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FINANCIAL TIMES

October 1, 2015 12:04 am

Big businesses keep a close eye on their start-up peers

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Fintech in action: inside the east London Barclays Accelerator

The frontage of Wickhams, a department store in east London, is a reminder of the humiliation large companies can face when they ignore their smaller peers.

Designed in the early 1900s as a grand row of neoclassic colonnades, Stepney's "Harrods of the East End" was forced to adopt a gap-tooth façade when it opened, because a jeweller in the middle of the terrace refused to vacate its shop.

Wickhams closed its doors in the 1960s, when the era of independent UK department stores drew to a close. The small jewellery shop, however, continued trading until 1982.

Recently, Barclays took a lease on the upper floors of the Wickhams site. This time, the big company arrived to help small businesses, turning the space into the London Accelerator, with open-plan areas for technology start-ups. The project provides fledgling companies with mentoring and practical help, such as introductions to potential clients.

This model has been adopted by multinational companies around the world. Attempts by a big business to immerse itself in a start-up

community allows the larger entity to harvest ideas and build positive links with those nimble companies that might otherwise steal its corporate lunch.

Derek White, chief digital officer at Barclays, oversaw the creation of the Wickhams site and similar projects in Manchester and New York. He talks of “reciprocity” and forging new ways of managing money with mutual support.

“It’s connecting large corporates and start-ups in co-creation,” he enthuses.

A recent study into innovation centres by the IT services group Capgemini noted that start-ups in such hubs tend to be inherent “risk-seekers”, in contrast to their risk-averse parent organisations.

Jerome Buvat, one of the report’s authors, claims that the growth of innovation centres in start-up clusters such as London’s East End, downtown San Francisco and the former East Berlin are driven by both the threat and the opportunities created by small businesses launching in these often gritty areas.

“If start-ups are only really in your innovation centre to innovate, then the large company will have failed,” Mr Buvat says. “A major objective of these centres is to tap into the ecosystem of start-ups — which means venture capital firms and angel investors — as much as the companies.”

Leanne Kemp, an Australian entrepreneur, joined Barclays’ programme to develop her latest venture, Everledger, which uses bitcoin technology to help insurers track diamonds. One of the biggest benefits of the programme was the connections she made through introductions made by senior Barclays executives, she says: “I had relationships with companies for 15 years in Australia who would not have given us the access Barclays gave to their senior executives, after just a few days.”

“ Companies link with start-ups that may be out to steal their lunch ”

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Not all innovation centres (often categorised as “accelerators” or “incubators”) are explicitly run as places to nurture early stage companies.

Walmart Labs, for instance, is an innovation centre created 15 years ago by the US-based supermarket group as a self-contained division within the larger company. It now employs 2,200 people in four offices in Silicon Valley, and has acquired, rather than backed, 13 small businesses in the past four years.

These purchases were driven by the need to gain access to technologies and talent that Walmart had already identified it needed, rather than a concern that the smaller companies might disrupt it, according to the company.

Walmart says that having that talent internally means it can move faster. It notes that Walmart Labs was created in part in recognition that the traditional way of innovating — getting IT suppliers to adjust software to the retailer's needs — took too much time.

Innovation centres are not the only environment in which creators thrive. Pingit, a mobile payments platform launched by Barclays in 2012, was developed entirely by the bank's internal research and development team.

But not every creative wants to set up operations in such an environment. Stefan Ebner is founder and chief executive of cloud computing business Braintribe, which offers companies document management as an alternative to them paying to install IT systems.

Mr Ebner has built a 75-person operation using his savings, customer revenue and funds from previous ventures; his client list includes Credit Suisse and Johnson & Johnson.

He is about to move his headquarters from Vienna to London to be closer to customers and potential investors, but he has no plans to base himself within a company's innovation centre.

“Most of these big corporates are making start-up investments because they felt forced to do it,” he says. “It is not coming out of a real belief, it is just ticking their ‘innovation’ box.”

Evidently, while much progress has been made in the years since the ill-fated expansion of Wickhams in London's East End, distrust of large businesses offering partnerships with small companies still runs deep.

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