Shameen Prashantham April 4th, 2022

How to turn asymmetry into effective corporate-startup partnerships?

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*Startup-corporation partnerships are vital to stay relevant and competitive. However combining capabilities creates a paradox between sometimes ineffective collaboration and a high pay-off for innovation and creativity. **Shameen Prashantham** discusses how corporations can address goal, structure and attention asymmetry by clarifying synergy, creating interfaces and cultivating exemplars.*

Large corporations recognize the importance of being entrepreneurial. One way to do this is by building bridges with startups to combine complementary capabilities: corporations' scale, legitimacy and resources with startups' agility, creativity and novelty. However, my research of over a decade suggests that there is a "paradox of asymmetry", where the very differences that make it attractive for corporations and startups to collaborate also make working together effectively not very straightforward. Many corporations that I've written about in my book, *Gorillas can Dance*, have worked hard to address this. I have identified three asymmetries, and corresponding partnering practices: clarifying the synergy to address goal asymmetry where each side wants different things at differing timescales; creating interfaces to address structure asymmetry, where the two sets of organizations don't readily have role counterparts; finally, cultivating exemplars to address attention asymmetry, where each side struggles to attract the attention of the most relevant partners.

Clarifying synergy

Obvious though it may seem, addressing goal asymmetry requires clarifying what the synergy is. For technology companies like Microsoft and SAP, synergy typically stems from their technological building blocks that startups can build solutions upon. Potentially there is scope thereafter to co-sell these to other corporate clients. For companies from traditional sectors like banking, retail and fast-moving consumer goods, the synergy is that they have pain points that they would like startups to develop solutions for, often digital. In this case, startups sell to corporations, albeit with close involvement because of the corporations' strategic interest in enhancing its digital capabilities. At Unilever, for instance, a major driver of their startup partnering efforts had to do with challenges around digital marketing and consumer engagement. For a company like Barclays, the interest might be to engage with fintech startups possessing expertise that they don't yet have. For instance in relation to business-to-business payment solutions. The key is making sure that the "win" for each party in a win-win relationship is truly established from the outset.

Creating interfaces

To address structure asymmetry, companies need to establish a first port of call for startups. A startup partnering initiative involving Nissan's luxury brand, Infiniti, involved setting up a corporate accelerator, which I refer to as a "cohort"-based interface. Twice a year a set of startups is assembled (in person, pre-pandemic) and given the opportunity to interact with peers and numerous mentors from the corporation. The programme lasts for a few months and is based on a structured curriculum. By contrast, BMW Startup Garage adopts a "funnel"-like interface in which startups are progressively screened out in a bid to find suitable partners to work on joint projects based on the startups' expertise. Both these automotive companies have similar interests around issues like mobility and digitalization. Yet their interfaces operate differently. I find funnels to be better for predictability of outcomes and cohorts for serendipity. That is, two startups that didn't know each other before might end up unexpectedly forging a three-way partnership with the corporation over the course of the programme. While there is nothing to prevent corporations from operating a funnel and a cohort in parallel, resource constraints often mean that one or the other is chosen. Picking an option that fits with the company's corporate culture, including its tolerance for ambiguity, is an important consideration, in my view.

Cultivating exemplars

To address attention asymmetry, it helps greatly when success stories are intentionally cultivated and showcased. To illustrate, on one occasion when I was observing a regional meeting of Bayer, I was struck by how the Korean representative spent the majority of his allocated time describing the first big success story they had had of partnering with a startup. With the help of the team in Seoul, this startup went on to build a relationship with Bayer's global corporate innovation team in Berlin. They were then able to leverage their enhanced visibility in that company to broaden the scope of their collaboration. As in this case, drawing attention to exemplars is something I have frequently observed in a range of corporations, including Microsoft, Barclays, Unilever and Walmart. One benefit of doing so is that it helps to attract other high-quality startups to participate in the company's startup partnering initiatives. Another is that seeing what success looks like for both parties helps the company's own managers – especially hitherto sceptical ones – to realize that startups can be valuable partners, and to better prioritize their limited managerial attention on startups that are more likely to be effective partners to them.

Clearly, partnering with startups is effortful, not effortless – but the payoff can be considerable in accessing valuable innovation and creativity to remain competitive and relevant in a dynamic and complex world.

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