

START-UPS AND LARGE COMPANIES

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What if David and Goliath joined forces?

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The fight between David and Goliath is often cited to illustrate the balance of power between economic players of unequal stature. In the collective imagination, David embodies agility, boldness and the capacity for innovation, while Goliath represents power, resources and stability. However, applied to relations between start-ups and large corporations, this contrast remains misleading. Whereas the biblical narrative depicts a confrontation and the victory of one over the other, contemporary economic cooperation is based more on the search for balance. Consequently, the challenge is not to determine which of the two players will dominate the other, but to understand how such different organisations can build sustainable and mutually beneficial partnerships.

A. AN ASYMMETRICAL RELATIONSHIP

Addressing the issue of asymmetry already provides an initial insight. What are the asymmetries between a small, fast-growing company and a large, well-established enterprise? In terms of resources, start-ups lack the human and financial flexibility that large companies generally possess. For example, a ten-person start-up that assigns three engineers to a pilot project with a major client ties up a critical portion of its resources, whereas a multinational can assign a dedicated project team without disrupting its day-to-day operations.

This reserve of resources enables large companies to adapt to internal or external pressures to adjust, whereas start-ups are forced to allocate their resources sparingly and, as the saying goes, to make sacrifices once they have made a choice. This situation often puts start-ups in a difficult position when negotiating with large companies, as by committing their resources to a partnership with company A, they *effectively* jeopardise potential cooperation with another company, B. In other words, a start-up that signs a contract with a major manufacturer may be forced to turn down similar opportunities with other market players. In practical terms, a SaaS start-up may be forced to delay another commercial partnership simply because a

pilot project with a large group is tying up its technical team. The lack of *slack*¹, that is, of resources available in addition to those strictly necessary for operations at a given level of activity, constitutes a major constraint for start-ups, limiting their capacity for exploration and, consequently, their development through innovation.

As a result, start-ups use their inherent agility to seize market opportunities or develop new products. Consequently, their strategic planning horizon generally does not extend beyond a few months. In this approach, they also tend to underestimate the time and costs required to move from a “proof of concept” to a fully developed solution, whether it be a product or a service. This is evident, for example, when this organisational agility of start-ups prompts large companies to engage them for the rapid development of prototypes or *minimum viable products*.

B. THE CHALLENGE OF STRATEGIC INNOVATION MANAGEMENT

In terms of strategic management, start-ups tend to adopt a strategy that is developed “as they go along”, forgetting that strategic planning is not synonymous with rigidity, but rather involves using the right resources at the right time, within the framework of the most appropriate *business model*. From an organisational perspective, start-ups favour versatile staff and *ad hoc processes*: a founder may simultaneously negotiate a contract, oversee the product and manage the technical team. By wearing several hats at once, start-up leaders risk failing to find the right counterparts in large companies, where there is a clear separation between managerial and operational roles.

Conversely, large companies follow explicit strategies, occupy well-established market positions and benefit from tried-and-tested operational processes. A large industrial group will have highly structured procurement, compliance and risk management procedures, geared towards organisational efficiency and the protection of its interests. This situation, where efficiency is a key performance indicator, can, however, lead to the innovator’s dilemma² characterised by a certain “market myopia” and an inability to truly innovate. We thus see companies struggling to adopt digital solutions that are, in fact, mature, or even major defence sector groups, historically leaders struggling to shorten their time-to-market, whilst the geopolitical situation demands a high degree of responsiveness.

¹ Cyert & March (1963). *A Behavioural Theory of the Firm*. Prentice-Hall.

² Christensen, C.M. (1997). *The Innovator’s Dilemma*, Harvard Business School Press.

Furthermore, the separation between managerial and operational roles does not always allow for a comprehensive view of the scope of innovation possibilities, nor does it enable the real value of a partnership with a start-up to be optimised. This inability, or reluctance, to broaden the scope of their strategic field of activity can even lead some large companies to shut the door on external innovations. In doing so, they add the “not invented here” syndrome to the innovator’s dilemma.

C. THE ERA OF ECOSYSTEM STRATEGIES

Having noted this, and given the inherent nature of these asymmetries in the relationship between partners, how can asymmetric collaborations lead to shared success? The solution may lie in an iterative process shared by all stakeholders, ranging from strategic intent to *the business model*, right through to the deployment of the partnership.

Firstly, start-ups and large companies should reconsider their competitive positioning strategy, which is often based on unilateral client-supplier relationships, in favour of an ecosystem strategy³ in which multilateral relationships between all stakeholders prevail. In other words, start-ups should view their partners (customers, suppliers, facilitators) in terms of their potential contribution to their own success. From this perspective, a large corporate can be a key supplier if it regards the start-up as a “Trojan horse” for exploring new market opportunities, for example by testing innovative technology with pilot customers. From this perspective of opportunity cost, it is in the corporation’s interest to contribute to the start-up’s success by agreeing to reduce its bargaining power. Conversely, a start-up can develop a win-win partnership with a large corporate client when the latter lacks a specific ‘component’ in its value proposition, such as a technological module or an innovative digital service, which the start-up can provide, or when the start-up’s value proposition helps to enhance that of the large company. The key point here is that each party should clarify its own strategic intent before entering into negotiations.

Based on these strategic intentions, start-ups should develop *business models* that translate this ecosystem strategy and thus reflect those of their partners within the ecosystem. By designing an offering that enables large companies to develop their own value proposition, with a revenue model that guarantees a share of that value for everyone, whilst cooperating with

³ Adner, R. (2017). Ecosystem as structure: An actionable construct for strategy. *Journal of Management*, 43(1), 39–58.

suppliers or facilitators wishing to be part of this value network, start-ups generate a virtuous cycle that renders asymmetries and power imbalances secondary.

D. A QUEST FOR ALIGNMENT

In this approach, start-ups and large companies should view their strategy as an action plan enabling them to coordinate with players in the competitive ecosystem in which they wish to grow. In practice, just like competitive strategy, ecosystem strategy is built on a dual external and internal analysis. On the one hand, the external analysis focuses on inter-ecosystem competitiveness, assessed in terms of the collective ability of an ecosystem's players to create more value for the end customer than another ecosystem. This external analysis will, for example, compare competing ecosystems in sustainable mobility or digital health based on their collective ability to create more value for the end user.

Furthermore, the internal analysis focuses on intra-ecosystem competitiveness, that is to say, the assessment of complementarities between ecosystem players through the intrinsic competitiveness of their activities and the overall coherence of their market positioning. A specialised start-up, with unique and non-redundant skills, will enhance the overall offering of all players in its ecosystem if they all target the same end market with complementary propositions.

Finally, the likelihood of developing a win-win partnership increases considerably if it is supported by "committed champions" within the large company, who will facilitate decision-making and working processes with the start-up. These individuals, whose legitimacy is recognised by stakeholders, play a central role in fostering a climate of trust and establishing effective communication channels between the partners. They bridge the two organisations by promoting complementarities and reducing the perception of asymmetries. As the start-up's "spokespersons" within the large corporation, they facilitate the sharing of information between the parties, ensure a clear understanding of strategic objectives and various organisational processes, and foster operational compromises.

This brings us back to our initial question: what if David and Goliath joined forces?