



Munich Personal RePEc Archive

**Startup as a partner of cooperation for  
big company in the agri-food industry:  
Analysis of forms of cooperation on  
examples**

Klimczuk-Kochańska, Magdalena

2017

Online at <https://mpra.ub.uni-muenchen.de/84756/>  
MPRA Paper No. 84756, posted 06 Mar 2018 09:44 UTC

## **STARTUP AS A PARTNER OF COOPERATION FOR BIG COMPANY IN THE AGRI-FOOD INDUSTRY: ANALYSIS OF FORMS OF COOPERATION ON EXAMPLES**

**Magdalena Klimczuk-Kochańska**

*University of Warsaw, Poland*

*mklimczuk@wz.uw.edu.pl*

### **ABSTRACT**

*Currently obtaining and maintaining a competitive advantage require implementation of innovation in companies. This trend is mainly caused by the rapid development cycle of technologies. Thus, there is a question of adaptability especially regarding introducing innovation. It can be assumed that cooperation between entities at various stages of the business development is increasingly important and large enterprises from the agri-food industry are willing to interact with startups. This interaction may allow startups to overcome the difficulties that are emerging at the early stage of the development such as the problem of delivering the reliable proof of concept. The goal of this paper is an analysis of cooperation and use of the synergies between large enterprises and startups especially in order to address needs of innovation in the economy. The cooperation can take various forms, and this paper will discuss selected types of collaboration between large enterprises and startups, which are related to business acceleration activities, co-development, co-branding, acquisitions, and acqui-hire.*

**Keywords:** *acqui-hire, acquisition, agri-food industry, co-branding, co-development, forms of cooperation, startups*

### **1 INTRODUCTION**

The importance of interorganizational cooperation is growing steadily. Cooperation plays a crucial role in the process of creating new products and services, as well as in innovative procedures. Only a small group of companies, especially big one, can afford to work alone (Hamel, Doz, and Prahalad, 1989, p. 133). Interorganizational collaborations make easier to cope with unstable changes, e.g., progressive globalization and competition, the rapid development cycle of technologies, significant know-how diffusion among different organizations, and the impact of digital transformation (Renna and Argoneto, 2012).

Engagement between startups and other companies has been a subject of discussion concerning innovation strategies for a long time, and more often concern not only tech-related sectors but also traditional sectors such as the agri-food industry (OpenAxel, 2016, p. 4).

We need to underline that competition and cooperation are not mutually exclusive features (Bengtsson and Kock 2000), and the cooperative relationships also take place between competitors. This is described by the concept of "coopetition" (Brandenburger and Nalebuff, 1996), which goes beyond the perception of market activity as a zero-sum game. Competition does not have to mean trying to eliminate or defeat an opponent because it is possible to compete in one area while at the same time working together in another field (Klimczuk-Kochańska, 2016, p. 285).

Due to the recent changes in the business environment and customer's buying behavior, several companies from the agri-food industry have shown interest to collaborate with startups. These entities do not have to operate in the same business field. Therefore, the goal of this paper is a

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

presentation of diverse types of cooperation and use of the synergies between large enterprises and startups, especially in order to address needs of innovation in the economy. The impact of several types of interorganizational cooperation on the innovative activity of companies is briefly discussed in the paper. Because the cooperation can take different forms, this paper will discuss selected types of collaboration between big companies and startups. Case studies described in further sections of this paper are showing forms of cooperation which are: business acceleration activities, co-development, co-branding, acquisitions, and acqui-hire.

## **2 MEANING OF COOPERATION BETWEEN STARTUPS AND BIG COMPANIES**

Cooperation allows the company to gain a better competitive position on the market. Together with partners, it can work out improvements in the market offer or gain knowledge of new markets. Cooperation is closely related to the organization's proximity, but this does not mean that they have the same level of involvement or type of activity. Hence, it is possible to cooperate with entities of varied sizes and at distinct stages of the development.

With reference to J.A. Schumpeter's (2006), it is worth noting that he argued that the claim that large firms were necessary to promote innovation has fostered exploration of the links between innovative performance and market structure. Schumpeter combined firm size and innovation for three distinct reasons. He contended that only large firms could afford the cost of R&D programs and could absorb failures by innovating across broad technological fronts. The author also pointed out that companies needed some element of market control to reap the rewards of innovation (Teece, 1992, p. 4). This approach is based on the assumption made by Schumpeter (2006, p. 106), that the large-scale organization has come to be the most "powerful engine" of progress.

However, since the author's time, it seems that a lot has changed in terms of competition. Moreover, while competition is still essential to innovation and economic development, increasingly often there is cooperation between distinct kinds of organizations, which are of various sizes, not only the biggest one.

As noted by D.J. Teece (1992, p. 8) innovative new products and processes will not yield value without commercialization. However, commercialization may require access to resources that will make it possible. Without them, this may not happen, and the new solutions will not see the light. Among the necessary resources in this process are listed, among other things, promotion and other marketing activities, the reputation of the organization, after sales support, or even access to distribution channels. Startups usually play most of these rules, which can make it difficult or even impossible to commercialize the solutions they have in their possession. Cooperation can thus facilitate access to these resources. The inherent aspect of innovation is a risk. However, when cooperation is done with other actors, it is possible to risk sharing.

The above characteristics of cooperation seem to be particularly interesting for startups. According to research the Startup Poland (Skala and Kruczkowska, 2016), the main customers of startups are other companies. More than 3/4 of the surveyed startups sell for business, half of which are large companies or corporations. There is also a large group of startups that offer solutions for micro and small businesses. As far as business models are concerned, half of the surveyed startups pointed to the Business to Business (B2B) as a used model. Other startups sell both for business and for individual customers (26% of respondents). While 18% of researched startups sell exclusively in the Business to Consumer (B2C) model. Every third researched startup sells its services in the current SaaS (Software as a Service) model (Skala and Kruczkowska, 2016, pp. 24-25).

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

Cooperative relationships that startups have are often factors of their likelihood to survive (Laumann, 1984). By collaborating with a small and innovative startup, the big companies can eliminate their possible competitors as early as possible. This kind of cooperation can also help corporations to improve their own product development processes, and test new ideas. It can be noted that small businesses tend to be more innovative than large firms for three reasons: (1) lack of entrenched bureaucracy, (2) more competitive markets, and (3) stronger incentives.

According to Accenture (2015), research on the benefits of collaboration between startups and large companies emphasizes skills and talent, entering new markets, and retraining on in-house R&D investment. It is also important to accelerate disruptive innovation in the company and to design products and services. On the other side, entrepreneurs expect an extensive range of benefits from collaborating with large enterprises on innovation. These are: getting access to a large corporation's distribution network and customer base, being a supplier for big business, securing investment from corporate venture funds, and getting access to a large corporation's market knowledge. The principal is also working together on joint innovation to develop new products or services (Accenture, 2015).

It seems therefore that while large-firm strengths are mostly material in nature, small-firm strengths are mostly behavioral (Vossen, 1998). Still another issue may be a necessity of close cooperation between the developer of the innovative technology and the user. So even if a startup has a solution which a large company wants to use, it may require them not only to purchase a solution but also to cooperate further.

In principle, it can be stated that there may be both simple exchange transactions between entities that cooperate in the development of innovative solutions, and more developed and deeper forms of cooperation such as alliances. Although K.G. Smith, S.J. Carroll, and S.J. Ashford (1995) points out that the more outsourcing of work outside of active interaction is not considered to be cooperation. The purpose of exchange transactions is to supply something – goods, services, technologies – in order to buy companies in exchange for cash. An example can be licensing agreement.

The simplest form of cooperation between the company and startup is the procurement of goods and services. This way the startup gets the money for its functioning. Often also contract with a well-known company gives the startup a chance to go into cooperation with other customers. For large companies, thanks to the purchase of a startup's product, it is easy to access a unique technology. Without the need to develop a specific type of competence inside the company and risking the money for an idea that is not sure whether it will succeed, the startup provides a ready solution. Whether the sale to another company of products or services of a given startup has the merit of depending on how much it is necessary to adapt the product to the expectations of the large company.

There can be various forms of cooperation. Particularly important are alliances, which are "constellations of bilateral and possibly multilateral contacts and understandings among firms" (Teece, 1992, p. 19). Strategic alliances are agreements between companies to reach objectives of common interest. Alliance partners pool resources and coordinate their efforts into achieving results that cannot be obtained by acting alone (Dussauge and Garrette, 1995). A strategic alliance might include the following (Teece, 1992, p. 19): (1) an exclusive purchase agreement; (2) exclusionary market or manufacturing rights; (3) technology swaps; (4) joint R&D or co-development agreements; and (5) co-marketing arrangements. A strategic alliance denotes some degree of strategic as well as operational coordination.

It can be therefore assumed that a kind of strategic alliance is the use of the "white labels" sales model. Identifying products as white labels take place where the sole role of the label is to indicate to the consumer the goods to be dealt with. At present, however, especially many

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

commercial companies, including supermarket chains as well as networks such as Biedronka in Poland, are eager to sell products made under the so-called "private label" or increasingly popular "private brands." This practice is popular in the retail market, and from a startup's point of view it can mean the use of white labels, whose labels only reveal the identity of the manufacturer, but customers buy them because of trust in a particular sales network. Many ICT companies even offer their services in the field of the white label for those consumers who do not want the brand of technology provider to be known. Likewise, future 3D prints of food can be used, using the expertise of specialist companies currently working on such solutions and selling such printers, but only the machine supplier, rather than the food produced on these machines, will be most likely known. In these cases, a large company is a customer who, in principle, besides setting up the terms of buying some product or service from the smaller entity, does not contribute in any other way.

In the case of the above activities, there is usually nothing that J. H. Dyer (et al.) (2004) describes as synergy. Taking into account this feature as an important cooperation characteristic, further studies will be presented in the form of startups and big companies, starting with: (1) searching for and promoting startups – business acceleration activities – which means allocation of some resources of a large startup company in startup; (2) through co-development, co-branding consisting in pooling partners' resources to achieve greater profits, but at the same time they continue to manage their resources independently; and (3) acquisitions and mergers between different organizations, that means linking business partners resources and sharing know-how.

Of course, except for the above, some other types of cooperation may be indicated. However, in further sections will be presented case studies of only – in author's opinion – the most common forms of cooperation between startups and large companies.

### **3 EXAMPLES OF FORMS OF COOPERATION BETWEEN BIG COMPANIES AND STARTUPS**

#### **3.1 Business Acceleration Activities**

Big companies could consider investing in startups and outsourcing their product development processes. Often, a large company becomes a startup investor, offering financial and organizational support in various forms. At least five forms can be mentioned (Perlman, 2016): (1) incubators – a place to incubate startup idea, develop its business plan, and prepare the startup for growth; (2) accelerators – a very focused organization in which the startups receive mentorship, education, and networking resources; (3) startup competitions (e.g., hackathons and prize schemes) – they provide opportunity to validate startup concept of product, service, or some idea in front of experienced judges; the prizes for winners can be in the form of money, mentorship, and direct access to some startup support programs; (4) angel investments – for startups they provide some experienced mentor and advisor; and (5) venture capital – these are the funds for limited partners who expect exceptionally high returns on their investment. Different kind of accelerators are forms of partnership between a company and a startup. There is no data regarding what kind of agreements companies are making.

Accelerators, incubators, and venture capital are forms of searching for startups (OpenAxel, 2016). As part of such cooperation, a large company gains access to the knowledge that a startup has. By investing in it, it can receive help from the shares it will own in the startup.

Many large companies and corporations from the agri-food industry have established funds to support the development of successful startups. For example, the PepsiCo created the Nutrition Greenhouse program (PepsiCo, 2017) that goal is to support emerging nutrition and wellness

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

brands. Among the finalists of the PepsiCo program is, e.g., the French startup Jimini's, which makes protein bars with cricket powder. The startup received a grant and the opportunity to work with PepsiCo for six months to grow the brand. In 2007 the General Mills organized the Worldwide Innovation Network (G-WIN). It contributes to enhance and accelerate its innovation by teaming with world-class innovators, startup accelerators, and other entrepreneurial networks to scout for advantaged technologies (General Mills, 2017). Thanks to the 301 Inc., the venture capital arm of General Mills has invested in the startup of Rhythm Superfoods. That startup was a purveyor of kale, beet, and broccoli chips – all snacks are densely packed with nutrients. Other startups that the 301 Inc. has invested in include the plant-based food maker Beyond Meat, nut milk cheese, yogurt seller Kite Hill, and cottage cheese maker Good Culture. By contrast, Tyson Foods' New Ventures has explored alternative proteins and acquired ownership in plant protein startup Beyond Meat, which was also supported by 301 Inc. (Kell, 2017).

Another example is the Danone Manifesto Ventures (2017) launched in June 2016 by Danone. The Danone Manifesto Ventures, Inc. operates as a venture capital firm, and it invests in food and beverage companies. The well-known venture capital company, the Unilever Ventures, focused on young and promising companies. There are brands such as the Froosh (leading smoothie company in Scandinavia) and the SoBe V-Water (vitamin drink with no preservatives, artificial colors, or sweeteners) (Unilever Ventures, 2017). The Tate & Lyle Ventures LP is looking for business working with technology in the food and beverage industry (Tate & Lyle Ventures, 2017). The Coca-Cola Venturing and Emerging Brands (VEB) has a goal to identify high-potential growth brands in the North American beverage space for investment or ownership by the Coca-Cola Company. The VEB has managed investments and acquisitions in such brands as the Honest Tea and the Fuze, and the commercialization of Illy Issimo ready to drink coffee (Coca-Cola Company, 2017).

Orkla Company, one of the largest food groups operating in the Nordic region, has set up an in-house venture Orkla Venture. It is opening the possibility of investing directly in startup companies. It will primarily focus on business concepts linked to consumer-related products, services, ingredients, and processes, as well as the digitalization of both goods logistics and communication. A feature common to all the projects will be that they have an industrial logic. Orkla Venture will have the same relationship with partners as an ordinary venture fund (Orkla, 2017). Similarly, the IKEA Bootcamp Startup Accelerator has chosen to collaborate with, e.g., startup Flying SpArk. It is a startup that develops an alternative protein powder made from fruit flies (Klein Leichman, 2017).

The Polish seed fund named Augere Health Food Fund was created by ten investors, including a company from the sector called as the Hortimex. The Hortimex is the supplier of food ingredients. It is a professional representative of the world's leading producers of food additives and ingredients. The Fund is finding for interesting food ideas, but also technologies for the food industry (Szczepańska, 2017).

As an example of this type of cooperation with large companies in the agri-food sector, it can be provided partnerships of Polish startups the Nexbio and the SatAgro with the Azoty Group. The Azoty Group is one of the largest producers of nitrogen and compound fertilizers. Its other products, including melamine, caprolactam, polyamide, oxo-alcohols, and titanium white, have a strong standing in the chemical sector, with a broad range of applications across various industries in Europe. The Nexbio has some biotech solutions for the crop protection market. Using standard or dedicated molecular analysis, Nexbio makes a qualitative and quantitative assessment of pathogen DNA present in the plant, to determine the type and number of factors causing plant diseases. It is an alternative solution to visualization of plant

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

conditions, which also enables analysis of pathogenic factors in the soil at the very early stages of disease development when the visual assessment is not possible. This in turn enables tailored selection of plant protection products for more efficient protection. The Azoty Group supports the promotion of the mobile laboratory of DNA (lab on a chip) project called Nexbio; and supported Nexbio in attending in the Chivas Venture and Polish Tech Day 2017 in London (Nexbio, 2017).

In 2017, the Azoty Group agreed with another Polish startup SatAgro. The SatAgro has developed a service that allows access to satellite observations made by the NASA, the European Space Agency, and private operators. It processes data separately for each field and provides information that allows users to monitor crop development continually, create application maps for precision sowing, fertilization, and spraying. Under an agreement between the Azoty Group and SatAgro, a pilot program will be launched to inform farms about changes in crop condition based on satellite observations. As a result, customers from the largest Polish chemical group will be able to use the data processing tools for particular crop fields and to manage the farms effectively. The shared application will allow remote monitoring of the crop development, weather, and agronomic monitoring, historical analysis, direct communication with the precision spreader, management of water resources in the soil, and even forecasting of crops (Grupa Azoty, 2017).

### **3.2 Co-development**

Another form of cooperation is co-development. It consists on co-creating a solution between startup and a large company. This situation can happen when the startup has unique competencies, but it does not have a ready-to-sell product. It is then necessary to work with other actors to help develop it into production on a production scale. This often means leaving the lab with a product that has been prepared by the startup and is currently in the prototype stage. Such cooperation is gaining both sides - the startup can finally launch large-scale production and get more knowledge about a solution. This also allows for a better understanding of the industry. On the other hand, a large company thanks to such co-development is gaining a ready-made technology or product, based on a solution that was not available so far. Employees of a large corporation gain the necessary skills (Edernews, 2017).

Co-development was the reason for the French startup Ederna to start a collaboration with the T.I.A. and the Naturex. The Ederna is a high potential new technology company that has patented the next generation of cold concentration technology. This innovative process allows developing new natural functional and food ingredients. The Ederna owns a few patents. Its innovative technology was awarded by the International Union of Food Science and Technology at the Global Food Industry Awards 2016. It guarantees high levels of concentration with full preservation of functional and sensory characteristics of the products (Edernews, 2017).

In order for technology to be used on a production scale, it was necessary to work with another entity. Hence, the Ederna start to develop and market a new osmotic concentration process in cooperation with T.I.A. this company is a manufacturer of industrial equipment using the membrane filters. The enterprise designs manufacture and set up industrial plants and pilots for food-processing, bio-ingredients, biotechnologies, cosmetics, and pharmaceutical industry. T.I.A. has incorporated the technology into a machine and the industrialized system. Thanks to co-development, it was possible to create a production line using the idea of the Ederna.

The solutions offered by the Ederna in cooperation with the T.I.A. were attractive to the big international company Naturex. It is a manufacturer of ingredients for food and beverage, nutrition, as well as health and personal care industries. The Naturex's portfolio includes colors,

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

antioxidants, specialty fruits and vegetables, phytoactives, and numerous other plant-based natural ingredients (Guillon, 2015).

Thanks to cooperation with Ederna and T.I.A., it was possible to improve the long-term stabilization of its blue colorant, which was important for the Naturex. The blue colorant also has a very high concentration, because usually, the process of reverse osmosis can attain a concentration of up to 20% of soluble solids. The process used gives not only a better quality product but also saves electricity and water (Edernews, 2017)

### **3.3 Co-branding**

Co-branding is defined as pairing two or more branded products to form a separate and unique product (Park, Jun, and Shocker, 1996). The alliance worked together, and it is kind of "brand partnership." This strategy allows for introducing new consumer products (Washburn, Till, and Priluck, 2000, p. 59). Because of the fierce competition among manufacturers and retailer. This is a feature necessary especially for fast-moving consumer goods (Helmig, Huber, and Leeftang, 2008). One example of successful use of co-branding in the food sector was the promotion of the NutraSweet ingredient - aspartame used by brands such as Coca-Cola in Diet Coke. This kind of a combination of two brands is attractive for partners because it assures product for consumers. In the end, companies can count on higher profits from selling this co-branded product (Rao, Qu, and Rueckert, 1999).

Two startups, LeanBox and Hydration Labs, have formed a partnership for co-branding alternative offer businesses to the traditional employee cafeteria (Bevi, 2017; LeanBox, 2017). The LeanBox provides various companies in vending fridges stock offices with healthy and locally sourced food. Moreover, the goal of the Hydration Labs was to provide a smart water cooler for offices that create filtered still, sparkling, and flavored water. This solution turned out to be something new on the market, and its significant advantage is that the Bevi water cooler is environmentally friendly. The Bevi's coolers enable workers to spike their still or sparkling water with a variety of fruity flavors, so it creates drinks which are customizable. The flavors are unsweetened, zero-calories, or organically sweetened natural flavors. These drinks are cheaper, healthier, and more sustainable alternative to vending machines or refrigerators stocked with cans. The vending machines filter and bottled beverages at the point of use, instead of a bottling plant. The startup cuts cost variables and the carbon footprint of companies in the beverage vending industry by 80%. All Bevi's machines are Internet-connected, with real-time data flow enabling proactive service and maintenance of Bevi machines. The machines have a touchscreen that lets users to select various types of water, with a selection of flavors such as orange mango, coconut, or a combination of blueberry and cucumber. Inside the machine, there is a system of pumps and valves to tap water from a hose and funnel it through a choice of flavor mixes and carbonation processes. Meanwhile, sensors and software help the Bevi track things such as how much concentrate of each flavor is left, how many beverages are being consumed (Bevi, 2017; LeanBox, 2017).

Since 2017 a distribution partnership with the Canteen has been worked out. The Canteen is the USA's leading provider of unattended retail solutions offering vending, office coffee service, pantry, and micro market solutions. The Canteen is an operating company of the Compass Group North America. Thanks to this cooperation the Bevi beverage kiosks have been deployed in the offices of different companies, including, e.g., Apple, AT&T, Fidelity, GE, and Netflix. The company is also starting to sell to new types of clients, including hotels, fitness centers, and schools (Canteen, 2017).

### **3.4 Acquisitions**



*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

Big companies can also become an investor in another entity on a takeover basis. Sometimes the best choice can be an acquisition, where a startup is bought out by a bigger company. According to S. Blank (2014), more mature startups can be sold based on their existing products, product lines, user bases, revenues, and profits. In general, the cases of acquisitions sought in various theories. Especially agency theories predict that the rate of acquisitions is higher when the company is older. It means that very often older companies do not create value for shareholders, and acquisitions will help them with these limitations. On the other hand, neoclassical theories predict that firms acquire to make the best use of their scarce and valuable assets (Arikan and Stulz, 2016, pp. 144-145).

It is allowed to access to the assets of the acquirer. The acquisition may be a strategy for creating new product lines or services were up to now the entity has not been operating. It allows the company to enter the new market as the owner of a solution or product. The acquisition company also allows for the extension of the scale of operations, which allows for adaptation to the changing needs of the recipients. Other consequences of the acquisition would be to enable access to a wider customer base. Consequently, the acquirer of the acquirer can often count on increasing market share and accelerate growth. For big companies, acquisitions can also be seen as risk management. Buying their potential competitors as early as possible will strengthen their own market position.

The acquisition allows the firm to acquire primarily new technological resources (Prahalad and Hamel, 1990, p. 83), which substitute for the internal development of technological skills (Hitt, Hoskisson, and Ireland, 1990, p. 34). Usually, firms with few technological capabilities are inclined to obtain technology by acquiring innovative firms.

Example of the takeover took place with regard to the Algalo startup. The Algalo has developed a unique and innovative method for the efficient cultivation, harvesting and processing of a wide variety of algae that yield active ingredients for use in the food, dietary and clinical nutrition supplements and cosmetics industries including strong antioxidants, lipids, unique proteins and carotenoids which help in maintaining cardiovascular health, a strong immune system, and healthy skeletal and bone structure. The unique technology developed by Algalo is a flat panel bioreactor (PBR). This can be fully automated and enables to achieve fast growth production of algae. Thanks to such construction possible malfunction or contamination in the water might disable a small part but not the entire plant.

Algalo Company maintains collaboration and engagement with several companies in Israel and abroad in few sectors: food additives, dietary supplements, bioenergy, universities, cosmetics companies, aquaculture, and animal feed additive (Algalo, 2017).

In 2016 Algalo sold 50% of its shares to the company the Frutarom. The Frutarom is a leading global company operating in the global flavors and natural fine ingredients markets. It is one of the world's ten largest businesses in this market. Algalo's acquisition of shares was a way to continue the implementation of its rapid and profitable growth strategy with emphasis on specialty ingredients for food, nutritional supplements, pharmaceuticals, and cosmetics industries. The Frutarom has exclusive worldwide marketing rights for Algalo products (Frutarom, 2017).

### **3.5 Acqui-hire**

Another type of integration strategies which depend on where the startup is in its lifecycle, presented by S. Blank (2014) is the acquisition of human resources of a startup. This phenomenon is described as acqui-hire. It is a combination of words "acquisition" and "hire." According to the Oxford Dictionary (Oxford University Press, 2017), this means to buyout (a company) primarily for the skills and expertise of its staff, rather than for its products or

*M. Klimczuk-Kochańska, Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business", Warsaw 2017, pp. 182-192.*

services. It can therefore also be referred to as a talent acquisition. This is a startup purchase to take over the team, without the will to further develop the project. An *acqui-hire* means purchasing a team of smart people, especially engineers, who have worked together successfully. The transferee is hoping that they might augment and accelerate the buyer's business. Many companies see it as a way to quickly acquire proven talent. Top tech companies, such as Google, Facebook, or Cisco has recently started acquiring startups, not necessary for their product or service, but for their talents. In this case startups' original product as well as a startup itself, most likely will no longer exist. Thus, J. H. Dyer, P. Kale, and H. Singh (2004) refer to acquisitions when the importance of the acquired company results primarily comes from the possession of soft and intangible assets that can easily be lost as a result of the acquisition. Most of the time acquisition takes place in relation to early-stage startup because of their intellectual properties or a capable team (Blank, 2014). It can be even though they might still be searching for a right business model. It means that sometimes it can be smarter to acquire a good team than a well-made product.

In 2015 the business-to-business logistics service startup the Townrush and food delivery app the SpoonJoy were acquired by food delivery company the Grofers. Both the Townrush and the SpoonJoy will cease independent operations and will be involved in *acqui-hire* talents from startups. The respective teams had rich experience in building and running early-stage tech companies, which allowed buyers to get hold of a large talent pool in one go. The whole procedure allowed the Grofers to diversify its business to food delivery space (Rosenheim, 2015).

Another example is the InnerChef, the ready-to-cook meals delivery company, that in 2016 has *acqui-hire* the EatonGo and the Flavor Labs. The EatonGo is an on-demand meal service similar to the InnerChef. It specialized in continental and Indian breakfast and brunches. The Flavor Labs was a food truck company. The InnerChef was building a network of kitchens in various cities. Mobile kitchens help them to get closer to their customers and create an intimate food experience. The EatonGo will give them a foothold in Bengaluru that has emerged as the fast-growing food market in the country because of its cosmopolitan outlook and higher disposable income. With the Flavor Labs, they plan to run mobile kitchens and introduce a food truck in every city where they are now (Sharma, 2016).

#### **4 CONCLUSION**

Startups are not full-fledged partners in cooperation with big companies, also in the agri-food industry. Increasingly small businesses in various industries are developing solutions that respond to changes in market trends. Startups thanks to the created technology, products, and services become good partners for large enterprises, who, due to their size and goals with relation to the core competition have neither the will nor the ability to chase after every new trend. In this situation, the solution is to cooperate with startups, which often requires the commitment of resources by startups and by corporations. On the other hand, sharing resources allows to better match the offer of a large company to the market. Startups are also not without benefits because they benefit from such cooperation.

Based on the case studies provided in this paper, three types of cooperation between startups and large companies in the agri-food sector can be distinguished, depending on the motives that drive big firms. The choice of this criterion of analysis is dictated by the fact that, despite all features, still the big companies are "main players" that dictate the conditions and from which it depends on whether the cooperation between the startup and the big company will occur. This is primarily due to the market position of a large corporation as well as the tangible and intangible resources (including foremost knowledge). First, we can point to business

M. Klimczuk-Kochańska, *Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples*. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), *Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business"*, Warsaw 2017, pp. 182-192.

acceleration actions - such as accelerators, incubators, and venture capital. These measures mean more commitment of resources by corporations than by a startup. Moreover, a big company is in the role of a partner who is looking for startups and wants to help them - obviously not selfless. This allows for the development of innovating big brands to attract customers. It also gives the opportunity to attract talented people who can develop their ideas through accelerating and incubating activities. The second group of actions is, for example, co-development and co-branding. In this case, the startup as the holder of the product, service or solution is its reseller, but in order to do so it must lay out its resources and bring the solution to a certain level of technological attractiveness (TRL) that a large company is interested in. In this case, the corporation is a client, and cooperation with the startup is based on the principle of, e.g., product co-development that allows to solve business problems faster and at lower risk. The third cooperation pattern is a situation in which a big company is an investor and cooperation with a startup takes the form of acquisitions or acqui-hires.

Of course, the case studies presented in the paper do not fully cover the topic of analysis of the complexity of cooperation processes between startups and large companies. It is possible to research models of cooperation or cooperation motivation as well as to make comparisons between various sectors. Undoubtedly, it is worth researching this topic, particularly in relation to the agri-food industry, which, although traditional and low-tech, is quickly learning from others and willingly adopting patterns from other sectors. It must be borne in mind that this area is particularly susceptible to consumer opinions and consumer confidence, which means that not always and not all solutions can be adapted to the needs of the food industry.

## LITERATURE:

1. Accenture (2015). *Harnessing the power of entrepreneurs to open innovation*. Retrieved 26.08.2017 from [www.accenture.com/t20151005T162506\\_\\_w\\_\\_/us-en/\\_acnmedia/Accenture/next-gen/B20/Accenture-G20-YEA-2015-Open-Innovation-Executive-Summary.pdf](http://www.accenture.com/t20151005T162506__w__/us-en/_acnmedia/Accenture/next-gen/B20/Accenture-G20-YEA-2015-Open-Innovation-Executive-Summary.pdf)
2. Algaló (2017). Retrieved 09.07.2017 from [www.algaló.com](http://www.algaló.com)
3. Arikian, A.M. and Stulz, R.M. (2016). Corporate acquisitions, diversification, and the firm's lifecycle. *The Journal of Finance* 71(1), 139–194.
4. Bengtsson, M. and Kock, S. (2000). Coopetition in business networks – to cooperate and compete simultaneously. *Industrial Marketing Management*, 29(5), 411–426.
5. Bevi (2017). Retrieved 10.07.2017 from <http://bevi.co>
6. Blank S. (2014). *Corporate acquisitions of startups: Why do they fail?* Retrieved 09.09.2017 from <https://steveblank.com/2014/04/23/corporate-acquisitions-of-startups-why-do-they-fail/>
7. Brandenburger, A.M. and Nalebuff, B. (1996). *Co-opetition: 1. A revolutionary mindset that combines competition and cooperation. 2. The game theory strategy that's changing the game of business*. New York: Currency Doubleday.
8. Canteen (2017). Retrieved 09.07.2017 from [www.canteen.com/coffee-and-more/water/](http://www.canteen.com/coffee-and-more/water/)
9. Coca-Cola Company (2017). *Venturing and emerging brands*. Retrieved 02.09.2017 from [www.vebatcoke.com](http://www.vebatcoke.com)
10. Danone Manifesto Ventures (2017). Retrieved 02.09.2017 from [www.danoneventures.com](http://www.danoneventures.com)
11. Dussauge, P. and Garrette, B. (1995). Determinants of success in international strategic alliances: Evidence from the global aerospace industry. *Journal of International Business Studies* 26(3), 505–530.

M. Klimczuk-Kochańska, *Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples*. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), *Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business"*, Warsaw 2017, pp. 182-192.

12. Dyer, J.H., Kale, P. and Singh, H. (2004). When to ally and when to acquire. *Harvard Business Review*, 81(7–8), 109–105.
13. Edernews (2017). *The newsletter of Ederna*. Retrieved 09.07.2017 <http://mailchi.mp/acbf26b3db5d/new-spectacular-results-with-our-cold-concentration-process>
14. Frutarom (2017). Retrieved 09.07.2017 from [www.frutarom.com/FrutaromNew/Templates/ShowPage.asp?DBID=1&LNGID=1&TMID=10000&FID=494](http://www.frutarom.com/FrutaromNew/Templates/ShowPage.asp?DBID=1&LNGID=1&TMID=10000&FID=494)
15. General Mills (2017). G-WIN. Worldwide Innovation Network. Retrieved 02.09.2017 from <https://gwin.secure.force.com>
16. Grupa Azoty (2017). *Grupa Azoty stawia na innowacje. Satelitarne technologie dla rolnictwa* [The Azoty Group is committed to innovation: Satellite technologies for agriculture]. Retrieved 08.07.2017 from [www.grupaazoty.com/pl/wydarzenia/c/18/stawiamy-na-innowacje.html](http://www.grupaazoty.com/pl/wydarzenia/c/18/stawiamy-na-innowacje.html)
17. Guillon, M. (2015). *Naturex stabilizes its blue colorant by osmotic concentration*. Retrieved 09.07.2017 from [http://ederna.com/Fichiers/pages/113949processalimentaire.com\\_processes\\_naturex-stabilizes-its-blue-colorant-by-osmotic-concentration](http://ederna.com/Fichiers/pages/113949processalimentaire.com_processes_naturex-stabilizes-its-blue-colorant-by-osmotic-concentration)
18. Hamel, G., Doz, Y.L. and Prahalad, C.K. (1989). Collaborate with your competitors – and win. *Harvard Business Review*, 67(1), 133–139.
19. Helmig, B., Huber, J.-A. and Leeftang, P.S.H. (2008). Co-branding: The state of the art. *Schmalenbach Business Review*, 60, 359–377.
20. Hitt, M.A., Hoskisson, R.E. and Ireland, R.D. (1990). Mergers and acquisitions and managerial commitment to innovation in M-form firms. *Strategic Management Journal*, 11, 29-47.
21. Kell, J. (2017). *General Mills boosts investment in kale chip startup*. Retrieved 05.07.2017 from <http://fortune.com/2017/01/17/general-mills-rhythm-superfoods/>
22. Klein Leichman, A. (2017). *IKEA chooses Israeli food-tech firm for new accelerator*. Retrieved 10.09.2017 from [www.israel21c.org/ikea-chooses-israeli-food-tech-firm-for-new-accelerator/](http://www.israel21c.org/ikea-chooses-israeli-food-tech-firm-for-new-accelerator/)
23. Klimczuk-Kochańska, M. (2016). *Relacje międzyorganizacyjne* [Interorganizational relations]. In: K. Klineciewicz (ed.). *Zarządzanie, organizacje i organizowanie – przegląd perspektyw teoretycznych*. Warszawa: Wydawnictwo Naukowe Wydziału Zarządzania Uniwersytetu Warszawskiego.
24. Laumann, E.O. (1984). Microstructural analysis in interorganizational systems. *Social Networks* 4(4), 329–348.
25. LeanBox (2017). Retrieved 10.07.2017 from [www.leanbox.com](http://www.leanbox.com)
26. Maksimovic, V. and Phillips, G. (2013). Conglomerate firms, internal capital markets, and the theory of the firm. *Annual Review of Financial Economics* 5, 225–244.
27. Nexbio (2017). Retrieved 08.07.2017 from [www.nexbio.pl/pl/aktualnosci](http://www.nexbio.pl/pl/aktualnosci)
28. OpenAxel (2016). *White Paper on the connection between startups with industry. Opening acceleration across Europe*. Retrieved 09.09.2017 from <http://openaxel.com/wp-content/uploads/2016/05/OpenAxel-white-paper.pdf>
29. Orkla (2017). *Orkla to invest in entrepreneurs*. Retrieved 02.09.2017 from [www.orkla.com/Press/News/Orkla-to-invest-in-entrepreneurs](http://www.orkla.com/Press/News/Orkla-to-invest-in-entrepreneurs)
30. Oxford University Press (2017). *Oxford Dictionaries* (2017). Retrieved 09.09.2017 from [www.oxforddictionaries.com](http://www.oxforddictionaries.com)

M. Klimczuk-Kochańska, *Startup as a partner of cooperation for big company in the agri-food industry. Analysis of forms of cooperation on examples*. In M. Przygoda, M. Cingula, L. Yongqiang (eds.), *Economic and Social Development, 24th International Scientific Conference on Economic and Social Development "Managerial Issues in Modern Business"*, Warsaw 2017, pp. 182-192.

31. Park, C. W., Jun, S. Y. and Shocker, A. D. (1996). Composite branding alliances: An investigation of extension and feedback effects. *Journal of Marketing Research* 33, 453–466.
32. Pellicelli, A. C. (2003). Strategic alliances. EADI Workshop: *Clusters and global value chains in the North and the Third world*, 30/31, Novara.
33. PepsiCo (2017). *Nutrition Greenhouse. A PepsiCo innovation program*. Retrieved 03.09.2017 from [www.nutritiongreenhouse.com](http://www.nutritiongreenhouse.com)
34. Perlman, D. (2016). *From accelerators to venture capital: What is best for your startup?* Retrieved 03.09.2017 from <http://blog.gust.com/from-accelerators-to-venture-capital-what-is-best-for-your-startup/>
35. Prahalad, C. K. and Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3), 79–91.
36. Rao, A. R., Qu, L. and Rueckert, R.W. (1999). Signaling unobservable product quality through a brand ally. *Journal of Marketing Research* 36, 258–268.
37. Renna, P. and Argoneto, P. (2012). Capacity investment decision in co-opetitive network by information sharing. *Computers and Industrial Engineering*, 62(1), 359–367.
38. Rosenheim, B. (2015). Food tech media startup funding, M&A and partnerships. October 2015. Retrieved 08.07.2017 from <https://foodtechconnect.com/2015/11/30/food-tech-media-startup-funding-ma-and-partnerships-october-2015/>
39. Schumpeter, J.A. (2006/1942). *Capitalism, socialism and democracy*. London and New York: Routledge.
40. Sharma, D. (2016). Innerchef acquires EatOnGo and Flavour Labs. Retrieved 07.07.2017 from [www.vccircle.com/innerchef-acquires-eatongo-and-flavour-labs/](http://www.vccircle.com/innerchef-acquires-eatongo-and-flavour-labs/)
41. Skala, A. and Kruczkowska, E. (2016). *Raport Polskie Startupy 2016 [Polish Startups Report 2016]*. Startup Poland. Retrieved 27.08.2017 from [www.citibank.pl/poland/kronenberg/polish/files/Startup\\_Poland\\_Raport\\_2016\\_16.pdf](http://www.citibank.pl/poland/kronenberg/polish/files/Startup_Poland_Raport_2016_16.pdf)
42. Smith, K.G., Carroll, S.J. and Ashford, S.J. (1995), Intra- and interorganizational cooperation: Toward a research agenda. *Academy of Management Journal*, 38(1), 7–23.
43. Szczepańska, M. (2017). *Smaczne start-upy dostaną miliony [Tasty startups will receive millions]*. Retrieved 05.07.2017 from [www.pb.pl/smaczne-start-upydostana-miliony-857355](http://www.pb.pl/smaczne-start-upydostana-miliony-857355)
44. Tate & Lyle Ventures (2017). Retrieved 02.09.2017 from [www.tateandlyleventures.com](http://www.tateandlyleventures.com)
45. Teece, D.J. (1992). Competition, cooperation, and innovation. Organizational arrangements for regimes of rapid technological progress. *Journal of Economic Behavior and Organization*, 18(1), 1–25.
46. Unilever Ventures (2017). Retrieved 02.09.2017 from [www.unileverventures.com](http://www.unileverventures.com)
47. Vossen, R.W. (1998). Combining small and large firm advantages in innovation: Theory and examples. *SOM Research Report* 98B21. Retrieved 09.09.2017 from [www.rug.nl/research/portal/files/3183201/98b21.pdf](http://www.rug.nl/research/portal/files/3183201/98b21.pdf)
48. Washburn, J.H., Till, B.D. and Priluck, R. (2000). Co-branding: brand equity and trial effects. *Journal of Consumer Marketing*, 17(7), 591–604.