

Excerpt from

# Gartner Business Quarterly

Proven Guidance for C-Suite Action

## Partnering With Startups for Nimble Innovation

by Kevin Gabbard

Startups are broadly admired for their agile pursuit of innovative ideas. Executive leaders especially appreciate the freedom that comes with nascent operating models; it's hard to imagine a good idea withering in a committee when a business's entire workforce wouldn't even fill a boardroom. Yet only 29% of technology innovation leaders rate startups as important to their organizations' innovation success.

Instead, they build an ecosystem that depends on a set of large and established external partners for technology solutions. They end up with a relationship that's comfortable. But the solutions are slow, expensive and generic at best.

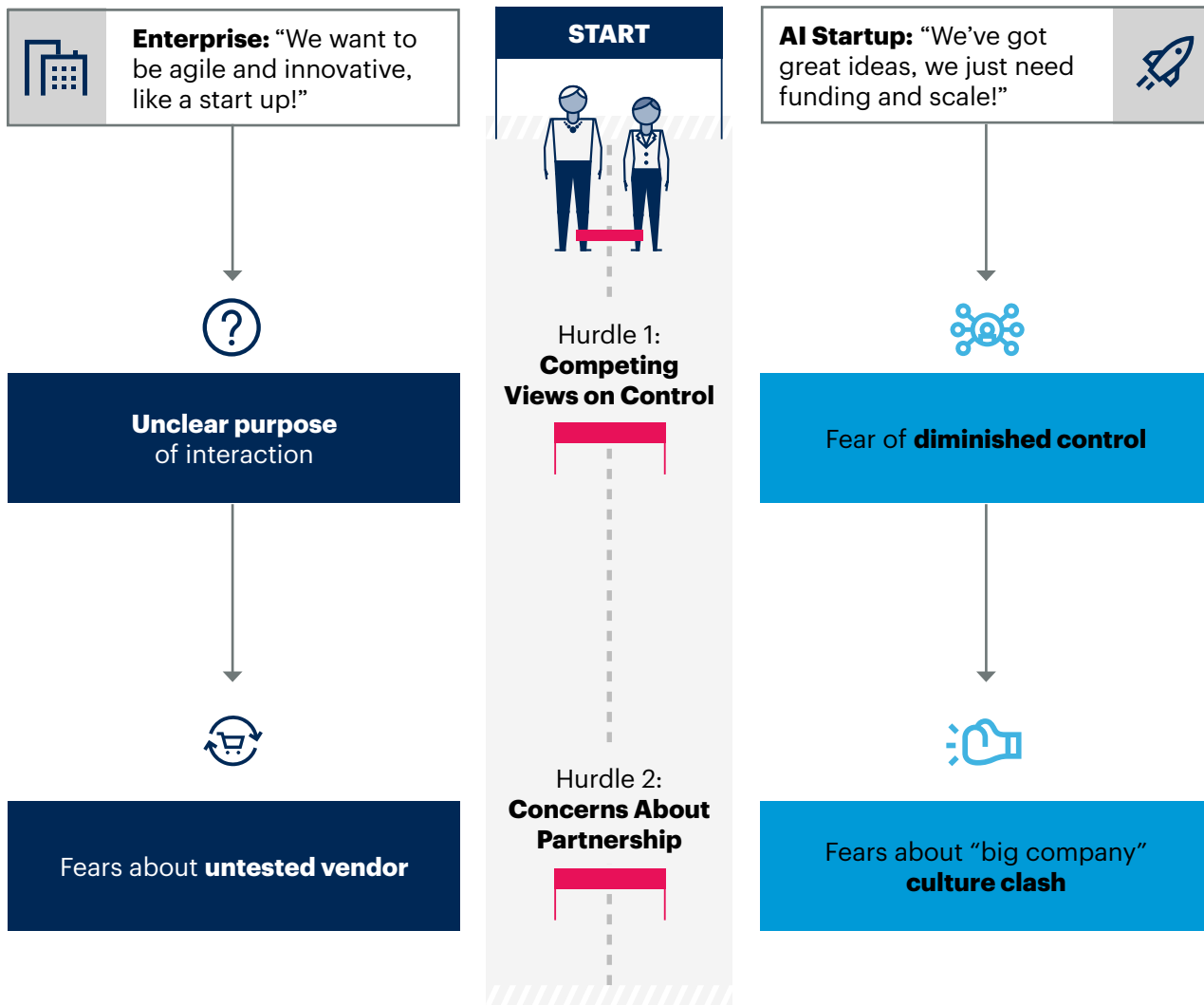
Stora Enso, a renewable materials manufacturer based in Finland, designed a process for teaming up with early-stage AI businesses that's led to more than 26 new products in three years. Two insights fueled this success story: The company evaluated potential partners as technology providers, not as investments — Stora Enso isn't looking to take a stake in them — and was open about its most pressing business challenges, which attracted new solutions that were a perfect fit.

These unusual perspectives helped Stora Enso overcome two common hurdles to successful collaboration with startups: control and culture. Each party experiences these issues differently (see Figure 1).

### Don't Judge a Startup by Its Funding

Stora Enso realized the startup characteristics that make a smart investment are different from those that make a startup a good partner. It's tempting to look at venture capital funding as a proxy for potential value in a partnership, but well-funded startups are often more focused on corporate development — establishing an IT group, an HR team, refining the market strategy — than on their technology and insights.

**Figure 1. Two Hurdles to AI Startup Collaborations**



Source: Adapted From Stora Enso

On the other hand, startups with less buzz have very smart and capable talent and are likely more flexible for co-creating innovative products. For this reason, Stora Enso uses four selection criteria designed to assess value and potential (see Figure 2).

### Be Open About Business Challenges

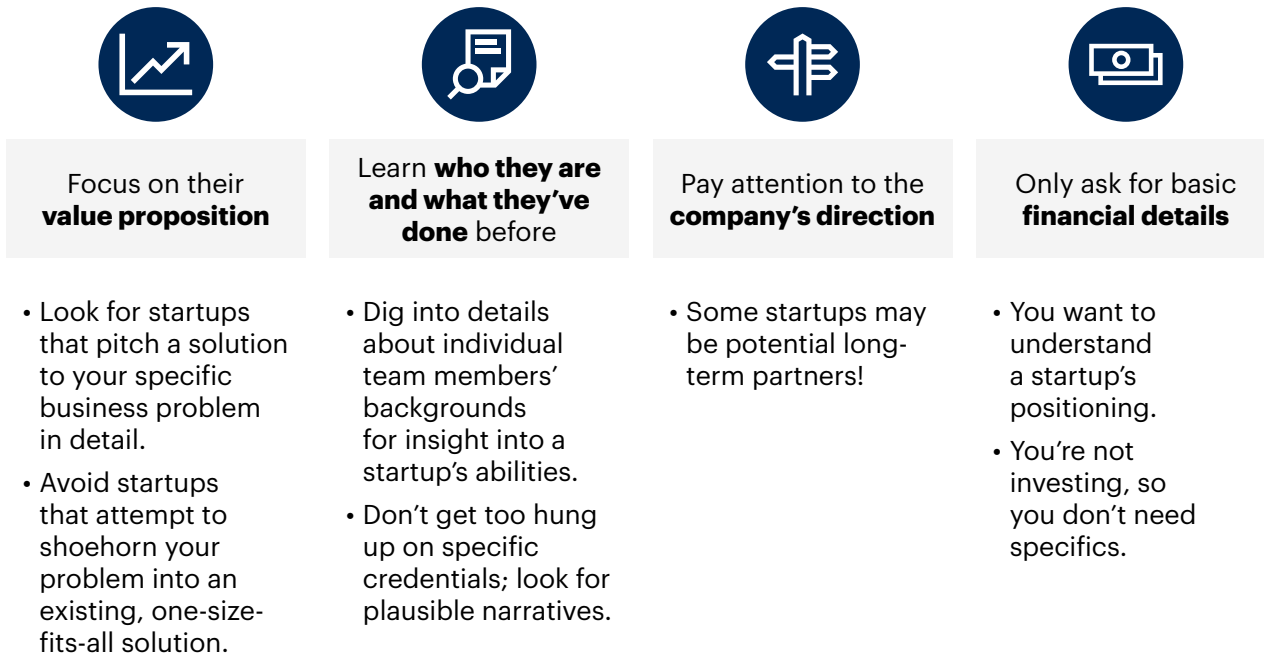
Next, Stora Enso needed a way to draw interest from startups. Recognizing that most startups develop products with a narrow range of use cases in mind and would be thrilled to discover an untapped market, the company decided to publicize something most organizations try to hide: its toughest business problems. After publishing these challenges openly on channels where AI startups exchange ideas, startups began to reach out (see Figure 3).

### Establish Rules of Engagement Upfront

To avoid friction and keep risk at acceptable levels, Stora Enso established five principles for its startup engagements (see Figure 4).

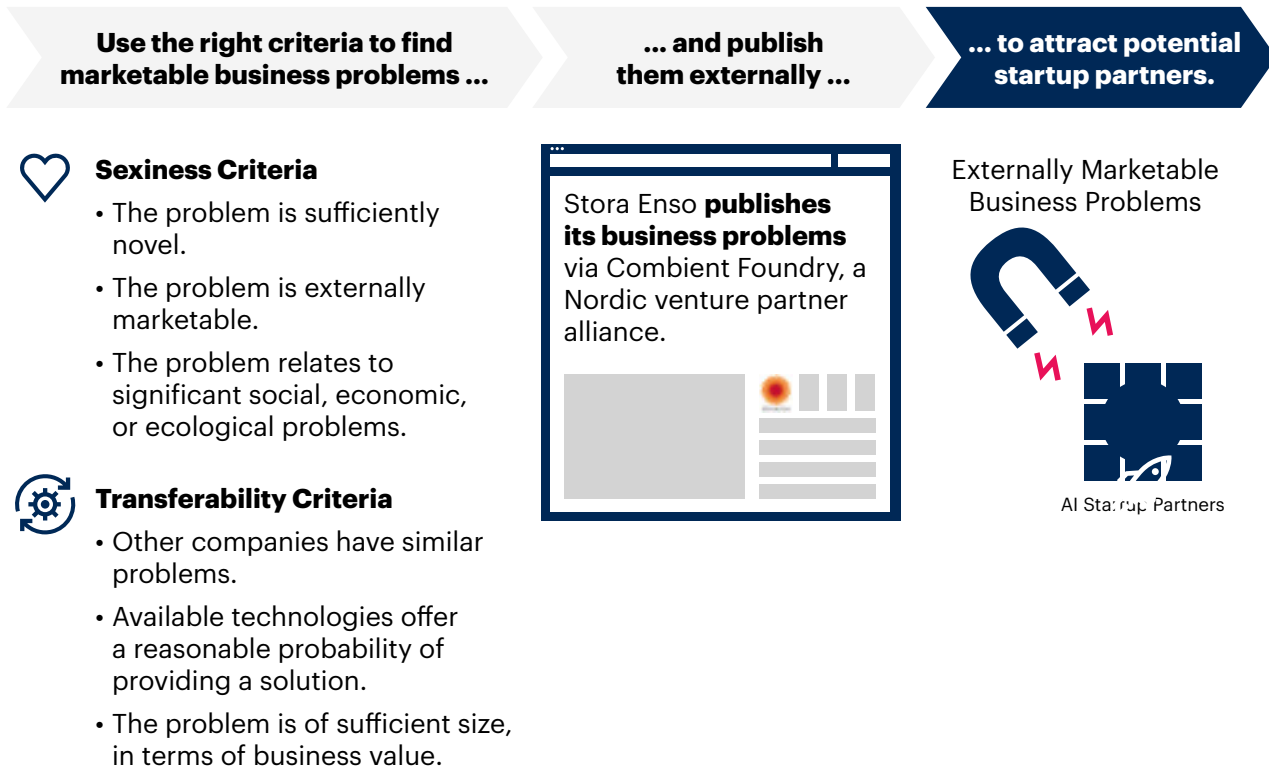
As a result of these practices, Stora Enso has greatly expanded its engagements with AI startups. From 2017 to 2019, Stora Enso more than tripled both the number of startups screened and the number of startup partnerships established (see Figure 5).

**Figure 2. AI Startup Evaluation Principles**



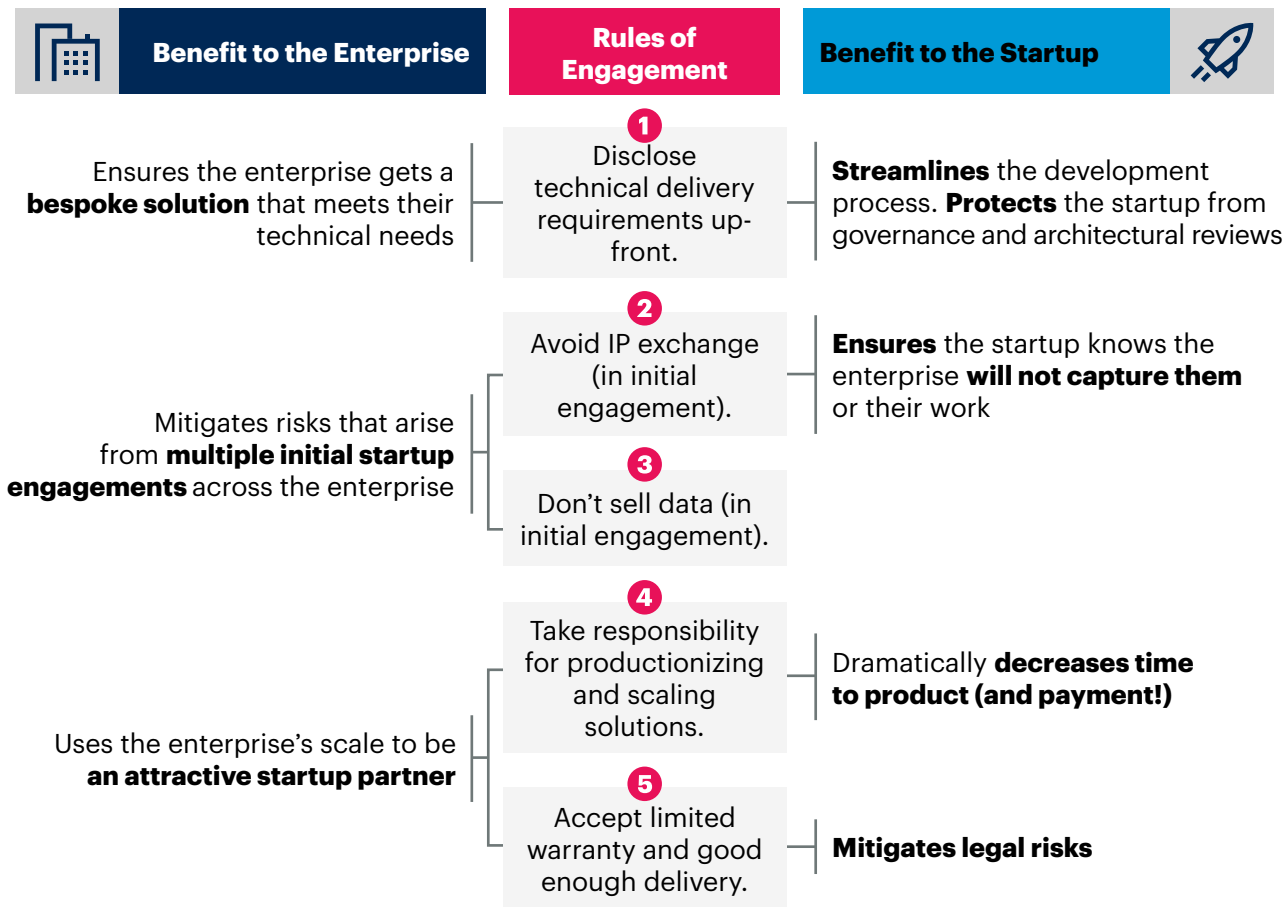
Source: Adapted From Stora Enso

**Figure 3. Business Problem Selection Criteria**



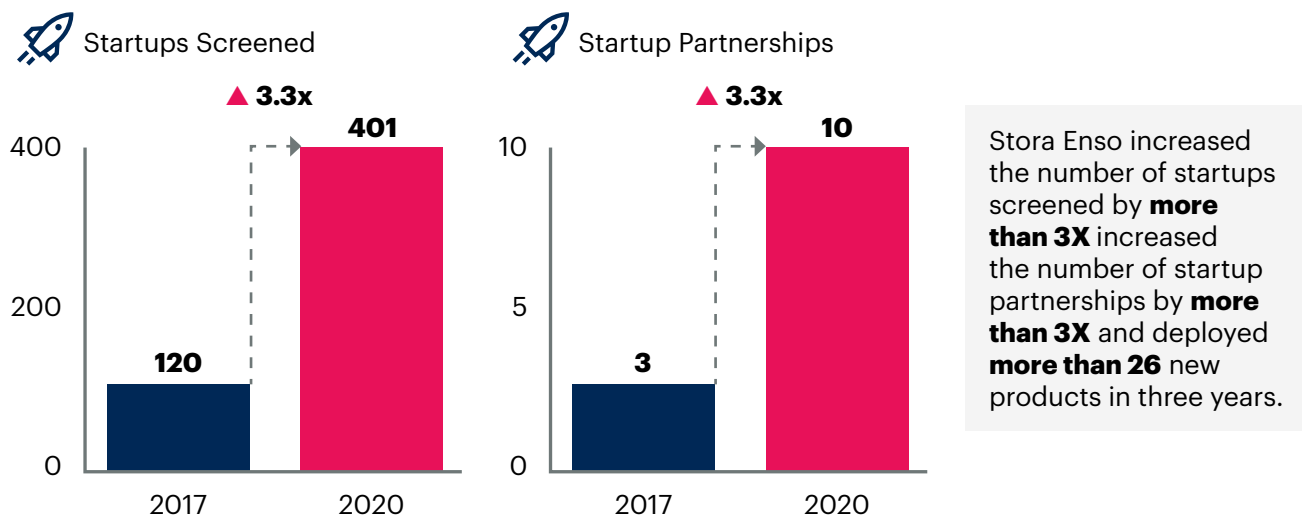
Source: Adapted From Stora Enso

**Figure 4. Win-Win Startup Negotiations**



Source: Adapted From Stora Enso

**Figure 5. Benefits to Stora Enso**



n = 521 Startups; 13 Partnerships  
 Source: Adapted From Stora Enso

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