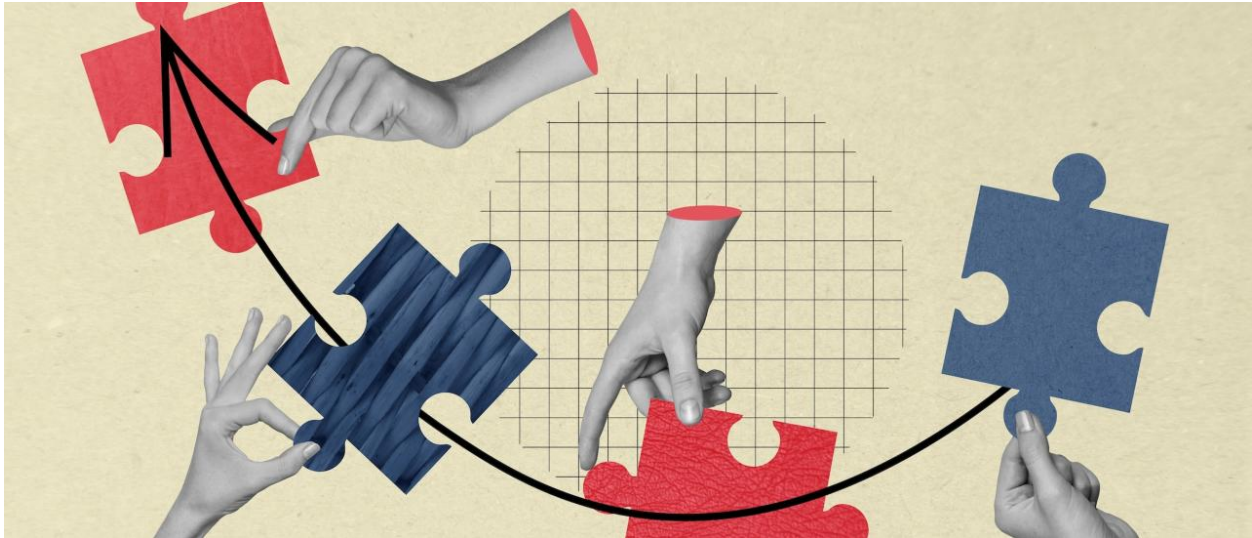

The Obstacles to Partnering With Start-Ups



By Andrew Shipilov and Nathan Furr , INSEAD, and Tobias Studer Andersson , Sopra Steria Scale up

Why collaborations between corporates and start-ups fail - and how to get them right.

Open innovation provides a vital way for corporates to break the boundaries they've set for themselves and draw upon a broader pool of talent and insights to solve innovation challenges. It can be as shallow as tossing a problem or product campaign out to an external group to solicit ideas, or as deep as partnering with a dynamic start-up to create new products and services.

But making such partnerships work, particularly deep collaborations between corporates and start-ups, is no easy feat. The reasons for large corporate Goliaths to work with nimble entrepreneurial Davids are not obvious because these companies have so many differences. On top of facing various legal and regulatory constraints, corporates often have low risk tolerance and lack strategic focus from the management towards working with start-ups.

In the “[Open Innovation Report 2023](#)”, a collaboration between Sopra Steria, INSEAD and Ipsos, we surveyed 1,648 corporates and start-ups from 10 European countries to understand corporate-start-up partnerships across Europe. We found that almost three-quarters of corporates collaborated with start-ups, with two-thirds rating such collaborations as important or mission critical to their organisation’s strategy.

Behind these encouraging figures, however, we observed stark differences between success cases and failures. We uncovered four reasons why open innovation efforts fail, in hopes of providing insights on how to get it right.

Lack of understanding of partners’ needs

Corporates and start-ups have very different needs when they start collaborating. For example, corporates may think that start-ups are seeking funds and expertise from the corporate reserves. In reality, most start-ups want to work with corporates to gain market access, with funding and expertise coming in a distant second and third.

Similarly, start-ups might think that corporates view them as a source of innovative ideas to improve their internal operations. In reality, corporates view start-ups as a source of external knowledge to not just improve internal operations, but also to offer corporate customers new products and services. Understanding the needs of partners is the most important driver for the success of collaborations. Yet, many companies, start-ups and corporates alike may not fully achieve this understanding.

Targeting corporates in the wrong country

Start-ups may assume that corporates will welcome them with open arms regardless of where they are based. This is not what we learnt through our survey. Based on the results, a corporate in Italy is more likely to achieve desired objectives when working with start-ups as compared to a corporate in Germany or Norway. In fact, despite Berlin’s position as a leading European start-up hub, German corporates were the least happy in working with start-ups and were also less likely to do so in the future.

Upon further investigation, we found that when Norwegian and German firms collaborate with start-ups, the ideas developed are rejected due to the “**not invented here**” mentality, or they tend to use start-up collaborations more as marketing “fluff” than serious collaboration, as compared to firms in Italy. Obviously, these are generalisations across geographies. The lesson for start-ups is to look for partners who are ready to dig in and work, and to avoid those showing signs of “not invented here” syndrome or wanting to do a big PR campaign.

Going it alone

Specialisation is an important aspect of learning to work with start-ups. Third-party matchmakers, such as accelerators, incubators or consulting companies, can create value in managing corporate-start-up interactions by acting as co-pilots.

We found that companies in financial services, the public sector, energy and defence were the most likely to **try collaborating with start-ups** on their own without relying on any external help. While defence firms may legitimately want to limit the involvement of external parties to maintain confidentiality, those in the public sector, financial services, insurance and retail might be missing out on the efficiencies that can be achieved by finding start-ups and working with them in collaboration with the matchmakers.

Rushing into collaboration

One of the most surprising findings from our survey was that corporates that had been collaborating with start-ups for a longer time were not necessarily better at it. Those that took the time to observe others working with start-ups and learn from their mistakes tend to perform better.

Despite the challenges listed in this article, open innovation is likely to become even more popular in the future. Among European companies, 44 percent of the corporates we surveyed planned to increase their focus on start-up collaboration. The top collaboration areas for the future were sustainability, cybersecurity and artificial intelligence – three areas where

expertise is hard to find and expensive to recruit. The Goliaths are learning how to work with the Davids, though it is not a walk in the park.

Find article at

<https://knowledge.insead.edu/strategy/obstacles-partnering-start-ups>

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