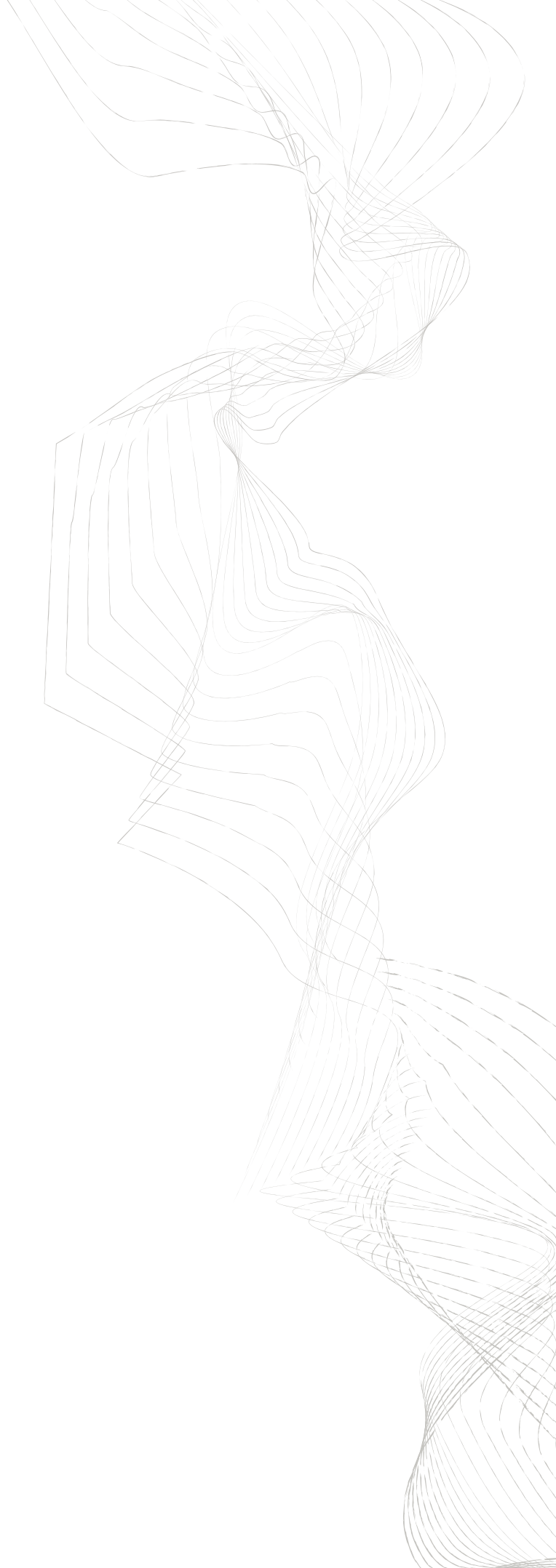


Innovation Management

Perspectives on a Hands-On Attitude



Innovation Management – Perspectives on a Hands-On Attitude

Shared learning from one of Europe's oldest and largest businesses.

In 2015, RWA Raiffeisen Ware Austria AG, Austria's largest agricultural cooperative, became the first, Europe-wide, to create an accelerator in the field of AgTech.

The objective of the CEO, the Board and the entire management team was to prepare RWA for the future.

In establishing a range of programs and formats designed to meet the changing needs of the organisation, the Agro Innovation Lab (AIL) also developed a wealth of learning. The aim of this publication is to share this learning with a wider audience.



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An Invitation

Innovation has been ‘on the lips’ of every company for some years, with attitudes ranging from those who see innovation as a means of healing all of humanity’s problems to those who condemn it as the work of the devil. And concepts of theory and practice also vary widely.

While it’s easy to quote the saying that we should “keep our eye on the ball,” the range of options for proactively driving innovation is very broad. And each option brings its own hurdles: Product renewal (incremental innovation) is generally a challenge in everyday situations. But the introduction of innovative products and services, and maybe even completely new business models, which are as hard to explain to clients as they are internally, can be daunting for most companies. All of this is complicated even further by the natural human aversion to change and the related expectation that such change can be expressed in terms of OKRs or KPIs. In addition to this, innovation can reveal gaps in expertise because new products also demand the mastery of new technologies yet have to be embedded in existing systems (IT) if clients are to reap all the benefits that they offer. It’s easy to understand why the commitment to innovation is universal but implementation is far less common.

So what is needed in order to successfully perform this Herculean task? On the next few pages, we have brought together a few tips for you. First, however, our most important finding: Human relationships are the key. Transparency and open communication create trust. Trust, which an organisation shows in its employees and which these employees have in their own abilities and in their employer – buzzword: error culture, a culture in which errors are transformed into positive learning. And also trust, which facilitates a sound relationship between a company and its clients.

This Whitepaper is an invitation. An invitation to reflect, which is aimed at those who are simply interested in the subject of innovation in the context of larger companies just as much as those who are involved in such innovation on a daily basis. And it is also an invitation to learn: Raiffeisen Ware Austria (RWA) is one of Austria’s largest companies and its sphere of influence stretches far beyond the borders – of both its cooperatives and the country. We are happy to share not only how innovation has become part of RWA, but also the basic thinking behind this process. Also because our understanding as a cooperative organisation is that, if we keep such things secret, we’re failing to play our roles as corporate citizens. And finally, this document is an invitation to update agriculture in line with the latest standards and to improve our understanding of the sector – in both its breadth and its depth – not least in order to understand why innovation sometimes takes a little longer in agriculture than in other areas. The figures are up-to-date and all the sources have been named so that everyone can join in the debate. We look forward to receiving your comments and your critical input: it is this that has made the AIL such an integral part of RWA and the Lagerhaus Group.

Those are enough introductory words: We trust that you enjoy reading this document as much as the Agro Innovation Lab (AIL) enjoys innovating every day. As everyone who participates in our events will testify, the AIL puts its heart and its soul into all its work. And, just to add, for our international readership, the rest of this document is written in English, so there’s little more to do than to wish you “a good read.”

Claudia Mittermayr, David Oberholzer and Reinhard Bauer



Executive Summary DE

Die RWA Raiffeisen Ware Austria AG war 2016 eines der ersten Unternehmen in Europa, das einen Accelerator im Bereich AgTech gegründet hat. Ziel war es, den Konzern für die Zukunft fit zu machen. Mit der Etablierung einer Reihe von Programmen und Formaten, die auf die sich verändernden Bedürfnisse der Organisation zugeschnitten sind, hat das Agro Innovation Lab (AIL) auch eine Fülle von Erkenntnissen gewonnen. Ziel der Veröffentlichung ist es, diese Erkenntnisse mit einem breiteren Publikum zu teilen.

Das vorliegende Whitepaper zeigt die Erfolgsfaktoren des Agro Innovation Lab in der gebotenen Tiefe, von der Entstehung bis heute. Sie werden übersichtlich und in ihren jeweiligen Zusammenhang eingebettet dargestellt. Wir wollen damit zwei Gruppen von Leser:innen erreichen: Fachkundige aus dem Bereich Innovation, die erfahren wollen, wie andere an dieses Thema herangegangen sind, und interessierte Leser:innen, die unabhängig von ihrem bisherigen Wissen über Innovation staunen sollen.

Im ersten Teil werden die Herausforderungen, vor denen die Landwirtschaft als Wirtschaftszweig aktuell steht, in einem historischen Kontext gezeigt. Denn erst dieser Kontext lässt verstehen, woher die Herausforderungen überhaupt kommen. Außerdem werden die Probleme der Landwirtschaft in den großen Kontext der globalen Wirtschaft eingebettet. Im Anschluss wird darauf eingegangen, warum das Management der RWA Raiffeisen Ware Austria AG im Jahr 2015 entschieden hat, dem Bereich Innovation einen besonderen Stellenwert beizumessen. Und es werden einige Akteure vorgestellt, die in den vergangenen Jahrzehnten Innovation in die Landwirtschaft gebracht haben.

Der zweite Teil „The Innovator’s Handbook“ ist operativer: Er erklärt, welche strategischen Entscheidungen für das AIL als Instrument getroffen wurden und welche Begründungen und Annahmen ihnen zugrunde lagen. Er enthält Fragestellungen, die wichtige Lernetappen im Zuge der Entwicklung des AIL markieren, sowie Handlungsanleitungen für Dritte: Wie gut muss die Kundenbeziehung sein, um mit Start-Ups (SUs) in „Experimente“ (PoCs – dazu mehr auf Seite 15) zu gehen? Warum war die geographische und organisatorische Nähe zur RWA wichtig? Warum sind heute viele ehemalige AIL-Teammitglieder in verantwortungsvollen Positionen im Konzern?

Executive Summary EN

This whitepaper showcases the success factors of the Agro Innovation Lab (AIL) from its origins to the present day. By offering an overview of these success factors, while also examining each in its specific context, it addresses two distinct readers: the innovation expert, who, regardless of their industry, will grasp how others approached the challenge of implementing innovation in a large corporation, and the curious reader, who will finish the publication convinced that wonders never cease.

In Part One, the challenges of agriculture are presented in both a general and an Austrian context. Because it is the context that permits a deeper understanding of each management decision. Innovation has played a vital role in agriculture for centuries, but today's players differ hugely from those who pushed innovation in the past. The paper casts light on RWA's management decision to make innovation an active part in the company's strategy.

Part Two, "The Innovator's Handbook", gets down to detail and examines innovation operations: Which strategic decisions led to – and what was the rationale behind – the creation of the AIL as a vehicle. And this part is also operational in that it offers guidance for any innovation driver. Furthermore, it asks what the AIL has learnt, from both its own operations and its activities within the Group: How good should the client relationship be when conducting "experiments" (pilots and PoCs – see page 15)? Why is the geographic and organisational proximity to the RWA HQ so important? And why is every former AIL team member now in a position of responsibility somewhere in the Group?

The Climate | The Increasingly Relevant Role of Agriculture in the World and Why Is It an Ever More Challenging Field for Its Players?

Ever since the first Agricultural Revolution back in the Neolithic Era, humankind has been learning to professionalise agriculture. This professionalisation has also taken place – and partly began – in Continental Europe. It is no surprise that this desire to improve input/output ratios was of such concern in this region, which is less suitable for agriculture than many others due to a number of factors, of which climate and soil (the European winter makes it hard to use the soil all-year-round) are just the most obvious. From the mid-18th century, this green revolution sought to increase productivity. The first institutes of agricultural science emerged at the beginning of the 19th century. Their appearance led to, and they are still driving, continuous innovation in agriculture.

As this brief history shows us, innovation per se has clearly been around for centuries. The underlying principle was, and remains, to increase productivity as a means of ensuring the supply of food for all of society. And, as productivity is defined as the relationship between input and output, innovation can adopt two basic approaches: to increase yields while inputs remain stable or to maintain stable yields while reducing inputs.

A brief examination of Austrian statistical data shows that agricultural development in the country has kept up with global trends: The total number of agricultural or forestry operations has declined sharply during recent decades: (1960: 396,530 operations; 1990: 273,210 operations; 2010: 173,317 operations)¹ while the share of the total workforce employed in agriculture and forestry has fallen from 32.3% in 1951 to 14% in 1971, 5.9% in 1991 and 5.4% in 2010.² However, agricultural output has risen to previously unknown levels. Once heavily reliant upon imports of agricultural produce, Austria has become self-sufficient and, in some areas, an exporter of agricultural goods.³

Considering the above, one could assume that everything is in order and that we could continue with business as usual. However, the Board of RWA Raiffeisen Ware Austria AG (RWA), Austria's largest cooperative, took the opposite point of view in 2016. Why? Because RWA's management is aware that we live in a VUCA world. The acronym VUCA (Volatility, Uncertainty, Complexity and Ambiguity) was coined by the US military to describe the geopolitical environment that we have been living in since the collapse of the Soviet Union.

More precisely:

Volatility refers to the speed and turbulence of change.

Uncertainty means outcomes are less predictable.

Complexity describes the vast interdependencies in globally connected economies and societies.

Ambiguity conveys the multitude of options and potential outcomes resulting from them.⁴

These factors influence all aspects of life – and 2020 demonstrated to us their impact in a hands-on manner, not only in agriculture. They make it harder for us to (easily) make sense of our lives and our decisions – both professional and private. Yet, some things can still offer us stability. The AIL team has identified six factors that are highly relevant to their daily work in the agricultural context.

SHIFTS IN DEMAND AND ROOT CAUSES

As humans, we will experience the demographic shift first-hand and more and more of us will live in cities. Lifestyle-induced diseases such as caries, coronary heart disease and type 2 diabetes will reach new levels. Since 1990, we have had to introduce two new levels of obesity, simply to accommodate the new statistical records.⁵

In 2019, it was suggested that the new generation was the first, whose life expectancy would be lower than that of its parents. Climate change has increased volatility in yield management and technological change has led us to believe that data are the new oil. Furthermore, today's farmers face ever shorter production cycles for some crops – and many more challenges.⁶

¹ http://statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=065699

² http://www.statistik.at/web_de/statistiken/arbeitsmarkt/index.html

³ Agrarpolitik Und Agrarrecht In Österreich; Discussion Paper No. 21-R-93; Helmuth Gatterbauer, Gottfried Holzer, Manfred Welan, July 1993

⁴ <https://wirtschaftslexikon.gabler.de/definition/vuca-119684/version-384510>

⁵ <https://www.cdc.gov/brfss/>

⁶ <https://www.nationalgeographic.com/climate-change/how-to-live-with-it/crops.html>

SOIL SEALING AND URBANISATION

Most modern daily and economic activities rely on paved surfaces. Such surfaces mean that the soil can no longer absorb rainfall and many of the processes below the surface stop occurring. Habitat for plants and soil biota is lost. Paved surfaces increase the risk of flooding due to a lack of percolation. Austria is among the leading countries in soil sealing. It lost an average of 16.4 hectares of soil per day in the decade to 2019.⁷ And finally, soil that is paved over is no longer available for agriculture. This means that Austrian agriculture needs to be able to produce more (yield) with less (soil). Otherwise, our ability to self-sufficiently meet Austrian demand will continue to decline.

REGULATORY FRAMEWORK

The regulatory framework for farming is expanding as is the number of producing countries. The subject is high on the modern political agenda, as demonstrated when former US President Donald Trump issued executive orders for agriculture in 2019.⁸ The aim of these was to “facilitate innovation, ensure coordination across regulatory agencies, and safely enable billions of people across America and the world to reap the benefits of such products.” Similar efforts are being undertaken by the European Union: e.g., traceability from field to shelf.⁹ Such efforts increase the administrative burden upon farmers beyond the current need to document their produce, because industrial buyers demand extensive data on all the produce that is delivered for processing. Stakeholders and other pressure groups, which were formerly unknown or not as well organised as they are today, impact upon current farming in many ways.¹⁰ Public opinion is judgemental and it is hard to fight stereotypes.¹¹ Researchers are often unwilling to counteract campaigns such as those that demand an end to dairy farming, because there is a lack of valid data – yet the impact on the demand side becomes more obvious from one day to the next.



⁷ <https://www.umweltbundesamt.at/umwelthemen/boden/flaecheninanspruchnahme>

⁸ <https://www.whitehouse.gov/presidential-actions/executive-order-modernizing-regulatory-framework-agricultural-biotechnology-products/>

⁹ These started with Regulation (EC) No 178/2002 of the European Parliament and Council of 28th January 2002, which established the general principles and requirements of food law, created the European Food Safety Authority and laid down procedures in matters of food safety.

¹⁰ <https://www.nytimes.com/2020/12/29/science/dairy-farming-cows-milk.html>

¹¹ <https://www.technologyreview.com/2019/10/22/132497/sorryorganic-farming-is-actually-worse-for-climate-change/>

VOLATILITY IN ALL PRODUCE MARKETS

Price fluctuations, which can rapidly render certain aspects of farming unprofitable, have become commonplace. As long as tight controls proved the absence of African Swine Flu in Germany in 2020, Chinese buyers were eager to purchase German porcine products, which partially compensated for low domestic demand. However, as soon as the first cases were reported, exports to China dropped to zero overnight, because importers were reluctant to take the measures necessary to prove that their goods were uninfected.¹²

Similarly, farmers who cater to the needs of gastronomy/food service companies struggled in 2020, with few restaurants, events, school canteens or buyers of any sort for produce ranging from potatoes to wine. Any lack in demand is quickly reflected in market prices. Thus, with profit margins diminishing, many farmers can arrive at the brink of bankruptcy after just one year, despite generally attractive mark-ups.^{13 14} French winegrowers struggled to the extent that they had great difficulty storing the 2020 vintage due to legacy stock in their cellars. As a result, many delivered the harvest to sanitizer manufacturers.¹⁵ Pricing is another source of uncertainty, with some price levels remaining unchanged for decades. Austrian pig farmers receive approximately the same unit price as 20 years ago.¹⁶

LACK OF QUALIFIED LABOUR

As shown above, the total input from manual labour has decreased considerably over recent decades, improving agricultural input-output ratios. Right across Europe, Covid-19 has clearly highlighted the shortage of people who are able and willing to work in the field. Agricultural produce still relies on the workforce. Manual labour is essential for the harvesting of products from strawberries to asparagus, especially as robots still have to improve when it comes to carrying out such delicate tasks. And when no farming workforce is available, there is no yield, either because there is nothing to harvest or because the produce rots unharvested in the fields.

POPULATION GROWTH

One of the greatest accomplishments of the human species is our steady growth in numbers. The increased life expectancy resulting from improvements in childcare, sanitation and health standards over recent decades has also demanded higher standards (and, in particular, yields) from agriculture. But past levels of productivity improvement will not be repeated in the foreseeable future. In Europe, harvests take place earlier each year¹⁷ and new pests are emerging due to global warming. Despite the agrarian use of 40% of the world's soil¹⁸, one third of all soil is not arable¹⁹ and easily subject to soil erosion.

¹² <https://www.ft.com/content/42f2170a-20e8-11ea-b8a1-584213ee7b2b>

¹³ <https://theconversation.com/comprendre-le-malaise-des-agriculteurs-127862>

¹⁴ <https://www.wsj.com/articles/more-farmers-declare-bankruptcy-despite-record-levels-of-federal-aid-11596706201>

¹⁵ <https://www.nytimes.com/2020/07/27/world/europe/france-alsace-wine-coronavirus.html>

¹⁶ <https://markt.services.ama.at/QvAJAXZfc/opendoc.htm?document=Anwendungen%2Fmarktinformation.qvw&host=QVS%40qlik1dmz&anonymous=true&sheet=SH25&lang=de-DE>

¹⁷ Chmielewski, F. M., Müller, A., & Bruns, E. (2004). Climate changes and trends in phenology of fruit trees and field crops in Germany, 1961–2000. *Agricultural and Forest Meteorology*, 121(1–2), pp. 69–78.

¹⁸ [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)31788-4/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)31788-4/fulltext)

¹⁹ <http://www.fao.org/3/i5199e/i5199E.pdf>



The Field | Who Has Been Embodying AgTech Innovation Since 2016?

“Because the purpose of business is to create a customer, the business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.”

This quote from Peter F. Drucker, a fellow Austrian, emphasises the importance of innovation: the better an organisation knows its customers, the better it understands how to serve them. New ways of serving customers are essential, as well as being the pivotal aspect of innovation.

RWA is the B2B trading and service arm of the “Lagerhaus” cooperatives in Austria and the company at the heart of this document. As an organisation that has been operating in agriculture for decades, one could imagine that it is neither an obvious candidate for being aware of the challenges listed above nor a textbook example for innovation. And yet, it was RWA that, by founding the Agro Innovation Lab in 2016, laid a cornerstone for corporate innovation in Austria and the CEE Region.

RWA Raiffeisen Ware Austria AG belongs to the so-called *Raiffeisen Warenorganisation*. Founded in 1993 as a cooperative, it replaced a number of predecessor organisations at the national and provincial levels. By handing over its operations to the newly founded RWA Raiffeisen Ware Austria AG it combined the Lagerhaus cooperatives into a strong group. As a service organisation to the owners of the *Lagerhäuser*, RWA offers a complete portfolio of support in the agricultural, machinery, building materials and energy segments as well as a comprehensive range of services.

With great ambition and high expectations, *RWA* decided to set up a new unit dedicated to bringing innovation to the organisation's operations. Given that, as explained above, *RWA* had already been a successful market player for decades, this innovation was naturally already taking place within the organisation. However, there was an air of familiarity about this innovation due to the fact that it was largely confined to the improvement of existing products and solutions. The *AIL* was commissioned to bring in totally new approaches from outside and to impact upon the core processes of departments across the organisation. The goal was to rethink *RWA*'s offering at both the large and the small scale, to take a bird's eye view and, at the same time, to get down to detail.

The *AIL*'s mission has remained unchanged since day one in January 2016: to identify, validate and adapt new business models, techniques and solutions as a means of ensuring the competitiveness of *RWA*. And, in addition to this, the *AIL*'s objective was and is to support the subsequent integration of these innovative services, technologies and products into the *RWA* and Lagerhaus portfolios, either directly or via partners.

OPEN INNOVATION FOR THE GROUP.

RWA is not only Austria's largest agricultural player, but also a very modern one. And yet, like all major organisations, it still tends to struggle with innovation. It is never easy to identify new partners and validate their approaches. Complementing an existing portfolio of services and products and, inevitably, replacing obsolete ones naturally triggers resistance. A recent study by the Austrian Institute of Technology shows that the faster a company grows as a result of radical innovation, the greater the internal opposition. The assumption that "what brought us here will bring us further" remains very powerful.²⁰

However, the Board rose to the challenge and accepted that the organisation needed to adapt to the new conditions. And as these conditions are, as mentioned above, far too powerful to be changed by any single market player, the Board also decided to change that which it had the power to change: the organisation itself. By providing its customers with the most promising solutions, *RWA* now allows them to rise to their own challenges proactively: The *AIL* addresses the expectations of consumers and farmers, input-output improvements, the quality of produce, animal health and the ecological footprint of operations, storage and (just in time) logistics. Managing all these demands and planning open systems that will permit further integration in the future has proved to be a Herculean task.

RWA's basic paradigm – that we can achieve things together that we can't achieve alone – was engrained in the organisation's DNA by one of its founders, Friedrich Wilhelm Raiffeisen. This unique mindset still underlies the *AIL* and its approach to innovation.

Innovation has many phases: the quantum leap, incremental (often product) innovations and paradigm changes that lead to new business models. As a result, interdisciplinary thinking is pivotal to finding solutions and, thus, to enabling and enacting innovation. This has also been the case with the *AIL*: a team with a vast variety of backgrounds that was created to embody interdisciplinary thinking.

²⁰ "Radikale Innovation und Firmenalter" (transl: "Radical Innovation and Company Age", Bernhard Dachs, Robert Hawlik and Dana Wasserbacher, AIT Austrian Institute of Technology GmbH, Center for Innovation Systems & Policy, 2020 https://www.ait.ac.at/fileadmin/mc/innovation_systems/images/Research_Fields/Innovation_Systems_and_Digitalisation/Bericht_radikale_Innovation_und_Firmenalter_bf.pdf)

Thanks to Raiffeisen's cultural legacy and the commitment of the Board, one could imagine that these "innovative genes" will perform magic all by themselves. The task of RWA as the parent organisation is to focus on the core business because, like many organisations of the same size, RWA excels at efficiency (exploitation) rather than innovation (exploration). Hence, it would be easy to assume that one can create the lab, declare that everything is perfect, and move on. For obvious reasons, however, that isn't the case.

The wisdom of this decision to dedicate a new business unit to innovation is shown by the following figures. Since it was founded five years ago, the AIL has evaluated 800+ companies as potential partners and these evaluations have led to 25 pilot projects that the AIL has conducted together with customers and business units of RWA. The aim of such pilot projects, each of which lasts several months, is to define a use case, to ensure that customer value is generated and to measure and demonstrate this value via a proof-of-concept (PoC). Of these 25 short-listed companies, only five have reached the final goal of a continued collaboration with RWA and the Lagerhaus Group. This collaboration will allow them to enter the core markets of RWA and the Lagerhäuser via their respective partner's portfolio.

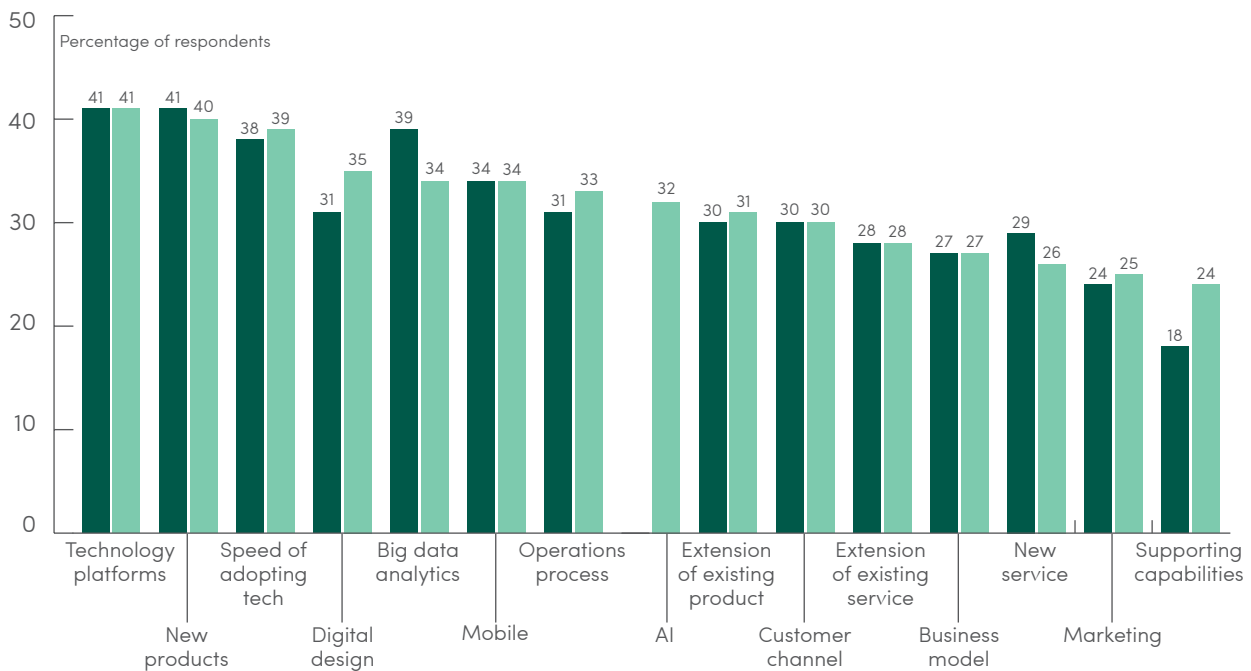
This 'success ratio' of 800 to 5 demonstrates that innovation cannot be dealt with lightly. A unit staffed with experts in various fields complemented by continuous input from the business units of RWA has been an important factor in our sustained success. Such a solution can also help other organisations to separate the wheat from the chaff.

In addition to this, corporate innovation is currently often little more than expectation management. All too often, a board appoints an Innovation Manager, who is idealised as one-person-who-caters-to-every-need. Expectations are not set out and sometimes even remain implicit. Furthermore: Many corporate innovation managers have no budget yet are still expected to deliver responses to these implicit assumptions about innovation. In response, so-called corporate accelerators such as the AIL are one example of a kind of tool that is much better placed to provide efficient answers and deliver continued innovation.



A recent BCG study examined the expectations of business for the coming years: Digital innovations in general accounted for the vast majority of responses, with technology platforms and the speed of adopting technology amongst the three areas where expectations are highest.²¹

Which of the following areas of innovation/product development will be most impactful to your industry over the next 3 – 5 years?



This overview underlines that the ALL’s approach – of testing new technologies in the compact habitat of the AIL, where teething problems can be resolved – is a good one.

New technological solutions for customers often depend upon environmental factors that are beyond the supplier’s direct control. Hence, the success of this new approach will depend upon factors that the supplier should know, but usually cannot. This is particularly true if they have not addressed the two areas that are essential to the success of the new solution: implementation and handling. This is where the AIL comes in: testing new solutions with the various “friendly customers” and partners who are required along the way. Friendly customers are interested in finding a better solution to the status quo but prefer to avoid going ‘all-in’ from the very start. They are open to experimentation but still have to be consulted in detail, particularly regarding their expectations.

Thanks to the knowhow that it obtains in pilot projects with friendly customers, the AIL team has a toolkit that also allows its partners to build better products, based on the AIL’s pilot work. Simultaneously, the AIL team is in a position to define the appropriate parameters for the market launch within the corporate setting. As a result, other business units can deliver on their innovation promise with seamless market entries that are free of the pain and struggle often associated with innovative solutions.

²¹ The Most Innovative Companies 2019 – The Rise of AI, Platforms, and Ecosystems; Michael Ringel, Florian Grassl, Ramón Baeza, Derek Kennedy, Michael Spira, Justin Manly; March 2019

OTHER PLAYERS IN THE SAME FIELD

The search for innovation involves all businesses in the agricultural sector: growers of crops and producers of feed, makers of agricultural machinery, transport companies and energy suppliers. And agriculture continues to attract new players. Not only is the term AgTech frequently heard amongst startups and investors, but many players who were previously not associated with agriculture have developed a keen interest in the field. It was no surprise that early investors in Spotify (one of many unicorns that originated in Europe) have raised the continent's largest AgTech fund.²² However, this trend of outsiders coming to the table is less obvious than in other sectors. The automotive sector has always been driven by innovation – although much of this innovation has been the work of suppliers to OEMs. Such development has really taken off since 2016 and, in 2018, the European Patent Office (EPO) issued a report on the growth of intellectual property related to self-driving cars. Most patents had been filed by market players with no previous automotive track record: Samsung, Intel, Qualcomm and LG Electronics submitted by far the most patents for self-driving vehicles.²³

This development is likely to continue: Venture capitalists have invested four billion USD in AgTech startups and an expert in the field estimates that global food and agriculture fund managers have about 130 billion USD in assets under management. This is driving both a surge in investments and a shift in thinking.²⁴

The Seed

Companies like RWA and its sister organisation BayWa (its counterpart based in Munich/Bavaria) offer alternative answers to the question of where innovation should come from. There follows a list of the most common external sources that companies turn to when seeking partners in order to boost their innovation activities.

- **Universities**

Despite rather limited resources, academia (particularly in Europe) has a tradition of research excellence, regardless of whether it is publically or privately funded. It is thus no surprise that most companies consider cooperating with universities. However, projects of cooperation with academia must take the situation of both parties into account: academic research is rarely easy to apply to the daily operations of big market players due to the fact that it tends to address the (very) early stages of the product development process. The main goal of researchers is to publish papers. And scientists are rarely interested in switching from academia to entrepreneurship.

- **Private research institutes**

There are many potential partners and pathways for developing products and services, from self-supporting research institutions, via various private-public partnership models, to contract research. What companies need is some form of internal project leadership, otherwise all research is “external”, but the company is still

²² <https://sifted.eu/articles/europe-largest-agriculture-fund/>

²³ Patents and self-driving vehicles, The inventions behind automated driving”, European Patent Office, November 2018, [http://documents.epo.org/projects/babylon/eponet.nsf/0/65910DF6D3F02057C125833C004DB1E6/\\$File/self_driving_vehicles_study_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/65910DF6D3F02057C125833C004DB1E6/$File/self_driving_vehicles_study_en.pdf)

²⁴ <https://news.crunchbase.com/news/agtech-sector-blooms-as-more-dollars-and-startups-rush-in/>

left bearing the risk of any holdups. Thanks to public research grants that emphasise the notion of cooperation there are many possibilities for forming consortia – but no guarantees of tangible results. IP rights sometimes remain unclear, particularly if these were not discussed before the formation of the consortium. The worst case for all parties is that results remain filed away.

- **Startups**

Startups, which have now been omnipresent for nearly a decade, offer a unique possibility for inviting innovation drivers to meet a company. Hackathons (often organised as a form of prolonged weekend event designed to find solutions to problems presented by companies) or institutionalised programs (like the first “batches” from the ALL, which lasted several months) aim to create a level playing field. On this playing field, both sides enjoy unique perspectives: startups gain exposure to friendly customers (see above) in a first step and easier market access in a second, while the so-called “corporates” gain exposure to the latest technology, which is often driven by recognised entrepreneurs or experts in the field.

- **Intrapreneurship programs**

It has been shown time and time again that a lot of innovative potential can lie dormant in the heads of a company’s employees. Intrapreneurship programs, which are aimed at employees and often resemble “classic” startup programs, provide a framework for these employees to speak out and can also offer interesting new career paths. The basic assumption is that no one knows a company – including its processes and hierarchies – better than those who work for it every day.



The Innovator's Handbook

A note to the esteemed reader: The next part of this Whitepaper, The Handbook, starts with a description of innovation. After this brief introduction, each chapter discusses one key aspect of innovation programs based on the example of the AIL, followed by dos and don'ts, the objective of which is to summarise the chapter and highlight the learning that we aim to share.

Innovation can have many faces. As Austrians, it's easy for us to quote the definition from our fellow Austrian Josef Schumpeter:

“the commercial or industrial application of something new – a new product, process or method of production, a new market or source of supply, a new form of commercial, business or financial organisation,”

or, again, from Peter F. Drucker:

“innovation is change that creates a new dimension of performance.”

Although innovation is omnipresent in business and media, it remains a challenge for everyone involved, due to the fact that it's so easy to pay lip service to the idea that *the only constant thing in life is change*. Change is always hard: it requires us to deviate from the “known” and to do either new things (effectiveness) or known things in a new way (efficiency) – or both.

A common feature of all definitions of innovation is that, in a business context, innovation primarily needs to be goal-oriented: in order to better respond to customer demand.

‘Better’ can mean, from the customer perspective:

- saving money,
- saving time and
- being more convenient

or, from the company perspective:

- producing more cheaply
(regardless of whether it hands over all or part of the profit) and
- turning a product into a service.

Producing more cheaply from the perspective of the total cost of ownership is easy to understand. However, when turning a product into a service you often change the business model with it – and need to start questioning “given” answers and find new ones. Tools such as the Business Model Canvas²⁵ can simplify the development of this new approach. With the customer value proposition at heart, it allows for an instant understanding of linkages and interdependencies.

The aim of the following section is to share with you our experience of crucial aspects of innovation. We will start with a general description of our setup and then allow you to peep behind the scenes.

²⁵ <https://www.strategyzer.com/canvas/business-model-canvas>

It all starts in 2016. The AIL comes to life after a year of detailed preparation. It's the year in which Donald Trump wins against Hillary Clinton – and AlphaGo against Lee Sedol. The Nobel Prize for Literature is awarded to Bob Dylan “for having created new poetic expressions within the great American song tradition”.²⁶ When the AIL accelerator was founded, the term “startup” was not commonly used for or in agriculture while the term “agile” was not (yet) widely used to describe cooperatives in the agricultural field in Europe or anywhere else.

A BOLD MOVE – THE VEHICLE

The Board's decision to pursue innovation in a proactive manner left the founding team of the AIL with several decisions. First and foremost: should the innovation unit be an internal “department” of or a unit that is external to RWA? In close cooperation with the Board, the first CEO Reinhard Bauer and his founding team chose to create a dedicated entity that reported directly to the Board. This ensured that decisions in favour of innovation always arrived promptly on the Board's agenda.

As the accelerator was a dedicated entity with an inbuilt proximity to the parent organisation, the choice of location was easy. Many organisations follow the instinct to expose themselves to the startup habitat by locating their acceleration program in a co-working space. This offers the accelerator full exposure, more local market visibility and more freedom from the constraints of the organisation. The AIL team, however, set up its operation inside the RWA headquarters building in Vienna. This ensured that the AIL was not some completely detached alien organisation. The office location offered the AIL an everyday presence in the organisation and this heightened visibility led to a much higher acceptance of the program. The RWA business units – which are not necessarily known for their agility – were the internal customers to whom the AIL was tasked to introduce the notion of innovation. As the chosen approach required the business units to transfer innovation to the market via their own channels, their buy-in was essential. Hence, it made sense that all the crucial explanations about acceleration, innovation, startups and the importance of cooperation could be easily conducted on the premises. Furthermore, the AIL involved these business units from the start and handed them a “steering wheel” in that they worked with them in defining topics for the program, selecting participants and setting goals for collaborations.

Next, the founders of the AIL needed to find the first entry point for reaching out to the market. One option was to start with an approach in which they minimised their risk by establishing individual, one-off partnerships with handpicked startups. However, the AIL team wanted to have a wider market impact and expose the RWA organisation to the global startup audience. Consequently, RWA and the AIL agreed to establish a full-scale accelerator as its first vehicle for driving innovation and hence set up Europe's first AgTech acceleration program. Some of the reasons in favour of establishing an acceleration program committed to open innovation were:

- 1) The desire to identify and explore the organisation's sweet spots. This enabled the accelerator to start out with few limitations. Its aim was to scan the market – the entire market – in order to gain a holistic understanding of AgTech startups. Going one step further, there were virtually no limits to the topics – the areas addressed by the potential solutions – investigated by the AIL's experts.

²⁶ http://www.nobelprize.org/nobel_prizes/literature/laureates/2016/press_ty.html

- 2) The sense of mission within the organisation. Again, the initial scope was defined broadly as the delivery of relevant content for all of the RWA's business units (as a means of meeting the Board's implicit expectations).
- 3) The fact that this format is structured and familiar makes it attractive to the market as a first step towards open innovation. Participants know what to expect and can employ their resources accordingly.
- 4) The more-or-less standard structure is also attractive to its newly formed team. An accelerator anchors its team, protecting them from the problems that can arise when one is in a new job in a new type of vehicle and flooded with requests.
- 5) It makes it easier to 'learn what you don't know', to fulfil the task of identifying technologies that one would otherwise not have looked for.
- 6) It facilitates the setting up of partnerships with startups: The month-long validation phase during the program simplifies and provides enough time for the matchmaking between participants and the "right" collaboration partners within the organisation.

Despite the initial Board decision, the AIL team switched to an ever more flexible approach over time: Business units and the AIL gradually redefined their goals and made them more tangible. In close collaboration with the business units – the AIL's most important customers – innovation was defined as being relevant to the organisation, if solutions made a considerable contribution to

- increasing efficiency (how we do things),
- saving resources and/or
- easing the lives of farmers or consumers.

DOS AND DON'TS

Do: Design your market entry in your innovation roadmap but then continuously scrutinise your approach.

At the AIL, we first opted for an accelerator before fine-tuning the modus operandi within the program while developing new formats in order to subsequently widen our portfolio. We were aware that it suits our organisation better to first study the market in order to gain a common understanding of today's new solutions. During its initial phase as an accelerator, the AIL addressed 16 focal topics. By running three successful acceleration programs – and harvesting tangible results – it gradually developed a certain level of international recognition and this led to more and more inquiries about collaboration from industry partners. These opportunities triggered the emergence of more focused, challenge-based approaches and, eventually, we even scouted for tailor-made solutions to very specific problems. This collaboration with industry partners allowed us to speed up our innovation projects and reduce the time that projects needed in order to produce tangible results. In other words, our initial formats positioned the AIL as a reliable partner in AgTech and lowered the bar for high-class partners – such as participants in the Robotics Challenge.

Today, the AIL is open to startups without an institutionalised program: If a startup's PoC, PoV (proof-of-value) or pilot phase is aligned with RWA's goals we are always open to cooperation. Other organisations might use such activities as starting points. The AIL team, however, only turned to them following its initial experiences as an accelerator, because the successful management of such PoC/PoV phases requires vast experience in dealing with startups. This explains why the organisation is much better prepared today for effective and efficient pilots in all its business units.

Do: Be bold when wondering whether to be Europe’s first AgTech accelerator.

The ALL team was highly motivated to build upon RWA’s heritage and on the paradigm of joining forces from day one. As a first mover in agriculture it is easy to become a role model. The ALL took on this challenge and started out as a broad program with ambitious innovation goals.

Agriculture is highly risk averse for many reasons (longer validation phase due to weather and vegetation cycles, razor thin margins and a culture that is built on long-term planning rather than rapid exploration, to name just a few) and certainly can’t be compared with the IT sector. And yet, innovation is extremely important to the sector and farmers themselves sense the need for this, as does RWA in its role as an ambidextrous organisation. In other words, the ALL has had to combine its position as a recognised expert in “classic AgTech” (e.g. fertilisers) with work in fields that are far removed from existing solutions, such as satellite imagery, IoT and disease forecasting algorithms.

Do: Think twice when deciding upon the location.

Are you addressing local/regional startups with your accelerator program, or should you go global? Maybe your industry is global so you don’t have a choice anyway. Similarly, do you rely on heavy internal support in dealing with the teams in the program and is even a nearby co-working space too unlikely a scenario? To the extent that form follows function in product design, it is the design of your experience with internal and market audiences that should impact upon your location.

Don’t: Go for it all in the first step, or year.

Will the whole organisation change? Yes. Will this happen overnight? No. An incumbent company of the size of RWA cannot (be) change(-d) instantly (without finding itself on the brink of bankruptcy and under financial restructuring). Furthermore, even if you have the most advanced teams and solutions, you still need to get buy-in from many different departments, some of which may have an incessant hunger for change and some of which will be much more reluctant to try “this new approach”, while others will switch roles (between being Cassandra and playing Devil’s Advocate)!

Changing an established player takes time. Hence, the ALL team remained realistic regarding the promises it made. Promises to the Board must match promises to other business units – and they must be kept. And, as it is so crucial to deliver on your promises/goals, you must start out with baby steps. The ALL team set modest goals internally and then with startups and partnering RWA departments before, in turn, starting to deliver. This can naturally lead to frustration: Startups must understand that they are now operating (for a limited time, at least) in a corporate environment. However, after the success of this small-scale approach, the organisation increasingly acknowledged the benefits of the ALL, which was thus transformed from being a convincer, who has to prove their legitimacy, to being recognised as a valuable resource and as a partner to whom others are eager to turn when given the chance.

Don't: Go for gargantuan topics.

At the AIL, we had all kinds of topics on our radar. But we always emphasised the importance of knowing the limits of the organisation. A topic like “big data” would naturally have had an enormous appeal. But such a focal point would also have been beyond the capacity and resources of RWA – and, initially, of the AIL: Much larger organisations have failed when taking on such challenges. Our advice is to know one's limits and to deliberately leave the moonshot to others.

Bottom line: What started out as an accelerator became a versatile tool for corporate development. The AIL started life as a channel designed to transfer innovation from the market into the company and then onwards to its clients. Three batches of startups introduced RWA to a worldwide audience. Teams came to Vienna from Continental Europe as well as from Israel, the USA, Ireland and South Korea, to name just a few of the countries of origin of AIL participants.

The initial format of a month-long program, in which hypotheses put forward by multiple teams were validated by conducting PoCs, was quickly complemented by further innovation formats. Innovation Challenges was the first of these. They were designed to meet demands for innovation from business units, with startups being invited to address a narrowly defined topic, such as robotics. Once these institutionalised formats were completed, the AIL shifted its focus to so-called push/pull scouting, in which it exhibits a general openness to respond to a business proposal. The AIL is open to proposals from individual innovation projects, which – as long as they don't require the stringent framework of an acceleration program – are dealt with on an ongoing basis. The next step for the AIL could be joint formats with industry partners with the aim of pooling expertise and, more importantly, complementing knowledge and skills in order to offer even more value to participants.



THE WEATHER: BEWARE OF WHAT YOU WISH FOR | GOAL SETTING & EXPECTATION MANAGEMENT ON BOTH SIDES

Collaborating with startups brings benefits to every company. Such benefits as exposure to new ideas, approaches and brains become clear from the very first projects. Over time, more opportunities will appear: such as technologies that you will be able to offer to your customers; solutions that you will want your teams to adopt and adapt to local circumstances; and people whom you will want to support and with whom you will want to have a lasting business relationship.

These benefits cannot all be obtained simultaneously. After all, it will take time to decide where your company wants to go and at which pace. And it will also take time to build trust. However, you will only build trust when collaborating intensely and what could be more intense than conducting a PoC or PoV during a pilot phase with friendly customers?

The same is true for startups. You must know why you want to collaborate with one of the largest groups in a country like Austria. And you should be clear about the benefits that you want to gain from the collaboration. Yes, be honest about your desire for success: What do you want to achieve and how will collaboration get you closer to your goal?

DOS AND DON'TS

Do: Create a level playing field and make room for conversations.

Both parties to the conversation have a say. Would it be tempting for the company to have a quick win? Would it be easy to squeeze out startups that have promising ideas, great tech and bright minds but can often lack IP or trade secrets? And, similarly: would it be tempting for a startup to cater to the existing customer base of a local big player? Would it be easy to get media coverage through conducting a PoC with a renowned company?

Make room for conversations: within the organisation, between different branches of your organisation and between the organisation and the collaboration partner. And, in each of these conversations, participants should be encouraged and empowered to make up their minds and identify their needs. And the (ideally mutual) realisation that there is no fit between the two partners is also an outcome that will definitely occur from time to time.

Don't: Go for implicit expectations and assumptions.

All conflict is rooted in expectations. All parties (startups, business units, the innovation team and, subsequently, management) should be invited to come to the table and to

- define the aim of the program/roadmap/PoC/PoV,
- define the resources that each side will have to contribute (measure inputs here!),
- align all sides by setting out common grounds and realistic targets from the beginning and
- formalise the outcomes of the above (a-c) in a written document.

Encourage a culture of communication, in which regular progress reviews permit the early detection of deviations from the plan. Document these deviations in order to maximise later learning.



However, the AIL has always insisted on assessing the lab and its participants with the help of Innovation Key Performance Indicators (KPIs) rather than Traditional KPIs. Why? Because one should practice what one preaches – and this applies to both startups and the innovation team. In order to fulfil its promise, any corporate innovation program must set clear goals from the start – yet still expect teething problems. And a successful outcome is also very likely to require outpatient aftercare.

Bottom line: The experience of the AIL shows that it pays off to set targets. But these should be neither sweeping nor highly detailed. Ideally, they will be both realistic and ambitious and, hence, neither promise too much nor deliver too little.

Setting goals – in a way, don't forget, that should limit neither your flexibility nor creativity – suggests that both parties have made up their minds and are committed to a joint path. In other words, they have identified the path as far as the bridge – and will (decide to) cross it when they get there.



THE FARMSTEAD | STRUCTURING CRUCIAL PROGRAM ELEMENTS

The ALL was created in line with the founding principle of its parent company RWA. Consequently, the ALL conveys this corporate culture in many forms. On-site visits during innovation formats allow all participants to “breathe” this culture, join forces with employees and, in doing so, encourage support and bonding among different departments and startups. The ALL’s mission is to be present in all parts of the organisation at all levels and, thus, to foster personal contacts and exchange as a means of identifying synergetic potentials. It’s common for large organisations to fall prey to their size: The bigger an organisation, the lesser it knows about its own ability to accomplish. Startup meetings with employees were deliberately organised in a range of formats: Startup meet-ups for employees, IoT get in touch, one-on-one intro meetings with department heads, kick-off events and DemoDays.

In all of these ALL events, we were determined to communicate actively both internally and externally: It is still not common for the results of acceleration programs to feature on the parent organisation’s website and there are also press releases and detailed coverage of progress in in-house publications such as the intranet and employee newsletter. Thanks to the support of other departments, the value that we create still enjoys a lot of coverage.

DOS AND DON'TS

Do: On the level of the program, gradually define the overall goals and milestones.

When startups from all around the world flock to your headquarters they require orientation. A sensible “curriculum” including milestones for all teams and clear communication about what to expect and when and, conversely, what you expect from them will guide them through the program. Such a schedule will give them an understanding of cycles in the industry: When do the relevant trade shows take place, when can farmers be approached and when not (during harvest 😊)?

Do: Expose your participants and stakeholders. Get participants

- into the companies and make the startups understand their needs and possibilities and
- out onto the market where they can test and validate early, identify “friendly customers” and learn about their expectations.

Don't: Allow teams to get special treatment.

Not all teams are created equal. Yet they all have to reach a similar level with the help of internal and external mentors. Cut-off points and milestones need to be recognisable and qualification criteria must be defined and consistently applied.

However, any overreliance on specific elements can be daunting for participants and may eventually lead to detrimental results: e.g. a generic program design that fails to distinguish between different types of business model. All elements must be tailored to business outcomes for both sides! For example, it can make sense for a B2B software trading platform to dispense with a social media strategy, but it would still make sense to map the customer acquisition funnel and the related assumptions regarding cost.

Bottom line: the AIL is a living example of the Structure-Conduct-Performance paradigm. We created the initial layer of structure in line with the needs and capabilities of the parent organisation. We permitted creativity in our innovative approaches whenever possible but relied on the structure of the program to align our resources with the objective when rigid schedules made this necessary.

ABOUT AGRONOMISTS, CULTIVATORS AND FARMHANDS | WHO IS NEEDED IN ORDER TO CARRY (OUT) INNOVATION IN COMPANIES?

As innovation is inherently interdisciplinary, it inevitably requires a joint effort. It helps if the program and its people (internal and external) are visible – especially if all recipients of communications are invited to provide feedback, comment and get in touch. Consequently, innovation is a people business. People within a company need to understand why there is such a unit and the team itself needs to reflect upon the value of BOTH innovative approaches AND existing best practice.

In order to ensure that it is supported, internally and externally, the CEO must be fully committed to innovation and refrain from using the term as an element of content marketing or as a buzzword. The AIL has been present on all internal and external platforms, demonstrating the innovative power of its initiatives. And innovation must be supported by the Board: all members of the RWA Board have taken specific responsibility for specific innovation topics driven by the AIL.

A strong team is equally pivotal to successful innovation. This is a no-brainer, and should naturally be standard. Yet it is also important to look beyond these “extra” innovation topics and to recall that a company like RWA also carries out everyday operations. This is where the AIL core team comes in: To ensure quality in both the internal and external appearance.

In a large organisation, the first key question is, naturally, how to staff the new unit. This question is particularly interesting in structures that already have a “corporate development”

department. Prior to becoming the first CEO of the AIL, Reinhard Bauer had been RWA's Deputy Head of Corporate Development. His expertise and broad network within the organisation enabled him to take a hybrid approach and to recruit his team both from within RWA and externally. Furthermore, the core team then decided to handpick consultants and mentors from outside the organisation. This amalgam of internal experts and experts in the relevant specialist fields was central to the organisation's success.

DOS AND DON'TS

Do: Ensure that your employees, CEO and mentors act as “ambassadors” for the accelerator.

Use communications tools to allow mentors to pass on knowhow. Allow them to act as ambassadors within the company and to share both experience and learning. Create a new structure in the organisation for combining innovative efforts. Even if your organisation is highly open to innovation, you (your innovation team) will still have to walk that extra mile. At the day-to-day operational level, be ready to deal with input from “the organisation” that comes at very short notice.

Don't: One innovation manager cannot handle everything.

Innovation managers are said to be wizards. Magicians who can do it all. Alone. Without any budget. Allow your team to develop its own modus operandi, especially at the beginning. Regular exchanges with their peers will teach them that innovation can be as challenging as winning a new client.

Bottom line: In an ideal world, the first employee of the program will know all the business units and have a reputation for delivering results. In doing so, they will be able to bring participants together with not only the right people but also their team members. Such exposure raises awareness of innovation as a key element in today's business.



THE PLOT – A PLACE TO GROW | THE RIGHT GROOVE FOR FRUITFUL RESULTS

Growth isn't limited to the balance sheet and the P/L. Growth also comes from people in your organisation. As the innovation powerhouse for the RWA organisation as a whole, the AIL has become a breeding ground for new RWA talent.

An accelerator such as the AIL creates the ideal soil for all participants to grow: unique experiences that are shared by employees, startups and companies (established and new) alike. Together they will push back boundaries and, eventually, prove the naysayers wrong. Change does and will happen.

At the AIL, we've always considered our team members and their ambition. Navigating constant change and becoming an innovation guru can become your life. And yet, depending on the needs of fellow team members, we know that a unit like the AIL can only expose them to so many possibilities. We have seen many team members leave, mostly within RWA but also outside the organisation. But we are proud to have advanced many careers via the "non-linear" AIL path – because this is also good for the AIL.

DOS AND DON'TS

Do: Build network capabilities.

Build and entertain a network of "friendly customers" and manage expectations carefully. Some testing phases will also test the stability of relationships, be it with suppliers or customers. Such resilient relationships will reinforce the commitment of suppliers, employees and clients to trial projects during their early phases.

Time is short in AgTech: It's a seasonal business and the weather can't be postponed. Similarly, other milestones can't be shifted, such as tradeshows, which offer unique possibilities. Here, you can not only underline your innovation efforts by showcasing projects that are currently being evaluated, but also expose them to "the market". And in agriculture there are some gatherings where the entire industry is present.

As many of today's universities are ranked on the basis of the "employability" of their students, they are very keen to connect their current students with future employers. This openness can translate into joint hackathons and closer collaborations with company departments, which allow for joint approaches amongst startups, friendly customers and universities before ideas hit the market.

Don't: Destroy trust through bad behaviour.

There are lines that you mustn't cross. Intellectual property is at the heart of many projects. Would it be easy to lure project teams into talks and to negotiate favourable terms by acting as a mighty company? Probably. And have some big tech companies gained a reputation for their ruthlessness? Yes indeed.²⁷

²⁷ <https://www.theguardian.com/technology/2017/oct/20/tech-startups-facebook-amazon-google-apple> and <https://www.economist.com/business/2018/06/02/american-tech-giants-are-making-life-tough-for-startups>

Yet, this approach contradicts the aforementioned “level playing field”. Furthermore, regardless of your industry you can build a global reputation very quickly these days – especially a bad one.

Prepare your teams for tough talks by, for example, offering negotiation training as a program element. Be aware that you, as an innovation hub, aren’t in the right position to be at the negotiating table. Rather, try to act as a trusted partner of both parties.

Bottom line: An innovation-oriented accelerator is a good place to start in an organisation of the size of RWA, because you get to know many different angles of the organisation and colleagues in the course of your work. And it’s also an opportunity to contribute to successful innovation from day one. Whatever their background, young talents can bring all their skills and experience to projects.

HARVESTING RESULTS | BRINGING NEW SOLUTIONS TO EXISTING CUSTOMERS – ATTRACTING NEW CUSTOMERS AND CONVINCING THEM TO TAKE THE LEAP.

You’ve seen above that we’ve found the right crop (relevant projects) and tilled the right field (prepared everything for the seedlings) and that the climate was bearable (no time to lose but still enough time to proactively drive change). Now, it’s time for harvesting. As in agriculture, the harvest passes through the hands of various intermediaries.

As the innovation unit for the Group, the AIL harvests

- knowledge about the state of the Group as its daily operations involve all business units,
- a reputation as “the innovative guys”, who are usually seen as a little pushy, but that comes with the job, and
- exposure – both internally and externally.

As the Group itself, RWA harvests

- trust and satisfaction from customers in its role as the expert partner, paving the road for “the new”,
- highly motivated employees, who will remain in the Group for years to come,
- new services & products for its portfolio (and space by sunsetting some legacy products),
- a broader network of collaboration partners, which reinforces RWA’s reputation as a leading company and
- a good attitude, based on improved processes and agile project management.

Over time, we at the AIL have learned that innovation is a lot of work and can be a lot of fun. Employees with every level of responsibility have provided feedback, as have new partners. The AIL has launched new ideas with the help of contagious marketing methods and pull marketing to employees, customers and partners alike.



DOS AND DON'TS

Do: Use an acceleration program to develop roadmaps and don't just stop at the DemoDay!

Roadmaps include sensible scenarios, some more likely to happen than others. You should develop such roadmaps, not just with the teams in your program/hackathon or other format. Be prepared to support your projects over the next 12 to 18 months – usually long after a program has “officially” ended. Furthermore, also develop roadmaps for your innovation department. Apply the tools you provide to your teams within your own department: internal product development, for example, will enjoy a vast body of experience. And when dealing with partners from outside your company there will always be moments when they open your eyes by showing you approaches to problems that you have never seen before.

There is no one-size-fits-all approach to innovation. But there is one rule of thumb: if you don't know something, develop a hypothesis and test it. The worst that can happen is that you fail. And, in order to fail “sensibly”, fail early, fail fast and fail at a small scale. Break projects and their impacts down in terms of geography, focal area, subject area, etc. When you fail at a small scale, learning is high because remedies are easily available and “cheap”. As the brand image of the Lagerhaus cooperatives is at stake, all involved parties share the responsibility for safeguarding their reputation.

Don't: Remain in the lab, unexposed to the domain of the solution/product.

All lab testing is nice but, even at the lab stage: confront your customers – as soon as potential IP issues are clarified. Getting market feedback is important for two reasons:

- knowing the customer and their need and
- perfectionism

CBinsights has shown, time and again, why startups fail: most of the top twenty reasons were directly related to markets and customers.²⁸ If a team fails to identify its customers, how should it know if there's a market need or whether their solution is user-friendly? Furthermore, as in the sales field: It's easier to address customers who are backed by a functioning organisation and a strong company image/corporate identity. However, as a startup in a new area you'll benefit from talking to a customer who might not be yours, but who has a longstanding relationship with, in this case, *RWA*.

Bottom line: It's a mistake to assume that you can only launch a service when it's working absolutely perfectly. Rest assured, there's no such thing as a perfect service or product. Nor does any product work perfectly in all conditions. Make your teams aware that they can influence the expectations of customers themselves. If you avoid promising too much but, rather, develop a habit of delivering on your promises, you'll win the hearts of your clients.



²⁸ <https://www.cbinsights.com/research/startup-failure-reasons-top/>

HARVESTING RESULTS II | CLOSE CONTACT WITH FUTURE MARKET PARTICIPANTS

And still harvesting isn't over. Relationships develop over the course of such a program: relationships with the media, with potential partners, with future employees.

DOS AND DON'TS

Do: Integrate the turning points and success stories into your internal and external communications.

The relationships that you develop during an innovation acceleration program are often the most profitable outcome. Maintain them and reach out as often as you can with as much relevant content as you and your team can possibly develop. Allow for alumni groups to emerge because these permit exchanges beyond the specialist areas of all participants.

Do: Develop a Corporate Venture Department/Fund in order to keep the conversation going – if you “qualify”.

It can make sense to go a step further: Once the program owner has developed a taste for integrating partners, you can set up a corporate venture fund. This learning is “optional” in the sense that only organisations with the right size and internal capabilities can pursue this path successfully. (And even for big players it can make sense to make an initial investment in an investment fund as a first step.) If you develop a fund, this allows you to engage in licensing agreements to invest directly in companies and to try other more direct and intense forms of cooperation.

Don't: Deceive potential partners by not continuing the partnership for no reason.

Let's be clear: “No” is a legitimate outcome to a negotiation. Maybe the product – or the market – isn't ready. There can be many reasons for reducing transaction costs by declining an offer (early).

Side note: However, a “no” is only temporary in the sense that it's not set in stone. Communicate clearly the circumstances under which a continued exchange would make sense and allow for questions to be answered.



Final Remarks: An Apple A Day

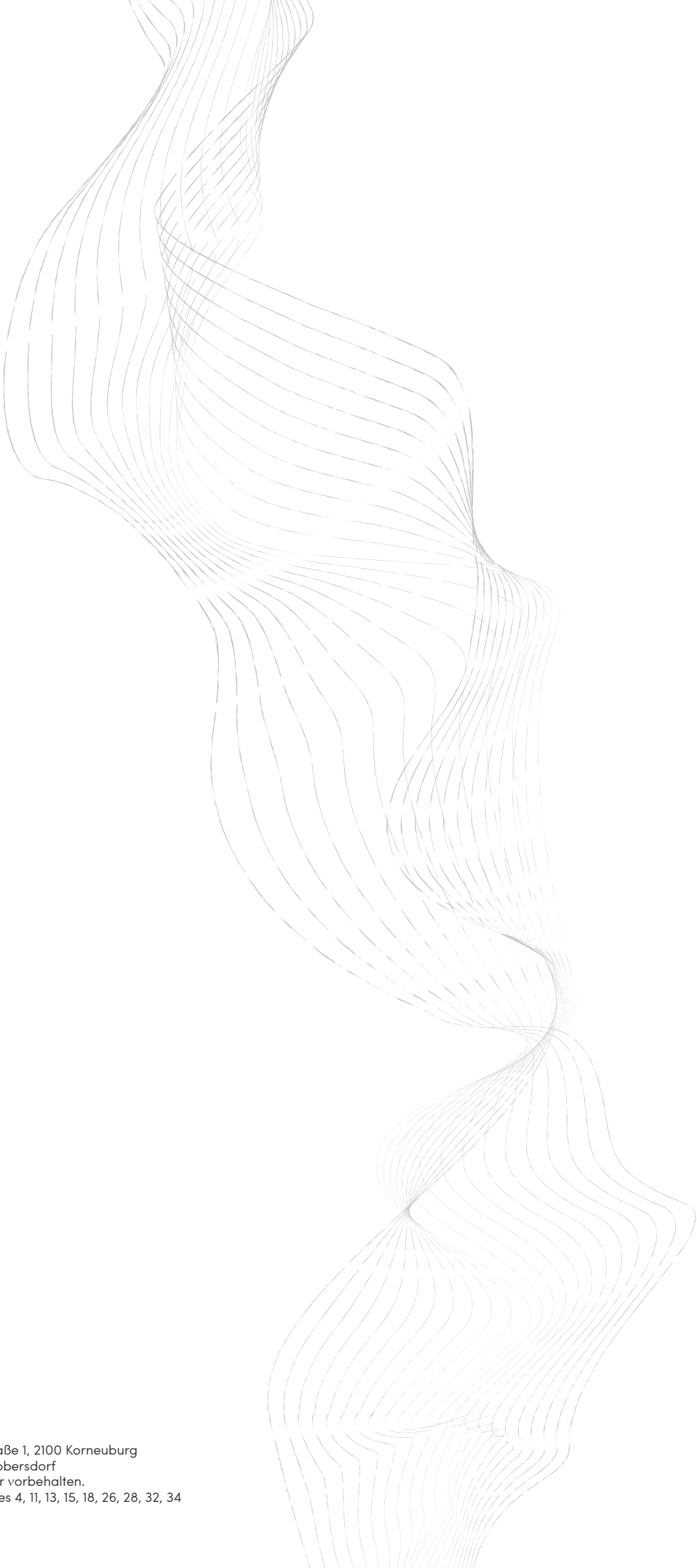
Rome wasn't built in a day, and neither will innovation become omnipresent from one day to the next – not even in an organisation that has been delivering long-term value for decades. Expectation management is crucial for innovation departments: Know where your innovation agenda is heading and communicate this clearly (rather too explicitly than too implicitly).

Your quest to break habits is usually implicit. Change in organisations can trigger fear, or curiosity. Reassure employees and stakeholders that, as an organisation, you want to change the organisation for the better. Change is healthy for all organisms/organisations: The key is how you go about it.

With your agenda in mind, keep on pushing. Push the limits of what used to be the limit. Push yourself to become a better change leader and earn a reputation for being an enabler: Don't think that you're an established business unit as soon as you've delivered some success stories. It's tempting to think that you're "done" with your agenda. There are too many examples of companies that thought they were "done" because they were ahead of the pack – but that have disappeared into the history books, which simply proves that there was still more customer value waiting to be found.

This Whitepaper was written to give you an impression of how RWA and its team "did it". Of course, we aren't able to capture or share all the aspects of establishing the AIL. But you can rest assured that it has been and remains a lot of work and, definitely, a lot of fun. And the lynchpin of the endeavour has been a committed team. Employees with a dedication to their work, a (roughly – this is, after all, innovation) defined career path and high levels of motivation.





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