

# Avoiding the pitfalls of collaboration

**Philippe Chalon**, Managing Director of think-tank 'Cercle d'outre-Manche' and Director of External Affairs at **International SOS**, outlines collaboration dos and don'ts for start-ups and corporates

**J**ob and wealth creation especially in countries such as France and the UK are largely driven by SMEs and scale-ups. These new jobs are mainly created by young companies – typically less than four or five years of age.

Business angels, venture capitalists, universities and the public sector have essential roles to play in the development of start-ups. But corporates are crucial partners because they can meet all of the start-up's needs, combining technical and commercial visions as well as skills.

Collaboration between corporates and start-ups is a strategic imperative for investment and business development. If they are done right, these partnerships can mean big rewards and benefits for both parties. Start-ups can reap the benefits of scale, distribution and financial resources that corporates can bring, alongside credibility. Corporates can innovate more quickly and cheaply by partnering with start-ups. Disruptive products and business models usually do not come from within.

However, working together comes with potential issues. In a study published last year, Accenture Research estimates the collaboration failure rate at 44 percent. A survey conducted in 2016 by Mass Challenge and Imaginatik found that 50 percent of start-ups rated their experience in interacting with corporates mediocre or worse. This is mainly due to a clash of mind-sets and cultures with different levels of appetite for risk. Corporates are not as agile as start-ups, and start-ups tend to over-commit. Corporate employees are trained to follow standardised processes and can be challenged by the creative behaviour of entrepreneurs.

## Transparency and alignment

One major problem that both start-ups and corporates report is the lack of transparency and alignment on a clear common goal from the relationship's beginning, leading to wasted time or painful renegotiations. Therefore, both parties should be transparent about their real objectives, and if possible they should jointly define the desired endgame. Expectations need to be aligned.

Investors in start-ups tend to look too much at technology and not enough at markets. The fastest route to market is to sell to corporations. It is not just the invention of a new idea that is important but it is actually bringing it to the market, putting it into practice and exploiting it in a manner that leads to job and wealth creation. ■

## The WEF check list

The World Economic Forum recently published a useful paper entitled 'Collaboration between start-ups and corporates.'

Key questions for start-ups to qualify the business impact of collaboration with corporates:

- Is the start-up's budget sufficient to deliver the product and services sustainably and successfully in the professional way the corporate expects?
- Who will sign the deal? Who has the power to protect against the pitfalls of the corporate environment?
- Who is the amplifier in the corporate who helps you close the partnership, deal and collaboration?
- What are the KPIs for a successful collaboration? Can you fulfil the expectations and deliver what was promised?
- What is the target of the corporate? Why do they want to work with you?

Key questions for corporates to identify the most innovative start-ups for collaboration:

- What are the benefits and long-term competitive advantage?
- Why is this different from what we could build internally?
- Why is the start-up interested in working with us?
- Which model of collaboration will be applied?
- Who are the internal stakeholders driving the process?

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