COLLABORATION QUOTIENT

The Hidden Driver of Successful Corporate-Startup Collaboration

February 2025

Research in Collaboration with Washington University in St. Louis

Executive Summary

- **Collaboration with startups is vital for incumbent corporate leaders to drive growth:** McKinsey forecasts that FinTech revenue growth rates would be triple that of the overall financial services industry through 2028, while InsurTech revenues grow at a 39% CAGR through the end of the decade.

- **Corporate-Startup Collaborations are essential for long-term success**: As FinTech and Insurtech firms experience rapid growth, financial services firms who avoid collaborations are left with anemic growth prospects.

- **Corporate-Startup collaborations must balance revenue-focused goals with the intangible benefits of innovation & creativity:** Surveyed corporate leaders cited more abstract benefits like innovation, product development, and access to cutting-edge technology more frequently than revenue generation or operational efficiencies.

- **However, corporates measure collaboration success based on revenue and profitability**: 45% of corporate leaders use revenue metrics and 30% use operational efficiency metrics.

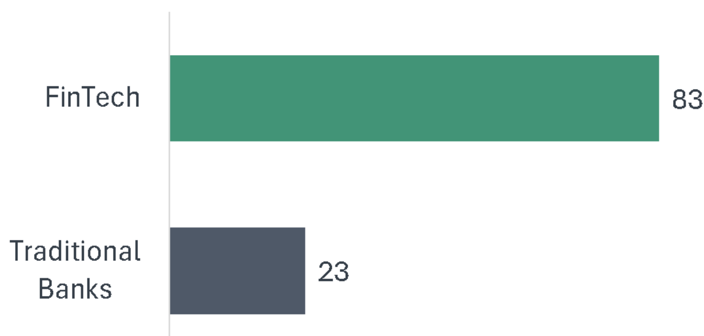
- **Collaboration isn't easy:** Resource constraints, cultural differences, and regulatory compliance are some of the most common challenges. Our research dives deeper into these challenges and provides strategies for successfully navigating them.

- **Collaboration Quotient (CQ):** SixThirty worked with a leading team of students at Washington University in St. Louis to research critical factors for success, reasons for engaging, and challenges faced in startup-corporate collaborations. The CQ will bring this to life for executive leaders across industries who want to understand and improve their ability to build successful partnerships.

Why is Corporate-Startup Collaboration Important?

In 2009, the Royal Bank of Scotland released the first free mobile banking app for the iPhone. Only two years later, online banking had gained mainstream acceptance, with more than half of Americans preferred a digital experience to traditional branches when surveyed.

The proliferation and advancement of FinTech continues to this day: in 2022 McKinsey forecast that FinTech revenue growth rates would triple that of the overall financial services industry through 2028 while digital insurance (InsurTechs) doubled 2022 revenues in 2024 and are forecasted to continue apace, with revenue growing at a 39% CAGR through the end of the decade[2,3].



Consumers are loving the digital shift: according to a 2024 BCG survey, FinTech services have an astonishing 60-point lead in net promoter scores over traditional banking incumbents[4].

Meanwhile, Financial Services executives see these trends clearly and are responding with increased focus on startups: according to a recent McKinsey report, 80% want to learn more about partnering with startups and over 50% believe collaborating with FinTech startups is a top 3 strategic priority. [5,6].

SixThirty is uniquely positioned to help both incumbent executives & startup founders navigate these challenging waters, and drive collaborations that yield success for everyone involved.

As a global venture capital firm that invests in early-stage companies at the intersection of health, wealth and privacy, we leverage our expertise in corporate-startup partnerships to guide our ecosystem toward impactful collaborations. It is our mission to invest in bold founders with big ideas, and to nurture their growth & collaboration with like-minded corporate partners.

To help financial leaders, startup founders, and prospective partners navigate this landscape, we conducted research with input from WashU MBA students, capturing insights from 65 financial leaders across 41 firms, ranging from global banks to regional insurers. These findings shed light on the qualities, challenges, and opportunities for successful corporate-startup collaboration.

Using survey data, we developed a framework for quantifying a firm's intrinsic partnership capability, or Collaboration Quotient (CQ), defined as the measure of an organization's reasons for, readiness and ability to effectively partner with startups for innovation and growth.

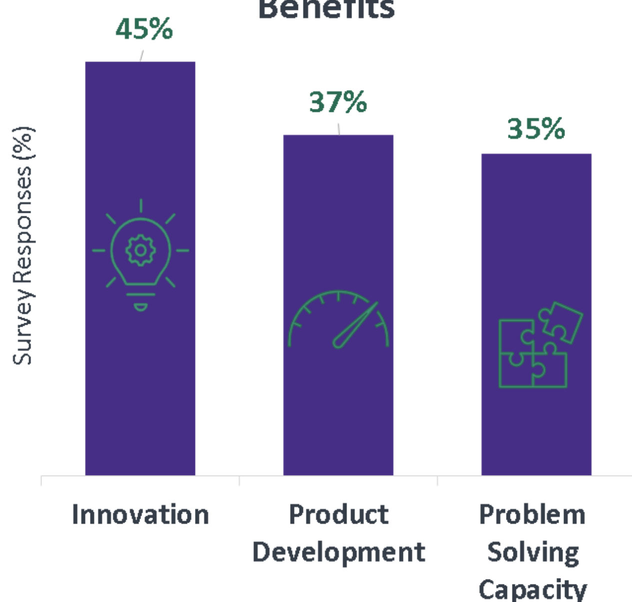
This report offers an overview of our research into corporate-startup collaboration, highlighting key trends and challenges faced by financial services firms. It is the first of a multi-part series and we will provide deeper insights and actionable strategies in future installments. Stay tuned for more comprehensive analyses and case studies to help guide your organization's approach to these transformative collaborations.

What Benefits Can Be Gained Through Collaboration?

Startups often promise growth and innovation. We wanted to understand more clearly why large corporates partner with startups- is it truly for growth and innovation? What other factors come into play? To help us understand, our research asked corporate leaders about the benefits of collaborating with startups, and to rate the importance of specific benefits often cited.

When asked to list their reasons, corporate leaders most often cited innovation, product development and the problem-solving capacity of startups.

Figure 1: Top Corporate-Startup Benefits



1. Innovation: Changes to established norms and perspectives were most frequently cited as a key benefit.

> **"Access to new and Innovative ideas and technologies."**

- *anonymous survey respondent*

2. Product development: Benefits to product offerings in quality, value, or speed were second in frequency.

> **"Speed to build and ability to create in areas corporates lack expertise."**

3. Problem-solving capacity: Benefits that bolstered a firm's ability to overcome challenges was third in frequency.

> **"Ability to solve for challenges that incumbents struggle to effectively address."**

While strong growth is a hallmark expectation of every FinTech founder, most corporate leaders aren't looking for revenue as the most important benefit to partnership. This might sound surprising at first, but it is logical that large companies are typically somewhat risk averse and so large that a revenue level hugely impactful to a startup is immaterial for the large incumbent.

Instead, corporations report abstract benefits as the main motivator for engaging with startups: Innovation, product development, and problem-solving capacity. As abstract as these benefits may sound, the

resilience and adaptability they provide to corporate partners provide long-term advantages and protect firms from complacency.

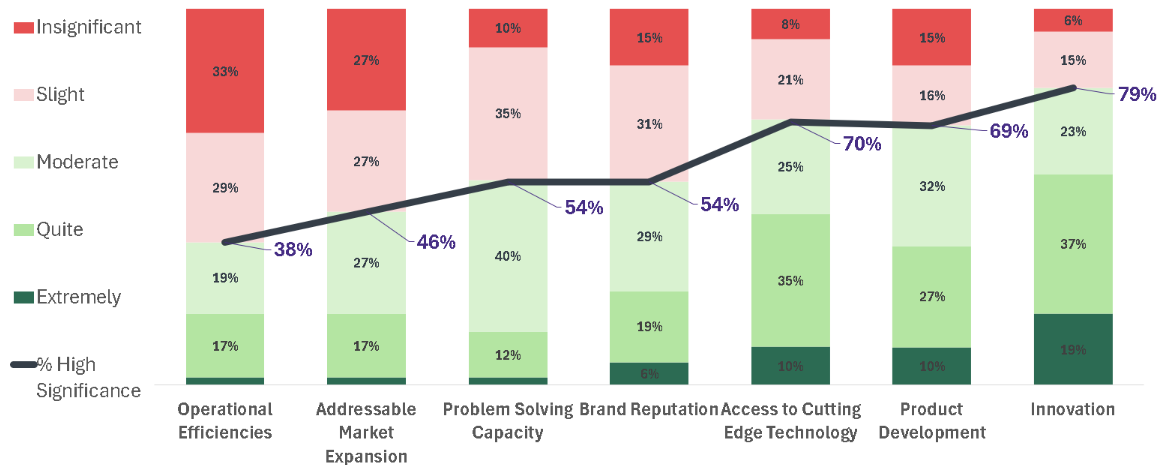
The partnership between Walmart and Jet.com makes this clear.

In Q3 2024, Walmart's earnings beat expectations. Its net income increased 8% YoY, while Target, its biggest competitor, saw a 12% drop in net income. The quarter was marked by a massive ILA port strike and slowing consumer discretionary spending. In this rough environment, Walmart managed to one up competition by wooing customers while effectively responding to supply shocks.

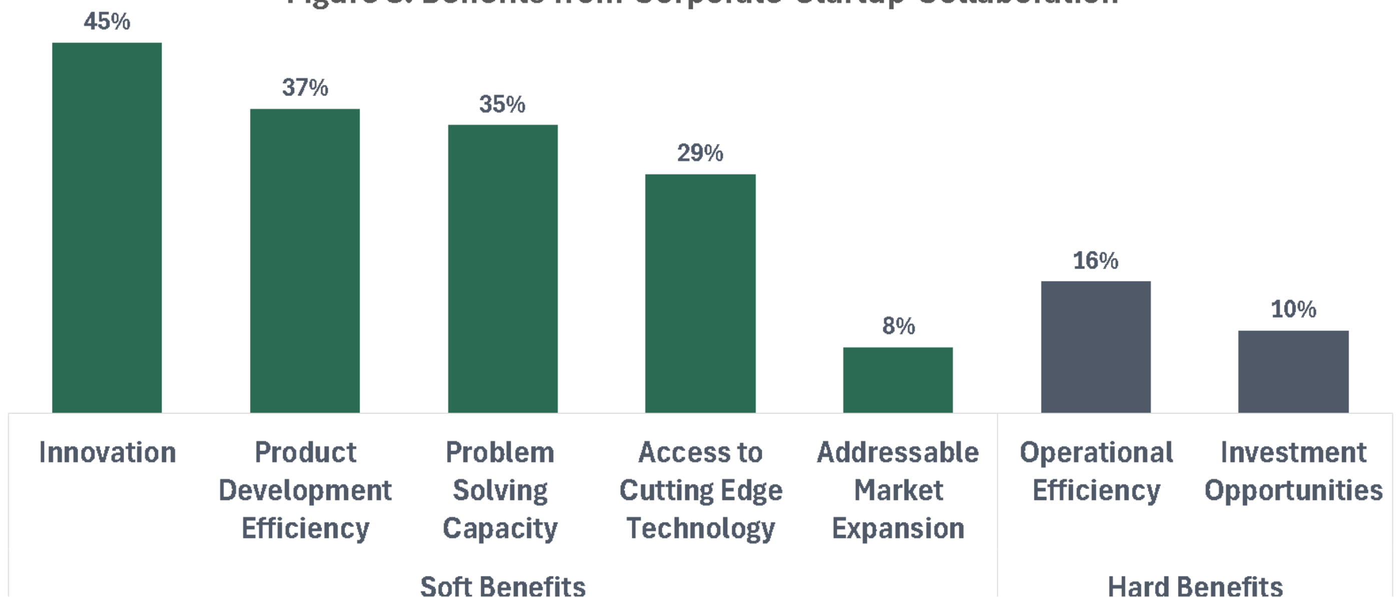
The 2016 acquisition of the failing online retail startup Jet.com was instrumental to Walmart's relative outperformance. Though Jet.com never achieved profitability and ultimately shut down its online retail operation in 2020, the E-commerce capabilities developed by Jet.com wooed higher-income consumers who showed a willingness ditch competitors, like Target, for in-store pickups and home delivery conveniences. As Walmart's online presence grew, Target's inability to adapt left it vulnerable and complacent. Despite being the largest importer and seemingly at greatest risk during the ILA port strike, Walmart's resilience stood out. As Warren Buffett put it, "When the tide goes out, you see who's swimming naked." Walmart's advanced inventory and forecasting systems—driven by Jet.com's technology and talent—allowing them to navigate the crisis effectively. Target's lack of innovation and problem-solving capacity drove deep losses for the corporation[7]. This exemplifies how strategic acquisitions, even those that do not provide immediate profits, can yield substantial long-term benefits.

We wanted to understand the **relative importance of each potential benefit of collaboration**, so we also asked leaders to rate the importance of the benefits, on a scale of 1 (insignificant) to 5 (very significant):

- Innovation was rated most significant at 79%. This made innovation both the most frequent and important benefit in our study.
- Product development came second in importance at 70%. It was second in both frequency and importance in our study.
- Problem solving capacity fell to 5th in importance ratings, as only 54% deemed it more than slightly significant.
- In its place, access to cutting edge technology tied product development in importance.



A trend emerged when looking at our research results: "hard benefits," or benefits that directly impact revenue or profitability, were less frequently cited and received lower significance ratings than benefits that do not directly impact revenue or profitability—"soft benefits."



One surprising result relates to operational efficiency. Although it is an attribute that is closely tied with the profit margin of a firm, a relative minority deemed operational efficiencies as significant (39%). Moreover, operational efficiencies were only found in 16% of write-in responses.

While this might imply that that bottom line improvements from collaborations are insignificant, we will see that this becomes more important when we ask leaders how successful partnerships are measured.

Soft benefits dominated our survey responses: 82% of responses contained at least one mention of Innovation, product development, problem solving capacity, access to cutting edge tech, and addressable market expansion. Even access to cutting edge technology, the fourth most frequently mentioned soft benefit, was identified in more responses than all hard benefits combined.

Later in our research we asked how successful startup-corporate collaborations are measured, and you will see that hard benefits do come to play a big role in the ultimate success of a partnership. When looking to start a successful partnership, it is critical to look at both the big picture – innovation, product development, new market entry – and the details of how and when success will ultimately be achieved.

Takeaways

- In corporate-startup collaborations, Innovation is by far the most common and important benefit to corporate partners.
- Corporate leaders with experience working with startups rarely focus on revenue and profitability improvements, and when they do, they expect those benefits to be somewhat smaller compared to the soft benefits achieved, such as innovation & problem solving.
- More abstract, soft benefits that do not directly impact the top or bottom line, like innovation and access to cutting edge technology, are most impactful for corporate leaders.
- Startups are initially less capable of driving top and bottom-line growth, but as Walmart and Jet.com's situation showed, startups can still unlock meaningful value.

How is success evaluated?

Environments rich in "soft benefits" introduce complexity. Understanding how corporate leaders evaluate these partnerships is essential to uncovering what drives value and informs strategic decision-making.

To better understand this, we asked corporate leaders to list the metrics used to evaluate the success of a corporate-startup partnership. The categories were quite detailed, as shown below, but they fell into three broad categories.

1. **Value Creation (83%):** Includes metrics that directly or indirectly improve the top line.

   "Strategic value delivered and financial returns on investment."

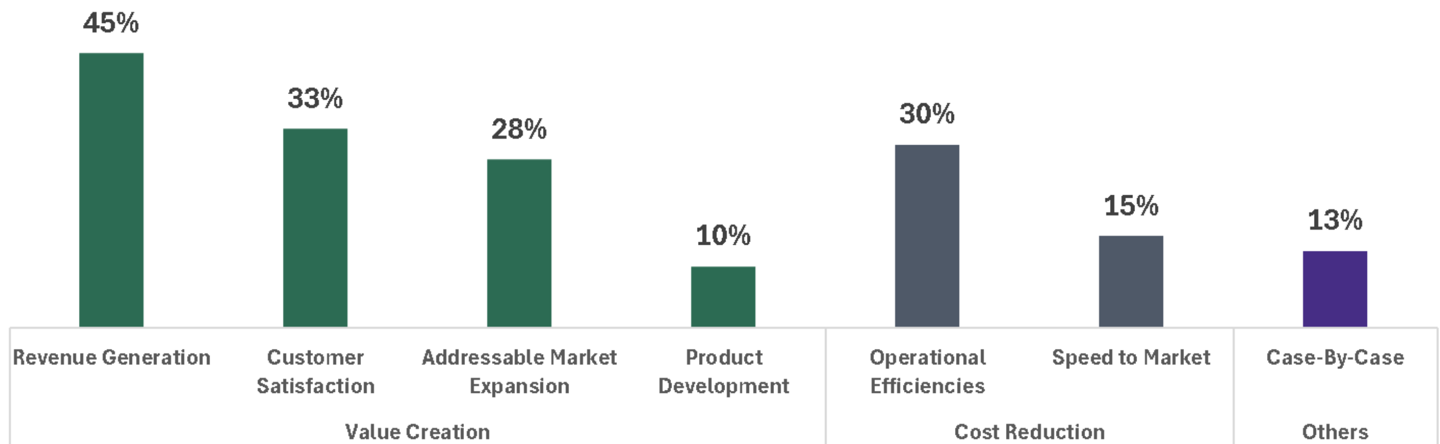
2. **Cost Reduction (30%):** Includes metrics that directly or indirectly improve profit margins.

   "Revenue, productivity or penetration into new channels or markets"

3. Case-By-Case (13%): References to metrics were somewhat sparing.

These results indicate that corporations often focus on the value brought by a startup during a partnership.

> ***"All depends on why we chose them [and] what problem we are trying to address."***



We found that **revenue generation metrics were most frequent, cited by 45% of corporate leaders.** Other value creation metrics, such as customer satisfaction (33%) and addressable market expansion (28%), were also common. Operational efficiencies, the leading cost-reduction metric, were cited by 30%.

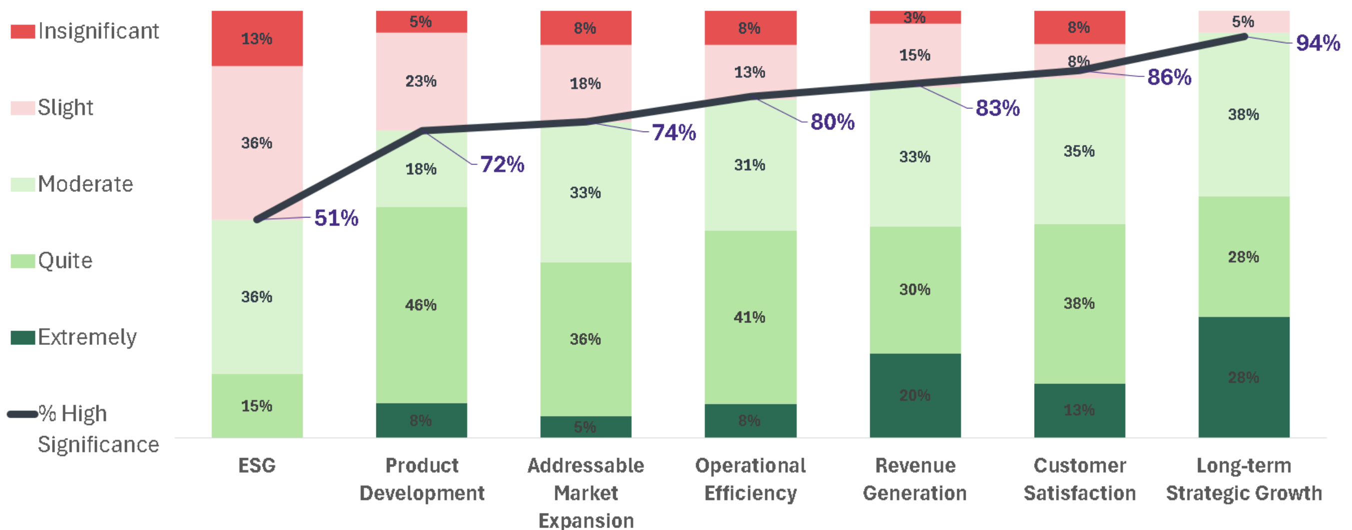
Notably, all four metrics are relatively easy to track: new sales can be attributed, customer satisfaction can be surveyed, market expansion is often evident, and operational expenses are already thoroughly monitored. In contrast, product development metrics, such as product quality, are more subjective and difficult to measure, while speed-to-market metrics are challenging due to opportunity cost complexities. These findings reveal gaps in tracking more nuanced measures of success.

As with the benefits of partnership, we also wanted to understand the **relative importance of each potential evaluation metric**, so we also asked leaders to rate the importance of the metric, on a scale of 1 (insignificant) to 5 (very significant).

- Metrics in the value creation category were deemed most significant, with long-term strategic growth, customer satisfaction, and revenue generation rated highly at 94%, 86%, and 83%, respectively.

- Cost-reduction metrics were also significant, with operational efficiency receiving 80% high significance ratings.

Figure 6: Success Metric Significance



Takeaways:

- Primary benefits of such partnerships are often value-adding rather than cost-saving. Evaluation metrics for startups typically focus on growth, innovation, and competitive differentiation.
- Corporate leaders are consistent in their opinions on how to evaluate success with startups.
- Corporate leaders evaluate success using metrics they consider less important. While 75% of corporate leaders rely on revenue or profitability metrics to measure success, 57% rate the actual benefits to revenue and profitability as less significant. **This reveals a misalignment between the metrics used for evaluation and the perceived value of those benefits**. However, with an understanding of the motivation for startup collaboration (innovation, creativity & access to cutting edge ideas), and maintaining a nuanced understanding that revenue & profitability are still critical for success, both startups and corporates can be better prepared to create a successful partnership.

What are the main challenges faced?

Inherent differences between startups and incumbent corporations in business objectives, scale of operations, age, and risk tolerance create competing interests that make corporate-startup collaborations tricky. We wanted to understand the biggest challenges that corporate leaders face when working with startups, so that startups & corporates alike can anticipate and prepare for potential conflicts when they arise.

When asked what the top challenges corporates face when collaborating with startups, these were their top responses:

41% Resource Constraints

1. Resource constraints were most frequently cited. Large corporations struggle to allocate capital and time to collaboration engagements given their priorities and financial expectations, especially with the perceived risk of working with startups. Resource constraints are felt on both sides of the engagement.

Liquidity can be a concern for startups, especially when operating at a loss while scaling to meet corporate partner needs. Having a financial agreement in place is critical for providing the startup with breathing room to deliver on what they promise, rather than a free-of-charge proof of concept.

> ***"Startups lack resources and are still working through bugs & kinks."***

30% Culture

2. Culture was second in cited frequency. A mismatch between traditional corporate values emphasizing stability, thorough processes, and respect within a structured hierarchy can clash with startup "move-fast-and-ask-for-forgiveness" mentality.

Many responses highlighted risks including partnering with startups that prioritize fundraising and growth over operational commitments. All organizations operate from varying cultural bedrocks and should seek to address potential cultural misalignments before committing to a partnership with a startup.

> ***"Startups have a unique mentality and culture that is not always a strong fit."***

28% Compliance & Internal Controls

28% Permanence

3. Controls and Compliance came third in frequency, tied with Permanence, which both speak to the importance of risk management within large corporations. Regulatory compliance is often a bottleneck for inking a partnership. Meanwhile, publicly listed corporations must comply with numerous financial reporting requirements related to internal controls, which can significantly impact a firm's financial audit opinion.

Unfortunately, the benefits of collaboration are maximized through integration in key corporate operations. Such tight integration requires trust and exposes startups to significant compliance and control considerations—such as data security. As a corporation, it's best to engage startups early with compliance teams to build transparent control processes that respect startup's capital and time constraints. Startups may very well not know what legislation is relevant to their work, so this experience is key.

> ***"Startups often don't have the information security features required to work with big companies and their customer data."***

In conclusion, corporate-startup collaboration is no longer optional for financial services firms seeking long-term success—it's a strategic imperative. With FinTech and InsurTech revenues outpacing the broader industry, incumbents that fail to engage with startups risk stagnation.

While revenue and profitability remain key measures of success, corporate leaders increasingly recognize the value of innovation, technology access, and product development in these partnerships. However, collaboration comes with challenges, from cultural differences to regulatory hurdles. Our research explores these obstacles and strategies to overcome them.

Through the Collaboration Quotient (CQ), developed in partnership with Washington University in St. Louis, SixThirty will continue to provide executives with a data-driven framework to assess and enhance their collaboration capabilities, ensuring they stay competitive in a rapidly evolving landscape.

Citations

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