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CUSTOMER DISCOVERY: Module 6, Episode 1 – The Inner Lift of Corporates

TITLE:

Non-Obvious Cultural Differences Between Startups & Corporates

DESCRIPTION:

How timing, urgency, titles, and meetings are very different experiences when living the corporate life

[LEARN@LIFT Episode Intro]

Welcome back everyone. You've been doing great, and we're already into the third section of our bootcamp. So far, you've learned the differences between startup and corporate incentive structures, the innovator's dilemma, and why startups are able to provide so much value to their corporate partners, despite the different levels of cash and resources. These are all important points to understand, but we've been building up to the real secret to getting an enterprise deal done — the ability to put yourself in your corporate counterpart's shoes.

In other words, you need to have empathy for the corporate team, and their challenges. With a high degree of empathy, you'll be able to better develop new partnerships, troubleshoot what's really happening behind the scenes when they stall, and navigate your way to a closed deal. Helping you more intimately understand the inner life of corporates will be the focus of this module. Let's dive in.

We already discussed corporate incentive structures, including what they get rewarded for, and perhaps more importantly, what they get punished for. So as we go through the cultural differences between startups and corporates, keep the incentive and blame discussion in mind.

A main point of contention between startups and potential corporate collaborators is timing. There's often a misalignment in expectations. The first thing to realize about large companies is that they will never have the same sense of urgency that you, the startup founder, has. Why is that? Well, first of all, as a founder, it's likely that your own personal financial success is directly tied into the success or failure of your startup. Perhaps most of your net worth is tied up in the equity of your startup. You might have given up a higher paying job to start your company, which carries significant opportunity cost. On top of that, it's likely that your startup isn't yet profitable — and even if you are, you're not the dominant player in your market...yet.

A company that isn't profitable is on the clock, meaning it's only a matter of time before they run out of cash, and either go out of business, or raise more outside capital. On the other hand, large companies are almost never in any immediate danger of going out of business. Many are profitable, some immensely so. The ones who aren't profitable have massive funding sources, such as lines of credit and bonds. And on the rare occasion that a large company is nearing bankruptcy, it's unlikely that they'll be spending time and energy on a startup collaboration. For better or worse, large companies tend to work with startups from a position of strength. They're more open to collaborating when things are going well for them.

The other thing to keep in mind is that your corporate counterpart's personal financial situation is almost never going to be directly affected by the success or failure of your particular deal. Part of the reason for this is that your counterpart gets a salary, which means they get paid, at least in the short-term, regardless of whether or not they make a deal with you. The other factor is that reaching a deal with your startup isn't a life-or-death matter. As you'll see during a future episode, corporate innovators are typically managing a pipeline of 200 or more startup opportunities at any given time. So the importance of each individual deal is diluted. By contrast, you may only be working on a handful of large enterprises at any given time, so each one becomes immensely more valuable to you. This mismatch is a critical point to understand.

Now another cultural point you may already be familiar with is the fact many corporate employees have been working there for decades. This is, by definition, not something that happens in a startup. These long-time employees have deep institutional knowledge. They've seen their company rise and fall through the good times and bad. They've survived layoffs. They've devoted countless hours of their time and energy to their organization, and they usually carry some level of political decision-making clout, either officially or unofficially. To a startup trying to do business with a large company, long-time employees can be both good and bad. The benefit is that if one of these employees really likes what your company is doing and becomes your internal champion, they can be highly skilled at navigating the internal approval process. This makes closing a partnership agreement far easier.

The downside, though, is that these employees have seen A LOT of startups come through their pipeline. And unfortunately, very few startups are truly unique. No matter what you're working on, there's a good chance someone tried it before…and failed. Failure can happen for all sorts of reasons that have nothing to do with the idea itself. Maybe the team wasn't up to the task, maybe the market wasn't ready, or maybe the technology hadn't advanced enough to make an idea viable. Just imagine if someone had invented Uber in 1997. It wouldn't have gotten very far.

Unfortunately, while a venture capitalist may look at startup failures through the lens of learning and a whole portfolio of investments, the long-time corporate employee will only remember one thing: the idea failed. And as we discussed in an earlier episode, failure is not well-tolerated in a corporate environment. In fact, it's often punished. So long-time employees internalize the art of avoiding failure, and they won't be feeling too enthusiastic about attaching their name to a concept that's already failed once before. If your company is linked to, or similar to, a previously failed concept, you may find yourself needing to reassure your counterpart that it is sufficiently different from its predecessor.

Fortunately, it's increasingly common for large companies to have teams dedicated to exploring new concepts. These individuals tend to be more risk tolerant and less averse to failure. If you're searching for these people on LinkedIn, you can use keywords like "innovation", "new ventures", "new business development", or even "technology scouting". The advantage to working with these folks is that they are highly receptive to new ideas, technologies, and business models. Indeed, it's the main focus of their job. And since it's their job, they have experience with the process of bringing innovation into the organization and getting all of the necessary approvals. But this brings us to one of the downsides of working with these teams. They rarely have unilateral decision-making power — even for simple pilot projects. Even if an innovation team is convinced your startup is the greatest thing since sliced bread, in most cases, they'll still need to convince their counterparts in other departments to work with you. As we'll discuss in the next module, there are techniques you can use to make this easier for yourself.

Another cultural quirk that's important to understand is the role of titles. Titles are the way that corporate power is signaled to others, both internally and externally. A Senior Vice President has more power than a Manager or an Analyst. But the more non-obvious reason why titles are important, and why you as a founder should be cognizant of WHO introduces your idea within your target company, is that ideas are not independent of their messenger. In large companies, the perceived quality of a new concept will vary based on who champions it. A new concept suggested by an entry level analyst could be dismissed as "outlandish," while the same concept introduced by an SVP could be deemed as "visionary". This is important to understand. While a bottom-up sales approach has its place and can be advantageous, one short email sent by a high-ranking employee in support of or against your deal can be the deciding factor. For this reason, it's important to cultivate support from decision-makers higher up the food chain.

Meetings are another cultural quirk within corporates that may take some getting used to if you're not familiar with this ritual. Large companies have a lot of meetings. A LOT of meetings. You have to understand the purpose of these meetings, though — in many instances, it's not the meeting itself that's valuable, but the fact that the meeting becomes a forcing mechanism to make a decision or execute on a particular task before then. It's how corporates set deadlines. Meetings are also a way for companies to keep communication flowing across so many different job functions and departments, especially when employees may have never met each other, but need to collaborate on a project. So from this perspective, meetings are valuable. The difficult task is navigating them as an outside startup.

If you've ever tried to schedule an introductory meeting with a busy corporate innovator and were given a meeting time three weeks in the future, don't be offended. This doesn't mean your corporate counterpart is trying to blow you off. It doesn't mean they aren't interested in working with you. The most likely explanation is that they, and the other relevant stakeholders, simply don't have a shared time that's available for a meeting before then. To find that meeting time, your counterpart needs to play and win Calendar Tetris. Corporate employees spend hours every day in meetings, so finding a time where every stakeholder is available takes awhile. You can read more about Calendar Tetris in the Resources section.

Finally, let's briefly talk about information and decision-making bottlenecks. As your deal progresses, you'll get buy-in from all the relevant stakeholders. However, there is usually one final decision-maker who needs to sign off, and that's the person who will be paying for your product or service out of their budget. Depending on what you're selling and its price point, this person could be a senior executive. Unfortunately for you, senior executives are extremely busy and don't have a ton of free time. This leads to bottlenecks where everyone, including your corporate counterpart, is waiting on feedback from a single person. Sometimes this decision maker may lack all the context you've provided through multiple meetings. And while the decision-making process will be different for different companies, one thing you can do to improve your odds of success is to create easy documentation that your counterpart can forward after each meeting. You don't always want your corporate counterpart playing the role of translator. You'll likely be able to frame your value more effectively, so as much as possible, create materials that are easy to share. That can include video demos, prototypes, FAQs, decks, one pagers, and more. The point is to make it easy for the corporate to just hit "Forward."

Now that you have a baseline for some of the non-obvious, cultural differences between startups and large companies, check out the next episode where we'll walk through a day in the life of a corporate innovator.

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