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START-UPS & LARGE GROUPS

7 PIECES OF ADVICE TO BRING DAVID AND GOLIATH TOGETHER

ERIC COHEN



"We often need someone smaller than we are", wrote Jean de la Fontaine. Heeding this old saying, all the hotel groups can very well say to themselves today that they could have built a winning relationship with Airbnb, if they had just acted in time to explore possible synergies between the platform and their core business.

The problem is that in reality there is nothing easy about bringing together a start-up and a large group. Here are 7 pieces of advice, borne out of experience, to finally get David and Goliath to agree.

1. BE CLEAR ON THE MUTUAL INTERESTS OF THE PARTIES

Between the need to innovate and the fear of being «disrupted», major groups clearly must consider that going down the partnership route with start-ups creates greater value, in the long term, than competing head-to-head with them, or purely and simply capturing their innovations.

Alongside this, start-ups will do well to keep an open mind, since a partnership with a major group is both a source of credibility for them, and a springboard for carving out opportunities in a market.

That said, not every large group/start-up relationship is necessarily a good thing. Each side must find the right partner for itself, based on specific criteria.

2. VALIDATE THE CONVERGENCE OF OBJECTIVES AND VALUES

In our experience, start-ups are open to collaborating with large groups, but not on any terms. The main condition is that their objectives and those of the large companies in question must be in line with each other. This «strategic fit», in which the convergence of objectives and values is taken into account, is an essential condition for success.

It can be noted that in a barometer study on these issues undertaken by Le Village by CA/bluenove and published in April 2017, 83% of the representatives of major groups questioned considered that the purposes behind the collaboration were sufficiently clear, whereas on the side of the start-ups, only 44% were satisfied in this regard.

3. FIND THE RIGHT PARTNER

Faced with an ever increasing number of start-ups that are more and more sure of what they want, major companies must clarify and rank their reasons for wanting to work with young, innovative enterprises.

So as to avoid dissipating its efforts and resources, a large group must be able to identify its short-, medium-, and long-term objectives, and thus determine the stage of development of those start-ups with which it is likely to partner. This clarification will determine the potential modes of collaboration. Here are a few possible scenarios.

- If it is a matter of finding new concepts, then it is in the interest of a large company to approach very young (seed) start-ups which, if they do not provide the company with a tangible solution, will at least give a fresh perspective to the view the company takes of its market and customers.
- On the other hand, for medium-term co-R&D projects, a technological start-up that has already undertaken its first financing round will be a more appropriate partner.

- Alternatively, if the company is aiming for external growth, it will be more interested in start-ups that have already scored points in the target market.

Let us not forget that the most promising start-ups are also the most courted. They will naturally turn to those large groups that offer them both the greatest potential for creating value, and the best terms for working together.

4. FIX A COMMON TIMETABLE

For the partnership to be possible and fruitful, both parties must work to a common timetable. Indeed, time does not have the same value for a start-up as it does for complex organizations. Six months are an eternity for most start-ups.

Large groups therefore need to speed up engagement processes, and that involves simplifying them.

5. RELAX CONTRACT TERMS

Start-ups that have been in existence for only a year or two, or just a few months, even, are not materially able to satisfy the same criteria and requirements as classic partners. It is therefore necessary to adapt and ease conditions for eligibility and the establishment of contractual arrangements and, if need be, help the start-ups acquire the certifications that are usually required.

6. PROMOTE MENTORING

To ensure that the innovation provided by the start-ups will be effectively integrated into the company, it is better to combine intrapreneurship and innovation «out of the box». This mix is a tried-and-tested way to compare points of view and create synergy between the solid knowledge that the business-function employees possess of the company, its customers and offerings, and the creativity that characterizes start-ups.

Start-ups are, in fact, very keen to have such mentoring, as it speeds up their understanding of the problem issues facing the large company. Moreover, giving salaried employees the possibility of pursuing entrepreneurial initiatives within the company, with the express support of management and working with start-ups, is an excellent way to invigorate latent potential for innovation. It promotes the spread and entrenchment of a culture of innovation in the company.

7. MOVE QUICKLY INTO ACTION

To achieve its innovation objectives, the company must very quickly proceed to undertake pilots with the identified start-ups. Experience shows that by undertaking three pilots per strategic topic identified, it is possible to test the capacity of the chosen start-ups and obtain concrete results. Depending on the expected return on investment, the company can then compare the results and perform a full-scale test with the partner that has obtained the best results.

In conclusion, whilst it is true to say that one of the most fruitful business approaches today consists of creating partnerships between start-ups and large groups, implementing their collaboration is something that can not be left to chance. Sometimes, the involvement of a trusted third party can prove necessary to underpin such a collaboration.

ERIC COHEN

FOUNDER & CEO OF KEYRUS

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