



INFRONT x CAPITAL MAGAZINE

# Corporations on the track of start-ups 2023

Twin Innovation: Digitalization x Sustainability

**Dear readers,**

it's hard to believe: You are reading the 7th edition of our study! What we started as an experiment in 2017 is now the most comprehensive study on Digital Innovation Units in the German-speaking world. Our 6th edition showed: Digital Innovation Units are an established innovation vehicle and can generate measurable impact for their parent company.

This year, too, the focus will be on impact - albeit in a much broader sense: We focus on sustainable innovations. We must admit, placing such a strong emphasis on sustainability was yet another experiment for us. Would we find enough units willing to share insights into their activities in this significant, even political, topic? A topic for which it feels like we can never do enough? To our surprise, the feedback was overwhelming, with almost 40 units participating. Some "old hands" joined solely for the sustainability focus, while new study participants were attracted because of it.

It is worth noting that this year's ranking may show lower average scores compared to previous years. This is not surprising, as sustainability is a relatively new field where the rules and guidelines are still evolving. Success patterns and methodologies are just starting to emerge. The good news is that we have already identified Digital Innovation Units in all industry clusters that are making a sustainable impact.

As always, we have compiled the results of our analyses for you in a concise format.

We hope you enjoy reading and find valuable insights within these pages!



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# About the study

## Corporations on the Track of Start-ups 2023

"Corporations on the Track of Start-ups" is the leading study on Digital Innovation Units in the German-speaking world. Since 2017, we have been taking a look behind the scenes of the Digital Innovation Units of established corporations and SMEs, analyzing their secrets of success, and honoring the best units with the "Digital Lab Award" from the business magazine CAPITAL.

This year, we are following up on the key insight from 2022: "Sustainability" is an integral part of almost every innovation agenda. Under the title "Twin Innovation: Digitalization x Sustainability," we are therefore focusing in our seventh edition on innovations that enable not only economic, but also ecological and social added value through the smart use of digitalization.

In search of the Digital Innovation Units that are most successful at Twin Innovation, we invited over 300 units from Germany, Austria and Switzerland to take part in our study. Of these, 39 Digital Innovation Units decided to participate. Considering the diverse starting points, challenges, and opportunities surrounding sustainability, we have decided to analyze Digital Innovation Units within three distinct industry clusters this year:

- Retail & Services
- Manufacturers
- Transportation & Infrastructure

On the following pages, we showcase the top-performing Digital Innovation Units and their success stories, offer a glimpse into the latest developments in the Digital Innovation Unit landscape, and present promising approaches to achieving greater sustainability through digital business models.

## Study design

Our study utilizes a two-stage approach: First, participants completed a self-assessment through an online survey. This was followed by validation interviews with the heads and sponsors of the units that ranked among the top in the survey. The online survey was conducted in March and April 2023, while the interviews took place in July 2023.

To evaluate the success of a Digital Innovation Unit, we assessed their Twin Innovations in the dimensions of people, planet, and profit. The scale used ranged from 1.0 to 5.0 points. In addition to their success to date, we also considered the potential of the Twin Innovations.

The ranking of the best Digital Innovation Units includes all units that achieved a total score of at least 3.0 points. In total, this includes 33 out of the 39 Digital Innovation Units that participated.

## Twin Innovation: Digitalization x Sustainability

At first glance, digitalization and sustainability do not necessarily seem to pursue the same goals, and even appear to contradict each other: Digitalization of business models, products, services & co. is often aimed at increasing sales and profits. The use of digital technologies consumes enormous electricity and server capacities, which cause high CO<sub>2</sub> emissions; rare earths are required for the manufacture of technical products, the mining of which damages nature; production often takes place under inhumane conditions – the list of downsides of digitalization is long. Sustainability, on the other hand, is often dismissed as a sacrifice of revenue, an inhibitor of growth, and "annoying" compulsory effort.

But are digitalization and sustainability truly incompatible? It is evident that companies cannot ignore either digitalization or sustainability if they seek long-term survival. Increasingly, organizations are realizing that it is not a matter of choosing one over the other but rather recognizing the tremendous opportunities that exist in integrating digitalization and sustainability. Concepts like the Twin Transformation illustrate how companies are combining efforts to address both the imperative transformations: sustainable transformation and digital transformation. Digitalization acts as a catalyst for achieving sustainability objectives, while sustainability serves as a guiding principle in the digital transformation journey, offering a framework and purpose.

This year's study focuses on Twin Innovations: Novel business models, products, services & co. that create sustainable benefits through the smart use of digital technologies. Our study analyzes how Digital Innovation Units (can) harness digitalization to facilitate sustainable innovations. To do this, we sought out units that generate value in the three dimensions of the triple bottom line – people, planet, profit (refer to the next page) – by implementing new, digital business models. Using concrete examples of success, we identified the methods and structures that promote the development and scaling of digital innovations that contribute to greater sustainability. Furthermore, we ascertained which units excel at these endeavors.



### People - Planet - Profit

Sustainability is frequently reduced to its environmental component. But it encompasses much more than that, as the Sustainable Development Goals (SDGs) passed by the United Nations in 2015 and aimed at all countries show.

The concept of the triple bottom line divides sustainability into three dimensions: social sustainability (people), ecological sustainability (planet), and economic sustainability (profit). Achieving genuine sustainability requires innovations that generate value in all three dimensions equally:

- They contribute to a positive social development and improve the quality of life
- They minimize environmental harm and foster the sustainable use of resources
- They ensure long-term economic growth and development

Innovations that prioritize one dimension at the expense of the others cannot be considered *truly* sustainable - even though generating substantial value in all three dimensions simultaneously may be challenging in practice



# Successes 2023



## The winners of the Digital Lab Award

Each year, we award the three most successful Digital Innovation Units in each study category with the Digital Lab Award - this year to the units that have best mastered Twin Innovation. The award ceremony took place at an evening event in Berlin on September 21<sup>st</sup>, 2023.

This year's winners have demonstrated that their digital business models, products and services have achieved and will achieve distinct social and environmental contributions in addition to commercial success. Their stories show that Twin Innovation is multi-faceted: there is no one blueprint that guarantees success. Nonetheless, exciting patterns of success are emerging that can be adapted to other contexts. The following pages show the success stories of the winners of the Digital Lab Awards 2023.

For a broader view of successful study participants, refer to the comprehensive ranking of the Best Digital Innovation Units on pages 15-18.



### Retail & Services

- 1 neosfer (Commerzbank)
- 2 TechBoost (Telecom)
- 3 fnx (Fressnapf | Maxi Zoo)

### Manufacturers

- 1 Hansgrohe InnoLab
- 2 iQ water solutions (BEULCO GmbH & Co. KG)
- 3 BSH Startup Kitchen

### Transportation & Infrastructure

- 1 EnBW Innovation
- 2 HHLA Next
- 3 Lufthansa Innovation Hub

### neosfer (Commerzbank)

The Digital Innovation Unit of Commerzbank Group has been dedicated to the topics of Digitalization and Sustainability since 2020: More than 30 employees - from 2013 until the beginning of 2022 still under the name main incubator - are dedicated to innovative digital solutions that are not only financially profitable for Commerzbank, but also generate tangible social and ecological added value.

As of this year, the unit has been B Corp-certified and thus plays a pioneering role not only within its own group, but also in the landscape of Digital Innovation Units. This is because only those companies that are demonstrably committed to social added value and ecological sustainability are certified.

The commitment to sustainability is also clearly visible externally: Since 2021, neosfer has been organizing the IMPACT FESTIVAL, Europe's largest event and platform for innovative B2B solutions in the field of sustainability. Neosfer wants to make a contribution to accelerate the sustainable transformation and to bring innovative startups together with established companies and investors. And it succeeds: Through the IMPACT FESTIVAL, fruitful collaborations between startups and companies have already been established and financing rounds have been closed.

With innovations developed in-house (e.g. Lissi for identity management to facilitate data sovereignty), business areas outside of traditional financial services are also being developed. For neosfer, the key to sustainability lies in the application of digital technologies such as blockchain, artificial intelligence and quantum computing. In this way, neosfer is not only already delivering new sources of revenue but is also tapping into valuable know-how that is becoming increasingly relevant for the core organization.

### Marketplace for sustainable solutions

The neosfer team not only brings established companies and startups together once a year at the IMPACT FESTIVAL, but also supports Commerzbank's business customers on a daily basis as they take their first steps in the area of sustainability.

Since this year, Impact Solutions offers a digital platform where customer advisors at Commerzbank or companies themselves can find solutions for their sustainable transformation quickly and easily - and startups from the sustainability sector can market their solutions in a straightforward manner. With more than 100 solution providers, the platform covers a variety of areas (e.g., energy efficiency, mobility, resource conservation) and is continuously being expanded with new features (e.g., CO<sub>2</sub> calculator).

Curated solutions, simple contact channels and special conditions will make Impact Solutions - according to neosfer's vision - the first point of contact for sustainability managers in the future.

## #2 RETAIL & SERVICES

### TechBoost (Telekom)

Telekom's startup program aims to inspire business customers through innovation and drive the Digitalization of German industry. To this end, the 22-strong TechBoost team has built up an impressive portfolio of over 900 startups offering comprehensive solutions to challenges faced by Telekom business customers - including, of course, the sustainability sector. At 10%, this accounts for a significant share of the revenue generated by collaborations.

Within Telekom, TechBoost is highly valued as a digitalization partner: Telekom Sales presents startups from the TechBoost portfolio at C-level meetings with business customers and shows how they can revolutionize their business models - and that sustainability and profitability go hand in hand at Twin Innovations.

### Sustainability Reporting as a Service

With the Telekom Sustainability Manager, TechBoost has cleverly combined several solutions from its portfolio into one tool that, among other things, enables the simple creation of sustainability reporting. The software not only supports companies in meeting their reporting and documentation obligations, but also shows suitable sustainability approaches that can be adapted directly. In this way, medium-sized companies in particular, which still need to build up their competence in the area of sustainability, benefit.

## #3 RETAIL & SERVICES

### fnx (Fressnapf | Maxi Zoo)

Sustainability is not (yet) a big issue in the pet sector. But that will soon change - at least if the digital unit of Fressnapf | Maxi Zoo has its way, because social trends and developments reach the pet market with a slight time lag.

The approximately 100 employees of fnx are therefore not only involved in the development and commercially very successful marketing of new offers and products (e.g. a GPS and activity tracker for dogs and cats), but are also exploring new areas such as insect-based food as an alternative source of protein that can significantly reduce the CO<sub>2</sub> footprint of pets. The focus of all activities is on the aim of not only caring for animals and their owners, but also looking after them in all situations.

### Video consultation for pets

At Dr. Fressnapf, concerned pet owners can obtain qualified advice from veterinarians - and thus avoid unnecessary visits to an inpatient practice. This not only spares the nerves of dog and owner, but also the wallet, because the fees for veterinary treatments have risen sharply in the last year. Through cooperation with pet insurance providers, the online consultation is even free of charge for many pet owners.

### Hansgrohe InnoLab

The InnoLab of the Hansgrohe Group describes itself as an avant-garde strategy department that aims to develop innovative solutions that contribute to the sustainability and future viability of the Hansgrohe Group. In doing so, the unit starts before the classic strategy department of the core organization in order to explore innovations in the second and third horizon and to test scenarios that may not occur until 2030 and are not yet fully effective in today's world. Under the claim "Water is life and our passion", 16 employees of the traditional manufacturer from the Black Forest are focusing their work on SDG 6 "Clean water and sanitation" – and they are acting with impressive consistency:

- A structured, planet-centric approach to innovation ensures that every idea pursued in greater detail addresses an ecological or social challenge. The familiar triad of desirability, feasibility and viability only follows afterwards. Consequently, ideas that do not generate a positive impact are not pursued further.
- Innovations in new subject areas and for regions in which Hansgrohe is not yet active (e.g. Sub-Saharan Africa) are developed by local experts in order to avoid social colonialism and to develop innovations with real impact for the target group.

The innovation portfolio of the InnoLab already includes successful innovations (e.g., a shower head that combines self-love and water conservation and has broken all sales records) and promising concepts (e.g., the treatment and reuse of shower water for toilet flushing) that will become increasingly relevant in the future.

For us, the Hansgrohe InnoLab is much more than a Digital Innovation Unit: It is the prototype of a future-proof innovation unit, because sustainability is the focus of all activities.

### The green bathroom of the future

The Green Vision is Hansgrohe's approach to the bathroom of the future and North Star for future products. The vision is based on a large-scale study by the InnoLab, which examined how water and other resources are used and wasted in the bathroom.

The result is a completely rethought bathroom that uses 90% less water, requires 90% less energy and produces 90% fewer CO<sub>2</sub> emissions. The key factor is the separation of hygiene and well-being, because the need for relaxation often conflicts with a conscious use of resources.

In the Hansgrohe bathroom of the future, relaxation will therefore no longer take place during long showers or in the bathtub, but through warm steam, light, aroma and sound therapy. And that will not only please the environment, but also our bodies, because this type of hygiene is much kinder to the skin.

## #2 MANUFACTURERS

### iQ water solutions (BEULCO GmbH & Co. KG)

The digital unit of BEULCO, a family-run manufacturer of products for water supply, has been intensively engaged in digital solutions for safe water supply (SDG 6 "Clean Water and Sanitation") since 2019.

iQ water solutions uses digital technologies to enable efficient and sustainable management of water, a resource that is also becoming increasingly scarce in Germany. Experts believe that in the future there will be a conflict between the supply of drinking water for the population, agriculture and industry. The innovations from iQ water solutions in the areas of smart home, smart infrastructure and smart farming can be part of the solution.

### Optimized watering in agriculture

Until now, agricultural water withdrawal in Germany has often been free of charge and is hardly controlled: Over-watering is therefore common and leads not only to water wastage, but also to salinized and infertile soils. iQ HydrON enables the targeted use of water through the Digitalization of irrigated areas. Currently, the solution is used regularly by hundreds of farmers - the national water strategy adopted in March will make iQ HydrON attractive to a large proportion of the approximately 265,000 farmers.

## #3 MANUFACTURERS

### BSH Startup Kitchen

The Venture Clienting program supports business and functional departments in finding, evaluating, validating and scaling startup solutions that increase BSH's competitiveness along the entire value chain. This includes topics that can achieve a long-term social, environmental or economic impact through better use of resources as well as circular business models. In doing so, the BSH Startup Kitchen team tries to subject the social and/or ecological components of a solution to a "business logic" in order to derive measurable economic effects and make a fact-based scaling decision. For example, extending the service life of a product can lead to lower repair costs.

### Short-term rental solution for household appliances

Together with the startup TULU, BSH offers household appliances for short-term loan in large residential complexes. This means that individuals do not have to buy rarely used appliances, but can share them with the community. This not only saves resources and users' wallets, but also enables products to be improved in the long term: BSH receives the appliances back, collects data-based insights into weak points, and in the long term can return used appliances to the cycle through refurbishment and recycling.

### EnBW Innovation

EnBW Innovation celebrates its tenth anniversary this year. Far from being old hat, however, the innovation unit of the Baden-Württemberg-based energy group EnBW can be seen as a pioneer: From the very beginning, sustainability has been the focus of its innovation activities. By building up and scaling its own startups, the 34 employees aim to drive forward the energy transition in ecological and social terms, thereby safeguarding the parent company's core business. The key for EnBW Innovation lies in the networking of infrastructure - not only energy-related, but also beyond energy.

Each idea pursued must contribute to at least one of the four SDGs relevant to EnBW: SDG 7 "Affordable and clean energy", SDG 9 "Industry, innovation and infrastructure", SDG 11 "Sustainable cities and communities" and SDG 13 "Climate action". In order to give sustainability an even higher priority and to be able to make even better, fact-based decisions, the innovation unit is currently venturing into a topic area that many Digital Innovation Units (still) shy away from: The measurability of ecological added values. EnBW Innovation wants to develop a digital exchange currency that makes it possible to transfer ecological added values (such as tons of CO<sub>2</sub> saved) and financial added values into a uniform key figure and thus make them comparable.

The track record after 10 years of EnBW Innovation is impressive: More than 300 employees are now active in fifteen spin-off startups in business areas close to the core (e.g. smart grid) and and non-core business areas (e.g. urban infrastructure) in 10 countries.

### Energy from many for many

The virtual power plant connects producers of renewable electricity with markets and consumers via a digital platform. This gives plant owners the opportunity to sell the electricity they generate themselves. The aim is to optimally coordinate power generation and consumption. Remote control of the plants ensures that grid peaks can be avoided, which increases grid stability.

EnBW's virtual power plant was set up as a corporate startup alongside EnBW's core business from 2016 onwards and - following very strong growth - was reintegrated into the Group in 2021. The direct marketing portfolio comprises several thousand renewable energy plants with a total capacity of more than 10 gigawatts. Around 7 million households could thus be supplied with electricity for a year. This means that EnBW is now the largest direct marketer of electricity in Germany.

## #2 TRANSPORTATION AND INFRASTRUCTURE

### HHLA Next

The innovation unit of the European logistics group HHLA wants to actively shape the climate-neutral transport of tomorrow with sustainable, digital business models. In doing so, the 20 employees of HHLA Next not only address company-specific issues, but also offer solutions to challenges that affect the entire industry, such as reducing CO<sub>2</sub> emissions in transport services (e.g. by shifting transports from road to rail).

The initial successes of the two-year-old innovation unit are remarkable and reveal its great potential: Four successful MVPs have been developed and one spin-off is about to be spun off - not a matter of course in an industry where companies tend to be reluctant to embrace innovation.

### Smooth coordination at intermodal terminals

RailSync solves the problem of analog and complex communication in freight train coordination at intermodal terminals. By networking the terminals, rail transport and infrastructure companies, the platform ensures more efficient coordination and simplified access to all information. The aim is to make freight transport more attractive - because transport by rail causes significantly lower CO<sub>2</sub> emissions than transport by road. The potential is great: The market is growing continuously and demands innovative solutions.

## #3 TRANSPORTATION AND INFRASTRUCTURE

### Lufthansa Innovation Hub

The travel industry is constantly changing: New technologies, new competitors, new customer needs - the list of challenges is long. The Lufthansa Innovation Hub ensures that the Lufthansa Group successfully navigates this dynamic environment. Thus, the focus is on identifying and developing new business opportunities in areas adjacent to the core business. For the 50-member team, sustainability is an integral part of this process and a basic prerequisite for innovation. For this reason, the team is also exploring how travel - and thus CO<sub>2</sub> emissions - can be avoided through virtualization.

The broad expertise of the innovation unit is appreciated by the parent company: The insights of the Lufthansa Innovation Hub into the "Future of Travel" are becoming increasingly relevant for strategic decisions.

### CO<sub>2</sub> compensation for the travel & transport industry

Squake is a platform for offsetting CO<sub>2</sub> emissions that is aimed at companies from the entire travel, mobility and transport industry. Using an API, companies can calculate the CO<sub>2</sub> emissions of the services they offer and offset them via partners carefully selected by Squake. Users can thus develop sustainable mobility products and offer them to their customers.

# Ranking of the best Digital Innovation Units



## RANKING

### The Best Digital Innovation Units | Retail & Services

|  | People | Planet | Profit | Total Score |
|--|--------|--------|--------|-------------|
| 1 neosfer (Commerzbank)                  | 3,6    | 4,3    | 4,1    | 4,0         |
| 2 TechBoost (Telekom)                    | 3,2    | 3,9    | 4,3    | 3,8         |
| 3 fnx (Fressnapf   Maxi Zoo)             | 3,4    | 2,8    | 4,2    | 3,5         |
| comdirect Startup Garage                 | 3,1    | 3,4    | 3,6    | 3,4         |
| AMAG Innovation & Venture Lab            | 2,5    | 3,7    | 3,7    | 3,3         |
| VNTR by PostFinance                      | 2,9    | 3,6    | 3,4    | 3,3         |
| ERGO Innovation & Digital Transformation | 3,0    | 3,2    | 3,6    | 3,3         |
| CodeCamp:N (NÜRNBERGER Versicherung)     | 4,2    | 1,9    | 3,4    | 3,2         |
| HK100 (KRAVAG)                           | 3,2    | 3,5    | 2,7    | 3,1         |
| OTTO DOCK 6 (OTTO)                       | 2,2    | 3,6    | 3,4    | 3,1         |
| Drees & Sommer Innovation Center         | 2,0    | 3,6    | 3,4    | 3,0         |

Notes: The ranking only represents the best Digital Innovation Units that participated in this year's study. Digital Innovation Units with a total score of less than 3.0 points are not listed in the ranking. If the total score is the same (second decimal), the Digital Innovation Units are listed in alphabetical order.

## The Best Digital Innovation Units | Manufacturers

|  | People | Planet | Profit | Total Score |
|--|--------|--------|--------|-------------|
| 1 Hansgrohe InnoLab                        | 4,3    | 4,5    | 4,5    | 4,4         |
| 2 iQ water solutions (BEULCO GmbH & Co.KG) | 3,2    | 4,0    | 3,5    | 3,6         |
| 3 BSH Startup Kitchen                      | 2,8    | 3,8    | 4,0    | 3,5         |
| KSB Business Innovation Lab                | 2,8    | 4,0    | 3,5    | 3,4         |
| wattx (Viessmann)                          | 3,0    | 3,3    | 3,9    | 3,4         |
| StationX (Siemens Mobility)                | 3,6    | 3,1    | 3,4    | 3,4         |
| Siemens Energy Ventures                    | 3,0    | 2,8    | 4,2    | 3,3         |
| REHAU New Ventures                         | 2,9    | 3,3    | 3,3    | 3,2         |
| Innovation Factory (ZF Friedrichshafen)    | 2,5    | 3,3    | 3,5    | 3,1         |
| Chemovator (BASF)                          | 2,1    | 3,5    | 3,5    | 3,0         |
| Bosch Startup Harbour                      | 2,3    | 3,1    | 3,6    | 3,0         |
| Krones Innovation Lab                      | 2,1    | 3,6    | 3,3    | 3,0         |
| MAHLE New Ventures                         | 1,6    | 3,7    | 3,7    | 3,0         |

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## RANKING

### The Best Digital Innovation Units | Transportation & Infrastructure

|  | People | Planet | Profit | Total Score |
|--|--------|--------|--------|-------------|
| 1 EnBW Innovation                        | 3,6    | 4,7    | 4,5    | 4,3         |
| 2 HHLA Next                              | 2,8    | 4,1    | 4,3    | 3,7         |
| 3 Lufthansa Innovation Hub               | 3,0    | 3,8    | 4,0    | 3,6         |
| REMONDIS Digital                         | 3,3    | 3,8    | 3,3    | 3,5         |
| Emons   DIGITAL                          | 3,4    | 3,3    | 3,5    | 3,4         |
| The Nest - Elia Group Incubation Factory | 3,1    | 3,7    | 3,2    | 3,3         |
| Innovation & Ventures unit (DB System)   | 2,8    | 3,6    | 3,5    | 3,3         |
| VINCI Energies Digital                   | 2,6    | 3,5    | 3,5    | 3,2         |
| TenneT PowerLab                          | 2,3    | 3,4    | 3,4    | 3,0         |

Notes: The ranking only represents the best Digital Innovation Units that participated in this year's study. Digital Innovation Units with a total score of less than 3.0 points are not listed in the ranking. If the total score is the same (second decimal), the Digital Innovation Units are listed in alphabetical order.

# Study results in detail

### Safely established and impossible to imagine without

The German-speaking region currently boasts over 400 Digital Innovation Units. However, it is worth noting that the number of unreported cases is likely high. Although the establishment of innovation labs, accelerators, and company builders was previously announced with great fanfare, it is now often done more quietly. These innovation units have evolved beyond being solely a marketing tool for larger corporations, and investing in them can be worthwhile even for smaller companies. This notion is exemplified by the recent success of iQ water solutions, the Digital Innovation Unit of BEULCO GmbH & Co. KG, which employs just 200 people (refer to page 12).

Initially, “Digital Labs” were associated with experimental approaches. Nowadays, they play a crucial role in the strategy of their parent companies and are addressing the challenges of shaping tomorrow's business with utmost seriousness. The scope of their activities has significantly expanded over time. Back in 2017, innovation labs and startup programs were distinguishable, and a clear emphasis could be placed on specific innovation phases. However, Digital Innovation Units now embrace a full spectrum of innovation vehicles and operate across all innovation phases. Notably, these units have also incorporated corporate venture capital. Large and successful units are capable of making significant investments in startups and can make informed decisions on whether in-house development (e.g. neosfer, EnBW Innovation, and HHLA Next).

Most Digital Innovation Units started out with a rather broad mandate to develop innovative digital business – and were often moderately successful in areas outside their core business. In the meantime, the teams are taking a much more structured approach: The focus is on topics that will influence and determine the activities of the core business today and, above all, in the future. Sustainability has therefore moved to the top of the agenda: Circularity, the sharing economy, democratization, mobility transformation and Sustainable Development Goals are no longer mere buzzwords. Instead they are firmly embedded in the mission and purpose of the Digital Innovation Units.



### Between customer expectations and customer behavior

Digital Innovation Units of retail and service companies are closely integrated into the corporate strategy. They are intended to enable their core organization to position itself as a strong partner at the side of customers and to tap new sources of revenue – also with regard to sustainability. Sustainability is viewed primarily from an ecological perspective. Social benefits are only expected of slightly more than half of all Digital Innovation Units.

The rating of the success reflects this expectation: With an average of 2.9 out of 5.0 points, the social contributions – generated so far or to be generated in the future – are clearly behind the ecological (3.3 points) and economic (3.6 points) contributions.

To bring more sustainability into products and services, many Digital Innovation Units from the retail and service sectors use their position close to the customer: They provide extensive information about sustainable alternatives to traditional offerings and promote these proactively. However, the so-called "Say Do Gap" makes it difficult to scale Twin Innovations: Although customers say they value sustainable offers, they choose low-cost offers. For companies, the question of the economic viability of Twin Innovation therefore often remains uncertain. Hence, Digital Innovation Units hope for new regulations and stricter rules that favor business models that generate positive value at all levels instead of those that do business as usual.



**2,9**

**People**

Min. 1.6 | Max. 4.2  
from 5.0 points

**3,3**

**Planet**

Min. 1.9 | Max. 4.3  
from 5.0 points

**3,6**

**Profit**

Min. 2.7 | Max. 4.3  
from 5.0 points

**Process efficiency today, circular economy tomorrow**

Digital Innovation Units from manufacturing companies usually operate outside their core business and explore new areas that could become more relevant in the next five to ten years. The focus is on the prudent use of resources, and circular business models. Social benefits are expected by only one in three corporate sponsor.

The results are therefore not surprising: Innovation teams from manufacturing companies achieve the lowest average contributions, especially in the people dimension. Due to the strong future orientation of their innovation projects, many Digital Innovation Units can currently only deliver ecological and economic value to a limited extent - but there is potential to be realized.

It will be interesting to observe whether the innovation teams can effectively harness this potential in a timely manner. Often, they face a lack of support and solidarity from the core organization, as the future issues they address are often too uncertain for many. Moreover, the core organization must first tackle its own challenges, such as reducing CO<sub>2</sub> emissions in production processes, before it can fully engage with new products and services. However, considering the principles of the circular economy, it is evident that manufacturing companies will need to reevaluate their business models in the long run to maximize resource efficiency.



**2,6**

**People**

Min. 1.5 | Max. 4.3  
from 5.0 points

**3,3**

**Planet**

Min. 1.5 | Max. 4.5  
from 5.0 points

**3,5**

**Profit**

Min. 1.7 | Max. 4.5  
from 5.0 points

### On a green path towards the future

Companies within the transportation and infrastructure sectors play a crucial role in achieving our climate targets, and this is mirrored through their Digital Innovation Units. The units are assigned with identifying market changes and transforming them into new business opportunities, supporting the company's twin transformation, and navigating through it successfully - better today than tomorrow. They delve into topics that are significantly more complex than other units and necessitate higher investments. As a result, sponsors of Digital Innovation Units from transportation and infrastructure companies have high expectations in all three dimensions of sustainability.

Currently, the innovation units are already fulfilling these expectations to a large extent, as they outperform units in other industry clusters. Many units have embarked on promising projects and introduced innovative solutions that enhance the attractiveness of sustainable modes of transport or make sustainable alternatives accessible and affordable to the broader public.

The future success of Digital Innovation Units will depend on whether they can make sustainable value more easily measurable. This will enable companies to make well-informed, fact-based decisions that yield better and more sustainable outcomes.



**3,0**

**People**

Min. 2.3 | Max. 3.6  
from 5.0 points

**3,8**

**Planet**

Min. 3.3 | Max. 4.7  
from 5.0 points

**3,7**

**Profit**

Min. 3.2 | Max. 4.5  
from 5.0 points



## Pioneer for Twin Innovation

The most successful Digital Innovation Units have been able to evolve while staying true to their core mission. Their initial objective was to explore new business areas and technologies, taking advantage of digital business models while the core organizations focused on the digitalization of their processes and core operations. Today, the development and scaling of digital products and services have become a routine part of many companies' operations.

Now, a new focus has emerged: sustainability. Just as the digitalization efforts were primarily inward-facing, with a focus on making internal processes more efficient, employees in core organizations are now primarily concerned with making their processes more sustainable. However, Digital Innovation Units have an extended mandate to explore sustainable business models, build expertise in this area, and identify new business opportunities. This mandate arises from the expectations of their sponsors, with 90% expecting the generation of ecological value and 56% expecting social contributions. The most successful units believe that the long-term future of their company lies in sustainable business models, and they see data, digital tools, and new technologies as key enablers (refer to Key Insight 5 on page 28).

Our previous study has already identified successful Twin Innovations (e.g. VINCI Energies Digital's "Infinity" solution, which improves occupational safety through immersive training). However, in these cases, the primary motivation was financial, with sustainability being a welcome by-product. Today, Digital Innovation Units approach sustainability in a much more systematic manner (refer to Key Insight 3 on page 26). The ultimate goal is to make Twin Innovations as natural for the core organization as digital business models are today.

### **Our offer:**

#### **Development and optimization of Digital Innovation Units**

Infront supports established companies and corporations in setting up and developing their innovation activities. Our extensive expertise - gained through the analysis of more than 150 innovation initiatives - enables us to provide our clients with valuable insights and best practices that help them achieve faster results and avoid costly mistakes.

We develop innovation programs with impact far beyond standard models, and deliver clear, individual concepts whose implementation we are happy to support as needed.

Interested? We would be happy to talk to you about how Digital Innovation Units can be designed with impact.

[Contact us](#)

## KEY INSIGHT 2

### Sustainable by passion

The results of our analysis clearly show that the financial success of Digital Innovation Units is closely linked to the social and ecological value generated by their innovations. Sustainability therefore also seems to pay off financially for Digital Innovation Units.

The attitude to sustainability of the employees in the Digital Innovation Units plays a decisive role, as the direct comparison between the most successful units and the less successful ones shows:

- The best Digital Innovation Units develop business models out of conviction that are not only commercially successful, but also generate social and ecological added value. They see sustainability not merely as a necessity, but as an opportunity to enable a new way of doing business. These units follow new ways of thinking and doing (see Key Insight 3 on page 26).
- Innovation units that generate lesser results understand sustainability as a trend with which sales can be generated. Sustainability is often limited to ecological aspects and is understood as a strategic “add-on”.

Achieving sustainability requires having a team of passionate individuals. Merely labeling products as “green” or using recycled materials in some cases is not enough to be truly successful. Customers can sense when a company's commitment to sustainability is insincere. The decisive factor is a team that is credibly committed to sustainability - including the managers and sponsors of Digital Innovation Units, who recognize the potential of the ideas and translate them into holistic strategies. For example, neosfer's IMPACT FESTIVAL (see success story on page 9) was the brainchild of two employees who wanted to organize a B2B event for green startups - and was ultimately one of the reasons why neosfer has focused so strongly on sustainability and is even certified as a B Corp.

### Our offer:

#### Design of innovation strategies

Infront helps companies and digital units to design future-oriented innovation strategies that enable the development of sustainable, competitive business models. Our approach involves bringing together all the necessary stakeholders, including strategists, clients, and employees, through engaging and inclusive formats.

Our self-developed, award-winning methods enable the systematic identification, development and evaluation of strategic approaches - based on inspiring blueprints and tailor-made for our clients.

Interested? We would be happy to talk to you about how we can support you in designing effective innovation strategies with impact.

Contact us

## New innovation goals, new innovation approaches

It's obvious: If you want to achieve different results, you have to proceed differently. Developing sustainable business models, products and services therefore requires new ways of thinking and doing. The best Digital Innovation Units pursue innovation approaches that focus on social and ecological value right from the start. There is not (yet) a single approach that can be used as a blueprint, but interesting approaches are emerging that can be adapted:

- The planet-centric approach, exemplified by Hansgrohe InnoLab (refer to the success story on page 11), starts with identifying an ecological or social problem as the initial step in the innovation process. Only in a second step is the desirability checked - i.e. whether a possible solution of the identified problem is also interesting for customers - and thus whether it is worth pursuing the idea further.
- Successful units strive to evaluate innovations based on all three dimensions of sustainability (people, planet, profit), instead of solely focusing on financial metrics, as has been traditionally done. Many units have been guided by the 17 Sustainable Development Goals. However, challenges arise in identifying suitable social and ecological metrics as well as in comparing and prioritizing conflicting targets. Solutions to these challenges are being actively sought but require further development.
- In order to assess the full positive and negative impact of innovations on society and the environment, many Digital Innovation Units bring external experts on board, because long-term social and ecological benefits and consequences for complex systems cannot always be identified at first glance. In many cases, their effects only unfold much later than economic outcomes can be generated and in areas that are not always obvious.

### **Our offer:**

#### **Assessment and further development of innovation processes**

Infront has extensive, analytically sound expertise in designing effective innovation processes that enable the development of successful Twin Innovations. In a structured assessment, we analyze our clients' approaches - if requested the entire innovation activities of a company, or for sub-areas such as individual innovation vehicles.

We uncover optimization potentials and provide concrete recommendations for possible development approaches in the context of your individual company goals.

Interested? We would be happy to talk to you about how an assessment can give you valuable impetus for the further development of your innovation processes.

[Contact us](#)

## KEY INSIGHT 4

### Joining forces for sustainability

Open innovation, which involves collaborating with partners to solve challenges and develop innovative business models, is an approach to help organizations to solve common challenges faster and more efficient. While the concept is not new, past efforts in this area have often failed, resulting in few real successes.

Today, more and more Digital Innovation Units understand the significance of partnering and collaboration. This is particularly relevant for the development and scaling of Twin Innovations, which are often more complex than purely digital innovations. Individual, isolated efforts may not fully exploit the potential of ideas. By teaming up with companies facing similar challenges or possessing complementary skills, resources, infrastructure, and knowledge can be shared. This not only reduces innovation costs but also accelerates the speed of progress. Building entire ecosystems enables experts to closely network, learn from each other, and collectively develop marketable solutions through joint projects. The establishment of sustainable industry standards can also become a shared goal.

An example of successful open innovation is Squake (refer to success story on page 14). Developed and spun off by the Lufthansa Innovation Hub team, Squake attracted an investment from neosfer, the winner of this year's Digital Lab Award in the "Retail & Services" category. Both Digital Innovation Units are now collaborating to grow Squake and enhance the sustainability of mobility offerings.

Digital Innovation Units are increasingly embracing open innovation aligned with SDG 17, "Partnerships for the goals." They recognize this approach as a powerful lever to create social, ecological, and economic value beyond corporate boundaries.

### **Our offer: Establishment of Innovation Ecosystems**

Infront is the leading expert in building and operating innovation ecosystems. We help companies work together to unlock technologies faster and share knowledge. With our proven "Cross Industry Innovators" approach, the transaction costs of collaboration can be reduced and concrete results with real business impact can emerge.

For more than two years, we have been operating an ecosystem in the field of "Maintenance & Repair of Critical Infrastructure" with seven European infrastructure providers, who have so far saved more than 1 million € in joint projects and significantly increased their innovation speed.

Interested? We would be happy to talk to you about how an ecosystem can also be valuable for your company.

Contact us

## KEY INSIGHT 5

### Designed to stay

The landscape of Digital Innovation Units is shifting away from the focus on fast growth and short-term success, with fewer units aiming to become unicorns. Instead, there is a growing emphasis on the impact economy, prioritizing long-term sustainability over quick wins. In developing products and services, these units often draw from existing mechanisms and archetypes of digital business models.

Based on the study, six patterns have emerged as particularly common in successful Twin Innovations:

- **Matchmaking:** Business models that bring together sustainable supply and demand
- **Transparency:** Business models that make negative impacts transparent (e.g. by calculating CO<sub>2</sub> emissions) and enable countermeasures to be taken
- **Shifting:** Business models that make an offline service available online, providing a greener solution and/or enabling participation for more people
- **Re-design:** Disruptive business models that question traditional processes, products and services and offer novel solutions (e.g. by establishing new standards)
- **Optimizing:** Business models that minimize negative environmental impacts and make new solutions more attractive by better aligning processes and optimizing the use of resources
- **Bundling & sharing:** Business models that bundle the needs of different users and thus make products and services available to a broad mass at attractive prices, while reducing the negative environmental impacts caused by individual use

### Our offer:

#### Development of Twin Innovations

Infront supports innovation teams in developing and scaling digital business models, products and services that create real impact. We always focus on People - Planet - Profit and bring in best practices, new approaches and methodologies.

Iterative and focused on the hypotheses critical to success, concepts are strategically sharpened in close collaboration with our clients, validated and, if successful, transferred to scale - while empowering our clients' employees to continue working without our support.

Interested? We would be happy to talk to you about how we can support your innovation teams in developing and scaling Twin Innovations.

Contact us

## CONCLUSION

### Success is with the brave

Over the past few months, we have had the opportunity to hold insightful discussions with managers and clients of Digital Innovation Units and to get to know exciting innovation projects. The focus was always on the question of what contributions Innovation Units are already making to sustainability and should make in the future – and how this can be achieved. The good news is that the employees of Digital Innovation Units want to contribute to the sustainable transformation of our economy and the first success stories are being written. But we also had to recognize that Digital Innovation Units are still at the beginning of a long journey: There is a lot to do before social, ecological and economic added value is equally achieved through new products, services & co. Digital and digitally supported business models have proven to be a lever for this. But success requires more – as our key insights show:

- Convinced people who see sustainability as more than just a strategy
- New approaches to innovation that are geared to sustainability from the outset
- An opening of innovation activities that enables a joint solution to complex challenges enables

Digital Innovation Units that want to remain successful in the future must continue to develop. As in digital topics, sustainability needs pioneers who shape the future. The findings of the study make it clear that Digital Innovation Units have the potential to do this.

The results should serve as an incentive for you, dear reader, to take a closer look at the topic of sustainability. We would like to encourage you to look for ways to establish sustainability in your company beyond reporting, CO<sub>2</sub> reductions and process optimization. The winners of this year's Digital Lab Awards can serve as role models and inspiration: Because they have shown that there is great potential in sustainable products, services & Co. that pays off not only for companies, but also for our society and our planet. And if you are still not convinced, you should ask yourself what it could cost you and all of us if your company does not invest in sustainability today.

### You would like to learn more?

We would be happy to discuss with you how the results of our study can also be used in a valuable way for your company.

We look forward to hearing from you!

Contact us

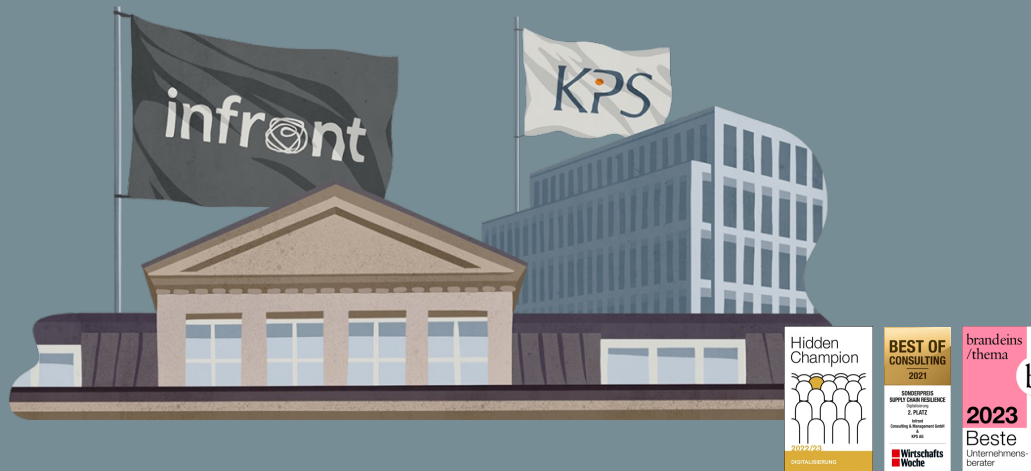
# Our offer for your innovation activities

## Our Promise: Instant Transformation

Infront was founded in 2004 and advises companies on strategy, innovation and transformation. More than 1,200 developed business model ideas, over 100 tried-and-tested innovations, and their implementation in the market and in the core organization position us in the league of top consultancy companies for digital transformation in Germany. Consistently winning new awards for our ground-breaking approach and methods are testimony to our effectiveness.

Infront has been a wholly-owned subsidiary of Munich-based KPS AG since 2018. We pool our know-how and resources to assist our customers, with tasks ranging from strategic alignment through to the precise architecture of turnkey, industry-specific process chains, and right through to comprehensive technology and organization implementation.

[Learn more about Infront](#)



## Our approach: Innovative instruments for individual challenges

Infront's approach is characterized by a strong focus on the business model perspective and the analysis of challenges from the market and client perspective. With our tools, we uniquely combine experience, content, and collaborative methods across all core dimensions of corporate management: strategy, innovation and transformation.



## We turn ideas into successes

Innovations need culture, structure and market assertiveness. We support you in all aspects of corporate innovation - from the establishment and operation of effective innovation units to the development and scaling of successful Twin Innovations and the establishment of Innovation Ecosystems.

You will find an overview of our offerings on pages 24-28.



### Lea-Theresa Münch

Co-Lead Innovation | Managing Consultant



Lea has been advising established companies on the organization and further development of their innovation activities and leading the development of innovations since 2016.

As head and author of the study "Corporations on the Track of Start-ups", she has analyzed over 150 Digital Innovation Units and knows the recipes for success. She is an alumni of the Business Sustainability Management program at the Institute for Sustainability Leadership, University of Cambridge.

Contact us

### Theo Haustein

Co-Lead Innovation | Senior Consultant



Theo accompanies companies in setting up and managing Innovation Ecosystems, and supports companies in optimizing their innovation setup.

As co-founder of a cross-innovation hub, Theo dedicated himself to promoting collaborations between companies from different industries several years ago. In doing so, he recognized early on the value of innovations that enable social benefits and participation.

Contact us

# Appendix

### Economy is society

CAPITAL has been defining business journalism in Germany for 60 years.

The brand's reputation has always been based on top investment expertise, as well as creativity and analytical substance in reports on companies, the global economy and the major trends in our society.

CAPITAL reinterprets this tradition under the claim "Business is Society" - with a high-quality, modern layout and award-winning visual language. This concept has made CAPITAL the most widely read business magazine in Germany (AWA 2023).

CAPITAL tells surprising stories from unexpected perspectives. The economy is not understood in national terms, but always as a global system. CAPITAL sees and explains the big picture.

More information at: [www.capital.de](http://www.capital.de)

### The magazine is divided into three parts:

World of business, invest and living - because the triad of CAPITAL is earn, grow and spend money.

- World of business: economic and social issues from surprising perspectives
- Invest: Analyses and expert tips on all aspects of private investment
- Living: The beautiful things in life



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