

Deeper dive into partnership types

TIP FOR
STARTUPS

Based on their strategic objectives, corporates may use different structures to enter into strategic alliances with startups.⁵⁰ Figure 9 shows various partnership types of increasingly intense integration.

Procurement contracts are at one end of the partnership spectrum. Whilst the qualification process may be arduous (as discussed above), procurement is usually relatively transactional in nature, requiring little formal integration.

Marketing or distribution agreements – wherein firms embark on a joint marketing campaign, or else the corporate uses its own (typically well-established) distribution channels to distribute the startup's offering – can also be quite transactional, though they require a degree of strategic alignment and agreement over messaging. An interesting example of this – albeit imperfect in practice – was games developer Zynga's partnership with Facebook.⁵¹

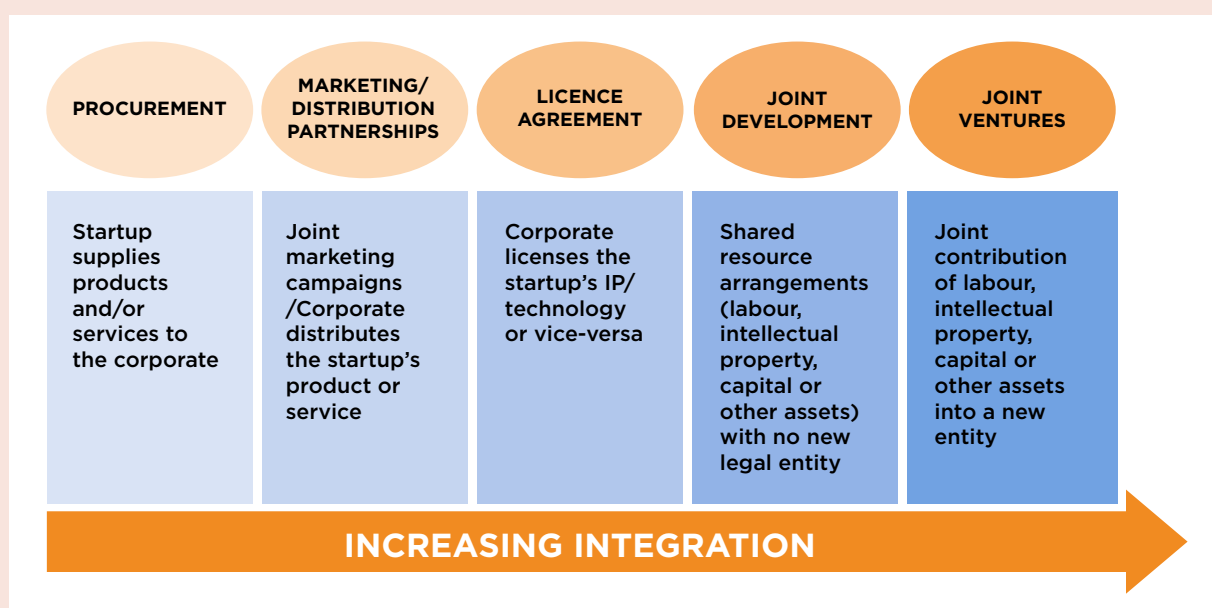
Licence agreements, whereby one partner (typically the corporate) licenses IP for exploitation, may require further integration. Particularly for new technology, such a partnership will also require a period of collaboration in which the development team helps the licensee to integrate the technology into their systems. Licence fees may sometimes involve equity as well as, or instead of, cash payments. For instance, Google licensed travel-booking software from Room 77 Inc, a startup backed by Expedia, in order to capture a bigger portion of the online hotel and flight booking revenues.⁵²

Joint development or co-development is a deeper form of partnership where the corporate and startup share resources – usually including labour, capital and IP – in order to jointly develop a product or service. An example is IoT startup amBX collaborating with Cisco's Collaborative Research and Emerging Technologies (CREATE) Labs, on their Lighting as a Service project.⁵³

Joint ventures take co-development a step further, in terms of pooling resources into a new legal entity, with its own governance structures and business processes.

As may be expected, lighter forms of partnership are more common: in our survey, around 35 per cent of startups had been involved in a marketing and distribution agreements or procurement contracts, whilst only 5 per cent of respondents had participated in a joint venture.

Illustration of Partnership Types



Adapted from Minshall & Mortara (2010) and Margulis & Pekar (2003)