

Corp-up as a driver of corporate innovation in the Middle East

Corp-up collaboration is the key to quick, effective innovation for the region



Corp-up – the partnership between a scaleup (mature startup) and a corporation – has become more popular globally over the past decade, with ever-increasing numbers of corporates turning to scaleups for help with differentiated innovation and scaleups looking to work with corporates for quicker market entry and exposure to a larger customer base. To explore the relevance and impact of corp-up in the Middle East, where many countries are setting the global pace for digitalization and innovation, a recent “Corp-Up Middle East” webinar was co-organized by Arthur D. Little and Match-Maker Ventures. Attended by speakers from corporate (Virgin Middle East, Etihad Etisalat Mobily, Forward Investments, Majid al Futtaim Holding, Impact 46, Magnati, Access Health International, and Vodafone Turkey) and scaleup (OnePIN) backgrounds across industries, perspectives on regional corp-ups were shared, including key trends impacting the Middle East’s readiness for such collaborations and success factors for scaleups and corporates. This event summary recaps the main takeaways and highlights the webinar’s underlying focus: corp-up provides significant results for scaleups and corporates in the Middle East, and all stakeholders can contribute to the greater success of these collaborations and the resulting benefits.

The Middle East startup ecosystem is becoming a scaleup ecosystem

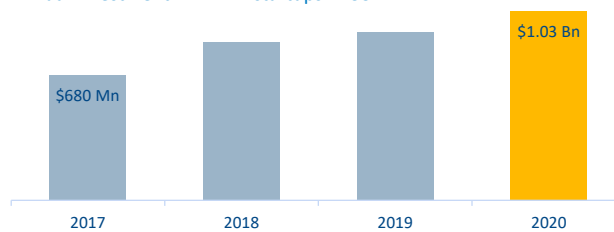
Globally, funding rates of startups have been rising continuously for the past five years, and the Middle East is no exception. Analysis by Magnitt indicates that annual funding of startups in the MENA region topped \$1 billion US dollars in 2020 and was already on track to surpass that number as of the first half of 2021. With countries like the UAE, KSA, Turkey, and Pakistan representing a significant share of the large investment total, it is clear that investors recognize the value of the region’s startups and are willing to bet on their future success.

With growing funding and opportunities, startups are becoming scaleups

With such considerable funding amounts on the table, startups in the Middle East have had the opportunity in recent years to build on their valuable ideas and prototypes to make them into practical businesses, ready to move to the next stage in their development. Far beyond starting up, these companies are ready to scaleup.

As scaleups, these companies represent more than just novelty. More fittingly, they are ready to take on the responsibilities and challenges inherent to serving a large market and have proven themselves ready to reliably partner with corporates, bringing to them a range of substantial benefits.

Annual investment in MENA startups in USD



Source: Magnitt

In this vein of thought, our expert speakers highlighted the increasing relevance of the type of innovation that scaleups can provide to the region today, especially considering the challenges posed by the COVID pandemic.

“Some of the most successful companies in the world have had to partner with scaleups to remain innovatively relevant. They could not handle a quick disruption in the industry the way a new startup or scaleup has been able to. And by partnering with them, they have been able to get the combined benefits of a large credible organization and a flexible and agile startup.”

– Thomas Kuruvilla,
Arthur D. Little



Scaleups are positioned to disrupt key fields in the region

While corp-up can impact any industry if the right partners come together, speakers at the “Corp-Up Middle East” webinar highlighted a few key areas where such collaborations are poised to have the greatest impact. Salvatore Traina, Group CTO at Virgin Mobile Middle East and Africa, shared his perspective on the areas in which partnerships with scaleups could stand to bring the most value to the region:

“There are three main areas in which there is a demand for corp-up partnerships in the Middle East: Data that will allow us to better define our customers’ needs; Fintech; and 5G.”

– Salvatore Traina,
Virgin Mobile Middle East and Africa



As Traina elaborated, needs surrounding fintech are especially crucial to address as they can involve putting valuable resources like remittances and other payments directly in the hands of users. Sejal Mistry, Regional Director at Access Health International, stressed that corp-up fintech solutions can have far-reaching consequences across sectors, including payments for healthcare as evidenced during the COVID pandemic:

“When COVID happened, we started seeing banks and fintech companies leading the way in providing health information services and really providing in-the-moment, agile solutions.”

– Sejal Mistry,
Access Health International



Furthermore, with the undeniable importance of data-driven decision making in the increasingly digitalized region, it is clear that data must indeed be a focus for innovation investments in telecom and beyond. And when it comes to digital infrastructure, with global investments in 5G soaring and ever more use cases for the technology coming to light, 5G is a clear candidate for innovation through scaleup partnerships, which could allow mobile operators to break away from the pack and make the most of their new technology enabler.

“With the increasing rollout of the promising 5G infrastructure globally and across the region, Corp-ups provide a unique opportunity for telco operators to realize new service frontiers by collaborating with scaleups that have already proven their 5G offerings work.”

– Lokesh Dadhich,
Arthur D. Little



With these fields and many more ready for further development and disruption in the region, innovation certainly has a large role to play in shaping the future of corporates in the Middle East.

Scaleups are not only a good choice for innovation – they are becoming the best choice

As the pressure to innovate weighs heavily on many corporates in the Middle East, more and more are looking for ways to innovate that will bring a high return quickly. Those who fail to move forward may face irrelevance, as explained by Omar al Rasheed, Chief Corporate Strategy and Digitalization Officer at Saudi Arabian telecom company Etihad Etisalat Mobily:

“Today, non-digital businesses are becoming irrelevant, and of course there is always this fear and pressure of staying relevant and looking at the latest trends. So, the pressure definitely opens the way for collaboration with scaleups and builds a path for innovation.”

– Omar Al Rasheed,
Etihad Etisalat Mobily



Given the stakes, it is sensible for corporates to be careful in evaluating potential partnerships. Nevertheless, the urgency of moving forward means corporates need to seek partnerships that will allow them to make necessary changes quickly. Luckily for corporates, this is where scaleups excel. Hany Aly, Middle East Venture Partner at Match-Maker Ventures, highlighted the importance of working together in this regard:

“Internally, it’s really difficult to try to develop technology and capabilities to deal with all these changes. How can I really ingest innovation internally and make it something practicable and applicable in a short time frame?”

– Hany Aly,
Match-Maker Ventures



Where it may take a corporate years to identify a problem, design a project in-house, and deliver the needed solution at scale, there are scaleups ready and willing to partner and provide mature solutions that have been proven by the market.

A high-profile example of this rapid solution deployment discussed in the webinar was the collaboration between Pfizer and scaleup BioNTech to develop the first COVID-19 vaccine authorized in the US and Europe, and which enabled Pfizer (the corporate) to achieve a breakthrough in mRNA vaccines with unprecedented speed through BioNTech's (the scaleup's) know-how in immunotherapy.

And the benefits extend far beyond speed for both the scaleup and corporate, as explained by speaker Joe Abi Akl, Chief Corporate Development Officer at Majid Al Futtaim Holding:

“There are a lot of benefits for scaleups from partnering with large organizations beyond just getting funding. These include for example access to a large base of customers, access to foreign markets, regulatory support, and integration into established assets, be they physical or digital.”

– Joe Abi Akl,
Majid Al Futtaim Holding



With so much to gain on both sides of the collaboration, as Salvatore Traina of Virgin Mobile emphasized, “companies are really starting to think that corp-up is the right approach.”

Corp-up success overcomes challenges

Equal commitment to the collaboration is key

While corp-up is trusted as a promising avenue for innovation for the region's corporates and scaleups, success cannot be expected unless partners are willing to approach the collaboration with open minds and with equal commitment. Scaleup and corporate representatives alike emphasize that a clear motivation to embrace innovation, a willingness to devote financial resources to getting the project off the ground, and dedicated teams to handle the collaboration are vital for corp-up partnerships to truly reach their potential.

Furthermore, corporates must explore the benefits that they offer to their scaleup partners rather than solely considering the benefits that scaleups can bring to them. As with any partnership, there has to be value created for all stakeholders involved in the process, even beyond funding. Pinaki Aich, Chief Executive Officer of Forward Investments, elaborated this view further:

“Venture capital investments have been growing exponentially over the past 5-10 years or so. Why would these scaleups need corporates money unless they are bringing something else to the table as well?”

– Pinaki Aich,
Forward Investments



Regional challenges – regulations and fragmentation

Corp-up collaborations may be on the rise in the Middle East, but that does not mean that the region is without its challenges for potential innovators. As opposed to the European Union, for example, the Middle East lacks uniformity of regulation, making it difficult in some cases for scaleups to push beyond their initial domestic deployments and find success in neighboring countries. But the challenge of regulation does not need to endure forever if regulators observe carefully before acting, as emphasized by Abdulaziz AIOmran, CEO of Impact 46:

“Government reforms probably created a lot of these opportunities, but with reform also comes a lot of regulations, so when crafting these regulations, governments need to be mindful not to hinder the growth associated with these opportunities.”

– Abdulaziz AIOmran,
Impact 46



Despite the challenges, the Middle East is uniquely well-suited to facilitate successful corp-up

Quick tech adoption is a strong asset for the region

Even considering the difficulties that inconsistent or changing regulations can present, the Middle East still remains particularly well-suited for corp-up collaborations. As a result of the region's openness to new technologies, its rapidly accelerating digitalization, and its drive to always stay ahead of the pack on innovation, the Middle East provides a particularly rich opportunity for scaleups and corporates to engage in collaborations. Speaker Ramana Kumar, CEO of Magnati (a payments subsidiary of First Abu Dhabi Bank) emphasized the beneficial positioning of the Middle East in this regard:

“With its ability to accept technology, absorb it, and quickly implement it, I think this region is ripe for the growth of corporates and scaleups coming together.”

– Ramana Kumar,
Magnati



Already popular throughout the world and in practice in the Middle East, corp-up certainly seems ready to expand in the region which has proven to be a hub of innovation and technology. With such a strong culture of seeking or creating new solutions, corporates and scaleups in the Middle East are ready to work together, achieving greater impact than they could by themselves in the face of accelerating changes and new challenges.

Corp-up has a strong impact in practice

For corporates and scaleups who see the potential benefits of corp-up and move forward with partnerships, the impact can be considerable. During the webinar, speaker Dogu Kir, CMO of Vodafone Albania and former Head of Growth at Vodafone Turkey, and Feyzi Celik, CEO of digital communication solution provider OnePIN, shared their firsthand experiences with corp-up and the results that their partnership was able to bring to Vodafone Turkey. Vodafone Turkey was looking for a solution that would enable it to communicate with its customers more effectively than with traditional SMS messaging or push notifications. The solution of OnePIN enabled Vodafone Turkey to send unique top-screen messages, standing out among other notifications on customer devices. The results were significant as noted by Dogu Kir:

“OnePIN’s digital assistant is a major channel in our operations. We are reaching our customers for activities such as cross-sell, up-sell, or retention, and OnePIN was constituting almost one-third of our digital reach.”

– Dogu Kir,
Vodafone Albania



But those results did not simply appear – rather, the partnership was able to thrive as a result of mutual commitment to success and innovation from all stakeholders, as shared by Feyzi Celik, including from higher management within the respective organizations:

“Top management from both the corporate and scaleup was really pushing forward for change, and that was the magic sauce for the collaboration.”

– Feyzi Celik,
OnePIN



Conclusion

As a growing phenomenon globally, corp-up has proven itself to be an effective pathway to innovation for scaleups and corporates alike. In the Middle East, a variety of factors have made it clear that the region is ideal for hosting corp-up collaborations and may soon set the new standard for success in this area:

1. The pressure to innovate quickly makes corporates more open to collaborations with scaleups to get ahead.
2. Increasing funding of startups has created an ecosystem of mature scaleups – ready for large-scale deployments.
3. The rapid adoption of technologies and increasing digitalization make the region highly responsive to new innovations.

As corp-up grows in popularity in the Middle East, the region is sure to see significant impact from the constructive disruptions that these collaborations enable. It is a promising opportunity for any corporate or scaleup looking to make a difference through collaboration, no matter which industry they are in.

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