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Round Table

Engaging with startups: MNC perspectives

Shameen Prashantham[a,*,1], **K. Kumar**[b,2]

[a] *China Europe International Business School (CEIBS), Shanghai, China*
[b] *Indian Institute of Management Bangalore, Bangalore, India*

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Abstract Through a conceptual note and round table discussion, this article builds upon Buckley and Prashantham's (2016) "division of entrepreneurial labour" notion to consider more closely the perspective of multinational corporations (MNCs) in relation to partnering with startups. First, the capability dimension suggests that there is potential for value creation resulting from complementarity between the strengths of corporations and startups. Second, the connectivity dimension is concerned with how this potential is realised; the rise of corporations' programmatic initiatives and third-party specialists are highlighted. Third, the contextuality dimension highlights spatial differences, noting MNCs' unique opportunities and challenges vis-à-vis startup partnering in emerging markets.

Academic perspective

Introduction

Research at the intersection of strategy and entrepreneurship has drawn attention to the phenomenon of large corporations partnering with startups (Diestre & Rajagopalan, 2012; Katila, Rosenberger & Eisenhardt, 2008; Prashantham & Birkinshaw, 2008; Vandaie & Zaheer, 2014; Weiblen & Chesbrough, 2015). Many of these operate globally as multinational corporations (MNCs). Corporation-startup partnering entails a tension: the vast differences between these disparate sets of organisations give rise to potential complementarities; yet, at the same time these very differences render engagement difficult due to asymmetries in power and structure. This is reflected in some of the phrases coined to describe these partnerships, such as "swimming with sharks" (Diestre & Rajagopalan, 2012; Katila et al., 2008), "dancing with gorillas" (Prashantham & Birkinshaw, 2008) and "surviving bearhugs" (Vandaie & Zaheer, 2014).

Therefore, partnering between corporations and startups represents "business as *un*usual"; both sets of firms need to make special efforts to forge these relationships, and make them work. In a previous round table article, Prashantham and Kumar (2011) addressed the question: How do new ventures in MNC ecosystems proactively overcome interfirm

*Corresponding author.
E-mail addresses: sprashantham@ceibs.edu (S. Prashantham), kumark@iimb.ac.in (K. Kumar).
[1] Phone: 86-21-28905689.
[2] Phone: 91-80-26993277.

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asymmetries? Their focus was on synthesising insights from the perspective of four highly successful startups based in Bangalore, on how low-power actors (startups) could cope effectively with inevitable interorganisational differences with their high-power partners (large corporations). The key message was that some startups are more adept than others at partnering with large corporations because they are more proactive in relational terms.

Specifically, we noted that new ventures are asymmetric vis-a-vis the focal MNC in terms of organisational size, structure and power which could impede relationship-building between these disparate sets of firms. We therefore considered how new ventures might overcome interfirm asymmetries to develop and leverage social capital with large MNCs. Our synthesis of the academic literature and discussion with the panellists highlighted the importance of proactiveness in forming, consolidating and extending relationships with large MNCs. We concluded that while proactiveness is undoubtedly crucial, its role at different stages of the relationship may be subtly different – for instance, in establishing the startup's credibility early on with a specific unit versus building multiple touchpoints with the MNC later on.

Bringing in the multinational's perspective

Since we conducted the last round table in 2011, there has been a perceptible rise in systematic initiatives from corporations to partner with startups. Weiblen and Chesbrough (2015: 67) note: "During the last few years, corporate efforts to reach out to the startup ecosystem seem to be on the increase. In its quest for speed and innovation, the tech industry, in particular, has produced a variety of ways of engaging with startups. Established models, such as corporate venture capital, are now complemented by newer models that seem to better bridge the gap between both worlds in some cases". This was not the case for the four startups that participated in the 2011 round table; in those cases, the entrepreneur had to be proactively path-breaking and had to creatively find ways to form links with a large corporation. By contrast, today, several large corporations have put in place some form of initiative that is explicitly targeted at startups.

Therefore, the time seems ripe to consider more closely the perspective of MNCs in relation to partnering with startups. This allows us to build upon insights from our previous round table by examining recent developments in corporation-startup partnering which connect with concepts and issues identified in the past discussion (Startup perspective). For example, some of the issues identified by startups earlier such as "What is the small and medium enterprise (SME) offering?", "Who is the SME talking to in the big organisation?", and "Diligence required in prioritising target company" seem to be addressed by the evolution of programmatic initiatives and third party specialists identified in the current discussion.[3]

In structuring this article, we consider three aspects: (1) the why, (2) the how, and (3) the where of corporation-startup partnering. This approach echoes the three dimensions of Buckley and Prashantham's (2016) notion of the "division of entrepreneurial labour" between multinationals and entrepreneurial smaller firms. First, the *capability dimension* suggests that there is potential for value creation in interfirm networks resulting from differentiation between entrepreneurial ventures and multinationals primarily in terms of exploration and exploitation capabilities, respectively. Second, the *connectivity dimension* is concerned with how this potential is realised. Drawing on resource dependence theory, they argue that the two facets of interdependence occur through different mechanisms: mutual dependence is facilitated by network orchestration by the corporation and participation by ventures, and power imbalance is redressed through dialogue between these sets of firms. Third, the *contextuality dimension* highlights spatial differences, noting in particular that in emerging markets MNCs often need to work harder to address institutional deficits – but also may enjoy opportunities (e.g. frugal innovation) that they don't have access to in Western markets (Krishnan & Prashantham, 2019).

Why do MNCs partner with startups?

An important rationale for corporations to seek to engage with startups is the pursuit of exploration as opposed to exploitation. In other words, working with startups can offer an additional avenue for pursuing new knowledge and innovation that may be complementary to its own platform technologies – for instance, Microsoft wishing its software tools to become the building blocks of startups' software products (Gawer & Cusumano, 2014). Additionally, there is a particular sense of urgency in industries perceiving disruption through digitisation, such as the automotive sector, leading to initiatives such as BMW's Startup Garage through which that corporation seeks out startups that can supply – without being acquired or even invested in – valuable new technologies that improve the driving experience (e.g. through enhanced autonomous driving competence) or manufacturing process (e.g. through better cybersecurity features).

Fundamentally, the rationale for engagement between corporations and startups, particularly in the context of innovation ecosystems, is scope for complementarity between the strengths of corporations and startups. Weiblen and Chesbrough (2015: 66) observe: "Each side has what the other one lacks. The corporation has resources, scale, power, and the routines needed to run a proven business model efficiently. The startup has none of those, but typically has promising ideas, organizational agility, the willingness to take risk, and aspirations of rapid growth". In a similar vein, the "entrepreneurial division of labour" notion portrays corporations and startups as focussing on different opportunities – opportunities relating to exploration (startup) and exploitation (corporation) – as a fundamental rationale for MNCs seeking to partner with startups (Buckley & Prashantham, 2016).

How do MNCs partner with startups?

How corporations are partnering with startups has matured over time, giving rise to programmatic initiatives initiated

[3] We thank an anonymous reviewer for helping us make this link to the prior round table.

by corporations and the involvement of third-party specialists. We briefly discuss these practices.

Programmatic initiatives

Weiblen and Chesbrough (2015) have identified a number of ways in which corporations may seek to work with startups. In contrast to Prashantham and Birkinshaw's (2008) work on "dancing with gorillas" which describes several cases of largely ad hoc partnering efforts, by the time Weiblen and Chesbrough (2015) wrote their article on how large corporations engaged with startups, it was clear that several corporations had instituted systematic partnering initiatives. While they take a comprehensive view to include both internal and external entrepreneurship, as well as equity and non-equity engagement, our focus is on non-equity partnering between corporations and startups.

There are programmatic initiatives from many other corporations such as IBM's Global Entrepreneur Program or SAP's Startup Focus that at least give a startup an initial point of contact with these corporations. These corporations have recognised the importance of adopting an "ecosystem mindset" – the idea that innovation and growth occur through interdependent relationships with other complementary actors – in a complex and dynamic world (Adner, 2013). This is particularly true of information technology (IT) corporations – as in the examples of IBM and SAP – that have adopted a platform strategy. An industry platform consists of building blocks provided by a hub orchestrating firm and components developed by different "complementors" who together create an ecosystem of interdependent actors (Gawer & Cusumano, 2014). Increasingly, these large platform-orchestrators – which include well-known corporations such as Apple, Facebook, Google, Microsoft and SAP – actively seek to undertake win-win collaborations with startups (Weiblen & Chesbrough, 2015).

However, it is no longer just IT – and specifically software – corporations that are reaching out to startups; even corporations in traditional industries are doing so. Unilever's Foundry programme through which it sources digital solutions to marketing-related pain points and BMW's Startup Garage which leads to close partnerships with startups possessing complementary technologies illustrate this shift.

Part of the benefit of programmatic efforts is that they afford startups an identifiable starting point when seeking to engage a corporation; managers who work as part of these programmes – such as SAP's Startup Focus or Unilever's Foundry – represent a valuable first port of call for an entrepreneur. But even more profoundly, the "how" of corporation-startup partnering has to go beyond merely offering a viable conduit to more actively assuring startups that they will receive fair treatment. This is important because of the concern that startups often have regarding the risk of misappropriation at the hands of the larger corporation (Alvarez & Barney, 2001). This concern is evocatively conveyed in expressions such as "swimming with sharks" (Katila et al., 2008), "dancing with gorillas" (Prashantham & Birkinshaw, 2008) and "surviving bear hugs" (Vandaie & Zaheer, 2014). Given the rise in startup partnering initiatives from corporations, in a sense these firms are competing with each other for the hearts and minds of startups; thus being seen as "safe" partners for startups is likely to be of growing importance as a source of competitive advantage while seeking to attract suitable startup partners.

Corporate accelerators, an area that Microsoft is active in as noted, has emerged as a popular practice – some would even say "fad" – that a wide range of corporations has recently adopted. As indicated earlier, this includes a large number of non-IT corporations, who are seeking to access cutting-edge innovation from startups in a bid to combat disruptive forces and keep up with technological shifts. An example is Bayer, the European pharmaceutical company that makes Aspirin (and a whole host of other medications). Prashantham (2017: 1) describes their startup engagement activities:

> "In 2013, Bayer made a concerted effort to enter the digital health startup engagement space through its Grants4Apps (G4A) program...In 2014, Bayer added a 100-days accelerator format, providing €50,000 financial support and deep mentoring to selected digital health startups from across Europe. Notably, the startups were provided office space inside Bayer's premises in Berlin, partly to expose Bayer's employees to the entrepreneurs' novel ideas and fresh energy. In 2015, the accelerator program was repeated, this time with two variations: it was open (1) to startups from anywhere in the world and (2) to internal Bayer employees with startup ideas. One of the five selected startups was from Shanghai, co-founded by a Malaysian Bayer employee in that office along with her German husband – a truly international startup! In 2016, its third cohort ran from late August-early December 2016 and included four startups: one each from Germany, Ghana, Hungary and South Korea."

Specialist third parties

Another interesting development in terms of practices has been the rise of specialist third parties that help to connect corporations and startups. US-based Techstars runs several corporate accelerators that bear the tag line "powered by Techstars". An example is the Barclays accelerator which entails a 13-week programme for selected startups, which is run by a team from the third-party specialist.

Other intermediaries have arisen in emerging markets as well. In Bangalore, an example is Kyron, the innovation arm of ANSR, which helps multinationals to establish corporate accelerators that tap the Indian entrepreneurial ecosystem. Kyron's parent company had helped the retail MNC Target to establish a global innovation centre in Bangalore and when Target expressed an interest to engage with local startups, Kyron helped to set up a corporate accelerator for Target in Bangalore. Kyron works with other MNCs as well, to qualify and curate prospective startup partners in terms of their ability to scale up, their risk profile, and long-term viability. The emphasis is not only on ensuring technology fit but also cultural fit. Entities like Kyron may also be relevant to technology based MNCs that are well-entrenched locally, such as Google and Microsoft. If one of Kyron's clients (say, Target) has issued a set of "problem statements" for which it is seeking innovative solutions, then Kyron is in a position to pass these on to relevant Google and Microsoft alumni-startups who may have expertise in addressing these problems.

Thus, while Kyron is a feeder of startups to MNCs like Target (the classic match-making function) it is also a "destination" for startups coming through the programmes of other MNCs like Google and Microsoft. Recently a joint venture between Techstars and ANSR was announced (Inc42, 2017).[4] In China, Shanghai-based XNode works with multinationals to engage with Chinese startups as one way, among others, to enhance corporate innovation outcomes. In Brazil, 100 Open Startups is an organisation with the tag line "large companies and startups co-creating the future" which seeks to foster the development of contractual activities between these disparate sets of organisations.

Where do MNCs partner with startups?

As previously noted, Buckley and Prashantham (2016) have argued that in relation to MNCs working with smaller entrepreneurial partners, it is important to take into account contextuality – in other words, the "where" of their engagement. In particular they distinguish between advanced and emerging markets. They observe, "To be globally effective, adaptation across space (the where) is typically warranted such that institutional support for entrepreneurship in advanced economies is complemented, whereas deficits in such support are substituted for in emerging economies" (Buckley & Prashantham, 2016: 41).

Indeed, while considerable anecdotal evidence on corporation-startup partnering is associated with clusters with high reputations, notably Silicon Valley (Monteiro & Birkinshaw, 2017; Weiblen & Chesbrough, 2015), it is important to recognise that such engagement is not confined to advanced economies; corporations are increasingly recognising the prospect of identifying talented startups in settings like Zhongguancun in China or Bangalore in India (Prashantham, 2015; Prashantham & Yip, 2017a). Indeed, panellists featured in Prashantham and Kumar (2011) illustrate this extremely well: for instance, Ittiam worked closely with Texas instruments, Mango with Qualcomm, and Skelta with Microsoft. But since then there have been even more efforts made by corporations in emerging markets, and not just by IT-related multinationals.

The previously mentioned examples of 100 Open Startups, Kyron and XNode also highlight the growing corporation-startup partnering taking place in emerging markets. Based on interviews in China, India and South Africa, Prashantham and Yip (2017a) found that emerging markets offer unique challenges and opportunities to multinationals seeking to engage with startups. The challenges include the perceived outsider status of multinationals (although this may be more of a challenge in China and India) and the immaturity of entrepreneurial ecosystems, while acknowledging the rapid development of specific pockets like Bangalore in India and Shenzhen in China. Addressing the former challenge – which emphasises the difficulty in identifying suitably capable and compatible startup partners – could take the form of working with third-party specialists, the rise of which was noted earlier. The latter challenge calls for multinationals to proactively compensate for deficiencies in the ecosystem and help to build the ecosystem.

The opportunities include the scope to access novel technologies, including frugal innovations, and the growing appetite for entrepreneurship in emerging markets. Mango, one of the ventures featured in our last round table (Prashantham & Kumar, 2011), illustrates the former point about novel technology. That company had developed a software product targeting low-end handsets which complemented Qualcomm's expertise in high-end handsets. Mango ended up working closely with Qualcomm which ultimately acquired the venture's intellectual property. As for the latter point, in India, as in China, entrepreneurship is a priority, but – unlike China where state intervention plays a critical role – its private sector efforts have historically been more salient. A notable example is the "10,000 startups" initiative of NASSCOM, the trade association of the Indian software industry, which has attracted Amazon, Google, IBM and Microsoft as prominent sponsors.

Furthermore, the government has also been making efforts to promote entrepreneurship, as evident from the launch of a "Startup India" government initiative at which Google made its presence felt through a startup context that it organised in conjunction with this event. Also, notably, MNCs have sought to align with the government's "Make in India" campaign; for instance, Intel launched its Intel India Maker Lab initiative involving startups in the nascent hardware ecosystem. Other notable efforts have come from non-IT corporations like Bosch and Swiss Re.

Synthesis: the imperative to develop startup partnering capability

Prashantham and Yip (2017b) document the learning process that Microsoft has undergone over the past decade. Confronted by the open software movement, Microsoft introduced BizSpark, a programmatic initiative that provided software ventures with free tools to encourage (or "evangelise", to use a term often invoked by technology companies) them to build their software products on top of Microsoft platform technologies. A couple of years later, following the enormous success of BizSpark – within two years over 10,000 startups around the world had signed up – Microsoft launched its BizSpark One programme to work closely with the 100 most innovative startups from the BizSpark pool. Within a couple of years of that, a new initiative was launched in the form of accelerators being established in Bangalore, Beijing and Tel Aviv. Additional accelerators followed in Berlin, London and Paris. Subsequently, a corporate venture capital arm was also established in parallel to the fore mentioned non-equity partnering initiatives.

The Microsoft example draws attention to the importance of – and effortfulness involved in – developing a startup partnering capability on the part of MNCs. Corporations that are serious about developing win-win relationships with startups have a strategic imperative to develop a startup partnering capability. This is distinct from alliance management capabilities that tend to be primarily oriented toward symmetric relationships i.e. between firms of similar size and power. This is also different from other approaches to engaging with startups such as corporate venturing and from internal efforts to promote entrepreneurial behaviours by employees, sometimes referred to as

[4] https://inc42.com/buzz/techstars-india-ansr-accelerator/

intrapreneurship (Weiblen & Chesbrough, 2015). Developing startup partnering capability is a nontrivial challenge, even for corporations with a long track record of building alliances with other (similarly large) organisations.

Engaging with startups – MNC perspectives: panel discussion[5]

Anchors

K Kumar and Shameen Prashantham

Panellists

Jitendra Chaddah, Senior Director, Operations and Strategy, Intel India
Amit Kalra, Managing Director, Swiss Re Group; Head – Global Services, Bangalore. Swiss Re Global Business Solutions India Private Limited
Varadarajan Krishna, Managing Director, Induct Solutions
Laxman Soman, Head – Sales and Business Development, Bosch Automotive Electronics India Private Limited

K. Kumar: Welcome to the panel discussion on "Engaging with Startups – MNC perspectives". The challenges most startups faced some years ago was that for the products and services they were coming up with, the primary customers or ecosystem in which they had to embed them was the community of large companies. Very specifically, in the Bangalore ecosystem these large companies always happened to be multinational companies (MNCs). Given the lack of legitimacy and credibility which most of the startups begin with, it had always been a challenge for startups to engage with large MNCs and get a foothold in their ecosystem. This was a real issue we observed when working closely with startups, and while we were trying to address this issue, I met Shameen Prashantham whose research was around the problem of "how do small companies engage with larger counterparts in the course of building their businesses?". He gave it a very catchy phrase "dancing with gorillas" which was an excellent conceptualisation of this problem. He has been working on it very diligently over a decade. We have been spending a lot of time and effort in trying to understand this phenomenon a little better.

A few years ago, we both did a similar round table on startups engaging with large companies but that was more from the perspective of the startup companies (see Prashantham & Kumar, 2011). This time around we wanted to go to the other side and talk to those people who we wanted to engage with the startups. The timing of this round table could not have been better because to all of you who work out of Bangalore in particular and in India in general, the last few years have been absolutely path breaking when it comes to how the large companies have helped shape the world of startups. There is an increasing willingness to engage more with startups for a variety of reasons, the least being the innovations that the startups can bring, the kind of nimbleness with which they can move ideas through the path of evolution and the superior talent which most startups seem to attract today. Given this, we see an increased level of willingness and interest from large MNCs to engage with startups. So, we thought this would be an opportune time for us to bring the representatives of large MNCs who are engaging with startups actively, and get their perspectives about the benefits, problems, and challenges of the engagement, which could be good inputs for both practitioners and researchers like us.

I invite Shameen to introduce the topic and explain the format of the discussion.

Shameen Prashantham: As Professor Kumar mentioned, a few years ago we did a round table from the point of view of the startups. Skelta was one such startup that came out of Bangalore and was among the first to try to make a switch from software services to a software product. They tried to develop intellectual property (IP) and formed a relationship with Microsoft because they made a decision to build the software product on proper Microsoft platform technology. Back in 2006, Microsoft had no obvious way for a startup to work with them in general and certainly not in India in particular where a local startup playing the IP game was virtually unheard of.

Another startup was called Mango. They were incubated here at IIM Bangalore. They were also very IP focussed from the start but were trying to develop something that would help rural markets use handsets more efficiently while the rest of the world was thinking of smart phones. They ended up working closely with Qualcomm who found that they were working on a similar endeavour for a couple of years with much less success than this startup had in six months! These were two of the four startups that were on our panel back then.

Since then, large companies have also been going through a journey where they are recognising the importance of looking beyond their organisational boundaries for new ideas and innovation. So, over these past few years, in addition to looking at the "dancing with gorillas" from the point of view of the startups, I have become interested in the dancing gorillas themselves. I hope the big company representatives here do not take offence, but what we were trying to say with that metaphor was big companies can be attractive to work with, but it also can be scary from the point of view of the startups. Actually, big companies have their own challenges too dealing with startups, but more and more larger companies are taking this seriously as opposed to when Skelta was working with Microsoft and it happened almost by accident. Microsoft has been a company that I have tracked now for over a decade and been very impressed by how they have been working very hard at improving the startup engagement process.

Nevertheless, asymmetry between large companies and startups in terms of power, structure and decision-making speed remains a challenge, making it difficult to forge mutually beneficial connections. There is an interesting tension. Startups and corporations are attracted to each other because they are different and they represent different skills. Working together is not easy because they are different. So, the attractiveness and the challenge would seem to

[5] The Round Table panel discussion on "Engaging with startups: MNC perspectives", was held in January 2018 and was organised by *IIMB Management Review*. This part of the article carries edited excerpts of the presentations made at the panel discussion. The views expressed by the panellists are personal and academic in nature and not necessarily the views of their organisations. The presentations of the panellists were made in an academic context in an academic institution.

stem from a similar set of issues around their asymmetry. As I continue researching this, I find that in emerging markets in particular, this is magnified – both the opportunity because some interesting technologies are coming out of emerging markets that you don't see in the advanced markets, and a lot of the complications that are again even more intense. It is appealing but complicated. Over time though it is not just the Microsofts of the world who are engaging with startups. In case of Microsoft, it was very obvious what they were getting out of this. They had the platform, the technology and they would invite other digital software companies to build on top of it and it is a joint revenue model. Every time a product license of the software startup's product is sold a license of the underlying technology has to be sold. Over these past six or seven years, a lot of other kinds of firms too have been getting into this game, companies very different from Microsoft, who are either in the hardware space or actually not in IT. For example, Bayer and BMW are talking very seriously to digital startups. This is a huge change and represents a huge shift from the way these big companies have been typically doing things. Furthermore, I was recently able to get insight in Israel into how there is growing sophistication in terms of how these companies are coming together, including the role of specialist third parties.

I will conclude my opening remarks with three observations which I hope will resonate with the panellists. First, developing a startup partnering capability takes time and often involves trial and error learning. Everybody is figuring this out. Microsoft in 2008 started Bizpark which was giving away free software trying to get people on board startups to work on their solution, and then developed Bizpark 1 where they selected 100 startups worldwide from among the tens of thousands to work with them very closely and do something meaningful. Then they created Microsoft Ventures where they tried to bring under one umbrella some of these different initiatives. Then they created the Microsoft accelerator programme in the last five years. Frankly, this took a lot of time and is not as linear as presented here, with different entities within the company promoting different ideas both in terms of their functions as well as their geographical locations. The accelerator, for example, was driven by Microsoft in Israel very differently from Microsoft Bizpark 1 which was driven by their Silicon Valley campus.

Second, startup partnering comes in different forms. The corporate accelerator is one such form. When I went into the Microsoft Accelerator in Beijing for the first time, there were about 10 startups, and maybe on the desks of 7 of them were large Apple Macintosh computers, in the Microsoft facility! The Director of the accelerator told me that this would be the only place in Microsoft's entire empire where you would find this because they were trying to tell startups, "We are interested in your success. We are going to be technology agnostic, and we will obviously incentivise you to use our technology, but we keep an open mind for different types of synergies." Corporations are constantly debating whether they should work with early stage startups and get in there while the price is low or wait for them to be mature because that is when there is sometimes a usable solution.

My final observation is that developing startup partnering capability calls for entrepreneurial behaviours. The BMW Startup Garage logo and the interior décor of its office in Munich is rather different from the typical BMW template. The manager leading this startup partnering initiative believed it was important for him to act entrepreneurially and challenge the status quo. This is the sort of mindset corporations need when partnering with startups. There are a lot of exciting things happening, and there is room for improvement, and companies have a lot of opportunity to share from each other and learn from each other. We hope that the panellists, the audience and all of us find some cross-pollination and learnings from each other.

K. Kumar: We would like to introduce and welcome today's panellists – Mr. Jitendra Chaddah is the Senior Director, Operations and Strategy at Intel, India, with responsibility for multi-site complex R&D operations with a very large employee pool; in addition, he has responsibility for investments and forming strategic alliances internally and with external ecosystems, government, academia, media and industry to maximise value creation for Intel from the India centre. Mr. Chaddah's leadership journey has contributed to building large award winning global organisations and new businesses. He has 22 years of industry experience of which 21 years have been with Intel. Mr. Chaddah is on the executive council of IESA, and on the governing council of NASSCOM IoT Centre of Excellence.

Next I welcome Mr. Laxman Soman from Bosch; he heads the sales and business development team at Bosch Automotive Electronics India Private Limited. He has been with the Bosch group for over 16 years. In his current responsibility, Mr. Laxman is in pursuit of making a paradigm shift in conventional business models and engaging with startups and new business domains.

We also welcome Mr Amit Kalra, Managing Director at Swiss Re group, and head of Global Services at Bangalore for Swiss Re Global Business Solutions India Private Limited. Amit is the author of several studies published under Swiss Re's Sigma publications on trends and emerging markets, covering topics such as food security, micro insurance and urbanisation. He also heads the global Swiss Re startup initiative – InsurTech accelerator which curates innovative ideas and solutions in the reinsurance sector in collaboration with startups.

We also have with us Mr Varadarajan Krishna, MD of Induct Solutions which is a 100% subsidiary of Induct Software AS, Norway. Currently, he specialises in enterprise innovation management and open innovation in verticals such as healthcare, energy, automotive, aerospace and public systems. Mr. Krishna blogs on innovation and research and is actively involved in the clean tech sector worldwide.

Jitendra Chaddah

Let me give you a little bit of a background about what Intel does in India so that it sets up a context on why we are engaging with the startup ecosystem. Intel India is a large engineering organisation, with over 90% of our employees based in Bangalore working in multiple business groups in areas such as the server division, client services, IoT, wearables, and so on. Intel India is a microcosm of Intel with the presence of all business groups here. In the last 20 years of its inception, Intel India has grown to become a mature R&D organisation in all aspects.

Innovation is the DNA of Intel; over the last 50 years, the company has been relentlessly accelerating innovation and technology. We engage with the ecosystem in India in multiple innovation-focussed programmes such as technology related labs for students (K-12), Atal Tinkering Labs, or IoT labs in about 100 engineering colleges. In addition, Intel India also supports many contests and similar activities towards fostering innovation and entrepreneurship. With the growing startup ecosystem in India, our challenge was to find a meaningful way to connect with these startups.

As the tech startup ecosystem in India was developing fast, we observed a couple of key trends: A lot of startup enablement was happening in software and application areas. Some of the leading software companies were helping develop the ecosystem. Also, venture capital activities were starting to pick up in that space.

We were engaged with some good startups in the hardware and systems space but we did not have a programme that could develop a sustainable collaboration model with these startups. The hardware startup ecosystem was at a nascent stage and we felt there was an opportunity to support and grow this ecosystem.

For us the goal was to use our assets such as our engineering talent, business connects, and infrastructure to support the hardware startup ecosystem. The second opportunity was to develop the ecosystem by involving the government, industry and academia.

In late 2015, we set up Intel India Maker Lab to realise our goal of building a robust hardware incubation platform. This platform provides infrastructure and space, access to equipment for testing, tools for designing, and mentoring by our technologists. In the first year, we engaged with 18 startups of which 8 to 9 have products in the market.

The learning and success from the first year of Intel India Maker Lab gave us confidence to expand the programme by actively collaborating with other accelerators, government and industry players. In 2017, we launched a collaborative hardware and systems incubation programme called Plugin in collaboration with DST and IIT-Bombay. This is a collaborative effort where IIT Bombay trains these startups and connects them to many ecosystem players. Intel provides the technology and technical mentoring support, and the government of India through DST provides the funding. The second batch of startups has now graduated and many of the startups have products in the market.

Our learnings from these startup engagements: (1) In addition to design wins and revenue opportunity, we also got connections to new customers since these startups were building unique solutions that cater to a new set of customers. (2) We saw a lot of excitement among our employees to get an opportunity to work with the startups. It was mentoring from both sides. The startups bring in a lot of ecosystem information or business acumen back to the employees, while getting technical support from them. (3) The visibility in the tech ecosystem which helps amplify our technology leadership position.

Laxman Soman

I am from Bosch Automotive Electronics India Pvt. Ltd., part of the Bosch group in India. We are part of the 77 billion Euro Bosch group with 10 legal entities, 18 manufacturing plants and around 32,000 associates, at end of 2017. With the largest Bosch development centre outside Germany, Bosch in India fosters associations with startups. There is a lot happening, especially in Bangalore, within the startup community, which prompted us to engage with them quite early. The other part I want to emphasise is the new approach of getting out of “product only” based selling. We believe it would be best to engage with startups who have a different mindset, break conventional thinking and conceptualise new business models. The business group for mobility is the largest within the Bosch group, and we have business units ranging from powertrain systems, chassis control, automotive steering, and automotive electronics, to name a few. With such a wide spectrum of business units operating out of India, we felt it apt to engage with like-minded startups. From the Automotive Electronics division, what we could offer was expertise and experience in control units, both for powertrain and for body electronics. We also have electric mobility solutions in our portfolio. New areas that we now engage with include IoT, consumer goods and home automation. We have a host of electronic control units (ECUs) and sensors that we can offer from our portfolio to engage with these startups. This is just to put in perspective what we can offer both from the automotive and non-automotive domains – the latter we call the multi-market domain. This is where consumer electronics, connected solutions and light e-Mobility solutions come in. The Bosch India startup engagement is known as the DNA programme – that is for Discover, Nurture and Align. We have DNA 2.0 where we get into the planning phase first, discuss with different business units, understand where they would want to engage with startups based on problem statements, try and accelerate the product development, and then support as the go-to-market partners. We offer space for incubation, engagement with subject matter experts, and open up our sales channels and marketing channels as well to these startups. The nurture programme is where there is a four-month engagement. There is mentoring which is done with subject matter experts across the different legal entities, and during this nurturing programme we also see if there is a good connect that we can establish with these startups and identify the win–win for both Bosch and the startup. The alignment process would mean that we sign contracts with them either directly, or help the startups engage with other partners and get to the market as early as possible.

When I visited IIMB last October I was asked, “Is somebody looking at areas like light e-Mobility and so on?”. Today I am happy to mention that we are engaging quite actively with a startup that incubated at IIMB. There are two aspects here – we are open to engaging with startups which are not yet in the mature phase, as well as with startups who are already there and want to establish themselves in the market. What we can offer is a host of technology or access to it. We have one of the best EMI and EMC labs and some of the best testing infrastructure in India. In the electric mobility programme for two wheelers for instance, we offer access to the core competence centres headquartered in Shanghai. We offer startups services and solutions to get their product to a mature state. There is much more than automotive solutions that Bosch offers. Automotive is one part of it, but we are now engaging with many startups in areas such as agriculture, healthcare, transportation and logistics to name a few. This is where we want to make a change and actively engage with like-minded startups.

Amit Kalra

Swiss Re is a 154-year-old reinsurance company; reinsurance is about insuring the risk of insurance companies.

Ninety percent of our business comes from reinsurance. Then we are into B–B business, for life as well as non-life, through our two different business units, Corporate Solutions and Life Capital. We make the world more resilient – that is our purpose. As an employee, I feel very happy that Swiss Re will be supporting people and businesses affected by last year's severe natural disasters with estimated payouts of USD 4.7 billion. That is the value proposition of insurance and reinsurance – to help people and economies recover from calamities and other setbacks.

Swiss Re Bangalore is the third largest office of the Swiss Re Group, with 950+ employees here and we mirror the entire value chain. Our build-up over 16 years has been such that we started off with a business function, and now we have the entire value chain component of Swiss Re located out of Bangalore, right from underwriting and so on. Now we are building up capabilities around technology and finance. For us, it is a great opportunity to bring all the business functions together and drive innovation from here.

Our story in the startup engagement space started in 2015. At that point of time the entire Swiss Re global organisation was evolving, addressing issues such as how to innovate or engage with startups. While for underwriting and risk management Swiss Re group has 150+ years of expertise, when it comes to innovation, we are new. So, there was an opportunity here. We are a risk management company and how could we go ahead with embedding innovation technology? We thought that since we saw the entire value chain from Bangalore, we had an advantage. Why not start up something in Bangalore and bring it to the global organisation? We started with a global mindset that we would launch a global programme from India. The objective was exploratory, to experiment and explore topics like IoT, which is extremely relevant for insurance and reinsurance companies across themes like health, automotive, and industrial IoT because whatever risk we mitigate helps with the reduced claim severity over a period of time.

Differentiation is an extremely difficult component. When we started off on the exploratory journey, we did not know what would happen. But in the first batch itself we were successful because we could transform one of the disruptive ideas into an actual insurance product. We tied up with Max Bupa and the startup GOQii, which was not an early stage startup but an evolved startup. We told them they were accelerating into insurance and that is where Swiss Re with its global expertise could help. Swiss Re brought its global expertise, GOQii brought its tech platform and Max Bupa brought in the distribution product development platform. We came together and the product is with the IRDAI regulator, and will be launched soon. Max Bupa was not even a client of Swiss Re before this engagement. Something that we originated from Bangalore, by engaging with the tech ecosystem, and not just in India but the global tech ecosystem, provided global mentorship on the expertise, and then transformed and conceptualised a product which could be launched in the Indian market. We are already working on some other pilots for Australia and so on. That was the entire two-year journey for us through the accelerator, and in this journey, we became the pioneers because we were the first InsurTech accelerator in India. Swiss Re is the global accelerator, and now we are in the process of transforming the accelerator into an open innovation platform.

Varadarajan Krishna

I will talk about the innovation community that we have created. After the perspective from different corporates, you are going to hear another viewpoint where the problem statements of large corporations are connected and matched with the solutions from the startups and researchers and others in the innovation ecosystem. The company I work for is called Induct. We build innovation communities worldwide, in different verticals like healthcare where we are a world leader. We have also been building innovation communities in education – for example we are connecting universities to the problem statements from corporates and startups. We have been working in public systems such as governments and municipalities, and also for large standalone enterprises. If they want to build open innovation communities, they can use our Innovation Management solution. We are also building innovation communities for humanitarian causes.

100 Open Startups is a global network where large corporations and startups interact in the pursuit of high impact innovations to the market and society. We work together with those who know that the world is changing at an increasingly fast pace and that continuous change is the new rule. Professionals in every industry will do things differently tomorrow than they do today. Having access, knowing and monitoring startups in your area is a way to keep updated and open to innovation in your industry. By joining this group of executives, investors and specialists you will get access to the most relevant startups. The results from the 2014–15 cycle inspired all participants to run for the next cycle during the year 2016–17. Considering all the learning from the previous cycle and with much more visibility and partners, the 100 Open Startups became a global movement. With more than 650 large companies the programme received 3900 applications from startups from 13 different countries, and with the help of a multitude of 5000 executives from 23 countries the startups received significant feedback and evaluation. As a result, 680 startups found matches with 83 large companies, producing 2000 active negotiations that has already generated a total of 700 contracts.

These metrics received recognition from the international entrepreneurship and innovation management academic community and became a case study for the Katz School of Business, University of Pittsburgh, and it was referred as a showcase for the 5th Effectuation Conference at Darden Business School, University of Virginia. Now, leading startup and innovation organisations from different countries have shown interest in deploying the 100 Open Startups platform and methodology as a way to promote and increase ecosystem efficiency in connecting established industry and startups for innovation.

This is something which should be very interesting to all of you in the entrepreneurship academia here because we are presenting an open innovation and effectuation perspective which researchers can understand and leverage. This programme evolved out of UC Berkley under Dr. Henry Chesbrough who created the practice of Open Innovation in the year 2003, and did a lot of work on different aspects like product innovation, business model innovation and so on. This is also to do with experimental entrepreneurship. Just as open innovation was a big challenge for the corporates, the biggest challenge for startups is effectuation. This also has to do with lean startups, and so much related work that has happened in the entrepreneurship community. We combined open innovation with effectuation resulting in the global movement known as the 100 Open Startups.

The year 2015 is when corporates began to look at startups seriously. Professor Shameem spoke about dancing with gorillas, we present a different perspective – the innovator's dilemma. Imagine a scenario where an elephant stands amidst a swarm of birds. The big elephant here is the big company, his/her challenge is – Do I collaborate or can I do it on my own? In our scenario, the swarm of birds are the startups. We always cite fintech as an example because it is being disrupted massively as we speak. The big company or the elephant wants to get the business but the same is being taken away by the swarm of birds, the startups.

We know that entrepreneurship is all about you building something unique and innovative. But many entrepreneurs think, “I build it, people will come”, whether it is business or investors. This is one of the biggest myths. The second myth is that of a self-made entrepreneur. Nothing like that exists. You are learning all the time from other entrepreneurs to become successful. A successful entrepreneur builds on the failures of many others.

Take the example of how a platform like Android was developed. Android was first developed by Andy Rubin as an operating system for cameras. It was then used to build into an operating system for mobiles. Google acquired it, and so this is an example of how a large entity acquired a startup and made it into a huge platform. What we say in 100 Open Startups is that those that know can be big, by collaborating with the big ones. Number 2, we believe in innovation movements, innovation platforms and swarming of startups. This combination of open innovation with effectuation led to the creation of the 100 Open Startups programme. Fifteen thousand highly qualified startups are a part of our database that anybody can engage with. It started out in 2007 as a programme and it has evolved into a massive movement, the 100 Open Startups movement. Big brands and startups can co-create and create innovations that can have impact for themselves as also for society. Corporates basically look at many ways to engage; however, people don’t have time, they need to go to one place, find all this consolidated, and they would rather engage with that.

This is the heart of the 100 Open Startups programme: The corporations define the Grand Challenges or Problem Statements in 24 verticals and seek solutions from startups and entrepreneurs. In the process, the startups are taken through five levels and are graded leading to Top 100 ranking in a particular country or region. The startups also source contracts from global corporations and investments from the investor community. Level 1 is where the idea is still not validated; there are professors, experts, consultants and successful entrepreneurs in Level 5 from previous cycles who give a thumbs up in what is called positive voting, indicating the relevance of the solution against the challenge. Once the startup receives four votes, it moves into Level 2. The validation of the idea/solution happens here with people who have the knowledge of the market, namely the executives of corporations and the startup begins to build value. The startups selected here move to Level 3 which is the pitch event where they meet with investors. Thus, through Levels 1, 2 and 3, the startups engage with the most important stakeholders in an innovation ecosystem. The ones that clear this stage move to Level 4 which is our own event called the Open Innovation Week or the OIWEEK. In two months’ time we are celebrating the tenth anniversary of the Open Innovation Week, where we are bringing 500 startups worldwide to work with 600 corporations, where startups and corporations sign a contract.

There are 600 corporations right now that are fully engaged in our programme, and we are continuing to engage with more corporations. Levels 3 and 4 are live events. Levels 1 and 2 are virtual and online. How can you join the programme? From the perspective of the startup, there is an application form that a startup has to fill out and it is very detailed. Similarly, the executive at a corporation also fills out a form and the inbuilt algorithm matches them. In many events all around the world, there is a mismatch we see – an expert in health care is asked to evaluate a startup in energy, for example. Due to our entrepreneurship background and the experiences gained through multiple exits, we built such a system where the match making is perfect. We have been organising a number of events across India, typically Level 3 events, where the startups are selected from about 200 to 300 that apply. The process helps to bring it down to 30 who make a pitch. From the 30 that pitch, 3 or 4 of the best are selected as winners that would qualify for Level 4. Some of these winners at the last OIWEEK included 8 from India that came out of 750 startups that applied at different Level 3 events in India. They travelled to Sao Paulo last year and they were able to sign contracts. One such is Minimac, a startup that is into re-use of motor oil. They won the 10th position in that event. It is a great success for us. In 2016, there were 1157 active matches and 630 formalised contracts. We work with almost everybody in the ecosystem. We bring value for the corporations so that they don’t waste time going to events. The benefit for the startups is the biggest. We bring access to large corporate resources not available in the VC world. “Why compete when you can collaborate!” is the key message for both corporations and startups in our movement.

Discussion

K. Kumar: Since all of you are multinational companies, is what you explained today the way you engage with startups in the Bangalore ecosystem, or, within your organisations, are you running similar initiatives in other locations? And if so, how different or similar are those engagements compared to what you are doing here?

Laxman Soman: Within Bosch, we want to bring in this kind of entrepreneurship spirit. There are programmes for the Associates to start working as startups, and there are accelerator programmes which are sponsored by our principals in Germany. Incidentally, two of my team members are in Germany this week. One of the ideas which was created at our end in Naganathapuram, was selected by our accelerator team, and now they will mentor it to see how this could be taken forward. We will also take some learnings from this to see how we can engage the startup community on a similar platform. The accelerator programme is an internal learning, and we want to extend this to startup communities within RBAI automotive electronics, as well as startups that have been identified by the DNA programme of Bosch.

Jitendra Chaddah: Each geography or country would have innovation-led programmes catering to their needs and capabilities. In the US, we recently had America's Greatest Makers programme which is like American Idol. In Intel India, we have programmes such as Ideas to Reality, which enable employees to come out with an idea and develop that into a product or a solution. Moreover, the differentiating thing about the Intel India Maker lab programme is that we are connecting our employees to the startups, which we can only do in the countries where we have design centres. The other uniqueness is our collaboration with the government (DST) and academia (IIT-Bombay) towards developing the hardware and design startup ecosystem.

Amit Kalra: In 2015, when we started off our accelerator within our global group, our strategy was "let a thousand flowers bloom", to trigger innovation in various specific markets and different functions. Then, over a period of time as a group we evolved our strategy. We now have a tech strategy which is much more broad-based and holistic. For instance: Engaging with startups is good but how should we engage with startups? Should we engage directly with the startup or should we go through the venture capitalist route? Should we limit ourselves to startups or should we also engage with large organisations? At the end of the day what we are trying to do is drive value. We want to innovate to drive value, and we do not want to keep innovation as a separate arm from the business. Our aspiration is to bring innovation and integrate it into the business, and that is where our new tech strategy is giving us a broad direction. When it comes to the accelerator, we continue that from Bangalore but it is called innovalue exchange, which will not just touch upon startups and the external ecosystem, but could also include mid-sized and large-sized organisations. By also encouraging entrepreneurs, we have close to a thousand people. There is lots of expertise, so how do we bring them together to create a different value proposition? We organised a couple of global hackathons last year where the winning team was from Bangalore. We are now conceptualising an insurance product which will have application in the Brazil and India markets. That is the level of innovation that we are looking at for which technology will act as an enabler. We also have some global initiatives such as on blockchains. Swiss Re was a pioneer in formulating the B3I initiative in the insurance sector, where Swiss Re and its competitors came together because of technology and innovation to co-curate that ecosystem, plus multiple insurance companies across America, Europe and Asia also came together. Now in the B3I consortium, we have 30 plus companies and the number keeps increasing every six months. We are looking at more large-scale holistic innovation driven initiatives and Bangalore will continue to drive that value through the local ecosystem as well.

Audience Q1: I am one of the incubators here in IIMB. Frequently I hear a typical question from many of the founders that they face a lot of stonewalling when they approach MNCs with their ideas. For example, they do not know whom to approach, and if they physically go to the company, they are blocked by the security outside. Is there any methodology being put across to these MNCs now that they are interested in decentralising the innovation and aligning with the startups, for the startups to engage with them?

Shameen Prashantham: I think that is an experience that many startups have. But over the last decade, and certainly over the last five years, it is now much easier to have the first point of contact because now you actually have people who have startup in their job title – Director of Startup Ecosystem. The situation is a little bit better. From the startups' point of view, doing their homework and research is very critical. But having that first conversation has become a little bit easier. So, if you are having difficulty even finding that, probably what you need to do is try to find mentors who have that sort of expertise because you have specialist third parties who link startups with corporations. The problem that still exists though is that a startup can end up spending a lot of time and effort dialoguing with the corporation and having nothing to show for it after six months. From the startups' point of view that is like bleeding an important resource. Here, very early on when those initial dialogues are taking place, it is important for the startup to be able to align itself very clearly with some priority of the corporation.

Laxman Soman: To break this barrier Bosch last year organised an IoT conclave in New Delhi. This was something new that we did. Typically, we hinge on to some agency to promote this, but this time it was to go all out and try to tell the world what exactly we are doing specifically on IoT and a host of startups were invited. It was an eye opener for these startups that Bosch is open to engaging with them and the different ideas that they are working on. We are also actively promoting hackathons. In the last couple of years we organised three hackathons where we invited around 800 startups, and where we not only tried to bring in the best talent to start working together, but also advertised that we are open to engaging in a more engaging manner with our facilities and with our products.

Audience Q2: You talked about the asymmetry that exists between the large corporates and the startups in terms of structure, power, decision making and so on. That is natural in the sense that they come from different backgrounds. I believe there is an asymmetry in the recognition of the capabilities of what one is bringing to the table. For example, what a startup is bringing to the table is its ability to run the first mile very fast, with very rapid ideas. What the large corporates are bringing to the table is the ability to run the last mile with all the resources, scaling up and all of that. But if you look at the general commentary in this forum, there is a slight flavour that the large corporates are doing a favour. There are resources, there are grants and all of that but an equal recognition on an equal partnership footing is not seen. There is a lot that the corporates are also gaining from the startups, whether it is the energy and the enthusiasm that they bring to the table, or the business that they will be able to generate given the idea that they will plug it in as a part of their building blocks or a pin point solution and so on. Does your research show up any pointers towards that? Is it a partnership of equals?

Shameen Prashantham: That is a great question. My sense has been very much that what you are saying is absolutely correct in that corporations get a lot out of their relationships. There has been a big change: while in the beginning it was all very ad hoc, now the dancing gorillas are taking this seriously and trying to do it systematically. Big companies are increasingly realising that they compete with each other for the best startups. Therefore, they are trying to build a reputation for being a good startup partner. I think there are risks on both sides. From the startups' point of view, they are worried about what in literature we call the benevolence trust. But the corporation is concerned about competence trust. When you find a good match between these two, there is mutual respect on both sides.

K. Kumar: We have had a productive and interesting discussion. I am extremely thankful to all the panellists for being here today.

Contribution and conclusion

Our primary contribution through this round table has been to shed light on contemporary partnering practices that MNCs have put in place to facilitate their ability to partner with innovative startups. These examples make it clear that opportunities to introduce such efforts into the Indian – and specifically Bangalore – ecosystem are substantial. These insights into current cutting-edge practice have valuable normative lessons for practitioners, and also raise interesting questions.

First, it may be interesting for future research to unpack the differential outcomes of different partnering approaches. In the round table discussion, it could be seen that the drivers and adopted approaches in the programmatic initiatives of the MNCs featured in the round table varied considerably. Intel's initiative was aligned with its core competence of hardware design, Bosch's initiative was aimed at solving specific problem statements, while Swiss Re had a more open and exploratory approach broadly within the fintech and insurance space. For instance, would a more exploratory approach like Swiss Re's be more productive in pre-empting disruptive innovations/business models? Would a more systematic problem statement driven approach of Bosch be less successful in pre-empting disruptive developments and more suitable to shoring up competitiveness within the current business landscape? Would Intel's model of leveraging core competence be a source of competitive advantage in becoming an ecosystem of choice for local startups? Second, the rise of third-party specialists raises another question for MNCs: How do they decide the balance between their own programmatic initiatives and using third party specialists? Third, how are these initiatives organised? Are they part of the organisation's regular R&D/new business development efforts or are they organised separately? How much of top management attention do these initiatives receive? These factors may be critical in determining the sustainability and success of these initiatives.[6]

It would also be valuable to examine the *evolution* of MNCs' startup partnering practices as they seek to learn from past experiences and refine their approaches. Also, it would be intriguing to understand better how these corporations balance – and possibly even synergise – their efforts at partnering with external startups with those focussed on fostering internal entrepreneurs (sometimes referred to as intrapreneurship). In similar vein, another issue of importance concerns how they balance and synergise their initiatives for equity and non-equity engagements with external startups. Furthermore, given the global reach of MNCs, it would be interesting to examine how startup initiatives developed locally by an MNC subsidiary (e.g. Intel India) fit into that company's global strategy for startup partnering, with the prospect in some cases of informing or inspiring what headquarters does. Such research would be both of theoretical interest and provide valuable guidance to managers and entrepreneurs. As such, corporation-startup partnering continues to represent a fascinating topic of study at the intersection of entrepreneurship, international business and strategy.

[6] We thank an anonymous reviewer for helping us articulate these interesting questions.

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