disrupters, partners and competitors. If the connection between the home organization and Silicon Valley did not work well, frustration grew fast in the team. There are always companies willing to hire well-connected business executives in Silicon Valley.

Recommendations for communication	
CRM, future watch and intelligence tools	<p>Most recommended was to use existing CRM tools for collecting the future watch and intelligence data.</p> <ul style="list-style-type: none"> - Allows people at core organization to return and search for data, and collect cumulating information. - Strengthens the home organization's innovation capacity and culture, - Links R&D and business development teams with ideas and intelligence, potential startups and partners, - Feeds strategic-level decision makers with insight and foresight collected in Silicon Valley.
Regular newsletters, blogs or vlogs in internal web pages	<p>Motivation for pushing information back to home was to keep</p> <ul style="list-style-type: none"> - The home organization up-to-date of their activities and Silicon Valley insight. - Remind colleagues about the innovation hub, and its potential, and encourage them to actively connect with the hub.
Finding the right connections in the home organization	<p>Most challenging and sometimes even frustrating task feels to be finding the right connections in the home organization for identified new technologies or services, startup-collaboration:</p> <ul style="list-style-type: none"> - Follow the existing company level innovation processes – they gave guidelines for licensing, investment and M&A activities and defined responsible roles. - Challenge demonstrates the importance of CIH team's company-wide network and home organization's true ability to evaluate initiatives when the daily workload keeps them busy.
Visits to the hub	<p>An efficient way to strengthen bonds was to invite top / middle management and influencers to visit the CIH.</p> <ul style="list-style-type: none"> - Build bridge with the home organization in several levels: not only top executives but also "frozen middle", innovative individuals, opinion leaders and cultural influencers. - The active discussion and shared experienced is part of the cultural impact which could be achieved as a side product.

Example of the power of the visits to the innovation hub:

A European innovation hub in the chemical industry invites not only executive level, but also mid-management and R&D employees to visit Silicon Valley. They tour with the visitors in other innovation centers, accelerators, pitch events, universities and meet with industry veterans, startup founders, investors and other corporate innovation players.

“Silicon Valley magic works every time – they need to experience the ecosystem by themselves and talk with the Silicon Valley influencers and forerunners.” Management’s visit in the SFBA inspires them, and validates CIH presence. The visit forms a base for new initiatives and discussions, it creates trust and confidence in the Silicon Valley team, as one interviewee ponders: “We are now often asked to comment on ideas and plans, we are considered to have specific insight just because of our Silicon Valley access.”

Evaluating Corporate Innovation Hubs

Performance evaluation is tricky with a company's internal innovation exercises, and not any easier with the external activities and exceptional concepts like innovation hubs. A corporation's and Business Unit's Key Performance Indicators do not necessarily reflect innovation programs and horizons 1-2-3-involving objectives. There were no silver bullets for the question of how to evaluate performance or how to prove the value of a CIH.

The interviewed CIHs opened some indicator structures in general level.

Example indicators for evaluating CIHs	
Interaction with mother organization / headquarters	<ul style="list-style-type: none"> - <i>Awareness</i>: coverage by blogs, vlogs, internal newsletters, workshops. - <i>Engagement</i>: Number of hosted visitors/delegations/executive meetings, introductions with home organization, received and answered requests. Measurable numbers with qualitative aspects: an input for business development, and technical projects and cultural change projects, initiated new projects, collected data (CRM systems, etc.). Qualitative part for more detailed feedback and continuous development orientation, impact on leadership. - <i>Net promoter score</i> by internal customer feedback: Did they get value, perceived effect to cultural change, ability to open minds, estimated short-term and long-term value. Shared experiences.
Working with startups:	<p>Numerical targets for startup collaboration needs to be outlined in close collaboration with the CIH management and team, and with internal customer units, to balance the expectations at a realistic but ambitious level:</p> <ul style="list-style-type: none"> - Number of met and evaluated startups - Number of captured potential projects (products, technologies) introduced for core organization - Number of rapid testing rounds (1. Silicon Valley team, 2. core organization team) - Number of Proof of concept tests (prototyping) - Number of created partnerships and co-marketing deals

Investments:	<p>Corporate Venture investment performance evaluation is tied to long-term strategy, continuity, and sustainable programs. It was warned that investment evaluation should not only focus on breakout success, which could drive attention purely to incremental innovation.</p> <p>Some used metrics were:</p> <ul style="list-style-type: none"> - Number/quality of initiated cases - Number of investments - Valuation of investments (after a certain period) - How the portfolio startups perform – ROI (after a certain period)
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The Secret Sauce

The interviewed people pointed out additional themes, “Silicon Valley Mindset”, which they appreciated as valuable assets for SFBA-based CIHs: Being an active part of the ecosystem, value of determination and serendipity.

Being an active part of the ecosystem

One reason to build a presence in Silicon Valley was to be a local player in one of the world’s most innovative ecosystems. Also, to be an insider, to hear and see the first signs of changes and to learn from the past by seasoned locals and to build on understanding from the industry player point of view. An additional advantage is to be a valuable asset for Head Quarters by feeding them with insight and analyses.

Networking is an imminent part of Silicon Valley culture. The area offers numerous events every night – covering a wide variety of business, leadership, startup, developer and technology topics: talks, workshops, fireside chats, panel discussions and pitching for investors. Events gather same-minded people sharing interest in the covered themes and connecting with those people is an essential part of the events.

Networking is informal but very business oriented – it is a serious way to find new meaningful connections in a relaxed atmosphere, to get insight into the latest hot inventions, emerging topics, new people, technologies, and companies. People are open, they are eager to listen and actively trying to find common ground, and generously give introductions to other people in their network.

Corporate innovation networks are now emerging. Those gather together people leading innovation programs and heading CIHs, corporate accelerators and venture arms in the SFBA. People share experience and connections openly. It is an excellent way to meet the right people and interact with the community – and corporations should use that specific network also for showing their

presence in the area and willingness to contribute to the ecosystem, for example, by hosting themed events for a certain well-focused community.

Interviewed people warned about the risk of overusing networks and abusing the generosity of personal connections. Being a respected and appreciated part of the ecosystem includes not only "paying back" but also more Silicon Valley-style "pay-it-forward" attitude and considerate relationship management. A long-term presence helps people to adopt Silicon Valley's business culture and mindset.

CIH leaders have understood well the need for the paying forward attitude, and often spoke about Silicon Valley's good karma. It is believed that everybody benefits from the positive and supportive atmosphere, where people help each other without expecting imminent return. In practice, for the CIH teams pay-it-forward meant:

- openness to discussions,
- coaching and mentoring new-comers and industry players,
- meaningful introductions,
- appreciative responses for requests,
- giving constructive feedback,
- offering space for developer meetups and networking events,
- speaking and attending in panels, free of charge, and
- Supporting good causes by volunteering or monetary involvement.

Show that you are serious

Show that you are serious about the CIH – internally and externally. That was advice given by the interviewees. Stay away from innovation tourism and innovation theaters; have a consistent long-term plan, clear communication and ability to execute.

The CIH team has to do its homework and market intelligence well and land Silicon Valley networks with a focused mindset. However, the internal planning and orientation are not enough – also the external communication demands a credible story with strategic-level goals and ambitious targets. A crisp clear and goal-oriented communication is of the essence for convincing the right people and getting the discussion in the right direction. *"Pitching is not only for startups – it's for all of us"* as said by one of the interviewed CIH leaders.

Determination had to be clearly shown – short-term visitors are not treated with the same generosity as the potential longer-term companions and ecosystem contributors. Sending people for short periods to Silicon Valley undoubtedly enriches the home organization but same time wears out the network. A more stable presence signals serious investments and executive sponsorship.

Experienced Silicon Valley leaders have used the term Innovation Theater. It describes the show elements of innovation centers, when the structures, policies, and practices are more drama props for an innovative environment, but not based on the strategic-level decision and goal-oriented

activities. In those cases, Innovation Hubs are just buildings (probably nicely designed) but not yet centers for real innovation activities. Activities should show that there is a focused and purposeful plan: “*You can’t be wide and thin to be believable!*”

At the end of the day, it is all about execution, and that needs to be shown both at home and in Silicon Valley. The CIH leaders described the constant pressure to validate the Silicon Valley presence for colleagues and business units back home. Mother organizations had often a bit of a reserved attitude towards the Silicon Valley-based outpost, with a high underlying cost structure due to the expensiveness of the area. The well-communicated mission and mandate and measurable targets were seen important.

Serendipity

Coined by Horace Walpole in 1754 based on the Persian story of The Three Princes of Serendip, who were always making discoveries, by accidents and sagacity, of things which they were not in quest of. (Wikipedia)

Serendipity is a theme that comes up very often when talking about Silicon Valley; it was mentioned in every CIH discussion, as well. Many good things happen seemingly just by accident, but actually it has a lot to do with probability, open mindset and global networks as well.

A high density of global talent, high-tech industry leaders, experienced business people from all over the world and brilliant young minds – all that Silicon Valley has offer – creates a concentrated atmosphere where one can't avoid a high potential for encounters with positive impact. There is always something happening in the Valley; people can just pick up the events they want to join and meet people with the same interest in the topic.

Part of the Silicon Valley mindset is to *be receptive* for people and news on all occasions. New opportunities do not emerge only in business meetings, but everywhere. Talk with any people in the cafeteria, hiking group, kids' school volunteering or sporting events, your Uber driver: the majority of them work in the high-tech business.

Silicon Valley is a *global hub* – connections that seem to be almost impossible to initiate directly, for example between a Nordic entrepreneur and Chinese investor, might just happen in informal meetings in Silicon Valley. People seem to trust that if a company makes its way to one of the most competitive innovation clusters, it is a prequalification, which justifies a meeting.

A Silicon Valley-based CIH can create fruitful ground for serendipity by having an open doors policy, connecting people from all walks of life, offering events where they invite guests from different corners of the ecosystem with shared interests and ensuring that their team engages with diverse activities.

For CIH leaders, serendipity is not (only) magic, but it is hard to put into writing in the founding documents of CIH or business plan, and it is not reported in the management meetings. However, it is one of the reasons why Silicon Valley is a very specific place, and why its culture is not easy to replicate anywhere else.

Final Reflections

Why do Corporate Innovation Hubs fail?

Silicon Valley legend Steve Blank says in his analysis, that “Most of these Innovation Outposts will become innovation theater and fail to add to the company.” Other reports and articles seem to indicate the same phenomena; initiatives do not fulfill the originally set expectations and fail to deliver the desirable returns: a majority of the CIHs do not survive in the long run.

Just establishing a presence in an innovation cluster does not constitute innovation, and the coolness-effect does not bring any return on investment. Some of the biggest risks for poor performance, shorter than expected life cycles and failure to demonstrate innovation capacity seem to be related to innovation strategy, governance model, isolation from the mother organization, and company culture.

The following themes can be pointed out consistently in reports, when talking about risks with CIH leaders and when discussing with experienced Silicon Valley corporate innovation consultants.

Why innovation hubs fail – the most common root causes:	
Innovation strategy	<ul style="list-style-type: none"> • Company-level strategic goals are not strongly defined • Innovation strategy is missing or vague • Innovation strategy is not aligned with the company’s strategy • CIH’s mission and role in the (innovation) strategy is unclear. It should be realistic but not too close the current business operations <p>=> CIH ends up being a separate unit and activity outside of the company’s core and growth vision.</p>
Governance model	<ul style="list-style-type: none"> • Executive sponsorship missing or too light. Changes in top management have drastic effect. • Startup-driven lean innovation means rapid experimentation, which is not supported by corporate governance structure. Systems are too isolated. • Corporate structure does not support fast decision making needed in super competitive innovation cluster • Incentives do not drive the right behavior. • Executive management fails to define measurable and valid goals and a return on investment. • Balance between budgetary freedom and threshold to shut down a single project.
Isolation	<ul style="list-style-type: none"> • Missing active and multilevel connection with the rest of the company / business unit. • CIH’s activities are on a separate or competing sector than the core business. No ways to integrate innovation back into business.

	<ul style="list-style-type: none"> • Implementation of the ideas not synchronized. Outposts' input not fully leveraged with the business units: creativity and "business as usual" have separate tracks and create frustration on both ends. • Missing a cross-functional team to connect structured corporation and unstructured innovation cluster environments.
Company culture	<ul style="list-style-type: none"> • If the culture does not support new initiatives and innovation, activities in the innovation hub are wasted – they are not heard. • Startup-driven innovation culture vs. (bureaucratic) corporate culture. • The power of the culture is not understood / is not taken seriously. • "Not invented here" attitude instead of bringing innovation in from the outside.

Table: Why innovation hubs fail – the most common root causes.

Trends seen in SFBA corporate innovation scene

The CIH scene in the SFBA is active: New names originate in co-working spaces and networking events. Local service providers and global consultancy houses alike, develop concepts and programs for corporate innovation program markets.

Custom-made startups and co-creation studios: Co-creation studio partners with a corporation to create a startup with specific market focus.

- The Studio:
 - Creates / helps to create the startup, and recruit founders
 - Helps corporation to realize value from assets: IP, data, distribution
 - Potentially co-funds together with the corporation
- Corporate can target
 - Partnering with / or acquiring a new startup
 - Investments (as a part of corporate venture program)
 - Find early-stage innovation.
- CIH can
 - Take active role in the collaboration, being close to the studio, being more agile, and faster reacting than the mother organization.
 - Host the newly formed startup in the hub if needed
- The best studios have excellent networks for co-investments, and convincing track record.
- **Example:** The Hive – fund and a co-creation studio builds and launches startups, with a specific focus in AI. <http://hivedata.com/>
- **Example:** Playground global Studio, matching innovative teams and corporations looking for tailored projects and potential startups. <http://playground.global/studio>

Incubation for internal corporate ventures and spin-off projects. Service provider guides a corporation to start a spin-off venture, built on internal talent and funded by the mother organization.

- Support for identification of potential spin-off projects, building founding teams, incubating the idea to innovation, and accelerating growth.
- **Example:** Mach49 <https://www.mach49.com/> Silicon Valley business professionals working with global 1000 companies willing to invest. They believe that corporations can do anything that startups do:

Growing pressure to explore startup-driven innovation in the SFBA “Let’s just try something”:

- Companies have already existing startup collaboration close to their corporate home: accelerator programs, hackathons and challenge contests, incubators.
- Now they feel pressure to understand what is available in the startup-driven, SFBA environment. Companies want to be fast and agile, and open-mindedly trial new models.
 - => Exchange programs: companies sent scouts for a few weeks – months of exploration.
 - => Collaboration with service providers: EIT Digital, Nordic Innovation House, RocketSpace, Capgemini.

Summary of the report

Silicon Valley and the wider SFBA is a globally leading innovation cluster for technology industries. It is a unique innovation ecosystem hosting top-class universities, disruptive startups and venture capitalists, and the world’s most innovative corporations. It is also a home base for a growing number of CIHs.

The Corporate Innovation Hubs report’s goal was to create an overview of the SFBA-located CIH landscape, and to share the analysis with Finnish technology companies, who are considering options for their innovation strategy execution.

The first part of the report introduces shortly the most common internal and external corporate innovation models, and how CIHs are positioned in that taxonomy. The more detailed review part goes through strategic and practical planning and execution for setting up an innovation hub. The presented analysis is based on the information gathered from personal interviews, group discussions and recent articles. It gives a voice to experienced, mainly European originated, CIH leaders, sharing their experiences and lessons learned about running corporate innovation activities in the SFBA located outposts.

The results of the interviews brought up critical key factors to be considered:

- CIHs are not for every corporation, but larger entities should evaluate that option and make an educated decision: What is the role of innovation in their growth strategy? Can they cover

innovation activities without a dedicated innovation program in Silicon Valley or another innovation cluster?

- The planned activities in the CIH for reaching the strategic goals effect the fundamental decisions about the location and the team. Those factors are often bypassed too trivially.
- A well-structured governance system and alignment with the core organization, executive sponsorship and commitment of the management are the base for the success (or failure) and create a framework for the performance evaluation.
- Communication between the CIH and mother organization needs special consideration, as emphasized in every interview as a pain point and a key factor for success.
- Understanding the aspects which are harder to articulate, but have more value than companies had understood before starting the hub: serious presence, paying forward culture and serendipity.

The report reflects also reasons for failures of CIHs, introduces currently seen trends, and gives lessons learned by voices of the interviewed leaders, some featured organizations and other corporate innovation professionals.

Appendix 1: Nordic Innovation House as a featured concept for corporate innovation

Nordic Innovation House and corporate innovation

The Nordic Innovation House (NIH) in Silicon Valley is a resource center, a co-working and meeting place for Nordic technology companies, investors and innovation organizations wishing to gain a foothold in the dynamic Silicon Valley region. It opened as a Nordic collaboration project on October 1st, 2014, up-filling a shared mission of Norwegian, Swedish, Finnish, Icelandic and Danish governments. The goal is to support, mentor and provide space for Nordic startups, and to connect them with the unique entrepreneurial ecosystem in Silicon Valley. In Feb 2018, NIH had 170 members, Nordic tech companies that strive to scale their business and expand to the United States and the global market. NIH is a cornerstone of a broad Nordic tech collaboration in SFBA and the whole West Coast of the US.

The Nordic Innovation House welcomes 5000 visitors annually: delegations mostly from the Nordic countries but a notable number from other areas of the world too. Nordic delegations cover the whole innovation ecosystem from policymakers and government delegations to technology companies in all sizes. During the first couple of years, the majority of the visitors were startups and small companies – ones arriving in Silicon Valley with hopes to check market opportunities and find their place in the ecosystem. Over the last few years, NIH has hosted more larger companies visiting the center with their management teams or delegations for certain themes (for example Transportation, Connected Cities, AI, etc.), and nowadays they form the biggest category of visitors. NIH is typically part of their Silicon Valley Innovation Experience or scouting tour.

Questions typically cover the following areas: 1) *Silicon Valley culture*: How does the ecosystem interact; what is the so-called secret sauce of Silicon Valley?; How has Silicon Valley managed to renew itself time after time?; 2) *Digital transformation*: How have Silicon Valley companies handled digital conversion or what digitalization means for them?; 3) *Technologies shaping the future*: Autonomous driving, Cybersecurity, Artificial Intelligence / Machine Learning, Virtual / Augmented Reality, Block Chain,... 4) *Industry insight by the big players*: innovation giants like Google, Facebook, Tesla as well as insight from institutions like Stanford, Institute of the Future or SRI International; 5) *Corporate Innovation*: How could Nordic corporations benefit from the Silicon Valley Innovation ecosystem's concepts, governments systems, and experiences?

The Nordic Innovation House has launched a corporate innovation services based on the needs of Nordic corporations, and its' substantial expertise in the Silicon Valley. Services 1) *help a corporation to build a presence* in the Silicon Valley, by tapping into the startup and talent ecosystem, growing a meaningful network and business and research institute connections. 2) An equally important part is to help the corporation to *bring learnings, ideas and innovative culture back to their home organization* and extend the immersion that way.

Appendix 2: Lessons learned

The following lists consist of lessons learned as reported in the interviews.

Study phase

- Make an educated decision if an innovation outpost would complement/add essential value for the company's growth/innovation strategy. What would be its specific and focused purpose?
- Use for example Steve Blank's and Evangelos Simoudis' formula for the decision process: [The Six Decisions To Make Before Establishing an Innovation Outpost](#)
- If yes – where it should be? Explore and evaluate different innovation clusters.
- What kind of innovation program/mix of programs would best serve the identified purpose?
 - Visit the chosen cluster, talk with local CIH leaders, seasoned business people and innovation specialists in the area. Evaluate accelerators and other local service providers. Be sure to know what the innovation cluster has to offer.
 - The focus of the center: not too close to the existing business, but not too far away: they need to separate themselves from the everyday operations, but ensure that breakthrough innovations can be turned into commercial reality.

Preparation

- Who owns the project? Who is the executive sponsor? This needs to be very clear.
- What is with a long-term approach and investment?
 - Also have a continuation / exit plan.
 - Reality is that a company's senior executives might change faster than expected.
- Governance system, how the CIH is directed and controlled:
 - What's the location of CIH in the organizational hierarchy?
 - Define how the management, budgeting, approval system, reporting and evaluation are organized.
- Keep management engaged from early on.
- What is the mission and mandate?
- Plan for the practical time line – visas, leases, team, Consult experts for creating a realistic plan:
 - HR / compensation planning: cost of living
 - Immigration lawyer
 - Property management
 - Relocation companies
- Set up the core team – choosing the right team members is critical.
 - 1) those who truly know the business (industry and the company) and have deep connections in mother organization, and
 - 2) those who have an entrepreneurial mindset, potentially also local connections.
 - 3) consider local hires as an addition
- Plan for cost-efficient start – internal resistance is often based on cost.
- Understand that you cannot only plan things from the corporation's perspective – you need to be valuable for the ecosystem: that might affect the location / address / team / ...

Creating Presence

- Define the desired location for your outpost and planned activities.
 - Address is more critical than you realize!
 - SV is 100 km long, should you be in SF or down in the peninsula?
 - Ground-level / office building? How the access is organized and is it easy enough for the planned activities? Connection with the environment and pursued players is of essence.
 - It is a good idea to start with a lighter presence (for example in co-working space) and move later to a different space when you understand the area better.
- Have a pitch = communicate your focus.
- Start being a part of the ecosystem from day one: be active, talk, visit, invite, and start to create the network efficiently. Do not overuse the network but start giving back!
- Be serious and show it – do not send people over to the CIH for “trophy visits”, do not play innovation theater. CIH is a strong PR statement!

Connecting and working with the mother company

- Leaderships change – that is a fact. Do you have a fact-based reasoning to communicate with the next executives and wider support in the organization?
- CIH needs to have connections in several levels in the mother organization – not only the top management.
- Remind the home organization about the smaller victories – convert innovation agents back home to be your allies. You need allies; companies are always fighting over the resources.
- Identify the biggest problems where you can help, but avoid overlapping goals.
- Each project should have an early-recognized business owner.
- Small / short-term & more open / long-term activities. Direct needs: “we need an AI product / functionality for a certain need.
- CIH needs to show that they are there for helping => stories all the time needed, they encourage others to feed needs to CIH.
- Interaction between the CIH team core organization:
 - Have both people who know the mother organization, company, its culture and way of working, and have people with an intrapreneurial and open mindset who question old habits and feed the organization with innovative and candid ideas.
 - Create a wider, open team around the core team in CIH.
 - Consider rotation plans carefully: rotation is an efficient way to get a bigger number of people to be immersed. Stability creates strong connections with the ecosystem.
- Engage the mother organization
 - Bring executives to visit the hub – let the place validate itself.
 - Work with the frozen middle – bring them in too.
 - Help the corporate people to engage with startup people at a personal level – deeper connection. Ask them for mentoring and coaching, sharing industry knowledge.
 - Identify influencers back home and work with them.

Collaboration with startups

- Have your story and pitch ready:
 - Why you are here

- What you are looking for
 - What you have offer
- Don't become an innovation theater
 - No spending time with hang-around startups which are not really potential.
 - You need to be able to decisions which startups you work with and which not.
- Be a part of the ecosystem in several levels / different layers:
 - Connect with startups (directly, through co-working spaces, incubators and accelerators), know the research institutes, universities,
 - Offer mentoring, coaching, industry insight, connections

Appendix 3: Links and extra material

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