WITTEN INSTITUTE FOR FAMILY BUSINESS

WITTEN/HERDECKE UNIVERSITY

STUDY

COLLABORATION BETWEEN START-UPS AND FAMILY BUSINESSES

MOTIVES, EXPECTATIONS AND SUCCESS FACTORS IN COLLABORATIONS BETWEEN ESTABLISHED COMPANIES AND NEW BUSINESSES

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FOREWORD

The starting point for this study was an event at the North Rhine-Westphalian Ministry for Economy, Innovation, Digitalisation and Energy in the summer of 2019. At this event, facilitated by WIFU, over 100 representatives of local medium-to-large family businesses were asked, among other things, about their experience of cooperating with start-ups. The answers – given through online, real-time polling – were sobering: just 13 percent of the family entrepreneurs present stated that they had extensive experience with start-ups, while 43 percent claimed only minimal experience and 44 percent admitted having no experience at all.[1] The reasons given for these disappointing figures by the participants included insufficient opportunities to network between family businesses and start-ups and, most importantly, the existence of cultural barriers that hindered fruitful collaboration. A subsequent podium discussion, open to the floor, showed that efforts to cooperate often failed to reach a successful conclusion among the family businesses represented, falling apart after a short time. Apparently, the attitudes, ideas and approaches of the family entrepreneurs present simply differed too greatly from those of their potential collaborative partners.

For this team of authors, the results of the evening event were remarkable: during exchanges with family entrepreneurs in other formats (among others, the 'family business forum' hosted by WIFU each year since 2017 on the topic of digitalisation, and the 'digitalisation working group') we had been told a very different story, receiving reports of very fruitful collaborative relationships with start-ups. We took this difference in perspective on the part of the representatives of established family businesses as the starting point for a study focused on the collaborating partners themselves, systematically investigating the

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[1] Results of the WIFU mentimeter survey as part of the event 'Family businesses in NRW – strong drivers of the economy in dialogue with politics'. Similar results can be found in Engels, B. & Röhl, K.-H. (2019) and BDI & Deutsche Bank (2018), among others.

perspectives of start-ups and considering family businesses as a particular kind of partner, different from others with whom they might cooperate. This research work was highly unusual for us: in the 22 years of its existence, WIFU has only ever conducted surveys of members of family businesses or owning families. It is intended to enable a better understanding of the possible reasons behind the very low number of cooperating partnerships between family businesses and start-ups. If the perspectives of entrepreneurs founding new businesses are clearer, we hope that established family businesses will be able to re-think their collaborative efforts and adjust to meet the demands, desires and needs of start-ups.

With the support of our own collaborative partner, the Digital Hub Cologne, we were able to conduct a survey of start-ups in North Rhine-Westphalia.[2] The knowledge we gained was deepened by interviews with six representatives of start-ups. Our investigation shows that, alongside recognising the needs of start-ups, a form of 'interpretation' is needed between the family business and its potential partners: from the perspective of the start-ups, family businesses often have preconceived ideas about the form and speed of collaboration that make fruitful exchange impossible. At the same time, the representatives of these new companies often have fixed prejudices about family businesses that only start to break down over the course of the collaboration.

It is clear that the future of family businesses can be strengthened by working together with start-ups: initiatives presented by the Association of German Family Businesses (including the 'Hinterland of Things', 'Maschinenraum Berlin', etc.) are a sign of the first systematic attempts to establish a promising platform for cooperation. The importance and urgency of the targeted interlinking of the backbone of the German economy with the newly established start-ups – who are driving forward ground-breaking business models and the innovative development of existing products and services – will lead to new forms of and approaches to partnership. Here, the forms of network-building typical in the start-up sector, creating conditions for mutual exchange, will come into their own with the inclusion of established family businesses. The research results generated as part of this study could make a further contribution to the success of such initiatives.

It is the hope of the authors that readers of this study will be able to use its findings to achieve positive results from efforts to collaborate between family businesses and start-ups which may create a conducive medium for a 'spark of collaboration'. If our investigation makes a contribution in this regard, our aims in completing this study will have been fulfilled.

Witten, April 2021
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[2] At this point we would like to express our thanks once again for the friendly collaboration of Thomas Bungard and Anna-Lena Kümpel.

EXECUTIVE SUMMARY

In 2019, 10,000 new start-ups were founded in Germany, bringing the total to 70,000. With their innovative business models, services and products, these businesses are confronting globalisation and digitalisation, and the rising complexity and speed of markets. These are elements from which family businesses in collaborative partnerships can increasingly profit. The potential benefits of such cooperation – for example, access to new customers, suppliers, networks, technology and work processes – have already been extensively researched. Less well studied to date are the perspectives of the start-ups regarding partnerships with family businesses. What relative importance do they assign to family businesses as collaborative partners? What specific expectations of the family business do start-ups bring to these cooperative efforts? What factors are decisive, from the start-up's perspective, in the success or failure of collaborations in general and those with family businesses in particular? On this subject, the Witten Institute for Family Businesses (WIFU) has carried out two investigations into the current situation of collaborations with family businesses, from the viewpoint of the start-ups. Between January and March 2020, 66 start-ups took part in an anonymous online survey; in June 2020, a further six start-ups participated in semi-structured interviews. The goal of this research project was to provide members of family businesses – and families with a controlling interest – with a comprehensive picture of the perspectives of start-ups regarding collaboration with their type of company. In addition, it aimed to reveal the existing, implicit stereotypes that predominate within the start-up community regarding family businesses as potential cooperating partners, and thus subject them to discussion. This was intended to bridge the still very real gap between, on the one hand, the current anxieties on both sides and lack of mutual understanding and, on the other, the potential for highly positive cooperation.

1 | OVERVIEW OF THE CORE RESULTS OF THE STUDY

- Central **motivations for** start-ups to engage in **collaboration** are improved access to distribution channels, customer groups and markets, and increased sectoral knowledge.

- **Successful cooperation** requires mutual benefits and the creation of potential beyond mere financial investment. In this respect, the generation of mutual understanding through openness and reliability is fundamental. The overlap of these mutual interests will ultimately define the form and intensity of the collaboration.

- In established and traditional family businesses, **cultural factors** can be seen as problematic when collaborating with agile start-ups: different mindsets collide, leading to tension in the relationship during shared product developmentn.

- Start-ups should become familiar with the business models of their potential network and cooperating partners. On top of this, a high level of **sectoral and market expertise** is required for collaboration to be successful.

- Collaborations frequently **fail** due to 'arduous, lengthy decision-making processes' or 'unreasonable preconceptions and expectations regarding the collaboration'. These factors are, however, considered comparatively unimportant in the context of family businesses.

- The predominant opinion is that **cooperation with family businesses** is characterised by clearer expectations with regard to collaboration, communication as equals and comparatively uncomplicated decision-making processes. In addition, family businesses are thought to have a more long-term orientation and, thus, more comprehensive commitment and increased loyalty to the start-up founders, indicating greater security from the latter's standpoint.

- The general expectations of family businesses regarding the need for collaborative partnerships tend to be rather conservative. **Turning away from this set of expectations reduces the pressure they exert, thus increasing the room to manoeuvre in collaboration**. In this respect, it is important to recognise the other party's expectations and attitudes and be aware of one's own.

- Start-ups with previous experience of collaboration with family businesses tend to have **different expectations** from those without. The latter group is often markedly more sceptical than those with prior experience, allowing us to deduce that the more experience a start-up has with family businesses, the more positive its expectations of them.

- We start from a paradoxical situation, in particular with regard to start-ups who have not yet cooperated with family businesses, for whom there is **considerable development potential** in such cooperative efforts. It may be that there is a significant desire for more intensive cooperation with family businesses on the part of start-ups but, in many cases, they lack knowledge of the existing opportunities for collaboration, which creates a fertile breeding ground for stereotypical expectations.

- Increased **interaction between start-ups and family businesses** may not only increase mutual understanding between the parties involved, but also contribute to dismantling prejudice on both sides. In addition, the potential for cooperation between start-ups and family companies could be better exploited.

2 | RECIPROCAL MOTIVES FOR COLLABORATION BETWEEN FAMILY BUSINESSES AND START-UPS

Collaboration between companies in general, and start-ups and family businesses in particular, is entered into in order to pool resources or reduce transaction costs. It can take place between companies within the same sector or in different sectors. Start-ups are primarily interested in market access or expansion: collaboration enables them to lower – or avoid entirely – development or market entry costs and to share the risk. Start-ups are categorised according to the particular stage they find themselves in on their path towards becoming successful companies; such stages differ[3] in their principal characteristics, primary goals and associated risks.[4] The opportunities for collaboration must always be seen from the perspective of each party; thus, beyond the participants considered here, there is always a wealth of further potential partners.[5] Research to date has shown that collaboration with universities and research institutes often accelerates the progress of innovation. This study, however, concentrates solely on collaboration specifically between start-ups and family businesses and thus only focuses on the perspectives of the representatives of start-ups with regard to family businesses as potential cooperating partners. In our view, this approach is sound because family businesses are central to the German economy (over 90% of all companies are family businesses) but are still insufficiently engaged in cooperation with start-ups. Very little has been discovered to date through empirical research regarding the interplay between these two company forms

2.1 | THE IMPORTANCE OF COLLABORATION FOR START-UPS AND FAMILY BUSINESSES

Much of the potential arising from new technologies, business models and digitalisation results from cooperation with other companies. Through the complete digitalisation of value-creation chains within the framework of Industry 4.0, the traditional borders between industry and services are becoming increasingly blurred. In this respect, the disruption emanating from start-ups, initially viewed as a threat to existing business models, can be transformed through cooperation into a useful opportunity even for established companies. Conversely, start-ups need customers and capital to build their business. For this reason, they rely at least in the short term on cooperation with established companies who have built up knowledge and experience over many years.

Collaboration and inclusion in company networks lead to the development of new products and processes. Links with start-ups, and the new world they open up, enable established companies to access networks of knowledge beyond their present resources.

Start-ups are usually reliant on rapid growth and need appropriate resources to achieve this, but capital acquisition to finance this growth is frequently difficult.

[3] See Landström (2007).
[4] For the development phases of start-ups, see the detailed description in the appendix.
[5] See also the Ifm Bonn study on the arrangement of forms of cooperation and the pros and cons of various collaborative models, Löher et al. (2017).

Developing a network is thus one of the most important tasks for them and they frequently offer their products on digital markets that feature network effects. Through such network development, new stakeholder relationships evolve, in turn facilitating access to new buyers and suppliers.

2.2 | THE FAMILY BUSINESS PERSPECTIVE: THE RELEVANCE OF COOPERATION WITH START-UPS

Family businesses are particularly good at developing a network: thanks to their long-term experience and close relationships with their customers, they can develop specific sectoral and market expertise[6] from which start-ups can profit in return. Family businesses, characterised by long-term, value-oriented activity, are of great importance domestically, forming the backbone of the German economy.

The companies included in this category are owned in whole or in part by one or more families or family networks. With individual family members involved in management and/or controlling bodies, the families exert extensive influence at the strategic level and frequently also on central operational decisions in the company.[7] Another essential aspect for family businesses is the 'transgenerational moment': a company only becomes a family business when the desire to hand it down to the next generation is expressed, whether this takes the specific form of concentrated or distributed ownership or management. The legal form and size of the company play no part in this definition; family businesses and SMEs are not considered equivalent.[8]

Certain other special characteristics are found in family businesses. They are often headed by personalities who represent the ideal of entrepreneurship defined by Joseph Schumpeter: they know their business from the ground up, can assess risks on the basis of substantial experience and identify fully with their entrepreneurial responsibility. This shortens decision-making paths and accelerates the implementation of strategic decisions.[9] A further special feature is that these companies grow largely under their own steam: entrepreneurial autonomy and financial independence are valued highly.

As already noted in the introduction, globalisation and digitalisation pose challenges to family businesses in that they have to react to the increasing complexity and speed of markets.[10] Increasingly, cooperation with start-ups is considered a solution in this respect.[11]

6 See Heider (2017).
7 See Rüsen et al. (2019).
8 For a more detailed definition of family businesses, see: https://www.wifu.de/best-of-fu-wissen/familienunternehmen/
9 See von Schlippe et al. (2009), p. 8 ff.
10 See Heider et al. (2020a); Bretschneider et al. (2020).
11 See Löher et al. (2017).

2.3 | THE START-UP PERSPECTIVE: THE RELEVANCE OF COLLABORATION WITH FAMILY BUSINESSES

Start-ups are newly founded, young companies – defined as no older than ten years[12] – that develop – or want to develop – new or revolutionary business models, products or services for reasons of innovation or growth.[13] They are often characterised by very low starting capital and thus rely on various strategies to expand their business and strengthen their capital base.[14] Both these aims can be supported and promoted by entering into a collaboration.

According to Blank and Dorf's definition (2012), this means a continual search for a repeatable, scalable business model – perhaps through the intelligent use of available resources. Start-ups constantly test and validate their product and business model and can thus be said to have a specific mindset and corporate culture. They are constantly looking for new opportunities, demanding, promoting and rewarding creativity.[15] It is these unique characteristics that allow us to expect potential benefits to emerge from the collaboration between a company established in its sector and a start-up. Research to date on collaboration between established companies and start-ups has determined that start-ups are seen as a source of innovative ideas and new technologies, led by people with an entrepreneurial spirit who passionately advocate for their ideas and are eager to learn. Here, the size of the company and its sector are less important than its innovative ability,[16] which can be considered the 'core' of every start-up. A start-up can thus be defined as '... a temporary organisation searching for a scalable, repeatable, profitable business model'.[17] By entering into a collaborative partnership, start-ups can gain help in improving business development, while established businesses can be supported in their search for innovative opportunities.

Before entering the market, start-ups do not know whether their ideas will succeed or fail. The search for a realisable value proposition and a repeatable, scalable business model entails extreme uncertainty. Complex processes, influential and demanding customers, overheads or personnel costs can be challenging for start-ups but, since they are close to sources of technological knowledge, they are able to react in an agile manner to changing needs. In doing so, the innovative initiatives of start-ups reach the market and achieve profits much more rapidly than those of established companies.[18]

Depending on the daily tasks or long-term strategic challenges of the start-up, the motives for entering a collaboration vary and, therefore, a range of different types of collaboration evolves. According to Leitner et al. (2019), for example, there are six main reasons for start-ups to cooperate with family businesses: access to sectoral knowledge, access to financing and capital, gaining new markets, exchanging information with regard to company development, gaining reputation and recruiting experienced professionals.

[12] See Mann (2015).
[13] See Ries (2011), Blank & Dorf (2012).
[14] See Bereuter (2012).
[15] See Mathews (2012).
[16] See Ries (2011).
[17] Blank & Dorf (2012).
[18] See Mocker et al. (2015).

2.4 | THE STATE OF RESEARCH

Start-ups have become an important part of companies' external technology procurement. Nonetheless, start-ups may hesitate when it comes to building relationships with companies. Past research regarding the relationships between companies and start-ups has concentrated first and foremost on the advantages for the established company, neglecting the perspective of the start-up, and has focused primarily on financing questions, also however covering the search for suitable collaborating partners. To date, there has been barely any research into the expectations start-ups have on collaborating with family businesses or how they perceive them as cooperating partners.

Reasons for established companies to collaborate with start-ups

A considerable portion of the ‘Open Innovation’ literature[19] is directed at technology-intensive companies and established businesses. Open Innovation[20] offers the best platform for using knowledge and experience gained to drive forward the rapid, creative development of ideas.[21] The cooperation of established companies with start-ups can, according to this approach, be an opportunity for innovation, to develop new products and services.[22] Mercandetti et al. (2017) describe the collaboration between established companies and start-ups as a special form of Open Innovation, with positive effects on the performance of both the start-ups and the established firms.[23] It is becoming increasingly clear that a single company can hardly be expected to conduct all the R&D activities it needs internally. Limited financial means and competencies, limited options to recruit specialists, insufficient knowledge of the latest technologies and time restrictions all affect the ability of established companies to develop innovative products alone. Against this background, it is clear that family businesses must work together with cooperating partners for the further development of their products and services, and even their business model,[24] in order to remain innovative or keep up with technological developments on the world market.[25] Through collaboration with start-ups, established companies are thus able to deepen their knowledge and quickly seize new opportunities. Collaboration with start-ups can thus also contribute to new strategic alignments and successful innovation in a family business.[26]

Reasons for collaboration between start-ups and established companies

The growth of start-ups is challenging, requiring drastic changes in the way the company is led.[27] Prior research has attributed the failure of young companies frequently to their inability to cope with the challenges that arise with company growth, their lack of experience or competence, inappropriate management or resistance to adopting a more strongly structured managerial approach, including, amongst others,

19 See Chesbrough (2003).

20 The term, ‘Open Innovation’ was extensively defined by Chesbrough (2003). ‘Open Innovation’ covers all processes, structures and methods that enable data and information exchange with the external company environment, to thus accelerate innovative development and making it more efficient.

21 See Creamer & Amaria (2012).

22 See Lichtenthaler et al. (2011); Vanhaverbeke et al. (2012); van der Vrande et al. (2009); Weiblen & Chesbrough (2015); Peter et al. (2018).

23 See Mocker et al. (2015).

24 See Heider et al. (2020b).

25 See Vanhaverbeke et al. (2012); Heider et al. (2020b).

26 See Ketchen et al. (2007).

27 See Davila et al. (2010); Kazanjian & Drazin (1990).

the establishment of formal routines and processes.[28] Further frequent reasons for the failure of start-ups have been listed in other studies: a lack of market demand for the solutions offered, insufficient financial means, a team, price or cost model that is not fit for purpose, a product or service that is not user-friendly, the lack of a business model, poor marketing, insufficient consideration of customer needs or poorly timed market entry.[29]

The literature also shows that legitimacy[30] is a decisive resource for start-up survival.[31] Several research studies show that the legitimacy of a company affects its ability to engage with interest groups, communicate with them, enter markets and be innovative. New companies need legitimacy in order for their innovation to be accepted within the market but inevitably start out lacking credibility, trustworthiness and predictability. This threatens their survival and growth; start-ups are unable to show a track record of success and thus need to receive suitable 'legitimacy resources' from other – established and trustworthy – institutions.[32] Alongside popular science articles, a few practical research projects have been carried out in this regard, as presented below.

Prior research into cooperation between family businesses and start-ups

The Federation of German Industries (BDI) and Deutsche Bank together tasked 'Institut für Mittelstandsforschung' (IfM) Bonn to carry out a survey of the largest family businesses in Germany on the subject of 'cooperation with start-ups'. In total, 248 family businesses from various sectors took part in this quantitative study. The results showed that one in two family businesses had already cooperated with start-ups, one in seven was still doing so, and that the most important access routes to start-ups were personal networks and individual research.

The survey 'German Start-up Monitor 2019' supplies comprehensive information on start-ups based on 1,933 sets of data covering, for example, existing infrastructure and networks. Special attention is given to collaborative partners as well as goals and it is clear that cooperation with established companies takes place to a massive extent. The data does not explicitly consider family businesses but, as they form over 90 percent of German companies, they are clearly indirectly included. Since the survey is not limited to family businesses, its findings can only in part be applied to them. The study shows that collaboration most commonly takes place when there is an option to open up new distribution channels and supplement a lack of knowledge. Accessing new customer groups and improving reputations also play an important role.[33]

[28] See Davila et al. (2010); Picken (2017).
[29] See Löher et al. (2017).
[30] Legitimacy, here, is understood as the social assessment of acceptability, appropriateness and desirability, allowing organisations to gain access to other resources they need to survive and grow.
[31] See Delmar & Shane (2003), Gärtner et al. (2017), Ricard (2017), Zimmerman & Zeitz (2002).
[32] See Ricard (2017).
[33] See Kollmann et al. (2019).

The study includes a more refined differentiation of the surveyed companies and the findings vary slightly, depending on the turnover and size of the company.

The German Economic Institute's study 'Start-ups and SMBs – potential and challenges for cooperation' links the quantitative results of the above study from the BDI and Deutsche Bank with its own qualitative data gathered through eleven semi-structured expert interviews with SME entrepreneurs, start-up founders and experts from associations. Here, family companies are explicitly mentioned as a sub-group of SMEs[34] and certain of their special characteristics are considered. However, the focus remains on SMEs in general, regardless of whether the controlling family has any influence. The qualitative interviews largely reinforce the main findings of the BDI and Deutsche Bank study.

The most comprehensive data-gathering effort regarding this topic has been carried out by WHU's Institute of Family Business and Mittelstand: 'Start-ups and family businesses – a guide for business families and start-up founders'. The results, based on quantitative and qualitative data, were gained from a large number of different sources: from interaction with family entrepreneurs and start-up founders as part of thesis work, consultancy projects, a qualitative survey of 40 NextGen founders[35] and a quantitative survey of 242 start-ups from the DACH countries.[36] From the study, five topics can be summarised relating to the reasons for, the importance of, the challenges within and the types of collaboration, as well as the approaches that need to be taken in order to ensure that the collaboration is a success.

The research makes clear the potential and the challenges of collaborations between start-ups and family businesses and how these can be achieved or overcome. Quantitatively, both family businesses (approx. 2,000) and start-ups (min. 240) were surveyed. Qualitatively, only a few individual family businesses and start-ups and rather more NextGen founders were available for interview. These, however, are a special type of founder: they know and understand both company typologies and are thus able to intuitively link the start-up and family business, acting as bridge-builders.

[34] See Engels und Röhl (2019), p. 6.
[35] Founders that themselves come from a business family.
[36] See Leitner et al. (2019).

3 | GOALS AND METHODOLOGY OF THE STUDY

3.1 | GOALS

Against the background of the above observations, the goal of this study is to take a deeper look at the specific expectations and attitudes of start-ups regarding collaboration with family businesses, as opposed to other types of partner. The focus is thus on the start-ups' view of family businesses as specific collaborating partners.

The central questions for investigation here are:

- What are the overall motives of start-ups in initiating collaborative relationships?
- What priority has been given to collaboration with family businesses to date?
- What expectations do start-ups have in collaborating with family businesses?
- From the start-ups' perspective, what factors are decisive in the success of collaboration in general, and with family businesses in particular?
- From the start-ups' perspective, what factors are decisive in the failure of collaboration in general, and with family businesses in particular?
- To what extent do participants' estimations differ, depending on whether or not they have previous experience with family businesses?

Through the research questions chosen, the sample selected, and the combination of quantitative and qualitative data gathering, members of family businesses and controlling families now have an opportunity to gain a comprehensive overview of the start-up sector, allowing them to a) more actively perceive opportunities for collaboration and its potential, and b) engage in such activity more successfully. At the same time, for the start-up sector, the study offers a greater reflexive understanding of the start-ups' own perspectives of the most important economic engine of our country, a group that is thus a central target for collaborative efforts.

3.2 | METHODOLOGY

This practical study on collaboration between start-ups and family businesses is based on two different surveys carried out as part of a mixed-method approach. In total, 66 start-ups took part in an anonymised quantitative online survey between January and March 2020. Following this, in June 2020, six start-ups participated in semi-structured, guided individual interviews.

The sample consists exclusively of members of the start-up community. The start-ups in question are categorised through business location, business model and sector, age, stage of development, number of employees and experience with family businesses. In total, 72 start-ups were incorporated in the analysis through the two studies.

3.2.1 | QUANTITATIVE SURVEY

Between January and March 2020, 66 start-ups from North Rhine-Westphalia took part in an anonymised online survey, 67 percent of which were headquartered in Cologne. Due to the particular industry structure prevailing in the Cologne/Bonn region, the results can only be applied to other locations with reservations.

Business models

The start-ups include a wide range of business models, but the most predominant are those based on 'platform' or 'software as a service (SaaS)' (forming a total of 37 %); one in five alone has a platform business model (see Figure 1).

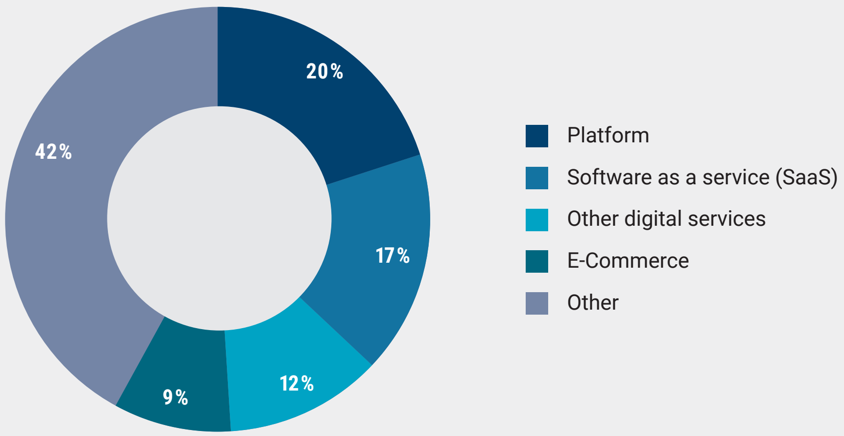

Figure 1: Business models of the surveyed start-ups

Sector

Almost a third of the start-ups are active in the IT and communication technology sector. The other start-ups are widely spread across many sectors (see Figure 2).

Start-up age

The vast majority, 72 percent, of the participating start-ups are less than 25 months old, with only 16 percent having existed for three years or more (see Figure 3).

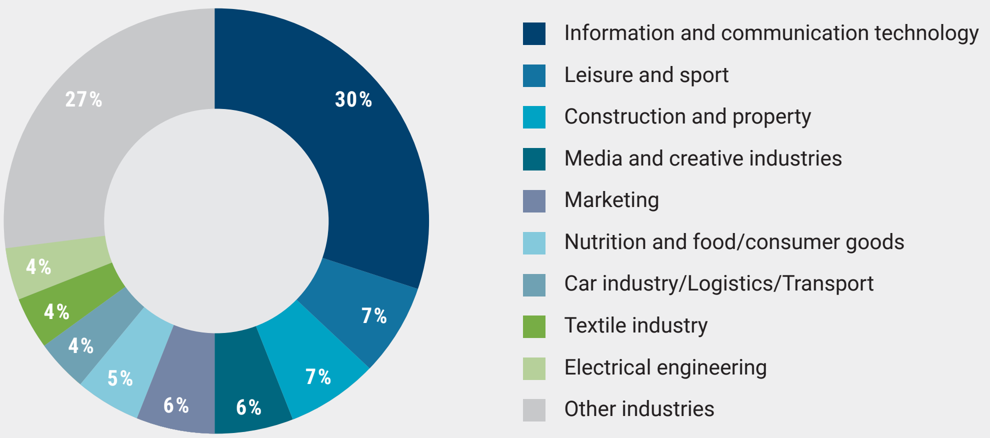

Figure 2: Sectors of the surveyed start-ups

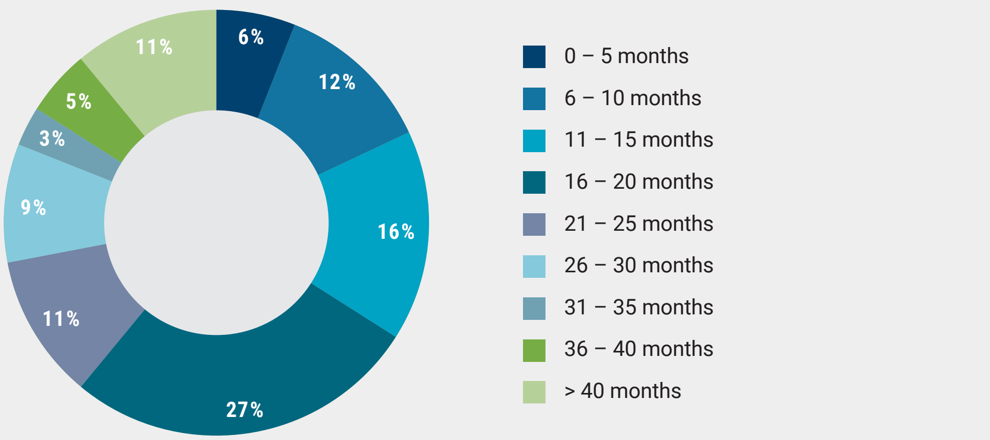

Figure 3: Age of the surveyed start-ups

Development phase

The level of maturity of the start-ups, shown in Figure 3, indicates that most start-ups are at the foundation phase (27 %) or the development phase (39 %).[37]

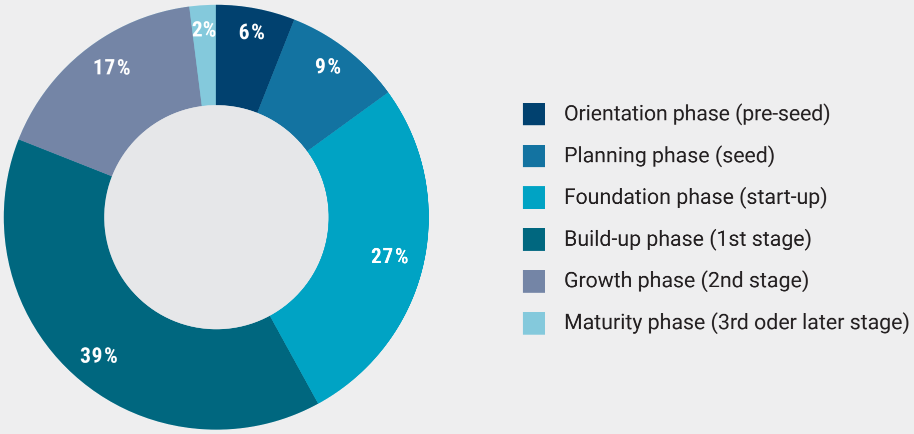

Figure 4: Development phases of the surveyed start-ups

[37] The individual phases of start-up development are described in the appendix.

Number of employees

The number of employees also reflects the age and phase of the start-up's development. Over half the start-ups surveyed have fewer than five employees (see Figure 5).

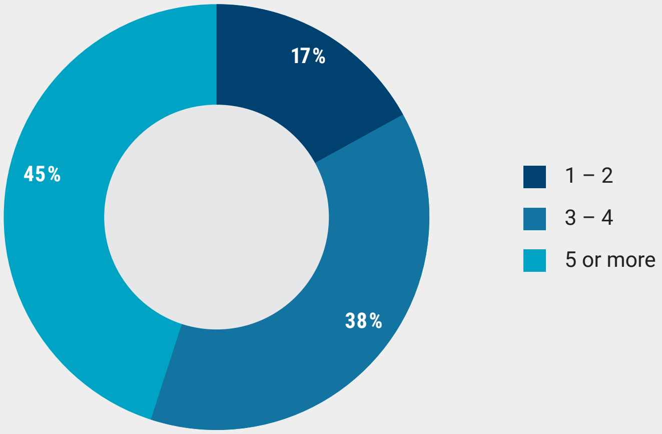

Figure 5: Number of employees in the start-ups surveyed

Respondents

The respondents to the study were either founders (76 %), co-founders (21 %) or senior management (3 %) of their start-up (see Figure 6).

Almost half of all respondents had gained professional experience in at least one family business. Around 8 percent of members of a controlling family had already had professional experience with family businesses (see Figure 7).

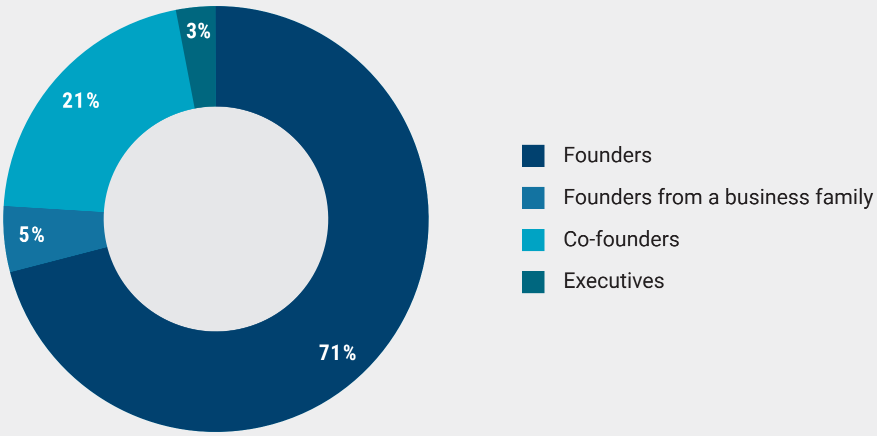

Figure 6: Position of the respondent in the start-up

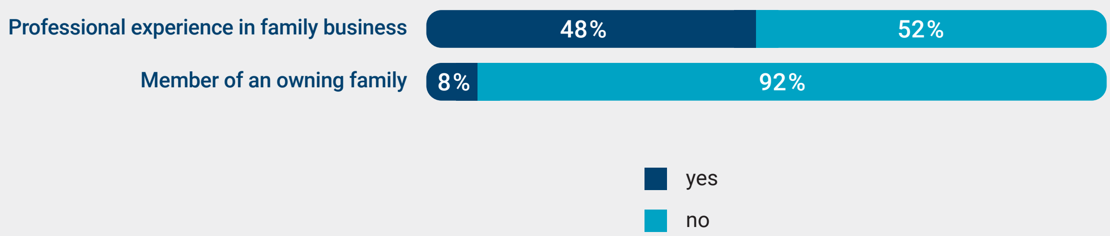

Figure 7: NextGen founders with family business experience

3.2.2 | QUALITATIVE SURVEY

In total, six interviews were carried out with the participating start-ups, with an average length of 60 minutes. These start-ups were rather more geographically dispersed than the quantitative sample, with HQs in Hamburg, Berlin, Cologne and Düsseldorf. In this sample too, the platform business model was predominant, while the sectors covered a wide range including personnel, telemedicine, education and furniture. The surveyed start-ups were at least two and no more than six years old, and all were in the development or growth phases.[38] Correspondingly, these start-ups all had more employees – up to 40 – and all already collaborated in different forms with at least one family business. None of the founders was from a business family. Figure 8 gives an overview of the characteristics of the start-ups interviewed.

Start-up	Foundation	Industry	Business Model	Employees	Phase
1	2016	Personnel	Platform	29	1st stage
2	2016	Information and communication technology	Platform	40	1st stage
3	2018	Furniture industry	Digital service	35	1st stage
4	2018	Telemedicine	Platform	30	2nd stage
5	2014	Personnel	Digital service	6	3rd stage
6	2016	Education/Training	Finances	9	2nd stage

Figure 8: Characteristics of the start-ups interviewed

[38] The individual phases of start-up development are described in the appendix.

4 | RESULTS OF THE INVESTIGATION

As the results are collated from two independent studies, they will be presented as follows: first, the results of the quantitative survey will be set out and, in a subsequent section, results from the qualitative evaluation of the interviews will be used to supplement the topic in question.

The presentation of the results is broken down into two parts: Section 4.1 presents the answers given by start-ups relating to their expectations and experiences of collaboration in general. In Section 4.2, these aspects are narrowed down to focus exclusively on family businesses as collaborative partners. This comparative approach allows family businesses to be classified as a specific type of company in the context of institutions competing as potential networking and collaboration partner.

4.1 | START-UPS' GENERAL VIEWS ON COOPERATING PARTNERS

4.1.1. GENERAL MOTIVES OF START-UPS FOR COLLABORATING

The three reasons for collaboration most frequently given by start-ups relate thematically to the growth potential of the young company. They enter into collaborations predominantly to gain access to new distribution channels (74 %), increase turnover (68 %) and open up new customer groups or markets (67 %). Reputational gains and extending the company network are also listed as reasons by over 60 percent of start-ups. Financial resources only come in sixth place (named by 58 % of the start-ups). Over half the respondents said they wanted to use the collaboration to profit from a partner's experience or to pilot and test new products.

Over 40 percent of the participants said that they would not enter into cooperation to generate data, increase technology and market scouting or gain access to innovative products and technologies. Access to creative employees or the ability to develop a corporate culture through cooperation with a partner were evaluated as 'not applicable' by 46 percent and 41 percent respectively in response to questions on the need for collaboration. The results are shown in Figure 9. They correspond to the theoretical expectations of start-ups' motives for engaging in cooperation. These very young companies are also, as a rule, characterised by young, dynamic teams, and thus, in terms of gaining creative employees, they see little added value in family businesses.

The motives of the start-ups engaged in the quantitative survey correspond to the answers given by those who took part in the qualitative investigation: the start-ups' desire to collaborate often arose from day-to-day or strategic, long-term challenges: capital required, access to networks, better sectoral understanding and access to other market participants.

„As a start-up, we are growth-driven. Now we have gained a marketplace, but we need capital.'

They also hope to achieve cost advantages through the shared use of resources.

FOR OUR START-UP, COLLABORATION IS (POTENTIALLY) NECESSARY TO ...

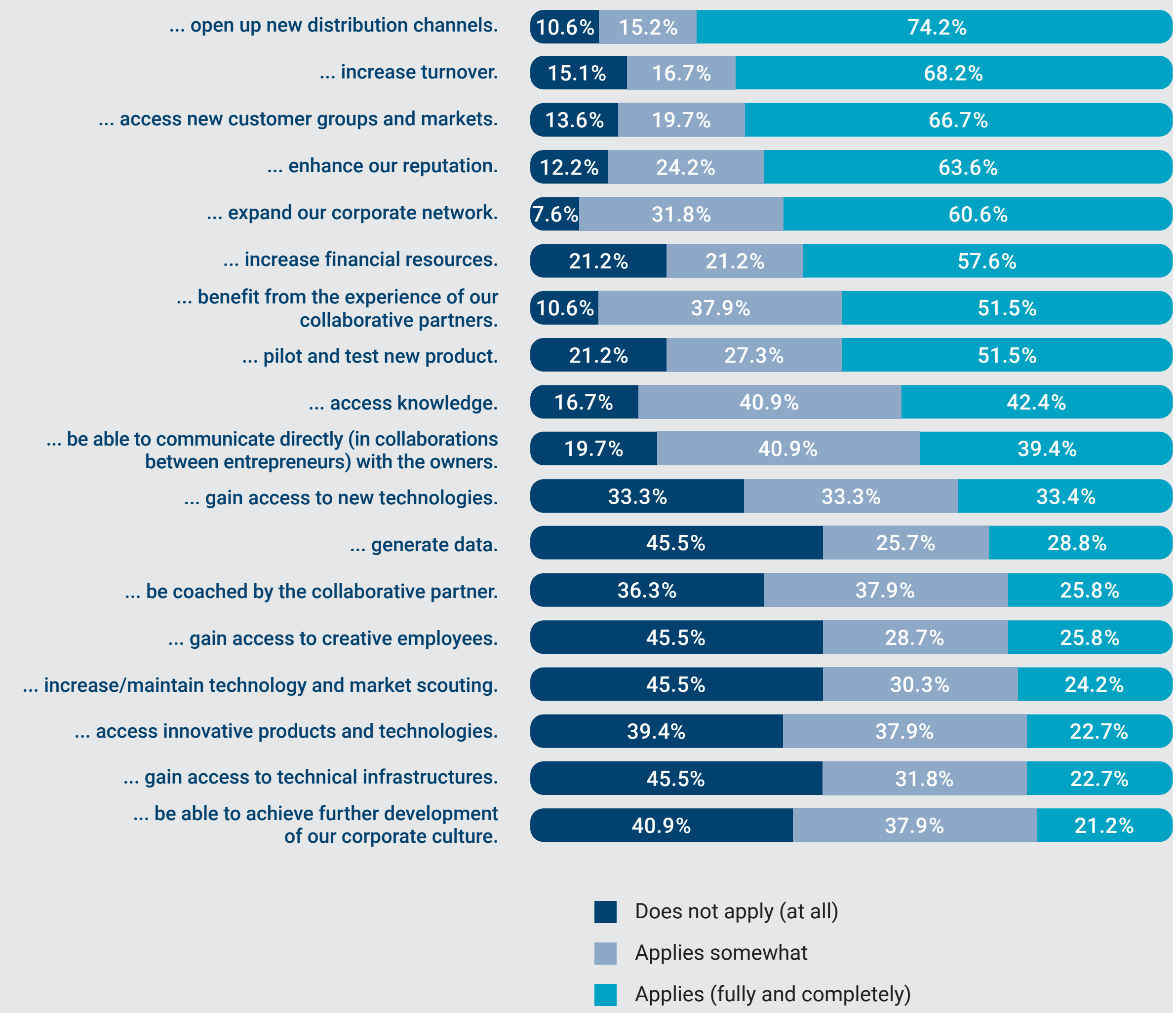

Figure 9: General motives for cooperation

4.1.2 | REGULAR COLLABORATION PARTNERS OF THE SURVEYED START-UPS

A very high proportion (94 %) of the respondents already had collaboration partners. Regular partners included, predominantly, accelerators and incubators (35 %) and other start-ups from the same business environment (33 %). Around a third of the participants (33 %) were already cooperating with family businesses and SMEs while 27 percent had already cooperated with large companies and company groups. This is all the more interesting because this latter type of company gains greater interest as a collaborating partner than family businesses (see following Section 4.1.3; Figure 11). Only just over 20 percent of the participants cooperate significantly with universities and research institutions while nearly half (49 %) have no form of collaboration with these institutions at all. Consultancies and the public sector organisations (15 % each), as well as start-ups from a different business sector (14 %), are seldom cooperating partners: among over half of the respondents, no systematic or sustainable collaboration can be found. Figure 10 summarises the results.

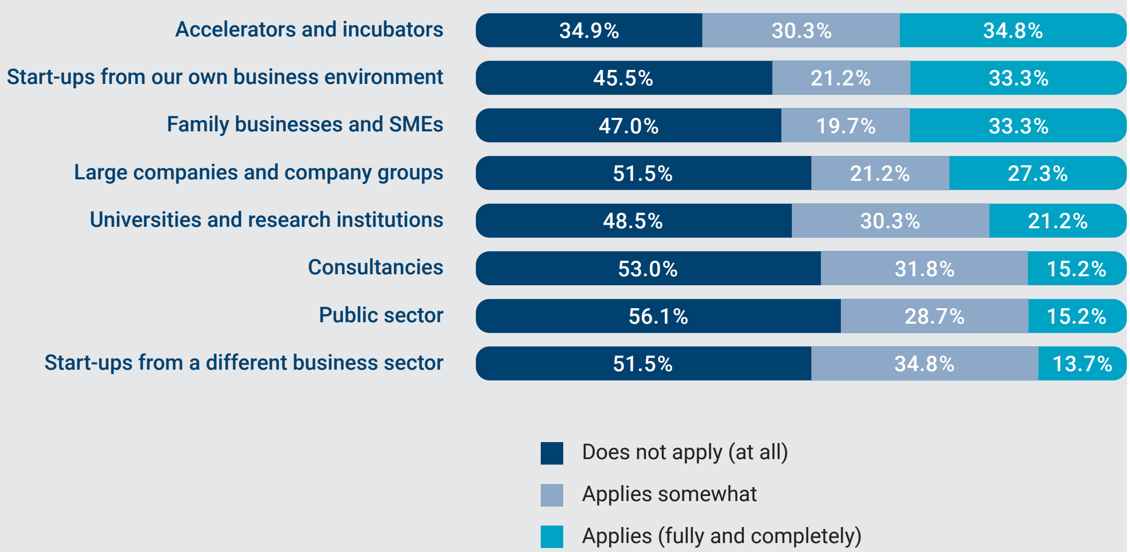

Figure 10: Regular cooperating partners of start-ups

4.1.3 | DESIRED COOPERATING PARTNERS

Even if, as shown in the previous section, the current position is that family businesses are the more frequent collaborating partner, over half of start-ups wanted to collaborate with large companies and groups (53 %). Almost half the participants rated family businesses and SMEs as the second most important cooperating partner. After this, by some way, come other start-ups from the same business sector and the public sector (33 % and 32 %), then accelerators and incubators (30 %). Universities and research institutes (26 %), consultancy firms (24 %) and start-ups from other business sectors (24 %) appear to be less appealing as new collaborating partners. This list of desired partners correlates with the central motives for collaboration. Thus, access to new sales channels, increased turnover, access to new customer groups and markets, enhanced reputation and extended company networks are priorities. These needs can be met most fully by large companies and groups, as well as family businesses and SMEs. Figure 11 summarises the responses.

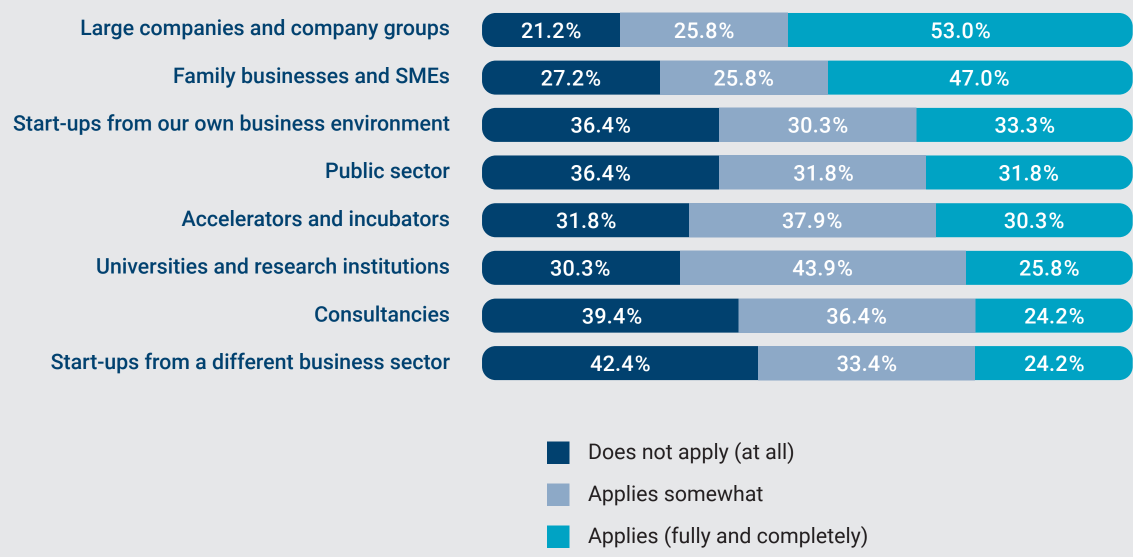

Figure 11: Desired cooperating partners

4.1.4 | GENERAL SUCCESS FACTORS FOR COLLABORATION

Alongside the general motives for collaboration, the survey also examined the factors considered favourable to its success. For 74 percent of start-ups, it is seen as of central importance that both partners profit from the collaboration. For almost 73 percent, openness and reliability are most important, while for 59 percent equal responsibility is important. A long-term outlook for the relationship and shared goals are both seen by just over half the participants as decisive for the success of a collaboration. More seldom, agreed success criteria play a role (36%), while just 6 percent considered the distribution of shares to be decisive for success (see Figure 12). This last aspect in particular could be very informative for the expectations of family entrepreneurs with regard to collaboration. Here, there are diametrically opposed ideas regarding the success parameters for cooperation.

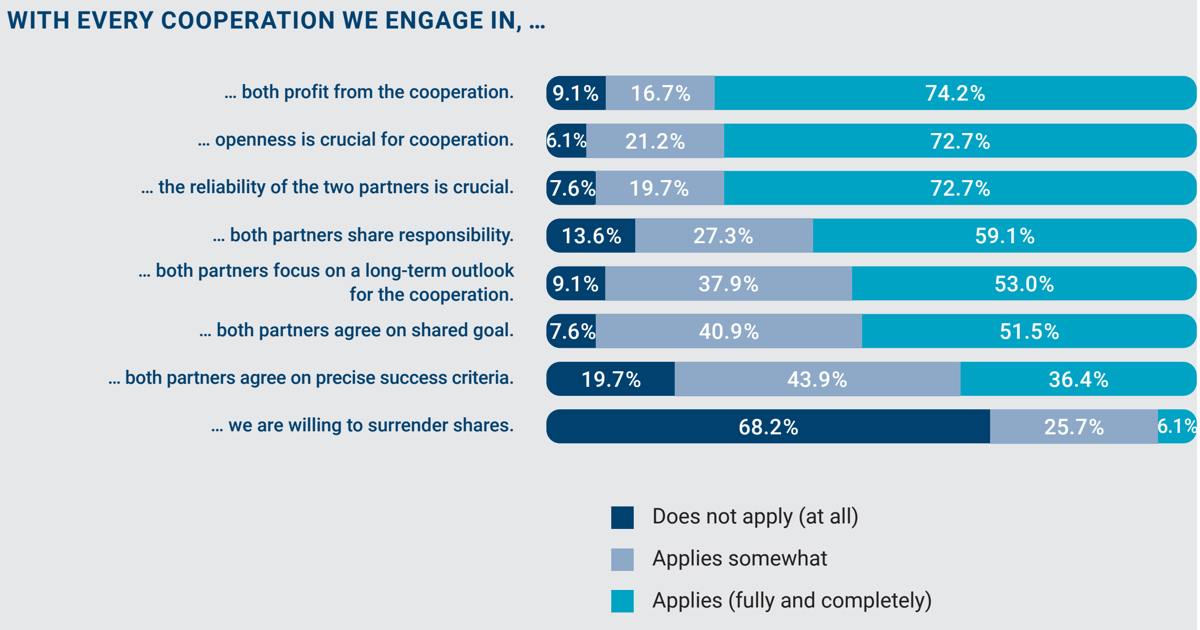

Figure 12: Success factors for cooperation

4.1.5 | GENERAL INHIBITING FACTORS FOR COOPERATION

Lengthy, difficult decision-making processes are seen by 64 percent of start-ups as a cause of potential failure in collaborations. Unreasonable expectations regarding shares in equity capital, and inappropriate or unclear demands with regard to the collaboration were named by over half the participants as defining reasons for the failure of a collaboration (56 % and 53 %). A lack of mutual respect, failure to collaborate as equals and the lack of ability and willingness to move at the same speed were cited by around half the respondents as factors leading to the failure of collaboration, while 41 percent saw the cause for such failure in their partners' inability to handle a different way of thinking. In contrast, a lack of access to resources (35 %), unclear control of the collaboration (33 %), collaboration without active top management (30 %) and the lack of a pilot project (29 %) were less frequently given as reasons for the breakdown of collaboration. Figure 13 gives an overview of the results.

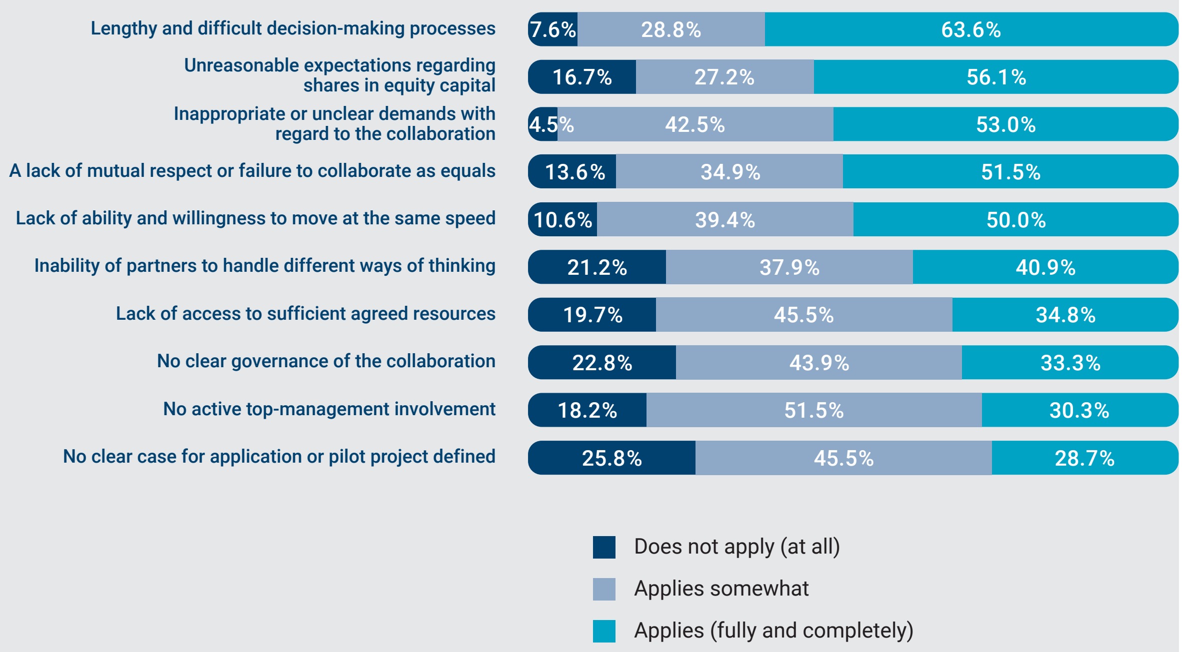

Figure 13: Reasons for the failure of cooperation

4.2 | SPECIFIC PERSPECTIVES ON FAMILY BUSINESSES AS COOPERATING PARTNERS

4.2.1 | CHARACTERISTICS OF FAMILY BUSINESSES FROM THE POINT OF VIEW OF START-UPS

While the previous section addressed collaboration with companies and organisations in general, the following section focuses on the specific perspectives and expectations that start-ups have of family businesses. Interestingly, in their estimation of the characteristics of family businesses, many respondents gave highly differentiating 'partly X, partly Y' answers (often representing between 50 % and 60 % of responses). Correspondingly, readers will find a close examination of these answers informative. Clearly, the respondents' experiences of working with family businesses vary widely from case to case. This is also evidenced by the agreement of 53 percent of respondents that family businesses are particularly dependent on their owners. In the view of the start-ups surveyed, family businesses are generally highly regarded as cooperating partners (35 %) and are considered particularly trustworthy (33 %); they are also seen to take social responsibility (30 %) and as down-to-earth (29 %), traditional (26 %), employee-oriented (24 %) and entrepreneurial (21 %). Only a fifth consider it appropriate to say that there is a fundamental difference between family businesses and other forms of company, while only 15 percent of start-ups consider family businesses to be more ready to take decisions. The belief that family businesses are less professional than non-family businesses is not shared by 62 percent of participants in the study (see Figure 14).

In this regard, it is worth mentioning the statements made by the start-up founders in the interviews. They explicitly name, in particular, entrepreneurial thinking and action and a long-term orientation as advantages held by family businesses over non-family businesses. This long-term perspective, they say, creates a feeling of reliability for them as cooperating partners. Family businesses would consider crises '... part of the journey in developing a company ...' and not give up on start-ups immediately. Family businesses that engage with start-ups '… believe in the model' for longer. As an essential differentiating factor of family businesses, the interview participants repeatedly stressed their fundamentally different approach to the length of investments and the classification of economic cycles, leading to behaviour markedly different from other providers of capital. Clearly, family businesses are seen as loyal and committed to the start-up as collaborating partners.

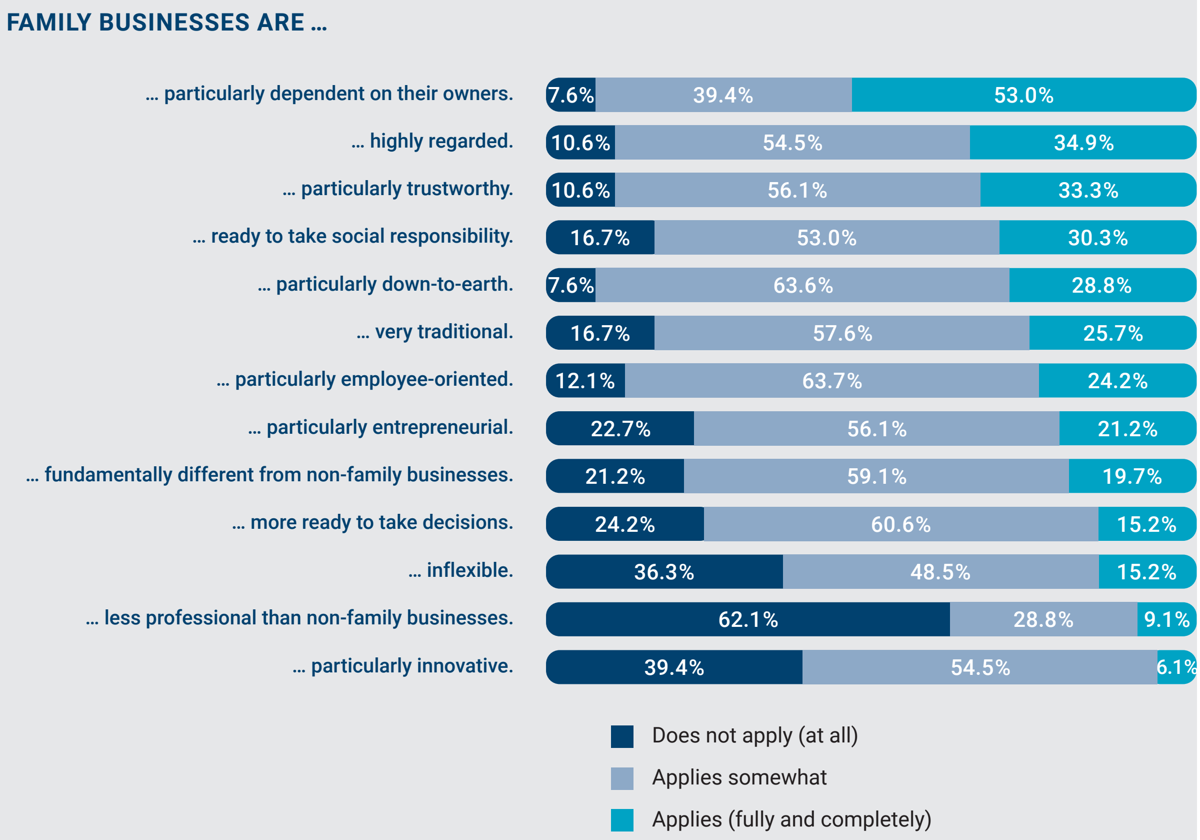

Figure 14: Characteristics of family businesses

What are the particular differences between family businesses as collaborative partners and other kinds of operation?'

Flatter hierarchies, faster decisions.'

The commitment is steady and future-oriented, more than with VCs, who do not invest their own capital and simply want investor reports.'*

Communication on an equal footing, value-oriented collaboration.'

The involvement of the owners in the decision-making processes and the corresponding speed of these decisions.'

* venture capitalists

4.2.2 | EXPECTATIONS ABOUT COLLABORATION WITH FAMILY BUSINESSES

In a comparison of the expectations start-ups have of family businesses and their need to cooperate with them, it is noticeable that the expectations are often conservative, despite the positive characteristics attributed to family businesses, and that the potential benefits are generally underestimated.

The needs (N) that the start-up considers most likely to be met within a collaboration and the expectation (E) that family businesses are capable of fulfilling them were shown to be expanding the company network (N = 61 %; E = 50 %) and increasing financial resources (N = 58 %; E = 41 %). For accessing new distribution channels (N = 74 %; E = 42 %), customer groups and markets (N = 67 %; E = 41 %) and increasing reputation (N = 64 %; E = 38 %), the need was rated high, but the likelihood that cooperation with a family business would fulfil it was markedly lower. Notable in this regard – if not surprising – is the clear statement of respondents regarding their expectations of accessing creative employees through collaborations with family businesses: almost 60 percent of the start-ups had no expectations in this respect (see Figure 15).

These results are worth noting for two reasons: firstly, they make clear which elements of concrete added value start-ups hope to gain from family businesses, and which they do not. Family business members would be well advised to understand these expectations and be aware of the added value that they, as an organisation, can bring to the cooperation. If the focus of the collaboration is directed at elements which are not applicable to or not a priority for one of the partners, disappointment or failure is inevitable.

It appears, however, that start-ups' expectations of family businesses change with actual experience of collaboration. The detailed analysis shows that respondents with experience of family businesses are clearly more optimistic about cooperation with them than those who have no such experience. Thus, 71 percent of the start-ups with experience of collaboration expected to expand their company network in this way; in contrast, only 34 percent of those who had not yet had experience of working in partnership with a family business held the same expectations. Apparently, the experience of cooperating with family businesses leads to a doubling in the number of those with positive expectations. A similar effect is seen with the expectation of being able to profit from the experience offered by family businesses as collaborating partners. Not only is there a very significant difference between the expectations (71 % to 39 %), but an additional 18 percent of start-ups without previous experience of working with family businesses say that they do not assume they will be able to profit in this way from a collaboration (see Figure 16).

The expressed perceptions of start-ups clearly show that they have marked preconceptions that change significantly in the course of a collaborative effort, indicating a need for systematic communication of the advantages to be gained from a collaborative partnership with a family business

NEED FOR COLLABORATION VS. EXPECTATIONS REGARDING FAMILY BUSINESSES

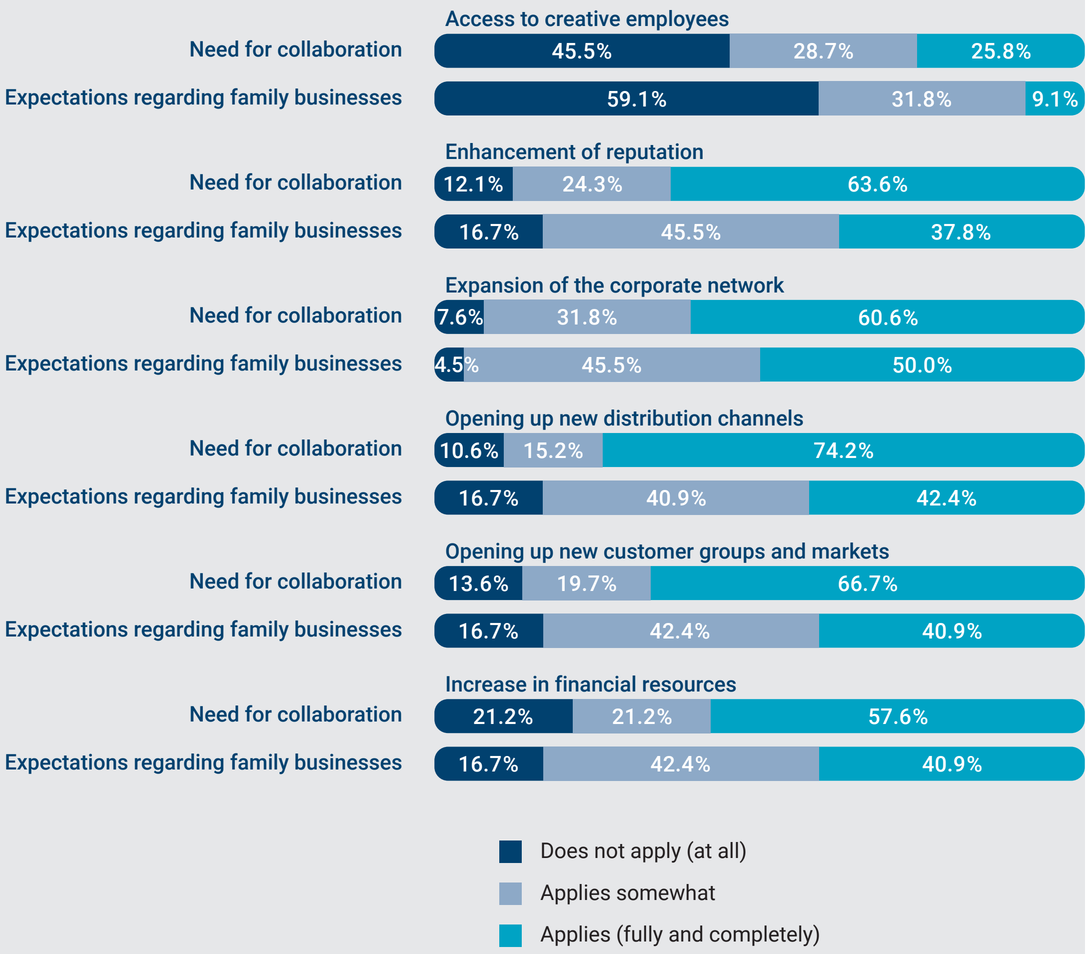

Figure 15: The expectations of start-ups about collaboration with family businesses

EXPECTATIONS OF COLLABORATION WITH FAMILY BUSINESSES

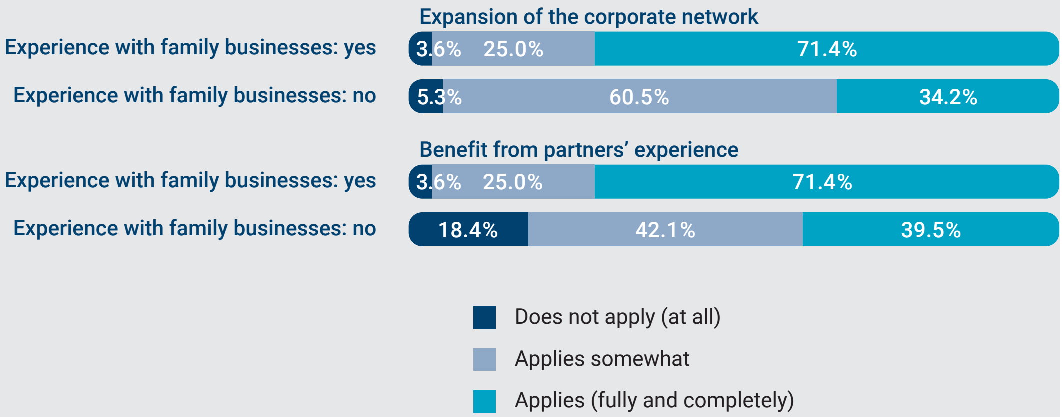

Figure 16: Start-ups with experience of family businesses versus those without: expectations on collaboration

Aside: founders from controlling families (NextGen founders)

There is an extensive discrepancy between the expectations of start-up founders who are themselves from a controlling family at a family business (NextGen founders) and those without such a background (non-NextGen founders). The more positive expectations held here by NextGen founders with regard to collaboration with family businesses can be clearly seen. For example, 100 percent of NextGen founders are convinced that the turnover of start-ups can be increased through collaboration with a family business; in contrast, only just under 56 percent of participating non-NextGen founders shared the same belief. With regard to the expectation of gaining access to expertise, a similar pattern is detected, with 80 percent versus 25 percent agreement in the respective groups. The same applies to the expectation of opening up new distribution channels: whereas 80 percent of NextGen founders have positive expectations in this regard, these are shared by only 39 percent of non-NextGen founders. Conversely, the NextGen founders surveyed were less convinced that collaboration with a family business would provide access to innovative products and technologies: 80 percent of NextGen founders did not believe this would be the case, compared to 44 percent of non-NextGen founders. The following figure sums up these results.

EXPECTATIONS OF COLLABORATION WITH FAMILY BUSINESSES

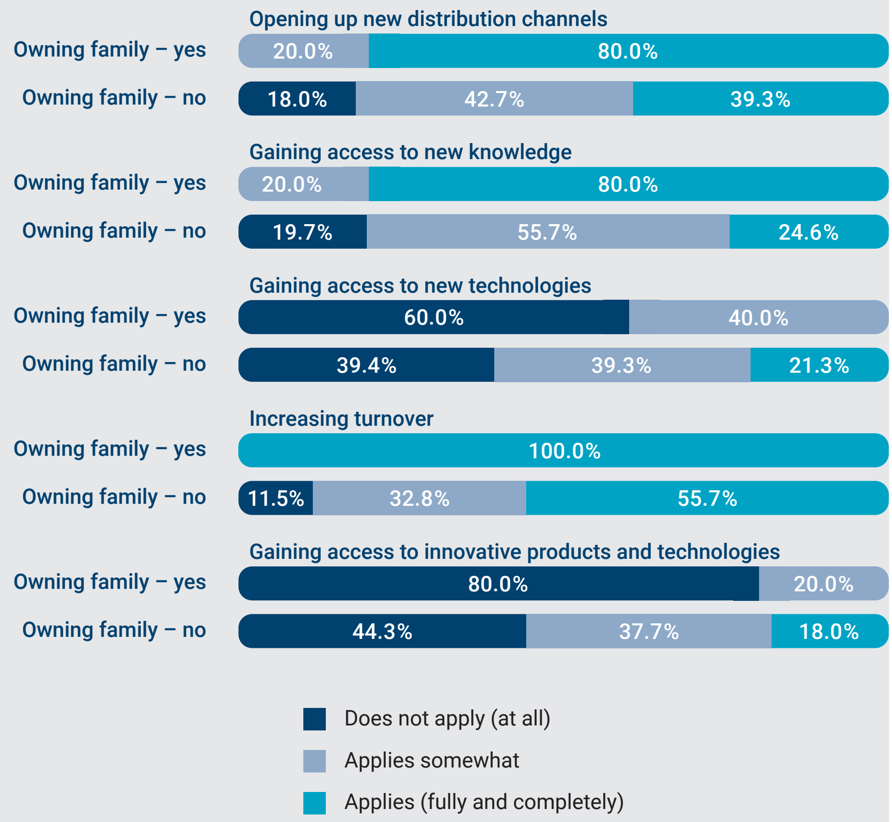

Figure 17: Expectations of collaboration: NextGen vs. non-NextGen

Given that only 30 percent of start-ups indicated that they had already engaged in collaboration with a family business, and considering the previously mentioned characteristics expected of family businesses, it is safe to assume that the start-ups' expectations derive from a lack of experience in dealing with these companies and a stereotypical understanding of them. The more experience they have of family businesses (to the point of owning a stake in one), the more optimistic – and realistic – the expectations of the start-ups. An increased presence of family businesses in the relevant start-up communities would increase the knowledge of decision-makers, replace stereotypical preconceptions with more realistic ideas, and expand the scope for collaboration with this backbone of the German economy.

The findings of the quantitative survey presented in the previous section are supported and expanded by the qualitative investigation. At the time they were founded, none of the start-ups investigated even considered collaborating with a family business; the collaborations that did arise were thanks largely to personal relationships or chance encounters.

'It was coincidence or luck – in normal circumstances we wouldn't have crossed paths!'

All the start-ups interviewed that have since entered into collaborations with family businesses very much regret their previous lack of knowledge regarding the possibility of such cooperation and would like to see umbrella organisations or event formats set up to promote such forms of collaboration.

'We need something to bring start-ups together with family businesses in a structured way.'

Overall, founders perceive the 'family business scene' as inaccessible and anonymous. There is thus the potential for greater collaboration if family businesses present themselves in public as potential partners for start-ups. Family businesses should ask themselves the question: how can I, as a family office or family business, ensure that I am noticed?

4.2.3 | SPECIFIC SUCCESS FACTORS FOR COLLABORATION WITH FAMILY BUSINESSES

For collaborative efforts between family businesses and start-ups to overcome the challenges and become successful, the two partners must, alongside dismantling stereotypical perspectives, find an agile form of interacting with one another, maintaining decision-making speeds and communication.

Enabling partners able to take uncomplicated, rapid decisions is, for many participants, as important in contributing to the success of a collaboration with family businesses as the mutual ability and readiness to move at the same speed. In addition, appropriate and clear expectations and the ability to handle other mindsets are seen as central prerequisites of successful collaboration. Equally important to many participants is the clear control and governance of the collaboration.

If we consider the specific interest that start-ups have in family businesses as investors, the key success factors in such a collaboration become clear. Thus, family businesses are above all interesting as minority investors (50 % of responses) or business angels (44 %). Clearly, network access is the most important factor for start-ups in this context. Conversely, as portfolio investors (negative response: 47 %) or majority investors (negative response: 56 %), family businesses are not attractive to start-up founders. Evidently, the risks of excessive influence by representatives of the family business on the development of the start-up are considered greater than the advantages (see Figure 18).

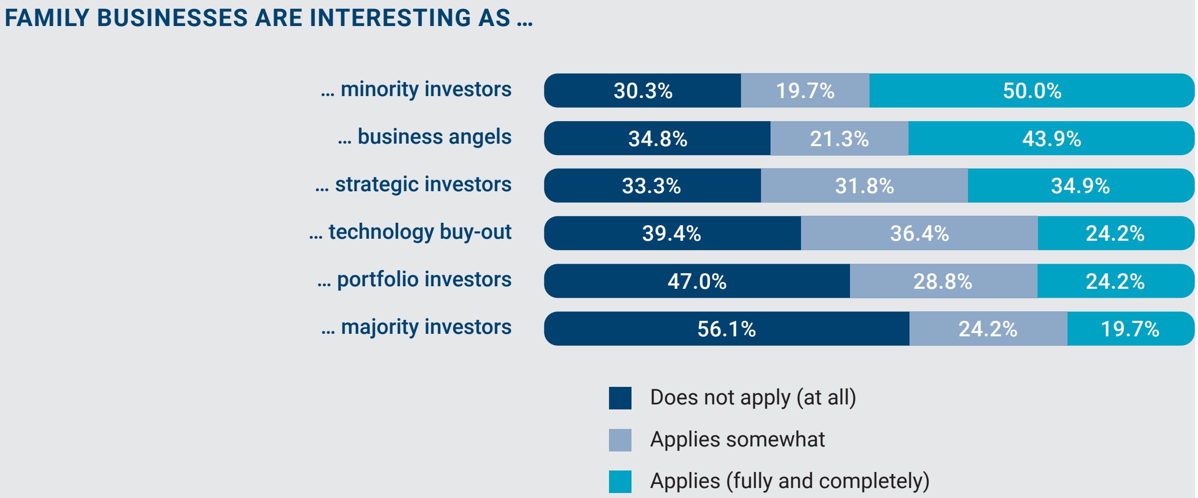

Figure 18: Role of family businesses

Here too, interviewees from the start-ups confirmed that significant value is added to the collaboration with family businesses when potential is generated that goes beyond pure financial investment. The founders themselves emphasise, however, that the choice of entering into a collaboration with a family company, and the final form this cooperation takes, depend crucially on both the business model and those leading the start-up.

'Does the start-up better suit a family business or a conglomerate?'

Clearly, founders also have to accept to some degree the specific characteristics of family businesses. If this is not the case, it can be assumed that the collaboration will lead to mutual frustration and eventual failure.

4.2.4 | SPECIFIC LIMITING FACTORS FOR COLLABORATIONS WITH FAMILY BUSINESSES

Indications of why collaborations fail specifically related to family companies are seen relatively rarely from the respondents. The factors presented in Section 4.1.4 are judged less relevant to family businesses than to collaborations in general; for example, 56 percent of respondents report unreasonable preconceptions regarding shares in equity capital as a cause for the failure of collaborations in general, compared with only 36 percent in cases of cooperation with family businesses. Similarly, when viewed overall, inappropriate or unclear expectations are more often seen as a cause for failure (53%) than when only family businesses are considered (39%). Whereas 52 percent criticise a lack of mutual respect or lack of collaboration as equals in the case of cooperation partners in general, in the case of family companies only 30 percent indicate this as a reason for failure. The same applies to difficult, protracted decision-making processes: in the case of cooperation in general, this is a cause of failure for 64 percent of participants, but (only) 42 percent cite this problem with regard to family businesses (see Figure 19).

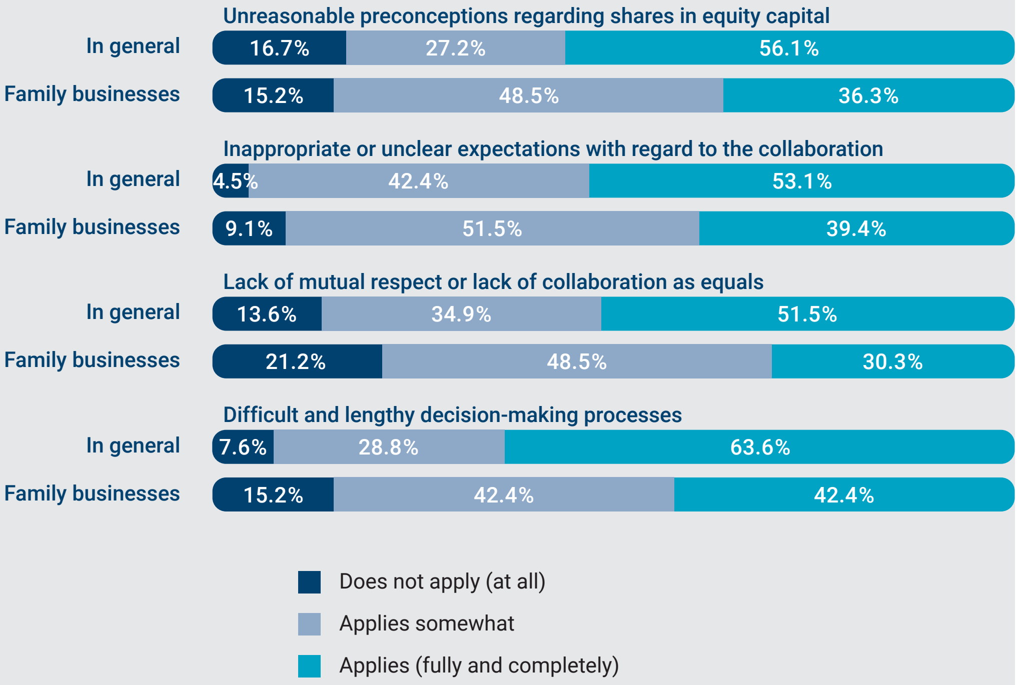

Figure 19: Reasons for the failure of collaboration in general vs. reasons for the failure of collaboration with family businesses

Once again, the reasons for the failure of collaborations are confirmed by the start-ups interviewed. However, a distinction is made between the daily challenges of collaboration and the fundamental reasons for its failure.

According to the interview participants, challenges arise not so much from fundamental attitudes as from the different types of company and their structure or culture. Thus, start-ups find it challenging that family businesses often act considerably more slowly, due to their hierarchical and inflexible structures. For example, capital decisions must be approved in laborious procedures involving the shareholders, as set out in the family business's articles of incorporation.[39] Evidently, as far as the speed of decision-making is concerned, family businesses have structural disadvantages compared to professional investors.

Often, the mindset of family businesses is also incompatible, as the need to act quickly is less pronounced in established firms than in start-ups. This leads to tension, above all in cases of shared product innovation or development projects. This cultural factor can be seen as a central problem in established and traditional family businesses when collaborating with agile start-ups.

'Sometimes it's like one partner wants to waltz while the other dances salsa. This usually leads to trip-ups, and not infrequently to falls.'

However, in this regard, it should also be emphasised that family businesses are, particularly in their willingness to take decisions, sometimes seen as less hierarchical than other companies.

A further source of tension arises in collaborations if the lines of responsibility are not sufficiently clear within the controlling family in the family business, or if power battles take place within the family relating to the strategy to be selected in acquiring stakes in start-ups. Principally, excessive involvement of members of the controlling family is characterised by unpredictable emotions stemming from family relationships. Thus, for example, decision-making structures determined by a single person in family businesses are described as challenging, because it is not uncommon in such cases that decisions, once taken, are subsequently reversed or that the reasons for a particular choice are not sufficiently explained to the collaborating partner and are thus seen as unpredictable.

A further aspect – for which, however, responses were ambivalent – is the location of the collaborative partner's business premises. Whereas start-ups are largely founded in Berlin and the Rhine-Ruhr metropolitan region, family businesses are usually located in more rural locations. As a result, getting to know each other personally is often more difficult – spontaneous meetings are only infrequently possible. Another aggravating factor could be that local culture affects the thoughts and actions of those with roots in a particular region. While this presents difficult conditions for some start-ups, for others it is not a particular challenge.

[39] From the responses to our practical fora and working groups, the authors are aware that in this particular regard, lengthy and sometimes debilitating discussions often arise with older family representatives and shareholders, who cannot understand the business model or technology offered by the start-up and thus question the economic sense of the investment. Here, family businesses, which in general have structural advantages because of the close relationship between ownership and management, are at a comparative disadvantage. See also Rüsen & Heider (2020).

4.2.5 | SPECIFIC EXPECTATIONS OF THE ROLE OF FAMILY BUSINESSES AS COLLABORATING PARTNERS

As shown in Figure 18 on page 37, half the start-ups surveyed stated that family businesses are of greatest interest as minority investors, with 44 percent considering them potential angel investors. In third place for family businesses is a position as a strategic investor. Technology buy-outs, or acting as a portfolio investor or even majority investor are of less interest to the start-ups surveyed.

If these roles are taken on by family businesses, additional potential may be exploited, beyond the actual position taken: start-ups described how meetings with family entrepreneurs provided substantial added value for their own strategic thinking and actions, as a result of their counterparts' entrepreneurial experience.

'An entrepreneurial personality is cast in a completely different mould than a portfolio-driven investment manager.'

The experience offered by entrepreneurs was found to be a valuable resource.

5 | RECOMMENDATIONS FOR ACTION FOR START-UPS AND FAMILY BUSINESSES

Based on the quantitative and qualitative results, it is possible to derive concrete recommendations for action for those start-ups and family businesses eager to enter a collaborative relationship. Against this background, it once again becomes clear how important it is to be aware of the goals of each side regarding the collaboration and, if necessary, to reorient one's own goals.

1. Renounce stereotypes and preconceptions

The first recommendation, particularly directed towards start-ups interested in cooperation, is to renounce the widespread stereotypical views that tend to make family businesses appear unattractive as cooperating partners. This includes notions of an assumed 'authoritarian/patriarchal management style' or a negatively construed 'deep-down conservatism'. It also means engaging with the true nature and culture of family businesses[40] and understanding their motives. Here, the growing number of scientific and practical publications which deal with the specifics of this dominant form of organisation can be of help.[41] Despite the wide range of training and support programmes available for start-ups, such as incubator programmes, specific material on 'understanding family businesses' is still lacking.

Directing our attention to family businesses, we strongly recommend developing an interest in collaboration beyond simple investment activity. Our analyses have demonstrated that a notable number of start-ups are not primarily interested in finding investors; the vast majority of start-up representatives surveyed are not prepared to relinquish shares to the benefit of their counterparts. Family businesses that wish to profit from cooperation with start-ups should, thus, within a framework of strategic thought processes, reassess their own preconceptions regarding the potential for such efforts, to find any previously undetected opportunities.

2. Identify the largest possible portfolio of potential collaborating partners

As discussed above, the identification of potential partners and the establishment of initial contact presents a hurdle for start-ups and family businesses alike. It is recommended that both parties increase their use of analogue, digital and regional platforms to identify as many companies as possible that could be interested in collaboration. The most suitable formats for such initial screening are, for example, conferences, fairs, pitches and online platforms. Depending on its intensity, this initial contact may itself be sufficient to break down the stereotypes and preconceptions that hamper potential cooperation. It should be once again expressly noted that, in such initial contact phases, it is more advisable to build up a broader portfolio than to invest in just a few partners without having had the opportunity to get to know each other in person.

3. Sound out potential synergies with collaborating partners

In mutual collaborations, start-ups and family businesses each perceive very different advantages and are interested in profiting from each other on different levels. These mutual expectations need, thus, urgently to be elucidated and the specific added value that each partner can offer the other clearly identified. As shown in our analysis, start-ups have only a secondary

[40] See Heider (2017).
[41] A good starting point here is the Witten Institute's online library: https://www.wifu.de/wifu-bibliothek/

interest in family businesses as investors; rather, they are looking for strategic partners to help develop their own business model.[42] Both the collaborating parties must invest in getting to know one other. This is most likely to succeed through small, joint collaborative projects and workshops; each party could, for example, invite the other to engage in innovation workshops, sit-in on work at the partner establishment, or hold joint training sessions involving employees of both companies, in order to allow a flow of knowledge in both directions and identify the potential for cooperation.

4. Create and utilise resources and capacity for a potential collaboration

As clarified previously, establishing a promising collaboration systematically has its prerequisites. The innovation departments of larger family businesses can no doubt afford to create positions to take responsibility for scouting, or even encourage interested NextGen members among their shareholders to do this work on behalf of the controlling family. Start-ups and smaller SMBs, however, often face tight resources and, thus, must attempt to work on promoting collaboration alongside daily business. In this regard, it is initially necessary to anchor the goals and general conditions of any potential collaboration in the company strategy and clearly specify the roles and responsibilities for such projects. If nobody feels responsible for these aspects, and potential collaborating partners have no clear contact in the company, the business will remain reliant on the above-mentioned chance encounters.

5. Make use of external help to spare internal resources

By making use of existing external support from a wide range of intermediaries, those start-ups and family businesses interested in collaboration can counteract their own lack of resources. A number of initiatives and offers exist, some of which are organised by the private sector, and some of which are supported by economic ministries or local political entities. As a rule, institutes, associations and consultancies understand the needs, expectations and also the existing reservations of their own specific stakeholders very precisely and are, thus, particularly able to serve as 'bridge-builders and interpreters' in each direction. However, a critical note must be sounded here, as the existing range of offers does not fully meet the needs of family businesses wishing to engage in collaboration. Start-up support schemes (e. g., incubator programmes) often only distinguish between 'corporates' and start-ups, with the result that the intermediaries and facilitators in the start-up scene are often unaware of the specifics of family businesses. On the other hand, start-ups are frequently viewed by established consultants and associations only as potential technology buy-ins or as the subject of financial investment. As demonstrated above, this view bears little relation to the needs of the start-ups themselves. For this reason, it is also incumbent on incubator managers or industry associations to engage more intensively with the other side and work towards the creation of new forms of collaboration especially designed for family businesses.

[42] See Heider et al. (2020b).

6. Tackle differences in goals, expectations and culture early on

As has been made clear in our analysis at various stages, a partnership marked by openness and trust is an essential prerequisite for successful collaboration between start-ups and family businesses. Against this background, both sides are advised to be considered as reliable partners who 'put their cards on the table'. Particularly for family businesses, which traditionally are considered more closed-off or secretive, it may be challenging to put this recommendation into practice. However, the foreseeable advantages of collaborations with start-ups would seem to make the effort involved worthwhile. Recognition of the differences between these (potential) business partners is also key in understanding that incongruent goals are to be expected with start-ups and family businesses interested in cooperation. It is crucial, for the success of the partnership, to be liberal in understanding the differing goals of the other party. Differences in decision-making and implementation speed, mentioned frequently in our quantitative and qualitative analysis as a cause of failure, are a textbook example of this. Start-ups and family businesses operate in different worlds in this, and other, respects (e.g., risk tolerance). Only as long as both partners are aware of this, and can cope with the differences and do not find they fundamentally make cooperation impossible, can a long-term partnership be successful.

7. Clearly identify the goals of the collaboration on both sides and regularly reassess them

It is in their nature that start-ups often fundamentally change or adapt their business models in the early stages. For this reason, it is particularly important to work on building a partnership from which both sides can clearly profit, the proverbial 'win-win situation', characterised by the fact that both partners are (better) able to reach their goals through the collaboration, despite any differences. This naturally requires that, in the first stage, both sides become aware of their own goals for the collaboration. The next step is to formulate these goals unambiguously and compare them to those of the other party. These goals should then be regularly reassessed by both sides. Any mismatches – often caused by the rapid development of the start-up's business model – should be openly addressed and, if they cannot be resolved, accepted. If acceptance is out of the question, consideration should be given to finding a different collaborating partner offering a better 'fit'.

6 | SUMMARY AND CONCLUSIONS

The results of our study suggest that, to date, the collaboration between start-ups and family businesses is neither widespread, nor widely seen as an established opportunity for both parties. Such collaborations often arise by chance: only one-third of the start-ups surveyed cooperate with family businesses, and the view start-ups tend to hold of family businesses is conservative and characterised by stereotypes. The exception here is to be found in those start-ups whose (co-)founders are themselves members of a business-owner family and who are thus considerably closer in character to family entrepreneurs. Accordingly, we can initially conclude that it is imperative to communicate better the opportunities and potential offered by family businesses and to change their image among start-up founders, allowing the option for collaboration with them to become accepted practice in the sector, alongside incubators, venture capital or an exit strategy. This potential is supported by the fact that those who collaborate now or have collaborated with family businesses evaluate this interaction as highly positive and, in most cases, would want to engage in it again.

Apart from the hurdles involved in promoting family businesses as potential collaborating partners, this study also supplies important information on how such cooperation can be designed to achieve sustained success. The focus, the survey results suggest, should be on open communication, on an equal footing with mutual understanding.

To avoid failure, the family business should act professionally and take decisions rapidly. In addition, expectations with regard to collaboration should be well communicated in advance.

The present study makes an important contribution to the body of literature on this topic, which to date has been sparse. It shows that family businesses are unable to make use of collaborative potential partly because start-ups often consider them a less viable option than, for example, incubators or accelerators. Accordingly, part of the solution could be provided by the family businesses themselves, by more actively making themselves visible as a potential partner for start-ups.

On the other hand, this study also clearly signals to start-ups that family businesses tend to be viewed among new company founders as trustworthy and popular partners for collaboration. The results confirm, to a large degree, the existing literature, while adding important guidance for the successful management of collaborations.

7 | APPENDIX

DEVELOPMENT PHASES OF START-UPS

As supplementary information and to better categorise the start-ups in the surveyed sample, their development phases will now be explained in more detail.

It is usual to distinguish three development phases in start-ups. These reflect, among other things, their capital requirements and, thus, the phases of financing – to outsiders, the investment phases. The transitions between the individual phases are often fluid and, in practice, not as clearly separable as the theory would suggest.[43]

1. Early stages

This phase is subdivided into the **(pre-)seed phase** and **start-up phase**. The first phase is dedicated to research and development work, market analysis and developing the business idea. 'This phase of starting up a company is all about estimating the basic prospects for success of the company idea.'[44] This orientation period, which rarely involves the generation of any turnover, serves primarily to prepare the way for the foundation of the company, which takes place with the beginning of the start-up phase. As soon as the business plan has been created, the start-up team put together, and the company founded, a strategic direction needs to be devised. With this, decisions are made that shape the start of operational activities, rapidly increasing the need for capital and necessitating a search for investors. This initial start-up phase ends with a successful company launch, or the dissolution of the enterprise.

2. Expansion stages

The 'expansion stage' phase is also divided into two parts: the **1st stage** (the formation phase) and the **2nd** (the growth phase). The key elements of the first stage include the possible start of production, the market launch and initial sales revenue. Until this point, the necessary capital has still largely been obtained from public support funds; from an investor's point of view, subsequent capital needs represent an ideal opportunity to achieve high returns for minimal risk.[45] The growth phase is one of comprehensive market penetration and the expansion or improvement of the company structure. Management or personnel play an increasingly influential role. Although revenues are generated at this point and the profitability threshold may even be reached, rapid growth causes capital requirements to grow '... constantly, without the ability to defray them from current revenues or earnings.'[46]

3. Later stages

In these phases – known as the **third stage**, **later stage** or **maturity phase** – the aggressive growth of the start-up becomes more sustainable in nature. For those '... with above-average growth potential – high-flyers – the emerging growth phase additionally offers the opportunity of preparing for an IPO ...'.[47] Other forms of exit are also prepared in the later stages and ultimately implemented.

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[43] See Byers et al. (2014); Landström (2007).
[44] Mann (2015), p. 10.
[45] See Jesch (2004).
[46] Jesch (2004), p. 87.
[47] Hahn (2014), p. 200.

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