

CAPITAL MAGAZINE x INFRONT

Corporates on the Track of Startups 2022

6th edition of the leading study on Digital Innovation Units



PREFACE

Dear readers,

You are reading the 6th edition of our study!

After 6 years and more than 200 innovation units examined, we have observed several phases of the classic hype cycle with our study.

After the peak of exaggerated expectations in 2015-2018, when innovation units sprouted like mushrooms, the disillusionment came: In order to transform a 'tanker' it takes much more than a 'speedboat'. And Design Thinking, Lean Startup and Co. are helpful, but not miracle cures. The decisive impetus came neither from the pandemic, nor from the war, nor from the looming economic crisis. Rather, it was the discrepancy between self-imposed goals and what had been achieved that led to the closure or realignment of many digital innovation units.

Today, the contribution to success of digital innovation units is much more clearly outlined. Expectations regarding innovation and transformation are more realistic. Corporate innovation is approached more soberly, but also much more effectively. And in addition to the well-known approaches of digital startups from Silicon Valley, there are usable success patterns from the ranks of established companies.

It is precisely these patterns of success that we want to find, analyze and reward again this year: How do established companies succeed in producing innovations that have a real impact?

We have compiled the results in a compact form. Thanks a lot to the study team and participants!

We hope you enjoy the study and gain many valuable insights!



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ABOUT THE 6TH EDITION OF THE STUDY

Clear goals, measurable impact

This year, more digital innovation units participated in our study than ever before: nearly 60 innovation labs, venture builders and startup programs answered our questions and reported with impressive honesty and realism about their strategic goals and success stories, but also failures, limitations and hurdles.

We are very pleased with the results: More and more units are generating measurable impact and are integrated into their parent company's strategy. Of course, this is partly due to the age of the participating digital innovation units - because achieving substantial scaling success usually takes several years - but a major influence is also the increasingly professional setup. Design thinking, hip offices and the opportunistic pursuit of ideas are now ornamental accessories. What really counts are clear strategic goals and teams of employees with diverse skillsets and comprehensive implementation competence. It is therefore not surprising that more and more companies are setting up their own venture builder units to scale digital innovations. Especially in the industrial sector, venture builders seem to be a promising vehicle: 7 of the 8 best venture builders in our study are operated by industrial companies.

In other encouraging news, while in 2017 less than 20% of all Digital Innovation Units had sustained support from top management, today over 90% are closely aligned with the C-level.

The most exciting findings from over 1,000 pages of survey, almost 100 examples of scaling successes and 20 hours of interviews with managers of the participating units, CEOs, CDOs & Co. are summarized on the following pages.



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In search of the best digital innovation units

"Corporates on the Tracks of Startups" is the leading study on digital innovation units in German-speaking countries. Since 2015, we have been looking behind the scenes of the digital innovation units of corporations and medium-sized companies, analyzing their secrets of success and honoring the best units with the "Digital Lab Award".

This year, we invited over 300 Digital Innovation Units – all units known to us from German-speaking countries – to participate. With just under 60 participating units, this year's study is our largest to date. For better comparability of the results, the participating units are divided into "innovation lab" (inside-in), "venture builder" (inside-out) and "startup program" (outside-in) according to the direction of their innovation activities.

- Innovation labs are all-rounder units that work on a range of near-core and non-core topics. Collaboration primarily takes place with the company's own employees, who develop new ideas (e.g., new products, business models, services).
- Venture builders are focused on the development and spin-off of ventures. Ideas originate from the core organization or the Venture Builder team and are spun out with own employees and/or external founders.
- Startup programs describe institutionalized collaboration with startups that goes beyond opportunistic or occasional collaboration (e.g., venture clienting or accelerator programs).

Due to the size of the group, we decided to form the sub-categories "Industry" and "Service" for Innovation Labs.

Study design

Our study is based on a two-stage approach: a screening phase using an online survey was followed by validation interviews with leaders and principals of the units that placed among the best units in the screening phase.

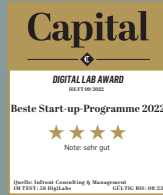
The success of the Digital Innovation Unit was evaluated, measured by successfully scaled innovations, whereby the unit did not necessarily scale the innovations itself, but must have been significantly involved in their development. Scaling success was evaluated on a scale of 1.0 to 5.0 points based on three dimensions: growth & potential, speed and commercial success. Only the best Digital Innovation Units that achieved a total score of at least 3.0 points are published in the ranking.

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Successes 2022

The winners of the Digital Lab Awards

This year, we are once again honoring the best digital innovation units with Capital's Digital Lab Award. The award is presented to the three most successful digital innovation units in each category.



This year's award winners show that successful innovation is multi-faceted. There is no one blueprint that guarantees success. Rather, it is the ability to recognize opportunities and shape their own paths that distinguishes the best digital innovation units. Nevertheless, exciting patterns of success are emerging that can be adapted to other contexts. The next few pages will give you an insight into precisely these success stories of the winners of the Digital Lab Award 2022.

Innovation Labs | Industry

- 1 InnoLab Hansgrohe Group
- 2 DEKRA DIGITAL
- 3 Audi Business Innovation *and* Digitalschmiede (VINCI Energies Digital)

Innovation Labs | Service

- 1 N3XT Innovation (MediaMarktSaturn)
- 2 fnx (Fressnapf Maxi Zoo)
- 3 ERGO Innovation & Digital Transformation

Venture Builders

- 1 EnBW Innovation
- 2 Chemovator (BASF)
- 3 Körber Digital GmbH

Startup Programs

- 1 Wayra Germany (Telefónica /o2's Open Innovation Initiative)
- 2 ERGO Innovation & Digital Transformation
- 3 BSH Startup Kitchen

InnoLab Hansgrohe Group

Since 2018, the Hansgrohe Group's InnoLab has been looking at growth opportunities beyond the core business under the motto "Explore new ways of water experience". The objective: to maintain the successful course of the faucet and shower manufacturer in the future by developing new products, services and, in particular, new business models around the topic of water.

Since this year, sustainability has also played an even more important role: a dedicated Green Innovation Team has been set up, which focuses on sustainable innovations. In the future, the Hansgrohe InnoLab will therefore focus strongly on innovations that address overriding ecological and social problems - such as water scarcity. To this end, an innovation process has been developed that is based on planet-centric design. Of course, the products and services should also provide customers with tangible added value, for example by enabling them to actively save resources and thus reduce costs.

Speed is one of the key success factors of the 16-strong team, as the case study of the DogShower marketed under the premium hansgrohe brand shows (see box on the right). In order to arrive at technical solutions more quickly, the company works closely with startups, but without investing in shares. Possible conflicts of objectives in sales are cleverly circumvented by establishing incognito brands.

The figures show the economic success of the Hansgrohe Group's InnoLab: after just five years, the units were able to break even and are now generating contributions in the multi-digit millions. And with the stronger focus on Green Innovation, the potential for further sustainable growth is also given for the future.

The spa experience for the dog

The hansgrohe DogShower is a new type of shower head that is tailored to the needs of dogs and their owners. Special water jets and massage nubs allow a thorough and pleasant cleaning of fur and paws.

Just two years after the initial idea, the DogShower is achieving seven-figure sales. And the market is even bigger: besides dogs, there are other furry noses whose fur needs to be cleaned regularly.

The development of the DogShower could easily pass for best practice in an Innovation Lab playbook: The idea was born in an ideation session in the InnoLab team, which focused on pain points in the context of bathrooms. Within a few weeks, an MVP was developed using 3D printing and - in order to circumvent distribution policy conflicts - placed on the market under the incognito brand Furly. Only after positive market feedback was the product made ready for series production and distributed under hansgrohe in 28 countries.

DEKRA DIGITAL

Digital innovation is no easy task - especially not for a company that operates in a regulated environment. However, DEKRA DIGITAL masters this task with flying colors: started in 2018 with 4 employees, today 150 digital experts from 20 nations develop digital services and products that enable the safe and efficient use of new technologies. The focus is on the topics of big data, AI, cyber security, future mobility and IoT.

Audi Business Innovation GmbH

In recent years, Audi Business Innovation has evolved from a digital unit for new mobility offerings into a central partner of AUGDI AG for the realization of the Group strategy "Vorsprung 2030". The unit focuses on optimizing the digital customer experience through (process) innovations and new services and products. Synergies are realized and scaling potential is leveraged in a targeted manner by specifically promoting innovations that are relevant for Audi, but also for all brands in the Group.

Digitalschmiede (VINCI Energies Digital)

Digitalschmiede accompanies and supports business units in terms of content and technology in addressing, designing and implementing their customers' digitization projects and building up their own digital competencies. In this way, the core business is to be sustainably transformed with customers and partners. Not exactly easy in a corporation with around 300 decentralized business units. However, the Digitalschmiede team has mastered this with great success: 80% of all business units use the Digitalschmiede offerings.

Elevator maintenance via smartphone

LIFT Check enables a digital, manufacturer-independent analysis of lifts. During a lift ride, sensors on a smartphone are used to record the ride quality. The app is already used by over 2,000 service technicians. But the potential is much greater, because the solution is also conceivable for escalators and the like.

Desired car at the push of a button

The Automotive Visualization Platform allows the photorealistic depiction of individual car configurations down to the last detail. The use cases are diverse - from the creation of marketing materials to upselling to dealers - and the demand is great: over 1 million images are generated per day.

Making dangerous situations tangible

Infinity takes workplace safety training to a new level by using virtual reality to simulate accident scenarios on digital twins of real equipment without risk. The immersive training is significantly more sustainable than traditional training and thus helps to avoid costly and dangerous mistakes.

N3XT Innovation (MediaMarktSaturn)

Retail has to change radically in order to remain attractive to increasingly digitally affine customer groups - N3XT Innovation is convinced of this. A good dozen employees are working on new technologies and methods that will shape retail in the future. The team's goal is to further improve the customer experience both online and offline, to optimize processes within the group of companies and to develop new business models. The focus is primarily on activities that enable simple, frictionless customer journeys and sustainably improve customer relationships.

N3XT Innovation operated as an independent GmbH until recently. In 2022, it was reintegrated into the strategy division of the MediaMarktSaturn Retail Group. As a result, the unit has moved closer to the core organization since this year and is closely integrated into the corporate strategy. In this setup, it also supports the Group's core strategic initiatives. In order to be able to explore new opportunities in an agile manner, N3XT can draw on simplified Group processes and structures, for example in the areas of IT, purchasing and marketing. If the projects are successful, the organization is helped to transfer the projects into the regular processes and structures; if they are not successful, they do not generate overhead costs.

N3XT Innovation shows that innovation is not a playground but a strategic necessity. In times of dampened consumer sentiment, disrupted supply chains and the steady growth of online retail, creative solutions are needed that keep existing business competitive and open new business opportunities for the future. N3XT has already achieved quite a bit along this path, as the "LaLiga" case study demonstrates (box on the right).

Increasing sales with gamification

With LaLiga, MediaMarktSaturn uses the growth field of gamification to motivate employees for additional sales and further training.

Employees of a store form a virtual team via an app. In the style of a national soccer league, the teams of the stores play each other over several match days. The team that sells a certain product - for example, a warranty extension - most effectively wins a match. Bonus points are awarded for the consumption of advanced training content. At the end of a league, the best teams are rewarded with cash or non-cash prizes.

A large part of the employees play along - and very successfully: Participating stores can report a significant increase in sales.

Additional revenue potential is leveraged by integrating manufacturers who sponsor game days to promote sales of their products.

fnx (Fressnapf Maxi Zoo)

With a team of mostly pet owners themselves, fnx is working towards its vision: to be the home for digital and physical innovation in the pet and veterinary sector and to offer great services to all pet lovers in Europe. Fressnapf Maxi Zoo aims to become a care provider that makes the lives of pet lovers and their pets easier, better and happier.

The team has been working as an innovation unit since 2019 - since 2021 under the name fnx - with great success on the development of new products and services along the life cycle of dogs, cats & co. The innovation portfolio now includes diverse topics such as subscription boxes, digital advice by veterinarians and dog salons and contributes to annual sales in the millions.

Know exactly where the dog is

With the Fressnapf GPS tracker, dog owners always know exactly where their dog is. If a dog gets lost, it can be located quickly. And that's not all: an app provides information about the dog's activity level and tips on calorie and water requirements. In the future, fnx would like to make even greater use of the data to provide individual recommendations for the dog's well-being and to point out relevant Fressnapf Maxi-Zoo offers.

ERGO Innovation & Digital Transformation

Offering customers an uncomplicated and stress-free experience along the entire customer journey - Ergo Innovation & Digital Transformation aims to do no less. Almost 40 employees are developing new products and services. A core element of the activities is Nexsurance, a platform for innovative product offerings from the triad of insurance, service and technology. Smart smoke detectors, bicycle locks and the like are designed not only to insure damage, but also to prevent it.

However, the greatest leverage lies in the exploration of new technologies and making them accessible. For example, topics related to AI and RPA were tapped, which today make a significant contribution to earnings for the entire Ergo Group. In the future, the digital innovation unit will also support the optimization of processes with the help of process mining.

Voice supported customer service

Over 1 million customer concerns have already been answered at Ergo through the use of an AI-based voicebot. This relieves the lines, increases the service level and makes the hotline job more interesting by focusing on more complex customer concerns. But the use of voice not only has advantages for customers and employees, Ergo also benefits monetarily: because a voicebot call is cheaper by a factor of 5 than a classic call.

EnBW Innovation

EnBW Innovation develops new business with commercial relevance in the area of energy-related markets, but also beyond these markets. The focus is on business models that drive EnBW's transformation into a sustainable infrastructure partner.

Spin-offs play a central role in this: In the last few years, 16 ventures have already been founded, which have been able to secure numerous internal and external follow-up financings. It is not only the large number of successful ventures that is impressive, but also the speed with which they were created. From the initial idea to the spin-off takes only 9 months on average.

The portfolio is now worth over 70 million euros. It is expected to grow to several hundred million euros by 2030. A big goal, but one that is quite realistic given the annual growth rates of more than 60 percent to date.

In order to pursue its chosen path even more consistently, EnBW founded EnPulse Ventures GmbH in May 2022. The wholly owned subsidiary is responsible for the Group's early-stage innovation business - from the time of the initial idea, through the development and testing of business models, to the establishment of market-ready ventures. The idea behind the independent unit: faster innovation cycles, better development opportunities for corporate ventures and more courage to do things radically differently than before.

Sustainable growth

With the virtual power plant, EnBW is making an active contribution to the energy revolution. This is because its core capability is to collect, intelligently network and distribute green decentralized energy. Through its platform and digital services, it brings together producers and consumers of renewable energies and enables everyone to help shape the energy world of tomorrow. The aim is to optimally coordinate energy demand and energy generation and to flexibly control them according to electricity supply and demand.

With more than 7,000 plants and a total volume of well over three gigawatts of green electricity, EnBW's virtual power plant is one of the largest direct marketers in Germany and is therefore officially system-critical for grid operations. The virtual power plant has been part of EnBW's trading activities since the beginning of 2022. It is the first innovation project of this size to be integrated into a business unit of the Group.

#2 VENTURE BUILDER

Chemovator (BASF)

The Chemovator is one of the larger innovation units among the DAX companies. The mission: As an internal venture builder, scalable and investable business models are to be established to drive innovation and growth at BASF. BASF employees are to develop innovations for the chemical industry that primarily promote sustainability and digitalization. To increase the probability of success, the teams will be supported by a specialized core team and experienced entrepreneurs in residence. Scaling is possible via a spin-in into BASF as well as via a spin-off.

After only four years, the Chemovator can look back on four successful spin-offs and two spin-ins.

Sustainability in the supply chain

If the packaging of a chemical product is damaged or incorrectly labelled, the product may not be sold according to legal requirements. Boxlab enables an alternative to the disposal that normally takes place: Via an app, new packaging and labels can be ordered with just a few clicks and are available after only 24 hours. This not only saves 90% of disposal costs, but also enables significantly more sustainable supply chain management.

#3 VENTURE BUILDER

Körber Digital GmbH

Körber has set itself the goal of developing from an excellent mechanical engineering company into a technology group. In the future, one-third of sales are to be developed with digital solutions. As the venture builder of the Körber Group, Körber Digital is a central component of this.

Körber Digital develops solutions that enable the increase of manufacturing efficiencies based on AI and Deep Tech - machine- and industry-agnostic. The focus here is on sustainable management, because conserving resources by foregoing consumption will quickly reach the limits of acceptance. More efficient production offers huge leverage.

Within three years, three ventures have already been spun off, one venture has been acquired and two more are in the planning stage.

Quality control meets artificial intelligence

Körber Digital automates quality control with InspectifAI: High-resolution data from ampoules are checked for impurities and errors using AI. The solution is currently being implemented at three large pharmaceutical companies and is showing results that far exceed those of comparable solutions, both in terms of error detection and the reduction of false-positive exclusions. A positive EBIT is already expected in three years.

Wayra Germany (Telefónica /o2's Open Innovation Initiative)

Wayra Germany drives corporate innovation through collaborations with tech startups for Telefónica. The aim is to make a positive contribution to the Group's profit - either through cost savings by optimizing processes or by opening new sources of revenue through new business models.

For this purpose, Wayra Germany pursues a venture clienting approach: Wayra actively seeks tech startups that deliver solutions in fields where Telefónica needs support - e.g., corporate responsibility, retail or HR. The focus is on startups that offer initial revenues and technically validated solutions with customers. The concrete problems are brought to Wayra by the business units. Once a promising startup is found, Wayra Germany organizes a three-month pilot project between the startup and the business unit, in which the suitability of the startup for the problem solution is validated. If successful, a commercial contract is signed between the startup and Telefónica.

For startups, this means not only the establishment of a sustainable supplier relationship, but also the possibility of scaling on a large scale: via eight additional Wayra Hubs in Europe and Latin America, an even larger customer group can be tapped. In addition, access to investments is also possible via Wayra Germany. Wayra Germany can invest up to 350,000 euros on its own, significantly larger tickets up to 25 million euros are possible through cooperation with investment vehicles of Telefónica.

Wayra Germany proves to have a good hand in scouting: 90% of all startups with which a pilot was conducted are still active on the market today or have a successful exit. It is therefore not surprising that Wayra Germany achieves an annual profit impact in the single-digit millions.

Transparency about competences

Cobrainer is an AI-based skills platform that simplifies and accelerates internal recruiting. The core of the HR solution is a skills analysis, which is used to identify talents and promote them through upskilling and reskilling.

Following a successful pilot in 2019, the solution was rolled out to all of Telefónica's approximately 8,000 employees in Germany. Through targeted employee development and transparent competence management, 750,000 euros can be saved annually.

An investment in the form of a convertible loan also followed in 2020. Cobrainer's external market valuation has increased fivefold since then.

And the success story is likely to continue: Internal hiring will become more and more important in the next few years due to the weak global economic situation.

#2 STARTUP PROGRAM

ERGO Innovation & Digital Transformation

In addition to developing its own innovations (see page 10), Ergo is tapping external innovation potential by collaborating with start-ups. The focus is on startups that facilitate new business models or enable process improvements through technology. With more than 20 million customers, Ergo is an attractive scaling partner for startups.

In order for cooperations to succeed, a lot of work is required in addition to matchmaking to enable the subsequent scaling of the startup's solutions in the Ergo Group via successful pilot projects. In addition to cooperation at eye level, Ergo relies above all on genuine commitment from the specialist departments, which is achieved through intensive involvement right from the start. The model works: Ergo now has over 50 startup collaborations along the entire customer journey.

Uncomplicated doctor's visits when travelling

The cooperation with the startup Air Doctor makes it easy for Ergo customers to find a doctor and make an appointment when they are ill abroad. Ergo recognized the potential of the startup, which is active in over 70 countries, early on and invested in the cooperation. The result: very positive customer feedback with respectable Net Promoter Scores and noticeably reduced administrative costs for medical treatment abroad thanks to digital processing.

#3 STARTUP PROGRAM

BSH Startup Kitchen

The BSH Startup Kitchen's mission is to harness external innovation power through collaborations with startups to drive innovation quality and speed for BSH.

In addition to identifying promising startups, the core task of the Startup Kitchen includes enabling BSH business units for successful startup collaborations. To this end, services, support and processes are offered that enable the easy adoption of startup solutions for the core business. And with success: Since the unit was founded in 2018, around 70 projects have been initiated with startups, 25% of which have led to a cooperation with a tangible business impact of several million euros for BSH.

AI-assisted inspection

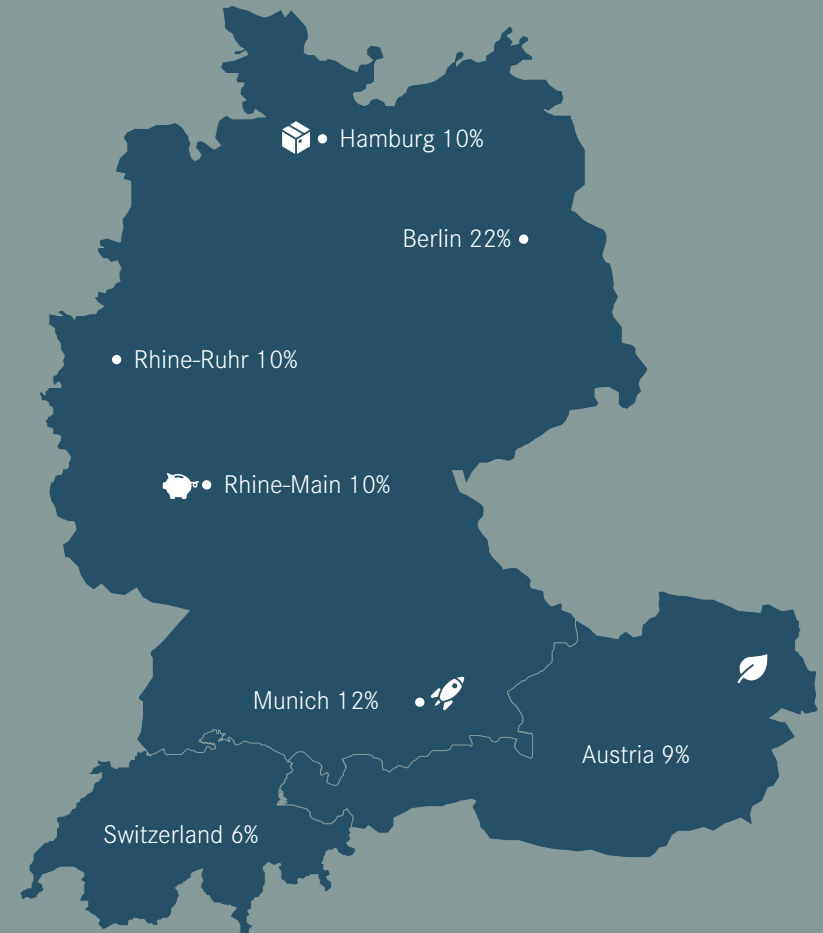
Inspekto enables AI-based inspection of produced parts, allowing for huge efficiency gains. Instead of manual quality control, an automatic inspection (e.g., of punched sheets) takes place. The solution is currently being used at BSH's five largest plants. However, nothing stands in the way of further scaling: The AI can be trained independently by employees in the plant with only 20 sample parts.

Study results in detail

Firmly established and indispensable

We now count more than 300 corporate digital innovation units in German-speaking countries. Although the establishment of new units has declined steadily since 2017, 13 new units were announced last year. Closures on a larger scale, on the other hand, did not take place or were not communicated. We therefore do not see a turning away from digital innovation vehicles, but rather a saturation effect: Most large companies operate one or more digital innovation units.

The vast majority of all digital innovation units (85%) are based in Germany. While Berlin remains the top location for digital innovation units - 22% of all units are based here - other major cities are gaining relevance for dedicated topics: Hamburg for logistics, Frankfurt for FinTech, Munich for technology startups and Vienna for sustainability. For the majority (63 %) of all innovation units, however, a location in direct proximity to the core organization is more decisive than access to ecosystems and digital talent. A third option is therefore becoming increasingly attractive, especially for innovation labs: the next largest city near the parent company. This is because proximity to the core organization is guaranteed here, while at the same time digital talent can be recruited from a new environment, which - it is hoped - can then also be won over in the long term.

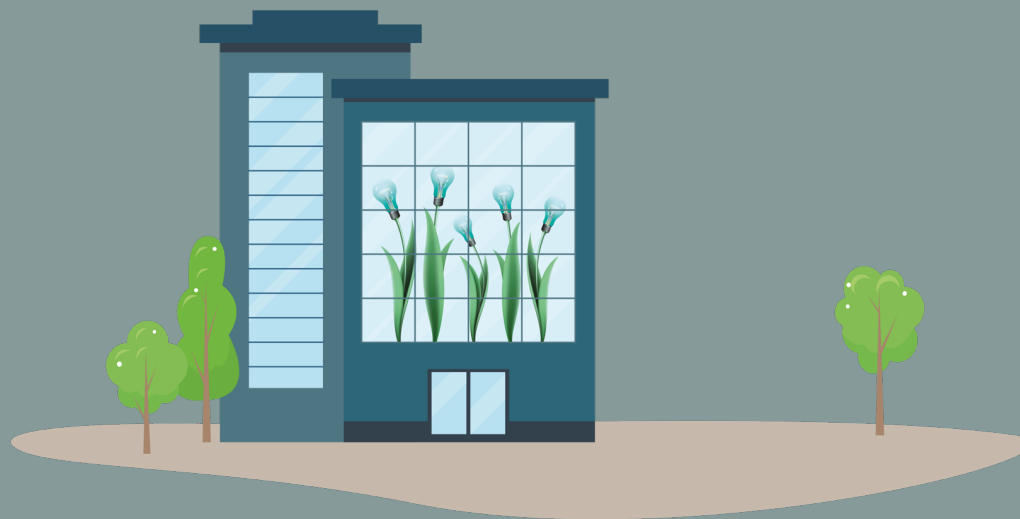


The Swiss army knife among the innovation units

Innovation Labs are all-rounder units that work on a range of near-core and non-core topics. Innovation work is primarily carried out by the company's own employees, who develop new services, products and business models.

Innovation Labs score points with their direct connection to the core organization, which facilitates the development of core business-related innovations and increases acceptance within the company - but only if real added value is generated. Successful innovation labs therefore rely on the early involvement of affected business units, the integration of sponsors from top management, control by means of well thought-out KPIs and the consistent termination of projects as soon as success-critical hypotheses cannot be confirmed.

In addition to developing digital innovations, innovation labs often pursue transformational goals and are tasked with exploring new subject areas.

**39**

Full-time employees
Min. 2 | Max. 140

4,7

Million € Budget per year
Min. 1.3 | Max. 15

5

Innovation concepts per year
Min. 1 | Max. 21

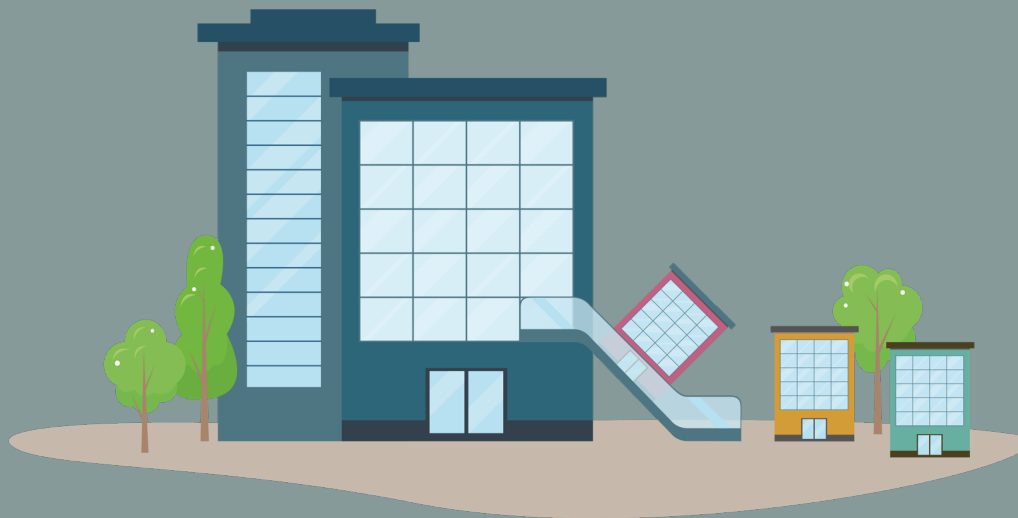
VENTURE BUILDERS

Entrepreneurship to develop new revenue streams

Venture builders aim to develop and spin off ventures. Ideas for ventures originate from the core organization or the venture builder team and are spun off with own employees and/or external founders. They are a particularly suitable innovation vehicle when ideas cannot develop their full potential in the core organization.

The development and scaling of ventures requires a broad skillset, which is why successful venture builders rely on an experienced core team that brings venture ideas to spin-off together with internal or external founders.

In order to attract talented individuals, successful venture builders give founders a share in the success of the venture (e.g., through long-term incentive plans or real/virtual shares) and offer external investors opportunities to participate, thereby opening new growth opportunities.



51

Full-time employees
Min. 5 | Max. 180

6,5

Million € Budget per year
Min. 0.5 | Max. 19

2

Venture projects per year
Min. <1 | Max. 3

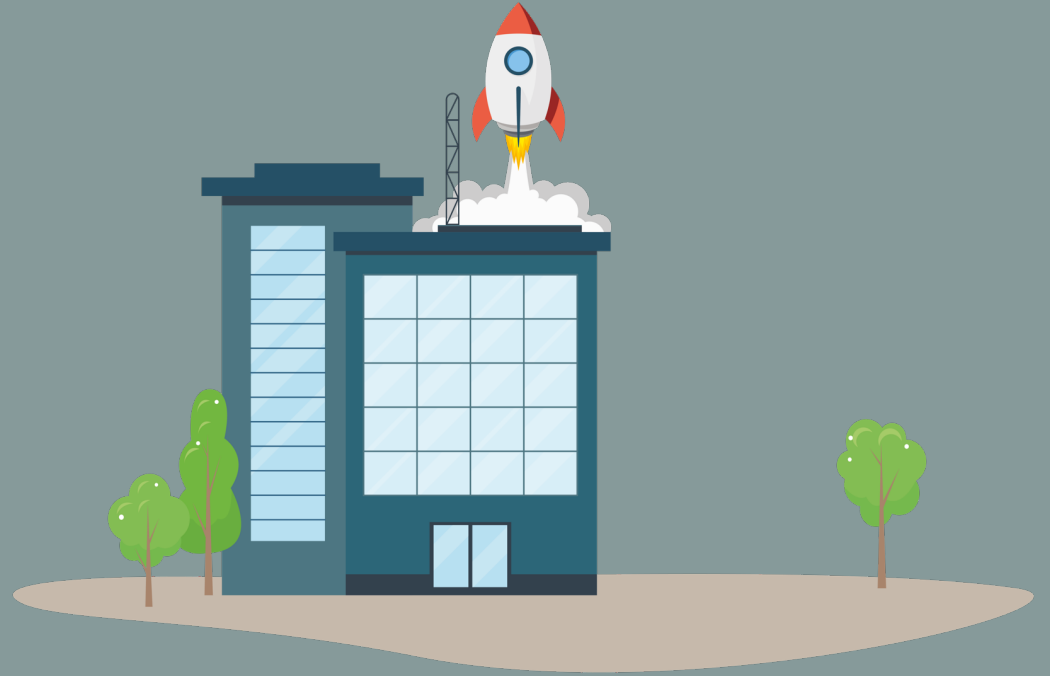
STARTUP PROGRAMS

Success on all sides

Startup Programs enable institutionalized collaboration with startups by acting as a bridge between their parent company and the startup world. They are designed to make promising startups accessible and enable rapid access to external innovations.

The venture client model has increasingly become the standard approach: startups are used to solve problems that the company itself cannot (easily) solve, or to expand the product and service portfolio; the company becomes the startup's (first) customer.

However, if the collaboration is not properly prepared, there is a risk of a "clash of cultures". Successful startup programs therefore create realistic expectations for both sides, accompany the collaboration until implementation and deploy simple docking options with organizational API that enable smooth collaboration.



8

Full-time employees

Min. 2 | Max. 23

0,9

Million € Budget per year

Min. 0.1 | Max. 3

20

Cooperations per year

Min. 5 | Max. 32

KEY INSIGHT 1

Full impact through holistically conceived innovation ecosystems

The time of the lone fighter is over - at least for the majority of all digital innovation units. What the best units have been (trying to) practice for a long time has now arrived on a broad scale and, above all, at the commissioning companies: digital innovation units can only develop their full impact in holistically conceived innovation ecosystems. The internal perspective on the ecosystem is just as crucial as the systematic development of external innovation systems.

Internally, a well-thought-out integration into the corporate strategy and a clear dovetailing with other innovation and digitization instruments is crucial: If expectations, tasks and goals are not clear, the effect of the digital innovation unit will fizzle out. If, on the other hand, the role it is to play is clearly defined, activities can not only be neatly structured, but synergies with other innovation players in the company can also be leveraged.

Externally, networking in cross-industry networks - with (potential) customers, suppliers, partners, startups, academic institutions, investors and other market players - is profitable. In this way, innovation impulses can be gained for the development and scaling of successful innovations, new topics can be jointly advanced and additional sources of budget and growth can be tapped.

Ingredients for success:

- Strategic orientation: Choosing the right balance between innovations that are close to the core business and non-core innovations
- Instruments: Knowing the keyboard of innovation instruments and playing them in a targeted manner
- Opening: Positioning for Cross-Industry Innovation Ecosystems

Strategic innovation ecosystems



Digital talent: Recruit and empower yourself to act entrepreneurially

Today, the success of innovations is no longer limited solely by good ideas and available budget, but increasingly also by technological skills and available digital talent. The widespread approach of recruiting employees from the core organization for the Digital Innovation Unit and - if they lack skills - providing them with service providers has often not led to the hoped-for success.

The successful digital innovation units are therefore taking a different approach: they are building up their own employees who have mastered the most important digital tools themselves and can thus act independently of service providers. As a result, the units today have teams with roles beyond those of the innovation manager - from product owners, UX and UI designers, developers and venture architects to marketing and communications specialists.

Digital talent is also difficult to find for innovation units. In order to gain attractiveness for new employees, the development of an own employer brand as a supplement to the corporate brand is a comparatively simple means: Digital innovation units with their own brand recruit more successfully than those that do this under the corporate brand. Nearshoring is more complex, but very effective if implemented correctly: more and more innovation units are opening their own locations in nearby European countries in order to gain access to new labor markets. The prerequisites for this are an international mindset, acceptance of remote work and English as the working language.

Ingredients for success:

- Recruiting: Building your own capabilities and consider building an own digital employer brand
- Appearance: Aim for 100% authenticity in attracting talent to set the right expectations
- Metrics: Using control effects through methods such as innovation accounting and OKR

Empowerment for real entrepreneurial action

Entrepreneurial thinking is part of the self-image of every digital innovation unit. However, if you talk to (former) employees, it becomes clear that real entrepreneurship is difficult to achieve in a corporate environment due to low (personal) risk, insufficient incentives and a lack of freedom.

However, the best digital innovation units show that it is also possible for corporates to establish some entrepreneurship - through organizational structures that provide real incentives for high levels of ownership. For example, high decision-making freedom, binding key figures, variable compensation models, shares in the form of ESOPs or VSOPs are suitable for this purpose. Targeted bootstrapping of budgets can also generate the creativity in internal ventures for which successful startups are often admired.

KEY INSIGHT 3

Strategy: Understanding Green Innovation as an Opportunity

Green innovations are establishing themselves on the corporate innovation agenda. Many innovation units have set strategic search fields for the next few years in order to address social and ecological problems. The focus is on green business models, circular economy, ESG compliance, CO2-neutral production, resource and energy efficiency – and the list of topics continues to grow.

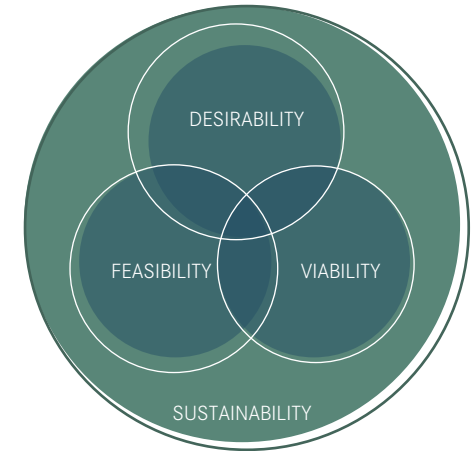
The paradigm shift is clear: sustainability is no longer tackled simply because end customers or regulation force it, but because opportunities are seen in new business models. The digital innovation units of Hansgrohe, EnBW, BASF and Körber show how green innovations can become reality.

However, there is still a lot to do: companies and startups are still in the early stages and need to build up knowledge around sustainable innovation. The scaling of sustainable services, products, business models and startups is particularly challenging: talents with experience in establishing sustainable business models are rare and the successful monetization is still a test.

Ingredients for success:

- Circular Economy: Thinking through the entire life cycle and integrating partners
- Using technology as an enabler for efficiency gains
- Proactivity: Setting standards for sustainability instead of waiting for them to happen

Sweet spot: Sustainable Innovation



For many digital innovation units, sustainability today supplements the previously valid triad of "desirability - viability - feasibility", which is used to evaluate ideas. Sustainability is declared to be a basic prerequisite for successful innovation: If an idea does not pay off in terms of ecological, social and economic sustainability, it is not pursued further – even if it may be desirable, viable and feasible.

Our offer for your innovation activities

Our Promise: Instant Transformation

Founded in 2004, Infront advises companies on strategy, innovation and transformation. Over 1,200 developed business model ideas, more than 100 proven innovations and their implementation in the market and in the core organisation make us one of the top consultancies for digital transformation in Germany. More and more awards for our groundbreaking approaches and methods confirm the effectiveness.

Since 2018, Infront has been a wholly owned subsidiary of Munich-based KPS AG. Together, we leverage expertise and resources to guide clients from strategic alignment to the precise design of turnkey, industry-specific process chains to comprehensive technology and organizational implementation.

More information at:
www.infront-consulting.com



Our approach: Innovative instruments for individual challenges

The strong focus on the business model perspective and the consideration of challenges from a market and customer perspective characterise Infront's approach. With our tools, we combine experience, content and collaborative methods in a unique way across all core dimensions of digitalisation: strategy, innovation and transformation.

We turn ideas into successes

Innovations need culture, structure and market assertiveness. We support you in setting up, operating and optimizing effective innovation units as well as in developing, testing and scaling successful digital innovation projects in the core organization.



Building innovation ecosystems

We design successful innovation ecosystems that transcend company and industry boundaries. Our focus is on trusting cooperation that creates real impact for all partners. Our years of cross-industry experience in strategy development enable us to create win-win situations.

Optimization of digital units

Far removed from familiar standard models, we optimize digital units for performance and speed. Whether strategic alignment, innovation accounting, scaling paths or cooperation models for core organization and startups - we deliver clear and individual development concepts whose implementation we accompany as needed.

Development of Digital Innovations

We integrate with your teams to specifically accelerate the customer-centric development and testing of new business model approaches in the marketplace. Iterative and focused on the success-critical hypotheses, concepts are strategically sharpened, validated and, if successful, transferred to scale in a matter of weeks to months - while your teams are empowered to continue working without our support.

Scaling Digital Innovations

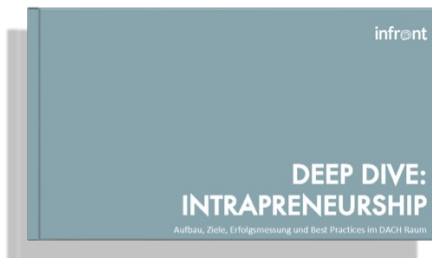
Commercial scaling is the supreme discipline of digital innovation projects. The path to the cash cow is especially one: individual. We support you in the rapid and concentrated scaling of digital business models. We develop effective scaling paths in which real, sustainable competitive advantages are played out.

Please take a look at our other analyses and studies- available via www.infront-consulting.com/publikationen.



A peek into closed digital innovation units

Not all digital innovation units are successful: one in ten innovation units is closed again. Our study "Innovate the Innovation" analyzes the causes of closures, provides valuable insights into typical pitfalls and makes recommendations on how to avoid them.



Intrapreneurship Reloaded - New paths for more impact

Intrapreneurship programs have experienced a revival in recent years and are being implemented by more and more companies. Our study "Deep Dive: Intrapreneurship" examines the structure, objectives, and performance measurement of intrapreneurship programs. It also provides insights into current challenges and success factors.



Champions of Digital Transformation 2021

Our study takes a comprehensive look at the status and success factors of digital transformation in German companies. The focus is on the most effective transformation programs and their key building blocks - from technology to organization and cultural change.

ARE YOU INTERESTED?

Have a talk with us

We would be happy to discuss whether the results of our study could be valuable for your company.

We look forward to hearing from you!

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Appendix

RANKING OF THE BEST INNOVATION LABS | INDUSTRY

	Innovation labs Industry	Growth & potential	Speed	Commercial success	Total Score
1	InnoLab Hansgrohe Group	4,0	4,0	4,2	4,1
2	DEKRA Digital	4,1	3,5	3,5	3,7
3	Audi Business Innovation GmbH	3,3	4,0	3,4	3,6
3	Digitalschmiede (VINCI Energies Digital)	4,0	3,1	3,6	3,6
	VTG Digital Lab	2,7	3,9	3,3	3,3
	KSB Business Innovation Lab	3,0	3,2	3,5	3,2
	ZF Innovation Factory	3,0	2,9	3,8	3,2
	New Ventures Lab (Hoerbiger Compression)	2,6	3,3	3,2	3,0
	Krones Innovation Lab	2,8	2,7	3,4	3,0

Notes: Innovation Labs | Industry with a Total Score of less than 3.0 points are not listed in the ranking. Alphabetical order with identical Total Score (second decimal place)

RANKING OF THE BEST INNOVATION LABS | SERVICE

	Innovation labs Service	Growth & potential	Speed	Commercial success	Total Score
1	N3XT Innovation (MediamarktSaturn)	3,7	4,5	4,0	4,1
2	fnx (Fressnapf Maxi Zoo)	4,1	4,2	3,7	4,0
3	Ergo Innovation & Digital Transformation	4,0	3,8	3,9	3,9
	Greenhouse Innovation Lab (Gruner + Jahr/RTL)	4,0	3,4	4,1	3,8
	Vodafone Innovation	3,7	3,3	3,5	3,5
	Innovations & Ventures (DB System GmbH)	3,4	3,2	3,7	3,4
	Customer, Analytics & Technology (Rewe)	3,6	3,5	3,1	3,4
	Squared - The innovation factory by OBI	3,4	3,5	3,3	3,4
	Digital Business & Transformation (Hapag-Lloyd)	3,5	3,3	3,3	3,4
	neosfer (formerly main incubator)	3,6	3,1	3,4	3,4
	Innovation management at Westnetz GmbH	3,7	3,2	3,1	3,3
	CodeCamp:N (Nuremberg Insurance)	3,3	3,4	3,1	3,3
	The Nest - Elia Group Incubation Factory	3,2	3,2	2,9	3,1
	HHLA Next	3,9	2,2	3,1	3,1
	VNTR Innovation & Venturing by Post Finance	3,4	3,1	2,7	3,1
	Sparkassen Innovation Hub	3,1	3,1	2,8	3,0
	Haspa Next GmbH	3,3	2,8	2,8	3,0

Notes: Innovation Labs | Service with a Total Score of less than 3.0 points are not listed in the ranking. Alphabetical order with identical Total Score (second decimal place)

RANKING OF THE BEST VENTURE BUILDERS

Venture builders	Growth & potential	Speed	Commercial success	Total Score
1 EnBW Innovation	4,6	4,5	4,4	4,5
2 Chemovator (BASF)	4,4	4,6	4,3	4,4
3 Körber Digital GmbH	4,0	4,2	4,6	4,3
wattx (Viessmann)	4,1	3,8	4,1	4,0
Mahle New Ventures	4,2	3,7	4,0	4,0
Kubikx (Schmitz Cargobull AG)	3,5	3,8	3,5	3,6
Rehau New Ventures	3,8	3,5	3,3	3,5
Squared - The innovation factory by OBI	3,8	3,6	2,8	3,4

Notes: Venture Builders with a Total Score of less than 3.0 points will not be listed in the ranking. Alphabetical order with identical Total Score (second decimal place)

RANKING OF THE BEST STARTUP PROGRAMS

Startup programs	Growth & potential	Speed	Commercial success	Total Score
1 Wayra Germany (Telefónica/O2's Open Innovation Initiative)	4,6	4,5	4,5	4,5
2 Ergo Innovation & Digital Transformation	4,3	4,1	3,9	4,1
3 BSH Startup Kitchen	4,0	3,8	4,3	4,0
Comdirect Startup Garage	3,7	3,5	3,7	3,6
Startup Connect (Vinci Energies Digital)	4,0	3,8	3,0	3,6
Telecom Techboost	3,6	3,8	3,3	3,6
VNTR Innovation & Venturing by Post Finance	3,3	3,2	4,0	3,5
Station X (Siemens Mobility)	3,4	3,6	2,7	3,2
Squared - The innovation factory by OBI	3,3	3,3	3,0	3,2
Adesso Ventures	3,5	3,2	2,8	3,2
Creators Expedition (AVL Startup Initiative)	3,2	3,0	3,2	3,1
Start-up programme Aareal Bank Group	3,1	3,2	2,7	3,0

Notes: Startup programs with a Total Score of less than 3.0 points are not included in the ranking. Alphabetical order with identical Total Score (second decimal place)

Economy is society

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- Invest: Analyses and expert tips on all aspects of private financial investment
- Life: The finer things in life



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