David-Goliath Culture Gaps

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Large organizations could be wasting a significant growth opportunity because of their inability to effectively collaborate with startups.

These David-Goliath culture gaps between the two types of organizations are a major obstacle. But it is also important to recognize and address the hidden internal culture gaps between the hierarchical layers in a large organization. These two kinds of gaps don't have to kill collaboration. When managed properly, organizations can bridge the divide, learn from each other, and drive benefits well beyond the initial technological and market gains. At stake: an estimated $1.5 trillion in potential business opportunities.\(^1\)

In one market after another, established organizations have been striking deals with innovative startups. In the healthcare industry, for example, leading pharmaceutical companies have regularly collaborated in drug discovery with biotech startups. In the financial sector, incumbent firms have been partnering with FinTech entrants for access to blockchain and other cutting-edge technologies.

Indeed, in today's increasingly interconnected business environment, organizations compete within large ecosystems and collaborate with a variety of firms, from the tiniest startups to the largest global conglomerates. These collaborations might range from technology partnerships to outright acquisitions. The bottom line is that no company can be an island, and success in any market requires that organizations learn to co-create value with other firms.

All too often, though, business collaborations flounder badly, especially those between large organizations and small startups. Of course, every “David-Goliath” collaboration is unique, but often a major cause of these failures is a mismatch in organizational culture. One company might operate under a hierarchical command-and-control structure, for instance, while its partner prefers a more egalitarian environment. Or a fiscally conservative mindset might clash with an aggressive appetite for risk taking. What’s worse, cultural conflicts within an organization can further doom any external collaborations.

\(^1\) The potential economic opportunity from increased collaboration between large and small companies
Large organization and startups each have their distinct cultures.

Large organizations and startups differ culturally in a number of important ways. For one thing, startups tend to place more value on agility, rapid action, and risk taking. In a recent survey across seven countries, Accenture Strategy found that nearly two-thirds of startup employees “agreed” or “strongly agreed” with the importance of risk taking, versus just half of those at large organizations (65 versus 51 percent). Startup employees were also more involved in defining strategic priorities (70 versus 58 percent) and unrestricted by bureaucracies (73 versus 56 percent).²

Yet, at the same time, the cultural commonalities between large organizations and startups can be far deeper than many might assume, with similarities touching upon the core values of the organization. Specifically, startups and large organization share a focus on entrepreneurship (67 versus 66 percent), innovation at all organizational levels (69 versus 65 percent), and customer centricity (76 versus 73 percent).³ These fundamental similarities can help form an “axis of collaboration,” which can then be used to help bridge identified culture gaps.
David-Goliath culture gaps are not the only concern. Hidden, internal cultural gaps between hierarchical layers in large organizations are often far greater.

Unfortunately, leaders at large organizations are often unaware of that dangerous chasm. In recent Accenture Strategy research, we found that 70 percent of leaders believe their organization is flexible and unrestricted by internal bureaucracies, versus just 40 percent of staffers. Moreover, although 73 percent of leaders believe they involve their staff in business strategy, only 39 percent of staffers actually feel this way. And 82 percent of leaders believe their organization values entrepreneurship, whereas only 46 percent of staffers agree. Why should leaders care? Additional Accenture research found that, of those entrepreneurs who had previously worked in a large company, 75 percent left because they felt stifled within the corporate setting.

Interestingly, startups tend to perform well along the cultural dimensions of organizational flexibility (73 percent), involvement of employees in the business strategy (70 percent), and encouraging entrepreneurship (67 percent). And when it comes to cultural values, staffers at large companies can be aligned more with startup employees than with the senior management at their own organization. For instance, staffers at both types of organizations tend to share a disdain for internal bureaucracies.
Large organizations typically seek collaborations to gain access to innovative technologies and new markets, but the ancillary cultural benefits can be far more valuable.

David-Goliath collaborations can, for example, help make the employees of a large organization more entrepreneurial and engaged. More room for entrepreneurship can be invaluable in attracting highly desired workers who might not have considered joining a large organization. After all, as Accenture Strategy research found, only one in five university graduates in the US, UK and Germany (21 percent) prefer to work for a large company.7
WHAT TO DO?

The following actions can set the right environment for a successful David-Goliath collaboration:

**DEFINE YOUR COMMON GROUND**
Leaders must first identify David-Goliath cultural similarities that could become the foundation for a successful collaboration. Do the two organizations, for example, share the common value of customer centricity? Also, leaders should identify the inevitable cultural differences so that workarounds can be developed to mitigate them. In some cases, however, the similarities might be too few and the differences insurmountable. For those situations, an organization might be better off looking for a different partner.

**KNOW YOURSELF**
Leaders may initiate the collaboration, but it’s staffers who need to make it work. Map the cultural differences between your own ranks, and work on closing those gaps within your own organization. Closer alignment between the leaders and staffers within your organization will strengthen your chances of success when partnering with startups. Consider, for example, Mondelez International’s Mobile Futures initiative, which empowers its employees to launch their own startups incubated within the company and sends brand managers to work for a week with other startups identified from its accelerator program. An internal survey showed that 75 percent of Mondelez employees believe the company should think more like a startup, up from 35 percent the year before.8

**BE PREPARED TO CHANGE YOUR DNA**
Identify parts of the startup’s culture, including desired behaviors and employee mindsets, that you want to adopt to increase your organization’s competitiveness. To become more innovative, for instance, consider redefining roles, increasing transparency and autonomy, and rewarding creativity and risk taking. Often, these efforts must start at the top. When GE wanted to become more entrepreneurial, the company retained 500 coaches to train its executives to change their behaviors so that they would, for example, embrace more risk taking.9
Making a **David-Goliath** collaboration succeed over the long term requires skillful management and continual monitoring.

Leaders must monitor the progress of the David-Goliath collaboration to ensure that any potential synergy between the two cultures is being realized. Often, the larger organization eventually subsumes the startup without obtaining any potential benefits from the latter’s culture. This is typically because the immune system of the larger organization kicks in, and “antibodies” resist and thwart any changes to the status quo.¹⁰ To avoid that, the partnership or acquisition might best proceed gradually to allow time for leaders to implement measures that will prevent any antibodies from becoming major obstacles.

Collaborations with nimble startups can help large organizations to be more agile and drive profitable growth over the long term. But managing such David-Goliath collaborations is easier said than done. In particular, organizational culture should not be overlooked. In fact, managing any cultural gaps properly is perhaps the most important task for leaders. As Tony Hsieh, founder and CEO of Zappos, once stated, “If you get the culture right, most of the other stuff—like great customer service, or building a great long-term brand, or passionate employees and customers—will happen naturally on its own.”¹¹

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Tony Hsieh
Founder and CEO, Zappos
NOTES
3. Ibid
4. Ibid
7. Accenture Strategy University Graduates Study in the US, UK and Germany, 2016

METHODOLOGY
Accenture Strategy conducted a study involving an online survey of 700 respondents, equally split between large organizations and startups, in Australia, Brazil, France, Germany, Italy, U.K. and U.S. The study explored the differences in culture between large organizations and startups, and was conducted in September of 2016.

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