

# Entrepreneurial Innovation and Leadership

Nancy Richter • Paul Jackson  
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Editors

# Entrepreneurial Innovation and Leadership

Preparing for a Digital Future

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## PREFACE

Germany is an innovation powerhouse—at least according to the Global Innovation Index (2015) and the OECD Science, Technology and Industry Scoreboard (2015). Good news, one would think, as relentless product turnover, Internet-mediated services and disruptive business models mean that without innovation a country cannot remain competitive and flourish. But although the country may be performing well in incremental innovation, *entrepreneurship* and the establishment of disruptive new businesses is another story. The volume of new business startups, including creative and agile young Internet startups, is surprisingly low in Germany. Why might this be the case? Is Germany resting on its industrial laurels, or are there other reasons: a conservative culture or poorly designed government policies, perhaps?

In contrast, the United States has very high rates of new business grounding, a model which Germany is now interested in emulating. American Internet startups such as Google, Amazon, Uber and Airbnb bring a continuous stream of new ideas and products onto the market and are disrupting existing industries to their core. We are of the view that Germany needs to achieve a better balance between incremental and radical innovation in order to secure its industrial and economic future.

One solution is for Germany to become more supportive of entrepreneurs and Internet startups. Currently, the most active startup scene is in Berlin, which has attractive living conditions and a growing network of investors, startups and innovative enterprises. Nevertheless, startups struggle: we need to understand why and strengthen the supportive conditions which increase the chances of success. This requires understanding the

specific nature of the startup environment, as conventional factors associated with new business establishment do not yet come into play. For startups, the shape of the business model, the right team and the right competencies, savvy market knowledge and sales strategies that scale are also important. We need to look at the situation as a whole in order to observe the interactions between these contextual factors and identify what will help early-phase startups.

We should also consider how Germany might renew its established industries through radical innovation and by combining its existing capabilities with new ideas and directions. One pathway to greater balance for the German innovation system might lie in collaboration between the 'Old' and the 'New' economy. Increasingly, enterprises are working with innovative young companies in so-called 'accelerators', in which the entrepreneurs receive support in the form of expertise, mentoring, accommodation or financing for a limited period, usually a few months. The enterprises, seeking to boost their own innovation performance, gain fresh ideas and can absorb different ways of working by collaborating with these teams. This sounds like the perfect win-win scenario for the companies involved and for Germany, but the reality is more complex, and being successful needs high levels of mutual understanding, tolerance of differences, transparent interactions and project management processes, as well as clearly assigned organisational responsibilities.

In this edited book we take the themes of entrepreneurship, innovation and collaboration and seek some answers to the urgent question of how to make these collaborations work better. In the first chapter, Richter, Jackson and Schildhauer examine innovation in Germany and the USA and identify possible causes for the significant differences between them. Here it becomes clear that Germany performs worse than the USA in entrepreneurship, but must find its own solutions to encouraging greater startup and new venture activity. In Chap. 2, Richter, Volquartz, Schildhauer and Neumann identify and analyse the barriers and facilitators of new business grounding in Berlin. Then, in Chaps. 3, 4, 5 and 6, the most important building blocks in the new venture establishment process are illuminated: legal aspects, financing, business models, human resources and marketing. As an introduction, Richter and Schildhauer describe Startup Clinics, a practical research programme established at the Alexander von Humboldt Institute for Internet and Society (HIIG) in Berlin, which was designed to help startups by means of workshops and expert advice, but which also gathered and evaluated the resulting data.

This has led to the initiation of new and important research projects into Internet startups. Von Grafenstein pursues the question of how startups deal with complex data protection legislation governing data usage disclosures. Innovation processes are not straightforward, and it is difficult to specify in advance all purposes of data collection from users. However, this is basically required pursuant to the dominant view on the current legislation. In Chap. 5, Wrobel examines the competencies needed by successful entrepreneurial leaders. Marketing and sales are front and centre here, as these are the drivers of growth. In Chap. 6, Tech discusses the types of funding that startups should consider in the early phases of development and what they should consider when seeking investors, before going on to describe the current situation in Berlin. In Chap. 7, Dopfer underscores the significance of the business model for startups. This is a relatively underresearched topic, even though the business model is clearly fundamental in the establishment of a successful venture. Startups, particularly in the early stages, often have great difficulties in defining the right business model. This choice of business model is very often influenced by the particular background of the entrepreneur, so Dopfer presents ways in which startups can approach this more systematically and objectively.

Chapters 8, 9 and 10 turn their attention to the question of collaboration between established firms and startups, and what should be attended to in order to make these collaborations lead to successful innovation. First, Jackson, Richter and Schildhauer describe the barriers and propose methods by which established firms can increase the chance of successful outcomes. Subsequently, these authors discuss corporate accelerator programmes, a concrete solution to the challenge of bringing these organisations together for the purpose of boosting innovation. Finally, the authors discuss the different agile innovation processes that firms can take to increase radical innovation, and present examples and their respective benefits.

This book is directed at managers of organisations that are innovative or considering becoming more innovative in the face of changes and emerging threats in their marketplaces. It is also of interest to startups, as well as students, teachers and researchers into the increasingly important and contemporary theme of open innovation such as that occurring between established firms and startups. We also believe policymakers will be interested in understanding the role of startups and accelerators within the national innovation system.

This collection brings together the results of a long-standing collaboration between members of an international and cross-disciplinary research team. The analysis and the results are practical, useful and based upon rigorous research methods and sound theory. We hope readers will better understand radical innovation and entrepreneurship and be able to apply the findings to improve practice.

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# CONTENTS

<b>1 Entrepreneurial Behaviour and Startups: The Case of Germany and the USA</b>	<b>1</b>
Nancy Richter, Paul Jackson, and Thomas Schildhauer	
<b>2 What Drives Internet Startups in Berlin? A Qualitative Analysis of the Facilitating and Inhibiting Factors</b>	<b>15</b>
Nancy Richter, Lucie Volquartz, Thomas Schildhauer, and Konstanze Neumann	
<b>3 Startup Clinics: Applied Research and ‘First Aid’ for Early Stage Startups</b>	<b>29</b>
Nancy Richter and Thomas Schildhauer	
<b>4 Regulation as a Facilitator of Startup Innovation: The Purpose Limitation Principle and Data Privacy</b>	<b>41</b>
Max von Grafenstein	
<b>5 Do You Have What It Takes to Become an Internet Entrepreneur? The Key Competencies of Successful Founders</b>	<b>51</b>
Martin Wrobel	

<b>6</b>	<b>Startup Financing in Berlin</b>	<b>65</b>
	Robin Tech	
<b>7</b>	<b>Why Business Model Innovation Matters to Startups</b>	<b>77</b>
	Martina Dopfer	
<b>8</b>	<b>How Established Firms Can Profit from Working with Startups</b>	<b>87</b>
	Paul Jackson, Nancy Richter, and Thomas Schildhauer	
<b>9</b>	<b>Radical Innovation Using Corporate Accelerators: A Program Approach</b>	<b>99</b>
	Nancy Richter, Paul Jackson, and Thomas Schildhauer	
<b>10</b>	<b>Meeting the Innovation Challenge: Agile Processes for Established Organisations</b>	<b>109</b>
	Nancy Richter, Thomas Schildhauer, and Paul Jackson	
	<b>Index</b>	<b>123</b>

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## LIST OF FIGURES

Fig. 3.1	The Startup Clinic process	35
Fig. 4.1	The data protection model	46
Fig. 5.1	The four competence categories	53
Fig. 5.2	Part-competencies as part of the competencies profile	54
Fig. 8.1	Five steps to successful working with startups (From Jackson, Richter, & Morle, 2016)	92
Fig. 10.1	The lean startup process	111
Fig. 10.2	Google's Design Sprint	113
Fig. 10.3	The Hackathon process	116
Fig. 10.4	Scrum: the step-by-step approach to resolve complex problems	118

## LIST OF TABLES

Table 1.1	The difference between radical, incremental and disruptive innovation	5
Table 1.2	The German model – analysis of reasons for low performance in entrepreneurship	10
Table 2.1	Relevant factors based on the Startup Clinic evaluation	18
Table 6.1	Source of information for finance clinic research stream	69
Table 7.1	Overview of cases	82
Table 7.2	Questions around the business model	83
Table 8.1	The different belief systems of startups and firms	91
Table 9.1	Success factors of accelerator programs	104
Table 9.2	A checklist for corporate accelerators	106