

Issues with managing start-up / large firm partnerships

Start-up perspective	Large firm perspective	Investor perspective	Legal perspective
<p>How to get in? For large companies, the complexity and scale of operations may mean that even their own staff may not be able to help a start-up contact the right people.</p>	<p>Paranoia over IP and NDAs: Start-ups are often reluctant to reveal details of their technology without a non-disclosure agreement (NDA). What they may fail to see is that somewhere within the large company IP may already be owned in this area.</p>	<p>Increased credibility: Having visible links with a well-know brand can raise the credibility of a start-up in the eyes of investors and potential customers. However, start-up may invest a disproportionate amount of time making ineffective links with many firms.</p>	<p>Capability (or absence) of start-up legal team: A start-up, being resource constrained, may be reluctant to spend money on legal counsel at all, or only when negotiations are at an advanced stage.</p>
<p>Who to talk to? What the start-up really wants to know is: Who is the decision maker? Who influences them? Who will be working on implementing the partnership?</p>	<p>Brand abuse: Start-ups are often very keen to promote relationships with established players as it may be seen to confer credibility. They may use the partner's brand in inappropriate ways in pursuit of this.</p>	<p>Access to complementary resources: Partners can provide start-up with channels to market, production capability and additional know-how that may de-risk the start-up. However, there are many challenges in actually getting what is needed from a partner.</p>	<p>Excessively restrictive contracts: Counsel representing large firms will be, understandably, focused on minimising risk for their client and this may result in restrictions placed on who else the start-up is able to work with once the partnership deal has been agreed.</p>
<p>Transfer of responsibility. The transfer of responsibility from R&D to legal and procurement can change and disrupt the flow of the negotiations.</p>	<p>Technology, product or solution? The gap between technology demonstrator to fully-supported product can often be quite significant and start-ups may not appreciate the time and cost involved in moving between the two.</p>	<p>Funding: Partners may also become investors, through corporate venturing, if they regard the start-up as strategically important. This can result in conflict between the venturing activities and other business activities of the same firm.</p>	<p>Negotiation process management: If the move from general to specific discussions are left too late, this may result in one party feeling 'ambushed' with what it feels are demands not in keeping with the spirit of the discussions to date. If these are brought in too early, they may stifle the broader discussions.</p>

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<p>Slow decision cycles. For large firms, due to their complexity, size, and multiple layers of management, it is often very hard for them to make decisions at 'start-up speed'.</p>	<p>Different functions: Even when there is enthusiasm from R&D within the large firm, the transfer to operations (and 'collision' with procurement systems) can be problematic.</p>	<p>Differing timeframes: Investors will be interested in maximising the value of the start-up within the relatively short timeframe of their investment. The start-up management team may be planning for a slower growth trajectory.</p>	<p>Transactional legal issues: If lawyers are not fully informed of the commercial drivers and the competitive arena, the business plans of both parties, the value proposition around which the partnership is based, they will be ill-placed to provide best advice.</p>
<p>Power imbalance. The large firm may abuse its position by drawing-out negotiations and to attempt to prevent discussions with competitors.</p>	<p>Resource constraint & financial stability: Start-ups need to be prepared to be subject to due-diligence checks to give potential partners confidence in their viability.</p>	<p>Distraction for management team: Making partnerships work can consume significant amounts of management time, something which is in scarce supply in a start-up. Investors may be more interested in management focusing on generating revenue from customers than building speculative partnerships.</p>	
<p>Not understanding start-ups. Demands made of start-ups by large firms sometimes show a lack of awareness of how a start-up operates.</p>	<p>Culture: Start-ups may be run by individuals impatient for progress but unwilling to be governed by schedule and discipline dictated by the larger firm.</p>	<p>Complexity: If the start-up team has established a number of partnerships, potential investors may be nervous about the complexity of managing (and potentially disengaging from) multiple commitments.</p>	