



## Start-ups: keeping it real

The goal is known: the economy and society must be virtually CO<sub>2</sub>-neutral within 30 years. In my habitat, the Port of Rotterdam, this challenge is experienced more keenly. Over half of the massive transshipment of 465 million tonnes a year is fossil-based. The same applies to productivity. Eighteen percent of all Dutch CO<sub>2</sub> is emitted on the 12,500 hectares known as the Port of Rotterdam. At the same time, this port is home to Europe's largest bio-based cluster and numerous initiatives are in progress to reduce the oil sector's CO<sub>2</sub> footprint and launch new businesses. The Port of Rotterdam's industrial complex therefore provides fertile ground for the development of new ideas and is an excellent test bed for start-ups and scale-ups.

Nevertheless, the energy transition remains a tremendous challenge because of commercial pressures and the increasing sense of urgency with respect to global warming. Indeed, the magnitude of innovation required is such that the challenge posed by the energy transition is simply too great for the current players. Each self-respecting corporate in this sector has therefore added the start-up to its toolbox, and rightly so. Many large companies remain incapable of making truly targeted efforts. Rigid procedures, low development speeds and an instinctive tendency to avoid risks do not encourage the kind of innovation required to achieve the energy transition within the set timeframe.

### Eureka moment

The need for start-ups in the energy sector is not in doubt. It is definitely not the case, however, that start-ups invariably go from one eureka moment to the next breakthrough. A study carried out by Deloitte in 2015 shows that only one in 200 start-ups actually scales up into a company with a turnover of EUR 10 million or more within five years. That is of course a very substantial turnover and there are of course plenty of start-ups that can be considered successes even though they do not achieve the turnover referred to. Nevertheless, as the figures indicate, many start-ups ultimately fail. The success ratio of new companies that focus on the energy transition is, however, higher than average, because such companies tend to be founded by experienced professionals who have some financial scope and a good idea that they developed in practice. In other words, a founder of a company that focuses on the energy transition tends not to be a jumpy youth with a pizza delivery app start-up.

### Of vital importance

Corporates are undeniably of vital importance to start-ups. While a start-up creates opportunities, corporates have the financial staying power to make the start-up a genuine business success. In addition, large companies are often the first, second or third customer. Apart from the financial staying power referred to, corporates can also provide crucial input during the development of the idea. They have knowledge of the market and are aware of the permits and licences required and the applicable legal procedures. They also have experience with the technology and the circumstances and conditions under which the technology is used. In addition, corporates often have extensive networks in which the start-up can establish useful contacts and forge cooperative ties. And finally, corporates make it possible to test the invention in practice, a step that is frequently the bottleneck for start-ups that rely on investors only.

### **Lack of incentives**

Despite the major role that corporates play, the generally more mature attitude and the experience in the energy sector, large companies struggle with how to deal with start-ups. Do you give them maximum freedom or physically place them within the organisation? Do you immediately buy some of the shares? And when is it time to pull the plug? In addition, there are often no incentives for managers in the organisation to join forces with a start-up. The managers have enough work as it is, their targets do not include working with a start-up and, in addition, things could go wrong.

### **Going the distance**

It must be borne in mind that no two start-ups are the same. Moreover, the specific situation of each new company is different. Nevertheless, I have identified a number of considerations and steps that can increase the chance of success. To start with the obvious, one learns by doing. Corporates must therefore do business with several start-ups. In addition, the involvement of executive management is essential because time and money must be made available. Start with short pilots of three to six months for which very clear final goals have been set. At the same time, however, ensure that everyone involved is prepared to go the distance. Despite progress in innovation, measurable benefits are usually not achieved within one or two years. Finally, it is important to think at an early stage in the process about opportunities to roll out the success of a pilot on a global scale. Scalability determines a start-up's potential.

### **Not something nice on the side**

In my experience, working with start-ups almost immediately yields a result in that it inspires many employees of large companies. This is of course a positive effect. The biggest mistake that management can make when working with start-ups, however, is to view the activity as something nice on the side; something nice to talk about at a party. Far from being fun, working with start-ups is a serious business that is by no means easy. Nevertheless, such cooperation is crucial to achieving the innovation required and ensuring the success of the energy transition.

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