



# COLLABORATION BETWEEN CORPORATES AND START-UPS: BENEFITS AND RISKS ANALYSIS

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## Abstract

Collaboration between start-ups and large corporates is a key for fostering innovation. It is done to benefit both sides. It helps corporates to gain hands on latest innovations in the market and help start-ups to gain customer base and infrastructure requirements. If the new strategy is carefully implemented by both startups and corporates, the collaboration would turn out to be a win-win solution not only for both parties, but for the industry and the entire entrepreneurial ecosystem too.

Successful collaboration depends on each side learning to understand the interests, expectations, incentives, culture and work ethics of the other. It depends on the two parties identifying the most appropriate proven collaboration model for their situation - which could be incubation, acceleration or partnership - and clearly defining roles and responsibilities.

This paper attempts to find out how start-ups and corporates can work together, by improving their mutual understanding of the risks and challenges each side faces. It identifies the strengths of either parties to utilize it for each other's benefits and overcome their weaknesses.

**Keywords:** Collaboration, Start-ups, Corporates, Innovation.

The business landscape is changing, making it hard for big firms to innovate quickly enough to meet the market requirements alone. Hence, more and more corporations are looking forward to collaborate with start-ups. Take hospitality company Hilton, for instance, it has been in existence for almost 100 years and it has approximately 838,000 rooms in 103 countries and a market capitalization of \$25.1 billion (Source: Forbes.com). However, in just 10 years, starting from scratch, Airbnb has surpassed Hilton's market capitalization, with quadruple the number of managed rooms. In parallel, without it owning a single car, in just nine years, Uber has exceeded the market capitalization of BMW, which began 102 years ago.

### Achieving the goals: a win-win partnership

If the new strategy is carefully implemented by both startups and corporates, the collaboration would turn out to be a win-win solution not only for both parties, but for the industry and the entire entrepreneurial ecosystem too.



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