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BONUS MATERIAL
Benefits, Risks and Challenges of Corporate-startup collaboration

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BENEFITS, RISKS AND CHALLENGES OF CORPORATE-STARTUP COLLABORATION

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Startups and large companies offer tremendous opportunities through cooperation that, if used properly, creates mutually beneficial situations. In a world where innovation, not pure performance, is the main driver of long-term success, cooperation with startups allows enterprises to develop and test new technologies and service solutions at lower costs and risk for their core business. Startups are also a source of new talents and ideas that can help rejuvenate corporate cultures.

Likewise, *large companies have many advantages for startups*: market knowledge and experience, economies of scale, well-established networks and brand power as well as other significant resources. Cooperation with large companies can be an important way for startups to test their products for market matching. Cooperation with a corporate partner can also help startups increase their business scale and provide the necessary verification to acquire future customers.

It *can benefit both sides* by helping corporations enter and create new markets and startups to develop their products and scaling: CEOs of corporations and startups have common strategic goals for company development, improving their competitive position and generating revenue. Based on WEF (2018) report on practical guidelines for cooperation between startups and corporations in Europe, the *potential benefits for startups and corporates have been identified* (Table 1).

Table 1. Potential benefits for startups and corporates

Benefits for startups	**Benefits for corporates**
• Revenues and independence from external capital • Success story for future sales • Scalable customer base • Riskless internationalization • Attractive retail channel • Access to proprietary assets • Market knowledge and mentoring	• External innovation and disruption • More innovative suppliers • Customer focus • Entrepreneurial and more agile culture • Staying on-top of market developments • New revenue streams and business lines

Source: WEF (2018, p. 7).

Moreover, cooperation between startups and corporations creates a very different risk for each party. Investigating the risks that each party is exposed to is critical to understanding their interests and concerns that need to be addressed. What are the common pitfalls to keep in mind, presents Table 2.

Table 2. Potential risks for startups and corporates

Risks for startups	**Risks for corporates**
• Need for revenue	• Reputational damage

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• Getting engulfed by one customer • Delayed projects • Waste of resources • Premature scaling • Losing the startup spirit	• Lost investment • Misaligned employees • Maturity misalignment • Unsure outcome • Maturity misalignment

Source: WEF (2018, p. 8).

Besides the risk perception, organizational challenges should also be considered. Questions that might be resolved to work together successfully, are reflected in various potential challenges (Table 3). Chief executive officers of startups often talk not with corporate directors, but with employees much lower in the hierarchy. Complications also often result from the clash of cultures: agile and static work processes, different work ethics, and different levels of risk acceptance.

Table 3. Potential challenges for startups and corporates

Challenges for startups	**Challenges for corporates**
• Duration of sales cycle • Client's protective middle management • Insufficient resources • Chasm between proof of concept and real projects • Trust without references • Top-down approach	• Not-invented-here problem • Managerial support • Siloed approach • Understanding change • Innovative organisation

Source: WEF (2018, p. 10).

Taking into account management challenges associated with the development of the networks, various difficulties may arise (Birkinshaw, Bessant, & Delbridge, 2007). A common difficulty is finding new partners, unknown and distant from the company, which is reflected in geographical, technological and institutional barriers. Another difficulty is the opportunity to work together and share knowledge, which may be an obstacle for competition, cultural or legal reasons. For a large mature company, the development of connections with small companies, and specifically with startups, presents numerous difficulties; large mature companies and startups do not meet each other naturally, and large companies use various means to develop new connections.

LITERATURE

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