Collaboration between startups and mid-sized companies *Learn. Match. Partner.*

A study of the Alexander von Humboldt Institute for Internet and Society in collaboration with [SPLELFELD](#)

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The situation in Germany is unique

“Germany as a country has a unique advantage: Germany’s Mittelstand. A closer cooperation between startups, mid-sized companies and corporations seems obvious.”

Florian Nöll (Bundesverband Deutsche Startups e. V.)
STATUS QUO
Mid-sized companies are risk-averse and rely on limited resources...

- A small or mid-sized company is simply lacking the resources to engage with the issue.”
  - Karsten Traum (DKB)

- "Mid-sized companies are driven by return on investment. Giving someone a full time position to deal with startups can be hard to justify."
  - Oliver Hanisch (German Silicon Valley Innovators)
...as well as on closed innovation strategies and they don’t see the need to digitize

Closed innovation

Not feeling the need to digitize

Why?

“Company politics tend to be very secretive in mid-sized businesses. (...) It’s hard to bring this together with open concepts.”

– Stephan Köhler (Gebr. Brasseler)

NOpen Innovation

“As long as the order book is full, a mid-sized company will not be thinking about investing in digitization, finding new new business models or cooperating with startups.”

– Christina Schulz-Heidorf (BVMW)
“Out there in some garage, an entrepreneur is forging a bullet with your company’s name on it. You have only one option: you have to shoot first.”

Gary Hamel in 1999

Even though there is an urgent need for action

- <10% revenues through innovation
- 16% use e-commerce
- >50% don’t see the need to change their business model
- 25% cooperate with others

From a mid-sized company’s perspective, cooperations holds a lot of potential.

70% can imagine cooperating with startups.

95% of companies with collaboration experience could see themselves cooperating again.

Mittelstand meets Startup - Baharian und Wallisch 2017
If you take a closer look, there are many **similarities** between startups and mid-sized companies

- Customer-focused, innovative and usually attend to niche markets
- Fewer differences in company size (compared to corporates), leading to quicker decision making
- Companies often led by strong personalities
KEY ELEMENTS OF THE STUDY
We pursued the following research questions

- How can there be more cooperations between startups and mid-sized companies?
- How can the learn, match, and partner phases be more systematic?
- What are the biggest challenges during cooperation?
- Which models of collaboration are the best fit for a project?
- What can established companies offer startups and vice versa to ensure an efficient cooperation?
And discussed them during roundtables, workshops, and interviews
Our study included the following elements:

1. **Roundtable**
   Roundtable meeting with experts at HIIG

2. **Interviews**
   Interviews with experts in the US

3. **World Cafés**
   Group discussions at the Tech Open Air

4. **Workshops**
   Workshops for the 3 phases of collaboration Learn, Match and Partner at Spielfeld Digital Hub

5. **Survey**
   Survey of >30 participants of the workshops
COMPARISON: DIFFERENCES, GOALS, CHALLENGES AND COLLABORATION MODELS FOR PARTNERSHIPS BETWEEN STARTUPS AND MID-SIZED COMPANIES

- INSIGHTS FROM THE LITERATURE -
There are **significant differences** between established companies and startups

<table>
<thead>
<tr>
<th>ESTABLISHED COMPANIES</th>
<th>STARTUPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>traditional organized</td>
<td>small agile in Beta modern</td>
</tr>
<tr>
<td>caught up in their own system <strong>practices</strong></td>
<td>eager to try new things few processes</td>
</tr>
<tr>
<td>top-down think and act in processes</td>
<td>reacting fast to changes</td>
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<tr>
<td><strong>hierarchical</strong> long-term planning structured</td>
<td>small teams <strong>flat hierarchies</strong></td>
</tr>
<tr>
<td>maintaining the status quo <strong>no mistakes</strong></td>
<td><strong>fail-fast</strong> transparent opportunistic</td>
</tr>
<tr>
<td>consistent constrained by rules</td>
<td>break rules dynamic</td>
</tr>
<tr>
<td>long decision making process <strong>process-driven</strong></td>
<td><strong>result-oriented</strong> close relations between employees</td>
</tr>
<tr>
<td>growth-minded established business models</td>
<td>under time pressure &amp; pressure to succeed</td>
</tr>
<tr>
<td><strong>complex</strong> KPI-driven</td>
<td>action-oriented <strong>lean</strong></td>
</tr>
<tr>
<td>trust in own networks <strong>profit-orientated</strong></td>
<td><strong>growth-oriented</strong> constrained budgets</td>
</tr>
<tr>
<td>financially strong &amp; investment-oriented</td>
<td>full of energy uncertain committed</td>
</tr>
<tr>
<td>experienced trustworthy <strong>bureaucratic</strong></td>
<td>thinking in prototypes <strong>pragmatic</strong> visionary</td>
</tr>
<tr>
<td>business expertise market &amp; industry know-how</td>
<td>technology enthusiasts engaged</td>
</tr>
<tr>
<td>wide reach <strong>well-versed</strong> creating value</td>
<td>determined <strong>focus on learning</strong> pioneers</td>
</tr>
<tr>
<td><strong>incremental</strong> continuous optimization of ideas</td>
<td>learning fast creative <strong>disruptive</strong></td>
</tr>
<tr>
<td><strong>risk-averse</strong> high quality consciousness</td>
<td>customer-oriented <strong>enterprising</strong></td>
</tr>
<tr>
<td>customer access &amp; good at selling</td>
<td>thinking outside the box feedback-oriented</td>
</tr>
<tr>
<td>big network <strong>brand awareness</strong></td>
<td><strong>innovative</strong> close to the customer</td>
</tr>
</tbody>
</table>

**VS.**
Each party pursues different goals within the partnership

**ESTABLISHED COMPANIES**

- Development of new technologies and business models • Increasing innovation and digitization
- Accelerating marketing and sales to create revenues  
  • Combining complementary resources  
  • Getting press attention
- Investing in or acquiring startups with a financial strategy in mind
- Positive influence on personnel, organization, and culture • Improving employer attractiveness

**STARTUPS**

- Development and enhancement of market and industry expertise • Access to networks • Implementation of pilot projects
- Accelerating customer growth through established company as a new customer and/or access to their customer network
- Financial insurance through investments • Access to important resources • Sharing costs
- Support in establishing company structures
There are many different challenges before and during the cooperation

**ESTABLISHED COMPANIES**

- Overcoming organizational and cultural differences
  - Established companies do not know how startups work
- Identifying and choosing the right startups
  - Marketing own services to startups
- Ensuring common vision and goals
- Overcoming internal challenges
  - Management of internal risks and expectations
  - Change in personnel and responsibilities

**STARTUPS**

- Overcoming organizational and cultural differences
  - Startups do not know how established companies work
- Choosing the right partner company and finding a point of contact
  - Showing own advantage to established companies
- Creating trust, engagement and commitment
- Losing pace
  - Imposition of rules by the established company
  - Losing strategic flexibility
  - Conflicts within the founding team
And, of course, several models of collaboration

**Short-term activities**
- Events • Conferences
  - Meetups • Hackathons • Workshops
  - Trainings • Competitions • Innovation Awards • Innovation Camps • Startup Pitches
  - Startup Weekends • Startup Safari • Silicon Valley Trips • Speed Dating

**Shared infrastructure**
- Shared Offices
  - Coworking Spaces • Innovation Labs

**Internal innovation**
- Spin-Offs
  - Coworking Spaces • Innovation Labs

**Investments and acquisitions**
- Seed Funding • Corporate Venture Capital • Acqui-Hiring • Acquisitions • Mergers

**Programs and services**
- Support in establishing company structures • Mentoring und Services • Free Software
  - Startup Programs and Platforms
  - Scouting and Matching Support

**Incubators**
- Accelerators • Incubators • Company Builders

**Partnerships**
- Customer/Supplier Relationships • Co-Innovationen • Licensing • Co-Creation • Co-Marketing • Strategic Alliances • Joint Ventures

Intensity of partnership • Complexity • Costs • Risk
FRAMING: LEARN. MATCH. PARTNER.
Collaboration types can be matched with the phases

**LEARN**
- Meetups & Conferences
- Startup-Safaris
- Competitions
- Workshops & Trainings
- Hackathons
- Startup-Pitches

**MATCH**
- Scouting & Matching Support
- Incubators
- Accelerators
- Innovation Labs
- Joint Pilot Projects

**PARTNER**
- Supplier/Customer Relationship
- Licensing
- Co-Creation
- Joint Ventures
- Strategic Alliances

Intensity of partnership vs. Time
GERMANY VERSUS UNITED STATES: THE INTERNATIONAL PERSPECTIVE.
We came back with the following **observations** from the USA

- The mutual understanding between startups and established companies is highly developed.

- Cultural characteristics such as pragmatism, the willingness to take risk and a positive culture around failure make the facilitation of cooperations easy.

- Topic-specific activities, the variety of networks and events such as meetups, conferences and other events facilitate partnerships.

- Many intermediaries support the match making. Examples are venture capitalists, top-ranking universities, accelerator programs etc.

- The tendency to test is deeply grounded in the American mindset. Pilot projects usually serve as the beginning of long term cooperations.
"The difference between American and German innovation would be, in Germany you will actually put a process before you do it and act systematic. While here in the U.S. it’s cowboy land. You just kind of figure it out. I think entrepreneurship is here like: Alright, I’m flying 200,000 feet, I’m going to jump off the plane and I’ll build the parachute while I come down."

- Anonymous
RESULTS: FUNDAMENTALS, GUIDELINES AND RECOMMENDATIONS FOR ACTIONS FOR MID-SIZED COMPANIES AND STARTUPS
Companies and startups should pay attention to these **fundamentals**

- Depending on the industry, partnerships have different function and meaning.
- Mutual trust is the foundation for long term cooperation.
- Personal relationships are crucial for success.
- Business partnerships require a win-win strategy.
- Cooperations are unique and hard to standardize.
These guidelines can make collaboration a success

A collaborative mindset and mutual trust are crucial.

It’s okay to make mistakes, as they are an important part of the learning process.

Empathy, change of perspectives, and communication on a level playing field increase mutual understanding and trust.

Shared goals and visions connect the parties.

Honest, transparent, and open communication and professional management of expectations.

Reacting to changes in the cooperation with flexibility and an open mind.

All parties must continuously contribute to make the work a success.
Recommendations for action –> Mid-sized companies

☐ Put the right people in the relevant positions, create the right structures and obtain support from the top management.

☐ Setting goals first, choosing the right form of collaboration second.

☐ Be present, visible, and attractive for startups.

☐ Lower barriers and commit early.

☐ Start with resource-efficient, pragmatic projects.

☐ Focus on early successes but don’t expect them. Fail early and learn from it. Continuity pays off.

☐ Get external support from intermediaries and cooperate with other mid-sized companies.
Recommendations for action → Startups

- Be where mid-sized companies are and treat their experience with respect.
- Know what role mid-sized companies should take in realizing goals. Be an attractive partner.
- Follow concrete goals, prioritize and focus on fast results.
- Find an internal champion with authority, expertise and the power to make decisions.
- Minimize risk, maximize potential and create trust through references, so mid-sized companies can see the advantage of cooperation.
- Be transparent, don’t promise too much and communicate your expectations.
- Keep several options open and don’t depend on only a few mid-sized companies.
POTENTIALS FOR MORE COLLABORATIONS BETWEEN STARTUPS AND MID-SIZED COMPANIES
Intermediaries play an important role and have the capability to foster collaborations between startups and established companies.

Intermediaries that bridge the gap.
Common themes make it easier for partners to approach each other and understand the other side’s perspective during the Learn and Match phases.

Common themes that connect.
Joint initiatives by several mid-sized companies can save costs, facilitate mutual learning and are overall more attractive to startups as well.

Joint initiatives that unite.
In summary:

Startups and mid-sized companies: It’s time to collaborate.
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www.spielfeld.com
http://idist.io/g/hiig-sum
EXTRAS: RESULTS OF OUR WRITTEN QUESTIONNAIRE
Expert questionnaire: Relevance and successes

“The issue of collaboration between startups and established companies is highly relevant for my startup/company.”

“The importance of the issue of collaboration between startups and established companies will increase within the next years.”

“I consider the previous collaboration of my startup/company with established companies/startups a success.”
Expert questionnaire: Main goals and challenges of cooperations

**DEVELOPING NEW BUSINESS MODELS**
- Getting access to new technologies
- Increasing innovative activities and digitization
- Promoting cultural change

**ESTABLISHED COMPANY**
- Internal management of expectations
- Overcoming cultural and organizational differences

**STARTUPS**
- Finding the right contact person
- Imposition of corporate rules
- Losing pace

**Main goals**
- Developing new business models
- Growth and scalability
- Obtaining the first reference customers
- Getting access to the established company’s customer and sales networks

**Most important challenges**
- Internal management of expectations
- Overcoming cultural and organizational differences
- Finding the right contact person
- Imposition of corporate rules
- Losing pace

The biggest challenges lie in the Match and Partner phases.
Expert questionnaire: Future potential of collaborations

According to all experts, different forms of collaboration will gain importance in the future, in particular customer/supplier relationships. The same applies to innovation labs, early and late stage funding and acquisitions.
Expert questionnaire: Failure of partnerships

“Has a cooperation failed before?”

STARTUPS

Yes

Reasons: Unclear goals and different expectations • cultural differences • financial difficulties • change in personnel • resistance of the works council

ESTABLISHED COMPANIES

Yes

Reasons: Handling goals and expectations the wrong way • cultural difference • no reliability within the cooperation

→ Roughly two thirds of corporations failed according to the experts asked