



Norwegian University of
Science and Technology

Why do Incumbent Firms enter into Agreements with Startups?

A case study of how and why three incumbent
firms enter into agreements with startups.

Ada Bjerkvig Lea
Harald Løvland Manheim
Eirik Wahlstrøm

Industrial Economics and Technology Management

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Supervisor: Lars Øystein Widding, IØT

Norwegian University of Science and Technology
Department of Industrial Economics and Technology Management

Preface

This thesis is written in Trondheim in the spring 2017, by Ada Lea, Harald Manheim and Eirik Wahlstrøm. The researchers are students of Industrial Economics and Technology Management (MTIØT), at the Norwegian University of Science and Technology (NTNU), where they take a M.Sc. in innovation and entrepreneurship. The basis for this research originally stemmed from the researchers passion for entrepreneurial work. All three work together in the startup firm MovieMask AS, who develop 2D glasses for watching movies. Through this work, the researchers engaged with a lot of incumbent firms - trying to acquire customers. This sparked an interest in the nature of the relationships between incumbent firms and startups, and formed the foundation of this master thesis. The authors have also prepared for this thesis through a term paper in “TIØ4535”, NTNU School of Entrepreneurship, Specialization Course.

The authors wish to express gratitude towards the three case firms, Telenor, Eplehuset and Telco, who were willing to share valuable information about their experiences with startups. In addition, a special thanks goes to Øystein Widding for supervising the process.

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Abstract

The aim for this study is to investigate why incumbents enter agreements with startups. This will be done through the development of an overarching model of the initiation process that includes the incumbent's motivational drivers and how they evaluate the startups through this process.

Acquiring paying customers who are willing to test an often unproven product is one of the key success factors for startups. Therefore, figuring out why incumbent firms choose to enter agreements with startups and how this process looks like is crucial. Contrary to existing literature, which either explains parts of the equation or sees the process from the startups point of view, this thesis aims to build an overarching framework that answers this problem statement.

The thesis is a case study of three incumbent firms, chosen based on purposeful sampling of the 20 firms that has engaged in the initiation process of the researchers own firm, MovieMask AS. Qualitative and quantitative data were collected through individual, in-depth interviews with representatives from the firms. The interviews were conducted based on theoretical constructs and an interview guide, of which both were based on theory regarding business to business relationships (B2B), the initiation process and, the underlying qualities of the startup.

The information from the interviews was analyzed through a within-case analysis, succeeded by a cross case analysis. The key findings suggests that the major underlying motivation for the incumbent's collaboration with the startup is to close the innovation gap through innovative products and solutions that aligns with their strategies. Furthermore, we found that the incumbents weight the startups' value fit greater during the early stages of the initiation process, before they focus on the startups qualities, where human capital is deemed the most important. The relative importance of the underlying qualities also seems to vary throughout the process.

In conclusion, this thesis gives a contribution by providing a new overarching framework that explains why incumbent chooses to enter agreement with startups, and how this process takes place. More specifically, it depicts this through a synthesized mode that takes into account the context of the incumbent, the incumbent's evaluation of the startups underlying qualities, and how these are all related to the initiation process between the startup and incumbent. Furthermore, this thesis contributes to a practical contribution towards startups through the model; "A startup's guide to getting agreements with incumbents", which aims to explain just that.

Sammendrag

Formålet med denne avhandlingen er å forstå hvorfor etablerte firma inngår avtaler med oppstartsbedrifter. Forskningen vil resultere i en modell som viser etableringen av bedriftsrelasjonen, sett fra den etablerte bedriftens perspektiv. Modellen vil inkludere de etablerte bedriftenes motivasjon for samarbeid, og hvordan de evaluerer oppstartsbedrifter.

Oppstarter er avhengig av å skaffe kunder som er villige til å satse på et produkt eller en løsning som ikke er testet på markedet ennå. Dette er en utfordrende oppgave, og det er derfor viktig å forstå hvorfor etablerte firma ønsker å inngå avtaler med oppstartsbedrifter, og hvordan denne prosessen ser ut. I motsetning til eksisterende litteratur, som enten forklarer prosessen fra oppstartsbedriftens perspektiv, eller kun fokuserer på deler av problemstillingen, så fokuserer denne avhandlingen på det overordnede bildet, sett fra den etablerte bedriftens perspektiv.

Avhandlingen baserer seg på kvalitativ og kvantitativ data hentet fra intervju med tre etablerte firma basert i Norden. Case bedriftene er valgt ved hjelp av metoden ”purposive sampling”, blant bedrifter som har vært i dialog med MovieMask AS, forfatterens egen oppstartsbedrift. Teoretiske rammeverk og en intervjuguide, utviklet basert på teori om B2B forbindelser, innledningsfasen og kvaliteter ved oppstartsbedrifter, la fundamentet for de individuelle intervjuene.

Forskerne har utført en ”within-case” analyse og en ”cross-case analyse”, med mål om å kunne si noe generelt om hvorfor etablerte firma inngår avtaler med oppstartsbedrifter. Resultatene indikerer at hovedmotivasjonen for samarbeid er å bli mer innovative ved å knytte seg til oppstartsbedrifters produkt og løsninger. Det ser også ut til at oppstartens produkt må samsvare med deres strategiske posisjon for å bli vurdert, før de etterhvert fokuserer mer på kvalitetene til oppstartsbedriftene. Den menneskelige interaksjonen, troverdighet og forpliktelse er høyest verdsatt. Hvilke kvaliteter som er viktig for å komme videre til neste steg varierer derimot gjennom prosessen.

Denne avhandlingen bidrar til forskningsfeltet med et overordnet rammeverk som forklarer hvorfor etablerte firma velger å inngå avtaler med oppstartsbedrifter, hvordan prosessen ser ut og hvordan de evaluerer oppstartsbedrifter. I tillegg så bidrar avhandlingen med et praktisk rammeverk til oppstartsbedrifter som ønsker å forstå hvordan de skal gå frem for å få avtaler med bedrifter.

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Chapter 1

Introduction

Nine out of every ten startup fails (Griffith, 2014), so what makes some succeed? Literature on startups success factors (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998; Aaboen et al., 2011) and literature on venture capitalists (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993) suggest many different reasons for success, but they all indicate that without paying customers that can validate their product and business model, the startup will not succeed.

However, acquiring paying customers is one of the biggest challenges a startup can face (Aaboen et al., 2011), as it involves to find and develop relationships with incumbent firms who are willing to work with them despite their shortage of resources, their newness and inexperience (Saemundsson and Dahlstrand, 2005; Elfring and Hulsink, 2003; Eisenhardt and Graebner, 2007). In addition, the incumbent needs to be willing to test and verify an often unproven product (Sørensen et al., 2015). By interacting with customers, it is possible to get feedback to further adapt the product to the needs of both customers and, when the case, of end users (Aaboen et al., 2011). In addition, an incumbent can extend the individual entrepreneurial asset base of human, social, market, financial and technical capacity (Jack et al., 2008). As such, the acquisition of the initial customers is important for the development of startups. The incumbent firms also have incentives for collaborating with startups, e.g. in order to close the innovation gap, solve business challenges, expand to new markets, rejuvenate corporate culture, and attract and retain talent (Kohler, 2016).

Therefore, it becomes imperative to better understand why the incumbent in some instances chooses to enter agreements with startups, and on this basis, we have chosen the following problem statement:

Why do incumbent firms enter into agreements with startups?

We argue that there is a need to create an overall understanding of this problem, as we have not found literature that answers it from a holistic perspective. There is indeed a lot of literature that explains parts of the equation, e.g. the incumbent's motivational drivers for engaging with the startup (Kohler, 2016; Rothaermel, 2002), and vica verca (Elfring and Hulsink, 2003, 2007; Jack, 2005; Aaboen et al., 2011). This research try to understand why a collaboration is wanted in the first place, but lacks important information on how the relationship is formed, and how it

develops. The formation of relationships however, has been researched (Aarikka-Stenroos, 2008; Edvardsson et al., 2007), but not looking at it specifically from the incumbents point of view in a startup-incumbent relation. A third part of the problem statement is why some startups get an agreement with the incumbent, i.e. how the incumbent evaluates the startups. This has similarities to research on why some startups succeed (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998) and how venture capitalists evaluate startups (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993; Klueter and Rosenkopf, 2013).

Despite a lot of research on parts of the problem statement, we have not found research that answer the problem statement from a holistic perspective. Each of the theories seem to focus on parts of the equation, without creating an overview of the drivers, process and evaluation as a whole. The majority of the literature we have found either focuses on the process between established business (Edvardsson et al., 2007; Aarikka-Stenroos, 2008), the startups' point of view on the process (Sørensen et al., 2015), the success factors of the startup seen from a VC perspective (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993), or from the startups' perspective (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998). As such, we believe that an overarching framework would aid both incumbents and startups in understanding how and why their relationships are born, and as such make a valuable theoretical and practical implication to this field of study.

Our approach to find an overarching framework will be to break the problem statement into three research questions, i.e. to look at the problem statement from three dimensions, which in turn will enable us to make a construct that can be used in an case study with relevant incumbents. Firstly, we want to dive deeper into the incumbent's motivation for engaging with a startup in the first place. Then, we want to build an understanding of how the initiation process between the startup and the incumbent looks like - seen from the incumbents perspective. Lastly, we want to dive deeper into what factors that drives the two parties closer towards a pilot agreement, e.g. the converters in the process. These three dimensions can be summarized as the following three research questions (RQ)s:

- What is the incumbent's motivational drivers for entering into agreements with startups?
- How does the initiation process between startups and incumbent firms look like?
- Which of the startup's underlying qualities is most important for getting a deal with an incumbent firm?

These RQs will be the focus of our study, which we believe will give both practical and theoretical contributions to the field, i.e. a better understanding of startup-incumbent relationships for both researchers, startups and incumbents. More specifically, we believe it could provide a better theoretical foundation for understanding the initiation process between a startup and an incumbent in terms of the context of the incumbent, and which qualities of the startups that drives the process forwards. Furthermore, we believe our findings could provide valuable practical insights to startups seeking out their first customers, as they will get an improved understanding of the incumbents motivation, how the incumbent perceive the process, and how they evaluate a startup. In addition, the incumbent might learn how other firms operates with startups, and how they can navigate through this process with minimized risk.

The first RQ was chosen because we believe that the incumbent's motivation is the basis of the initiation process. Without a motivation for entering into a dialogue with startups, the initiation

process would never take place. Thus, figuring out what the incumbent’s motivation is, seemed like a natural place to start. Rothaermel (2002) argues that incumbent firms face challenges when confronted with technological, discontinuous change, and further suggests that startups are one way the incumbent can adapt to this change. The incumbents need for innovation, is only one of several drivers the incumbent have for a startup-incumbent collaboration (Kohler, 2016). We want to test what the key motivational factors for incumbents approaching startups are. Understanding what the incumbent firm is hoping to get out of a collaboration, will help startups in the initiation process, as they know what to emphasize.

The second RQ grasp the initiation process, i.e. the forming of a relation between a startup and the incumbent. We need to understand how the incumbent finds and develops relationships with potential startups. Overall, there’s limited theory in regards to the development of B2B relationships in general (Holmen et al., 2005), and startups and incumbents in particular (Aarikka-Stenroos and Halinen, 2007; Sørensen et al., 2015). We aim to build an overarching construct that explain the initiation process seen from the incumbents perspective.

In the third RQ, we address which qualities and characteristics of the startup that is deemed important by the incumbent. This seems crucial to understand in order to explain what drives the initiation process forward towards an agreement. We briefly argued that there is a lot of relevant literature reviewing a startup’s “success factors”, which we further denounce as the startup’s underlying qualities, both in terms of entrepreneurial literature (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998) and VC literature (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993). The entrepreneurial literature is looking at the success factors of startups - based on input from the startups, while the VC literature are looking at the success factors of startups - based on input from the VCs. As such, it seems to miss a critical voice, namely those of the first customers.

In order to answer our problem statement and RQs, we will conduct a case study of incumbent firms who have collaborated with startups. More specifically, we will interview three incumbents who have engaged in an initiation process with the researcher’s own startup firm, MovieMask. MovieMask has since its incubation in 2016 been in dialogue with 20 incumbent firms and landed a deal with seven. This enables the researchers to choose the method of purposeful sampling, i.e. to chose cases that are rich on relevant information (Patton, 1990). The incumbents chosen for this research is based on the selected criteria outlined in section 3.3, *Selecting Cases*. In short, we have chosen to study the initiation process with three incumbent firms, two telecommunication companies and one retailer. This includes data collection from in-depth interviews with relevant decision makers. In this thesis, two of the case firms are described with their real company name, i.e. Eplehuset and Telenor, who agreed that we could use their company name. The third case firm, a Nordic telecommunication firm, wanted to be anonymous. Therefore, ”Telco” is fictive company name, given by the researchers. Table 1 below gives a brief summary of the startup and the incumbent firms.

History	<p>MovieMask is a young startup company who creates 2D movie glasses. The glasses, or the portable cinema as it is called, has unique lenses that give the user a cinema like experience by using the phone. MovieMask was founded by Eirik Wahlstrøm and Harald Manheim in March 2016. They got the idea in January after a visit to the movie theatre. There they figured out that watching movies on the phone is too bad of an experience - “what we have gained in mobility, we have lost in experience”.</p>
Characteristics of the team	<p>MovieMask consists of three students working full time, in addition to 4 students working part time. The team have been great at networking, and has acquired a strong board of advisors and investors that has introduced them to relevant incumbents. MovieMask has often been told that their commitment, engagement, hard work and positivity is something that make them stand out among other startups.</p>
Challenges	<p>Being a startup founded by students, MovieMask had little resources, including financing, experience and network. This made it challenging to develop the idea, get investors and funding, and especially getting customers who were willing to test a totally new concept. The search for customers started at once, and the first customer MovieMask got was BluEye Robotics in July 2016.</p>
Collaboration with incumbents	<p>In total, MovieMask has been in dialogue with 20 incumbent firms and has collaborated with seven. These seven includes telecom companies, retailers, streaming and media companies, and other startups.</p>
Telenor	<p>In May 2016, Telenor signed an intentional letter of collaboration with MovieMask. This included an order of 500 units. The companies met at Telenor Headquarter in Oslo in April. The final agreement was not signed until October 2016. MovieMask reached Telenor through an investor.</p>
Eplehuset	<p>Eplehuset got signed a deal of 200 units in November 2016 and was approached the same month. The initial meeting was at Eplehuset Headquarter in Trondheim, while the second meeting was at their Oslo office. MovieMask reached Eplehuset through an investor.</p>
Telco	<p>MovieMask reached Telco through a team member. The value prop to Telco was to differentiate themselves in the competitive telecom industry by offering a unique product. There were no physical meetings with Telco, but several video chats. Telco ended up putting the collaboration on hold in wait for the next generation of products and as of August 2017, the deal has neither moved forward or been completely terminated.</p>

Table 1.1: Facts about MovieMask

This thesis is structured into six chapters, starting with the introduction, followed by relevant literature and the theoretical focus, method, findings and analysis, discussion and conclusion. In addition, we have included a list of references and an appendix. In chapter 2, we outline literature related to the three RQs chosen: B2B relationships, the initiation process, and the qualities of a startup. The literature enable us to build theoretical constructs and an interview guide, which we use to gather information from the incumbent firms. In addition, the theory provide us with a better preunderstanding of the subject, which is suggested in order to do a good inductive analysis of the information gathered Brinkman and Kvale (2015).

In the third chapter, we describe the exact steps that is undertaken to address our research questions. We outline our research approach and design, and how we selected cases though purposeful sampling. Then, we will go through our data collection process, before giving an explanation to how we analyze our findings. Chapter 3 is concluded by a reflection of the limitations and trustworthiness of the study.

Chapter 4 consists of our findings and analysis. We start off by outlining the within-case analysis of the findings for each incumbent, before conducting a thorough cross-case analysis of the findings combined. This will again enable us to reflect upon the motivational drivers of the incumbent, as well as which of the startups underlying qualities that the incumbent perceived as important throughout the initiation process.

Chapter 2 and 4 give the basis for our discussion in chapter 5. Chapter 5 starts out with a summary of our main findings, before discussing them up against the relevant literature. In order to create a holistic view of why incumbents choose to engage in cooperation with startups, we have chosen to present this section in six sub-sections. First, we outline our main findings. Then, we discuss the motivational drivers of the incumbent, and why they want to collaborate with startups in the first place. This is succeeded by three subsections, each focusing on the three transitions between the four stages of the initiation process. Finally, we present an overarching model of the initiation process.

The discussions lays the foundation for the concluding remarks in chapter 6. Here, we reflect upon the theoretical and practical implications of our findings, including but not limited to a framework proposing how startups can succeed in achieving pilot agreements with incumbents. Lastly, we will discuss the limitations of our findings, before suggesting several areas for further research.

Chapter 2

Related Literature and Theoretical Focus

This chapter will outline the theory used in our research. First off, we elaborate on a fundamental part our problem statement: B2B relationships between incumbent firms and startups. What is the nature of B2B relationships, what are the benefits, and what different forms do they take? Then, we discuss how the initiation of a B2B relationship are. Lastly, we will outline the underlying qualities of a startup, i.e. what an incumbent looks for when they are evaluating a startup.

2.1 B2B relationships between incumbent and new entrants

“No firms exists that is autarchic” (Meyer et al., 2010). In other words - no business is an island. All firms have to interact and have relationships with other organizations and individuals in their network. A firm’s relationships is one of the most valuable resources a firm possesses and can lead to a competitive advantage (Ritter et al., 2004; Shane and Cable, 2002). This also apply for startups and incumbents. Despite their vast differences, they need to interact and acknowledge each other. Today’s startups are a major source of innovation, as they employ emerging technologies to invent products and reinvent business models (Kohler, 2016). At the same time, incumbent firms often face challenges when confronted with technological discontinuous change (Rothaermel, 2002). The knowledge necessary to generate innovations often resides outside the corporation. This means that new ventures often are a powerful threat to incumbent firms and their dominant position in the market (Kim, 2014). This gap between the incumbent and startups’ innovative capabilities, have resulted in that interfirm cooperation between incumbents and new entrants has been suggested as one way the incumbents can adapt to radical technological change (Rothaermel, 2002). For startups, who have fewer resources due to the nature of their size and lifespan (Elfring and Hulsink, 2003, 2007; Jack et al., 2008), acquiring paying customers are crucial Aaboen et al. (2011).

As we see, both startups and incumbents see benefits of collaborating together. In the following subsection, we dig deeper into the benefits of interfirm cooperation between incumbents and star-

tups, as it is an important part of our research focus. The benefits of collaboration is directly linked to our first research question that asks what the incumbent’s motivational drivers for entering into an agreement with startups are. Furthermore, in order to clarify what type of collaboration this thesis and problem statement is about, we have included a subsection about the different types of collaboration.

2.1.1 The benefits of a startup-incumbent relationship

Relationships between firms occur when the value of the relation exceeds the value of doing business transaction oriented (Pettersen, 2015), i.e. when both parties believe that forming relationships eventually will lead to an increased value for both. In the context of this thesis, which focus on startup-incumbent collaboration, a relationship occurs when both parties benefits from the relationship. There are several reasons for why it is beneficial for the two parties to decide to collaborate, and they are not necessarily the same. There are different reasons for why corporations and startups are interested in a collaboration. For a startup, interacting with customers makes it possible to get feedback to further adapt the product to the needs of both customers and, when the case, of end users (Aaboen et al., 2011). In addition, an incumbent can extend the individual entrepreneurial asset base of human, social, market, financial and technical capacity (Jack et al., 2008). For the incumbent, which is the perspective we focus on in this thesis, the benefits Kohler (2016) list is to close the innovation gap, solve business challenge, expand to new markets, rejuvenate corporate culture and attract and retain talent.

Existing corporations will most likely not pursue disruptive innovations, and often face strong near-term pressures that discourage investments in new growth initiatives (Kohler, 2016). In addition, established companies are often large, profit seeking, hierarchical and bureaucratic, making them badly designed for innovation (Wessel, 2012; Ahmed, 1998). However, innovation is critical to the success and sustained growth of virtually all companies today (Connell et al., 2001). One way to cope with this is to seek help from the outside, e.g. through accelerator programs and partnerships with startups. This can be referred to as open innovation, which is the use of ”purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively” (Chesbrough, 2006). A business challenge can be solved by a new product or solution that a startup provide, thus being a fit to the incumbent’s strategy and value proposition (Osterwalder and Pigneur, 2010). Working with startups that have the capabilities and agility to compete emerging sectors can provide new opportunities for corporations.

Culture is a primary determinant of innovation (Ahmed, 1998), and maintaining an innovative corporate culture is therefore important. Connecting the corporate workforce with fresh talent and idea inspires innovative thinking and can rejuvenate the corporate culture. Public commitment to supporting innovation sends strong signals to internal staff and external partners (Kohler, 2016). This can result in good PR and marketing towards customers and strategic partners, as well as attract new talent. Furthermore, the rules of traditional marketing and PR has changed, and most people get their knowledge from Google, social media, friends and more (Halligan and Shah, 2009). As startups often have a shortage of resources (Elfring and Hulsink, 2003, 2007), they will need to use innovative and unconventional methods in order to gain traction. As it is still important for businesses to communicate a relevant message to the target market (Walsh, 2009), and because the traditional marketing has changed (Halligan and Shah, 2009), we argue that a startup can provide

new ways for the established incumbents to market themselves and reach their target markets. An example of how a collaboration between an incumbent and a startup created PR and marketing synergies for both sides, is the collaboration between Norwegian startup NoIsolation and Telia - the second largest telecom provider in Norway. They launched a marketing campaign on TV, cinemas, talkshows and social media, which effectively co-branded the companies by telling the startup's story, while it at the same time promoted the telecoms' internet coverage (Telia, 2016).

Based on the theory, a corporation's reasons for wanting an incumbent-startup collaboration fall into five categories, summarized in table 2.1 (Kohler, 2016; Lea et al., 2016)).

PR and Marketing	Supporting innovation sends strong signals to stakeholders, strategic partners and existing customers. In addition, co-branding with startups have been proved successful.
Solve business challenge /Fit to value prop	Incumbent firms may reach out to startup firms that provide products and solutions that solve business challenges and fit their strategy and value proposition. This includes the business' need to close innovation gap.
Expand to new markets	Being exposed to the latest technological trends has the potential to accelerate the pursuit of new market opportunities.
Rejuvenate corporate culture	Connecting the corporate workforce with fresh talent and ideas inspires innovative thinking.
Attract and retain talent	Collaborating with startups will broaden the corporation's network and can result in attracting and retaining talent.

Table 2.1: A corporation's reasons for collaborating with startups

The five categories summarized in Table 2.1 is based on the literature of Kohler (2016); Lea et al. (2016); Halligan and Shah (2009); Walsh (2009); Ahmed (1998); Osterwalder and Pigneur (2010). We have merged "solve business challenge" and "close innovation gap" (Kohler, 2016) to simplify.

Based on the theory in this section, it is clear that incumbents can experience different types of benefits of a collaboration with startups. One part of our research focus is to understand which benefits that is most important. The reasons listed in 2.1 have an impact on our thesis, as the researcher will use them as a theoretical foundation when collecting information from the case firms.

2.1.2 Different types of startup-incumbent relationship

There are several ways a corporation can take part in a collaboration with a startup. Kohler (2016) identifies five: (1) Corporation supports pilot project, (2) corporation becomes startup customer, (3) corporation becomes distribution partner, (4) corporation invests in startup, and (5) corporation acquires startup. This thesis is a case study of incumbents that take the role as a distribution partner

for the startups. Having an incumbent firm as a distribution partner is beneficial for the startup, as they don't need to build their own distribution network. A distribution partner is defined as a company that partners with a producer to market and sell the manufacturer's products, services, or technologies (Meyer et al., 2010). This is usually done through a co-branding relationship. In this thesis, the companies we have examined have functioned as distribution partner for startups.

2.2 The initiation process when forming a B2B relationship

Establishing a startup-incumbent collaboration involves an initiation process. In relationship development models, the initiation is typically described as a first phase of an evolving relationship process (Aarikka-Stenroos, 2008). The initiation process starts when two companies recognize each other, and ideally ends when a business agreement is reached (Edvardsson et al., 2007). Thus, the initiation can be understood as a dyadic process starting from awareness and ending in an agreement, an order or an assignment, that in best cases, leads to a relationship (Aarikka-Stenroos, 2008). For the three incumbent firms used as cases in this thesis, two of the initiation processes ended in an agreement which lead to a relationship, while one did not. Aarikka-Stenroos (2008) states that it is easier for a startup to build its customer base if they have a deeper understanding of initiations. Thus having a clear view of the initiation process is helpful for startups that wish to acquire an incumbent firm as collaboration partner.

Edvardsson et al. (2007) suggests a model of the initiation process of a business-to-business relationship (Figure 2.1). They recognize three different statuses of the process, resulting in an agreement which leads to the end of the initiation and start of a relationship. The three statuses are (1) unrecognized, (2) recognized and (3) considered.

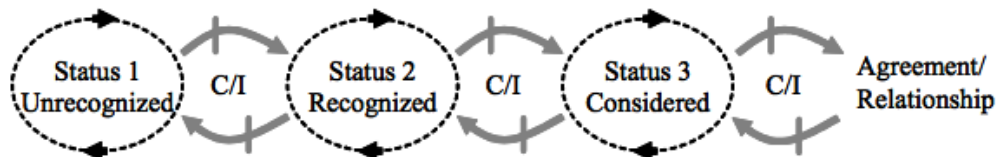


Figure 2.1: A model of the initiation process of business-to-business relationships (Edvardsson et al., 2007)

The model shows how the initiation process can jump backwards and forwards between the different statuses, caused by different actions called converters and inhibitors. The converters drive the process forward, e.g. the gain of a new investor, while inhibitors stall the process and cause it to take steps backwards, e.g. bad publicity. The initiation process might end at all the different stages of the process. The transition from unrecognized to recognized happens when there is awareness by the companies of mutual business possibilities. When representatives from both companies discuss possible co-working scenarios, the status change to considered. The considered status turns into a relationship when the two companies reach a business agreement. Edvardsson et al. (2007) recognize

several different ways to interpret business agreements; a handshake, signing a contract, etc. In this thesis, we define the agreement as when the startup signs a deal with the incumbent, which also marks the start of a business relationship.

In her paper on the initiation of B2B relationships, Aarikka-Stenroos (2008) states that the selling and buying literature separates the buyer and the seller, and stress that their view on the initiation process differ. From the seller's perspective, initiations are related to selling, i.e. customer acquisition activities, and marketing and communication of their value proposition. From the buyer's viewpoint, the initiation process is described as rational decision making process, where evaluation of the sellers proposal and the risk is important. Even though a startup and an incumbent in some situations can take the role as both buyer and seller, we will in this thesis always define the startup as the seller, and the incumbent as the buyer. The reason for that is that the seller party actively seeks and creates new customer relations, and that the buyer evaluates the potential seller parties with evaluation criteria (Aarikka-Stenroos, 2008). The buyer and the seller has different initiation activities. The initiation activities of the startup might be perceived by the incumbent firm, and will thus function as signals. Signals can be used to decrease the information asymmetry that exist between the startup's founders and the incumbent firm (Conti et al., 2013). Information asymmetry exists because the founders of a startup have private information about the technology underlying their business. If the incumbent observe the signals, they can function as inhibitors and converters, and thus drive the process forward or backwards.

The initiation process is a blurred launch phase of relationship that involves various actors, different episodes and communication between various individuals and firms (Aarikka-Stenroos, 2008). Reaching different stages demand different inhibitors and signals, and different actions are taken by the buyer and the seller. Firstly, getting from unrecognized to recognized are dependent on one actor behaving like an initiator, meaning that the buyer, the seller or a third party, makes the connection between the two firms. Furthermore, Aarikka-Stenroos (2008) list different initiation activities for the buyer and the seller at different points in process. These activities is illustrated in Figure 2.2, which is directly depicted from Aarikka-Stenroos (2008).

Since we are researching the incumbent's perspective on the process, we will focus on the buyers's, from now on referred to as the incumbent's, activities. This will give us a preunderstanding of what the incumbent do from the start of the process towards a potential agreement. Figure 2.2 show the process from unrecognized to agreement, i.e. from status 1 to agreement in Figure 2.1.



Figure 4 The literature driven activities considered as subprocesses of initiation

Figure 2.2: A model of the initiation process and seller activities (Aarikka-Stenroos, 2008)

In the following passage, we will explain Figure 2.2, in the context of this thesis, meaning in the context of an initiation of an incumbent-startup relationship. First off, the incumbent recognize that they have a need that one or several startups might posses, which might serve as the motivation for collaboration - as discussed in section 2.1.1. In addition, incumbents will search for, and gather information about, startups they consider to be potential collaboration partners. These activities are converters that take the initiation process from unrecognized to recognized (Aarikka-Stenroos, 2008; Edvardsson et al., 2007). After the incumbent has recognized the startup, the incumbent will evaluate the offering and its value, and try to establish a mutual understanding with the startup. How the incumbent value a startups is described in section 2.3. If the evaluation of the startup is positive, the process will move forward to status 3, i.e. the startup is considered. The last step is to "seal the deal". Activities that leads towards an agreement is that the incumbent get acquainted-, and builds trust with, the startup. In addition, the incumbent will try to reduce the risk of the agreement, formulate strategic dimensions and do internal decision making.

The actions of the startup and incumbent during the initiation process will determine if the two firms decide to collaborate or not. Therefore, understanding the initiation process, what the incumbent firm is looking for in a startup and how a startup can signal their underlying qualities is crucial (Lea et al., 2016).

Having a thorough understanding of the initiation process, seen from different researchers' perspective, is also crucial in order to do a good case study. First off, we have experienced that an initiation can be very complex. Therefore, linking the initiation processes that MovieMask have had to the different stages in the model, will enable the researcher to structure and get a better preunderstanding of the process. It will also make it easier to construct an interview guide. Furthermore, we believe that linking the respondent's answers to the three stages of the process will help to structure the information collected.

2.3 The underlying qualities of the startup

Startups have fewer resource due to their nature of size and lifespan (Elfring and Hulsink, 2003, 2007). Therefore, involving a pilot customer who can test and verify their product or service is vital (Aaboen et al., 2011). As such, understanding which underlying qualities the incumbent value is of major importance. However, there is little research on how incumbent firms evaluate startups (Aarikka-Stenroos and Halinen, 2007). Thus, other sources is needed to construct a framework that could be used for determining the underlying qualities the incumbent values as important. Figure 2.3 illustrates our approach.

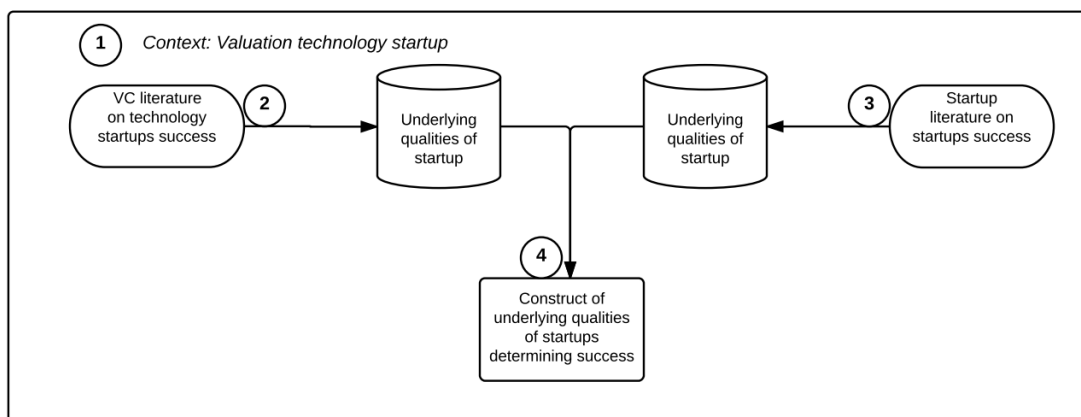


Figure 2.3: Framework to determine the underlying qualities of a startup

(1) First off, we elaborate on why it is hard to evaluate technology startups is hard. Then, we will (2) use VC literature to determine a set of underlying qualities of startups, before we do the same (3) based on literature review conducted by Lea et al. (2016), focusing on entrepreneurial literature of success factors. Finally, this will be (4) merged into an extensive list of underlying qualities that an incumbent can evaluate a startup on.

2.3.1 Evaluating technology startups

Startups and young companies are confronted with many obstacles that incumbents are not (Baum and Silverman, 2004). Aaboen et al. (2011) argues that startups are a heterogeneous group of firms with varying needs, but that being new always implies a shortage of resources, e.g. commercial knowledge and financing. Furthermore, Saemundsson and Dahlstrand (2005) stress the difficulties a startup face when no one can determine the potential of the market, few people beyond the founder can understand the technology and, if the founder is new to the business, his or hers lack of network. Baum and Silverman (2004) adds that startups' lack employee commitment, environment knowledge, and working relationships with customers and suppliers, have immature routines, and are unable to withstand periods with poor performance. Therefore, they conclude, it is difficult for outsiders to evaluate the startups potential and value.

Aldrich and Fiol (1994) further states that the vulnerability new ventures experience is even stronger for pioneering organizations, i.e. organizations that is first of its kind. These organizations are trying to establish a new industry with their technology, and in addition to the normal pressures facing any new organizations, they also must carve out a new market, raise capital from skeptical sources, recruit untrained employees, and cope with a lack of legitimacy. Aldrich and Fiol (1994) found that many promising new ventures never realize their potential because they failed to develop trusting relations with stakeholders, are unable to cope with opposing industries, and never win institutional support.

The findings of Aldrich and Fiol (1994); Baum and Silverman (2004); Aaboen et al. (2011) raise an interesting question: How is technology startups evaluated? Which underlying qualities are they measured on? There are much research on which qualities investors, venture capital firms and other stakeholders value in a new venture. Similarly, there is a lot of entrepreneurial literature on what makes a successful startup. In the following sections, we will try to combine the findings from both fields and develop a construct of the most important qualities of the startup. This will then be used as a basis for our data collection, i.e. the interview guide.

2.3.2 VC Criteria

In the entrepreneurial setting, Venture Capitalists (VCs) have been referred to as the dominant source of selection (Anderson and Narus, 1998), and it is generally taken for granted that VCs are expert scouts and coaches (Baum and Silverman, 2004). Many want to understand how VCs pick startups to fund, and because of this, there are a lot of research on how VCs value startups (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993; Klueter and Rosenkopf, 2013). We would argue that it is relevant to see what qualities the VCs value, as both investors and incumbents are exchanging value with the startup in expectation of a positive return.

In their research on venture capital firms, Baum and Silverman (2004) found that the three broad types of qualities affect VCs' assessments of startups. These are alliance capital, intellectual capital, and human capital. In addition, he adds financial capital as the fourth form of capital the startups need to survive, where VC capital is the most critical form (Shepherd et al., 2000). Furthermore, Klueter and Rosenkopf (2013) stress the importance of distance, both in terms of distance to commercialization and time to market, as an important quality for the success of the startup. These five qualities are further outlined in Table 2.3.2:

Underlying Qualities	Description
Alliance Capital	Can be identified as downstream (buyers), upstream (suppliers), horizontal (competitors and complementors) or vertical relations (economic, technological, socio-cultural and political actors) (Meyer et al., 2010). Gulati (1998) boasts the importance of relations due to the startups lack of connections, which is supported by the findings of Baum and Silverman (2004) that shows a positive correlation between VC investments and startups downstream and horizontal alliances.
Intellectual Property	Intangible property that is the result of creativity, such as patents, copyrights, etc. (Dictionary, 2003) and can be used to signal the quality of their technology to investors (Conti et al., 2013).
Human Capital	Usually referred to as the top management. Baum and Silverman (2004) found that it was one of the most important signals for VCs to consider, which is supported by Zacharakis and Meyer (2000), who concluded that the skills and experience of the top management team in a startup were the most frequent selection criteria by VCs. This is in line with the Colombo and Grilli (2010), who found that there is a direct positive effect of founders' human capital on firm growth. VCs typically want to know if the startup-team is really committed to a venture and if its members truly believe that a venture has wealth creating potential (Busenitz et al., 2005).
Financial Capital	Financial capital is one of the most visible resources of a firm, and should be positively associated with venture survival. It can create a buffer against random shocks and allow the pursuit of more capital-intensive strategies, which are better protected from imitation (Cooper et al., 1994).
Distance	In this setting, distance is defined as either distance to commercialization or geographical distance (Klueter and Rosenkopf, 2013). Distance to commercialization can also be simplified to time to market.

Table 2.2: Description of the underlying qualities of a startup, based on VC literature

2.3.3 Startups success factors

In addition to the findings based on the VC literature, the final theoretical construct of the underlying qualities is based on literature on a startup's success factors. In short, the most important success factors were found to fall into the following categories: Product, team, production capabilities, marketing PR, environmental factors and founder's commitment (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998; Schein, 2009; Ring, 1996; Morgan and Hunt, 1994; Sørensen

et al., 2015; Conti et al., 2013). These factors were, in contrast to the VC factors, largely based on the empirical data from successful entrepreneurs and business owners itself, and not their VC counterparts. As such, they highlight other aspects than the VC literature. These five qualities are further outlined in Table 2.3.

Underlying Qualities	Description
Product	The key driver of an organisation's ability to change is innovation (Ahmed, 1998; Connell et al., 2001), and thus, the product innovation is important. The startup should deliver quality products or services that fits the target audience (Lussier, 1995). Product quality can be directly or indirectly signaled (Connelly et al., 2011).
Team	Social aspects, and experience and skills, are two key underlying qualities of the startup (Lussier, 1995; Barney, 1986; Morgan and Hunt, 1994; Ring, 1996; Schein, 2009). Social aspects is an umbrella term for trustworthiness, communication, values, culture and location (Barney, 1986; Morgan and Hunt, 1994; Ring, 1996). Even though the experience and skills of the top management is considered as most important, it is also important that the team can attract and retain quality employees (Lussier, 1995; Connell et al., 2001), who share the beliefs, values, and assumptions that the founder holds (Schein, 2009). Experience and skills are closely linked to team's ability to execute their plan (Gross, 2005). (Ahmed, 1998) emphasize the importance of an innovative <i>culture</i> in the team.
Production Capabilities	65% of hardware startups fail to deliver on time (Mollick, 2015). This means that production capabilities are highly important. The production capabilities is closely linked to the team's ability of execution, and their understanding of the production process (Groover, 2010).
Marketing and PR	Startups needs to spread the word of an often unproven product or concept- but lacks resources that makes conventional marketing deterrents for them (Sørensen et al., 2015). The rules of traditional marketing has changed (Halligan and Shah, 2009), and social media presence, brand awareness and other presence is important qualities on how the startup is performing related to marketing and PR.
Founder's Commitment	Conti et al. (2013) found that funding from Founders, Family and Friends had a positive impact on the perception of the startup as it showed commitment, dedication and self-belief for the core team.

Table 2.3: Description of the underlying qualities of a startup, based on the project thesis of Lea et al. (2016)

The findings in table 2.3 is based on the researches earlier work with their project thesis, finished in November 2016 (Lea et al., 2016). In the project thesis, the literature review that led to the

categories in Table 2.3, is described in detail.

2.3.4 Underlying qualities of the startup

Based on the underlying qualities identified from VC literature (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993; Klueter and Rosenkopf, 2013) and other relevant entrepreneurial studies (Lussier, 1995; Barney, 1986; Morgan and Hunt, 1994; Ring, 1996; Schein, 2009; Aaboen et al., 2011), it is possible to synthesize the findings into a comprehensive construct for all relevant underlying qualities. See Table 2.4:

Denominator	VC Literature	Entrepreneurial Literature
Alliance Capital	Alliance Capital	-
Human Capital	Human Capital	Team
PR and Marketing	-	PR and Marketing
Financial Capital	Financial Capital	Other
Distance	Distance	Production Capabilities
Product	IP	Product

Table 2.4: Summary of the underlying qualities

Furthermore, based on the chosen literature, we have further segmented the underlying qualities into sub-qualities as shown in Figure 2.4.

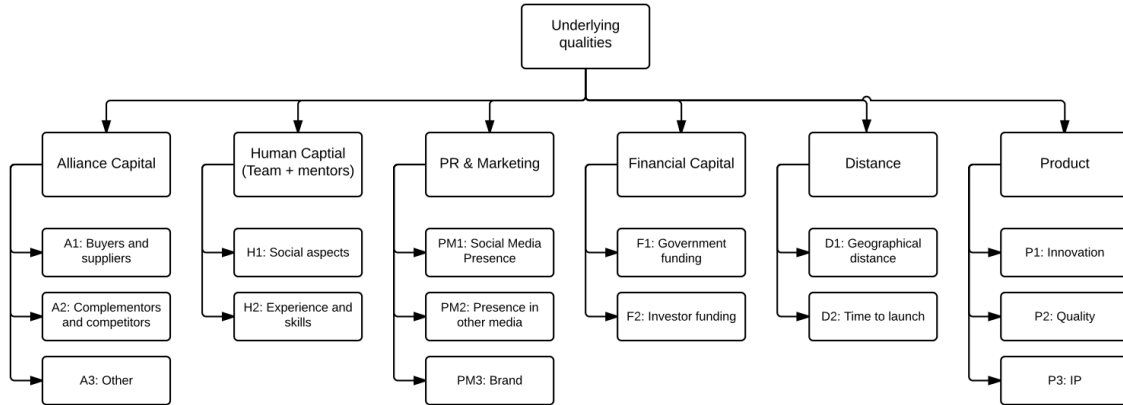


Figure 2.4: Segmentation of the underlying qualities

Alliance Capital is further segmented into buyers and suppliers (vertical), complementors and com-

petitors (horizontal), and other (indirect and cross) based on Meyer et al. (2010). *Other*, includes for example universities, advisors, third-party actors. Human Capital is divided this into two segments: (1) Social aspects, which is an umbrella term for trustworthiness, communication, values, culture and location as described in Table 2.3, and (2) Experience and skills of top management and employees, including ability of execution, education, work experience and ability attract and retain new employees. The qualities related to PR and Marketing are largely based on the work of (Halligan and Shah, 2009; Walsh, 2009; Sørensen et al., 2015), which emphasized the importance of social media presence, brand awareness and presence in other media.

In regards to the Financial Capital, most of the VC literature argues that VC funding is the most important for the startup and thus a good success measure. However – for startups striving for their first agreements, VC funding is often out of the question. As such, governmental funding or funding from investors become more relevant channels, that acts as a signal of commitment (Conti et al., 2013) and as a signal that the business will live.

Related to the distance, Klueter and Rosenkopf (2013) argued the importance of “time to commercialization” or time to market. We would argue that this is a more fitting term to use than production capabilities, as there are many other factors affecting the time to launch than just the production capabilities. Furthermore, we also choose to include geographical distance as a quality as it was proven that this showed a positive correlation towards a collaboration between startups and incumbents (Klueter and Rosenkopf, 2013).

Finally, we have chosen to divide ”product” into three subsets. As companies must innovate or die (Matson, 1996), we found it natural to highlight the innovation quality of the product. Furthermore, as the startup often tries to sell an unproven product or service (Jack, 2005), the quality will likely be evaluated. Lastly, Conti et al. (2013) found that IP is positively correlated with the investment from a VC, and thus might also play an important part in the eyes of the incumbent.

2.4 Summary

In this chapter, we have elaborated on business to business relationships, with a specific focus on the relation between incumbents and startups. We have looked at how the literature describes initiation processes between businesses, in order to create a better preunderstanding of how the case firms’ processes with startups are. As incumbents and startups most often differ in size, resources available, culture and experience, the reasons for wanting a relationship are often different. Incumbents seek to close innovation gap, solve a business challenge, or are perhaps looking for PR. The startup on the other hand, are looking for a paying customer - who are willing to test an often unproven concept. This means some risk for the incumbent, and they have to evaluate the startups in order to decide who to collaborate with. In order to understand how incumbents might evaluate startups, we have looked at how venture capitalists evaluate startups, and what that is recognized as a startup’s success factors.

Chapter 3

Method

In this chapter we will describe the exact steps that was undertaken to address our research questions. We start off by describing our research approach and research design. Then, we elaborate on how and why we selected the three case firms. In section 3.4, we describe how we collected our data, which was mainly done through individual interviews with a representative from each firm. Section 3.5 is a description of how we analyzed the information we gathered through a within-case analysis and a cross-case analysis. Lastly, we elaborate on the main limitations of our study.

3.1 Research approach

This thesis is a case study based on qualitative and quantitative data, gathered from in-depth interviews with representatives from three different case firms. We decided to do a case study because it allows you to explore and investigate contemporary real-life phenomenon through contextual analysis of a limited number of events or conditions, and their relationships (Zainal, 2007). Furthermore, it enables the researchers to figure out the “how” and “why” types of questions (Yin, 2013), which is suitable as our problem statement asks *why* incumbent firms want to collaborate with startups. The three case firms is chosen based on purposeful sampling, i.e. when the researcher selects cases according to the aims of the research (Schatzman and Strauss, 1973). We will elaborate more on the method and the selection of the cases in the following sections.

3.2 Research design

After we decided the problem statement, we worked on the research focus. Without a research focus, the researcher will not be able to conduct meaning from the data he collects (Brinkman and Kvale, 2015), and an initial definition of research questions is an important first step in order to extract meaning from the information (Eisenhardt and Graebner, 2007). This is further supported by Mintzberg (1979), who said that “no matter how small our sample or what our interest, we have always tried to go into organizations with a well-defined focus-to collect specific kinds of data

systematically.” The definition of the research questions has been an ongoing process since the start. The initial definition of research questions and theoretical constructs was a good way to prepare for our case study, but as Eisenhardt and Graebner (2007) points out, the RQs first defined are often tentative, and the researcher should be prepared to make adjustment as the research process develops. Likewise, the development of the RQs in this thesis was an iterative process, and we have altered both during the research process. The main reason for these changes have been that we have gained new insight - both in terms of new literature or greater experience. To illustrate this, our first definition of the research questions: (1) How can signaling theory be used to understand the initiation process for a startup to become a pilot customer, and (2) In the context of this initiation process, what are the crucial underlying qualities for an incumbent to enter a pilot agreement with a startup? First off, we decided to not include signaling theory directly in our RQs, even though we still use some signaling literature in our theory. The reasons for that was that we wanted to focus on the incumbent’s perspective only. Furthermore, we have added two new RQs: One RQ about the context of the incumbent, i.e. the incumbent’s motivation, and one RQ that asks how the initiation process looks like. In addition, we have simplified the last RQ.

The final definition of the RQs, which are as mentioned in chapter 1: (1) How does the initiation process between incumbent firms and startup look like, (2) what is the incumbent’s motivational drivers for collaborating with startups, and (3) what is the most important underlying qualities of a startup from the incumbent’s perspective. More about the rationale behind the choice of research questions is written in chapter 1.

In addition to defining research questions, we decided to identify theoretical constructs to help us structure the information gathering, i.e. the interviews and documents, and to organize and make meaning of the collected information. Our theoretical constructs was based on theory on B2B relationships, initiation processes, a startup’s success factors and venture capitalists way to value startups. Also, as we reviewed more literature, we took new theories into consideration and altered the theoretical constructs.

3.3 Selecting cases

We used the method of purposeful sampling for selecting cases. According to Patton (1990), the ”logic and power of purposeful sampling lies in selecting information-rich cases for in depth-studies. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term purposeful sampling” (Patton, 1990). As the purpose of the study is to explore why an incumbent-startup relationship get formed and how, we needed to find incumbent firm representatives who had extensive experience in talking to, and collaborating with, startups.

As getting information-rich cases is crucial for case-studies (Patton, 1990), using MovieMask’s past initiation processes as cases, would give access to important decision makers and a lot of data. More importantly, we would argue that our experience and network enables us to better understand the initiation process. Since the establishment of the firm, the startup-team has been in contact with several incumbent firms, with the goal of establishing a collaboration. In total, the team has been in dialogue with around 20 incumbent firms, and have landed a deal with seven. The team has thus experience with the initiation process - but from the startup’s perspective. MovieMask’s past

initiation processes could serve as interesting cases, as case-studies have the aim to explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships (Zainal, 2007). The case study represents a research strategy, to be likened to an experiment, a history, or a simulation (Yin, 1981). Linking our case study to the history of MovieMask seemed thus appropriate. The researchers and the interviewees had a shared history: They had experienced the same initiation processes. Both parties had thus a preunderstanding of the process - but from different perspectives. Selecting firms that MovieMask had been in dialogue with, would give us a great opportunity to explore the incumbent's perspective - which is the aim for the thesis.

The 20 incumbent firms that MovieMask have been in dialogue with vary greatly in size, geographic location and type of business model. In order to select the cases that could give us purposeful information, we decided on some prerequisites the firm had to have (Malterud, 2003), i.e. selecting a population. This controls extraneous variation and helps to define the limits for generalizing the findings (Eisenhardt and Graebner, 2007). Firstly, it was important for us that the case firms had prior experience with incumbent-startup collaboration, beyond the process with MovieMask. A firm that have experienced several initiation processes and evaluated several startups, possess a lot of valuable insights and information. We decided a threshold for each of these activities, and stated that the incumbent firm needed to have assessed over 100 startups, and that they had made deals with at least 5. To get access to this experience, it was important to interview representatives that had worked with these processes. One prerequisite was therefore that the interviewee had worked with at least five startups. As the business culture will vary greatly depending on geographical region, we decided to limit the population to Nordic firms. Also, the firm had to be a firm who distributed physical products. It also had to be an incumbent, so we therefore set criteria to size and customer reach. In summary, the following criteria were used in selecting cases to study:

- The incumbent have been in dialogue with at least 100 startups, and made an agreement with at least five
- The representative from the incumbent have worked with at least five startups
- The incumbent firm is based in the Nordic Region
- The incumbent is a large and established firm, i.1 BN NOK revenue
- They have a high reach to end customers
- They are a distribution partner
- We have access to their key decision makers

Based on the given population, we set out to choose incumbent firms that could give us thorough insight. The right representatives from the incumbent firms was contacted, and of the 20 incumbent firms MovieMask has been in dialogue with, we chose three case firms: Telenor, Eplehuset and Telco. The initiation process with Telenor and Eplehuset ended in collaboration, while Telco it did not. In table 3.1 below are short descriptions of the three cases, and the reasons for choosing them.

<p>Case 1: Telenor</p> <p>Norway's largest telecommunications company.</p> <p>Why the case was chosen:</p> <p>Telenor was mainly chosen based on their broad experience. They have collaborated with all types of firms, including seven startups. In addition, they have been in brief contact with over 200 startups. Our contacts into Telenor was very experienced people, which we considered as especially valuable.</p>
<p>Case 2: Eplehuset</p> <p>Norway's premium reseller of Apple Products.</p> <p>Why the case was chosen:</p> <p>Eplehuset is a respected retailer with a strong focus on the quality of their products. The products they choose to include in their stores are thoroughly considered. The products need to have a high standard, and thus getting their view of what they look for in a startup would add a new perspective.</p>
<p>Case 3: Telco</p> <p>Nordic telecommunications company.</p> <p>Why the case was chosen:</p> <p>Telco has a very standardized way of considering startups. Their initiation process routine includes a dedicated team that search for startups globally, and pick out the one they find interesting and contact them. If the team consider them as possible partners after first contact, they go further into the initiation process. This standardized way of considering startups make Telco experienced, but also cynical, which separates them from the two others.</p>

Table 3.1: The reasons for choosing Telenor, Eplehuset and Telco as case firms.

Firm 4 In addition to the three cases described above, we also interviewed a fourth firm, a university campus book store that MovieMask are collaborating with. We decided to interview Firm 4, despite the fact that they did not fit our population criteria. We wanted to do so, to check if our inclusion criteria where necessary and correct. Firm 4 are a small organization, with small retail stores in several universities in Norway. They had only collaborated and been i dialogue with one other startup, in addition to MovieMask. This limited experience made it difficult to gather information. Our interview guide was not suitable, as it was aimed at people who had a preunderstanding of startup-incumbent collaborations. The three other firms understood immediately what we where asking, as for firm 4, our explanation did not suffice. Because of these differences, we decided to not include the information collected from Firm 4 in this case study, and we learned that the inclusion criteria was necessary to get a proper research focus.

3.4 Data collection

Social sciences methodologies differ between quantitative and qualitative approaches (Hæreid and Indregård, 2015). In qualitative methods, data are collected through participant observation and interviews, i.e. information that is not in numerical form. Quantitative research gathers data in numerical form which for example can be put into categories, or in rank order. This type of data can be used to construct graphs and tables of raw data. Qualitative data, which is descriptive, is often harder to analyze than quantitative data (McLeod). Jick (1979) argues that qualitative and quantitative methods should be viewed as complementary rather than as rival camps, as most textbooks underscore the desirability of mixing methods given the strengths and weaknesses found in single method designs. As case-studies don't have any restrictions on which type of data gathering method that is allowed, we have chosen to mix both qualitative and quantitative methods.

As we had access to information-rich cases, and conducted individual in-depth interviews, we chose to mainly focus on gathering qualitative data. Qualitative approach allows “to more closely capture individuals own subjective experiences and interpretations”, (Graebner et al., 2012). In addition, we collected quantitative data through the two theoretical constructs. In construct A.2 we asked the interviewee to rank which of the benefits of incumbent-startup collaboration that were most important (from 1 to 5). In construct A.3, the interviewee were to distribute 100 points to the different underlying qualities. This reminds the interviewee to consider all sides of a startup. However, in order to avoid that the interviewee was too influenced by the constructs, we always asked an open question before showing the constructs, which enables personal reflection and spontaneous answers (Brinkman and Kvale, 2015). That way, we would get both the initial response, and a response after the interviewee had been reminded of more options.

3.4.1 Interviews and documents

Individual interviews with representatives from the three case firms were our main source of information. It was therefore important that the process was well planned in advance (Yin, 2013). The preparation included creating an interview guide, structure the interview setting, and finally interview a test person and make adjustments.

The interview guide was created after we had decided to chose semi-structured interviews, which is recommended when there are several interviewers and the subject are only interviewed once (Cohen and Crabtree, 2006). The semi-structural approach opens up for follow-up questions, which could facilitate a broader understanding of the research questions. The interviewee can speak partly freely and partly within the framework of preplanned themes. This makes it easier to capture the individual's experiences and interpretations (Graebner et al., 2012), which was our goal for the interview.

We created an interview guide that we believed would help us explore our three RQs. The first step was to ask the representative to describe his work and role in the firm. Then, the guide split into three sections - one for each question. In the first section, the interviewee was asked to identify their perception of the initiation process from point of contact to pilot agreement. The two succeeding sections, asked questions about the motivation for collaboration with a startups, and a startup's underlying qualities. The interview followed a set-up with both open and closed questions. The

open questions facilitated for personal reflections (Flick, 2015). During these questions, we noticed that the interviewee themselves discovered new meanings in what they had experienced, and we allowed them to talk freely without interpretation by the interviewer, as suggested by Brinkman and Kvale (2015). When the interviewee were done with a question, we interpreted the answer and sent the meaning back (Brinkman and Kvale, 2015), to see if we had understood it correctly. The closed questions was done through construct A.2 and A.3. These constructs, together with the interview guide is included in the Appendix.

The interviews we held followed a clear process: Two of the researchers facilitated the meeting, guided by the interview guide and aided by a speech recorder. One researcher handled the interview questions, while the other recorded notes and observations. This enables the interviewer to get the perspective of personal interaction with the informant, while the note-taker retains a different, more distant view (Eisenhardt, 1989).

Despite the fact that we held a test interview, we saw many improvements after the first interview with Eplehuset. Especially, we noticed that the interviewee had to repeat the same thoughts and answers about the process many times, because we asked all the questions two times: one for "in general" and one for "MovieMask in particular". This was not a great way to allocate our time, and we therefore decided not to ask all the questions again for MovieMask as a case. Instead, we asked if the initiation process, MovieMask's qualities, or the reasons for the interest in MovieMask was different compared to other startups, and why. These adjustments helped to avoid the repetition. As such, it did not affect the data collected, but it made the communication during the two next interviews more clear.

Ideally, all of the interviews would be conducted in person, as it is important to establish personal contact when collecting qualitative data (Saunders and Lewis, 2012). However, due to geographical distance, the interview with Telco, which is based in Finland, were conducted over Skype. The two other interviews were held in the offices of the firm. Each interview lasted for at least an hour.

In addition to taking notes, we recorded each interview with a speech recorder, as encouraged by Widding (2006). This allows the interviewer to focus on the questions and to keep a natural flow of the conversation. After the interview, the two researchers discussed the interview and wrote a summary of the key insights. The recorded data was then transcribed verbatim.

In order to get a better understanding of the process MovieMask had with the three case firms, we looked at information from documents, as suggested by Yin (2013). The researchers used the initiation process with MovieMask as a common storyline in all the interviews in order to get a deeper understanding of the incumbent firm's actions and thoughts. To dig deeper, we looked at previous mail correspondence between MovieMask and the incumbent firm, meeting notes and documents shared. In addition, documents can often provide detailed descriptions of past events, which can compensate for the selective memory and retelling that an interview in retrospect (Hæreid and Indregård, 2015). We therefore planned to use the documents to help the incumbent firm remember the process with MovieMask. However, this was not necessary as the firm's representative had a clear view of the process.

3.5 Analysis of data

Analyzing the information gathered is both the most difficult and the least codified part of the research process (Eisenhardt and Graebner, 2007). Our aim for the thesis was to observe a number of instances in order to say something general. We therefore chose an inductive analysis approach (Brinkman and Kvale, 2015), which refers to the systematic examination of similarities within and across cases to develop concepts or ideas, and is best suited when the researchers already know the phenomena they are studying (Brinkman and Kvale, 2015). Our analysis consisted of both a within-case analysis and a cross-case analysis (Eisenhardt and Graebner, 2007).

Further details about the within-case analysis and the cross-case analysis is described in the following sections.

3.5.1 Within-case analysis

The purpose of the within-case analysis is to extract meaning from interviews and such provide new perspectives for the researcher (Brinkman and Kvale, 2015). To facilitate the analysis of the interview transcripts, we used a computer program called NVivo. In NVivo we could upload all the transcripts, code, categorize, write interpretations and take notes.

The first step we did, was to read through the transcripts and categorize the relevant passages into our three research questions. We looked at each passage, and asked ourselves which RQ this answered. This was a very rough categorization of the textual material, but we found it very helpful to divide the material into those three. This gave us better structure - especially since we were three researchers that not always worked together. Thus, if one researcher had started to analyze one RQ, the two others could more easily continue the work because of the three categories. Coding and categorizing are often used interchangeably (Brinkman and Kvale, 2015), but we will separate them. The categorization divided the material in three, while the coding involved attaching keywords to a text segment - across the different categories.

We mainly used the technique of concept-driven coding, which is to use codes that have been developed in advance by the researcher (Brinkman and Kvale, 2015). The codes we used were based on the theory of section 2. For example, we had one code for each of the stages in the initiation process, one code for each of the underlying qualities summarized in Table 2.4. However, when we found information that did not fit into any of the predefined codes, we used "data-driven" coding. This means to develop new codes through the reading of the transcripts (Brinkman and Kvale, 2015). When we had coded all three interviews, the coded passages was inspected again, with the option to recode or combine codes. Some of the codes, that where very narrow were combined into one greater code, and others recoded in order to a new. This process was very iterative, and gave us a good overview of the textual material. When discussing a certain theme, we could easily turn to NVivo and look at a specific category and a certain code.

The interpretation of the meaning of interview texts goes beyond the structuring and coding (Brinkman and Kvale, 2015). As such, we went beyond what was said directly, to work out deeper structures and relations not apparent in the text. Contrary to the coding and categorization, the researchers did this work always together. As there can often be multiple interpretations (Brinkman

and Kvale, 2015), we looked at different passages and discussed the different interpretations. This way, we strove to be more critical when we analyzed the text.

3.5.2 Cross-case patterns

As already mentioned, our approach was inductive. The goal of an inductive analysis is to say something general after observing several instances. One important step in this process is to do a cross-case analysis (Widding, 2006), i.e. to examine similarities and look for patterns across cases.

Based on the coding we had done, and the categories we had created, we first compared the data from the three different firms. We looked for similarities, patterns and differences. This step takes the empirical data to a higher abstraction level (Widding, 2006). As before, we did the analysis based on the three RQs. This is also how the cross-case analysis in chapter 4 is structured.

First off, we looked at the motivational drivers of the three incumbent firms. Here, they had all been asked both an open question first, and then to rank the different reasons from 1 to 5 (from most important, to least important). We quickly saw that there was a pattern. All three firms mainly focused on the same reasons for why they wanted to collaborate with startups. In addition, they all seemed to ignore some of the reasons the researchers beforehand thought would be more important. This showed that our preunderstanding of the incumbent firms was not accurate.

Secondly, we studied what the incumbents said about the underlying qualities of the firms. In this part of the interview, the interviewee were asked to give out 100 points to the listed underlying qualities. We started off by looking at the three constructs and their points, and calculated the average score. Next, we looked at how the interviewees justified their distribution of points.

In addition, we compared how they viewed the initiation process with MovieMask. As we had already coded the data into the different steps of the initiation process, i.e. unrecognized, recognized, considered and deal, it was not difficult to get an overview of how they viewed the different steps. As the researchers had a preunderstanding of the other side of the initiation processes, we could go into deeper detail here, to get a better understanding of the interviewees thoughts. In order to structure our findings better, we summarized the three initiation processes with MovieMask into one model.

3.5.3 A summary of the data analysis approach

The information analysis started with transcribing the interviews and categorization of the textual material into the three RQs. Then, we coded the material with keywords, looked for cross-case patterns, and interpreted the text in order to extract meaning. In short, we did a within-case and an a cross-case analysis - both based on the three research questions. This process is illustrated in Figure 3.1 below.

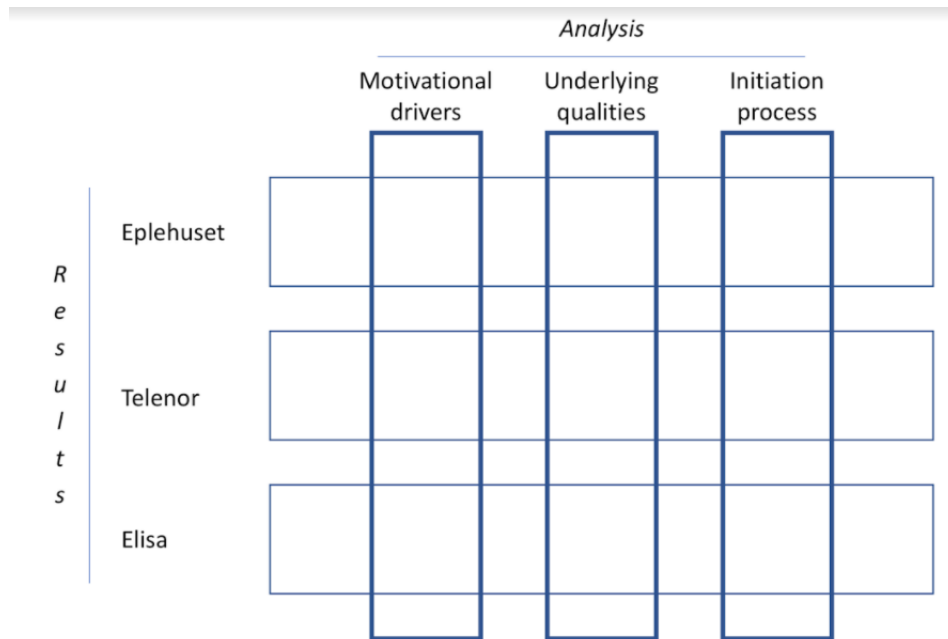


Figure 3.1: Synthesizing the results into an analysis of the three parts from the literature in chapter 2.

The within case-analysis of each of the incumbent firms, is illustrated with the horizontal boxes in 3.1. The vertical boxes illustrates the cross-case analysis of the three themes, based on the findings across the three incumbents. This is also how we will present the data in chapter 4, *Findings and Analysis*.

3.6 Limitations and trustworthiness of the study

In this section, we consider the trustworthiness, reliability and construct validity of the research, in order to properly evaluate the quality of the thesis as a whole (Lincoln and Guba, 1985; Yin, 2013). We consider the limitations with our information gathering process, the quality of the study and the external limitations. Lastly, we reflect on the process as a whole.

3.6.1 Limitations of the information collection

One potential source of interview bias is related to the researchers' preunderstanding of the initiation process, and their personal relation with the respondents. Interview bias is likely to occur as a result of some motivation on the part of the respondent or interviewer, or both, to falsify a response (Williams Jr, 1964). This motivation can be intentional and unintentional. We, the researchers, are influenced by our own preunderstanding of the initiation process, and will need to separate

this understanding from actual facts. This identification with the case firms can create a “biased viewpoint effect”, which can negatively influence the validity and reliability of the research (Ringdal, 2013). Thus, by focusing on the incumbent’s point of view, instead of the startups, the results will be less prone to biased information. The use of semi-structured interviews with open questions, will further strengthen this claim, as they open up for personal reflections (Lea et al., 2016).

The respondents, who the researchers already have a personal connection to, might also have a motivation to alter their responses. This includes misconceptions that the interviewee might have, and that the interviewee may wrongly portray themselves. Maintaining the flow of the interviewee’s story by not interrupting, rushing to complete the interviewee’s sentences, and clarifying terms or asking questions the interviewee does not understand (Qu and Dumay, 2011), are some of the actions taken to minimize the possibility of altered responses. In addition, we made very clear that we wanted an open and honest communication, even though some of the answers might put MovieMask in a negative light.

Even though the personal relation between the researchers and the interviewee might cause bias, it might also be beneficial. The more trust there is between the two parts, the more safe and relaxed the interviewee will feel, which will result in the interviewee being more open to sharing sensitive information (Hæreid and Indregård, 2015). Having a positive relationship with the respondent will give better answers (Qu and Dumay, 2011). This indicates that the established relation between the respondent and the interviewee, might positively influence the results by giving more honest and deep responses.

In order to make a good and replicated routine process for gathering the data, which can be especially challenging for case studies (Yin, 2013), we have created an interview guide, two theoretical constructs which guide the interviews. In addition, two researchers are present at the interview, which means that we have two that makes sure the routine is replicated each interview.

3.6.2 Quality of the study

Many researches that use case research, often feel that they fight an uphill battle to convince their readers that their research is persuasive (Siggelkow, 2007). One issue is the accusation of having a too small sample (Siggelkow, 2007). “How can the theory generalize if the cases aren’t representative?” (Eisenhardt and Graebner, 2007). We used purposeful sampling and chose three case firms from a sample of Nordic incumbents which had broad experience with collaboration with startups. The extensive experience makes them information rich cases, which can provide valuable information and details. As such, the sample of this thesis was small, but provided the study with information-rich cases.

Generalizing findings that is based on only a few cases can be challenging, as it is possible to have findings that is unique to only that specific case (Widding, 2006). In this study, we use an inductive analysis approach to generalize findings from the cases, which is suited when the researchers have a preunderstanding of the phenomena studied (Brinkman and Kvale, 2015). The researchers have knowledge about incumbent-startup collaboration from practical work with MovieMask, from studies and from the literature. Even though it is always possible that our findings are unique to those case firms only, we believe that our knowledge of the topic makes us suited to understand

which findings that can be generalized - and which that should not be. In addition, we have limited the generalization to only apply to Nordic firms.

3.6.3 Reflections on the research process

As we used our own startup as a case, we already had a relation to the representative that we interviewed. Firstly, we had substantial knowledge of the firm, decision makers and process in question, which made it easier for us to ask the “right” questions. Secondly, it enabled us to have a good and open dialogue with the respondents from the start, and the flow of the interview was natural. We had the same “business language”, as both actors understood the same theoretical terms and slang. In addition, all respondents were Norwegian, so there were no limitations when it comes to vocabulary. Also, the researchers and the respondents shared a common history, which made it easier for the respondent to go into deeper detail in the different stages of the initiation process. The respondent could speak freely, as they most likely assumed we understood what they were talking about. In addition to the mentioned positive effects of having a relation to the respondent, there are also negative sides to it. As the respondent knew us, he would might alter his responses, intentionally or unintentionally. For example, it is important to be aware of the possibility that respondent would put MovieMask in a better light, in order to make the interviewers more happy. However, based on the recordings, there seem to be a consistent flow in the communication that could give indications of an open and honest contribution (Qu and Dumay, 2011), where the respondent seemed eager to contribute to our thesis.

As team members of a startup and as students that study innovation, the researchers had experience with initiation processes and entrepreneurship. This knowledge and experience has undoubtedly shaped our opinion around our problem statement. In line with Ringdal (2013), we had to be careful not to let the knowledge create a “biased viewpoint effect”, that would negatively influence the validity and reliability of the research. To avoid this, we were especially mindful to be open to - and not ignore - results that contradicted our own preunderstanding. As many of our findings contradicts our preunderstanding, we believe that we have succeeded in being open and not letting our preunderstanding get in the way. In addition, our interest and current knowledge may also have given us a deeper understanding of the question, which could provide a greater insight to the topics.

In order to analyze the data collected in the best way, we transcribed the interviews verbatim, and took observational notes on non-verbal language during the interview. Afterwards, we structured and coded the data in categories that were both open and linked to the theory. In order to build theory from the data collected, the responses compared to documents and the non-verbal notes. The non-verbal notes showed more nuances to the responses, and made it easier to generalize. However, it is important to be aware of the limitations a three-case study pose, as three cases might not be representative to other incumbent firms.

3.7 Summary of the method and work process

To conclude, this thesis is a case study of three incumbent firms, chosen with purposeful sampling among firms that MovieMask AS have been in dialogue with. Through individual in-depth inter-

views, the researchers have collected qualitative and quantitative data, aided by an interview guide and theoretical constructs. The analysis of data was done with an inductive approach through a within-case analysis and a cross-case analysis.

The findings of this thesis is a result of more work than this thesis. The researchers conducted a project thesis in the autumn 2016, with the aim to develop "a framework to measure how an incumbent perceive the relative importance of a startup's underlying qualities" (Lea et al., 2016). This project thesis was the stepping stone for the master thesis, and lay the foundation for parts of chapter 2. A more detailed overview of the researchers' work process is included in the appendix, Figure A.1, together with an explanation.

Chapter 4

Findings and Analysis

In this chapter we outline the results and findings from the information collected, as described in section 3.5, *Analysis of data*. In short, we will conduct a within-case analysis and a cross-case analysis. First off, we elaborate on the within-case analysis of all three firms. Then, we look for within-case patterns in the order of the RQs - and compare the data and the cross-case similarities to the related literature.

4.1 Findings and within-case analysis

4.1.1 Eplehuset

Eplehuset AS is Norway's premium reseller of Apple products, with over 25 stores and 300 employees. We interviewed Marius, the commercial director of Eplehuset on May 11, 2017. A short description of some of their relevant characteristics is given in Table 4.1.

Distribution partner	Eplehuset AS
Revenue	1.015 BN NOK (2015)
Startups collaboration	5
Startups recognized	200+
Interviewee	Marius, commercial director, Eplehuset
Date of interview	11.05.17

Table 4.1: Facts about Eplehuset

Motivational drivers

Eplehuset wants to differentiate themselves from other technology retailers, and as such, they see startups as interesting collaboration partners because they offer something new. It is more important for Eplehuset to differentiate themselves, than to make quick money. Eplehuset has turned down “hundreds of opportunities” to make quick money. The respondent also mentioned that they have taken in products they assume only will sell 0 – 10 products nationwide, because it will build engagement and discussion in and outside their stores. As such, products that fits into into Eplehuset’s value proposition seems like the main motivational driver for engaging in a startup cooperation.

“Startups are interesting because they are offering something that usually doesn’t exist” – *Marius, commercial director, Eplehuset*

Underlying Qualities Eplehuset rank the human capital highest of all factors, followed by product innovation, time to launch and product quality. An important note here is that Eplehuset said that the points they gave would be significantly different based on the different stages of the initiation process. The full overview of their ranking of the startups underlying qualities is given in Table 4.1, and is based on the qualities important for moving from considered to signed agreement.

Underlying quality (UQ)	Points]	Rationale
Alliance Capital [aggregated]	6	
A1: Buyers and suppliers	0	Other buyers is not relevant as they judge the product/solution based on their value proposition and internal testing
A2: Complementors and competitors	0	No specific comments given
A3: Other	6	Importance of third party technology actors and mutual relations was important to build trust and commitment
Human Capital [aggregated]	38	
H1: social aspects	31	A good personal relation was deemed as crucial to minimize risk for the project, as well as showing dedication for the project. As they are taking significantly risk in collaborating with a startup, he ultimately has to be able to "look you in the eye and ask – will you be able to deliver?", and trust the response
H2: Experience and skills	7	In their opinion, the experience and education is not important, only the skills shown by the entrepreneurs
PR & Marketing [aggregated]	8	
PM1: Social Media Presence	1	SoMe is not seen as a positive contributor, but could work as an inhibitor. If they have nothing to show he would suspects the startup tries to hide something or that they are not proud of their product
PM2: Presence in other media	0	No specific comments given
PM3: Brand awareness	7	Brand awareness scored high with Eplehuset as they deemed it important to show that the company would deliver sustainable business over time
Financial Capital [aggregated]	6	
F1: Government funding	6	Government funding was seen as positive as it showed external validation from third party actors
F2: Investor funding	0	Investor funding was not deemed relevant for the money itself, but the relations were important (but the points here was given to A3)
Distance [aggregated]	10	
D1: Geographical distance	0	This was not deemed relevant for moving to an agreement, but was relevant for being considered
D2: Time to launch	10	"We don't want to engage in Kickstarter-projects", we want to see the finished products in retail-packaging and know that the product will be delivered in short time
Product [aggregated]	31	
P1: innovation	22	In order for Eplehuset to differentiate themselves, the innovation of the product stands out as crucial. If the product doesn't compete with existing offerings, that's even better
P2: Quality	9	As the premium distributor of Apple products, Eplehuset needs to reassure themselves that the quality is important
P3: IP	0	IP is not deemed relevant at all as it gives no intrinsic value to Eplehuset

Figure 4.1: Results Eplehuset

The initiation process

Eplehuset said that the initiation process was not a straightforward process. It seems to depend on a number of factors that varies depending on which stage the startup and incumbent is in. Reaching different stages in the initiation process require different converters. Based on the data collected, we have illustrated how Eplehuset view the initiation process, Figure 4.2.

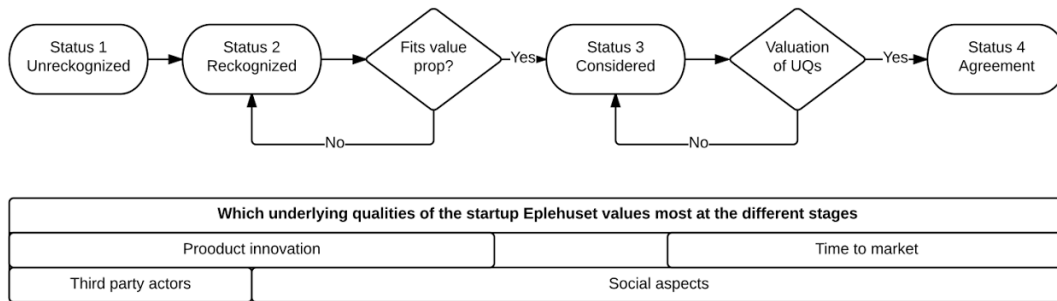


Figure 4.2: The initiation process of Eplehuset

Eplehuset said that alliance capital is a key driver to get the first meeting with them: “Alliance capital reduce the friction in the first meeting. Without relations it is severely harder to get a meeting with us”. However, in another setting, he stressed that the key motivational driver for assessing the product at all, is that it fits into Eplehuset’s value proposition. He further outlined the importance of building up a story around the product.

“Alliance capital reduce the friction in the first meeting” – *Marius, commercial director, Eplehuset*

Further into the initiation process, Eplehuset have validated that the product or solution fits their value proposition, and thus other qualities become more important. More specifically, Eplehuset put a lot of weight into the social aspects of team - especially how the entrepreneurs are willing and able to collaborate with them. In other words, it seems to be a shift in focus when moving forward in the initiation process. The importance of highlighting the value proposition becomes less important, while signaling the underlying qualities of the team become more important. Lastly, being able to deliver on time becomes an important criteria if Eplehuset are going to take the risk of collaboration. They need to minimize the risk that the startup won’t deliver. Therefore, they see the social aspects in strong combination with their plan for “time to launch”.

For MovieMask as a case, Eplehuset liked how MovieMask as a team had a very open approach. The team showed a huge commitment towards their solution, shared and incorporated their story and gave frequent updates on the process. This made it possible to build a strong relationship. This was further enhanced by the fact that Eplehuset already shared MovieMask beliefs about the

industry, and that the product matched their value proposition. Furthermore, Eplehuset liked that the product would not compete with any of Eplehuset’s existing products and as such represented a new opportunity. To conclude, MovieMask was good to build up a story of an engaging product that simplified and made the technology more accessible, without competing with other products.

4.1.2 Telenor

Telenor Norge AS is Norway’s biggest telecom provider and a part of Telenor Group that is the world’s fifth largest telecom operator based on mobile subscribers. Telenor Norway have over 80 physical retail stores and over 5000 employees. We interviewed Erik, the innovation manager at Telenor on May 16, 2017. A short description of some of their relevant characteristics is given in Table 4.2.

Distribution partner	Telenor
Revenue	26.035 BN NOK (2016)
Startups collaboration	7
Startups recognized	200+
Interviewee	Erik, innovation manager, Telenor Norway
Date of interview	16.05.17

Table 4.2: Facts about Telenor

Motivational drivers

Telenors main focus seems to be to close the innovation gap. They state that they do not manage to innovate on their own, and that the telecom industry as a whole is in an existential crisis. Thus, they need to find new ways to innovate, startups being one of the options. Furthermore, Telenor argues how the CEO of the Telenor Group, Sigve Brekke, openly addressed the organization with the message that Telenor won’t be able to innovate on their own – regardless of the great competence they have internally. That they would need help to spot trends and make new products and services that fits the growing market demand, and that this is the number one reason for collaborating with startups.

“The telecom industry is in an existential crisis and we need new ways to innovate, startups being one of the options”
– Erik, innovation manager, Telenor

Furthermore, they have research that shows that an important driver for the purchase of mobile subscriptions is how innovative the customer perceives the company – and as such, connecting to

innovative startups has become a part of their strategy. Lastly, as Telenor is partly owned by the government, corporate responsibility and “giving back to the community” is important for Telenor. “Helping” startups by collaborating with them is thus a bonus. When asked to evaluate the benefits of collaboration, Telenor highlights that the fit to their value proposition is the definitive number one. A core strategy of Telenor is to innovate, and being perceived as innovative by their customers. As such, the underlying quality of product innovation seems important. Telenor further argues that PR and marketing, and expansion to new markets is about equally important, and that the prioritization between these will vary from case to case.

Underlying qualities

Telenor ranked the Human capital far highest of all factors, followed by time to launch and product innovation and product quality. No other qualities was deemed important enough to gain any points. The questions was asked in the relation towards a pilot agreement, with the addition here of being a team of student entrepreneurs.

Underlying quality (UQ)		Points]	Rationale
Alliance Capital [aggregated]			
	A1: Buyers and suppliers	0	Openness is super important. It doesn't matter if you have customer or not, but show the stats and you're your plan for how your product/service fits with Telenors value prop
	A2: Complementors and competitors	0	No comments given
	A3: Other	0	Stresses it is important with third party actors to get introduction to meetings, but that it doesn't affect the deals
Human Capital [aggregated]			
	H1: social aspects	30	There is a lot of ideas, but it's the execution hat matters on an early stage. We have to get to know the people behind the projects, and trust that they are committed to get this done.
	H2: Experience and skills	20	Experience and skills doesn't need to mean that they have done this before, but that we believe they will be able to succeed with the project they're pitching
PR & Marketing [aggregated]			
	PM1: Social Media Presence		
	PM2: Presence in other media		Many startups we meet focus on this, but this is something we consider when evaluating a potential customer
	PM3: Brand awareness		If we are selling a product through our stores, the brand isn't important – just the innovation and quality of the product
Financial Capital [aggregated]			
	F1: Government funding		No specific comments
	F2: Investor funding		No specific comments
Distance [aggregated]			
	D1: Geographical distance		No specific comments
	D2: Time to launch	20	We are in a very competitive market and know we are a slow mover and therefore time to market is essential. For entrepreneurs – show a timeline and keep us in the loop
Product [aggregated]			
	P1: innovation	20	The innovation is very important in relation to the news value of the product. If this is a product or service that exists in 1000s, we're not interested
	P2: Quality	10	The quality is not that important to start with, but is a crucial factor for signing the final agreement
	P3: IP		No specific comments

Figure 4.3: Results Telenor

“There’s a lot of ideas, it’s the execution that matters!”
– Erik, innovation manager, Telenor

The initiation process

Telenor did stress that there was a lot of different converters and inhibitors affecting the stages in the process. Furthermore, they said that they have a very low bar for taking a coffee or taking an unconditional meeting with a startup, i.e. going from unrecognized to recognized. However, in order to move to considered, it was crucial that the startup would convince them that their solution could help them close the innovation gap through a fitting value prop. Thereafter, they seemed to be more focused on the startups underlying qualities. In order to progress from considered to agreement, the human capital, time to market and product quality were deemed most important. This is illustrated in Figure 4.4.

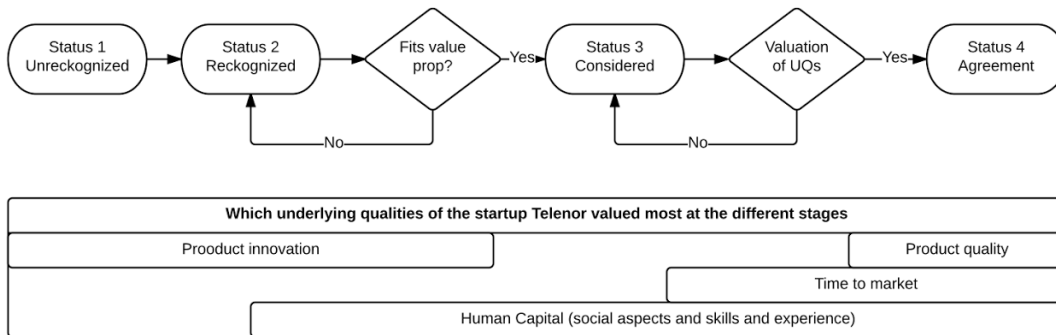


Figure 4.4: The initiation process of Telenor

For MovieMask as a case, Telenor emphasized that the team were especially good at storytelling. They managed to build a trustworthy story with rationalized and good arguments, which culminated in why the buyer would buy the product, and why Telenor would be a fitting match. Furthermore, MovieMask showed openness early on by saying “we don’t have any customers yet, but we want you to be the first based on this and that”. The openness combined with “fantastic enthusiasm” and belief in the product convinced Telenor to sign a pilot agreement. Lastly, Telenor saw it as a great benefit that they were presented with concrete plans for how MovieMask was planning to deliver the product, combined with frequent updates of the process together with a feeling that their feedback was taken seriously and implemented.

MovieMask was not a representative case for how Telenor perceived the initiation process with startups, as MovieMask were the first startup with a physical product that they had collaborated with, and as the signing of the intentional letter happened very early on. However, signing an agreement so early helped them facilitate a closer collaboration through the development phase of the product. Furthermore, they stressed that they from the first meeting saw the product as a new innovation, and felt it was a good match with their value proposition, especially to younger customers.

4.1.3 Telco

Telco is a large telecom provider based in the Nordics, and the only case firm that is located outside of Norway. It is also the only case firm of which MovieMask did not achieve a pilot agreement with. Telco has over 50 retail shops across the Nordic, and over 4000 employees. We conducted an interview with "John", a startup analyst trainee for Telco, on May 12, 2017. A short description of some of their relevant characteristics is given in Table 4.3.

Distribution partner	Telco
Revenue	Exceeding 1 BN NOK (2016)
Startups collaboration	60
Startups recognized	800
Interviewee	John, startup analyst trainee
Date of interview	12.05.17

Table 4.3: Facts about Telco

Motivational drivers

Telco states that the world is changing and that they have to collaborate with startups to stay relevant: "The telecom industry stands for an extreme downfall, and we have to find new sources of revenue. We have to admit that we are a big, slow company, dependent on finding new disruptive innovations that will benefit us and the users". Furthermore, Telco stressed that all the startups they collaborate with has a product which is closely linked to their strategy. In short, Telco need startups to innovate, but the startups solutions also has to match Telco's strategy and value proposition.

"The startups we engage in a collaboration with usually has a product which is closely linked to Telco's strategy"
- *John, startup analyst trainee, Telco*

Telco further elaborated on how they don't have the mindset or the capabilities to deliver new innovation to the customers as fast as the customers expect them to. As such, they feel they are dependent on working with startups, and have a clear strategy for doing so. They have an entire team looking for, and evaluating, new startups, in order to find potential business opportunities. As a concluding remark, they ranked the startups solutions fit with Telco's value prop as the definitive number one criteria, follow by the opportunity to expand to new markets.

Underlying qualities

Telco rank the Product innovation highest of all the startups qualities, closely followed by time to launch and product quality. Human Capital also gets a fair amount of points while the remaining points are more or less evenly distributed to the other characteristics.

<i>Underlying quality (UQ)</i>		<i>Points]</i>	<i>Rationale</i>
Alliance Capital [aggregated]		8	
	<i>A1: Buyers and suppliers</i>	4	They want to know that the product will sell and as such previous buyers accounts positive
	<i>A2: Complementors and competitors</i>	4	No specific comment given
	<i>A3: Other</i>	0	No specific comment given
Human Capital [aggregated]		16	
	<i>H1: social aspects</i>	3	"This is definitely more important in the early stages, maybe 20 points then, but it accounts for little value when the business owners take their decision"
	<i>H2: Experience and skills</i>	13	It is important for us to believe that the startup can deliver their product when they say
PR & Marketing [aggregated]		6	
	<i>PM1: Social Media Presence</i>	0	"It really has nothing to say for us engaging in a cooperation. The only way it might be interesting if we stumble across a new startup through social media"
	<i>PM2: Presence in other media</i>	2	"We don't take in products and solution based on their media presence, but it can be a plus"
	<i>PM3: Brand awareness</i>	4	No specific comment given
Financial Capital [aggregated]		5	
	<i>F1: Funding</i>	5	No specific comment given
Distance [aggregated]		26	
	<i>D1: Geographical distance</i>	9	Only comment related to this was that the closer relation to the Finnish country – the better
	<i>D2: Time to launch</i>	17	"We are interested in having a short and effective decision process with the startup, and be sure that they can deliver the product shortly (1-2 months) after a deal is made"
Product [aggregated]		39	
	<i>P1: innovation</i>	20	No specific comments to the specific qualities, but it is stressed multiple time that the product has to match Telcos strategy and value proposition, and that they have to be convinced that the product is something that will sell to the consumers
	<i>P2: Quality</i>	15	
	<i>P3: IP</i>	4	

Figure 4.5: Results Telco

The initiation process

After Telco have understood the basic about the startup (recognized), they usually ask for a meeting with the startup such that they can get more insight and evaluate the company more closely. If there is a value fit they send the case further upstream in the organization to the relevant business unit. The business unit owners will then assess the case by their own criteria. They will then take a new evaluation of the value fit, before assessing the qualities of the startup. A simplified model of this process is illustrated in Figure 4.6:

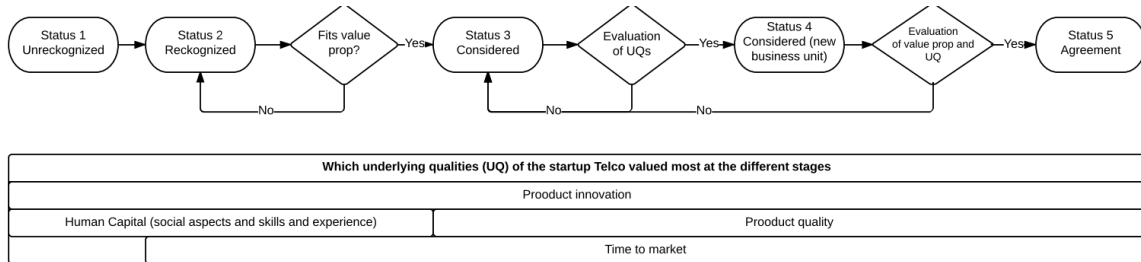


Figure 4.6: The initiation process of Telco

An important point to notice here is that the process jumps from one decision maker to another entirely, whereas the new decision maker will have zero contact with the startup itself. So in a way, getting from the first decision maker to the next, could be seen as an entire process starting a new one. As the main decision criteria for the new business unit seems to be how they evaluate the value fit of the startups solution, this will in turn depend on how the first business unit “sells” in the story, and how convincing they are in doing so.

For MovieMask as a case, Telco said the process with MovieMask was representative. MovieMask was perceived as professional company backed up with strong advisors, that had developed a product that differentiated itself in the VR-industry. Furthermore, the quick process from idea to product accounted positively towards their perception of the team and ability to deliver. Telco thought the product could be linked up Telco’ streaming platform, i.e. a type of “Netflix” in the Nordics, and saw it as a good value fit. It was therefore sent through to the business unit owners, where it was evaluated closely. “Unfortunately, it fell through in the last stage of the process as the business unit was ultimately unsure if it was a good enough value fit with our streaming platform.”

The initiation process of MovieMask started with Telco contacting the team because a representative from Telco knew about one of the key employees in MovieMask, and that the product had sold well on Kickstarter. That made it interesting enough for Telco to consider. Based on the material MovieMask sent over, it was deemed a potentially good value fit with the streaming platform offering. Furthermore, based on the quick progress from idea to market, Telco believed that MovieMask would be able to fulfill the “time to market” criteria. However, the product fell through at the final stage of the process as the new business unit did not fully believe that it would propose a good enough value fit for Telco at that time.

4.2 Cross-case analysis

In our cross-case analysis we will look for cross-case patterns in three categories: Motivational drivers, underlying qualities and initiation process. These categories are based on our research questions and our literature reviews.

4.2.1 Motivational drivers

Based on the results from the interviews, the case firms' main motivation for collaborating with startups is the need for innovation, and a good value fit between the startups solution and the incumbents business. Factors such as PR & Marketing, and possibility for new expansion to new markets is deemed less important, while gaining a more innovative culture and recruiting and attracting talent is almost seen as irrelevant. Furthermore, all case firms stated that the need for innovation and the value fit are closely correlated, as the companies usually are well aware of their inability to innovate sufficiently on their own – and as such, has it as a company strategy to innovate through startups.

In regards to the need of innovation, the actors from the telecom industry are well aware that their industry needs to innovate and that they need external help to do so. Telco is determined that “the telecom industry is in an extreme downfall and we have to find new sources of revenue”, while Telenor boasted that “the telecom industry will die if it doesn't change”. Both actors shares a deep belief that the world, and more specifically, their industry, is changing rapidly, and that new innovations and sources of revenue will be crucial to stand a chance. To manage this, they need external help, because there exists an innovation gap between incumbents and startups: incumbent firms are large and slow. Startups are agile and fast. Both companies highlights the importance of being able to “help form the product” (Telco) and “participate in the process” (Telenor). This makes them take an active role in the development of the new product and services that spins out from the startup community.

“The telecom industry will die if we doesn't change”
– Erik, innovation manager, Telenor

Eplehuset shared the telecom actors belief in a need for innovation, but seemed to view it more opportunity based. They are focused on the customer experience, and being an actor that possess a high degree of knowledge. Eplehuset is dependent on new products and solutions that can engage the users and create enthusiasm, and is thus interested in startups because they are offering something that usually does not exist. All three case firms say they are looking for startups that can give them an innovative edge.

Innovation is not enough – it has to fit the company's value proposition. As Telco said; “Even though the product is great - we won't make an agreement if it's just a little outside our strategic goals”. This is in line with Telenor who argued that the most important thing for getting a deal was having a product/solution that fit their value proposition. Eplehuset said it a little

differently by focusing on their need to differentiate themselves: They want to show the customers that they are knowledgeable and unique within the field of consumer electronics, and engage the customer and give them something to talk about. This is their value proposition, and they look for startups that have products that fits it.

“If the product is outside our strategic goals, it will be harder to get an agreement”
– *John, startup analyst trainee, Telco*

For MovieMask as a case, all three case firm acknowledged MovieMask as an innovative product that could potentially disrupt their industry. Eplehuset was especially engaged by the story, and by the fact that MovieMask simplified existing technology in a new way that made it more user accessible and user friendly for the customer. This fits their value proposition, which made the product eligible for further consideration. For Telenor, who wanted to increasing data consumption, and use new, innovative products to attract a younger customer base, MovieMask fitted into this strategy. For Telco, MovieMask was first evaluated as a good fit to their strategy to focus younger user groups and to increase video-consumption, and went to “considered”. However, the business owner ultimately didn’t share the same beliefs as the startup analyst.

To conclude, the main motivational drivers behind engaging with startups seems to be the need for innovative new products/solution in order to reach their strategies and value propositions. They are aware of the fact that they can’t innovate all on their own, and that they need new innovations to stimulate interest and engagement from their customers in order to facilitate growth (either by the innovation itself or by synergy effects of bundling/coupling it with other existing products and/or services).

4.2.2 Underlying qualities of the startup

The incumbents all stated that the underlying qualities from the literature review covered the aspects necessary to determine if they can become a sustainable business partner who can create value for them. When asked to prioritize the importance of the underlying qualities of the startup, in relation to the success towards an agreement, the following scores were given (on average).

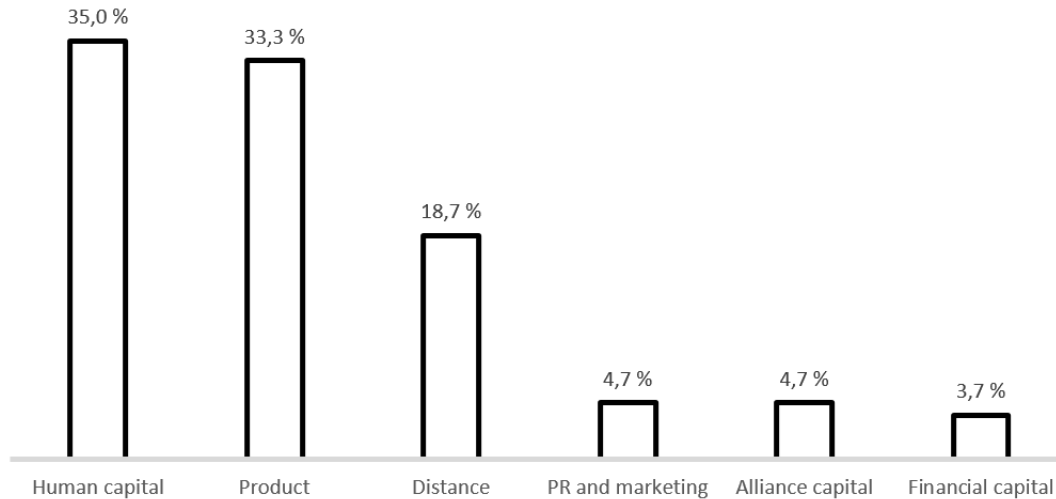


Figure 4.7: Perceived relative importance of the underlying qualities of the startup

Human capital

After the startup had reached “Status 2: Recognized” in Figure 2.1, human capital was considered the most important characteristic by the incumbent. It consists of the social aspects, and the experience and skills of the entrepreneurs. In section 2.3.3, *Startups success factors*, we defined social aspects as an umbrella term for trustworthiness, commitment, communication, team, values and culture. Table 4.4 shows the results for how this quality was evaluated by the incumbent.

Human Capital	35%
H1: Social aspects	22%
H2: Experience and skills	13%

Table 4.4: Human Capital

In regards to the social aspects, trust and commitment stands out as the most important. Telenor stressed the importance of trusting the startups ability to deliver. Eplehuset highlighted the importance of storytelling, and to have a positive personal relation with the startups, built on trust. Telco asks themselves “Do we think *these people* can deliver?”, which is a dependency for reaching the next phase of the initiation process.

“I remember all the meetings with startups, and you want to feel that the personal relation is a match. It’s necessary for us in order to take the risk”

– *Marius, CMO, Eplehuset*

It is essential for the case firms to feel that there is a good relation between them and the startup. They want to see commitment, drive and passion for the solution, as this seems to convince them that the product/solution is more than a hype – it is something that can become a sustainable business opportunity for both parties. Lastly, one of the most important characteristics across all case firms was their perception of the startups ability to deliver on promise. This is a combination of trusting that the entrepreneurs have the skills and experience to deliver, but also that they are committed, passionate and honest enough to follow up on their promises. Startups that include the incumbent in the process, present a clear plan, and show progress in the process, thus signaling commitment and trustworthiness to the incumbent.

For MovieMask as a case, Telenor recalls that the founders in the first meeting was “super-engaged, motivated and had a compelling history of how we together could change the market”. Telenor further outlined how they felt a good personal relation quickly, and that they saw a will and a motivation to succeed together. This is further backed up by Eplehuset, who said that “we talked the same language”, and shared the same beliefs about the industry. Furthermore, Eplehuset said they have too many startups telling them “this is product A, which is mid range, but ours is so much more (...)”, while MovieMask showed their product and said “see how cool this is, it’s like sitting in a movie theater!” These small gestures played a part of showing – and making them enthusiastic about the product – something they want to do for their customers. Telco didn’t outline too much of this process, but highlighted that it was a plus that the two companies shared the Nordic culture.

“MovieMask was super-engaged, motivated and had a compelling history of how we together could change the market. That made all the difference”

– Erik, innovation manager, Telenor

How the three incumbent firms perceived and valued MovieMask, underlines that openness, commitment and engagement will build trust and a positive relation, which could aid in the process towards an agreement between the two parties.

Product

The Startup’s product was the second most important quality according to the case firms. Product includes level of innovation, quality and IP. Product innovation scored by far the highest, followed by product quality. See Table 4.5.

Product	33%
P1: Innovation	21 %
P2: Quality	11 %
P3: IP	1 %

Table 4.5: Product

The product innovation was highlighted as the most important factor for being considered in the first place by all firms, alongside the facilitation of a third party introduction. This makes sense, as their main motivational driver for collaborating with startups is to close the innovation gap.

“The rationale behind the first talk is always if the product is interesting or not”
– Erik, innovation manager, Telenor

For all parties, it is important that the product is something that fits the target group and value proposition. Telenor asks themselves the questions; “Is this product relevant for our target group?”, Telco focuses on; “Is this product connected to our current strategic goals?”, and Eplehuset wants the product to be innovative and new, and thus facilitate engagement and discussion among their customers. In addition, Telenor outlined that if several hundreds of similar products existed, they were not interested. This opinion was shared by Eplehuset who stated they have had a lot of opportunities to make money on products that were slightly better than existing ones, but that these products was not a part of their strategic goal .

The product quality is especially relevant for the later phase of the initiation. It becomes a gate-keeper for the final decision. The product quality has to be sufficient before the incumbent is willing to sign an agreement. Eplehuset wants a specific date for when it can be delivered, and see the packaging. Telco wants to ensure that they can get it when they want, and Telenor wants to approve the final version of the product before signing a deal. All in all, the product innovation is most important for getting a foot in the door, while the product quality needs to be in place for signing the deal.

MovieMask convinced Eplehuset that the product was innovative and that it would stimulate engagement for the users. Telenor said that the “product was a good match with the smartphone and our focus on a younger age-group which we had a trouble reaching”. Telco believed that “MovieMask fitted well with our strategy to get our user to stream more videos from our streaming platform” (Nordic version of Netflix, researchers note). In all of the cases, the firms elaborated on the importance of how the product would fit into their strategy and our value proposition.

“MovieMask fitted well with our strategy to get our users to stream more videos”
– John, startup analyst trainee, Telco

The product quality became more important towards the end of the initiation process. Eplehuset stated that “the quality of the product is equally important as its strategic fit, and for MovieMask, both of these checked out”. Telenor further stated that it was beneficial that MovieMask allowed them to become “quality controllers” along the way, and that we responded well to their proposals.

Telco on their side stated that “MovieMask appeared to be a professional and well thought through product”.

Distance

All cases stressed the importance of “time to launch”, and also said this became more and more important the longer into the initiation process the startup moved. Geographical distance was deemed of less importance, see Table 4.6.

Distance	19%
D1: Geographical Distance	3 %
D2: Time to launch	16 %

Table 4.6: Distance

For Eplehuset and Telco, the time to launch works as an elimination factor early on in the process. If there is no precise plan for the launch of the product, and/or if the launch was too far away, they would not consider the product until it was closer to launch. Furthermore, all three cases deemed it as crucial to have a trustworthy plan for how to get it retail-ready.

“We want to see finished products in retail packaging. We are a store, we can’t sell things that does not exist yet”

– *Marius, commercial director, Eplehuset*

PR and marketing

An interesting finding across all the case firms is that PR and marketing is prioritized very low, especially the social media presence and presence in other media. See Table 4.7

PR and Marketing	5%
PM1: Social Media Presence	0 %
PM2: Presence in other media	1 %
PM2: Brand	4 %

Table 4.7: PR and Marketing

The incumbent views PR and Marketing more as a bonus than a necessity. This is the reason for the low score. However, both Telenor and Eplehuset argued that it was important for them that the news value of the innovation itself was high – which the presence in media could be a signal of. While this may be true, all the partners stressed that they did their own market check around

the products, and Telco specifically stated that; “the business owners have much better overview of their relevant industry, products, competitors, what the customer wants, that accounts for so much more than the startups media presence”.

For MovieMask as a case, none of the partners specifically stated that they cared about our existing marketing efforts. However, Telenor and Eplehuset did state that they saw opportunities for creating marketing efforts together with MovieMask, which was positive. Telenor argued that it is important for them to appear innovative to their users, and that MovieMask could aid in that regards. Eplehuset wanted to get people to talk about MovieMask as a new product being available in Eplehuset’s stores, and Telco had no specific comments.

Alliance capital

Alliance capital was mentioned to be important for getting in touch with startup by all three firms, but accounts for little more later in the process. See Table 4.8.

Alliance Capital	5%
A1: Buyers and suppliers	1 %
A2: Complementors and competitors	1 %
A2: Other	3 %

Table 4.8: Alliance Capital

All firms used conferences and events to get access to a bigger market of players, and to get to know the startup scene. At the same time, all three argues that getting the first connection through a known and trustworthy contact improves the chance of getting a meeting. Both Telco and Telenor specifically chooses to partner up with third party actors in order to get more relevant leads. Furthermore, Telco tries to utilize and engage their workers to bring in new and hot leads that could become good business opportunities.

“If you’re a small startup it’s hopeless to try access Telenor. That’s why we partnered up with incubation centers in order to get closer to the right people and get good, hot leads”

– Erik, innovation manager, Telenor

For MovieMask as a case, third party connections was the reason that the startup got a meeting with the decision makers. Telco’s representative knew one of the team members in MovieMask whom he had a good impression of, and contacted her when he saw the launch in Kickstarter. MovieMask were introduced to Eplehuset by one of their investors, and they said that “without the relations you had, it would have been much harder to get a meeting with us”. They further stressed the importance of the validation we had gained from actors such as Krogh Optikk and NTNU. The same goes for Telenor, where MovieMask got the first meeting with a decision maker based on a

trusted third party actor.

“Without the relations you had, it would have been much harder to get a meeting”

– *Marius, commercial director, Eplehuset*

Financial capital

Financial capital was a factor that was given close to no notion from the case firms, and received a low score, see Table 4.9.

Financial Capital	4%
F1: Funding	4%

Table 4.9: Financial Capital

Eplehuset had some remarks in the interview that the capital was important due to two reasons. Firstly, because it says something about the ability to deliver. Secondly, because funding states that the project has been validated from other third party actors. However, he ascribed points for “ability to deliver” to the “time to market”, and the validation from third party actors to Alliance Capital. As such, one could say that Financial Capital in itself, e.g. having money, is not relevant as far as the “time to market” is addressed, and that the project itself is backed up through respectable third party actors who believes in the product. Neither Telco nor Telenor had any specific comments regarding funding.

For MovieMask as a case, it was emphasized by Eplehuset that they knew one of our investors, and that it played an important part for getting the first meeting. However - the funding itself was not relevant. The same went for Telenor and Telco. In short, to the fairly short extent that Financial Capital was important to the case firm, it was to support the trust that the startup was able to deliver on its promises rather than an external validation.

4.2.3 The initiation process

All case firms acknowledged the model from Edvardsson et al. (2007) as a correct, simplified model of how the process works. It is important to stress that they thought the model was very simplified, but that it showed all the major, relevant stages of the process.

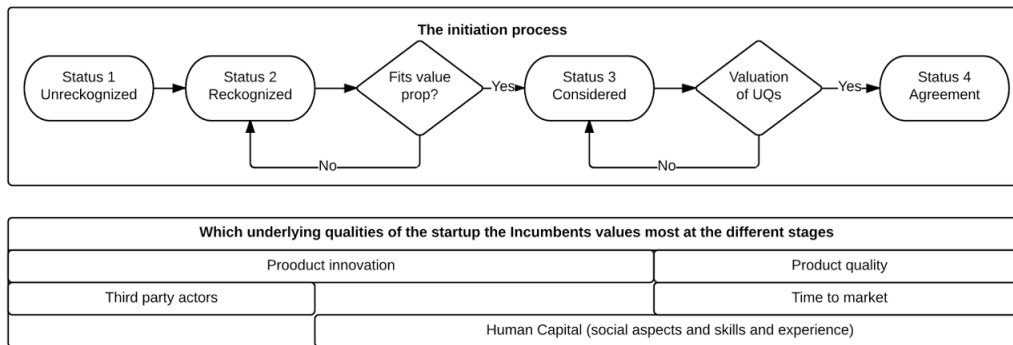


Figure 4.8: The initiation process the three case firms went through when entering a dialogue with MovieMask

In addition to agree on the simplified model of the initiation process, the three incumbents also had similarities in what they deemed as important qualities during the different phases of the process, which will be further discussed in section 5.

In short, all three case firms mentioned that an introduction from a third party actor was important to reach Status 2 in figure 2.1. As mentioned, Eplehuset stated that “it would be much harder to get a meeting” if the startup did not have a relation. Alternatively, an interesting product could make the company recognized in networking events or incubators. If, and only if, it was a fit in the value proposition from the startup, the incumbent would consider the product. In this phase the underlying qualities of the firm were evaluated and the Human Capital were most important according to all three case firms. Before deciding on the final agreement, all case firms stated that the trust of a quality product with a trustworthy time-to-market-plan was necessary.

4.3 Summary

In this chapter, we have conducted a within-case analysis of each case firm, aiming to highlight the most important results of the three RQs and for MovieMask as a case. We included the tables with distribution of points to underlying qualities, and constructed a model of the initiation processes of the three firms.

In the cross-case analysis, we looked for similarities and patterns between the three case firms, based on our three RQs. To conclude, we found that closing the innovation gap with new and innovative solution that could fit the incumbents strategy was the main motivational driver for engaging with startups. Furthermore, we discussed the relative importance of the startups underlying qualities, as well as how these acts as dynamic factors during the different phases of the initiation process.

Chapter 5

Discussion

In this section, we will discuss our main findings in relation to the relevant literature outlined in Chapter 2. We start off by summarizing our main findings, succeeding to a discussion based on the incumbents motivation for collaborating with startups. This is followed by a thorough discussion of the transition between the tree stages of the initiation process, as shown in Figure 5.1. These five sections will provide the basis for our proposed overarching framework that aims to explain why incumbents enter pilot agreements with startups.

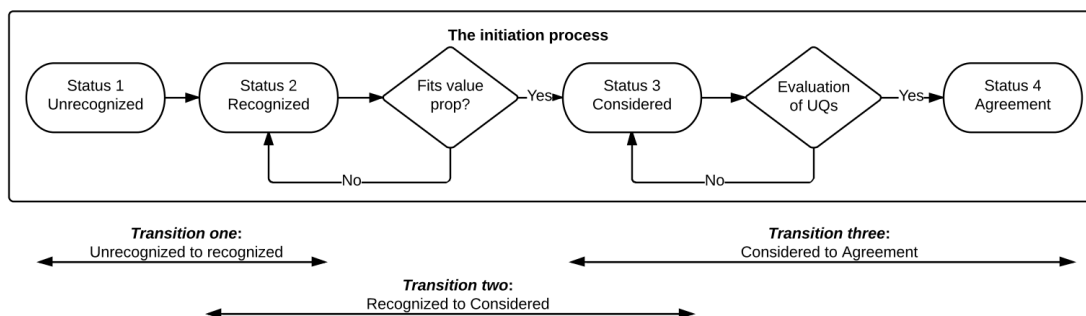


Figure 5.1: An overview of the three transition stages in the initiation process between startups and incumbents

5.1 Summary of main findings

Our findings suggests that incumbents look to startups primarily to close the innovation gap through new innovative products and solutions that aligns with their strategies. A good enough fit is a criteria to be considered by the incumbent. The incumbent will assess a variety of the startups underlying qualities, of which the human capital, the product and time to launch is deemed as the most important. However, it is important to emphasize that the incumbent seems to value these

qualities differently depending on the different phases of the initiation process. Below is six points that summarizes our key findings.

- The startup’s product or solution must fit the incumbent’s value proposition in order to get considered.
- The incumbent firms strongly believe they need to innovate, and seek startups to close the innovation gap. Thus, they want an innovative solution.
- The importance of the startup’s underlying qualities, differs depending on the different stages of the initiation process.
- In the first stage of the process, the incumbent is most focused on the value proposition fit. Then, the underlying qualities of the startup become more important.
- Trustworthiness and commitment is crucial, as the incumbent needs to believe that the startup will deliver what they promise. Being open, honest and including the incumbent in the process, is a good way to build trust.
- Alliance capital reduce the friction when startups try to get a first meeting with an incumbent, i.e. to become recognized.
- A short time to market is important in the second stage of the initiation process, and is a decisive factor for the incumbent before signing an agreement.

5.2 Motivational drivers - why incumbent firms want to collaborate with startups

Relationships between startups and corporate firms form when the value of the relations exceeds that of doing business transaction oriented (Pettersen, 2015). Understanding how the incumbents perceive their own and the startups’ value is therefore critical for engaging in and maintaining successful relations, as a company cannot deliver value directly, only value propositions (Muzellec et al., 2015). This means that the startup needs to figure out what type of message they should communicate to the incumbent, in order to make them deem it an attractive business proposition. We found that each incumbent had a set psychological mindset that influenced how they perceive and handle opportunities with startups. For example, the incumbents’ perception of how rapidly the technology is changing, will affect how much they value new innovations and staying innovative in order to keep a sustainable business model.

Kohler (2016) stated that the most important drivers for an incumbent to enter into a collaboration with a startup is to close the innovation gap, solve business challenges, expand to new markets, rejuvenate corporate culture and attract and retain talent. We found that the incumbents unanimously agreed that “solving business challenges” was the most important driver. More specifically, they emphasized the importance of getting access to innovations that could solve their business challenges and fit their strategy and value proposition. However, we found no indications from the case firms that neither “rejuvenate corporate culture” nor “attract and retain talent” was contributing towards the motivation of the incumbent. More interestingly, “expanding to new markets” and “PR and Marketing” was also deemed significantly less importance than the need for innovative

solutions that could contribute to the incumbents value proposition. In short, the importance of the strategic fit seems to be so important that it overshadows the other factors. “PR & marketing” and “expanding to new markets” acts as positive contributors, but only so if the product itself is deemed as a good fit. Lastly, both the cultural side and “attracting and retaining talent” was at best perceived as being a bonus, but was not deemed as relevant for proceeding in engagement with the startup.

Furthermore, the motivational drivers for collaborating with startups, and the startup’s underlying qualities seems closely linked. For Telenor and Telco, connecting to startups for closing the innovation gap, was the main benefit for a startup-collaboration. This is connected to the level of product innovation that the startup can offer, which was an underlying quality all three actors valued highly. The firms’ view of embracing external innovations in order to meet the technological changes, is well in line with Chesbrough (2006) view of open innovation, defined as “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively”. Based on our findings, all the case firms were deeply interested in new inflows of knowledge that could accelerate internal innovation, and would also share their market knowledge in order to get there.

5.3 Transition one: Unrecognized - recognized

Startups and incumbents are both looking for potential business partners as “no business is an island” (Meyer et al., 2010). Startups needs incumbents, and incumbents needs startups, and the first step towards a potential agreement is the transition from being unrecognized to recognized, see Figure 5.2.

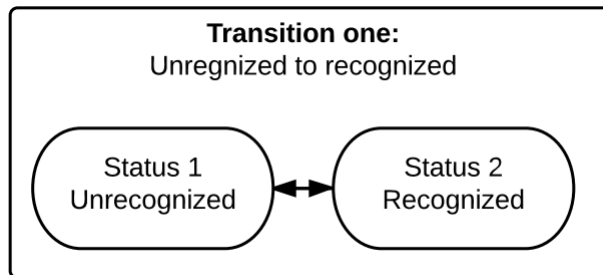


Figure 5.2: Transition One

The startups have few resources (Aaboen et al., 2011; Elfring and Hulsink, 2003, 2007) and need relationships that can test an often unproven product (Sørensen et al., 2015). The incumbent on the other hand, is confronted with technological changes (Rothaermel, 2002). The case firms interviewed were emphasizing that they knew the world is changing rapidly, and that they would need to find new innovations and sources of revenue to stand a chance. This is in line with Aarikka-Stenroos (2008), who states that ”recognizing that they have a need” that the startup posses, is one of the incumbent’s actions when moving from status 1 to 2. Kohler (2016) argues that startups

today are a major source of innovation as they employ new technologies that allows the incumbents to reinvent business models. Based on the need of the startup as well as the incumbent, they will both look for new potential partners, which marks the first step of the initiation process.

The incumbent acknowledges new startups through a variety of means. This comes as a combination of the incumbent actively looking for new ventures, i.e. information search and gathering as depicted in section 2.2, as well as being contacted by promising startups. The first is done through networking events, incubators, conventions, media, PR and more. The latter of the two is through direct or indirect contact from someone related to the startup. All measures acts as the first step towards building a successful relation between the startup and incumbent.

In this process, the most important underlying qualities of the startup seems to be product innovation and third party actors. As argued, the incumbents are looking for new and innovative products and solutions that would fit their strategy. As such, they would be more disposed to find products and solutions that stands out as innovative. Furthermore, Telenor, Eplehuset and Telco all highlighted the importance of being introduced by third party actors. This supports the claim that a firm's relationships is one of the most valuable resources a firm possesses and which can lead to a competitive advantage (Ritter et al., 2004; Shane and Cable, 2002). This is further backed up by the master thesis of Sørensen et al. (2015), who found that introduction from third party actors was the best way of approaching new clients.

“Using networks to acquire contacts and introductions is the most mentioned characteristic of an efficient process”
- Sørensen et al. (2015)

In conclusion, our findings suggests that the incumbent is actively looking for new business opportunities that would fit their strategy, due to the need for innovation and renewal in an age of technological disruption. Furthermore, the incumbent are more prone to acknowledge new startups if they have an innovative product, and/or if they are introduced by someone in the incumbent's existing network. This means that startups must not be afraid to contact incumbent firms, as they most likely are interested in working with startups. In addition, startups should focus on building their network, as this will reduce the friction when getting in touch with incumbents.

5.4 Transition two: Recognized to considered

In the process of going from recognized to considered, see Figure 5.3, the incumbent will evaluate the startups offering and its value (Aarikka-Stenroos, 2008). The case firms emphasized that is is important that the startup communicate how their product fits into the incumbents value proposition. In addition, they deemed the Human Capital to be the most important characteristic of the startup, in order to proceed towards ”considered”.

“Two things will get a startup to considered 1) that we can trust them, and 2) that we believe their product will fit our strategy”
- John, Startup analyst trainee, Telco

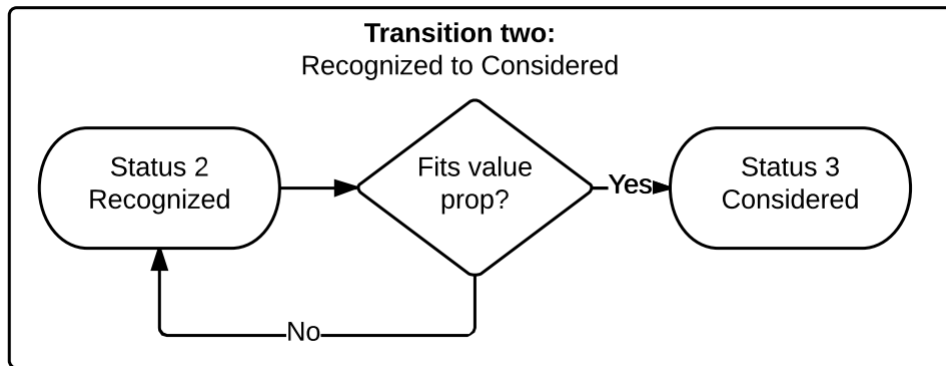


Figure 5.3: Transition two

We found that the incumbents could have different reasons for why they chose to cooperate with the same startup. To illustrate this, we use MovieMask as an example. Telco saw MovieMask as a potential value fit for boosting their new video-streaming service, while Telenor saw it as a potential value fit for reaching their younger customer segment. Eplehuset on their hand, saw the product in line with their overall strategy of having quality products that enthuse their customers. As such, it is important for the startup to understand the incumbent’s strategic position and goals, in order to deliver a fitting value proposition for that purpose. This is in line with Osterwalder and Pigneur (2010), who argues that “the value proposition should be designed for a specific user segment”. In conclusion, finding the right value fit and communicating this to the incumbent seems like the most important factor for going from recognized to considered.

If the product is outside our strategic goals, it will be harder to get an agreement
- John, Startup analyst trainee, Telco

It was also interesting to see that the perception of the startups value fit was correlated with how the startup positioned their message early on. Furthermore, it seemed highly relevant from the incumbent’s perspective, that the startup was able to build on a mutual understanding of the proposed value fit. As an example, if Telenor’s perception was that the startups product could aid in reaching a selected target group, then the startup should also build further on this perception, instead of focusing on a different value proposition. This seems to hold true for the first meetings with the incumbent, until a stronger bond of trust and commitment between the parties have been forged. Then, new business opportunities with other types of value propositions could be discussed on the grounds of an established relationship between the parties.

We found that the human capital stood out as the single most important underlying quality of the startup in the transition from recognized to consider. More specifically, the three case firms states that being able to trust that the startup deliver what they promise, is crucial. As the incumbent will take part in launching an unproven product or service that is not widely introduced to the market, they are taking a lot of risk (Aaboen et al., 2011). As such, trusting that the startup has done their research, and that they are committed to work hard, becomes crucial for going

onward in the process.

The importance of the human capital is in line with the theory of Morgan and Hunt (1994), who argues that commitment and trust are the two key factors contributing to the success of a relationship. Based on the respondent's answers, we argue that this is specifically important during the early phases of the collaboration, as the incumbent is making up their opinion whether or not they want to pursue an opportunity with the startup. Aarikka-Stenroos (2008) also recognize that building trust is important activities for the incumbent and the startup. However, as seen in Figure 2.2, she recognize the incumbent's trust building later in the process, than our findings suggest. We found that the trustworthiness of the startup is one of the key drivers for going forward to "considered" and further to an agreement. Our results show that a good way to achieve the desired trust is to be open and honest: Include the incumbent firm in the process by giving regularly updates, thus showing progress and commitment to the relationship.

5.5 Transition three: Considered to agreement

Our findings suggests that in order to go from "considered" to an agreement, see Figure 5.4, the most important qualities the startup needs to communicate is their social skills, their ability to deliver and the product quality. These three qualities seems ultimately intertwined, as the incumbent needs to trust the team to deliver a product with the desired quality on time. Furthermore, we also found that at this stage in the process, the incumbent has acknowledged and approved that there is a value fit between the startup and them, which makes it more important for the startup to focus more on communicating their underlying qualities. This however, does not seem to hold true if there comes a new decision maker into the process at a later stage. If so, the new decision maker would need to go through the same stages starting at "unrecognized", now helped by the "internal" third party actors who has a clear opinion on both the startups strategic fit and their underlying qualities.

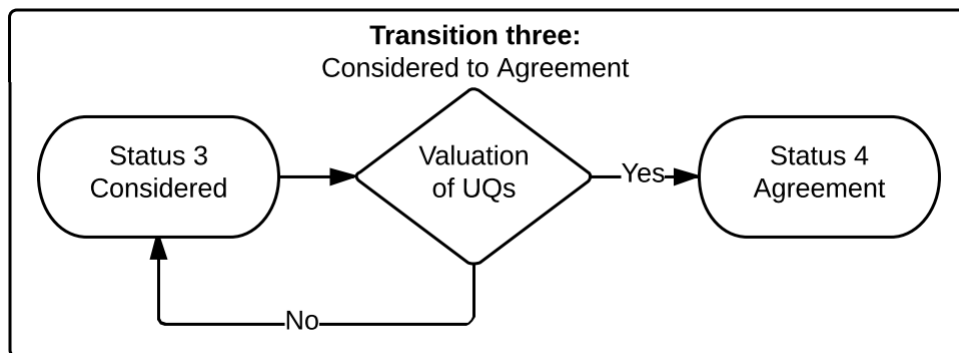


Figure 5.4: Transition three

As it is when moving from recognized to considered, the human capital and the social skills of the startup team is important. Again, the respondents mentioned that trust, openness and a good

interaction was crucial in order to get an agreement. In addition, the startup's ability to deliver, i.e. time to market, becomes a decisive factor for the incumbent at this point. As an example, Eplehuset said that they had turned down several agreement offers as "we can't sell products that don't exist", meaning they did not believe the product would finish in time. Telco mentioned several times that the time to market was crucial for signing any deal. Finally, in regards to the product quality, all case firms stressed the importance of the quality of the product. It was interesting to see that this did not act as a necessary quality for being evaluated during the first phases of the relationship, but it became crucial for getting the agreement in the end.

5.6 An overarching model of why and how incumbents enter agreements with startups

Our findings suggests that the initiation process between an incumbent and startup is dynamic, where the importance of the startups underlying qualities changes during the process. Having an innovative product that fits the incumbent's strategy is a decisive converter for moving forward during the first stage of the initiation process, and is thereafter considered as a "known factor" for the reminder. Based on this, we would like to propose two new models.

Firstly, we want to propose a new overarching model explaining why and how incumbents enter agreements with startups. In relation to the model of the initiation process of Edvardsson et al. (2007), this model will focus on the initiation process seen from the incumbent's perspective. Furthermore, this model will also take into consideration the context and the incumbent's perceived valuation of the startups underlying qualities. Furthermore, a key finding from our analysis was that the value fit mattered more during the early phases of the initiation process, while the startups underlying qualities mattered more towards the end. This finding will be presented in a simplistic model depicting the relative importance for the startups signaling of their product/solutions strategic fit with the incumbent, in relation to the importance of signaling their underlying qualities.

Lets start with our proposed overarching framework, constructed on the basis of our literature reviews and combined findings. See Figure 5.5

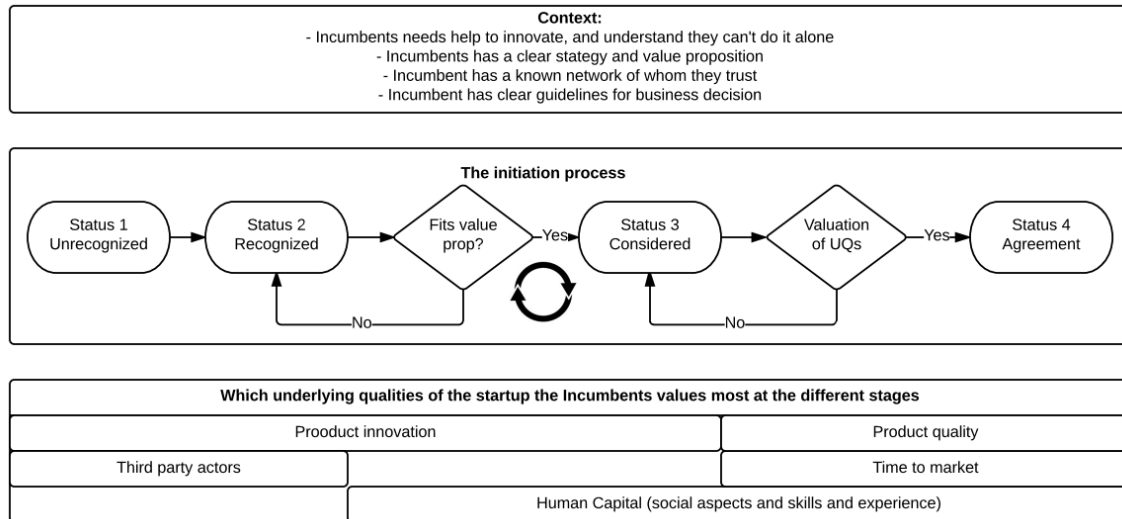


Figure 5.5: The initiation process based on our findings

In this model, the context is incumbent firms that need to innovate, and that they believe that they need help from external firms to do so. Furthermore, we propose that the incumbent has a clear strategy and value proposition, such that it would be possible for startups to address a proposed fit for their product. We have also chosen to include that the incumbent has a known network of whom they trust, as we found third party actors could play a crucial part in the initiation process, especially for moving between the first stages. Lastly, we believe it is essential that the incumbent has clear guidelines for business decisions, as it would be hard to propose a structural model for an irrational decision-making process.

In relation to the initiation process itself, it shows four statuses including two decision boxes, that ultimately can be viewed as critical converters that are assessed by the incumbent. We would argue that once the startup has moved from *unrecognized* to *recognized*, it is consequently known by the incumbent firm and can thus not move back to the previous stage. In order to move from *recognized* to *considered* however, the incumbent needs to perceive the startups value offering as a strategic fit with their value prop. If so, it moves forward, and if not, it stays at the same status. In this relation, it is also important to highlight that the process can move from *considered* to *recognized*, as new external or internal factors can affect the process, such as a new decision maker. Now, given that the startup moves forward, the incumbent will assess the startups underlying qualities and evaluate whether or not they should make a deal, thus moving from *considered* to *Agreement*. If so, this would conclude the initiation process, and be the start of a business relationship (Edwardsson et al., 2007). If not, the startup will stay at the status of *considered*, until it can prove to the incumbent that it fulfills the criteria necessary for obtaining an agreement.

Furthermore, we have chosen to highlight which of the startups underlying qualities that the incumbent seemed to value the most during the different phases of the initiation process, as illustrated at the bottom of Figure 5.5. These findings are interesting, because the simplified

model of Edvardsson et al. (2007) seems to view the converters and inhibitors driving the process forward and backwards as static, e.g. giving them the same weight and feeling throughout the process entirely. We challenge this view, by stating that the relative importance of the converters that drives the process forward will vary significantly from stage to stage.

A result from these findings, is that the importance of communicating a strategic value fit between the startup and the incumbent varies greatly in relation to the development of the relationship. As previously argued, the incumbents seems to determine whether or not to proceed with any potential offers from startups based on the strategic fit of their offerings. However, if the relationship develops and the incumbent perceives the startup's value fit as good enough to proceed, then other factors becomes more important, i.e. the startups underlying qualities. Therefore, the startup should focus more on communicating their potential value fit in the early stages of the process, before focusing more on their underlying qualities. This is illustrated in Figure 5.6 below.

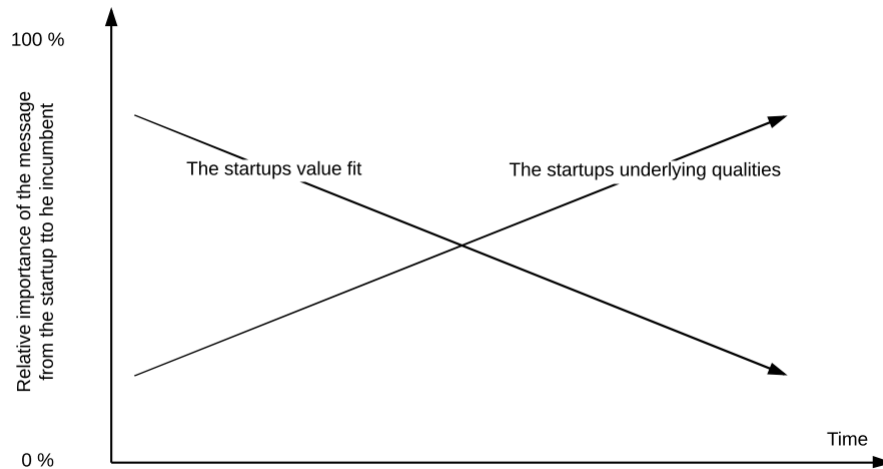


Figure 5.6: Relative importance of communicating the startup's value fit

Even though this model is very simplified, we believe it could aid startups in keeping the right focus when engaging in initiation processes with new incumbents. This model could probably be seen as more binary, as we got the impression that the incumbent at some point will accept or acknowledge that there is a value fit, and from that point forth, the communication of this becomes less important. However, it could be hard for the startup to identify when this incident occurs. In addition, it could be a maturity process where the incumbent perceives a potential value fit, but needs further reassurance before he or she fully stands behind it. As such, focusing on communicating the value fit until there is no doubt, seems wise. Another limitation of the model is that it does not take account for new decision makers entering the process. Nevertheless, we believe this model can facilitate understanding for the relative importance of the value fit in relation to the startups underlying qualities.

Chapter 6

Concluding Remarks

In this thesis, we have tried to answer why incumbent firms choose to enter into agreements with startups. Our goal was to develop an overarching construct that could create a holistic view on the motivational drivers, process and evaluation seen from the incumbents perspective. We approached this by dividing our problem statement into three RQs, which allowed us to create a comprehensive interview guide based on literature reviews for each RQ. This interview guide was then used as a basis for three in-depth interviews of three incumbent case firms. These firms were chosen by purposeful sampling of the incumbent firms that the researchers' firms, MovieMask, had been in contact with. The chosen firms were Eplehuset, Telenor and Telco - all distribution partners located in the Nordic Region.

In the following chapter, we will give the theoretical and practical implication this paper have for the scientific community and aspiring entrepreneurs. More specifically, we will argue that we have succeeded in giving a contribution in terms of a new overarching framework that could help to explain why incumbent firms choose to collaborate with startups. Furthermore, we will propose a practical framework for startups that can act as a guide towards getting a signed deal from incumbents. However, these findings have several limitations, which will be further outlined in Section 6.3, *Limitations*, followed by our proposal for further research in section 6.4, *Further Research*

6.1 Theoretical implications

In chapter 1, *Introduction*, we argued that existing literature was insufficient in terms of giving an overarching explanation of why incumbent firms choose to collaborate with startups. Furthermore, we argued that there was a lot of literature touching the theme, but each from their separate angle. More specifically, we found literature regarding the (i) motivational drivers for the incumbent to enter an agreement, (ii) the initiation process between firms and (iii) various views of the success factors for a startup that might be important for the incumbent. We also found that most of the literature described relationships between established business and/or from the startups perspective.

Overall, we believe we have given a theoretical contribution by constructing a new model of the initiation process between a startup and an incumbent, seen from the latter perspective. This model takes a holistic approach, as it explains the context of the incumbent, and the process the parties goes through, as well as critical converters alongside the key underlying qualities of the startup. Furthermore, we found that the startup should focus on communicating different underlying qualities, at different stages in the process.

These findings further develop the general model of the initiation process described by Edvardsson et al. (2007), Figure 2.1. First of all, we expand the model to take the context into account. The context is important as it defines who the incumbents are, and what their motivation for entering into agreements with startups are. Secondly, we describe the drivers and inhibitors as dynamic factors, not static, as we found that they had changing relative importance. And lastly, our model looks at the initiation process between startups and incumbents, seen from the incumbents perspective. In sum, we believe our model could provide a better understanding of why incumbent enter agreements with startups.

In terms of the different RQs, we believe we have given theoretical contribution for each of the questions.

In terms of the incumbents motivational drivers for collaborating with startups, we found that the importance of innovative products in relation to the incumbent's firms value proposition was vastly more important than all the other factors Kohler (2016) mentioned. More specifically, we found no indications that "rejuvenate corporate culture" or "attract and retain talent" was contributing towards the motivation of the incumbent, and that "expanding to new markets" and "PR and marketing" was only given some importance.

In relation to the initiation process between the startup and the incumbent, we believe our new model contributes by looking at this from the incumbents perspective, in contrast to Edvardsson et al. (2007) and Aarikka-Stenroos (2008).

Lastly, we would argue that we have contributed with new findings explaining the relative importance of the startups underlying qualities seen from the incumbents perspective. Given that acquiring paying customers in order to validate the startups business model is their most important success factors, understanding the importance of their underlying qualities seen from the incumbents perspective is thus an important contribution to the existing literature from VC literature (Shepherd et al., 2000; Baum and Silverman, 2004; Hall and Hofer, 1993) and entrepreneurial literature (Lussier, 1995; Connell et al., 2001; Gross, 2005; Ahmed, 1998; Aaboen et al., 2011).

6.2 Practical implications

We believe this thesis could aid both startups and incumbent to understand the initiation process between them better. The overarching model proposed, as well as the relative importance of communicating the startups value fit in relation to their underlying qualities, will benefit both parties as to quicker find out if the relation between the two parties will work.

In relation to the startup, we have condensed our key practical findings in Figure 6.1 "A Startup's guide to get signed agreements from incumbents". This Figure is modelled based on the

different stages of the initiation process, and explains a simplified model of how the startup can approach new customers with the purpose of getting a signed agreement.

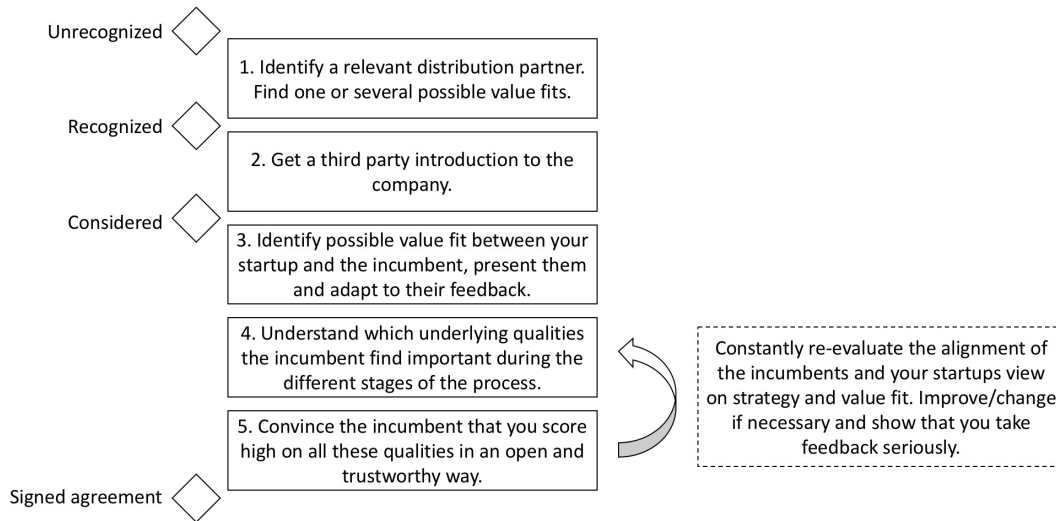


Figure 6.1: A startup's guide to collaborating with incumbents

As one of the key findings of this paper is that the incumbents seeks out startups with innovative products with the correct value fit, the first thing the startup should focus on is identifying relevant distribution partners and position themselves as a potential value fit. Then, they should get a relevant third party introduction to the the company, as this would increase the trust between the parties. As a recognized actor, the startup now needs to focus on getting through a message of how their product will be a value fit for the chosen incumbent. This is deemed necessary for moving on to be considered by the incumbent. If the startup makes it this far, it will then be important to understand which of the underlying qualities the incumbent values the most during the different stages of the initiation. Our model, 5.5, can aid by giving an overview of what we found to be deemed the most importance, but this would vary from firm to firm. Now, given that that the startup gets which of the underlying qualities the incumbent values, they have to convince them that they deliver on these, e.g. proving that they can deliver their products on time and that it has the desired qualities. Lastly, it is important to consider that this guide needs to be constantly re-evaluated, as one could jump between the stages, and that new actors could affect the perception of the right strategy value fit from the incumbents perspective.

From the incumbents perspective, startups are seen as a source of of innovation and could aid them in overcoming important business challenges. However, they do see a great amount of risk in cooperating with startups, as they need to test an unproven solution. Therefore, this thesis can give a better understanding of how other experienced incumbents deals with startups, and what they see as important factors and critical converters during the initiation phase. In conclusion, we

hope the insights from this paper could help more incumbents to be more open to new startup collaborations, as well as having a more efficient process when searching for potential startups to increase their level of innovation.

6.3 Limitations

In short, we have found three main areas of limitations. First, bias related to the researchers' preunderstanding of the initiation process and personal relation with the respondents. Secondly, in regards to the theory and method chosen. Lastly, the findings is confined based on the limitations in regards to the choice and number of incumbents.

One potential source of bias in our study is that the researchers knew the respondents, and have an ongoing collaboration with some of them. It is possible that the interviewees altered their responses in order to not offend the researchers in any way, as previously outlined in section 3.6, *Limitations and Trustworthiness of the Study*. However, based on the recordings, there seem to be a consistent flow in the communication, and the respondent seemed eager to contribute to our thesis. This gives indications of an open and honest communication (Qu and Dumay, 2011). Secondly, it is important to consider that we as researchers had a preunderstanding of the initiation processes, both theoretically and practically. This could have affected the findings, i.e. by making us focused into particular field of interest to us as a startup.

In regards to the theory and method chosen, the theoretical construct is limited by the literature review the researchers have conducted. As such, there may be relevant and important literature the researchers did not cover. In order to minimize this limitation, we chose a semi-structured interview approach. This means that we asked open questions, which allowed the respondent to answer freely, and not always be constrained by the theoretical constructs.

One limitation is linked to the number and uniqueness of the incumbents chosen. Generalizing findings from three case firms is challenging as the findings might be unique to one case only. But, several of our findings are consistent between the incumbents. In addition, since the interviewees had broad experience with startup-incumbent collaborations, we believe that our cases gave valuable information that made it possible to generalize some of the key findings.

The geography of the incumbent firms is a potential limitation. The findings in this thesis is based on a narrow part of the incumbent-startup-relationship realm. The case firms are located in a small geographical area of the world. Hollensen (2008) states that the Nordic countries has a high degree of trust in business relationships, which is a fundamental part of the results in the paper. In addition, the only case firm located outside the startups home country stated that a "shared Scandinavian culture" was important. This implies that before similar studies outside the Nordic is conducted, our findings is only applicable to incumbents and startups in the Nordics. In addition, two of three incumbents were within the telecom industry, while the last was within retail. All was defined as distribution partners, based on Kohler (2016)'s definitions. As such, firms from other industries and/or types of agreements could yield different results

The characteristics of the startup could also have big impacts on the initiation process. As an example, the fact that MovieMask is a small, all-student hardware startup, with a very fast time-to-market approach, were all mentioned by the case firms as defining aspects of MovieMask. Startups

with software products, senior employees and a 5-year time-to-market goal, could possibly have vastly different underlying qualities and initiation processes with incumbents. As such, we have focused to not only ask the incumbents about the initiation process with MovieMask, but with startups in general.

This thesis does not take environmental factors into consideration. The political, environmental, social, legal, economical and technical aspects of the environment could affect the incumbents' motivation for collaboration, how they evaluate startups and the process as a whole. Thus, a different economic period, or with a different political environment, would might yield different answers.

This thesis was conducted in a short time frame, and was mainly based on one hour long interviews with the interviewees. As such, most of the data is based on the memory of the interviewee. However, we did had existing mail correspondences and documents with the interviewees that acted as a validation of their statements.

6.4 Further research

This research highlighted a number of topics on which further research would be beneficial. Firstly, from our three research questions, (1) what is the incumbent's motivational drivers for entering into agreements with startups? (2) how does the initiation process between startups and incumbent firms look like? (3) which of the startup's underlying qualities is most important for getting a deal with an incumbent firm?, we had several interesting findings. Our study was meant to be exploratory, and we do think our findings were valuable. However, as we investigated all three of them together, we do believe that our investigation only scratched the surface. As such, as a next step, we suggest to further investigate the three research questions, preferably as independent studies, because we are of the belief that only with independent studies would the researchers get the sufficient level of detail. For instance, in response to research question number three, researching how the startup can better build a trustworthy relationship with incumbent firms would be very beneficial for startups.

Secondly, as outlined in the previous section, the findings of this thesis is limited by the context of this study. It is not yet clear if the findings of our study would yield the same results for incumbents located in other geographical regions or in different industries. To fully understand why incumbent's enter into agreements with startups, we suggest to perform similar studies in other contexts, i.e. across other geographical regions, with incumbents in other industries, and with a non-hardware startup's as research subject. What we would be looking for is if the criteria for relationships between incumbents and startups, seen from the incumbent's perspective, vary across industries or geographical borders, or if the order of preference change.

Lastly, the findings of this thesis is limited to the research method. The findings is based on data collected from interviews with only three case firms. We believe that our findings are interesting and valuable, however further research on more incumbent firms would help to confirm, and possibly develop, our model. One suggestion is to extend the study to a longitudinal study, that follow the incumbent firms' initiation processes with different startups. This would provide the researchers with real time data, and not data based on the memory of the interviewee.

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Appendix A

Appendix

A.1 The work process of the master thesis

The different phases of the work process of this master thesis is illustrated in Figure A.1. A project paper was done prior to this master thesis by the same authors. The interest for - and knowledge about - the problem statement was evolved during the writing of the project paper. The work done in the project paper was improved in the early stage of the master thesis work, before the researchers studied literature on research methods and started creating the master thesis itself. In Table A.1 below, there is a brief explanation on Figure A.1, which show the progress and iterations that the researchers have followed throughout the process the last 12 months. The steps are numbered in an order of the time they were conducted, with some exceptions.

- New literature was reviewed throughout the process
- The interview construct (2) was continuously iterated during the interview phase (4)
- The researchers' ability to interpret the results into an analysis was improved by each interview and thus the interviews (4) and analysis (5) are intertwined.
- The concluding model in (8) was based on the theoretical framework from (2), but was continuously used as a reference for how the thesis should be conducted

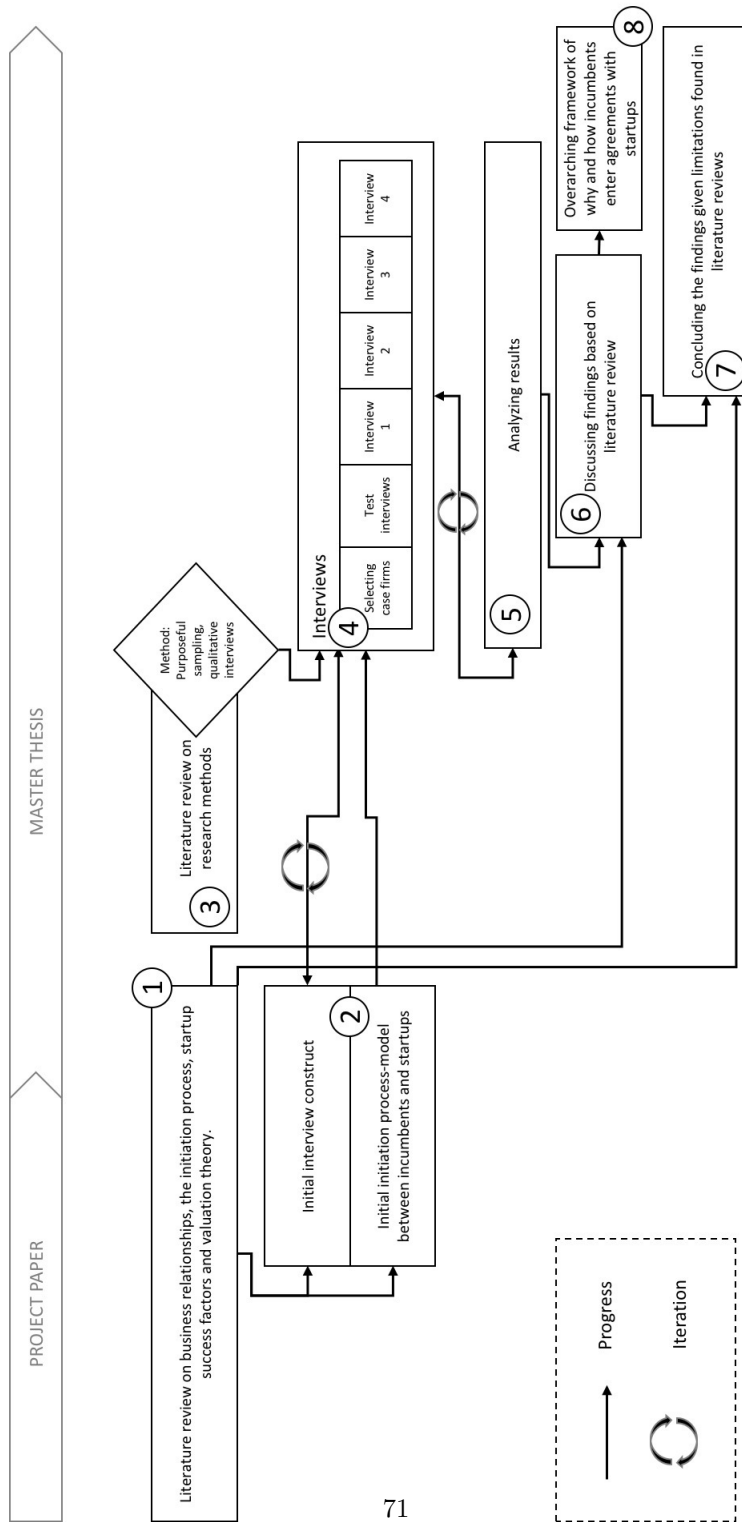


Figure A.1: Process diagram and phases of this master thesis

1	Literature review	After getting a practical understanding of the subject during the researchers work in MovieMask, the initiation process was found to be an interesting area to investigate. Literature reviews on business relationships, the initiation process, startup success factors and valuation theory was conducted.
2	Theory-based constructs and models	The literature reviews in the project paper ended in a interview construct for understanding the initiation process from the incumbents point of view and an initial model of how the initiation process in a startup-incumbent-relationship looks like from a theoretical perspective.
3	Literature review on methods	When the project paper was finished, the researchers also studied literature on appropriate methods to conduct the thesis. When the appropriate method was found the researchers applied this knowledge to the interview construct and the theoretical initiation-phase model to start the interview phase.
4	Interviews	The interviews were based on the interview construct and the theoretical initiation model. After selecting the cases based on the theory from (3), there were five steps in the interview phase. A test-interview phase where all obvious errors and improvements where identified and then four consecutive interviews where the last was used as a way to confirm that the characteristics of our first three case firms was relevant to have consistent findings. In each of these steps – any new knowledge that was acquired helped the researchers reiterate the existing constructs and improved our way of using the results in our analysis.
5	Analyzing results	When all case firms had been interview, the researchers analyzed the results and categorize them in findings relevant for this master thesis.
6	Discussions	Then the analysis was discussed in light of the theory from (1).
7	Conclusions	Concluding remarks of the master thesis with notes on limitations that were identified in light on the theory from both (1) and (3).
8	Main finding	The overarching framework of why and how incumbents enter agreements with startups as an improved model of the theoretical model from (2).

Table A.1: Explanation of the steps in Figure A.1

A.2 Interview Guide

A.2.1 Generelt

Bakgrunn

- Aller først, kan du fortelle litt om din rolle i [Bedriften]?
- Hvor mange startups har [Bedriften] inngått samarbeid med de siste 5 årene? (Definerer startups som en bedrift med et produkt/løsning som ennå ikke har blitt testet på markedet).
- Hvilke type startups var dette?
- Var det drevet av studenter eller voksne?
- Var de norske eller utenlandske?
- Som du vet, hvor mange startups har dere vært i dialog med, uten at det har endt i samarbeid? Hvis du ikke vet svaret, har du en omtrent prosent?
- Hvem har ansvaret for beslutningen om å inngå samarbeid med startups i deres bedrift?
- Er det flere eller få beslutningstakere?

I dette spørsmålet ønsker vi å finne ut mer om bedriftens forhold til oppstartsbedrifter de siste årene. Har de hyppig kontakt med oppstartsbedrifter eller er det sjelden? Er samarbeidet med MovieMask det eneste tilfellet, eller er det i en rekke av mange oppstarter de har samarbeidet med?

RQ1: Hvordan ser initiation process ut?

- Dere har vært i dialog med flere startups og inngått samarbeid med X antall. For at dette samarbeidet skal ha blitt inngått, så har dere gått gjennom en initiation prosess. Vår modell for denne prosessen ser ut som i Figur 2.1.
 - Man hører om bedriften for første gang.
 - Man har første kontakt.
 - Man forhandler
 - Man inngår samarbeid
- Kommentarer til modellen? Stemmer denne overens med din hverdag og hvordan du synes dere har kontakt med startups?

Dette spørsmålet ønsker vi å besvare basert på teori. Dette er for å begrense omfanget av oppgaven.

RQ2 Hva er grunnen for at en incumbent inngår samarbeid med startups?

- Dere har vært i dialog med flere startups og inngått samarbeid med X antall. De siste årene, og fremover, hva er hovedgrunnen for at dere inngår samarbeid med startups?
- Er det noe spesielt dere ser et spesielt verdifullt med nettopp unge, oppstartsbedrifter?
- Helt åpent spørsmål først, hvor han/hun gir et svar basert på det han/hun mener var viktig

- Ifølge en del fagartikler vil grunnene for at en incumbent inngår samarbeid med en startup falle i en av de følgende kategoriene (se tabell i Appendix C). Kan du rangere disse (og evt. Vektlegge dem med en prosentsats) basert på hva som var de(n) viktigste driveren(e) for at dere inngår samarbeid med startups? En bedrifts mulige fordeler ved et bedrift-startup samarbeid
- Ranger fra viktig-minst viktig
- Oppfølgingsspørsmål rundt hvorfor de(n) driveren(e) ble sett på som mer relevant enn de andre

I dette spørsmålet ønsker vi å finne ut rasjonale bak hvorfor de er interessert i å samarbeide med startups. I følge Kohler (2016) vil grunnene for at en incumbent vil inngå samarbeid med en startup falle i en av kategoriene i tabellen under. Stemmer dette? Eller er det flere drivere?

RQ3. Hvilke egenskaper til ved startups er viktigst for at en dere inngår et samarbeid med dem?

- Hvilke egenskaper og attributter var viktigst for at dere inngikk et samarbeid?
- Hva måtte være på plass av team, operasjonelt, finansiering, ferdig produkt?
- I løpet av initiation-prosessen, er det ulike ting dere ser etter?
- Vi har delt inn de underliggende kvalitetene ved en startup i følgende kategorier [Vis arket]. Hvordan vil dere vektlegge viktigheten av disse kvalitetene basert på dere så på driverne XX og YY (fra RQ2) som viktigst?

I dette spørsmålet vil vi finne ut hvilke kvaliteter/faktorer ved startupen som var viktigst for at MovieMask kunne fungere som en samarbeidspartner som oppfyller de grunnene de definerte i RQ2. Her tar vi utgangspunkt i rammeverket vi utviklet i prosjektoppgaven.

Hvilke signaler er utslagsgivende for å oppnå kontakt med en incumbent og videre få en avtale?

- Du sier at XXX er de viktigste egenskapene ved en startup, for at dere skal inngå et samarbeid.
- Hvordan kan en oppstartsbedrift signalisere dette?
- Hva skal til for at dere opplever en oppstartsbedrift XXX?

A.2.2 MovieMask

RQ1: Hvordan ser initiation process ut?

Slik så initiation prosessen ut mellom MovieMask og [Bedrift]. Den er OK å ha med for hukommelsens skyld. Den spesifikke initiation prosessen vi har hatt med casebedriften vi intervjuer vil vi tegne opp på forhånd og ta med oss og vise til bedriften. Dette for å hjelpe dem huske de ulike stegene i prosessen med MovieMask.

A.2.3 RQ2 Hva er grunnen for at en incumbent inngår samarbeid med startups?

- Dere skrev under en intensjonsavtale med oss den XXXX. Hva var hovedgrunnen for at dere inngikk et samarbeid med oss? Hva var det dere så på som verdifullt for dere?
- Bruk gjerne kategoriene. Vis kategoriene under.
- Oppfølgingsspørsmål med “Hvorfor det?”

RQ3. Hvilke egenskaper til ved MovieMask var viktigst for at en dere inngikk et samarbeid med dem?

- På det tidspunktet dere inngikk et samarbeid med MovieMask, var ikke produktet lansert ennå. Hvilke egenskaper og attributter ved MovieMask viktigst for at dere inngikk et samarbeid?
- I løpet av initieringsprosessen dere hadde med oss, var det ulike egenskaper dere så etter?
- Gitt at vi har delt inn de underliggende egenskapene ved en startup i følgende kategorier, og tatt høyde for “environmental factors” [viser så tabellen]. Hvordan vil dere vektlegge viktigheten av disse kvalitetene basert på dere så på driverne XX og YY (fra RQ2) som viktigst? Hvordan vil du rangere disse egenskapene fra viktigst til minst viktig når det kom til MovieMask?

Hvilke signaler er utslagsgivende for å oppnå kontakt med en incumbent og videre få en avtale?

- Dette er slik vi husker prosessen (vis en illustrasjon av prosessen).
- Hva husker dere som utslagsgivende for at dere responderte positivt på vår første forespørsel? (Noen spesielle hendelser, signal)?
- Hva husker dere som utslagsgivende for at dere valgte å gå videre i forhandlingene?
- Hva husker du var grunnen for at dere valgte å inngå avtale den XXX?
- Du sa at XXX var den viktigste egenskapen til MovieMask. For hver av de underliggende kvalitetene som var viktige, beskriv hvilke signaler dere oppfattet som understøttet dette?
- Hva kunne vi signalisert til dere, for at denne prosessen skulle blitt enda bedre?

I dette spørsmålet vil vi sjekke om det er noen spesielle signaler som MovieMask har sendt ut som har vært utslagsgivende. Vi vil bruke signaling theory som rammeverk for dette spørsmålet. I tillegg vil vi sjekke om det er “environmental factors” som påvirker. Et eksempel på en slik environmental factor kan være at en konkurrent fikk et lignende produkt i sin butikk.

A.2.4 Avslutningsvis:

- Synes du caset med MovieMask var unikt, eller var det et representativt case i forhold til andre startups med fysiske produkter dere har vært borti?

- Hvorfor/hvorfor ikke?

A.3 Theoretical constructs used in the interviews

A corporation's potential benefits of an incumbent-startup collaboration	Rank from 1-5, where 1 = most relevant
PR and Marketing	
Solve business challenge /Fit to value prop	
Expand to new markets	
Rejuvenate corporate culture	
Attract and retain talent	

Figure A.2: Construct for collecting data about the benefits of collaboration

Underlying Quality of the startup	Points
Alliance Capital	
A1: Buyers and suppliers	
A2: Complementors and competitors	
A3: Other	
Human Capital	
H1: Social aspects	
H2: Experience and skills	
PR & Marketing	
PM1: Social Media Presence	
PM2: Presence in other media	
PM3: Brand	
Financial Capital	
F1: Funding	
Distance	
D1: Geographical distance	
D2: Time to launch	
Product	
P1: Innovation	
P2: Quality	
P3: IP	

Figure A.3: Construct for collecting data about the underlying qualities of a startup