



**NTNU – Trondheim**  
Norwegian University of  
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## Initiation of business relationships

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Oppstartsdato <b>16. jan 2012</b>	Innleveringsfrist <b>11. jun 2012</b>
Oppgavens (foreløpige) tittel <b>Initiation of business relationships</b>	
Oppgavetekst/Problembeskrivelse The purpose of this master thesis is to study how firms initiate business relationships. Both newly and well-established firms will be focused on.  The study will comprise the following main parts: 1) A review of theories on initiation of business relationships 2) An empirical study of how business relationships are initiated 3) An analysis of the empirical study in light of theory and a comparison of the findings 4) Conclusions and implications	
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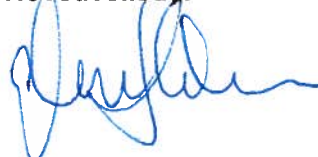
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Kandidatene skal ha *individuell* bedømmelse  
Kandidatene skal ha *felles* bedømmelse



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## **Preface**

This thesis on the “Initiation of business relationships” is prepared at the *Department of Industrial Economics and Technology Management (IØT)* at the *Norwegian University of Science and Technology (NTNU)*. The purpose of this thesis is to study how firms initiate business relationships. We have studied possible differences between newly and well-established firms, and how the strategy on initiating business relationships to customers may differ. We have addressed these topics by studying literature, and have on the basis of this presented a Theoretical Framework, which has been used for analysing and discussing the results of an empirical case study.

The process of writing this thesis has been very exciting and instructive. We have developed our capabilities to find relevant theories by searching through databases and libraries. The topic has challenged our understanding of the initiation process of initiating business relationships; and the application of this knowledge to perform analyses of the case study has provided us with valuable experience and developed our scientific curiosity.

We are most grateful to our academic supervisor Elsebeth Holmen, and our secondary supervisor Ann-Charlott Pedersen, at the Department of Industrial Economics and Technology Management, for their valuable and patient engagement, follow-up, discussions and guidance. We have also very much appreciated our collaboration with the six case firms, who so kindly have met us and allowed us to interview them. We are very grateful indeed for their commitment to share information with us concerning the initiation of a specific business relationship to an important business customer.

Trondheim, June 8<sup>th</sup>, 2012

Lise Andrea S. Andersen

Alexandra Knudtson



## Sammendrag

Denne masteroppgaven har studert initieringsprosessen som finner sted under etableringen av nye forretningsrelasjoner til kunder. Dette temaet står sentralt for alle salgsbedrifter. For å sammenligne hvordan ny- og veletablerte bedrifter initierer forretningsrelasjoner og hvilken strategi de anvender når de initierer et kundeforhold, har vi gjennomført en casestudie av tre ny- og tre veletablerte bedrifter. Basert på et litteratur studium er det utviklet et teoretisk rammeverk for å studere delprosessene i initieringsfasen og dens relasjon til initieringsstrategien. Dette er gjort for å letter besvare forskningsspørsmålet i denne oppgaven.

Vi har funnet tydelige forskjeller i initieringsstrategien og initieringsprosessen mellom ny- og veletablerte bedrifter. Både ny- og veletablerte bedrifter hadde i hovedsak en planlagt-fremspirende strategi som del av sin planlagte initieringsstrategi, men bakgrunnen til dette var forskjellig. Veletablerte bedrifter hadde mer detaljerte planer som syntes å ha blitt formet av erfaringer fra tidligere forhold. Nyetablerte bedrifter derimot hadde mindre detaljert planlegging, og var i større grad tvunget til å gripe fremspirende muligheter som utgjorde en større del av deres planlagt-fremspirende strategi. Alle de studerte bedriftene initierte forretningsrelasjoner til kunder som ikke var en del av deres nærmiljø. De veletablerte bedriftene hadde utviklet et solid firmanavn med referanser i markedet, som forklarer at de lettere etablerte kontakt. De nyetablerte bedriftene måtte utnytte sitt personlige nettverk, og stiftet forretningsrelasjoner ved hjelp av eksterne agenter. Under forhandlingsprosessene og ved etablering av avtaler var det ingen vesentlige forskjeller mellom ny- og veletablerte bedrifter.

Med utgangspunkt i vår beskrivelse av kompleksiteten til strategiutviklingen, hadde både ny- og veletablerte bedrifter høy grad av planlagte elementer i deres realiserte initieringsstrategier. For alle bedriftene vi studerte fant delprosessene i initieringen sted i varierende rekkefølge. Dette tydeliggjør at state teorien bør legges til grunn i den videre forskningen av initieringsprosessen i etableringen av nye forretningsrelasjoner.

## Summary

This thesis investigates the initiation process of business relationships to customers, which is a key issue for all selling firms. We address the topic by considering newly and well-established firms and their strategy regarding this initiation process. To get a deeper understanding, we have conducted a case study of three newly and three well-established firms. To answer the research question of this thesis a Theoretical Framework is made, based on a literature review, in order to study sub-processes of the initiation process and the initiation strategy in detail.

We have found some clear differences, regarding both the initiation strategies and the initiation process, between the newly and well-established firms studied. Both newly and well-established firms seemed to have *planned-emergence* as part of their intended initiation strategy, but for different reasons well-established firms *planned in more detail* based on *experiences* from previous relationships. On the other hand, the newly established firms had less detailed plans and were more or less forced to seize opportunities that emerge as a result of a planned-emergence strategy. Both types of firms initiated business relationships to customers that were *not closely located*. Well-established firms had developed a *reputation* and established *references*. This was less obvious for newly established firms who needed to utilize their *personal reputation* and *network*, and external agents most often connected them to new business customers. There were similar patterns of *negotiation* and establishing of *agreement* between newly and well-established firms.

Based on our interpretation of the complexity of strategy formation, both newly and well-established firms had a *high degree of deliberate elements in their realized initiation strategy*. For all the case firms studied, the sub-processes in the initiation elapsed in flexible successions, and we therefore suggest that the *state theory* should be used in further research of the initiation process of business relationships to customers.

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# Introduction

Business relationships to customers are of fundamental importance for all kinds of selling firms, in order to secure revenues and manage available inputs and expenses, respectively. The initiation of business relationships to customers is an important issue; not only for newly established firms that need to secure their first customers, but also for well-established firms that need to initiate relationships with new business customers, complementing or supplanting their existing customers. Furthermore, the strategy regarding the initiation of business relationship is important since it will determine how the initiation process develops. These topics form the basis of our thesis.

## *Motivation behind the thesis*

The topic *initiation of business relationships* was addressed in our pre-master thesis through a study of the literature reviewing the initiation process of business relationships. We concluded that there was a dearth of studies paying attention to business relationship initiation processes *per se*, in spite of its importance for companies. Furthermore, existing literature on business relationship initiation paid little attention to distinguish between newly and well-established firms. In the present thesis we have studied the initiation of business relationships with a focus on both newly and well-established firms.

## *Problem description*

The categorisation of firms into newly and well-established firms is intriguing since their differences might affect their initiation process of business customer relationship. We have postulated that the strategy through the entire initiation process may be different between newly and well-established firms according to different experience.

The aim of this thesis is to investigate the relationship initiation process and in particular to look at possible differences between newly and well-established firms and study their strategies to the relationship initiation, leading to the following research question:

*How does the process of initiating business relationships to customers differ between newly- and well-established firms with regard to their initiation strategy?*



## *Structure*

To answer the research question in this thesis we present a review of the literature, which formed the basis for our Theoretical Framework of the initiation process of business relationships to customers, based on sub-processes and initiation strategy. We have made an empirical study on the initiation of business relationships based on interviews with three newly and three well-established firms. The results of the case study were analysed and discussed in light of our Theoretical Framework, and a cross case analysis between the newly and well-established firms have been carried out. We pay most attention to differences and similarities between newly and well-established firms, in accordance with our Theoretical Framework. Possible managerial implications of this study will be elaborated upon.

This thesis is structured in to five sections. In the *first section* the methodology used in this thesis is presented and elaborated upon. In the *second section* a review of literature is performed where we have chosen to first describe essential themes. Thereafter, a presentation of the initiation of business relationships is made, newly and well-established firms are studied, and then the field of strategy is elaborated upon. This literature review is combined in a Theoretical Framework that connects the sub-processes in the initiation process to strategy. The *third section* presents a case study research on how business relationships are initiated. There will here be presented six cases of how respectively three newly and three well-established firms initiated a business relationship to an important customer. In the *fourth section* we perform an analysis and discussion of the case study research in light of our Theoretical Framework presented in the second section. Both the newly and well-established firms will be looked upon in a within case analysis and a cross case analysis. Then, a comparison of newly and well-established firms will be carried out. The findings from section four form the basis for our concluding remarks and implications in *section five*. The focus in this section will be on differences and similarities between newly and well-established firms in accordance to our Theoretical Framework. Section five will also lead to an answer to the research question in this thesis, and implications for newly and well-established firms and for further research will be discussed.

# 1 Methodology

We will here describe the methods we have used to answer the research question of this thesis. First, we performed a literature review regarding the initiation process of business relationships to customers. However, to understand how it forms a part of the initiation process, we found that it was necessary to review and understand the whole development process of a business relationship. Motivated by the findings in the literature from the review of theories, we performed a qualitative multiple-case study where we interviewed six case firms. The findings were analysed and discussed. We used an abductive approach for answering the research question, inspired by Dubois and Gadde (2002).

## 1.1 Motivation behind the Research Question

Ringdal (2009) state that all research starts with an idea. Furthermore, it is pointed out that both the interest of the researchers and needs of customers or users can contribute to the emergence of the idea. Based on the idea, a research question must be formed (Ringdal, 2009). The research question for this thesis is motivated by our pre-project thesis, in which we studied literature regarding business customer relationship initiation. When writing our pre-master thesis about how business relationships to customers are initiated, several gaps in the existing literature were revealed. One important gap was the lack of distinction between newly and well-established firms. This became a prime motivation for the research question in this thesis. An interest in whether any differences could be seen between newly and well-established firms evolved. This issue was supported by our supervisor who implied a need for studying such differences. The interest further developed into questioning whether newly and well-established firms planned the initiation process differently. This last facet was motivated by our general interest in strategic planning processes, and evolved when attending courses at NTNU. Thus, we added this topic to our research question.

Ringdal (2009) argues that prior research and theory is important when formulating the research question, which also has been the case for this thesis. In addition to our pre-project thesis we rely on literature from several different courses in strategic management and logistics at NTNU. In addition, literature from our supervisor regarding the field of development of business

relationships, as well as out searches in literature databases gave us a basis to attack the topic of this thesis.

The research question for this thesis is therefore:

*How does the process of initiating business relationships to customers differ between newly- and well-established firms with regard to their initiation strategy?*

## 1.2 The Process of Case Study Research

Yin (2009) presents a linear, but iterative process, intended to describe how to perform a case study research. This way of doing case study research is illustrated in the model shown in Figure 1 which consist of the six processes: 1) *Plan*, 2) *Strategy and design*, 3) *Preparation to Collecting Case study Evidence*, 4) *Multiple case study*, 5) *Collecting Case Study Evidence*, 6) *Analysing Case Study Evidence*, and 7) *Reporting Case Studies/share*. The logic behind the case study research carried out in this thesis is inspired by accordance to this model, which will be further presented below.

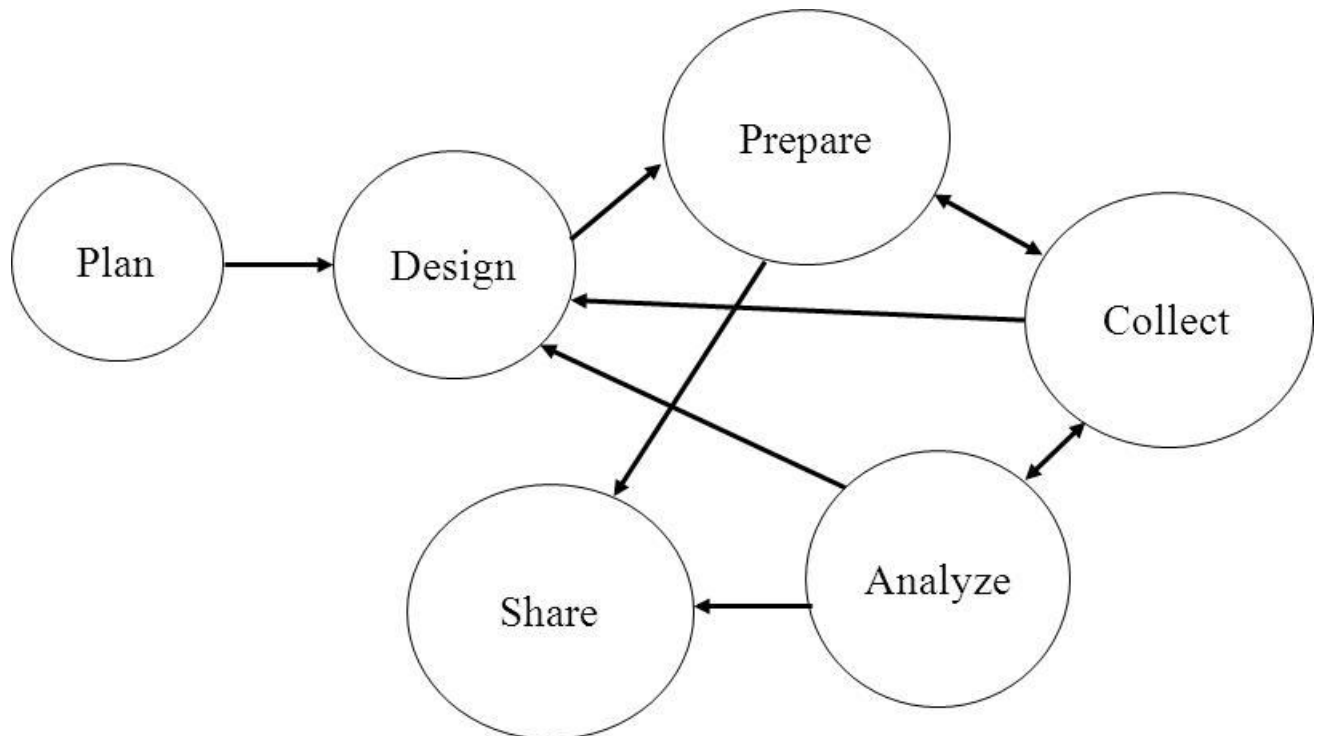


Figure 1 – Doing Case Study Research: A linear but iterative process (Yin, 2009, p.1)

### 1.2.1 Plan

According to Yin (2009) a method must be chosen in order to answer a research question. When answering questions of “how” and “why”, and when the investigators have little control over events. Case studies are a preferred method in these settings. As seen from the research question stated above, in Motivation behind the Research Question, we ask a question regarding “how”. This strengthened our choice to perform case studies in our research.

Yin (2009) and Dubois and Araujo (2007) propose that a choice must be made between a *single* and *multiple- case* study. We therefore needed to choose if we wanted to study more than one firm in the empirical research. Yin (2009) implies that a multiple case study should always be chosen to strengthen the analytical findings and conclusions. Since we wanted to study the difference between newly and well-established firms we needed to interview at least one firm from each category. To strengthen our findings and inquire into possible differences and similarities across the two types of companies, we decided to interview three case firms from each category. Thus, in this thesis, we investigate the research question by means of a multiple case study.

### 1.2.2 Design

According to Yin (2009), a *research design* is the logic that links the data that will be collected. A research design should consist of the five components: “1) a study’s questions; 2) its propositions, if any; 3) its unit(s) of analysis; 4) the logic linking the data to the propositions; and 5) the criteria for interpreting the findings” (Yin, 2009, p. 27). The research question of this thesis has been described in the, Motivation behind the Research Question. The *unit of analysis* is about defining the problem in the case, which in our thesis will be “the process of initiating business relationship to a customer”.

Ringdal (2009) describes two possible ways to perform a research design: *qualitative* or *quantitative*. In order to choose the appropriate method, it must be in reference with the research question. A quantitative method is appropriate when facing research questions that want to quantify certain characteristics or behaviours. Alternatively, if the research questions deals with factors that characterize or regards how a special phenomenon is experienced, a qualitative

method is reasonable to apply. In this thesis we want to investigate a specific phenomenon, “the initiation of business relationships”. Further, we will look at the differences between how both newly and well-established firms initiate business relationships with regard to their strategy. Therefore, it is reasonable to use a qualitative method, which will be further described below.

### ***Qualitative method***

As already mentioned, qualitative method investigates the “why” and “how” in a research question. “How” fits perfectly with the research question of this thesis. Further, smaller and more focused samples are needed to use a qualitative method. In our empirical study we regard six case firms, which are seen as a suitable number for a qualitative study. In fact this sample can be seen as two smaller samples due to the fact that it consists of three newly and three well-established firms. By choosing to perform a qualitative multiple case study, we believe that wider insight into and knowledge regarding the topic of this thesis would be possible to obtain.

Interviews were used as the method for collecting data on the six cases. For each case, we carried out an interview with a key informant. Each interview lasted one hour. The interview was semi-structured and we used an interview guide that was structured in three parts, which reflects the research question and the theoretical basis. We believe that the most considered answers would be given to us if the interview was performed in Norwegian. Thus, the interview guide in Appendix 1 is written in Norwegian.

To summarize, the chosen methodology consists of a qualitative multiple case study, which we believe is well suited to answer the research question of this thesis.

### **1.2.3 Prepare**

To perform a good case study it is important to be prepared and a set of different skills are necessary. According to Yin (2009), some of these skills are: Ask good questions, be a good listener, be flexible, have a firm grasp of the issue being studied and be unbiased. Before performing the interviews we discussed these skills. To ask the best possible questions, an interview guide was made (see Appendix 1). The interview guide was thoroughly prepared in front of the interviews and connected to the research questions in this thesis.

Yin (2009) emphasizes that it is important with a *pre-test*. Thus, as a pre-test, we tested out the interview guide up front on friends and families. They gave valuable feedback, especially regarding the formulation of the questions. Also, it gave us confidence to perform the interviews and be better interviewers.

Another important skill is to have a good grasp of the issue being studied. Thus, we performed a thorough literature study. In the search for literature we used Scopus, ISI Web of Science and ProQuest ABI/Inform as databases. We also used literature from several different courses at NTNU and literature suggested to us by our supervisor.

Glaser and Strauss (1967) distinguish between *deduction* and *induction*, where the first method starts in theory and the latter method starts in the empirical observations. Dubois and Gadde (2002) suggest a third alternative: a process of *systematic combining*, also called *abduction*. This means that the researcher should be in constant movement between an empirical world and a model world. In other words: “systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously.” (Dubois and Gadde, 2002, p. 554). We have followed this method in the process of developing existing theory of building business relationships in this thesis. Theory and empirical data are used interactively in order to develop new theory in the field of initiation of business relationships. The empirical study started by being motivated by theory, partly based on the literature study in our pre-master thesis. Findings in the empirical data motivated us to go back and further investigate the literature. Example on this is that our Theoretical Framework, which will be presented in the end of the Review of the Literature, have been improved and changed several times.

#### **1.2.4 Collect**

According to Yin (2009) case study evidence can be a result of many different sources. These sources are *documentation*, *archival records*, *interviews*, *direct observations*, *participant observation* or *physical artefacts*. Further, these sources can be evaluated through their respective strengths and weaknesses as shown in Table 1.

**Table 1 – Sources of evidence: Strengths and Weaknesses (Yin, 2009, p. 102)**

	<b>Strength</b>	<b>Weaknesses</b>
<b>Documentation</b>	Stable – can be reviewed repeatedly Unobtrusive – not created as a result of the case study Exact – contains exact names, references, and details of an event Board coverage – long span of time, many events, and many settings	Retrievability – can be difficult to find Biased selectivity, if collection is incomplete Reporting bias – reflects (unknown) bias of author Access – may be deliberately withheld
<b>Archival records</b>	(Same as those for documentation) Precise and usually quantitative	(Same as those for documentation) Accessibility due to privacy reasons
<b>Interviews</b>	Targeted – focuses directly on case study topics Insightful – provides perceived causal inferences and explanations	Bias due to poorly articulated questions Response bias Inaccuracies due to poor recall Reflexivity – interviewee gives what interviewer wants to hear.
<b>Direct observations</b>	Reality – covers event in real time Contextual – cover context of “case”	Time-consuming Selectivity – board coverage difficult without a team of observers Reflexivity – event may proceed differently because it is being observed Cost – hours needed by human observers
<b>Participant observation</b>	(Same as above for direct observations) Insightful into interpersonal behaviour and motives	(Same as above for direct observations) Bias due to participants observer’s manipulation of events
<b>Physical artifacts</b>	Insightful into cultural features Insightful into technical operations	Selectivity Availability

In light of the strengths and weaknesses presented in Table 1, we have chosen to use *interviews* as the main source of evidence in our thesis. This allows us to focus directly on the case study topics, and it also provides personal interference and explanations. Nevertheless, we must be careful with bias due to poorly articulated questions, incurrence due to badly recall, and the problem that the interviewee may give us the answers which they believe is “right”. To strengthen our research we have used *documentation* as a source. This has been done by reading about the case firms on the Internet, both their home pages and other published information. Further, documentation was done both before and after the interviews. This gave us greater accuracy about the facts. Furthermore, *direct observations*, was to some extent performed during

the interviews because the majority of the interviewees took place at the offices of the case firms. This gave us a better reality and contextual understanding. (Yin, 2009)

The interviews performed in the six case firms were, as already mentioned, based on the interview guide in Appendix 1. All of the interviews were guided conversations, which made it possible for the interviewee to tell *their* story. Due to the fact that we were both present at the interviews, it was easier to fulfil both tasks that Yin (2009) presents: 1) follow the line of inquiry and 2) ask actual (conversational) questions. Further, we asked “how” questions rather than “why” questions, in order to secure an open-ended interview conversation (Yin, 2009). Yin (2009) also distinguishes between *in-depth interview* and *focused interview*. In-depth interview asks about facts and opinions and takes place over an extended period of time. In a focused interview, which is the case in our case study, the person is interviewed for a short period of time. We discussed the upcoming interviews with our supervisor. She informed us that interviews often do not go perfectly according to the plan. This was also the case for our interviews. The information gathered varied by a great degree between the case firms. In some interviews we needed to be good listeners, since the interviewee was extremely eager to elaborate upon how their firm initiates customer relationships. This applied in most cases to the newly established firms. In other interviews, the interviewee answered exactly what we asked, and more often derailed from the topics. Based on these challenges, we needed to be extremely focused on asking the right questions and not to ask leading questions during the interview.

When choosing our case firms we decided that we wanted both newly and well-established firms within the technology industry. In addition, we wanted. Some firms are recommended by our supervisor, while others are contacted due to our interest in the firms. The process of finding interesting firms that had the time to participate in an interview was a long process. We searched and contacted several firms and eventually ended up with six case firms. The newly established firms in the study are: BioLab, dSAFE and Dynamic Rock Support. The well-established firms we have interviewed are Boost Communications, REC and RESMAN. All the firms are Norwegian technology firms and all the interviewees have in common that they have a connection to NTNU. In addition, they all worked within or had a close connection to, the department which was responsible to initiate new customer relationships.



Yin (2009) states that well-informed interviewees provide important insight. When approaching the firms, we researched for interviews who worked extensively with starting up customer relationships. Due to this, the interviewees were more or less well-informed. In the cases of Dynamic Rock Support, BioLab, Boost Communications and dSAFE we spoke directly with the person responsible for initiation new business customers. However, the interviewees of REC and RESMAN stated that they, even though not directly responsible, worked close with the employees who were responsible. Thus, they knew a lot about how they initiated business customer relationships.

Due to the fact that both of us were present at all the interviews, we think that our flexibility increased. The reason for this is that we had divided areas of responsibility between us, making it possible to be more flexible as to the order in which the themes were discussed. This was very helpful in the process of analysing the answers. All the six interviewees were also recorded, after obtaining permission from the interviewees. Yin (2009) claims that audiotapes provide the most accurate rendition of interviews. Shortly after each interview, we wrote down the findings from notes and listened to the recordings. Thereafter, the cases were written and sent back to the interviewees in order to get approval of the content. However, only five out of the six case firms answered on the request of approval. After trying to contact the firm several times, we decided in accordance with our supervisor, that we needed to use the case even though it was not approved. When asking for feedback, some of the case firms requested to add information about their product or line of business. This information was not necessarily aligned with our research question. Still, we believe it is important to present the cases in the way the firm approved them.

### **1.2.5 Analyse**

Data analysis is, according to Yin (2009), about *examining, categorizing, tabulating, testing* or *recombining evidence* to draw empirically based conclusions. We decided to develop a case description based on our interviews, which is one possible strategy according to Yin (2009). Furthermore, we have developed a theoretical framework for organizing the case study and analysis. The theoretical framework is presented at the end of the Review of the Literature.

Pattern matching is, according to Yin (2009), an analytical technique for case studies. This involves comparing empirically based patterns with predicted ones. If the patterns match, the case study has strengthened its validity. We decided to structure our theory into a theoretical framework. Based on this we performed an analysis based on empirical data from case evidence. Thus, pattern matching, became the natural choice for this thesis. To further structure our analysis we performed a within case analysis for both the newly and the well-established firms. A cross-case analysis is according to Yin (2009) good for multiple case studies. Thus, we decided to perform a cross-case analysis for the two groups based on the results from the within-case analysis.

### **1.2.6 Share**

Reporting, share, a case study is according to Yin (2009) synonymous with bringing the results and findings to closure. Further, it is stated that this is done by first identifying which audience that will read the report. We have decided that the audiences of this thesis are both people that already have insight into this field and new readers to the field. Therefore, the focus in writing this thesis has been on reader-friendliness.

## **1.3 Possible Improvements**

Several thorough literature searches have been performed. Still, we believe that some articles regarding initiation of business relationships probably have slipped our searching horizon. In addition, this is a rather emergent field which is difficult to search in since different terms and concepts are used by different authors, and the field is constantly evolving. Furthermore, it has not been possible to read all articles about the topic. Additionally, not all research on the topic is publically available.

Most of our interviews are conducted with people that have a close personal relationship with their firm, which may lead to glorified answers. In addition, we only interviewed the selling firm. Our analysis would have been more thorough and different if we in addition had interviewed the buying firm. Still, we made this choice due to the fact that it would be too time-consuming and difficult to get into contact with both the selling and the buying firms in a business relationship, especially since we need to find the employees with right insight about this initiation process.

The newly and the well-established firms in this thesis do not have a significant age difference. The oldest firm is from 1996. Thus, the well-established firms could have been older. It was a challenging process to get in contact with older firms. Thus, we were very grateful for the firms that wanted to share information with us.

In addition, how we asked the questions during the interviews might make an impact on our results. Some of the interviewees might not want to share all their information. On these occasions, it was very difficult for us not to ask leading questions. We could also have included a larger number of case firms. Having a larger number of case firms would strengthen our results and give a greater variety.

Another issue that might negatively affect the credibility of this thesis is that all the interviewees have a background from NTNU. This can result in more narrow views due to the similar background and frame of refer. However, it could also result in fewer misinterpretations because they share a similar background. Further, we only spoke to *one* person in each of the case firms. More people were probably involved from each firm in the process and we did not get their views. This is, in other words, an area that could be improved in this thesis.

### **1.3.1 Limitations**

The Theoretical Framework used in our theses, as a basis in the empirical study, includes the strategic elements deliberateness and emergence. The complex nature of deliberateness and emergence has led to many discussions about possible interpretations when comparing the intended initiation strategy to the realized initiation strategy. This complex nature of the strategic field is discussed in the description of our Theoretical Framework. Here we argue upon the fact that we needed to follow only one interpretation, and this interpretation would be used in our analysis. Thus, this can be a limitation. However, we believe that we choose a comprehensible method and encountered the challenge in a logical manner.

It is important to also be aware of typical problems that case studies might bring. Easton (1998) states that it can give an unfocused description and result in weak theories that tells little about

very much. Furthermore, Easton (1998) mentions the importance of not making statistical generalizations when using multiple cases.

## **1.4 Summary of the Methodology**

To summarize, the case study in this thesis is based on the logic behind the six processes from Yin (2009). The research question of this thesis contains “how”, making a case study relevant in the search for an answer. The research design is chosen to be qualitative, consisting of a multiple case study comprising six case firms. There has also been a thorough process of preparing the collection of case evidence by making an interview guide and practice by considering the skills required by Yin (2009). The process of systematic combining by Glaser and Strauss (1967) and Dubois and Gadde (2002) is also used, where collecting the evidence we performed interviews where we both participated. Lastly, we point out some limitations in this thesis.

## 2 Review of the Literature

The initiation process of business customer relationships is an important part of a firm's initiation strategy. In order to address the theoretical aspects of the initiation process of business relationships to customers, and how this differs between newly and well-established firms, the following issues are presented: 1) Introduction of key issues, 2) initiation of business relationships, and 3) strategy formation. Based on the review of these three themes from the literature, we will present a *Theoretical Framework* to be used in the analyses and discussion of our empirical case study.

### 2.1 Introduction of Key Issues

We will here firstly present essential themes on business relationships, and secondly we present a categorisation of newly established and well-established firms. Thirdly developmental models of business relationships will be discussed. Lastly, an elaboration of how development processes evolves through stages and states will be made.

#### 2.1.1 Business Relationships to Customers

Companies aim to develop strong relationships with their customers, since this will enhance the continuity of relationship and increase sales growth and profitability (Selnes, 2010). In this thesis, we will refer to the customers of a business as *business customers*. Business customers purchase products or services to be used for further production. Because business customers are organizations, they tend to have fewer and larger buyers than in consumer markets. Consequently, we believe close relationships are formed between the seller and buyer, where both parts are highly skilled in negotiation in order to maximize their efficiency.

According to Håkansson and Snehota (1995, p. 25) a *business relationship* can be understood as a “mutually oriented interaction between two reciprocally committed parts”. Anderson et al. (1994) claim that a relationship can be divided into a *primary* and a *network function*. The primary function describes the effect of mutual interactions between the two firms, also called *dyadic* relationship in the literature. Such relationships “have ‘substance’ by comprising various

types of mutual adaptations and exchanges over time” (Holmen and Pedersen, 2003, p. 410). Members of dyadic relationships may vary in their view of relationship factors, such as communication and quality of exchanges, but they may also demonstrate some degree of similarities (Gooty and Yammarino, 2010). Most often the models of dyadic business relationships assume that the parties in the relationship are equal, which is often an unrealistic assumption (Anderson et al., 1994). The network perspective argues that a company is embedded in a larger network of firms. The so-called network function describes the connectedness of the focal relationship to other relationships. (Håkansson and Ford, 2002; Holmen and Pedersen, 2003)

The focus in this thesis is on dyadic interaction in business relationships, with specific focus on the initiation process. Aligned with this, we present the following definition of a business relationship:

“A business relationship is a mutually oriented interaction between two reciprocally committed parties, often referred to as dyads, which has substance by comprising various types of mutual adaptation and exchanges over time, and is affected by a wider network of relationships.”

Since the empirical bases for this research are business relationships between technology firms, the technology industry with a difference between newly and well-established firms will here be defined. Larger, more well-established firms in industrial sectors often use knowledge transfer and research support relationships to build competencies in non-core technological areas. On the other hand, smaller more organic firm, in other words a newly-established company, in high tech industrial sectors often focus more on problem solving in core technological areas. This is often done through technology transfer and cooperative research relationships. (Santoro and Chakrabarti, 2002)

Based on the existing literature regarding relationships between industrial companies Håkansson and Snehota (1995) have defined four *structural characteristics*. These are *continuity*, *complexity*, *symmetry* and *informality* and imply how important the business relationship is to companies. In order to explain how the parties interact within the relationship and how this

affects the parties involved, Håkansson and Snehota (1995) have presented the four following process characteristics: *adaptation, cooperation and conflict, social interaction and routinization.*

With regard to the structural characteristics, business relationships often show continuity and stability, since the business transactions are on-going for a long period of time with distinct phases. Several studies report that a business relationship often persists for up to twenty years. The numbers, types, and contact patterns of the individuals involved in the relationship define the complexity within business relationships. The individuals involved in the relationship often have very different roles including technical, administrative, logistics, financial or sales functions. In a business relationship there is often symmetry between resources and capabilities of the two parties. The buyers often have more resources (human, knowledge, financial and technological) than the suppliers. However, the amount of resources controlled, and the possibility of exercising influence, seems more balanced. The initiative to contract business customers, and promote development, does not appear to be taken only by the seller. In fact, the initiative is often taken by the suppliers. Therefore, business relationships often appear symmetrical when it comes to resources and the initiatives by the participants in the business relationship. In addition, informality emphasizes the degree of lack of formality in a business relationship. Formal contracts are common, but the power of the contract is often limited. Formal contracts are many times a hinder for managing uncertainties, conflicts and crises that a business relationship will meet over time. (Håkansson and Snehota, 1995)

The last characteristic of Håkansson and Snehota (1995) is about the degree of informality. The degree of informality can be seen within a cooperative arrangement, which may be a formal strategic alliance or more as an informal social agreement. In Håkansson's (1986, quoted in Håkansson and Johanson, 2002) study of firms in technical development, he found that two-thirds of the cooperative relations actually were informal. The distinction between *formal* and *informal* cooperation is of interest for several reasons: 1) a formal cooperation is more visible within the cooperating firms and for outstanding actors; 2) an informal cooperation is based on trust which often develop through social exchange, and there is a growing awareness for mutual interest, which again takes time and resources; 3) an informal cooperation is developed by the

actors who are directly involved in the business exchange, often on the middle management level. (Håkansson and Johanson, 2002)

Contracts can be *formal* or *relational*. Formal contracts are motivated by transaction costs, the “costs of running the system” (Rindfleisch and Heide, 1997, p. 31 quoted in Harrison, 2004). Relational contracts are informal and describe social and embedded exchange between the parts. “(...) to the process of projecting exchange into the future” (MacNeil, 1980, p. 4, quoted in Harrison, 2004, p.110).

The process characteristics described by Håkansson and Snehota (1995) consider that some kind of adaptation is necessary in a business relationship, in order to coordinate the activities between the involved firms. This adaptation is mutual and is highly substantial for a business relationship to generate mutual commitment. Typical types of adaptations in a business relationship are technical adaptations, such as product features or production processes, and administrative and logistic adaptations. Furthermore, both cooperation and conflict often coexist in a business relationship. Although a business relationship is initiated, this does not mean that all conflicts have been sorted out. Nevertheless, a cooperative posture between the parties is of importance in order to create value. Social interaction and personal bonds also play an important role during the formation of a business relationship. The individuals within a business relationship are important elements in the development of ties between the firms. Social contacts within the relationship are of great importance. The bonding in a dyadic relationship has been described as a dynamic process that is progressive over time (Dwyer et al., 1987). The social bonding gets stronger if the “personal fit” between the parties is good, and according to Wilson (1995), this is important to make the relationship last. *Outcome, satisfaction* and *commitment* between the parties are of vital importance in adding *value* to the initiation of a business relationship (Cann, 198). Relationships often become institutionalized over time by routinization, and explicit and implied rules of behaviour develop between the parties in the relationship. In order to reach the state of routinization, it is necessary to consider the transaction costs of a relationship. The routines that emerge help when dealing with complex situations and conflicts, and coordinate the actors involved in the relationship.



We have seen that a business relationship can be characterized by many factors. All these aforementioned characteristics of establishing relationships result in a variety of different types of relationships between firms. We will focus upon the dyadic interaction between selling firms, which can be divided into newly and well-established. Therefore, we want to look further into the differences between newly and well-established firms.

### **2.1.2 Newly and Well-established Firms**

We will here address the question on possible differences in the initiation of business relationships between new and older firms, referred to as *newly established* and *well-established* firms, respectively.

The literature lacks clear definitions of these terms. Since we will, as already stated, focus on technological firms we will apply a broad definition of *new technology based firms* according to Storey and Tether (1998, p.934) "...all new firms operating in 'high technology' sectors", and we have chosen to define newly established firms as firms that have up to five years of experience within the product or technology they deliver. Such newly established firms will typically not have developed many long-term business relationships with customers. As *well-established* firms we will include firms who have been established for more than five years. These firms are in a later phase of the firm development, and more likely have developed a stable portfolio of business relationships with customers. Thus, they often have more experience in initiating business relationships. Newly and well-established firms most often will differ in the amount of resources and capabilities available, both with respect to *financial resources*, *capabilities* and *employees*. (Storey and Tether, 1998)

#### ***Overconfidence***

When evaluation in general, newly established firms (entrepreneurial firms) will often be overconfident in their predictions. Bernardo and Welch (1997) explain that such irrational overconfidence within entrepreneurs can persist, since overconfident behaviour seems to broadcast valuable information to their business customers. In other words, entrepreneurial culture is partly characterized by overconfidence. In a sample of 2994 entrepreneurs, 81% believed their chances of success were at least 70% and 33% believed their chances were as

certain as 100%. However, in reality, about 75% of new businesses did not exist after five years (Cooper et al., 1988 quoted in Bernardo and Welch, 1997). Entrepreneurs and managers are about equal in their accuracy, but the level of confidence is considerably higher among entrepreneurs. (Bernardo and Welch, 1997)

In summary, newly established firms are defined by having up to five years of experiences, and they are often overconfident in their predictions. On the other side, the well-established firms have more experience in initiating business relationships. Since we now have looked upon some differences between newly and well-established firms, and characteristics regarding their business relationships, we want to look further into the development of a business relationship.

### **2.1.3 Development Models of Business Relationships**

In order to analyse the initiation of business relationships, which is in line with our research question, it is necessary to study the whole development process of business relationships. Based on reviewed literature, we will describe aspects of the entire business relationship development.

Several authors have described the process of developing business relationships. We will refer to Ford (1980), who was one of the first researcher to divide the whole development of a buyer-seller relationship in stages. Ford (1980) has outlined that the development of business relationship occurs as an evolutionary and sequential progression, which has inspired many other authors of this topic. The other authors we will discuss here are Dwyer et al. (1987), Sharma (1994), Wilson (1995) and Batonda and Perry (2003). All these authors describe the development process in a straight forward way even though they have different terms, the process include the following six stages: 1) *The Pre-relationship stage*, 2) *The Early stage*, 3) *The Development stage*, 4) *The Long-term stage*, 5) *The Final stage*, and 6) *Dormant Process*.

#### ***The Pre-relationship stage***

According to Ford (1980), the first stage is the *Pre-relationship stage*. The primary focus in this stage is the evaluation of potential partners, who sometimes are the results of experience with previous relationships. There is no commitment between the parties in the relationship. High uncertainty concerning the potential cost and benefit of the relationship and a long distance

between the parties are important characteristics. Dwyer et al. (1987) call this first stage *Awareness*. The partners recognize each other, but there is no interaction between them. Sharma (1994) names the first stage the *Pre-purchase stage*. The parties are unknown to each other, and the distance between them is therefore long at this stage. Wilson's (1995) first stage is the *Search and Selection phase*, searching for appropriate partner to develop a relationship with. Reputation, performance satisfaction, trust, comparison level of alternatives, mutual goals and power are active variables in this stage. Batonda and Perry (2003) name the first state the *Searching process*. The main activities found in the searching process are: recognition of purpose and need, searching for potential partners, information gathering, looking for a match between capability and evaluation, and selection of potential partners.

### ***The Early stage***

Ford (1980) calls the second stage the *Early stage*. In this stage the two parties are testing each other by negotiation. Typical features of this stage are little experience, no routines, high uncertainty, long distance and low commitment. Dwyer et al. (1987) name this stage *Exploration*, represented by search and trial, and resulting in the first dyadic interaction. The following variables are considered: benefit, burdens and obligations. In Sharma (1994), the *Test stage* is characterized by a negotiation process between the buyer and the seller. The credibility and legitimacy of the selling firm have still not developed, and will not be established before social, cultural, technological and physical distances are reduced. Wilson's (1995) second stage, *Defining Purpose*, implies that the parties need to agree upon a set of mutual goals and objectives, where social bonding and trust development are the ideal outcomes. Batonda and Perry (2003) name this *Starting process*, where the following elements are central: initial contact with the potential partner, presenting the purpose and the opportunities and testing the goals and compatibility.

### ***The Development stage***

The third stage by Ford (1980) is named the *Development stage* where contracts are signed and deliveries are build-up. Mutual experience is increased, and adaptations are made to meet the needs of the other party. As uncertainty and distance are reduced, commitment between the two parties increases. The third stage by Dwyer et al. (1987), *Expansion*, represents an increase in

benefits and interdependence. Sharma (1994) names the third stage, the *Evaluation stage*. In this stage evaluations of the received service are carried out. Furthermore, a greater development of the relationship and a reduction of distance take place. Such evaluation processes may be random or more systematic. This is often dependent on the experience of the buying firm. Wilson (1995) name the third stage *Boundary definition*, which includes active factors like the degree of joint action, mutual goals, trust, social bounding and comparison level of alternatives. The two companies adapt to each other, and they also make non-retrievable investments. According to Batonda and Perry (2003) this is called the *Development process*, where personal relationships and mutual trust are developed. Additionally, inter-organizational planning, identification of priorities, direct involvement, and little commitment are important aspects.

### ***The Long-term stage***

Ford (1980) names the fourth stage the *Long-term stage*. The relationships are altered as patterns become institutionalized. Major purchases are becoming large in number and continuity. The relationship is characterized by high commitment to each other with mutual importance. Moreover, the mutual adaptation is extensive in nature. The experience with each other is high, and uncertainty and distance are reduced to a minimum. In the fourth stage suggested by Dwyer et al. (1987) and named the *Commitment phase*, relational continuity is present. Additionally, the parties have developed shared values. In the fourth stage by Sharma (1994), the *Maturity stage*, credibility and legitimacy are established. The distance is shortened between the firms who have become well familiar with each other. International business areas may be established either as local subsidiaries or offices. This stage is the last stage according to Sharma (1994). In the fourth stage of Wilson's (1995), *Creating Relationship Value*, both parts gain interest in their relationship, which increase the collaborative abilities of the hybrid and the partners. Consequently, each of the parties will gain advantages from the relationship. In a balanced relationship commitment and cooperation often increase as the partners create more value. Also adaptation, cooperation and commitment are important concepts in this stage. Batonda and Perry (2003) name this the *Maintenance process*, which show increased commitment of resources to network, development of inter-organizational and member adaptations, testing of the personalities, trial of small projects, and on-going trading activities.

### ***The Final stage***

In Ford (1980), the *Final stage* is reached when the relationship has been established for a long period and the market has become stable. Commitment is high, following long term experience, there is low degree of uncertainty and there is a short distance between the parties. In this stage the relationship is further institutionalization, and the conduct of business is based on industry codes of practice. According to Dwyer et al. (1987) the last stage is named *Dissolution*. Here, the parties can withdraw when they disengage. Wilson's (1995) last stage, *Relationship Maintenance*, implies a continuation of success following the creation of positive relationships. Variables such as trust, performance and satisfaction are latent in the maintenance of the relationship. Batonda and Perry (2003), describe the *Termination process*, where costs and benefits are weighted, and the relationship is considered either worth staying in or to be abandoned. Furthermore, dissolving a trading relationship can be due to outside or inside factors.

### ***The Dormant Process***

Batonda and Perry (2003) additionally add the Dormant process in their model. Here, the relationship enters an inactive state due to changes in business, project completion and/or failure to meet individual requirements. Furthermore, it is characterized by a possibility of later reactivation. The model in its completeness shows that the process is dynamic and flexible, and that it is possible to move between active and inactive stages. These are named by Batonda and Perry (2003) as *states* and will be further discussed below in How the Development Process Evolves.

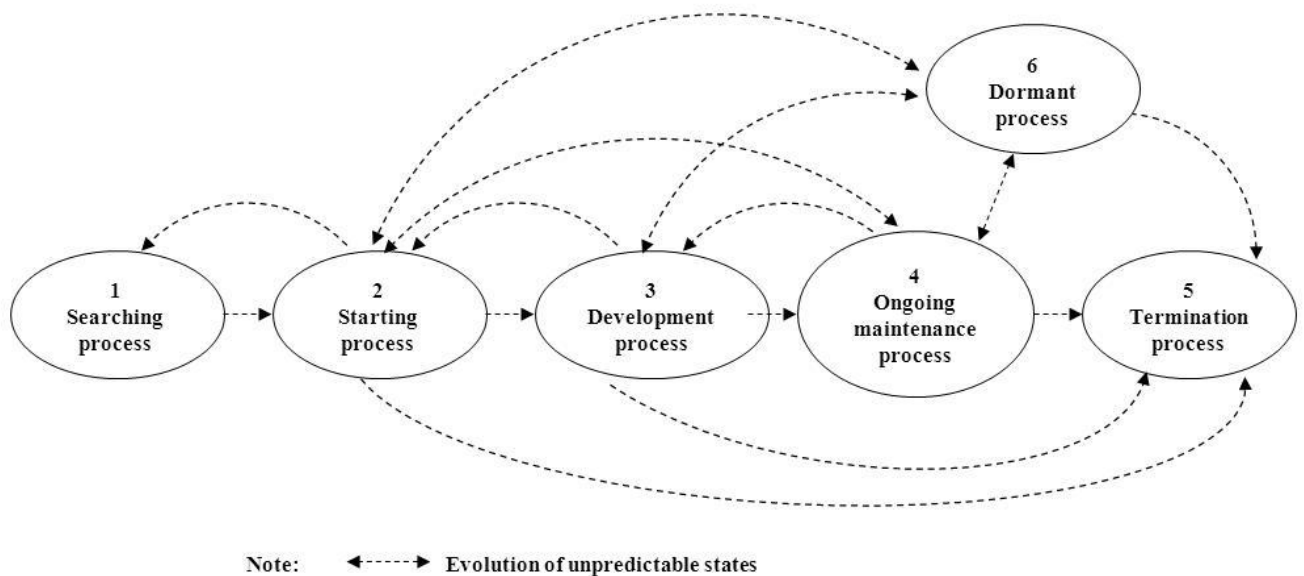
In summary, the development process of business relationships is presented in six stages, given different terms and names by different authors, but mainly describe the same developmental patterns. However, Batonda and Perry (2003) present flexible states which will be further elaborated upon below.

## **2.1.4 How the Development Process Evolves**

The majority of the authors mentioned so far are claiming that relationships develop through *sequential stages*. On the other hand, Batonda and Perry (2003) claim that relationships develop through dynamic and *flexible states*. It is important to note that different authors use different

terms to describe the different phases of the development process, like *stage*, *state*, *status* or *phase*. However, these terms may basically be divided into two categories: 1) stages and 2) states. Batonda and Perry (2003) define these two terms as: “The *stage theory* focuses on a progression of change process in inter-firm network development through stages. It regards network development as an evolution and sequential progression through increases of resource commitment and interdependence” (Batonda and Perry, 2003, p. 1457), and: “The *states theory* focuses on strategic moves of exchange actors which occur in an unstructured and unpredictable manner at any point in time” (Batonda and Perry, 2003, pp. 1457-1458).

Figure 2 illustrates the nature of states, according to Batonda and Perry (2003). The relationship processes may develop in many different ways. It can, for instance, develop from the Searching process to the Starting process, which can develop further to the Development process or return to the Searching process, or it can go further to the last state, the Termination process, and possibly end in the Dormant process for possible later reactivation. Figure 2 illustrates the developmental varieties of the flexible states.



**Figure 2 – State Model (Batonda and Perry, 2003, p. 1480)**

It is essential to notice that states, in contrast to stages, are flexible and do not appear in a sequential order. In other words, the development process between two firms does not always

occur in the same order. Table 2 classifies the literature reviewed, that will be further elaborated on below, according to sequential stages, flexible states, and other models of the relationship initiation process. These articles are further arranged according to their publication year.

**Table 2 – The literature of how the development process evolves**

	<b>Sequential Stages</b>	<b>Flexible States</b>	<b>Other Models of Initiation</b>
<b>Van de Ven (1976)</b>			X
<b>Ford (1980)</b>	X		
<b>Ford and Rosson (1982)</b>		X	
<b>Frazier (1983)</b>		X	
<b>Dwyer et al. (1987)</b>	X		
<b>Larson (1992)</b>	X		
<b>Ring and Van de Ven (1994)</b>	X		
<b>Sharma (1994)</b>	X		
<b>Wilson (1995)</b>	X		
<b>Cann (1998)</b>	X		
<b>Ellis (2000)</b>			X
<b>Batonda and Perry (2003)</b>		X	
<b>Wilkinson et al. (2005)</b>			X
<b>Holmen et al. (2005)</b>			X
<b>Edvardsson et al. (2008)</b>		X	
<b>Aarikka-Stenroos (2008)</b>		X	
<b>Kaunonen (2010)</b>		X	
<b>Aaboen et al. (2011)</b>			X

In recent years, seen in Table 2, there has been an increasing trend towards looking at the development of business relationship as a more flexible, dynamic and reversible process, moving through states. This means that a relationship can constantly move forwards and backwards in the development process. Furthermore, it also seems like articles in recent years have a less focus on describing developments of business relationships as a development process moving through stages or states.

The entire development process of business relationships was looked upon so we could better understand the initiation process. Now, we will study the initiation process from a need develops for a business customer until the business relationship is settled through a formal or informal agreement.

## 2.2 Initiation of Business Relationships

In the following part, we will focus upon the initiation process of business relationships. The initiation process consists of different sub-processes that have separate activities and unique characteristics. We will present the scientific basis for the presentation of different combinations and properties regarding the initiation process. As presented for the whole development process, the initiation process can also be categorized into those who emphasize sequential stages, those who mainly discuss flexible states, and other models of initiation. When studying the literature we saw that authors made a clear distinction between stages and states, and therefore decided to present the articles in line with these categorisations. Although several of the following articles describe the entire developmental process of business relationships, we will focus solely on the initiation process.

### 2.2.1 Sequential Stages

We will here introduce literature that presents the initiation process of business relationship as developing through sequential stages. It is important for the reader to notice that we will only present the stages concerning the *initiation process* of business relationships.

#### ***Ford (1980)***

In the five-stage model by Ford (1980) the process of establishing and developing a relationship happens gradually during the first two sequential stages: *The Pre-relationship stage* and *the Early stages*. The first stage mainly concerns evaluation of potential business relations, and the second stage involves negotiation. Ford (1980) discusses the establishment of relationship in these two stages with respect to the variables *experience*, *uncertainty*, *commitment*, *adaptation* and *distance*. With regard to distance, this can be divided in to *social distance* (degree of mutual knowledge and interaction) *cultural distance* (degree of cultural difference between two companies), *geographical distance* (physical distance between the two firms) *technological distance* (difference between product and process technology) and *time wise distance* (time elapsed between establishing contact and placing the first order).

In the Pre-relationship stage, Ford (1980) focuses primarily on evaluation, which may be influenced by previous relationships. In the Pre-relationship stage, five evolutions of potential



business relations are described: “1) particular episode in existing relationship; 2) general evaluation of existing supplier performance; 3) effort of non-supplier; 4) other information sources; and 5) overall policy decision” (Ford, 1980, p.342). There is yet no commitment to the supplier, and the variable uncertainty is considerable. The distances between the buyer and supplier are high, like the social distance, since the individuals in the relationship are unfamiliar with each other. Cultural and geographical distances are partly beyond the control of the seller. The technological distances may be large, and usually the time distance increase as long as the relationship is under development. It takes time to complete orders and the specific products are delivered. Geographical distances may influence the potential costs and benefits of the business relationship.

The Early stage is also highly relevant for the initiation process of relationship, since in this stage negotiation takes place. The experience between parties in newly established business relationship may be low and will imply a high degree of uncertainty concerning the final result. In this stage there is usually little opportunity to reduce the different distances mentioned. However, lack of knowledge between the buyer and seller may lead to increased social distance. The second stage is completed when a contract is signed, and consequently business initiation has been completed.

### ***Dwyer et al. (1987)***

In Dwyer et al. (1987) five-phases “consider how practical discrete transaction (casual dating) might progress into more durable association supported by shared goals, planning, and commitment to the relationship.” (Dwyer, 1987, p. 15). The first two phases, seen as sequential stages, *Awareness and Exploration* are of interest in the present discussion on the development of buyer-seller relationships. These phases contain the processes of recognition, search and trial for potential partners.

The Awareness phase is described as “A recognizes that B is a feasible exchange partner, and there are no interactions between the parties” (Dwyer et al, 1987, p. 15). In the Exploration phase, search and trial are performed, resulting in the first dyadic interaction. *Benefit, burdens and obligations* are important variables. This phase has been divided into five sub-processes

(Scanzoni, 1979, quoted in Dwyer et al. 1987): 1) *Attraction*; 2) *Communication and Bargaining*, 3) *Power and Justice*, 4) *Norm Development*, and 5) *Expectations Development*. The first sub-process, Attraction, is often interpersonal and based on similarities of beliefs, values and personalities. Benefits and burdens are encouraged from complementary resources like: money, resources, services, information, legitimacy, and status. The second sub-process, Communication and Bargaining is defined as: “the process whereby in the face of resistance parties rearrange their mutual distribution of obligations, benefits, and burdens.” (Dwyer et al., 1987, p.16). In the initiation process of a relationship the parties often avoid bargaining by avoiding direct communication. Therefore, the relation is mainly developed through questions and answers. The third sub-process, Power and Justice, underlines that power and bargaining are closely linked together: “Part A’s power over B is determined by B’s dependence on A for valued resources” (Dwyer et al., 1987, p. 17). With minimal involvement of the parties during the sub-process, relationship building is easily ended. The fourth sub-process, *Norm Development*, guides and forms the expected pattern behaviour between the parties. The last sub-process, *Expectations Development*, deals with conflicts of interest and the prospect of unity and trouble. This can both enhance and complicate contractual agreements. Trust is an important part of the development and understanding of expectations.

### ***Larson (1992)***

Larson (1992) has studied network structures in entrepreneurial settings of newly established firms. He presents a model of dyadic network formation with three phases, seen as sequential stages. Reputation, trust, reciprocity and mutual interdependence are central aspects in his model. The first two phases 1) *Preconditions for Exchange History* and 2) *Conditions to Build* are relevant for the initiation process. Preconditions for Exchange History regard personal reputations, histories and individuals friendships which are important factors to explain the development of ties between firms. A foundation of mutual trust is often settled before the companies begin their transaction. The reputations of both the firms and the individuals prior to the exchange are also important factors during the formation of relationships. The second phase, Conditions to Build, describe the importance of having mutual economic advantages, which is obviously important but not necessarily sufficient in the establishment of a relationship. During

the initial trial period the development of trust is of great importance, and one of the firms has often the initiator role, being extra helpful and showing their interested in the relationship.

### ***Ring and Van de Ven (1994)***

Ring and Van de Ven (1994) focus on the trend of more cooperative inter-organizational relationships, IORs. This trend is within business deals, including strategic alliances, partnerships, coalitions, joint ventures, franchises, research consortia and network organizations. In their four-stage framework the first stage Negotiation and parts of the second Commitment stage are relevant to the initiation process. In the Negotiation stage, the parties develop joint expectations with respect to their motivations, potential investments, and perceived uncertainties of a potential business deal. Focus is on formal bargaining processes and on how the parties behave, as they decide to approach or avoid alternative parties and discuss potential relationships. The Negotiation stage can be recognized by the following factors; *risk, trust, bargaining* and *expectations*. In the next Commitment stage, only a part regarding physical contact is relevant for the initiation process, where the terms and the structure for further collaboration are developed. The reason for choosing the Commitment stage as part of the initiation process is that the psychological contract between the two parties increases the likelihood for formal contracts, representing the end of the initiation process. When focusing on the initiation process Ring and Van de Ven (1994) state two proposals to explain how cooperative IORs emerge. “Proposal 1: Congruent sense making among parties increases the likelihood of concluding formal negotiations to a cooperative IOR; Proposal 2: Congruent psychological contracts among parties increase the likelihood of establishing formal commitments to a cooperative IOR” (Ring and Van de Ven, 1994, p. 101).

### ***Sharma (1994)***

Sharma (1994) classifies four different types of buyer for well-established firms. These are: 1) *The Bargainer*, 2) *the Loyal*, 3) *the Confused*, and 4) *the Competent*. The Bargainer will create competitions among the sellers through actively encouraging them to bid for an assignment. The Loyal buyer has an established network of relationships between the buyer and sellers, based on past business transactions. The Confused buyer is new and inexperienced, and has a non-existent or weak network of relationships. Competent buyers are both new and established, meaning that

the buyers are experienced in the field but new in the project. The four types of buyers develop relationships gradually and progress through four stages. Along the process, the distance between the buying and the selling firm will be reduced. Sharma (1994) distinguish between firms according to size, age, and experience. Thus, a distinction can be made between newly and well-established firms.

The first two stages, Pre-purchases and Test, are interpreted as relevant for the initiation process. In the Pre-purchase stage the buyer and seller do not know each other. The parties are distanced in four ways: 1) *Socially*, due to lack of interaction and unfamiliarity; 2) *culturally*, due to differences in business norms 3) *technologically*, due to technological differences and 4) *physically* following geographical distance (Ford, 1982, pp. 291-293, quoted in Sharma). All these distances are more pronounced in international than national or local business areas (Sharma, 1991 quoted in Sharma, 1994). The buyer may be a Bargainer and refuse to develop a stable relationship, or a Confused new buyer, that has new needs. The initiative for initiating the relationship may come either from the buyer or the seller. The next Test stage is characterized by negotiation processes between the buyer and the seller. Credibility and legitimacy of the selling firm are not yet established, unless the seller firm has reduced the social, cultural, technological and physical distances. The buyer may be a Bargainer who is not interested in establishing a relationship or a Confused buyer since the two firms still do not know about each other. In this stage, the credibility and legitimacy of the selling firm are still not developed, until the seller firm has reduced social, cultural, technological and physical distances.

### ***Wilson (1995)***

Wilson (1995) presents a five stage relationship development model, consisting of sequential stages, with variables that can be active in some stages and latent in others. Therefore the importance of the variables differs according to active stages.

We interpret the initiation process to be covered by the two first stages, *Partner Selection* and *Defining Purpose*. The first stages is about searching and finding an appropriate partner to develop a business relationship with. Reputation is only active in Partner Selection. Variables that are active in the two first stages are; *performance satisfaction, trust, comparison level of*

*alternatives, mutual goals and power.* The second Defining Purpose phase will help both partners to clarify their mutual goals, which is necessary before entering a binding relationship. The partners need to find a balance between individual and mutual goals, because: “Mutual goals are the glue holding a relationship together in times of stress.” (Wilson, 1995, p. 341).

### ***Cann (1998)***

Cann (1998) focuses solely on the initiation process, by presenting eight sequential steps of business-to-business relationship building, and emphasizes that this process starts *inside* and ends *outside* the organization. In other words, these steps are divided in to internal and external focus areas, which together build up a commitment between the buyer and the seller to maintain a relationship over time. The internal focus of building a business-to-business relationship consists of five steps, and the three first steps are 1) *Setting goals*, 2) *define strategy* and 3) *determine culture*. The basic procedures of any selling firm are defining marketing goals and strategy. By performing a culture audit the firm’s culture will be visible, which is important in the fourth step. This consists of 4) *determining congruence of strategy and culture in order to obtain synergy* between these two variables. The fifth step is the 5) *activation of a customer service-oriented culture*. The external focus consists of the three following steps: 6) *Implementation of the marketing strategy*, 7) *bonding socially with the customer* and 8) *adding value to the relationship*. The better the “personal fit” between the parties are, the stronger the social bonds will be. The stronger the social bonds are the greater is the possibility for a long lasting relationship. Nevertheless, real value added to a relationship requires that the seller provides exceptional services. In the end, sunk costs enforce or enhance a huge commitment that both the parties must have toward the relationship, and consequently cannot afford to separate.

To summarize, we have present seven articles that describes the development of business relationships through sequential stages, with a focus on the initiation process. We will therefore turn to the opposite categorisation of sequential stages, flexible states, and following present the authors that describe the development process as flexible states.

### **2.2.2 Flexible States**

Here we will present the literature that presents the initiation process of a business relationship as flexible states, where relationships do not developed in a definite order. It is important for the reader to notice that we will only present the states concerning the *initiation process* of business relationships.

#### ***Ford and Rosson (1982)***

Ford and Rosson (1982) focus on overseas distribution and the relationship between an exporter and a manufacturer. The article focuses especially on small and medium sized firms. They categorize the firms according to age, thereby distinguishing between newly- and well-established firms. The relationship development does not need to progress in a given order over time. Thus, the development is seen as states

Ford and Rosson (1982) have performed an empirical study that shows a correlation between how the relationship develops, and the length of the dyadic relationship. The lengths of the relationship are divided into new, growing, trouble, static and inter *states*. In the New state the relationships are less than two years old, and therefore this state represents the initiation process. New relationship states are those where an agreement to work together has been made, the parties have little experience with each other. The rest of the states are not seen as part of the initiation process.

#### ***Frazier (1983)***

Frazier (1983) has studied interorganizational exchange behaviour in marketing channels. He has developed a framework describing the initiation, implementation and review of on-going channel relationships. All these processes are highly interactive during the exchange, and can therefore be defined as states.

Regarding the initiation process, Frazier (1983) focuses on why and how firms initiate relationships within marketing channels. This process starts with the *need* and *motive* of the firm to form a relationship. Examples of such need and motives are replacing current partners by for example adding a partner who offers better margins or increased volume, or starting a new

business in a new region. The awareness of need can be facilitated by external agents like sales representatives from other firms, and current customers. Next is *search* for viable exchange partners. The third step is evaluation by using *expected extrinsic* (from outside the focal firm) *or intrinsic rewards* (from inside the focal firm). Regarding negotiation the focus is on the required investments, measured in time, effort and money. An agreement can be either a verbal agreement or a formal legal contract.

### ***Batonda and Perry (2003)***

As already mentioned, Batonda and Perry (2003) conclude that the developmental process of network relationships is not an orderly progression of stages over time, but instead an evolution of unpredictable states. They propose a model of six states to describe the developmental process of a business relationship. Relationship develops in a series of flexible states and cannot be locked to one sequence of actions. Thus, they emphasize that managers should focus on the six “states model” of relationship development, instead of using a programmed “stage model”.

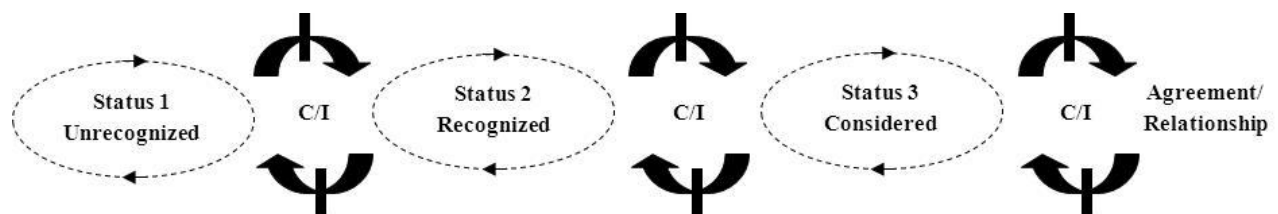
The three first *Searching*, *Starting* and *Development processes* are especially relevant for the initiation process of a business relationship. In the first state, the Searching process, the purpose and need for going into network relationship are recognized. Furthermore, searching for potential partners from internal and external sources is performed. In order to increase knowledge of partners, information is gathered, competence of the potential partners is cross-checked and matched between their capabilities. This means that they compare against alternatives. In this state, evaluation and selection of potential partners are done, based on both personal and economical attributes. During the second state, the Starting process, the initial contact is made. The purpose of and opportunities among the parties are presented by establishing rapports, testing personalities and evaluating the compatibility of the parties. The third state, the Development process, is also of relevance for the initiation process of developing personal relationships within the business relationship. The organizations plan activities and responsibilities, and identify and prioritize further development. In this phase there is still established little commitment between the parties, which is increased in the later states when trade is on-going.

**Edvardsson et al. (2008)**

Edvardsson et al. (2008) focus solely on the relationship initiation process. They study firms with multiple-years' experience, thus they focus on well-established firms. A model is presented (see Figure 3) which builds on two aspects: 1) *status* and 2) *forces*. A dynamic process is described with emphasis on forces that change the process to move between different positions. Based on this they are seen as states.

Statuses increase the likelihood of obtaining a business agreement and they are: 1) *Unrecognized*, 2) *recognized*, and 3) *considered*. Unrecognized status is defined as the situation when the parties do not know each other, in other words the buyer do not recognize the seller. Recognized status is when there is awareness between the companies of mutual business possibilities. Considered status occurs when the representatives from both companies co-develop and discuss the scope and objectives in details. Here, negotiation and tenders are important contributions.

Two types of forces are changing the status: *converters (C)* and *inhibitors (I)*. Converters speed up or slow down the process, while inhibitors hinder the process to proceed, or may even reverse it. Converters can be described in the relationship initiation process by the following labels: *time*, *trust* and *service offering*. Time is defined as the timing of activities. Trust is defined as the trust in persons and companies. Service offering is defined as the distinctive differential service competence and concept. Inhibitors can be described in the relationship initiation process by the following labels: *bonds*, *risk* and *image*. Bonds are defined as explicit or implicit factors that create relationship inertia. Risk is defined as the buyer's estimation of difficulties in the cooperation process and negative outcomes. Image is defined as the buyer's overall perception of the seller. Due to the complexity of the model, we have decided to clarify it in Figure 3.



**Figure 3 – Model of relationship initiation process by Edvardsson et al. (2008, p.342)**



Figure 3 summarizes the model and shows the dynamics between the aspects mentioned above. The arrows moving between the three statuses illustrate the dynamic process going backwards and forwards by inhibitors and converters, respectively. The lines across the arrows illustrate how backward and/or forward movements may be hindered. The dotted circles around each status illustrate that the initiation of a relationship may involve different activities which enables further contribution to the initiation process.

### ***Aarikka-Stenroos (2008)***

Aarikka-Stenroos (2008) identifies and analyses the *key sub-processes* of the initiation of buyer-seller relationships. She addresses the question “how the initiation process can be featured and what are the key sub-processes of emerging business relations?” (Aarikka-Stenroos, 2008, p. 3). An empirical study is performed on the initiation of dyadic phenomenon, and presents a more detailed description of the initiation process compared with previous literature.

This article focuses on three major aspects of the initiation process: 1) The blurredness of the initiation phase, originating from the features of the initiations (activity, intentionality and speed); 2) The various actors and exchange dimensions involved in the initiation phase; and 3) The range of non-linear and linear initiation sub-processes.

Aarikka-Stenroos (2008) describes the initiation of business relationships as a blurred phase which involves many actors and episodes, and it may be difficult to determine when a relationship really begins. The article argues that this may be a reason why the initiation process has been given little attention in the previous literature. The initiation process may occur in situations when a new actor is entering the market, a company is entering a foreign market or a start-up is ready to build its customer base. The initiation process of new relationships also occurs when a mature firm with new products aims to achieve new clients or a buyer raises new needs. In addition, relations must be initiated after exit and dissolution situations, and in situations with complex and specialized offerings. In all these examples the initiation process is of great importance.

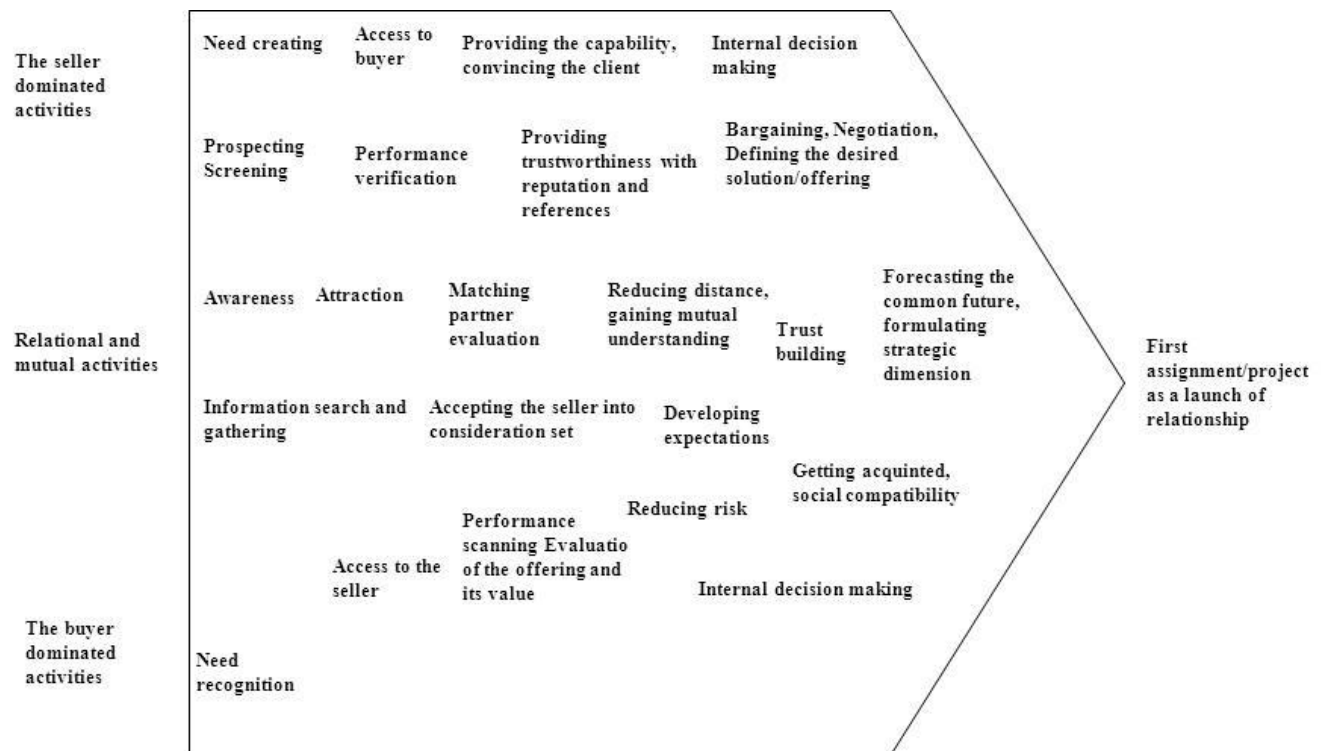


Figure 4 – Sub-processes of the initiation (Aarikka-Stenroos, 2008, p.13)

Figure 4 shows an overview of various activities in the sub-process of the initiation of a business relationship. However, the sub-processes may be grouped as activities of the seller (top of the figure), activities of the buyer (bottom of the figure) and mutual activities (in the middle of the figure). All these activities lead to the first assignment/project between the parties. The sub-processes are part of the general initiation processes, but are not looked upon as sequential. In other words, they are seen as states.

The sub-processes leading to the initiation of a new business relationship may be sorted into seven groups that Aarikka-Stenroos (2008) stress should not be characterized as sequential and that the following numbers are only here used as a reference. 1) *Identification of the need* (a launch of relational development process and buying process and motivation; 2) *identifying match* (awareness and attraction between the two parts are important); 3) *access* needs to be created; 4) *constant information gathering, performance scanning, verification and monitoring*; 5) *forming and defining the first focal transaction* (parts bargain and form the conditions of

delivery); 6) *building conditions to operate* (trust, information and mutual communication); 7) *planning and forming the future of potential relationship* (building mutual trust and forecasting common future).

Some main points raised by Aarikka-Stenroos (2008) are the initial blurred phase involving various actors, different episodes and communication. There are two active parties in a buyer-seller relationship forming an interaction approach. Thus, both the buyer and the seller take the initiative in seeking partner. Additionally, the initiation can be both intentional and unintentional.

### ***Kaunonen (2010)***

Kaunonen (2010) describes how industrial buyer-seller relationship develops through three states with sub-states. The order is not sequential, thus seen as states. Furthermore, this article combines the industrial buyer-seller relationship process model with the literature on *Guanxi*<sup>1</sup>. A *Guanxi* develops simultaneously through various states depending on the membership, network and tie. Four different cases are studied which all develop in different ways, but they all have some similarities in the process.

The *Beginning state*, including *the Searching* and *the Starting*, is the relevant state for the initiation process. In the *Searching* information is gathered. The parties may know about each other from previous business, but they are not in contact. During the *Starting* the actors make initial contact. They acknowledge each other's existence, but the ties are more instrumental than personal. The *Starting* may vary in time and is in general longer in China than in the West, probably because contact is easier made within short physical distances.

To summarize, there have been present six articles that describes the development of business relationships through flexible states, with a focus on the initiation process. Hence we will turn to the authors that describe other models of the relationship initiation process.

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<sup>1</sup> *Guanxi* is the network of relationships that cooperate together and support each other with expectation to be done regularly and voluntarily (Center, 2011)

### 2.2.3 Other Models of Initiation

In this part we will present the literature that does not describe the initiation of business relationship as a process determined by stages or states, but focus on reasons for relationship development, and factors that determine initiation.

#### *Van de Ven (1976)*

Van de Ven (1976) was the first author to present a theory that describes how and why an *inter-organizational relationship (IR)* develops and sustains over time. In contrast to later articles the development is not presented as a process. The article describes a *Resource Dependence Model* and *System Change Model* to explain reasons for why inter-agency emerges and relationships between firms are initiated. Based on his research, Van de Ven presents nine hypotheses, of which four of them are considered of importance for the initiation process. These will be presented together with the Resource Dependence Model and the System Change Model.

“An inter-organizational relationship (IR) occurs when two or more organizations transact resources (money, physical facilities and materials, customer or client referrals, technical staff services) among each other” (Van de Ven, 1976, p. 25). There are five *situation factors* that explain why and how inter-agency relationships develop: 1) *Resource dependence*, 2) *commitment to problem issue or opportunity*, 3) *awareness*, 4) *consensus*, and 5) *domain similarity*. The emergence and development of an IR is a cyclical process: need for resources, issue commitments, inter-agency communications to spread awareness and consensus, resource transactions, and structural adaptation and pattern maintenance over time. A start with a solution to a problem can eventually result in a long-term commitment between organizations.

A firm will seldom, if ever, coordinate just for the sake of coordination per se, since lack of coordination will provide a higher degree of autonomy, and give greater possibility for choosing own course of action. In other words, when becoming part of an IR, the organization will lose some of its freedom.

According to Van de Ven (1976) describes two reasons for why inter-agency activities emerge: 1) *Internal need for resources* and 2) *a commitment to an external problem or opportunity*. Van

de Ven (1976) describes consensus as the agreement among agencies on solutions, service and goals, and mentions conflicts on means and ends. Domain similarity implies goals, services, staff skills, and clients of agencies. Based on the *resource dependence model*, two hypotheses are presented by Van de Ven (1976): “1) The greater the resource dependence, the greater the frequency of inter-agency communications; and 2) the greater the frequency of inter-agency communications, the greater the awareness of other agencies and the greater the consensus among parties” (Van de Ven, 1976, p.30). In other words the resource dependency model implies that organizations are pushed into interdependencies because of their need for resources. Awareness and consensus, also mentioned as situational factors, are important for an IR to emerge. The organizations must be aware of each other’s resources and the parties need to agree on the specific goals and services.

Information about changes in the environment brought on by an external intervention sets *the System Change Model in act*. The external involvement leads to inter-agency communications. This again results in an organization’s increased awareness of needs, problems and/or opportunities. As a result, the formation of an IR is a combination of resource dependence and/or, commitment, awareness and consensus. Two additional hypotheses from the System Change Model are relevant for the initiation process: “3) the greater the frequency of inter-agency communications, the greater the awareness and commitment to environmental problems or opportunities; and 4) the greater the commitment to environmental problems or opportunities, the greater the consensus among agencies.” (Van de Ven, 1976, p.30)

### ***Ellis (2000)***

Ellis (2000) has contributed with a study method used by decision-makers to identify possible exchange partners and initiate international exchange relationships. Social ties are useful to screen and evaluate potential exchange partners to provide connections with other markets. Firms were divided in two groups: the manufacturing of plastic toys and the manufacturing of metal/electronic toy. The managers of the plastic toys were characterized as older and more experienced businessmen. The managers of the metal/electronic toy were on the other hand younger and better educated. Here, the manufacturers of plastic toys and metal/electronic toy were well-established and newly established firms, respectively. Ellis (200) showed that the

manufacturers of plastic toy were more likely to exploit their well-developed sources of *Guanxi* than the manufacturers of metal/electronic toy. This indicates that social ties, or social aspects in business relationship between the parties, are more important for well-established than newly-established firms.

Based on his case study, Ellis (2000) describes different sources of information that are used to identify foreign market opportunities. These sources are classified into two groups: *personal* and *impersonal information sources*. Both of these groups are further divided in *direct* and *indirect exports*. This classification describes how firms meet, and is therefore interesting regarding the focus of this thesis on initiation on relationships. Decision-makers, using these sources of information, are social actors who make investment decisions based on as complete information as possible.

Ellis (2000, p. 456) comment classification as follows: “social ties play a directly observable role in identifying exchange partners in 61% and 40% of the non-trade fair initiated direct and indirect FMEs respectively”. The main findings from his classification in personal information sources the majority had prior business relationship with the partner. The main finding from his classification in impersonal information sources being the main reason for information sources observed. Furthermore, parties often met at trade fairs or by agent who responded to advertisement.

#### ***Wilkinson et al. (2005)***

Wilkinson et al. (2005) have addressed the question: “Who choose and who gets chosen”. Further the question regarding in firms tend to ‘marry’ each other or ‘dance with’ each other is discussed. The article therefore focuses on whether the initiation of a business relationship is a mutual choice.

The findings regarding the initiation process is presented as four characteristics important in the process of developing a successful relationship: 1) *Financial issues*, 2) *organizational culture and strategic issues*, 3) *technological issues* and 4) *other factors as safety to different relationships*. From theories on assortative mating and sexual selection, three analogue

descriptions can be applied to business mating. *Propinquity* implies that it normally is easiest to establish and maintain contact with firms that are closely related. Business relations also involve a *joint choice*, which lead to negotiation between the parties. When it comes to the sexual attraction between the firms, this is based on the expectation of the value created by the relationship. This is shaped through previous experiences, similar to mating among people. Similar to assortative mating for humans, business relationships are not randomly matched, but individuals find each other through assortative mating. According to Wilkinson et al. (2005) similar firms tend to mate with each other, especially with respect to size and similarities in activity, "Similar firms operating in similar ways in similar market positions are more likely to notice each other." (Wilkinson et al., 2005, p.677). Firms also tend to mate with firms that have different, but complementary positions in the market. Instead of describing the initiation of relationship as a process, this article looks upon business mating as a result of "who choose and who gets chosen".

#### ***Holmen et al. (2005)***

Holmen et al. (2005) have performed an empirical study on the first customers of the firm and how firms meet. According to Holmen et al. (2005), the reason for lack of research on how relationship are initiated, is probably because what happens in a relationship over time matters most. The total relationship has a much longer time frame than the initiation process. Thus, it gets more attention. This implies especially well-established firms, whereas small start-up firms have greater problems with the initiation process because of few previous existing relationships. Path-breaking changes are also a challenge for well-established firm when establishing new relationships. Among 38 direct customers, 11 types of relationship initiations were identified and discussed. The main findings from Holmen et al. (2005, p.7) are "the counterpart initiated the first contact with the focal firm"; "a former employee of partner initiates contact between focal firm and present employer/own start-up firm"; "a direct counterpart of the focal firm initiates contact between the focal firm and one of its other counterparts"; "the focal firm meets partner via a public trade show, fair, trade meeting etc."

The majority of the first customer relationships to the firm were initiated by the counterpart firm. Second most frequently a former employee of the focal firm initiated contact because of a

present relationship with the customer. Based on their analyses, Holmen et al. (2005) developed a *spider web diagram* of the firm's relationship initiation profile. The diagram consists of two dimensions on X- and Y-axes, respectively 1) *Active vs. reactive*, if the focal firm initiates the interaction process or not; and 2) *direct vs. network*, if known partner acts as mediator or if the facilities are initiated in public areas. Based on this, Holmen et al. (2005) showed that most relationships were started as a combination of the dimensions reactive and network.

### ***Aaboen et al. (2011)***

Aaboen et al. (2011) have presented a particular view on start-up firms, by focusing on the first customer. They also present a model that illustrates the business relationship between two firms. This model consists of *facilities*, which are the equipment required to develop or produce a product, and are the internal resources of a *business unit*. The different business units tie the businesses together through interaction. A relationship can therefore be seen as an interface between the business units. All resource entities develop as a result of interaction within the customer relationship of the start-up firms. They have analysed how start-up firms meet their new customers and how they develop their resources in interaction with their initial customers in order to develop a product together. In addition, they have developed a model with four case firms called Alpha, Beta, Delta and Gamma.

For the firm Alpha, the first customer was achieved because the chairman was also the former president of the company that delivers their system. Through his contacts it was possible to approach directly the president of the specific company, and together they started a joint development project. The second customer was met at a trade fair. The firm Beta accessed the first collaborator through an acquaintance of the co-founder of Beta. The first customer relationship of the firm Delta was developed due to the fact that the CEO made calls to potential customers. The relationship with customers started with initial contact, and they often had many meetings before they reached an agreement. The firm Gamma met the initial relationship at a trade fair. This first relationship made them realize that they did not focus on the right area, and consequently they had to think differently. To get new contacts they entered innovation contests, which resulted in several new contacts. One new customer ordered a product they



developed, which provided them with large capital income and rendered them independent of venture capitalists.

To summarize, there have been present five articles that describes the development of businesses neither through stages nor states, but instead focus on reasons for relationship development and factors that determine initiation.

After presenting relevant literature regarding initiation of business relationships in the classification of stages, states, and other models of the relationship initiation process we will make a synthesis of the initiation process of business relationships based on the reviewed literature. We will next divide the initiation process further into *sub-processes*, because it illustrates that the initiation process further consist of several events. This synthesis will also be a summary of the aforementioned literature in a more structured way.

#### **2.2.4 A Synthesis of the Sub-processes**

We have presented various reasons and sub-processes involved in the initiation of business relationships. These will be classified into specific sub-processes, due to the somewhat confusing discussion of the term stages and states, and that it is illustrative for the activities happening in the initiation process.

##### ***Sub-processes in the initiation process of business relationships***

The initiation process of business relationships has been described in different terms in the literature. However, many of these terms basically describe the same processes. Based on the literature reviewed, we will divide the initiation process into six defined sub-processes (Table 3), in order to provide a systematic description of the initiation process of business relationships. Generalized from aforementioned stage and state labels, these six sub-processes are named: 1) *Search*, 2) *Evaluation*, 3) *Fist Interaction*, 4) *Negotiation*, 5) *Social Relations* and 6) *Agreement*.

In our effort to categorize the initiation processes described by the authors into the sub-processes, we have made some generalizations and simplifications in order to fit the contents of the articles in our synthesis of the topic. Table 3 shows the six sub-processes of the initiation

process: *Need, Search, Evaluation, First Interaction, Negotiation and Agreement*. The numbers within each window in Table 3 are describing, based on the aforementioned articles, which order the authors have describes each sub-processes in their process.

**Table 3 – The six sub-process in the initiation process**

	<b>Need</b>	<b>Search</b>	<b>Evaluation</b>	<b>First Interaction</b>	<b>Negotiation</b>	<b>Agreement</b>
<b>Van de Ven (1976)</b>	<b>1</b>					
<b>Ford (1980)</b>			<b>1</b>		<b>2</b>	
<b>Ford and Rosson (1982)</b>						<b>1</b>
<b>Frazier (1983)</b>	<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	<b>5</b>
<b>Dwyer et al. (1987)</b>		<b>1,2</b>	<b>2</b>	<b>2</b>	<b>2</b>	
<b>Larson (1992)</b>			<b>2</b>	<b>1</b>		
<b>Ring and Van de Ven (1994)</b>					<b>1</b>	<b>2</b>
<b>Sharma (1994)</b>	<b>1</b>				<b>2</b>	
<b>Wilson (1995)</b>		<b>1</b>			<b>2</b>	
<b>Cann (1998)</b>	<b>1</b>				<b>2,3</b>	
<b>Ellis (2000)</b>				<b>1</b>		
<b>Batonda and Perry (2003)</b>		<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	
<b>Wilkinson et al. (2005)</b>				<b>1</b>		
<b>Holmen et al. (2005)</b>				<b>1</b>		
<b>Edvardsson et al. (2008)</b>		<b>1,2</b>			<b>3</b>	
<b>Aarikka-Stenroos (2008)</b>	<b>1</b>	<b>2,4</b>		<b>3</b>	<b>5,6,7</b>	
<b>Kaunonen (2010)</b>		<b>1</b>		<b>2</b>		
<b>Aaboen et al. (2011)</b>				<b>1</b>		

The order which the six sub-processes are presented in the table above does not necessarily correspond to the set of order in the literature. Instead they might appear in flexible states. Our sub-processes in the initiation process do not reflect sequential stages, but represent flexible states which appear in different order depending on different situations. We have discussed the differences between stages and states. We noticed that the articles presented in the resent years mostly represent states. Thus, we argue that this is the trend. Consequently, initiation of a relationship may begin in any of the six states and the progression does not have to follow a specific order, following the definition of state according to Batonda and Perry (2003). We have

seen during this theoretical review that Need often is the motivation to initiate a business relationship, while Agreement seems to be the goal. Following, each of the six sub-processes will be presented.

### ***Need***

Initially, often, the buyer and seller do not know each other (Sharma, 1994). According to the presented literature, the initiation of a business relationship will involve a need state for both the selling and the buying firm. Need is the motivation behind the buying process (Aarikka-Stenroos, 2008). Such a need will recognize an *internal goal* for building business-to-business relationships (Cann, 1998). According to Frazier (1983) the initiation process often begins when the firm perceives a need and motive for building a business relationship. This could be both *the selling and/or the buying firm*. Nevertheless, the awareness of the firm's need for additional resources can be facilitated by *external agents* like other firms or current customers. Van de Ven (1976) also implies that that firm's normally obtain recognition of a need and/or a reason for initiating a business relationship, as a consequence off an *internal need for resources* and/or a *commitment to an external problem/opportunity*. Cann (1998) discusses that an organization needs to focus internally before developing a relationship, and that the firm needs to set goals, define strategies and determine the culture for the focal firm. Thereafter, the firm needs to determine congruence between strategy and culture. The internal focus is therefore especially vital in this sub-process.

### ***Search***

Search is the state when companies look for potential business customers. Usually the search for viable exchange partners occurs after the need of the firm is perceived, and can be performed by either the selling or buying firm (Frazier, 1983). Dwyer et al. (1987) and Aarikka-Stenroos (2008) emphasize the importance of *awareness to closely located partners*. However, according to Edvardsson et al. (2008), the parties do not necessary know each other, and there is awareness between the companies of mutual business possibilities. The purpose of the search is to obtain a clearer recognition of the need for starting a business relationship (Batonda and Perry, 2003). *Information gathering* is therefore an important part of the search state (Aarikka-Stenroos, 2008; Kaunonen, 2010). Additional factors that are important to evaluate during the search of potential

partners are: trust, reputation, performance satisfaction, social bonds, comparison level of alternatives mutual goals, and power/dependence technology (Wilson, 1995). Consequently, search is often an early happening in the initiation of a business relationship.

### ***Evaluation***

During the state of evaluation, the parties evaluate each other as potential collaborators. This state may include evaluation of different aspect which have been considered during the states of search and need, but may also be important to define the expectations of a potential customer based on the evaluation of the following sub-processes: first interaction, negotiation, and/or agreement. Evaluation may also be based on experiences with *previous relationships* (Ford, 1980). Ford (1980, p.342) describe five different settings of evaluating potential business relations: “1) particular episode in existing relationship; 2) general evaluation of existing supplier performance; 3) effort of non-supplier; 4) other information sources; and 5) overall policy decision”. Studying both extrinsic and intrinsic *expected rewards* are other methods of evaluation (Frazier, 1983). Dwyer et al. (1987) underline that evaluation also can be seen triggered by *conflicts of interest*, and during the prospect of either unity or trouble. A *period of trial* between the parties is often necessary before trust between the parties is developed (Larson, 1992). During the evaluation state, new potential suppliers are assessed and these are compared *against existing alternatives*. Evaluation can be done in light of internal and external influences (Batonda and Perry, 2003). During the Evaluation sub-process, firms often behave with *overconfidence* (Cooper et al., 1988 quoted in Bernardo and Welch, 1997).

### ***First Interaction***

In this sub-process, the first *dyadic interaction* between the parties occurs starting with an acknowledgement of each other’s existence (Dwyer et al., 1987). Access to potential partners must be created (Aarikka-Stenroos, 2008). The first ties that are made are often more *instrumental* than *personal* (Kaunonen, 2010). During the first interaction the purpose and opportunities among the parties are presented by establishing rapports, testing personalities and evaluating the compatibility of the parties (Batonda and Perry, 2003). Ellis (2000) argues that the first interaction can take place in international settings. Information that firms use to identify *foreign market opportunities* can be classified into personal and impersonal sources, and further

divided into direct exports (where they meet) and indirect exports (how they meet) (Ellis, 2000). Larson (1992) focuses on the other hand on factors related to how firms can meet. These factors are personal reputation, prior relations, firm reputation and trial periods. Relationship initiating can also be categorized in a spider web diagram consisting of two dimensions: 1) Active vs. reactive, if the local firm initiates the interaction process or not; and 2) direct vs. network, if a known partner acts as a mediator or if more public areas facilitates the initial contact (Holmen et al., 2005). Nevertheless, firm's focuses normally on closely located partners and/or partners that are frequently viewed in media through for example brand advertising. Therefore, being closely located, in regions or in clusters, is crucial for how and where firms meet (Dwyer et al., 1987). Further, Wilkinson et al. (2005) states that similar firms tend to mate with each other.

The circumstances of where and how firms meet are important factors and determinants for the outcome of the initiation process. However, there has been only restricted focus on this field in the literature. Based on our study of the literature, we present six circumstances where and of how firms meet:

- 1) Contact is initiated by an outsider like indirect counterpart, collaborator or unknown buyer (Larson, 1992; Ellis, 2000; Holmen et al., 2005; Aaboen et al., 2011)
- 2) Contact is initiated by a former employees or partner or by prior relations, or a chairman of the first customer has been former president of the company (Larson, 1992; Ellis, 2000; Holmen et al., 2005; Aaboen et al., 2011). Both Holmen et al. (2005) and Aaboen et al. (2011) pinpoint former employees, and Larson (1992) generalizes this in term of "prior relations" including both employees and other relations
- 3) Contact is initiated by the selling firm, or a representative of the firm CFO makes the contact by for example phone calls (Ellis, 2000; Holmen et al., 2005; Aaboen et al., 2011)
- 4) Contact is made in publicly space following public trade show, advertising, trade fair, trade meeting, contests or seminars (Ellis, 2000; Holmen et al., 2005; Aaboen et al., 2011)
- 5) Contact is initiated by personal or firm reputation, in the form of local cluster or references (Larson, 1992; Ellis, 2000; Holmen et al., 2005; Aaboen et al., 2011)
- 6) Less commonly contact is made officially in the form of tenders and trial period (Larson, 1992; Holmen et al., 2005)

These circumstances of initiating contact might overlap each other. Thus, we believe they can be said to be interconnected. As an example, a focal firm can initiate contact in an official setting or at a public meeting.

### ***Negotiation***

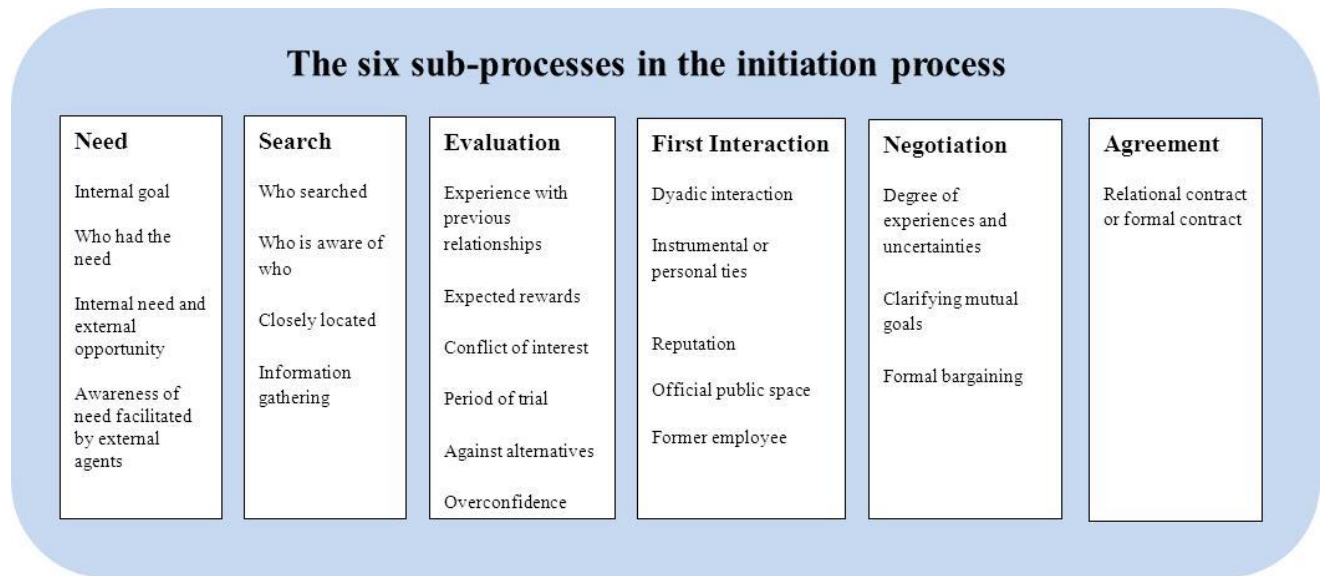
During the initial negotiation, firms have little *experience* in their mutual collaboration, and may show a high degree of *uncertainty* (Ford, 1980). Here, the organizations plan activities and responsibilities, and identify and prioritize further development (Batonda and Perry, 2003). Forming the conditions of delivery, and building conditions to operate through negotiation will focus on the required investments, measured in time, effort and money (Frazier, 1983; Aarikka-Stenroos, 2008). During the negotiation mutual strategies and culture are defined (Cann, 1998). Dwyer et al. (1987, p. 16) describes that the sub-processes Negotiation contains communication and bargaining: “the process whereby in the face of resistance parties rearrange their mutual distribution of obligations, benefits, and burdens.” The main goal of the negotiation is to *clarify mutual goals* for the parties entering a relationship and obtaining potential agreement (Wilson, 1995). Important factors which may influence the results are who the initiator was and what was the topic. Sense making and *formal bargaining* are also important parts of the negotiation (Ring and Van de Ven, 1994; Sharma, 1994; Edvardsson et al., 2008). This phase builds the potential relationship (Aarikka-Stenroos, 2008).

### ***Agreement***

Agreement is the goal, and thus the last state in the initiation process, meaning that the business relationships are formed. An agreement can be either a *verbal/relational agreement* or a *formal legal contract* (Frazier, 1976). A psychological agreement/contract between the two parties increases the likelihood for a *formal contract* (Ring and Van de Ven, 1994). Even though an agreement is made, the parties have little experience with each other (Ford and Rosson, 1982).

Figure 5 summarized the six sub-processes which form our synthesis of the sub-processes in the business initiation process based on the literature review. We have chosen the sub-processes that we believe summarizes the literature in a representable manner. Since we see from Table 3 that

the sub-processes happens in different manners based on the different authors, these sub-processes are seen as flexible states, and therefore the sub-processes do not occur in a defined order.



**Figure 5 – The six sub-processes in the initiation process**

The six different sub-processes, as already stated, have different sequences. Due to the different orders that the sub-processes may occur in, it is interesting to ask if there are something that influence this more than other factors. Some authors in the reviewed literature have distinguished between newly and well-established firms. Hence, there may be differences between newly and well-established firms. This will be investigated further to see if any differences can be seen in the literature concerning initiation of a business relationship.

### *Newly and Well-established firms*

Newly and well-established firms Table 4 shows an overview of the literature that discussed characteristics regarding newly and well-established firms, and some are discussing both.

**Table 4 – Newly and well-established firms**

	<b>Newly established</b>	<b>Well-established</b>	<b>Both newly and well-established</b>
<b>Van de Ven (1976)</b>			
<b>Ford (1980)</b>			
<b>Ford and Rosson (1982)</b>			X
<b>Frazier (1983)</b>			
<b>Dwyer et al. (1987)</b>			
<b>Larson (1992)</b>	X		
<b>Ring and Van de Ven (1994)</b>			
<b>Sharma (1994)</b>			X
<b>Wilson (1995)</b>			
<b>Cann (1998)</b>			
<b>Ellis (2000)</b>			X
<b>Batonda and Perry (2003)</b>			
<b>Wilkinson et al. (2005)</b>			
<b>Holmen et al. (2005)</b>	X		
<b>Edvardsson et al. (2008)</b>		X	
<b>Aarikka-Stenroos (2008)</b>			
<b>Kaunonen (2010)</b>			
<b>Aaboen et al. (2011)</b>	X		

There is not seen any clear trend on the publications of articles discussing newly and well-established firms in the initiation process except a little more frequently lately. Some of the later articles have focuses explicitly on *newly established firms*, like high-growth entrepreneurial firms (Larson, 1992); the first customers of the firm (Holmen et al., 2005); and start-up firms (Aaboen et al., 2011). Such newly established firms will have few customers or will be in their first process of initiating business relationships. Edvardsson et al. (2008) described *well-established firms*, in their studies on firms with multiple-years' experience. Ellis (2000) made a distinction between newly and well-established firms among two types of manufacturing firms producing toys. They argued that firms producing plastic and metal/electronic toys were well-established and newly established, respectively, since plastic toys have been in production for several years, whereas metal/electronic toys have been developed more recently. The remaining



studies had no specific focus on *newly and/or well-established firms*. However their study design made it possible to get an impression on the age of establishment like Ford and Rosson (1982) who looked at the length of the relationships and Sharma (1994) who distinguished between firms according to size, age, and experience.

Based on these articles, we have addressed the question whether a clear distinction could be made between newly and well-established firms regarding how they approach initiation and how their initiation actually happens.

To summarize, we have looked at the initiation process of business relationships and addressed six sub-processes that may occur in different orders because they are flexible states. Furthermore, the characteristics regarding newly and well-established firms have been discussed in the literature, which caused an interesting question of whether this is influencing which order the sub-processes develop in. The different natures of newly and well-established firms may concern their decisions regarding the initiation process of business relationships. Therefore, it is interesting to investigate whether the strategy of the firms influences the development of the initiation process. Thus, the field of strategy will be further studied.

## **2.3 Strategy Formation**

In order to see the possible differences in forming new business customer relationships for newly and well-established firms, as discussed above, we want to discuss how strategies are formed. From the studied literature it seems like well-established firms, due to former experiences, have more planned strategies, whereas newly-established firms possibly may respond more to opportunities that appears from the surroundings, than planning strategies. The degree of planned strategy regarding the initiation of business relationship for newly and well-established firms is therefore of great interest for our thesis.

de Wit and Meyer define strategy as: “a course of action for achieving an organization’s purpose” (de Wit and Meyer, 2010, p. 52). Businesses form strategies in order to grow and secure the future value of their customer portfolio, representing the number of customers with respect to both expected purchase and loyalty. Companies are dependent on their customer

portfolio for future cash flow, and this must be ensured by planning and forming strategies (Selnes, 2010).

### 2.3.1 Types of Strategy

de Wit and Meyer (2010) present several paradoxes regarding the dimensions of strategy. The paradox between *deliberateness* and *emergence* is of special interest to our study, since it focuses on whether the formation of strategy of a business relationship is based on deliberate planning, and/or emerging opportunities.

de Wit and Meyer (2010) states that strategy is seen as either *an intended* or a *realized course of action*. An intended course of action implies that the firm plans prior to its action, whereas a realized course of action implies that the strategic behaviour of the firm is formed in practice. The dynamics of strategy formation are further illustrated in in Figure 6, and will be further described.

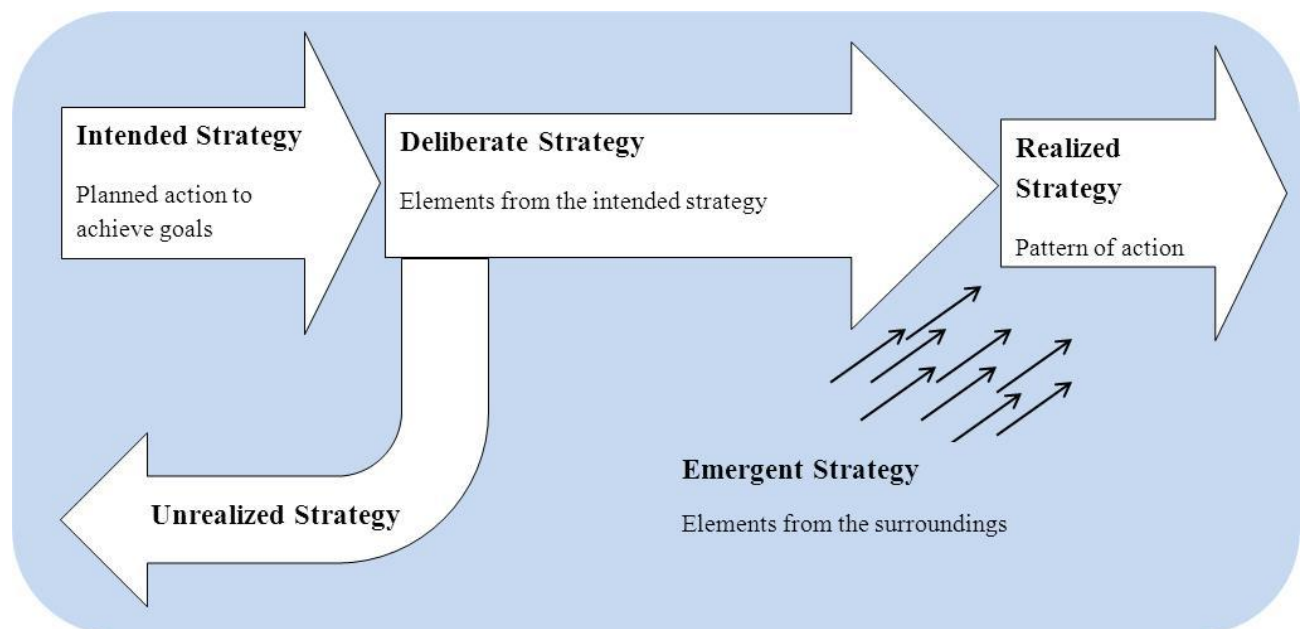


Figure 6 – Types of Strategies (Mintzberg and Waters, 1985, p. 258)

#### *Intended strategy*

Mintzberg and Waters (1985) state that *intended strategy* is the planned action in order to achieve the goal of the firm. de Wit and Meyer (2010) argue that in order to act perfectly

intended, the environment must be completely predictable, totally benign or under the organization's full control. This is unlikely to be the case in reality. Still, some strategies do come close to this ideal situation. The firm's resources are essential parts when forming the strategy.

### ***Deliberate strategy***

Although firms have intended strategies, unexpected scenarios, like changes in the environment, will occur. This may result in *unrealized* strategies which mean that parts of the plan did not happen in practice (see Figure 6). Deliberateness is acting intentionally according to the firm's original plans, the intended strategy. A plan gives the organization and its employees a motivation to achieve the superior aims of the firm, and ensures commitment among the employees. A plan ensures the opportunity to coordinate and optimize strategic initiatives and resource allocation. Furthermore, a plan is necessary for activities to be programmed into the organization, and makes it easier to handle activities that otherwise might be overseen. (de Wit and Meyer, 2010)

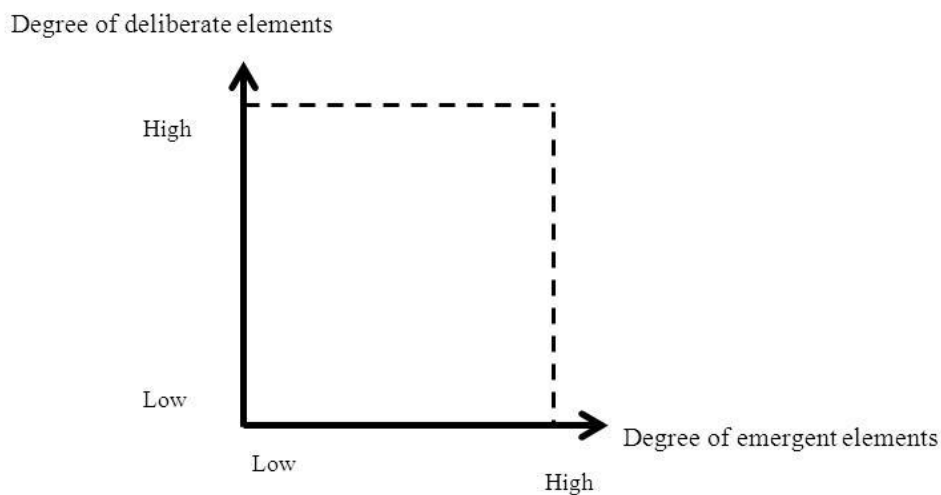
### ***Emergent strategy***

Emergent strategies emerge gradually from the surroundings of the firm, and are relatively contingencies. For a strategy to be completely emergent there should be more or less significant absence of the intended strategy (Mintzberg and Waters, 1985).

Since the future may be unpredictable, emergence give the opportunity for being *opportunistic* and seize unforeseen opportunities. Positive opportunities will be grabbed as they emerge and render the company more *flexible* and *experimental*. In addition, emergence fosters *entrepreneurship*. A firm can use the energy of entrepreneurs within the organization by providing the autonomy to pursue innovative initiatives. *Support* is important in the shift of strategy, and must be gradually imposed. The management needs support from all the employees, but the degree of support may be difficult to predict in advance. Thus, it is important that the managers form the strategy in order to adapt to changes that might emerge. The absence of an intended strategy is not necessarily a disadvantage, since it may lead to greater flexibility, and in some cases may also indicate that the firm has full control. (de Wit and Meyer, 2010)

### ***Connection between deliberateness and emergence***

Mintzberg and Waters (1985) argue that very few strategies are purely either deliberate or emergent. Strategies are often a mixture of these two, and they might appear in different degree. This may appear as a paradox, but the duality of deliberateness and emergence is exemplified by the fact that firms want to design their future, but at the same time they also need to gradually explore, learn and adapt to reality. This paradox is illustrated by Figure 7, which show that strategy can be placed within a square with different degrees of deliberate and emergent strategy, and can attain all dimensions being both highly emergent and highly deliberate, or having different degrees of emergence and deliberateness.



**Figure 7 – Connection between deliberate and emergent elements**

### ***Realized strategy***

Both the deliberate strategy and the emergent strategy leads to *realized strategy*, as illustrated in Figure 6. Realized strategy is the actual, executed strategy. In other words, the realized strategy is seen as what actually happens in the process it is carried out.

### **2.3.2 Planned-emergence**

Grant (2003) recognizes that there is a need for more research on how firms plan and strategize in reality. He also claims that strategic planning in companies is probably greatly exaggerated. Often, the realized performance level falls far from the originally targeted level. Here, “..strategic planning systems provide a mechanism for coordinating decentralized strategy formulation within a structure of demanding performance targets and clear corporate guidelines” (Grant,

2003, p. 491). These planning systems foster adaptation and responsiveness, and are fairly innovative and analytically sophisticated. In his article, Grant (2003) describes large oil companies that have both a planned and an emergent strategy to exploit emergent opportunities. Furthermore, Grant (2003) state that strategic planning plays an important role in large corporations. However, the planning activities have changed substantially as a response to strategy formulation in turbulent environments. Strategic planning has become more decentralized with shorter time frames and more goal focused, and less focus on actions and resource allocation. This *planned-emergence* is evident in the companies studied by Grant (2003), where the strategic planning systems are aligned with the management principles, but in addition offers complex adaptive systems. In other words, the companies plan how they will handle emergent opportunities.

We have seen that strategy is a complex field consisting of different types of strategies; intended, deliberate, unrealized, emergent and realized strategy. It is seen that the realized strategy is a result of the process that actually happens. Therefore, we want to look at what is causing this realized strategy; emergent and deliberate elements. Based on our literature study, we shall now present a theoretical framework to be used as a basis for collection, analysis and discussion of our data. This theoretical framework summarizes our most relevant findings from the literature, including how the sub-processes of the initiation process are linked to strategy formation.

## **2.4 Our Theoretical Framework - a Synopsis of the Literature**

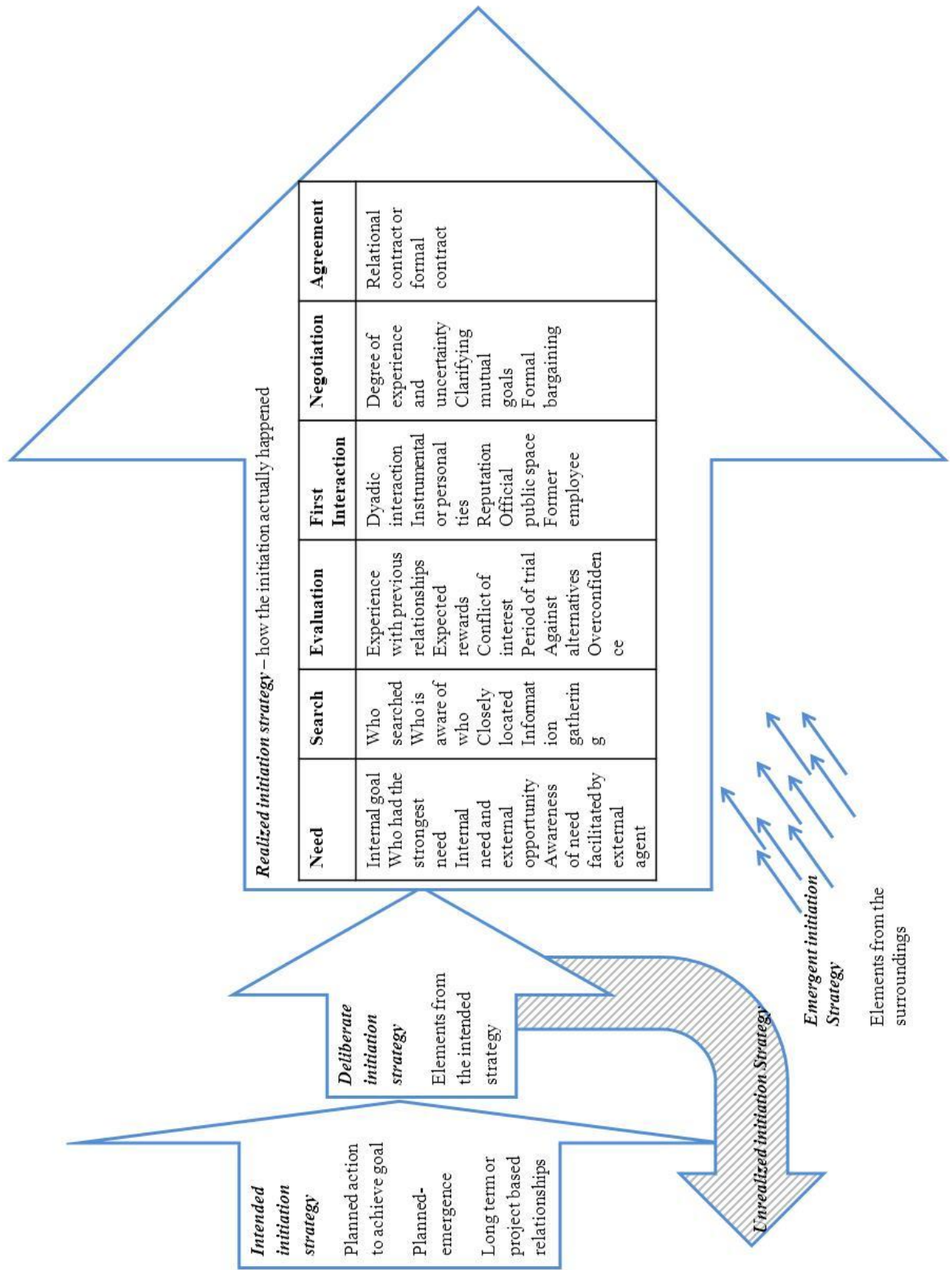
Based on our review of literature, we present a Theoretical Framework, to be used as a basis for information gathering from six case firms, and the analysis and discussion of our data. This theoretical framework summarizes our most relevant findings from the literature, including how the sub-processes of the initiation process are linked to strategy formation, see Figure 8.

### **2.4.1 Connecting the Sub-processes and Strategy Formation**

The process of initiating business relationships can in theory be categorized in both stages and states. Stages follow a systematic sequential development process between phases. States means that the phases in the development process are flexible, and can move in an unexpected sequence. States include all types of sequences. Thus, we argue that stages are a special kind of

state. Based on this we conclude that all types of development sequences can be categorized as states, and further address all the sub-processes in the initiation process as states.

In the strategy we presented the phenomenon deliberate and emergent strategy, both being part of the realized strategy. When an intended strategy gets fully realized it could be said to be fully deliberate, and when the realized strategy does not have any traces of the intended strategy it could be said to be fully emergent. However, strategies are rarely purely deliberate or emergent, but contain different degrees of elements from both of them.



**Figure 8 – The Theoretical Framework**

Figure 8 presents our synopsis of the literature, and this Theoretical Framework will be the basis for the empirical investigation and the further analyses of our results. The strategy formation is shown in blue colour and the six sub-processes of the initiation process in black. The intended strategy is presented with the important aspects of whether the selling firm aim for a long term or project based relationships with the business customer and whether they have a planned-emergence strategy. The intended strategy regarding business initiation influences to the realized strategy. The realized strategy could be seen as having different degrees of deliberate strategy elements and emergent strategy elements, illustrated in Figure 8. The realized strategy is how the initiation process actually occurs, which includes our six sub-processes previous presented in “A Synthesis of the Sub-processes”. The elements in the six sub-processes we have chosen to focus on are also shown in the Theoretical Framework. Further, we have chosen only to focus on the realized initiation strategy and the paradox of deliberate and emergence. Thus, we will not look in to the unrealized strategies (see shading in Figure 8).

If the realized strategy appears according to the intended strategy, the realized strategy has a high degree of deliberateness. If the realized strategy is emergent and emergence was the intended planned strategy by having a planned-emergence strategy, the realized strategy is defined as deliberate. This is rather complex because a realized strategy could intuitively be defined as emergent when many emergent elements occurs in the initiation process. Still, we need to be consistent and choose to follow the aforementioned interpretation of strategy formation when studying the cases. Thus, we will analyse whether the intended initiation strategies are aligned with the actual initiation process that is, the realized initiation strategy. This realized initiation strategy can be seen in, combination of degrees of, deliberate and emergent elements, and it indicates a high degree of deliberate elements when the initiation process occurs according to the intended initiation strategy.

We have presented a Theoretical Framework, based on the reviewed literature, which further will be the basis for the empirical investigation and the further analyses of our results. The next section will present the case study research performed, and contain six case descriptions gathered from the case firms in this thesis.



### 3 Case Study Research

In the following section a presentation of all the case firms will be carried out. The case descriptions are bounded on publically available information's and the interviews performed. The interview guide is presented in Appendix 1. Table 5 show an overview of the six case firms which will be presented, categorized in to newly and well-established firms. The newly established firms are previously defined to be less than five years and the well-established firms are five years or older.

Table 5 – Categorisations of the case firms: Newly and well-established firms

	Newly established firms up to five years old			Well-established firms more than five years old		
	BioLab	dSAFE	Dynamic Rock Support	Boost Communications	REC	RESMAN
Age	4	3	4	12	16	7

#### 3.1 Newly Established Firms

Here we will present all the newly established case firms, which are categorized up to five years old. The newly established firms that will be discussed are: BioLab, dSAFE and DRS. First, the selling firm and the interviewee we spoke with will be introduced. Secondly, the relationship between the selling and buying firm will be described. Thirdly the process of initiating the business relationship will be presented. The case presentations will end in a presentation of the selling firm's strategy regarding initiation of business relationships.

##### 3.1.1 BioLab

Here, we will introduce BioLab and the interviewee. Further, we will be presented how BioLab initiated the business relationship to TechCorp. Lastly, BioLab's strategy regarding initiation of business relationships will be discussed. All information about this case is provided by BioLab, and no contact is made with their customers.

### ***Introduction to BioLab and the interviewee***

This case company prefers to be anonymous in consideration of their business customer. Thus, it will be referred to as BioLab. BioLab is a spin-off company from NTNU. Their product is a specific technology that can improve production systems developed at the university.

BioLab was founded in August 2008 as a joint venture between a technology project at NTNU and an entrepreneur. BioLab is located in Trondheim, and has ten employees. BioLab's revenues in 2010 was NOK 3 110 000. The company is privately owned, but gets public support because of the specific technology research they carry out.

The interviewee is a NTNU alumnus and was the CEO for about two years. Today, the interviewee works as vice president of sales (VP of sales). Having such a position in the company gives the interviewee opportunity for increased focus on customer relationships, maintaining new customers and handling existing relations.

The customer and collaborator of BioLab are a large production company. The technology BioLab offers improves their production system. Today, they only have one important paying customer, who also has contributed in the development of the product. BioLab's main market is Norway. However, in the future they wish to widen their horizon to Northern Europe. In order to succeed with this, they will first try to develop prototypes that fit these markets in Norway. This year BioLab's goal is to acquire a Swedish client. In order to reach this goal, it is important for BioLab to develop a prototype that fits the Swedish production system.

### ***The relationship between BioLab and TechCorp***

BioLab's most important customer is their only paying customer. The company is located in another city in Norway, and will here be called TechCorp. The two companies were connected through a third party who works to connect industry and research. This relationship started as a project where they collaborated and developed the technology together. The collaborating firm has a very good reputation, and is one of the most favoured collaborators and customers in the industry. Today, the relationship between the two companies has become a paying customer relationship, and the pure collaboration period is now over. Potential new customers of BioLab

will presumably be a more traditional customer who pay from the beginning and has a smaller focus on collaboration.

### ***The process of initiating this business relationship***

The two firms came in contact with each other more or less by coincidence. As mentioned above, an external actor working to connect industry and research connected the two actors. This third party worked on a project at SINTEF when the industrial company contacted them because they wanted to come in contact with, and explore, the research community. Luckily, he knew about BioLab and arranged a meeting between the two parties. Additionally, the industrial company met three other parties at this meeting. However, BioLab won their trust with their idea, and the collaboration slowly began. In other words, the customer saw the need for the new technology solutions. Prior to this episode, BioLab had participated in different activities and had definitely a huge need for customers because they were, and still is, a newly established firm. At the point when BioLab met their collaborator, they had a desperate need for a partner. Because they did not have any funding, they said yes to every opportunity that presented itself in the search for a partner. In other words, BioLab used the opportunistic searching tactic of saying yes to every opportunity. Still, in this specific relationship it was TechCorp who did the search through a third party.

The opportunity TechCorp contributed with was something that BioLab *could not refuse*, and therefore there were not any particular evaluation before the first meeting between the parties. This was a dream situation regarding a potential customer for BioLab.

As already mentioned, the first interaction between BioLab and TechCorp happened at an arranged conference. BioLab got the chance to present themselves and the technology they offered. Thereafter, the production company, TechCorp, presented their company and their need. The manager of TechCorp became very fascinated by the involvement of BioLab. Because the manager was a very enthusiastic man, the interviewee believes that the personal commitment from the manager contributed a great deal to the collaboration. Even though the manager retired some years later, he managed to continue the involvement by the firm through the new manager.

Right after the first meeting, the employees in BioLab discussed the result of the meeting. They were all very satisfied and positive, but they did not perform a formal evaluation of the company.

A cooperation contract was rapidly in place, and a letter of intent for future collaboration was established after six months. This was not a guarantee that they would purchase anything, but an intention for further collaboration. After two years of collaboration, a final contract including sales was signed. In other words, two contracts were signed before the final sales agreement was signed. The final sales contract was written last year, and it took two years before the relationship started to generate a cash flow. The reason why it took so long was that BioLab had to apply for government founded resources. There were also many meetings between the two parties in the negotiation process. Further, in the development process BioLab made a small scale prototype for the customer to test.

The theme in the negotiation process focused mainly on risk. *What is the risk to join? How far had the technology of BioLab come? Is BioLab certain of everything? Could they guarantee anything?* In other words, price was not a particular important factor in the negotiation. The reason for this is probably that the customer is a public company, which does not have the same demand regarding profitability.

Today, the two parties have a close and friendly relationship, and TechCorp is now partly owners of BioLab since 2009. The interviewee also states that personal involvement and relations plays an important part between the parties. The interviewee further believes that this may be due to the fact that it was a development project, and not a pure customer relationship. Additionally, socializing and networking has been important factors. Further, BioLab states that the collaborating firm has a good position in Norway, which will give BioLab easier access to their industry, and will hopefully provide them potential new customers.

### ***Strategy regarding initiation of business relationships***

The interviewee states that it is important to focus on networking. However, it is also stated that BioLab not necessarily is very good at this. Still, BioLab is very eager to speak at conferences, and takes all opportunities that arise. BioLab first and foremost always says yes to opportunities

that present themselves. Examples of this are media coverage in DN, Adressa, other trade journals and participations in conferences. In other words, BioLab works goal-oriented to build a reputation. This is important because they often meet people afterwards and exchange business cards and talk about their technology. Until now, BioLab have initiated collaborating customers more by chance than by a specific plan.

BioLab also plans to become more professionalized when it comes to finding new customers the next fall. Now, it is the interviewee who has the full responsibility, so it should be easier to concentrate on the task of getting new customers. Furthermore, BioLab will utilize their own, and especially the owners, network to a higher extent and learn to be more professional from them. Until now, BioLab has a clear goal to gain new customer, but not a defined strategy of how to reach it. The interviewee points out that this will be a goal in the future.

### **3.1.2 dSAFE**

Here, we will introduce dSAFE and the interviewee. Furthermore, we will be presented how dSAFE initiated the business relationship to Digipost. Lastly, dSAFE's strategy regarding initiation of business relationships will be discussed. All information about the case is provided by dSAFE, and no contact is made with their customers.

#### ***Introduction to dSAFE and the interviewee***

dSAFE is a technology company originated from NTNU, which has developed a Nordic platform for both receiving and distributing electronic receipts when customers pay by debit or credit cards.

The founder and inventors is Daro Navaratnam. He came up with the idea on a school excursion during his studies at Boston University. Together with some friends he questioned if it was possible to avoid so much paper receipts when they shopped and they discussed the possibilities to digitalize the receipts. This resulted in a solution that was developed in collaboration with NTNU, SINTEF and private actors. The company was established in June 2009 from the School of Entrepreneurship (NSE) at NTNU. Today, dSAFE is located in Trondheim and there are four employees. The revenue in 2010 was NOK 646 000.

The interviewee is the CEO and founder, Daro Navaratnam – who is an NTNU alumnus with background from School of Entrepreneurship (NSE) at NTNU. Mr Navaratnam has worked with this since the founding in June 2009. He has the responsibility for all external contacts, both handle existing relations and obtaining new customers.

### ***The relationship between dSAFE and Digipost***

The main customers of dSAFE are large department stores. In addition, they collaborate with companies who offer cash transaction systems. In other words they have a two-sided model with stores as a customer on one side, and consumers as customers on the other side.

Posten Norge is a Nordic postal and logistics group that develops and delivers complete solutions regarding mail, communications and logistics. Posten Norge is a large company consisting of several separated divisions in their business, and one example is Digipost. Digipost is a digital record system that gives the user access to a digital mailbox. This makes it possible to send digital mail based on the recipients street addresses. Thus, it should be easier to find the right recipients. Digipost provides secure communications between private individuals, private companies and the public sectors.

### ***The process of initiating this business relationship***

Today, dSAFE aims to reach the consumers through an external partner, Digipost. This allows them dSAFE to focus more on department stores.

The focus market for dSAFE is in Norway, where they plan to start their business. However, their customers are often operating in Scandinavia and this forces dSAFE to expand. Still, they need to get the system up and running in Norway before trying to expand to Sweden and Denmark.

dSAFE's overall strategy to gain new customers is to make a prioritized list of potential customers. Their main focus in the beginning will be on capital goods like electronics, sports equipment and other more costly products. Later, they will focus on travel expenses. The main

strategy is to get at least one store from each line of business, to create a competitive situation that force other stores to join. dSAFE also collaborates with the firms making the cash registers, and tries to be an implemented part when selling their solutions to the stores.

The most important business relationship dSAFE have developed until now is the relationship to Digipost. The collaboration with Digipost is not a pure customer relationship, but consists of a mutual development and a close cooperation. One can say that Digipost is a partner of dSAFE. Mr Navaratnam states that Posten Norge is a large company and it is also seen as a serious actor in Norway, which makes it easier for dSAFE to sell their product to other potential customers.

From the beginning, dSAFE have had an excessive need for getting collaborating partners and customers in order to succeed. Therefore, dSAFE have worked hard to get in contact with potential collaborators. However, Digipost also intended to develop the same solution as a part of the offering system, and needed the technological solution that dSAFE had made. Digipost needed the technology solution of dSAFE, and dSAFE needed a partner like Posten Norge with capital and other important resources.

dSAFE started the search among well-known department stores in Norway. They also believed that banks could be excellent partners to cover this side of the business and were searching for potential partners for collaboration in this segment. By chance, Mr Navaratnam talked to a friend that had a brother who worked with Digipost. This was fortunate since Digipost was not a part of their *searching horizon*, due to the fact that Digipost was a secret project. Still, this type of company was something that dSAFE was looking for in order to get a collaborating partner. However, it was dSAFE who contacted Digipost for the first meeting. Parallel with the dialog with Digipost, dSAFE had a dialog with a large national bank.

After getting information about Digipost, dSAFE contacted Digipost. There was no evaluation of Digipost as a potential partner before they met. dSAFE knew right away that they could not refuse to meet a huge company like Posten Norge. Furthermore, dSAFE knew from the start that Digipost was a partner that would increase their opportunities. dSAFE did not have any previous experience in evaluating potential partners. Thus, any formal evaluation did not take place.

dSAFE was in a position where they needed customers and collaborators, and could not be particularly demanding.

During the first meeting between the parties they focused on getting to know each other, and discussed the specific technical solution. They had a formal two-way interaction where they acknowledge each other's existence. Digipost was planning to develop the same solution, but found it more convenient to collaborate with dSAFE since they had come further in the development process. After the first meeting, they had meetings regularly.

dSAFE and Digipost signed a letter of intent early in 2011. Today, dSAFE have regular interaction with Digipost, and they always have a formal, written contract in front of all activities dSAFE never do anything before both parties agree and the contracts are reviewed by their lawyer. Before the agreement papers were signed, they had several meetings together with Digipost. These meetings dealt with business issues like: how to collaborate together, which demand they had for each other and questions around exclusivity.

### ***Strategy regarding initiation of business relationships***

dSAFE focus on using their network in order to get new customers and partners. They arrange meetings with new potential partners by either using their contact network or from calling potential customers. dSAFE think that trust is very important for the potential customer, and that dSAFE have a competitive advantage because their connection to NTNU and their cooperation with Posten Norge. dSAFE try to seize opportunities that suddenly emerge. The opportunity of meeting Posten Norge was something dSAFE could not refuse.

The overall strategy to get in contact with new customer is to contact them by telephone and arrange a meeting. However, the most challenging part is to convince them to continue the cooperation after the meeting. The target for dSAFE is to get one customer from each segment, and therefore "force" the rest of the competitions to join. When meeting new potential customers they show their existing list of stores and collaborators who are already customers of dSAFE. This helps dSAFE to create trust and get in contact with new customers.



### **3.1.3 Dynamic Rock Support**

Here, we will introduce Dynamic Rock Support, further addressed as DRS, and the interviewee, Mr Østereng. Furthermore, we will be presented how DRS initiated the business relationship to DeepMine. Lastly, DRS's strategy regarding initiation of business relationships will be discussed. All information in the case is provided by DRS, and no contact is made with their customers.

#### ***Introduction to Dynamic Rock Support and the interviewee***

DRS were established in 2008 in Trondheim, Norway. Today the company operates in Norway, Sweden, Canada and Australia. DRS is a spin-off from the technological environment at NTNU. The main focus of the company is to provide a reliable product that ensures safety and gives cost savings for underground mines. Their product is a specific bolt which can hinder accidents in both underground mines and tunnels. The company is mainly financed by venture capitalists.

The company has six employees, including two sales representatives in Canada and two in Australia. The revenue in 2010 was 511 000 NOK. The most important customers are large international mining companies like LKAB, Xstrata, Vale, Boliden and BHP. As of today, no Norwegian companies use their bolt. The reason for this is that Norway is the only country where the bolt is not yet approved by the government. They are working to get it approved, and believe they soon will succeed.

Gisle Østereng is a serial entrepreneur and has been the CEO of the company since October 2008. His background is from Industrial Economics and Technology Management at NTNU, with special focus on telecom and finances. Being a serial entrepreneur, he has previous experience from building successful companies. Mr Østereng is responsible for sales in the Nordic countries, and to supervise the sales representatives in both Australia and Canada. In other words, he is responsible for identifying, contacting and maintaining customers and has a lot of customer contact in his daily work.

### ***The relationship between Dynamic Rock Support and DeepMine***

With DRS's first customers the relationship was characterized by collaboration to test and fine-tune the product. Today, relationships with customers are customer-supplier and business focused.

DRS prefer that the collaborating customer is anonymous. Thus, it will be referred to as DeepMine. DeepMine is located in Canada, and is chosen to elaborate upon since it is one of the most important customers for DRS. DeepMine is one of the world's largest mining companies.

### ***The process of initiating this business relationship***

Due to the fact that DeepMine is a large actor in the mining industry, DRS knew about DeepMine long before the initial contact. The inventor of DRS heard that DeepMine had some problems with underground mining. DRS believed that they had a solution for their problem and thought therefore DeepMine would be a good company to contact in order to start a business relationship. Additionally, Canada was an interesting market that DRS wanted to enter.

DRS wanted to investigate the market and started by contacting a consultant bureau, Qittit. Qittit is located in Boston, USA, and was contacted in order to get help in searching the Canadian market for potential customers. The consultants already knew about both DRS and NTNU from previous experiences. They performed a market analysis and interviewed 30 possible customers in Canada. A conclusion from the analysis was that DeepMine was a possible good customer for two reasons: 1) they had trouble with their mines; 2) they said that they were willing to pay extra for a better and more stable solution. After the market research was performed in 2008, a meeting between DRS and DeepMine was arranged. The employees in DRS then travelled to Canada in order to present their product for DeepMine. During this visit, DRS experienced that their knowledge about mining was limited. Thus, they asked a number of questions and learned a lot about mining in the Canadian market. Mr Østereng also characterized DRS as extremely positive and a bit naive when they evaluated the customer. After the meeting, DRS thought they could sell a substantial amount of bolts within a short time period. Still, it took four years before DeepMine purchase orders of volumes and not only test bolts. Mr Østereng

believes that their enthusiasm and positivity is one of the main reasons for the final sale and customer relationship.

Mr Østereng describes the first interaction as a cultural crash. He wanted to look presentable and used a newly ironed shirt. On the other side, the customer was wearing well-used flannel shirts and old jeans. Additionally, Mr Østereng was surprised by the little amount of science/thoughts that was behind the decisions that was made. DeepMine had calculated the impact of movement in the ground, but the consequences of this were not taken under consideration. DeepMine had very tight relations with competitors, and these relations between the parties had an enormous impact in this field and made it very hard for DRS to sell their product to DeepMine. Additionally, DeepMine raised the questions of why they do not have any clients in Norway, their home market.

During their first meeting DRS presented their product. At this time, DRS did not know much about the value propositions. Thus, they could not present potential cost cuts on the investment that their product could give. The most important happening was that DeepMine gave a tour around their work place, and presented possible problems and their thoughts around this. This gave DRS the opportunity to show DeepMine how their product could solve their problems. Unfortunately, it took more time than what DeepMine first believed, because they needed to end already existing commitments of DRS, and use up their inventory of existing bolts. Furthermore, DRS's competitors in the market seems to have used dirty tricks, like giving them credit cards to spend, to keep DeepMine as a customer.

This industry is very informal, and therefore formal contracts are rarely used. The first time DeepMine placed an order was by sending an email. Since they do not have any specific contracts on delivery, DeepMine can call and demand bolts delivered within a week, or sometimes within a couple of days. DRS has shortened the delivery time to DeepMine and other customers by outsourcing their product to plants nearby the customers.

In the negotiation process between DRS and DeepMine, the technology was an important theme. *Value propositions*, what this product could give them which others could not, where also

important in the negotiation. DRS did not know how they should price the product. Therefore, they made the mistake of pricing the product too high, which made it even more difficult to get DeepMine as a customer. Still, even today after reducing the price, they are looked upon as an expensive alternative for bolts.

Before delivering to DeepMine they had a pilot project with 10 bolts to see if DeepMine could manage to install with the equipment they already had. Thereafter, DRS sold them 100 – 1500 bolts that DeepMine could observe over time to see the improvement. Unfortunately for DRS, the importance of the science behind the choice of bolts was low for DeepMine. Thus, a lot of local “cowboys” had their own opinion of what the best solution was. Still, DRS have won tests in non-dependent research institutes in both Canada and Australia, which is an important factor in succeeding the customer relationship with DeepMine. Today, the relationship between DRS and DeepMine is a long-term relationship.

DRS learned that the person that made the decisions often were not the same persons they initially thought. The one who seemed like the decision maker often had a whole jury of decision makers around them. DRS has learned that the sales representatives must try to be a buddy with the mineworkers at DeepMine, and try to get to know everyone. Very often one of the decision makers is related to one in the competitor firm, making it even harder to compete with the local competitors. This can often be more important for them than the safety and price.

### ***Strategy regarding initiation of business relationships***

Mr Østereng implies that the process of gaining new customer both could be a result of planned or unplanned activities. DRS’s strategy is to contact potential customers that especially need their product, but it is not possible to know where and when this need will happen. They are constantly watching news on the Internet, in order to locate accidents in mines, and contact the firm to investigate if they are in need of their product. Furthermore, Mr Østereng states that they have an opportunistic way to get new customers, meaning that they take every possible opportunity that is presented for them. Additionally, DRS attend the most relevant conferences in their chosen market niche. This gives a good opportunity to take a cup of coffee with potential customers, ask them about how things are going and what is going on in the market since the last

time they meet. Mr Østereng states that since they are a small firm and need to challenge the well-established competitors, they are very good in seeing possibilities and taking them. They also always try to deliver a good product with more help and service than their competitors. Additionally, they try get known in the environment by sponsoring activity clubs. They have a clear business plan, but it is difficult to have a specific time frame for implementation of different activities. The CEO makes the plan in cooperation with the sales representatives. They target one market at the time, and when that market is conquered, the next market will be in their focus.

Mr Østereng point out that it is very important to have a business plan. It is important to be focused and identify the right customers. Even though they have a plan, they state that emergence possibilities are handled. This is possible because one customer does not demand that much attention. Thus, one sales representative can easily handle four-five mining firms by themselves.

DRS's existing relationships are important in order to create new relationships. The customers often present their new solutions at conferences and convey that DRS is an important part of their improvement. Additionally, customers that are well known in the industry will help spreading information about the product and its performance which is important when gaining new customers.

We have here presented the cases of the three newly established case firms, BioLab, dSAFE and DRS. These cases are based on interviewees performed according to the interview guide in Appendix 1. Following we will present the three well-established case firms, which are older, categorized as more than five years old.

### **3.2 Well-established Firms**

Here we will present all the well-established case firms, which are categorized to more than five years old. The well-established firms that will be discussed are: Boost Communications, REC and RESMAN. First, the selling firm and the interviewee we spoke with will be introduced. Secondly, the relationship between the selling and buying firm will be described. Thirdly the

process of initiating the business relationship will be presented. The case presentations will end in a presentation of the selling firm's strategy regarding initiation of business relationships.

### **3.2.1 Boost Communications**

Here, we will introduce Boost Communications and the interviewee, Mr Skiri. Further, we will be presented how Boost Communications initiated the business relationship to MediaCorp. Lastly, Boost Communications's strategy regarding initiation of business relationships will be discussed. All information about the case is provided by Boost Communications, and no contact is made with their customers.

#### *Introduction to Boost Communications and the interviewee*

Boost Communications was established in 2000 in Trondheim, and is a spin-off from NTNU. Today, they operate in Trondheim, Oslo, Amman, Johannesburg and Dubai. The main focus of the company is to deliver services in order to enable media companies, mobile operators and advertisers to make their already web-based content mobile.

The company has today around 30 employees. In 2010 the revenue was 21 447 000 NOK. Their most important customers are media companies, mobile operators and different brands around the world. Examples of their clients and projects are Telenor, Nokia, NetCom, DN, TimesLive, Tv2, DNB, Fokus Bank, FCB and RBK. As of today, Boost Communications has its main markets and largest turnover in Norway. However, their goal is to grow outside Norway.

Øystein Skiri is the founder and CEO of Boost Communications. His background is from Mechanical Engineering at NTNU and two years at UCSD (University of California, San Diego). Identify, contacting and maintaining customers are part of Mr Skiri's daily work.

#### *The relationship between Boost Communications and MediaCorp*

Boost Communications have mainly reached new customers by contacting them through direct sales, meaning sales without a distributor or other forms of intermediaries. This has been done

either by trying to find someone who knows someone through their network, or taking *cold calls*<sup>2</sup> to potential business customers.

Boost Communications prefer that the collaborating customer is anonymous. Thus, it is a large Norwegian media company, hereafter referred to as MediaCorp. No further information was provided.

### ***The process of initiating this business relationship***

Boost Communications started by identifying a particular group of potential business customers that they wanted to target. They then made a prioritized list of who to contact and in which order. Thereafter, background research of these companies was found by answering: *Does the potential customer have this technology already? Who works in this company? Do we know someone that could get us in touch with this company?*

The first interaction between Boost Communications and MediaCorp was a result of an acquaintance of Boost Communications, who arranged the contact. This initiator was a consultant who previous had worked with Boost Communications during the start-up period of the company, and now was working in MediaCorp. The first meeting between the parties happened in 2006/2007, at MediaCorp's office. From this meeting, Boost Communications got two experiences. First of all MediaCorp needed to become familiar with Boost Communications and strengthen their confidence to them. Secondly, Boost Communications informed MediaCorp about their solution and how it could help them. In the beginning MediaCorp, seemed to focus mainly on the technology. Boost Communications evaluation of MediaCorp was very limited due to the fact that they already had a pronounced interest in them as a potential customer. In other words, no evaluation was necessary after the first interaction, since it had been decided in advance that MediaCorp was a target customer.

It took about one or two years before Boost Communications was fully welcomed and included to work with MediaCorp. At this point a contract that MediaCorp already had with a competitor

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<sup>2</sup> Call up total strangers to talk about your business and try to arrange a meeting with them

of Boost Communications was being evaluated and renewed. Luckily, Boost Communications had a good personal relation to MediaCorp at this point, which Mr Skiri believes is an important reason for why they got a contract with them. In the time period between the first meeting and to the contract was signed, Boost Communications positioned themselves to be an attractive collaborator to MediaCorp. Mr Skiri highlights that the reasons for why they were chosen could be both that they had a better technological solution in addition a very good personal relation to MediaCorp.

The discussion around the contracts started with an agreement on what the tender should include. Thereafter, Boost Communications gave MediaCorp a tender that contained these specifications. MediaCorp tried to negotiate the price, and there were some discussions back and forth. The technological solution was, to some extent, also discussed. Nevertheless, it resulted in a written contract. Boost Communications never proceed before the contract is in place.

Today, there is a strong and good relationship between Boost Communications and MediaCorp. Mr Skiri states that the relationship is long-term oriented rather than project based, and that they develop the solutions together with MediaCorp.

Boost Communications learned from this relationship that a good personal relationship to the potential business customer is important. Mr Skiri exemplifies that if two competitors have nearly the same technological solutions, the customer will choose the ones they feel most comfortable with. Further, he states that sales are still happening *between people* in a large extent.

### ***Strategy regarding initiation of business relationships***

Mr Skiri implies that the process of gaining new customers for Boost Communications could be a result of four different approaches. The first approach concerns direct sales. Here, they maps the different markets and chose the actors that are interesting. They are then contacting them, fully intentional. This is done through *someone who knows someone* or through *cold calls*. The second approach is to attend trade shows and seminars. In this way they can promote themselves and the potential customers are coming to them. In this approach it is very important to follow-



up these potential customer afterwards. The third approach is partner sales. Here, Boost Communications are partner with companies that offer a product or service that give synergies to some extent. There are often synergies between their offerings and the service that Boost Communications offers, but they are not competitors. Boost Communications can therefore ask if they also could sell in their service in exchange for some percentage of the income from the possible deal. The fourth approach is self-service on the Internet. This is something Boost Communications wish to achieve in the future. Potential customers can find the product online, and pay online. Nevertheless, it is direct sales which have been mostly used in the process of achieving new business customers.

Boost Communications have achieved new business customer by both intention planning and more occasional through networking. Although Mr Skiri states that it has mostly been a planned act, he points out the importance of using their network and see new business solutions and opportunities. Further, Mr Skiri wishes that Boost Communications had a much clearer strategy regarding this field, even if the strategy has been improved lately. Further, he believes that Boost Communications need to be more dedicated in the way they operate as a sales organization. Mr Skiri exemplifies this with the top sales organizations that have very strong discipline, measurement and routines on the sales process.

Boost Communications handle opportunities that arise along the way by trying to keep their focus. In the first years of their organizations they jumped on every possible new opportunity, even if it went beyond the focus areas. He further pinpoints that his target is to be number one within their niche. In order to succeed they need to identify their strategy to reach their target and to be faithful to this decision.

Boost Communications has also experienced that employee's in the buying organization who have worked with them, and later changed workplace, often keeps the contact with Boost Communications. In this way, Boost Communications can seize the opportunity to achieve new business customers, which is a part of their network.

### **3.2.2 Renewable Energy Corporation**

Here, we will introduce Renewable Energy Corporation ASA, further addressed as REC, and the interviewee, Mr Tørud. Furthermore, we will present how REC initiated the business relationship to SunPark. Lastly, REC's strategy regarding initiation of business relationships will be discussed. All information about the case is provided by REC, and no contact is made with their customers.

#### ***Introduction to REC and the interviewee***

REC is a solar energy company that operates worldwide. The head quarter is located in Sandvika, Norway. The company was first named *Fornybar Energi AS* and it was established in 1996, therefore a well-established firm. Since 2000 REC has been a fusion between *ScanWafer AS*, *SolEnergy AS* and *Fornybar Energi AS*, and is registered on Oslo Børs. Their core business is to produce and sell polysilicon, wafers, cells and modules for the solar industry. Their customers are sun-park developers, commercial rooftops (e.g. larger logistics halls), and private consumers. In addition, they produce and sell silicon to other solar-cell producers and the electronics industry. Their production facilities include the silicon materials plants in Moses Lake, Washington and Butte, Montana, USA. The wafer production sites are located in Glomfjord and Herøya, in Norway and Tuas, Singapore. Solar cell and module production is located in Tuas, Singapore. REC has sales offices in the key solar energy markets in Europe, the USA and Asia. There are around 3 500 employees working in REC's worldwide organization, and the revenues in 2010 were 180 396 000 million NOK.

Mr Mikkel Tørud is Vice President Investor Relations and Corporate Communication in REC. He has worked in REC since October 2007 when he started in the position as Director Business Development. He has a Master of Science degree in Industrial Economics and Technology Management from NTNU. Mr Tørud does not work directly with the initiation of new relationships with business customers. His main responsibility is financial reporting and communication within the organization. However, he works closely with sales and marketing, and has previously focused on business development in REC.

### ***The relationship between REC and SunPark***

REC's markets can be divided into two main markets: 1) Solar panels, and 2) silicon. Solar panels are sold to sun-park developers and commercial and industrial buildings. In addition, private households buy this product. Silicon, on the other side, is sold to other solar cell producers, the electronic industry and the semiconductor industry. There has been a big change in the circumstances within the industry REC operate within, especially regarding the customers of solar cells. The number of competitors is increasing rapidly. The main markets for solar cells today are Germany and Italy, and REC believes that Asia is the new upcoming market. Silicon, on the other side, is mostly sold to Asia.

REC has a large number of important customers. One important customer is a developer of a large sun cell park. Due to respect for the other firm, Mr Tørud wishes that the collaborating company stays anonymous, and thus it is here called SunPark. This customer is the landowner of a potential solar park, and REC collaborates with them to build the solar park. They got the request to do this project through references from earlier projects. Furthermore, Mr Tørud states that they are a well-known actor in their business-to-business market. SunPark is not located in Norway, but operates in Europe.

### ***The process of initiating this business relationship***

As already stated, it was SunPark that contacted REC in order to develop a solar park. In the first meeting, which took place in SunPark's office, REC's goal was to define the need of SunPark. REC also wanted to see if the project had potential, and to what degree it already was developed. Furthermore, REC wanted to clarify the probability that the customer could finalize the project. In addition, REC focused on the amount of resources they needed in order to participate in the project. REC is always committed to give a good presentation of their company, and making the possible customer understand REC as a *supplier* instead of just a *producer*. In addition to their high quality product and good expertise, they also offer beneficial guarantees for their products. To be on the safe side, SunPark wanted to be sure that REC would exist the 10 years the guarantee was valid in order to fulfil their responsibilities. Due to this, it was important for REC to present the company as a strong and serious supplier that would exist for many years.

REC evaluated SunPark thoroughly by studying the costs and the former experience of SunPark. This project was large, and high stakes was on the line. Thus, it was important that SunPark was committed and that all the actors involved were serious. Furthermore, it was important that SunPark not only focused on price, but also on quality.

Even though REC had, and always has, guarantees for up to ten years, they first and foremost were responsible for building the solar park. Thus, the relationship with SunPark was more or less project based. The collaboration was further formalized by contracts. To build a stable relationship between REC and SunPark they were, to some extent, socializing outside work hours.

To negotiate the contract a lot of elements needed to be clarified. These included consideration of potential funds to finance the project, which turned out to be more difficult than first assumed. In other words, the initiation process took longer time than initially anticipated. In today's market, the prices of solar cells are rapidly changing. Therefore the prices often need to be reduced throughout the negotiation process. After the agreement between the two parties, REC carried through and started to build the solar park. Today REC only has contact with SunPark if something needs to be fixed that is covered by the guarantees. SunPark was not involved in the development of the product. The reason for this is that the product is standardized and produced in large quantities. Thus, the customer can often not do any changes.

### ***Strategy regarding initiation of business relationships***

The interviewee states that REC has a specific strategy to meet new customers, both in existing and new markets. However, he points out that REC mostly spot potential business customers from references within the industry. REC has a very clear picture of the potential customers of silicon, and often they also already have experiences with the customers from several years back. On the other side, the potential customers of solar panels need to be considered thorough evaluation of potential markets and opportunities. Based on these findings REC prioritizes which markets they will keep their main focus on. When the focus markets are selected they start by establishing local sales divisions in these markets. Today, REC is establishing divisions in both India and Japan, which are emerging markets with several new potential customers.

The interviewee states that the employees also often have experience and contacts from earlier, which are used in order to obtain new customers. Therefore REC focuses on hiring employees that live close to the targeted markets that possibly already have contacts and knows the environment. In other words, REC is aware of the fact that the different markets work differently with different norms and rules.

REC's strategy is to meet more potential customers in their already established market areas. REC will make it even more attractive for the customer to choose REC. This is done through a partner program presented to the distributors where REC offers training so that the distributors have the knowledge to give the information to the customers. In addition, REC has a specific program for the employees who will install the solar cells. In this way REC keep an indirect contact with the end user of their products.

In order to survive in the market, Mr Tørud states that it is vital for REC to have a specific strategy regarding initiation of new business customers. REC knows that the market will change in the future, and therefore it is important that their strategy allows them to be responsive and take advantages of new opportunities that arise. Due to this, they often change their strategy along the way. Still, Mr Tørud states that it is important to not establish a division too early in the market, since this will exclude other market opportunities. Furthermore, it is important not to spend too much money and resources in the beginning because the market can change rapidly.

### **3.2.3 RESMAN**

Here, we will introduce RESMAN and the interviewee, Mrs Dyrli. Further, we will be presented how RESMAN initiated the business relationship to IOC. Lastly, RESMAN's strategy regarding initiation of business relationships will be discussed. All information about the case is provided by RESMAN and no contact made with their customers.

#### ***Introduction to RESMAN and the interviewee***

RESMAN was established in 2005 and has its base in Trondheim, Norway. It started with an assembly of scientists at SINTEF in Trondheim. They discussed the use of multidisciplinary

expertise from the research and development. Subsequently, RESMAN became a spin-off company from SINTEF, and today Statoil innovation and IFE (Institute for Energy Technology) are contributing in forming RESMAN as a company. Before the company was founded, there were two employees included the interviewee who worked at SINTEF. These two employees believed in the concept of the company, and joined the investors and started RESMAN in 2005. Today, RESMAN operates in Trondheim, Stavanger, Huston and Rio de Janeiro.

The idea and focus of the company is to provide down-hole wireless inflow monitoring for oil wells. This is done with a technology system using chemical tracers to monitor the fluid flows in the oil wells. The chemical consists of tracers embedded in polymers, and the tracer is released when contracted by the target fluid. The technology is still developing and SINTEF is still a key R&D partner.

The company has 36 employees, including two in Stavanger, two in Huston, two in Rio de Janeiro and 30 in Trondheim. The firm is rapidly growing, and will soon hire more employees. The revenue in 2010 was 61 309 000 NOK. The most important customers are large international oil companies like Statoil, Chevron, Total, Shell, BP, ENI, ConocoPhillips, BHP Billiton, Marathon, Hess, Talisman, Pioneer, Husky, Dong and RWE. As of today, the only large international oil company RESMAN is missing is ExxonMobil, in addition to some national companies in their operating markets.

Anne Dalager Dyrli is one of the founders and the Vice President of Chemistry and Materials in RESMAN. She has been an important part of RESMAN's development since 2005. Her university background is from the chemistry department at NTNU. Before she participated in the founding of RESMAN, she worked as a Research Scientist at SINTEF. Mrs Dyrli is now responsible for the technology development in the field of chemicals and materials. In other words, she does not have the main responsibility for sales and finding new customers. Still, she believes that her knowledge regarding this topic is sufficient and that she can answer our questions with accuracy or provides the necessary information from colleagues. In addition, she has asked college to approve the information in this case.

### ***The relationship between RESMAN and IOC***

Being a small to medium sized organization, with only 36 employees, many of the employees are to some extent involve in operation, marketing and sales even if it is not their main focus. RESMAN have staff members that work with sales in RESMAN's markets, respectively: Trondheim, Stavanger, Houston and Rio de Janeiro. Statoil, who owns more than 40% of RESMAN, was RESMAN's first customer and is the customer that RESMAN have had most installations in collaboration with. The most important markets that RESMAN operate in cannot be divided in to smaller regions like Norway, but it consists of the entire world within the oil business. RESMAN focuses on targeting markets where there are high costs of production. If it is costly to operate within the country, the oil companies are more focused on analysing the wells to avoid complications. They have a lot of large international oil companies on their customer list, but there are challenging to increase the market due to conservative thinking and long processes for qualification of new technology for use. Also experience from installations is not easily spread in the market, probably because of the competitive value for the customer.

RESMAN's technology is new and unique and the potential of the technology is not known for the oil companies. In most cases the oil companies sends out tenders in front of a development and the tender documents will not include and ask for the possibilities RESMAN can provide. Also being the sole supplier of their technology is problematic since the oil companies would like to have two or three vendors available for everything.

One important customer, who will be further discussed here, is a major multinational oil company from Brazil. This customer is made anonymous under the name IOC. They are an important customer since they contribute with very good results for RESMAN.

### ***The process of initiating this business relationship***

RESMAN has a limited number of potential customers due to the limited number of companies within the industry they operate. Therefore, RESMAN knew about IOC as a potential business customer from day one. The dialog between the firms has been on-going for years. Partly through technology consultants in the technology division and the parties have met each other on several former occasions, such as technical conferences, workshops and direct meetings.

However, RESMAN performed an evaluation of IOC parallel with this dialog. The first business agreement came through in the aftermath of a tender process in spring 2010. A technology consultant in IOC was fascinated by the new technology proposal, and the business relationship started. This technology is unique and have great potential since it is wireless, it does not require an additional intervention.

The first meeting was a technical meeting that took place in spring 2010. It was the technology consultant at IOC who initiated this meeting. During this meeting RESMAN presented their technology and received information about IOC.

The evaluation RESMAN performed on IOC was limited due to the fact that IOC is one of the biggest oil companies in the world. At this point, RESMAN had many other potential customers in line that all were very interested in their technology, but IOC was high priority.

Mrs Dyrli states that the negotiation between RESMAN and IOC was mainly focused on the specific technology. Important questions where: *Which aspects could the technology contribute? And how does the technology really work?* It was challenging for RESMAN to explain what the technology could execute since the technology was new and the potential unknown to the market. In addition, environmental approvals were something that needed to be discussed and explained to IOC, as use of chemicals are part of this technology. The negotiation process ended with a price offer from RESMAN to IOC. The price was not the main issue in the negotiation, but it was of course discussed. Utilization of the technology also involves cooperation with third parties, which must be initiated and driven by the oil company. This is necessary because the tracer systems must be implemented with the pipe used to build the well. The relationship between the parties has not solely been a business-customer relationship, since they have also had some developments of the technology together.

The agreement between RESMAN and IOC was signed in January 2011, which means that it took almost one year from the first meeting until the contract was signed. This agreement was a project specific delivery, which is the normal practice for RESMAN. Mrs Dyrli states that the samples that are taken from IOC's wells will be analysed the next five years by RESMAN.



The interviewee claims that RESMAN has made several experiences from the process of initiating business relationship with IOC. The main lesson regards ownership when developments are done together with a business customer. Patents can be very complicated and difficult if there are no clear distinguishes on this before the cooperation. Of course RESMAN wish to have the entire ownership, but in the end this depends on who came up with the idea. This is extremely important for RESMAN because it is a small firm and they more or less depend on keeping control of the knowledge in their work with future business customers.

### *Strategy regarding initiation of business relationships*

RESMAN has a three years strategy regarding development of the technology. This also contains plans for sales and marketing. Employees are travelling around a lot to meet potential business customer and they try to arrange meetings with *asset teams*. These are well and/or field development teams that are planning the construction and operation of the oil field. RESMAN have a strategy to reach all the departments in all the big oil companies, but they also try to target specific areas so they can extend in different locations. Now, RESMAN has a focus on Brazil and the Middle East, and therefore they wish to settle pilot tests in these areas as soon as possible. RESMAN know that there are different rules and ways of operating in the different areas, and therefore they try to adapt in the best possible way.

In the course of finding new business customer, RESMAN looks for oilfields that are under construction and development. The responsibility for this is given to the offices in both Huston and Rio de Janeiro. RESMAN also participates frequently in workshops where they present their technology. In addition, they have a technical consultant that is centrally located with close connection to project leaders and asset teams at potential customers. RESMAN also have own employees that work with sales and marketing fulltime. The interviewee has experienced that RESMAN easily get their first meeting with potential business customers, mainly because of their new and different technology and in to a smaller degree because of social networking. Still, the interviewee states that the presentation of their unique technology can be even better and there will be more focus on this.

Mrs Dyrli states that the first years RESMAN was performing sales and marketing in a more opportunistic manner. Now they work more systematically and structured with this. This is clearly shown in their strategy of targeting high cost countries rather than low-cost countries. The interviewee states that it is very important that they have this kind of strategy, because it makes it possible for RESMAN to prioritize their time. One illustration of this is that visits to more than 150 asset teams the first years only gave 20 business customers. This *missionary phase* was important in the beginning, but now they need to focus on markets they believe will give more results.

Emergence opportunities often arise for RESMAN. Examples of this are word of mouth that spread gradually and customers are calling them and asking if they can help. This word of mouth spread via experiences, presentations at conferences, workshops and through their web site. These opportunities are often very time-consuming, and it is a big challenge for them to handle all of them. Mrs Dyrli pinpoints that RESMAN has a system for handling these emergence opportunities. RESMANs policy is to answer all the people that contact them, but they know that they cannot deliver the technical solution in all cases. In addition, Mrs Dyrli sees a shift in the contact pattern. More and more customers are contacting them based on references on earlier projects.

Earlier business customers have affected how RESMAN make business customers today. This applies mainly to how RESMAN present themselves, the environmental approval, results of values and generally the entire process. RESMAN also has separate systems that follow up improvements. Each week they have sales project meetings where new opportunities and lessons learned are discussed. The communications with the other offices is done through Skype, telephone, e-mail and by travel.

We have here presented the case study research performed of the six case firms, three newly established firms (BioLab, dSAFE and DRS) and three well-established firms (Boost Communications, REC and RESMAN). Following we will present an analysis and discussion of the findings. This will be done in basis of our Theoretical Framework, shown in Figure 8.

## **4 Analysis and Discussion**

In this section the case firms will be analysed and discussed. First we will analyse and discuss the three newly established case firms, and thereafter compare them. Subsequently, the three well-established case firms will be analysed and discussed, and then findings will be compared. Lastly, there will be made a comparison between the newly and well-established firms. In the last comparison it will be presented three illustrative tables concerning the findings throughout this section, Table 6,

Table 7, Table 8. Our Theoretical Framework, Figure 8, will be used as a basis thorough out this analysis and discussion, and the order of each sub-process will be presented in the way they occurred, which further will be in accordance with the order in elements under each sub-process. Furthermore, we have structured each topic with analysis first, and with the following discussion right after.

### **4.1 Customer Relationship Initiation by Newly Established Firms**

We will analyse and discuss the newly established firms BioLab, dSAFE and Dynamic Rock Support using the Theoretical framework as a basis. Thus each of the following themes will be addressed 1) Intended initiation strategy, 2) the six sub-processes in the initiation process, and 3) realized initiation strategy.

#### **4.1.1 BioLab**

BioLab was established in 2008, and is based on our definition a newly established firm. BioLab has a specific technology developed at NTNU. We present their initiation process to the firm TechCorp, which is a large production company and in need of BioLab's technology in their production system.

##### ***Intended initiation strategy***

BioLab has not yet formed a formalized, intended initiation strategy, but they plan to focus on Norwegian and Scandinavian business customers. The firm aims to build a reputation and networks by promoting their research activities at conferences, and seizing every possible opportunity that present them. In their intended initiation strategy they focus mainly on emerging

opportunities. BioLab does not have a *detailed plan* to achieve the goal of establishing a wider network. Thus, the intended initiation strategy for BioLab can be looked upon as having a restricted degree of plans of seizing emergent elements. Consequently, their intended initiation strategy is categorized as *planned-emergence*. BioLab aimed to build *long-term relationships* with their business customers. Being a start-up company, they had limited experience on how to initiate new customer relationships. Although not specifically mentioned, we assume that some of the employees had experience from previous employment.

BioLab had no detailed intended initiation strategy, probably because the company is early in its start-up process. However, they have an explicit goal of initiating business customers. Thus, some degree of plans is seen, due to the fact that they have an intention with the initiation.

### ***The sub-processes in the initiation process***

We present each of the six sub-processes in the initiation process between BioLab and TechCorp. The order of the sub-processes will be presented in the same order they appeared in the initiation process, and this order will be summarized in a figure below Figure 9.

#### **Need**

Being a newly established company without customers, BioLab had a superior *goal* to build a network in order to obtain business customers. TechCorp was searching for new technologies, without having specific requirements in their technology preferences. They had expectations that BioLab could offer what they were searching for, but BioLab had obviously the most urgent *need* for customers. Both BioLab and TechCorp had *internal needs* for resources, with respect to generating income and acquiring technology know-how, respectively. The fact that TechCorp contacted BioLab, although they did not win the tender, is an example of an *external opportunity*. A third party, an *external agent* who aims to connect contact between industry and researchers facilitated the contact between BioLab and TechCorp by making the parties *aware* of their need for each other.

We anticipate that BioLab as a start-up firm had a stronger need for TechCorp than vice versa. Still, TechCorp also had a need for business collaboration. The fact that both the parties had a need for resources could have given a balanced situation in the following initiation process.

Since both parties saw a benefit from the product, we believe that both rapidly showed an interest for each other.

### **Search**

The search that led to this relationship was carried out by an external agent, working with establishing contact between researchers and industry. BioLab and TechCorp were *both searching* for collaboration with business customer and supplier, respectively. An emergent opportunity presented by a third party external agent facilitated the contact between the two firms by making them aware of each other. The two Norwegian firms are not *closely located* since they are located in different cities, and the parties were not *aware of each other* as viable exchange partners before the third party made them aware of each other. Since they did not know about each other, it was not seen any attempt to *gather information* during the search. Contact was not established between the firms as part of a direct attempt of information gathering, since they became aware of each other through a third party.

BioLab was aware of TechCorp being a serious participant in the market. BioLab obviously did not appreciate the firm as a viable exchange partner, and did not have TechCorp as part of their searching horizon. TechCorp on the other hand, did not know about BioLab since they were a newly established company and only recently had established them in the market. Due to this, they did not have any opportunity to gather information about each other. BioLab searched for potential customers, however, they ended up with initiating a relationship to a customer who was not a part of their searching horizon. Therefore this sub-process show a result of an emergent opportunity during the search, which is in line with the planned-emergence that BioLab had as part of its intended initiation strategy. This leads to a high degree of deliberate elements in the realized strategy.

### **First Interaction**

The first interaction between BioLab and TechCorp took place at a meeting, outside the office of both BioLab and TechCorp, where the parties were able to present themselves, together with three other firms. Consequently, BioLab had three competitors during the first interaction. Therefore this first meeting was *not a dyadic interaction*. The focus at this meeting was to present the company and its product, and look for further collaboration possibilities. Therefore the

meeting can be perceived as very *instrumental*. Since the third party knew about BioLab, this interaction was a result of *personal reputation* through a relationship with a *third part* facilitator. Being contacted by TechCorp, the third part presented the opportunity to BioLab. In other words, the first interaction was a result of *reputation*, since the external agent knew about both parties. Regarding how and where the parties meet, the present interaction also includes that *another initiated* the contact as important aspects.

We believe the fact that BioLab was in need of a customer and in “competition” with three other firms, they probably was very focused on giving a good presentation. Thus, they actually “won” the competition and got TechCorp as a business customer. The meeting was instrumental because the firms did not have experience with each other and contact was facilitation by an external agent. Being a newly established company BioLab only had a limited network they could collaborate with, but being in an early start-up phase as a firm, their network of contacts played an important role as a third part initiated the contact.

### **Evaluation**

Since TechCorp is a large, well-established and reputable company in their industry, BioLab did not hesitate in utilizing the opportunity of collaboration with TechCorp, and they did not perform any further evaluation of TechCorp. Additionally, BioLab had limited amount of *previous relationships* which could serve as templates for previous experiences in the evaluation of TechCorp as a future collaborator. Since BioLab was in need for a customer, they were motivated to initiate a business relationship. Thus, the *expected rewards*, in the form of resource and references were high. No *conflicts of interest* between the parties were described. A *period of trial* in small scale was tried out as a prototype of the product. BioLab did not evaluate *against other alternatives*. Due to previous limited experiences, BioLab had restricted alternatives of business customer for comparison. However, TechCorp could compare BioLab with three other firms they had contact with during the meeting. BioLab looked upon the possibility of cooperating with TechCorp as a good opportunity, and was *overconfident* that this would be a successful relationship.

We believe that BioLab did not perform any thorough evaluation since the need of initiation customer relationship was high and alternatives limited. The fact that they did not have any previous business relationships to compare with probably also contributed. They were optimistic and overconfident, they felt that the deal was crucial to win, and losing was looked upon as a bad alternative. At this moment, it seemed as BioLab had an unbalance evaluation process. They focused on TechCorp without any previous specific evaluation and they did not perform specific evaluation of other firms.

### **Negotiation**

It took two years from the negotiations started until a cash flow was generated. In the beginning, the *uncertainty* was seemingly high, since BioLab and TechCorp had no *previous experience*, but the bounds grow stronger during the process of many meetings. BioLab negotiated with TechCorp on technology and value proposition. The main focus was how far BioLab had come in the development of their technology. The parties agreed upon *mutual goals* to form a collaborative relationship. The negotiation can be characterized as *formal bargaining* since they were regulated by contracts. Already shortly after the first meeting a cooperation contract was established. After six months, a letter of intention was signed. Today, they have a close relationship and the uncertainty is low.

We believe the negotiation process was time consuming because BioLab had to apply for governmentally funded resources, and since BioLab's technology was new it possibly demanded a large commitment from TechCorp to perform the development together. Being a public company, TechCorp places emphasis on formalized contacts, and their business relationship with BioLab included several contracts along the negotiation process.

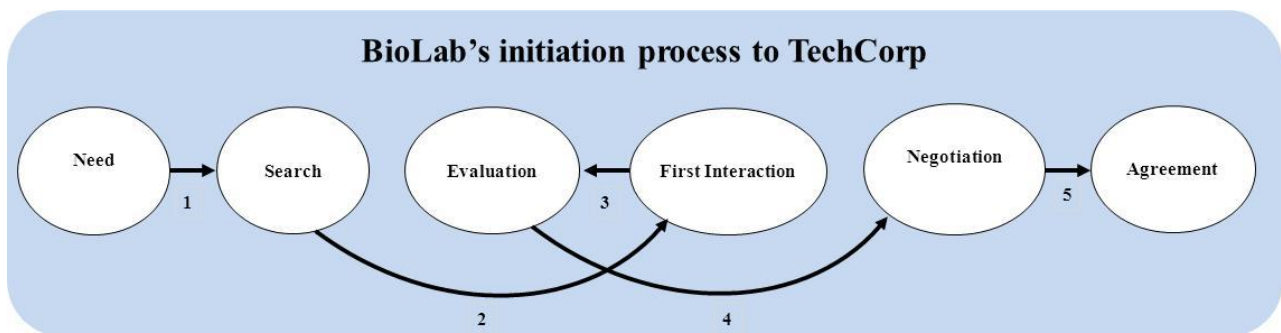
### **Agreement**

Both a cooperation contract and a letter of intention were signed before the final sales agreement was carried out by a *formal contract*. As a public company TechCorp had strict rules for designing contracts, leading to a solid formal agreement.

Although an agreement is the final goal of the initiation process, it follows standard rules of formal contracts, and it is the initiation and not the agreement per se, which seems like the most challenging process.

### ***Realized strategy***

Figure 9 shows how the initiation process between BioLab and TechCorp developed according to the six sub-processes, showing *flexible states* where each of the six sub-processes took place once, and one at a time. The initiation processes started by BioLab's need for a business customer, and the search that lead to the first interaction was performed by an external agent that facilitates contact. The first interaction happened with three other competitors. Afterwards, BioLab evaluated the meeting which resulted in negotiation and an agreement. The entire initiation process ended with an agreement, as a result of a successful initiation process.



**Figure 9 – BioLab's initiation process to TechCorp**

The initiation process started more or less by chance, since the business relationship between BioLab and TechCorp was initiated by a third party. This is in line with a planned-emergence strategy, and the realized strategy was a consequence of the intended strategy. This leads to the fact that the initiation process, the realized strategy, had a *high degree of deliberate elements* and a low degree of emerged elements. The realized strategy was, in other words, in line with the intended initiation strategy, planned-emergence.

### **4.1.2 dSAFE**

dSAFE was established as a firm in 2009, and is based on our definition a newly established company. dSAFE is a technology company originated from NTNU that has developed a Nordic platform for both receiving and distributing electronic receipts when customers pay by debit or credit cards. We present their initiation process to Digipost, which is a part of Posten Norge. Digipost is a firm who offer digital record system that gives the user access to a digital mailbox.



### ***Intended initiation strategy***

dSAFE's intended initiation strategy is to utilize their existing network in order to contact potential new business customers. When this is not possible, dSAFE makes cold-calls to their possible future customers. This intended initiation strategy is part of their plan of action to achieve the particular *goal* of initiate customer relationships. dSAFE analyse which potential customers they can approach, and a list of priority is made reflecting the order in which the parties will be contacted. Their intended strategy is solely planned. They aim to get one business customer in each segment, and they have *no planned-emergence* strategy. Being a newly-established company in need for business customers, dSAFE wants to build *long-term relationships* with several large department stores.

They have specific plans for establishing new customer relationships. dSAFE are focused on potential customers in specific segments, and they focus on larger department stores, which they believe will be the best customers for their product. They had a typical planned intended initiation strategy. They had only minor prior experience from initiation relationships influenced the strategy, since most of the employees started in the company right after finishing their university degree. We see that dSAFE's intended initiation strategy appears quite planned in order to achieve their goal of initiating new relationships to business customers. They focus on network building, but realize that unplanned opportunities may emerge from the network. Although, "utilizing their existing network" may reflect the idea that unplanned opportunities might emerge via the network, they imply that they are highly planned. Thus, we categorise them as having a planned initiation strategy.

### ***The sub-processes in the initiation process***

The sub-processes are presented in the order as they occurred in the initiation between dSAFE and Digipost, and will be summarised in a Figure 10 below.

#### **Need**

dSAFE is a newly-established firm who are in needs of customers to reach its *goal* and survive as a company. Thus, they had an internal superior goal of finding business customers. Digipost is a large well-known actor in dSAFE's field of technology, and initially Digipost had no need for the expertise of dSAFE. Thus, initially the *need* for a business relationship was strongest for

dSAFE who was looking for a collaborator. The information of possible collaboration with Digipost was an *external opportunity*. Digipost was not within the search horizon of dSAFE, but information about Digipost was provided by an external agent, being the brother of a friend of the CEO. In other words, the *awareness* was facilitated by an *external agent*.

We see that the initiation process started as an external, emergent opportunity and is not in line with dSAFE's intended initiation strategy to focus on large department stores. The emergent opportunity was facilitated by an external agent was not within their searching horizon.

### **Search**

The selling firm, dSAFE, was *searching* for potential business partners among large department stores. They were not aware of Digipost whose business ideas were not available to the public. Initially, the parties were not *aware* of each other. It was a third part who initiated contact between dSAFE with Digipost and these firms were *not located closely* to each other. There was no *information gathered* during the search

We believe there lack of information gathered was due to the fact that the parties were not aware of each other. Since CEO was part of the personal network of dSAFE, contact with Digipost was facilitated by their social network. We assume that the mediation of external agent usually leads to solutions different from the intended strategy of the firm. The fact that search was not the reason for establishing contact between dSAFE and Digipost, indicates that the realized strategy contains a high degree of emergent elements.

### **First Interaction**

The first interaction between dSAFE and Digipost was *dyadic*, organized as a meeting between the two parties at the office of Digipost. The meeting was mostly a result of *instrumental ties*, since they did not have any previous experience with each other. However, there were to some extent *personal ties* already at the first meeting, as the third party was the brother of an employee at Digipost and a friend of the CEO of dSAFE. In other words, how and where they met was a result of a *personal relationship* with a *third party* who initiated the contact. During the meeting, the parties focused to get acquainted and understand the technological solutions.

This first interaction demonstrates the importance of a third party establishing contact, and in this case it was probably less formal since both parties knew the third party.

### **Need**

After the first interaction, it seems like this business relationship again developed through the need sub-process. Digipost realized the usefulness of collaborating with dSAFE who could provide the technology which they otherwise had to develop themselves. It soon turned out that the needs became more balanced as both parties were aware of their recognition of need for each other.

The business relationship became more balanced when Digipost understood that dSAFE already had developed the solution they needed, and that dSAFE probably could reduce the high costs connected with the development of the product themselves. The more balanced need and the understanding of mutual benefits after the first interaction were important factors for the further progress of the initiation process.

### **Evaluation**

dSAFE were very happy to collaborate with Digipost, and apparently they did not find it necessary to perform any evaluation of Digipost, and had no *previous experiences* to use on this. dSAFE believed that the *expected rewards* were high, there were no signs of *conflict of interest*, no need for a *period of trial* or they had no *alternative* companies to compare with. It further seemed like dSAFE was very *overconfident* on the fact that Digipost would collaborate with them.

The lack of evaluation was probably partly a consequence of Digipost developing a project not available to the public, and dSAFE needed customers and was quite overconfident that Digipost would be a good collaboration partner for them. dSAFE seized an opportunity, not provided by their original planning, and was an emergent part of their realized strategy.

### **Negotiation**

dSAFE and Digipost had no prior *experience* with each other, which represented an initial high degree of *uncertainty* between the parties. However, the degree of uncertainty soon decreased as the parties got to know each other during the negotiation process on technology and value

proposition. Before an agreement was finalized, the parties had several meetings to clarify their *mutual demands and goals*, how to collaborate and solve questions regarding exclusivity. This negotiation was a quite formal bargaining process that took place at the offices of Digipost where both parties presented their views.

dSAFE being a newly established firm, and Digipost running a secret project, implied a virgin start of negotiation, which through formal negotiation processes resulted in settlements concerning mutual contributions to technological solutions. The negotiation process was based on several meetings, and a firm relationship was settled. Although the initiation process was an unbalanced situation, the negotiation process showed a mutual interest for collaboration and soon resulted in a balanced negotiation process which we believe is the reason why this initiation process resulted with an agreement.

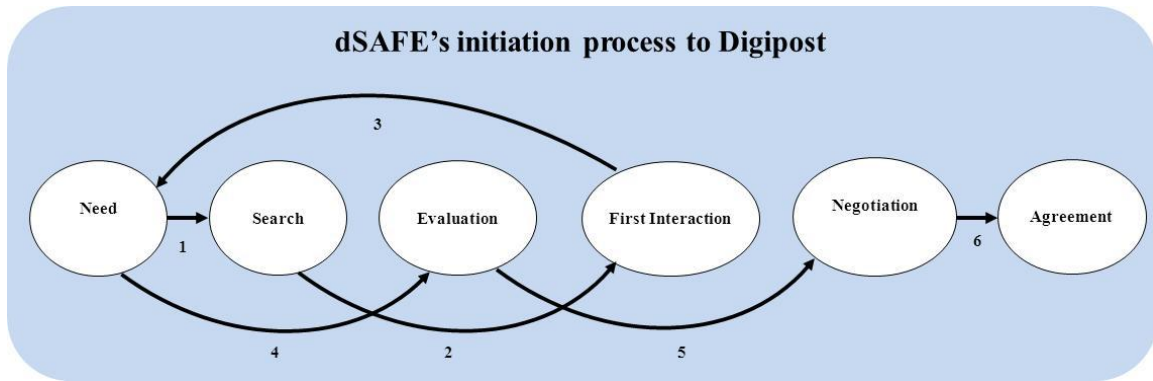
### **Agreement**

The agreement between dSAFE and Digipost was settled by *formal contract* which was prerequisite from both parties, and demonstrate the importance for the specific business relationship to secure the agreement.

Although an agreement is the final goal of the initiation process, it follows standard rules of formal contracts, and it is the initiation and not the agreement per se, which seems like the most challenging process.

### ***Realized strategy***

The initiation sub-processes between dSAFE and Digipost are shown in Figure 10, and include flexible states. None of the flexible states took place in a settled order, and there was a clearing round back to the need and further evaluation before negotiation and agreement took place. This initiation process started by the need of dSAFE and a search performed by a third party that ended in first interaction. After this interaction the need again appeared, for thereafter to develop into evaluation. The initiation process ended in a negotiation followed by an agreement.



**Figure 10 – dSAFE’s initiation process to Digipost**

The business relationship between dSAFE and Digipost was initiated by a third party, an external agent. dSAFE did not realize their intended initial strategy in making a business relationship with large department stores. Instead, an emergent business relationship was initiated with Digipost. Although the intended initiation strategy seemed specific, dSAFE was flexible to obtain alternative solutions. This resulted in a business relationship with Digipost as a consequence of *high degree of emergent elements*, where an external agent based on social relationships affected the initiation strategy.

### **4.1.3 Dynamic Rock Support**

Dynamic Rock Support (DRS) was established in 2008, and is according to our definition a newly established firm. DRS has a specific bolt for mines and was established as a spin-off result from NTNU. We present the initiation process of their collaboration with the firm DeepMine, which is one of the world’s largest mining companies. Although DeepMine had another bolt supplier, they were specifically interested in the expertise of DRS.

#### ***Intended initiation strategy***

DRS’s intended initiation strategy involves analyses of the potential markets to potential customers for their product. They constantly watch news information on the Internet regarding accidents and other challenges in mines around the world, in order to offer their product early to potential customers that need help. They have a *plan* for how to obtain new customers, but the time-frame is highly unpredictable. DRS work hard to be recognized within their professional field. Since they follow changes and seize opportunities within the marked, DRS may be

categorized as having an intended initiation strategy with both planned and emergent elements, a *planned-emergence* strategy. As part of their intended initiation strategy, they attend conferences and sponsor local athletic clubs, in order to achieve their goal of obtaining new business customers and increase their income. They establish factories close to their customers in order to be responsive with their deliveries and establish *long-term relationships* with their customers.

As a newly established firm with limited experience, the intended strategy for initiation of business relationship is only to a less extent based on previous experiences, mostly from former experience of the CEO from earlier start-up firms. DRS's planned-emergence strategy seems reasonable because they operate in a market with a rapid developing technology and within an unstructured market of many small mining companies. As a relatively new company, DRS need to establish themselves within the industrial market, and every possible opportunity that emerges must be apprehended. Seizing opportunities is a large part of DRS intended initiation strategy.

### ***The sub-processes in the initiation process***

The six sub-processes of DRS will be presented in the order they actually happened, and the initiation process will be analysed and discussed according to our Theoretical Framework. How the initiation process develops will be shown in Figure 11 after the sub-processes are looked upon.

### **Need**

Being a newly-established company with few customers, DRS had an *internal goal* of obtaining business customers, whereas DeepMine already had an existing viable supplier of bolts. Thus, DRS had a stronger *need* for initiating a business relationship with DeepMine, than DeepMine had for getting a new supplier. DRS needed to sell their bolts to get an income and turnover, and therefore had an *internal need* for selling their product and obtaining new business customers. DRS was reacting to an *external problem*, being DeepMine who had trouble with their mine, whereas the need of DeepMine was get a solution to this problem which could be solved by DRS. DRS became *aware* of the needs of DeepMine based on a report made by a consultancy firm they hired to analyse the North-American market. Several circumstances explained the interest DRS obtained for DeepMine, including the *external agent* report, an *external opportunity*

based on a mine problem, and the fact that the inventor behind DRS knew about DeepMine and saw a good opportunity in establishing collaboration.

Contacting mining companies that face challenges is in line with the intended elements of the initiation strategy of DeepMine. The analysis from the consultants was an important external trigger for DRS, and helped them to get into contact with DeepMine. We believe the need was strongest for DRS since DeepMine as a well-established company who already had a supplier base, and did not see a need for new suppliers before the opportunity presented itself.

### **Search**

DRS and DeepMine are not closely located. The searching process was outsourced from DRS to the *external consultant* who had the knowledge on the North-American market which DRS wanted to target. Since DeepMine was a large well-known mining company which the inventor of DRS knew about. DRS and DeepMine were *not closely located* and the *information gathering* was performed by the consultant, and neither DRS nor DeepMine executed the search themselves.

It seems like the fact that DRS hired consultants to search a potential market for opportunities seems in line with their intended initiation strategy to seize emergent opportunities within the industry. The fact that DRS outsourced the searching process was probably according to previous experiences by the CEO, that searching should be outsourced to those who know the local market.

### **Evaluation**

The inventor behind DRS knew about DeepMine, but they hired a consultant bureau to perform evaluation of the whole market. They wanted to ensure that it was wise to enter this market, and that DeepMine was the right business customer. Since DRS did not perform the evaluation themselves, it was not based on *previous experiences* with relationships. The consultant bureau was also assigned to evaluate the *expected rewards* that DRS might achieve from a business relationship in North-America, and to ensure that DeepMine would be a most promising and viable exchange partner. *No conflicts of interests* were seen at this point of the process, and a *period of trial* was not considered necessary during this evaluation. The consultant bureau was evaluating *against alternatives* in the same market as DeepMine operated in, in order to see if

this was the most promising business customer that DRS could aim at initiating a relationship to. There seemed to be *no overconfidence* during this evaluation.

Since DeepMine did not perform evaluation at this time, they did not have the opportunity to be overconfident. Being a large and well-known mining company in North-America, DeepMine was a very good potential customer for DRS and could provide them with a wider customer base. Even though this evaluation was performed by consultants, this evaluation sub-process was in line with their intended initiation strategy to active search for contact companies that can benefit from their product, which indicates a high degree of deliberate elements in the realized initiation strategy.

### **First Interaction**

The first interaction was a meeting, a *dyadic interaction*, between DRS and DeepMine, initiated by the selling firm DRS. At this time, the meeting was *instrumental*, and there were *no personal ties* between the parties. The first meeting was at DeepMine's mining plant. It was an informal interaction where DeepMine gave DRS a tour of their plant and provided them with knowledge about the mining industry in North-America.

The first meeting was informal, representative for an informal industry where personal ties are important. Although being instrumental, one important focus of first interaction for DRS was the establishment of a personal tie with DeepMine. However, the original intended strategy of DRS had not focused on forming relational ties. This gives some degree of emergent elements to the realized initiation strategy.

### **Evaluation**

After the first interaction, DRS performed a further evaluation of DeepMine. They thought the meeting went well, although they had foreseen a possible culture crash regarding formalization. They did not do any evaluation based on experience or *previous experiences* due to the fact that the consultants had done it for them. Furthermore, they had realized that they needed to learn more about the mining industry, and they had anticipated to some extent a *conflict of interest*. DRS wanted to sell their bolts as fast as possible, whereas DeepMine had no need for forming new business relationship because they already had suppliers and a lot of bolts in stock. DRS offered DeepMine a *period of trial* as a pilot project with 10 bolts, in order to increase the



likelihood of initiating, and eventually establishing a business relationship. However, DRS were patient and kept waiting; they were very optimistic and *overconfident* regarding a possible future business relationship and were very confident about the possibility of building a business relationship.

Being a small company, and based on previous experiences by CEO with starting up a company, DRS understood that they needed to play by the rules of DeepMine, including a focus on informal meetings and building social relationships. Their overconfidence to keep on trying to build the relationship was of vital importance.

### **Negotiation**

Due to the fact that DRS and DeepMine had no previous *experiences*, the degree of *uncertainty* was high. The bargaining process was *not formal*. Even though DeepMine did not have a formal tender process, DRS needed to compete with other suppliers to obtain a contract. Being a small and newly-established company, DRS could not easily compete with the other larger companies. DRS understood that they within correct and acceptable methods needed to know people within the organization and local environment. It was mostly DRS who were active in the negotiation process with DeepMine. They clarified *mutual goals*, beneficial for both parties. Thus, the *bargaining* process was more relational than formal. The focus of the negotiation between DRS and DeepMine was the benefits of the technology and value proposition. In other words, DeepMine was interested in the benefits they could obtain by using DRS's bolts.

Since the negotiation was characterized by informal bargaining, DRS focused on an informal social relationship with DeepMine, including people at all levels of the organisation. It was not clear who the actual decision maker were, and lot of people formed their own opinions about the product. Thus, DRS realized that they also needed to convince many actors in the organization on an informal level.

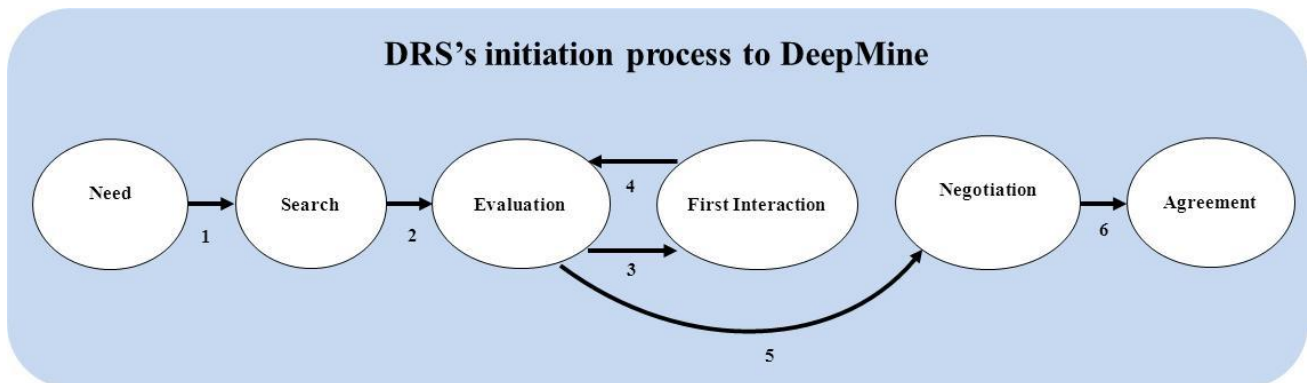
### **Agreement**

DRS only had a verbal agreement with DeepMine. Such relational contracts were according to the *informal* rules and norms for the mining industry. DeepMine placed their orders to DRS by sending an e-mail, and DRS did not get any clear signs before the orders are placed. In other words, it seems like the agreement started when the first order was made.

DRS accepted to operate without formal contracts because it was a newly-established company in need of customers and resources, they could not allow them to fastidious with formal contracts in their early negotiation with possible customers. Based on previous experiences that the CEO had, we believe he understood that they needed to play by the rules of DeepMine.

### ***Realized strategy***

Figure 11 shows how the initiation process developed between DRS and DeepMine. Firstly, need was facilitated by the fact that DRS needed customers. They outsourced the searching process in the North-American market to an external consultant. The consultants evaluated DeepMine as potential customers for DRS. After this DRS had an informal meeting with DeepMine at their mine in Canada. Here both parties evaluated each other. After the second evaluation, a negotiation for further collaboration was carried out. Eventually, an informal agreement for a business relationship ended the initiation process.



**Figure 11 – DRS's initiation process to DeepMine**

When DRS had chosen DeepMine as potential business customer, after help from the consultants, they set a direction and committed themselves to the opportunity also with help from consultants. As we have seen in the initiation process between DRS and DeepMine it developed according to the intended initiation strategy, which we have defined as planned-emergence. In this realized strategy, there was a *high degree of deliberate* and a low degree of emerged elements.

After presenting an analysis and discussion of each of the three newly established case firms, BioLab, dSAFE and DRS, the findings will flowingly be compared. This will also be done in light of the same structure from the Theoretical Framework which was used for each of the case firms.

## **4.2 Comparison between Newly Established Firms**

The initiation process by the three newly established firms will be compared with basis on the Theoretical Framework. Therefore the focus will be on respect to the intended initiation strategy, the initiation process, and the realized initiation strategy.

### **4.2.1 Intended Initiation strategy**

All three newly established firms had intended initiation strategies with respect to concrete *plans and goals* in order to gain new business customers and aimed for long-term relationships. BioLab and DRS had typical *planned-emergence* strategies on how to achieve new business customers, whereas dSAFE's strategy was solely planned, and did not define their intended initiation strategy according to emergence opportunities. We can see that all the newly established firms' aim for *long-term relationships*. The planned-emerged strategies that BioLab and DRS had were partly due to the type and nature of their business, but probably also a consequence of being in a phase early of establishment in the market. The strategy of BioLab was not specific, but the firm had a plan and a goal to grab any suitable opportunities as these occurred. DRS wanted to seize opportunities arising from their network, and planned to be emergent and grab opportunities in an opportunistic way dSAFE, on the other hand, had a specific plan to reach large department stores. Their strategy did not specifically include seizing emergent opportunities. None of the three newly-established firms had any large previous business experience that could have formed an intended initiation strategy. They had knowledge on the field, like the CEO of DRS who had previous work experiences, BioLab being a spin-off from SINTEF with experience from this research community, whereas the employees in dSAFE started right after university and had only knowledge based on their training at the University. Newly established firms usually have little practical experience, which is reflected in their intended initiation strategy. It is also seen that external agents helped BioLab and DRS. The

firms had a necessary need for business customers, and aimed at long-term relationships, as part of their establishment in the market. Moreover, they all had products that were suitable for establishing such long-term relationships.

#### **4.2.2 The Initiation Process**

The newly established selling firms had a greater *need* for establishing business relationships than their potential business customers. In order to facilitate the further initiation process, the selling firms had to promote the buying firms needs for establishing a business relationship along the initiation process. The selling firms had an *internal need* for customers, and since they found an *external opportunity* for their business in the market, it was possible for them as newly established firms to implement their products and services. None of the three firms had *gathered information* about the possible customers themselves, since the external opportunities were presented to them by external agents as a third party. All three newly established firms searched for business customers for themselves. However, for BioLab and dSAFE an *external agent* found the collaborating parties, and DRS facilitated their search through a third party consultant. The newly established firms were not directly *aware* of the firms they made collaborations with, although they were familiar with the name of the firms. As for DRS, the inventor had heard about DeepMine, and BioLab knew about TechCorp. None of the firms were geographically closely related, and geographical closeness was no determinant factor in the initiation of business relationship.

It was only DRS who got a customer within their searching horizon, since their search was more concentrated. Still, the search related to DRS was outsourced to external consultants. In addition to not finding a viable exchange partner within their *searching horizon*, only DRS were aware of their business customer as a possibility. BioLab had heard about TechCorp but did not think of contacting them. This is probably because none of the firms are *closely located*. Thus, it is not within their search horizon. Since they did not perform the search themselves, they could not gather any information.

The firms had a limited basis for comparison for evaluation due to restricted *experience of previous relationships* as they were rather early in their establishment phase. The *expected*

*rewards* were evaluated by the firms with a focus on finances and references. DRS had external consultants to perform this evaluation. No *conflict of interest* occurred for the firms. Both BioLab and DSR offered a *period of trial* for their product. DSR was the only firm who compared the customer *against alternatives* through hired consultants. When looking at the evaluation, the three firms had *overconfidence* in common, which is a typical feature for the culture of entrepreneurial firms, but could also be influenced by the enthusiastic attitude the newly-established firms had to the initiation process.

For dSAFE and DRS the first interactions with the buying firms were *dyadic interactions* with *instrumental ties*. The first interaction of BioLab and their buying firm was in a setting with several other firms' presentations. Two of the three newly established firms met on the basis of their *personal reputation*, where contact was initiated by others. For dSAFE this was the brother of a friend, for BioLab it was a person who worked to connect industry with research. Third parties in the personal network of the firms seem therefore of importance.

No specific differences were seen between the newly established firms with respect to the Negotiation or the Agreement sub-processes. All the firms started with a high degree of uncertainty which decreased along the process. Clarification of *mutual goals* and *formal bargaining* were done. Agreement was achieved in all the three business relationships, but a *formal contract* was written for only two of them. DRS, who were the exception, accepted the wish of DeepMine of not having formal contract, because the experiences CEO believed they had to adapt to the business customer on this area.

The external opportunities that occurred were not according to the initial plan of the firms, indicating emerging opportunities. Emergence was a part of the intended initiation strategy, planned-emergence, of both BioLab and DRS. dSAFE did not plan to take emergent opportunities, but tried to service it when it presented itself. An interesting finding is that the external opportunities were all presented by an external agent. For BioLab it was a person who worked with connecting industry technology with research. For dSAFE it was a brother of a friend, and for DRS a hired consultant. Consequently, two of the firms caught pure emergent

opportunities, while DRS actively hired an external consultant and initiated a business relationship with a firm outside their searching horizon.

With limited previous experience, both BioLab and dSAFE's relationships was initiated by external agents. DRS, having a CEO with previous experience of starting up a company, probably had the opinion that to initiate relationship was a challenging process that should be done by people knowing the market, like "local" consultants. Therefore, DRS decided to outsource the process and hire an external consultant. As part of the negotiation process, BioLab and DRS offered a *period of trial* for the customers, as they believed that it was an advantage for the customer to learn about their product while building a relationship.

The fact that none of the newly established firms had *conflicts of interest* with buying firm, indicate that they had a high level of tolerance in their need for establishing business relationship. They obviously had little possibility to make demands towards their business customer, since obtaining an agreement was of great importance. Nevertheless, the newly established firms seemed *overconfident* with respect to the success rate of the negotiations. Perhaps limited previous experience along with the "optimistic and self-secure characteristics of the young" and "not knowing better" increased the enthusiasm for success. Nevertheless, being optimistic and opportunistic indicates that they had to some extent emergence in their realized initiation processes.

Although the firms got customers from the outside of their searching horizon, contact was established through references as part of their limited network, which provides a broader area of contact than their searching horizon itself. However, they did not seem to utilize their network as a searching function, due to the fact that it was an external agent who facilitated the initiation for two of the newly established firms.

The level of uncertainty in order to obtain the business customer was high, since the selling firms had little experience with the buying firms in these cases. However this uncertainty seemingly logic decreased during the initiation process. Thus this is not surprising. It is possible that newly established firms have a fast growing learning curve during the initiation process. We also

assume that they probably play by the rules of the buying firm, without having to *clarify mutual goals* through *formal bargaining*, because they have a strong need of customers. In this respect, DSR also played the rules of the selling firm by accepting *relational* instead of a *formal contract* because the DRS's CEO had previous experiences that this was important to increase the likelihood of success.

### 4.2.3 Realized Initiation Strategy

It has been shown that there is a low degree of detailed planning in the intended initiation strategy of the newly established firms. However, two of the three present newly established firms had planned-emergence strategies as part of their intended initiation strategy. As shown in Figure 12, their realized initiation strategy of BioLab and DRS contained a *high degree of deliberate and low degree of emergent elements*, due to the fact that the intended initiation strategy was planned-emergence. For dSAFE, the element of emergence in the realized strategy was higher, but still smaller than the deliberate element. If dSAFE also have had a planned-emergence strategy as part of their intended initiation strategy they would also be placed among the two other newly established firms, with a higher degree of deliberate elements.

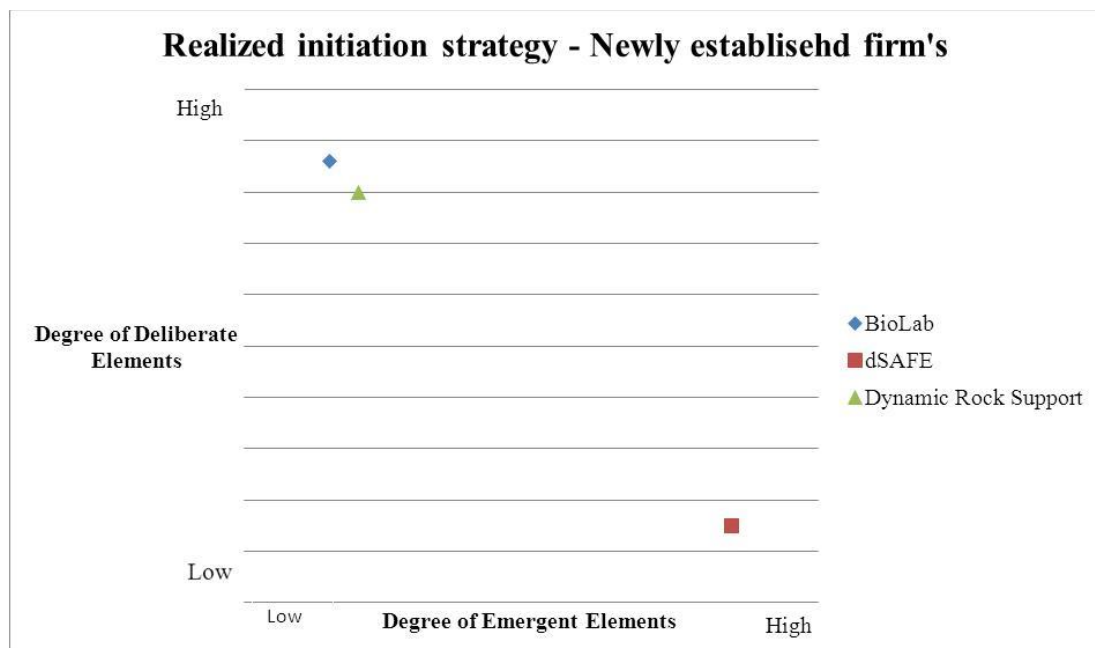


Figure 12 – Elements in the realized initiation strategy of the newly established firm's

We have presented a comparison of the three newly established firms, after analysing and discussing each of them. This has been done with basis in our Theoretical Framework. Following, we will take a closer look by analysing and discussing the well-established case firms separately and then make a comparison between them.

### **4.3 Customer Relationship Initiation by Well-established Firms**

We will analyse and discuss the well-established firms Boost Communications, REC and RESMAN using the Theoretical framework as a basis, and each of the following themes will be addressed 1) Intended initiation strategy, 2) the six sub-processes in the initiation process, and 3) realized initiation strategy.

#### **4.3.1 Boost Communications**

Boost Communications was established in 2000, and is according to our definition a well-established firm. Boost Communications is a spin-off from NTNU and delivers services in order to enable media companies, mobile operators and advertisers to communicate into web-based content mobile. We present their initiation process of business relationship with the firm MediaCorp, which is a large Norwegian media company. MediaCorp already had a supplier for services delivered by Boost Communications.

##### ***Intended initiation strategy***

The intended initiation strategy of Boost Communications includes detailed *plan* of action, in order to get business customers. Boost Communications targets larger media companies and mobile operators. They focus on the Norwegian market, where they presently have their greatest turnover, but they aim to expand their market outside Norway as well. Being a well-established firm, their intended initiation strategy is clearly formed on the basis of previous experiences on how business customer relationships were initiated. Their strategy of getting new customers consists of four parts: 1) Direct sales, meaning that they map their market and choose actors of interest; 2) Attending trade shows and seminars to meet new possible business customers; 3) Partner sales where new business customers are achieved through partners that sells their product; 4) Self-service on the internet, where the interested business customers can take contact.



Through the self-service option, Boost Communications may get customers without actively having to initiate contact. During the process of establishing direct contact for sales, Boost Communications makes a prioritizing list of potential business customers they want to target in a specific order. They consequently use their network to gather background information about these companies which then are contacted. Boost Communications emphasize that they aim to focus on and follow up this intended strategy, even though interesting opportunities may emerge. Boost Communications obviously has a detailed planned intended strategy regarding the initiation of business customer relationships. They aim for a *long term relationship* with their business customers. Boost Communications's intended initiation strategy seems highly *planned*, indeed, in order to achieve their goal of receiving new business customers.

### ***The sub-processes in the initiation process***

The six sub-processes of Boost Communications are presented in the order of their appearance, and they are analysed and discussed according to the Theoretical Framework. How the initiation process develops will be shown in Figure 13 after the sub-processes are looked upon

### **Need**

According to the intended strategy, Boost Communications had an *internal goal* and *need* for obtaining new business customers. Boost Communications was also aware of the rapidly growing technology for mobile devices. Along with the growing need for the services that Boost Communications could offer mobile web and marketing solutions, their intended strategy including an aim to expand as a company and increase sales. Establishing new business customers were therefore of crucial importance. Boost Communications were informed by a consultant that previously had worked for them, that MediaCorp could be interested in their products. The consultant was not paid for this recommendation. This was an *external opportunity* for Boost Communications, purely based on a references provided by their network by an *external agent*. However, MediaCorp already had a supplier who delivered a similar service, and originally MediaCorp did not have the same need as Boost Communications for relationship building. However, MediaCorp showed interest to the technology that Boost Communications could offer, and the agreement that MediaCorp had with another supplier expired one year later. Therefore, MediaCorp had interest in considering other opportunities.

The awareness of the need was facilitated by a consultant, an external agent, who was part of their network. Even though using their network was part of their intended strategy, MediaCorp was not a part of their prioritized list made according to their intended strategy. Thus, this implies some degree of emergent elements.

### **Search**

Being aware of potential customers the selling firm, Boost Communications, performed a *search* in the market for a restricted group of potential customers. During the initiation process, Boost Communications made, it was found an overlap between the need and search of potential business customers. Boost Communications thereafter narrowed the list according to gathered background information. However, an *external* opportunity presented by a consultant made them *aware* of MediaCorp, which was another Norwegian company but *not close located* in the same city.

The systematic search of the market and targeting of potential business customers was in clear line with their intended initiation strategy, and indicates a realized strategy with some degree of deliberate elements. However, MediaCorp was an external opportunity presented by a consultant, which leads to emergent elements in the realized strategy.

### **Evaluation**

Some of the evaluation took place also during the search. Boost Communications evaluated MediaCorp partly through search, and seemingly not through *previous experiences*, before their first interaction. By starting a business relationship with MediaCorp, Boost Communications had *expected rewards* in terms of an increase in sales volume and profits. They had *no conflict of interests* with MediaCorp, and during evaluation there was no *period of trial*, which could indicate a solid trust between the parties. However, in parallel Boost Communications *compared* MediaCorp with *alternative* customers due to the fact that the evaluation took place partly during the search. Boost Communications seemed, to some extent, *overconfident* that their initiation efforts would eventually result in a business relationship with MediaCorp. This may be explained by their expertise, that they had developed a good and strong personal relationship to

MediaCorp, and that they were aware of the restricted commitment MediaCorp had with their present supplier.

Boost Communications believed that the good personal relations they had developed to MediaCorp was strong. This statement indicates the fact that Boost Communications to some extent might have been overconfident in their evaluation of MediaCorp, and the possibility to establish a long-term oriented business relationship to MediaCorp.

### **First Interaction**

The first *dyadic* interaction between Boost Communications and MediaCorp occurred at MediaCorp's office. The meeting was initiated by Boost Communications but realized by a third party being a previously hired consultant. Therefore, indirect *personal ties* were present during the first meeting. However, the two parties did not know each other, so there were mostly *instrumental ties* during this first interaction. Boost Communications stated that *personal relations* played an important role during the first interaction, and that this was one factor that was critical in order to start business relationship with MediaCorp. The first interaction was mainly on technology, where MediaCorp became familiar with Boost Communications, and Boost Communications told about their solution and why they should be preferred to the existing supplier.

We see that the first initiation was according to the intended initiation strategy, happening through the network of Boost Communications, giving some degrees of deliberate elements in the realized initiation strategy.

### **Negotiation**

As already mentioned, MediaCorp was tied-up to a supplier for one more year, and during this year, Boost Communications focused on establishing a good personal relationship to MediaCorp. This year with interactions between the parties was crucial and increased the *experience* between the parties as reduced the amount of uncertainties. The negotiations lead to greater experience, and during the negotiation the companies agreed upon what a tender between the parties should include. Clarification of *mutual goals* and technical solutions were the most important parts of the negotiation, and there was little focus on price. It seemed that both parties had similar

interests, and social bonds made the negotiations easier. During this *formal bargaining* on the tender, mutual goals were established.

Since both the parties in the negotiation was active and developed a clear mutual course of action, Boost Communications's strategy regarding initiation did not have any specific influence in this sub-process. The degree of emergent and deliberate elements from the negotiation was therefore not possible to evaluate in light of the realized initiation strategy.

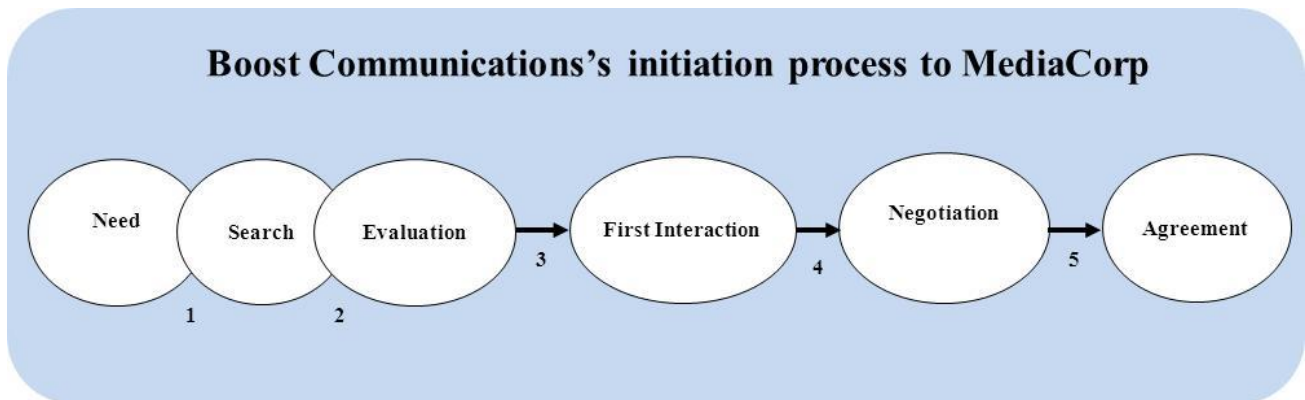
### **Agreement**

It took more than one year from the first interaction between Boost Communications and MediaCorp until the business relationship started. The agreement on price and the technical specifications ended up with a *formal written contract*. The agreement between Boost Communications and MediaCorp represented a mutual course of action without clear connection between the sub-processes and the intended initiation strategy.

Although an agreement is the final goal of the initiation process, it follows standard rules of formal contracts, and it is the initiation and not the agreement per se, which seems like the most challenging process.

### ***Realized strategy***

Figure 13 illustrates how the initiation process developed between Boost Communications and MediaCorp. It was facilitated by Boost Communications need for customers. They searched and evaluated almost simultaneously. The first interaction took place at the office of MediaCorp. After the negotiation, a formal agreement ended the initiation process. This initiation process shows sub-processes in a stage-like development, but they should be categorized as flexible states since the second and third processes occurred almost simultaneously, and due to the fact that stages are one kind of states.



**Figure 13 – Boost Communications's initiation process to MediaCorp**

Since Boost Communications first became aware of MediaCorp being a potential customer through an external agent who was part of their network. Even though using their network was part of their intended strategy, MediaCorp was not a part of their prioritized list, or searching horizon, made according to their intended strategy. Thus, this implies both some degree of deliberate and emergent elements.

### **4.3.2 Renewable Energy Corporation**

REC was established in 1996, and is a well-established firm according to our definitions. REC's core business is to produce and sell polysilicon wafers, cells and modules for the solar industry. We present their initiation process of collaboration with the firm SunPark, which is a large landowner of solar parks with a potential need of REC's technology

#### ***Intended initiation strategy***

REC is aware of the fact that they have good references in the market, and they have an ambitious intended initiation strategy influenced by previous experiences and including both Norwegian technology industry and the international market. REC underlines the importance of having a strategy for gaining new business customers in order to survive in the market. They have a specific plan in order to achieve this *goal*. Due to their good references within the market, REC's intended initiation strategy is to contact and be contacted through references. REC focuses on building relationships to customers in the already established markets, since these markets often are more stable. In order to achieve this, they have employed people in these local markets. REC focuses on quality, and based on previous experiences, REC only wants to collaborate with serious companies that have resources to carry through the project. Their

intended initiation strategy almost entirely focused on the established market, even though emerging opportunities often appear. Still, due to the fact that the market is changing rapidly, REC constantly changes their strategy in line with opportunities they observe in the market. REC's strategy focuses on following a settled plan. Since their strategy allows the company to seize opportunities and be critical, their strategy in the highly competitive market is mainly *planned-emergence*. REC aims to have *project based relationships* with their business customers, which means that the relationship will last for a specific period of time, forcing REC to replace business customers rather frequently and achieve new.

### ***The sub-processes in the initiation process***

We will analyse and discuss the six sub-processes of the initiation process between REC and SunPark in order of occurrence, and the development of the initiation process will be illustrated in Figure 14 in the end. All the sub-processes are analysed with focus on the Theoretical Framework.

#### **Need**

As the numbers of suppliers in REC's market have increased, and the demands have decreased, there are fewer potential business customers for REC. Thus, REC had an *internal goal* to achieve new business customers in order to increase sales. Still, it was SunPark who addressed their *need* for building a sun park. REC was contacted by SunPark because of positive references from previous projects. In this case, SunPark had the strongest need for establishing the business relationship. This implied an *external opportunity* for REC, and they were contacted by SunPark as an *external agent*, who also made REC *aware* of SunPark.

The fact that SunPark contacted REC due to references from previous projects was in line with the intended initiation strategy, that REC wanted to be contacted through references. This indicates that the initiation process led to a high degree of deliberate elements in the realized initiation strategy. Furthermore, SunPark represented an emergent opportunity that also indicated a high degree of deliberate elements, because the intended initiation strategy was *planned-emergence*.

### **Search**

Since REC always was ready for new business customers, and did not have a separate sales department that worked with initiating new business customers, REC did not perform any *search* for other potential business customers in the initiation process of the relationship with SunPark. SunPark as the buying firm made contact with REC based references from previous references. Even though, REC operates in a market dominated by smaller firms, REC was *aware* of SunPark. The parties were *not closely located*, but they both operated in Europe. REC also made a background research of SunPark by *gathering information* about them.

The reason for being contacted by SunPark was the good reputation in the established market, which was part of REC's intended initiation strategy. This resulted in a large degree of deliberate elements in the initiation process, thus the realized initiation strategy.

### **Evaluation**

REC makes a careful evaluating of SunPark and using their *experience from previous* business relationships, before they decide to meet in order to develop future business relationship with SunPark. They evaluate *expected rewards* from SunPark *against alternative* business customers. During the evaluation process there is no *conflict of interest*, and a *period of trial* was unnecessary. Neither REC nor SunPark seemed particular *overconfident* for this business relationship, but they were both interested in achieving a business relationship.

We believe the fact that REC evaluated expected rewards and alternative business customer indicates that the initiation process with SunPark was a result of a high degree of deliberate elements in the realized initiation strategy. Following the intended initiation strategy also stated that REC wanted to collaborate with serious companies like SunPark, also contributing to a high degree of deliberate elements in the realized strategy.

### **First Interaction**

The first interaction between REC and SunPark contained a *dyadic* dialogue to create a common understanding of their respective goals and resources. During this meeting REC focused on their high-quality products and the fact that they have a reliable ten years guarantee. In addition, REC was very focused on getting customers that could contribute with both financial and knowledge resources in order to secure that this project actually would be realized. This first meeting

between REC and SunPark can be characterized as *instrumental*, meaning that it was a very formal meeting at SunPark's office. The fact that SunPark contacted REC reflects the *reputation* of REC.

According to REC's intended initiation strategy, references, reputation and networks was important. Being contacted by SunPark and the instrumental tie that characterized the first initiation between REC and SunPark contained a high degree of deliberate elements because it was in line with REC's intended initiation strategy. Furthermore, REC and SunPark met on the basis of good reputation which was entirely align with the intended initiation strategy and this also leads to a high degree of deliberate elements in the realized initiation strategy.

### **Evaluation**

REC also performed a thorough evaluation of SunPark against *previous experiences* after their first meeting to evaluate if the establishing of a potential collaboration with SunPark would be realistic to implement. During this evaluation, REC wanted to achieve a realistic picture of the *expected rewards* to ensure that SunPark had the same focus as themselves, and that the knowledge and financial resources of SunPark were satisfying. Being a big financial investment, REC also wanted to ensure that SunPark had sufficient focus on quality making expected rewards important. There were no *conflicts of interest*, or *period of trial*. The fact that REC evaluated SunPark *against alternative* business customers, demonstrate that REC had a trustworthy, realistic and *confident* approach to this relationship initiation.

The thorough evaluation during the initiation process by REC reflects their intended initiation strategy which gives a high degree of deliberate elements to the realized initiation strategy. It is possible that REC performed an evaluation even more thoroughly than usual, since the business relationship with SunPark was a result of an emergent opportunity from a customer they was not familiar with, and they needed to ensure that this emergent initiation opportunity was a good investment. They could not afford to take any chances of doing a bad investment in the highly unstable and challenging market.



### **Negotiation**

After REC had decided that SunPark was a viable customer, the negotiation process started. They had no previous negotiation *experiences*, and this contributed to some extent of *uncertainty* between the parties. They discussed a potential contract with focus on how financial issues could be solved, because of these discussions the initiation process lasted for a long period. Furthermore, *mutual goals* were clarified. Technology and trustworthiness were important themes during the negotiations and bargaining, which took place in a *formal bargaining* setting.

The negotiation sub-process was time-consuming and challenging and apparently not simplified in spite of REC's thorough intended initiation strategy. Both REC and SunPark had opinions needed to be mutually discussed and therefore it seems like the intended initiation strategy that REC had could not give much influences to this sub-process.

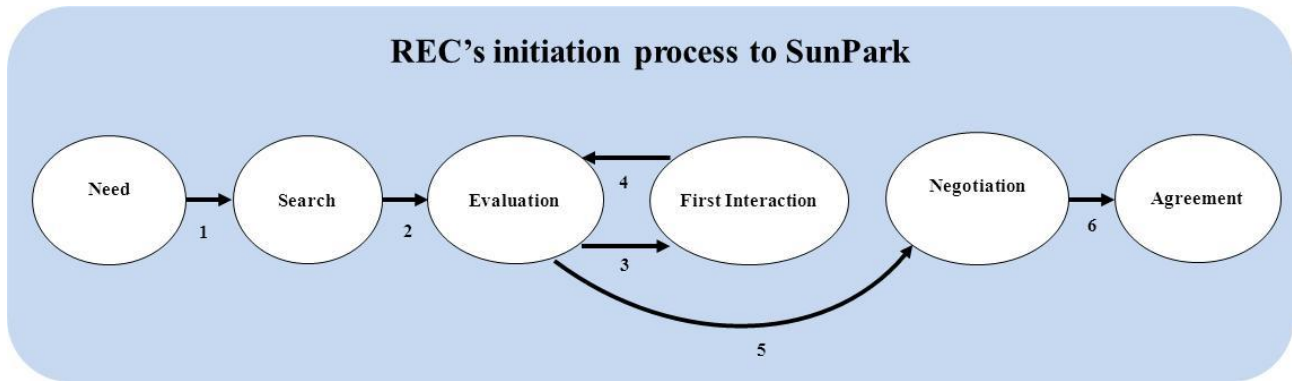
### **Agreement**

The agreement between REC and SunPark was formalized by a written *formal contract* both parts could agree upon, and business relationship was initiated.

Although a final agreement for further collaboration is the goal of the initiation process, it follows standard rules of formal contracts, and it is the initiation and not the agreement, which seems like the most challenging process.

### ***Realized strategy***

Figure 14 shows how the initiation sub-processes develops between REC and SunPark. It was the buying firm who had the first need and searched for REC. Thereafter, REC performed a carefully evaluation of SunPark both before and after the first interaction, followed by a long period of negotiation before agreement was settled.



**Figure 14 – REC's initiation process to SunPark**

As mentioned previously, the initiation process started as a result of SunPark contacting REC based on references. This is aligned with REC's intended initiation strategy. The realized strategy is therefore characterized by a high degree of deliberate elements, but the emergent opportunity to get SunPark as a customer included some degree of emergent elements. When emergent elements occur in a mainly planned-emergence intended initiation strategy, the realized strategy shows a *high degree of deliberate elements* as well.

### **4.3.3 RESMAN**

RESMAN was established in 2005, and is characterized as a well-established firm. RESMAN is a spin-off company from SINTEF that provides down-hole wireless inflow monitoring for oil wells. We present their initiation process of business relationship with the firm IOC, which is a major multinational oil company from Brazil who was interested in RESMAN's technological knowledge to improve their production.

#### ***Intended initiation strategy***

RESMAN is a well-established firm, and the intended initiation strategy is characterized by experiences from several previous successful business relationships. They are engaged in being extra focused on the initiation process. RESMAN stated a three year overall strategy, which also included plans for sales and marketing, and they have a clear and detailed plan of action in order to achieve their *goal* of getting new business customers. The intended initiation strategy is systematic and structured with focus on large international oil-companies. Their employees travelled a lot to meet potential new customers and they arranged meetings with *asset teams*.

However, they also had focus on specific areas where they wanted to launch pilot test, and as a consequence they surveyed new oil fields and tried to make contact with new companies. RESMAN's main targets were high-cost countries, since they had the possibility to finance the optimal solutions with focus on health, security and environment, HSE. Their main focus markets are Brazil and the Middle-East. RESMAN have local sale persons in order to be present and responsive in the most important markets. In addition they have fulltime employees in Norway who worked with sales and marketing. However, RESMAN's intended initiation strategy also includes emergent opportunities, following references from previous projects and publicity "talked to by the word of mouth". Such customers calling RESMAN and asking for help and information were challenging and often very time-consuming. RESMAN try to respond to all these emergent contacts. Therefore, RESMAN show a *planned-emerged* strategy. RESMAN aimed for *project based relationships*, since their technology need to be implanted only once in the oil pipes as a one-time transaction. However, business customers often have had several sites which needed collaboration with RESMAN.

### ***The sub-processes in the initiation process***

We will analyse and discuss the six sub-processes of the initiation process between RESMAN and IOC in order for occurrence, and the development of the initiation process will be illustrated in Figure 15 in the end. All the sub-processes are analysed with focus on the Theoretical Framework.

#### **Need**

RESMAN had an *internal goal* to achieve as many new business customers as possible, since the amount of potential customers were limited, and their technology were new and innovative. Therefore, it was RESMAN that had the *initial need* for initiating business relationship with IOC. RESMAN answered a tender that IOC had issued, which could be looked upon as an *external opportunity*. However, RESMAN lost this tender. Shortly afterwards, an employee in IOC exposed a need for RESMAN's fascinating technology. This need was not facilitated by *external agents*.

Consequently, at first RESMAN had the strongest need for IOC, but thereafter this was switched to a more equal need between IOC and RESMAN. According to the intended initiation strategy,

RESMAN answered the tender of a big oil company. When they later were re-contacted by the same company, this was in according to RESMAN's intended initiation strategy to achieve new business customers from word of mouth and references. Therefore, both a planned and a planned-emergence part of the intended initiation strategy can be identified, which gives a high degree of deliberate elements in the realized strategy.

### **Search**

Initially, it was the selling firm RESMAN, who *searched* for the buying firm IOC, but IOC had originally sent out a tender to obtain new business customers. Consequently both the selling and the buying firms were active in initiation business relations. RESMAN started their search by making a list of potential business customers among the biggest oil companies, and having a limited number of potential customers within their industry, RESMAN knew about IOC as a potential business customer. RESMAN has a relatively new technology and aimed for a specific market, and they had to address both the search and *awareness* of business customers. The two companies were *not closely located* in Norway and Brazil, respectively, but RESMAN had an employee in Brazil who handled much of the business contact, making the business distance shorter. Furthermore, it did not seem like RESMAN had any specific system for *information gathering* besides having employees placed locally.

The fact that RESMAN was searching for IOC was according to the intended initiation strategy. However, RESMAN's intended initiation strategy also included to be contacted by customers, which actually happened after the loss of the tender process, which made RESMAN aware of IOC as a possible business partner. This resulted in a high degree of deliberate elements to the initiation process, and therefore to the realized initiation strategy as well.

### **Evaluation**

RESMAN did not build their evaluation on the results of *previous relationships*. The evaluation was very superficial, and only included the facts that IOC was a big international oil company located in the RESMAN's target market. This means that *expected rewards* played an important role during the evaluation. Furthermore, they had no need for *comparing with alternative* business relationships during the evaluation. RESMAN seemed very little *overconfident* due to the fact that they evaluated IOC thoroughly based on their expected rewards.

The evaluation of IOC was very much according to the criteria's settled in the intended initiation strategy to reach larger oil companies, and therefore the initiation process and realized initiation strategy show a high degree of deliberate elements.

### **First Interaction**

The first contact between RESMAN and IOC was a tender process that RESMAN answered. Several other firms competed, and therefore this was not a *dyadic interaction*. However, RESMAN's response of the tender did not fit with the technological specifications settled by IOC. The ties in this interaction were very *instrumental*. The firms met through an *official tender process*, where the selling firm initiated the contact based on its previous experience.

The fact that RESMAN answered a tender that IOC had put out could be said to reflect a systematic and structured focus on targeting large international oil-companies, which is in line with the intended initiation strategy. This again states a high degree of deliberate elements.

### **Search**

After the first interaction, and the fact that RESMAN lost the tender, RESMAN continued their search for potential business customers among the biggest oil companies. After a while, IOC took contact with RESMAN because they had developed a fascination by RESMAN's product, and asked for a meeting. Presently, it was IOC, the buying firm, who *searched* for RESMAN. By this time, both were fully aware of each other and no further *information gathering* was necessary.

The fact that both parties searched for each other was according to the intended initiation strategy, because RESMAN tried to get business customers both through references and reputation. Answering the tender created word of mouth, and even if RESMAN lost the tender, IOC was still was interesting in a possible business relationship with them. This alignment of the intended initiation strategy indicates high degree of deliberate elements in the realized strategy.

### **First Interaction**

The new "second" first interaction occurred actually four years after RESMAN lost the tender process with IOC. However, during these four years there had been some dialogue between the parties. At this time there was a *dyadic interaction*, initiated by a technological consultant at

IOC, who contacted RESMAN because he was fascinated by the technology that RESMAN offered. During the following meeting, main focus was on the specific function of the technology that RESMAN offered. During this *instrumental* meeting there was no focus on forming *personal ties*. RESMAN pointed out that there was very little risk with the installation of their technology. The contact was initiated by the buying firm, IOC, initiated the contact. The interaction was influenced by the *reputation* of RESMAN's unique technology.

The fact that RESMAN had already interacted with IOC during the tender made this case different. This means that they had known about each other for time before they interacted. The first time they interacted "face-to-face" was at a meeting initiated by IOC. This time it was the buying firm who contacted RESMAN, based on the reputation of the technology.

### **Evaluation**

RESMAN performed a limited evaluation of *experience from previous* relationships of IOC when they decided to start a business relationship. The focus on this evaluation was on *expected rewards*, which turned out to be extensive since IOC is a large oil company. RESMAN did not perform any further noteworthy evaluation regarding the relationship to IOC after they had evaluated them as a promising business customer. During this evaluation no *conflict of interest*, *period of trial* or evaluation *against alternatives* was described.

In this sub-process we see that RESMAN did not perform any extensive evaluation regarding the relationship to IOC. This might be due to the fact that RESMAN already had evaluated them as a promising business customer being a big international oil company. The companies had been aware of each other for four years, they had mutual specific needs without conflicts of interests. There was no need for any trial period. In addition, both the parties were in need of each other. This can also be the reason for why they both avoided conflict.

### **Negotiation**

When the negotiation started, employees of the parties had developed quite a lot of acquaintance after four years of dialogue since the initial tender process. This had reduced the degree of *uncertainty* between the parties. During their negotiations, they mainly clarified their *mutual technological goals* and benefits. In addition, some focus was directed towards the price. This

negotiation process took about one year, during this period they made further technological developments together. This was a time consuming process which demanded several meetings before the agreement. In the end of the negotiation process, RESMAN presented their price offer to IOC. The negotiation was characterised by *formal bargaining* through formal meetings, in order to reach a formal agreement for further collaboration.

The negotiation sub-process between RESMAN and IOC involved a mutual further development of RESMAN's technology. Thus, the negotiation took time. Being in the process of developing a technology together, many meeting took place. The degree of formality probably decreased along the negotiation sub-process. Since both the parties in the negotiation was active and developed a clear mutual course of action, RESMAN's strategy regarding initiation did not have any specific influence in this sub-process. The degree of emergent and deliberate elements from the negotiation was therefore not possible to evaluate in light of the realized initiation strategy.

### **Agreement**

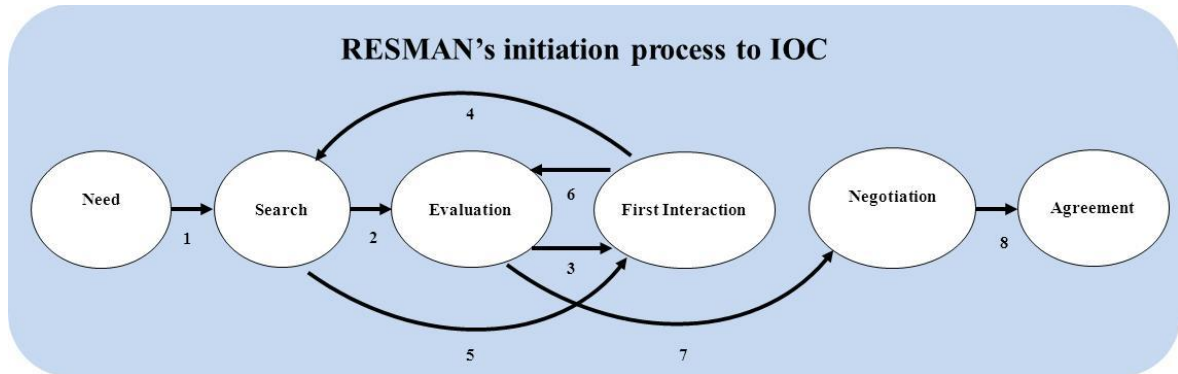
The agreement on price and the technical specifications ended up with a written contract. Business relationship was thereby formalized by a *formal contract*. For RESMAN, the process from getting in contact with IOC to the final agreement was relatively time-consuming. First, they had the tender process that they lost, and when they eventually decided to start negotiation both firms developed the product further together.

Although an agreement for further collaboration is the final goal of the initiation process, it follows standard rules of formal contracts, and it is the initiation and not the agreement per se, which seems like the most challenging process.

### ***Realized strategy***

Figure 15 shows how the initiation process develops between RESMAN and IOC through sub-processes. The initiation process starts by the need of the RESMAN who answered a tender, which they found through a search. Following, they evaluated IOC. The first interaction was through a tender. RESMAN did not win this tender process. Later, IOC performed a new search and contacted RESMAN. Thereafter, a new first interaction between the parties took place, for

thereafter an evaluation of the possible relationship. This initiation process ended up with a negotiation and a final agreement.



**Figure 15 – RESMAN’s initiation process to IOC**

Regarding the initiation process between RESMAN and IOC, RESMAN wanted IOC as a customer, but did not succeed when they first answered IOC’s tender process. Four years later IOC contacted RESMAN and wanted to buy their product. We have argued that the intended initiation strategy that RESMAN had was a planned-emergence strategy, in line with what happened in this initiation process. The realized strategy is therefore seen as having a *high degree of deliberate elements* and a low degree of emergent elements. Figure 15 illustrates the findings above, how RESMAN’s realized initiation strategy is characterized by both of emergent- and deliberate elements.

After presenting an analysis and discussion of each of the three well-established case firms, Boost Communications, REC and RESMAN, the findings will flowingly be compared. This will be done in the same structure from the Theoretical Framework which was used for each of the case firms.

#### **4.4 Comparison between Well-established Firms**

The initiation process by the three well-established firms will be compared with basis on the Theoretical Framework. Therefore the focus will be on respect to the intended initiation strategy, the initiation process, and the realized initiation strategy.



#### 4.4.1 Intended Initiation Strategy

Characteristically all three well-established firms had very *detailed plans* for action in order to achieve their goal of initiating new business relationships to customers. Furthermore, this intended initiation strategy was highly planned (comprised highly planned elements) in addition they were *planned-emerged*. REC and RESMAN had a clear and detailed plan as part of the planned-emergence strategy, but no planned-emergence was found in Boost Communications. Furthermore, some variation elements were present, including if the case firms aimed for *long term business* relationship with their business customers or if they preferred more *project based relationships*. Both REC and RESMAN aimed for a more project based relationship while Boost Communications, on the other hand, had a business that was more suitable for long-term relationships.

All the well-established firms had consistently a considerable *experience from previous* business relationships. Furthermore, the well-established firms clearly took advantages of these experiences when they formed their intended initiation strategy. The well-established firms made mostly planned actions, and had a higher degree of organizing their planned-emergence strategy. We assume that this was based on previous experiences, which most likely had contributed to the development off routines in improving their intended initiation strategy. So far, the frequently used planned-emerged strategies among the well-established firms, demonstrated how they need to adapt to turbulent environments in initiating business customer relationships. The well-established firms probably had a better insight and understanding through their experiences with business environmental factors which often are volatile and unpredictable. The varying types of business relationships which are initiated, *being long-term* or *project based*, is a consequence of the type of industry involved. Both REC and RESMAN aimed for project based relationships with their customers, which reflected considerable experience in initiating business relationships. As soon as projects come to an end, they needed to be replaced with either existing business customers and by establishing new customers. This means that they probably had the possibility of finding more new business relationships than Boost Communications, who aimed for long term relationships with their customers.

#### 4.4.2 The Initiation Process

All three well-established firms had internal goals for achieving new business customers, but the extent of obtaining new customers varied according to their needs. These seemed to be more variations among which parties that had the strongest *need* for the business relationship. The well-established firms also seem to have both an *internal need* for the business relationship, and they see *external opportunities and/or problems*. Two of the firms were not *aware* of the importance of obtaining potential business customers through external consultant agents. Still, it is shown one well-established firm that's awareness was facilitated by an external agent. This was Boost Communications who became aware of their need through a consultant. The well-established selling firms, Boost Communications and RESMAN were in constant search for business customer. REC, on the other hand, was less outreaching activities, and contacted by buying firms that had performed the search. There was no consistency between the degree of awareness each other or the distance between their geographically location because none of the parties were *closely located*.

Boost Communications and RESMAN performed thorough *information gathering* of the buying firms, while REC to a much lesser extents searched for their business customer. All three well-established firms performed evaluation based on their *experiences* from previous relationships. The expected rewards were also of importance during the evaluation. There were no obvious *conflicts of interest*, which indicated that the collaboration was mutually fruitful. Among well-established firms there is obviously seldom a need for a *period of trial* in order to improve sales.

For two of the well-established firms, parallel evaluations for alternative business partners were performed, which indicate that they had a thorough evaluation process. RESMAN, on the other hand, had a different evaluation approach aiming to reach as many possible customers as possible, since they had a niche product with a limited customer marked. The well established firms showed little signs of overconfidence. As large firms they obviously had deliberate, calm and steady businesspeople, but perhaps they had lost some of their enthusiasm following disappointments in previous business experiences. Boost Communications showed to some extent overconfidence during the evaluation of MediaCorp, but possibly this represented also a larger degree of enthusiasm.

Regarding the first interaction this was *dyadic* characterized by *instrumental ties* for all three well-established firms. However, Boost Communications also had a component of indirect personal ties due to a previous relationship. There were no consistent findings regarding how and where well-established firms meet, but they had a need for presenting their firm, products and knowledge. Moreover the *firm's reputations* contributed with the facilitation of the business customers. Both REC and RESMAN had established a good firm reputation in the market which made the business customers get in touch with them. Furthermore, Boost Communications only had this to some extent.

Both negotiation and agreement were rather similar for the well-established firms. Although the selling and buying firms could have different degrees of *previous experiences*, they showed a lesser degree of *uncertainty*. All three well-established case firms had clarified *mutual goals*, performed *formal bargaining* and arranged an agreement with *formal contracts*.

There was no particular trend whether the selling or buying firm had the *strongest need* for the business relationship. It is possible that well-established firms with broader networks are less dependent on succeeding in establishing a specific business relationship as newly established firms. The well-established firms might also have a reputation that attracts buying firms to make contact, so that they are not to the same extent dependent to search for them themselves. We believe that well-established firms see *external opportunities* as emergent opportunities from the business environment, which fits well with the planned-emergence strategy in the intended initiation strategy observed among two of three well-established firms. However, it lies in the nature of doing business to have an *internal need* for resources. In other words, it seems as if the well-established firms had previously experienced that they must be ready to take advantage of external opportunities when they emerge. The intended initiation strategy of well-established firms often results in opportunities close to what they were searching for, also in line with the intended initiation strategy. This was the case for REC and RESMAN. Since the firms operate internationally and complex markets, the buying and selling firms are often located in distance of each other, and could in part determine which firms actually form bonds together.

Well-established firms, being operative for more than five years, obviously have a high degree of previous business relationships and experiences, and most probably have established network of relations and references.

Since the literature stresses that experience is an important part of evaluation, and the fact that well-established firms have operated for several years and should have developed some experience, we argue that it would have been an extraordinary finding if the well-established firms did not use their experiences in the evaluation. It was also shown that the evaluation among the well-established firms was often done against alternatives, making them very reflected. Still, RESMAN did not perform any evaluation *against alternatives*, which might be due to the fact that they had considered the alternatives before they answered the tender of IOC. The well-established firms show very little confidence, in other words they are not *overconfident*. We believe this is due to their realistic view of the business world, a view they have developed operating in the industry for several years. However, Boost Communications showed to some extent overconfidence in their evaluation of their potential business customer MediaCorp, this can be because they had indirect relations, and focused on developing social bonds. Therefore, they might have developed less realistic view and kept the overconfident in evaluating business customers. The variation regarding how and where firms meet makes it difficult to find any particular pattern of this among the well-established firms.

The well-established firms showed a rather uniform way of negotiation and agreement. In our examples, the well-established firms were of sizes which gave an equal balance between the buying and selling firms. Moreover, they all aimed in making *formal agreements* and contracts, which also implies a uniform professional behaviour. The selling firm cannot solely plan how these two sub-processes will occur in the intended initiation strategy, and the intended initiation strategy might also not be dealing with these two sub-processes.

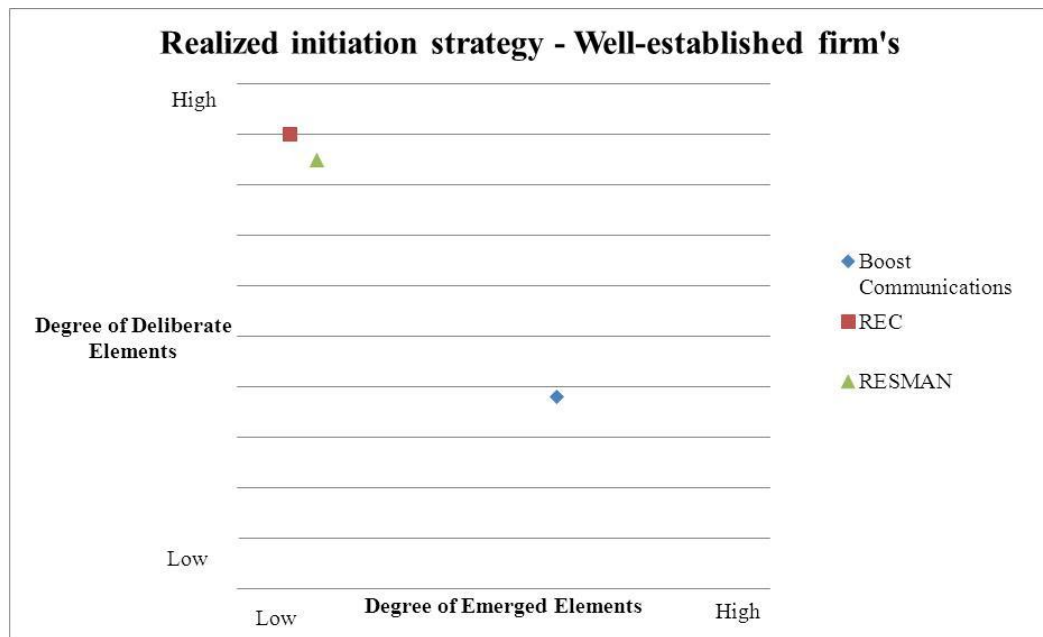
#### **4.4.3 Realized Initiation Strategy**

There is a *high degree of deliberate elements* among the realized initiation strategy for the well-established firms, which indicate that the intended initiation strategy was closely related to the

actual initiation process which is the realized initiation strategy. Consequently, the degree of emergent initiation strategy was low among all the well-established firms.

Their planned-emergence initiation strategy may probably explain why the well-established firms experienced a high degree of deliberate elements in the realized initiation strategy. This is because they were planning to take emerged opportunities which clearly happened in the initiation process, the realized initiation strategy. Consequently, the low degree of emergent elements in the realized initiation strategies might be explained by the fact that emergent situations that appears is characterized as a high degree of deliberate elements because it is part of the intended initiation strategy of being emergent (planned-emergence).

Figure 16 illustrates how the well-established firm’s realized strategies were distributed in light of the degree of deliberate and emergent elements. If Boost Communications also have had a planned-emergence strategy as part of their intended initiation strategy they would also be placed among the two other newly established firms, with a higher degree of deliberate elements.



**Figure 16 – Elements in the realized initiation strategy of the well-established firm’s**

We have presented a comparison among the three well-established firms, after analysing and discussing each of them. This has been done with basis of our Theoretical Framework. Following, we will compare the newly and well-established firms in order to find an answer to our research question.

## 4.5 Comparison between Newly and Well-established Firms

We will here compare similarities and differences concerning the initiation of business relationships between the three newly and the three well-established firms, respectively. Based on our Theoretical Framework, we present the intended initiations strategies, the six sub-processes of the initiation process and the realized initiation strategies for each company in Figure 9, Figure 10, Figure 11, Figure 13, Figure 14, Figure 15, respectively. We will discuss any noteworthy findings in the following tables. Our main findings will be presented as a bullet list.

### 4.5.1 Intended Initiation Strategy

Table 6 presents the details concerning the intended initiation strategy for the newly and well-established firms, which will be further discussed below.

Table 6 – Intended initiation strategy

	Newly established firms			Well-established firms		
	BioLab	dSAFE	Dynamic Rock Support	Boost Communications	REC	RESMAN
<b>Planned actions to achieve goals</b>	X	X	X	X	X	X
<b>Planned-emergence strategy</b>	X		X		X	X
<b>Aim for long term based relationship</b>	X	X	X	X		
<b>Aim for project based relationship</b>					X	X
<b>Experience from previous relationship initiations</b>				X	X	X

As expected, both newly and well-established firms had more or less made a *plan* for obtaining business customers. Two-third of the companies had a *planned-emergence strategy*, where they

would grab emergent opportunities if these came along the way, and among these companies were both newly and well-established. It is dSAFE and Boost Communications, respectively newly and well-established, who stand out by having a purely planned strategy with no planned-emergence. However, as seen from the aforementioned analysis, without exception all three well-established firms had made considerably more detailed plans than the newly established firms, which indicate that planned actions were of greater importance for the well-established firms. This can be due to the fact that the well-established firms have more experience. In addition, more well-established firms are often larger organisations. Thus, they must have a plan in order to coordinate between all the levels in the organisation. Another reason can be that the well-established firms have developed more focus in which market segments they want to establish business customer in. These arguments support that the well-established firms have a higher degree and more detailed plan in their intended initiation strategy than the newly-established firms. The newly established firms, on the other side, have not had the time to establish the same network or focus in their markets.

The newly established firms aim for *long-term relationships*, while two of three well-established firms aim for *project-based relationships*. This is an interesting finding, that can be due to the fact that the newly established firms are in a great need for business customers and want to hold on to the ones they get. On the other side, this might also be explained by the nature of the product. Some products are more suitable for project-based relationships than long-term relationships. An example is the solar cell parks that REC builds. When they are built and delivered, the business relationship between the firms ends.

The most striking difference between the newly and well-established firms is whether or not they based their intended initiation strategy on *experiences from previous relationships*. Well-established firms have necessarily more years of experience than newly established firms, and the results confirms that well-established firms actually use their previous experience to a great extent in the intended initiation strategy. Based on the performed literature review it seems to be expected that the well-established firms have experienced that the business environment is volatile and unpredictable. Thus, they need to plan for emergent opportunities by forming a planned-emergence initiation strategy. On the other hand it seems like the newly established

firms must grab every emergent opportunity that arises because they do not have other choices since they are in desperate need for building a customer base to ensure income. In other words, a planned-emergence strategy is vital in order for the newly established firms to survive in their business. Therefore, the newly established firms have *planned-emergence* strategies as part of their intended initiation strategy. Still, they are not able to plan in the same details as well-established firms do because they do not have the same experience concerning this.

In summary, concerning the intended initiation strategy:

- Well-established firms made more detailed plan than newly established firms, based on experiences from previous business relationship initiations
- Both categories of firms use a planned-emergence strategy as part of their intended initiation strategy. The well-established firms emphasized detailed plans whereas the newly established firms to a greater extent responded to emergent opportunities



## 4.5.2 The Initiation Process

Table 7 presents the details concerning the six sub-processes in the initiation process for the newly and well-established firms, which will be further discussed below.

**Table 7 – The sub-processes in the initiation process**

	Newly established firms			Well-established firms		
	BioLab	dSAFE	Dynamic Rock Support	Boost Communications	REC	RESMAN
<b>Need</b>						
Internal goal	X	X	X	X	X	X
Selling firm had the strongest need	X	X	X	X		
Buying firm had the strongest need					X	X
Both internal need and external opportunity	X	X	X	X	X	X
Awareness of a need, facilitated by external agents	X	X	X	X		
<b>Search</b>						
Selling firm searched	X	X		X		X
Buying firm searched	X				X	X
Selling firm aware of buying firm			X		X	X
Buying firm aware of selling firm					X	X
External part aware				X		
Closely located						
Information gathering			X	X	X	X
<b>Evaluation</b>						
Experience with previous relationships				X	X	X
Expected rewards	X	X	X	X	X	X
Conflict of interest						
Period of trial	X		X			
Against alternatives			X	X	X	
Overconfident	X	X	X	X		
<b>First Interaction</b>						
Dyadic interaction		X	X	X	X	X
Instrumental ties	X	X	X	X	X	X
Personal ties						
Reputation	X	X	X	X	X	X
Official public space						X
Former employee				X		
<b>Negotiation</b>						
Low degree of experience	X	X	X	X	X	X
High degree of uncertainty	X	X	X	X	X	X
Clarifying mutual goals	X	X	X	X	X	X
Formal bargaining	X	X		X	X	X
<b>Agreement</b>						
Relational contract			X			
Formal contract	X	X		X	X	X

Noticeably, all the firms had an internal goal to achieve new business customers. The three newly established firms consistently had the strongest need for the buying firm, whereas this only was the case for one of the three well-established firms. This lies in the nature of newly established firms where achieving business customers are of great importance during their establishment in the market. Additionally, all the firms had both internal and external opportunities that facilitated their need. The newly established firms do not have a reputation in the market, and need make buying firms more aware of them. Thus, this finding is not very surprising. Similarly, this awareness for the selling firm among all the newly established firms was initiated by external agents, whereas a consultant agent was only important for one of the well-established firms. It was unexpected that two of three newly established firms became aware of their need for business customers through an external agent. However, the newly established selling firms probably had limited overview of the market and potential business customers compared with the well-established firms. Thus, the newly established firms needed to use the knowledge and network of external agents.

No significant differences can be seen between the two categories of firms when it comes to whether the selling or the buying firm searched. Only one newly established were aware about the selling firm. This is to some extent surprising, since they all stated that they had done research and had a list over potential customers they wanted to contact. From this we see that the newly established firms often get other opportunities than planned. This can be because they do not have a highly planned intended initiation strategy. Thus, it is virtuous that they have a planned-emergence strategy. Another surprising finding is that none of the firms are closely located to each other. From the theory we saw that the firms often got aware of each other because they were closely located. Here we might see a changing trend, which might be due to the international environment. Furthermore, it is not surprising that the well-established firms differ in the sense of gathered information, while two out of three newly established firms did not do that. This can be because the newly established firms developed business customers that were not in line with their initial focus market. Thus, they could not gather information in their search for these business customers.

Regarding the evaluation process, there were also clear differences between the newly and well-established firms. As for the intended initiation strategy, previous business relationships were important for the evaluation process by the well-established firms. Consequently, they got a better overview of alternatives and broader evaluation possibilities. This is not surprising due to the fact that they have operated for many years. The fact that all the firms evaluated the expected rewards is logical since all firms seek rewards, as for example resources like capital, network or reputation, to survive as a business. The fact that none of the firms mentioned a conflict of interest is probably because they all had a high need for business customers, and did not want to argue. In addition, conflict is a negatively charged word, and the interviews can have neglected to answer this. Naturally, they all want their firm to appear as good as possible. In contrast to the well-established firms who did not use periods of trials as part of the evaluation process, two of the three newly established firms had period of trials as important contributing offers during the evaluation process. The newly established firms probably had to use period of trial in order to promote the sale and convince the buyers about the excellence or usefulness of their product or service, since it is new in the market. Simultaneous evaluation of alternatives and overconfidence were representative for differences between newly and well-established firms. Evaluation of alternatives was carried out by two of the three well-established case firms. This might be because they have more options since they have operated longer in the market. Thus, they have the opportunity to evaluate against alternatives. Overconfidence is seen among all the newly established firms while the well-established firms seemed more realistic. Overconfidence may be due to less experience and a less realistic view, but may also represent positive attitudes and optimism which may characterize newly-established firms. This finding is also aligned with the nature and definition of newly established firms.

Most of the firms had arranged meetings as their first interaction, thus, the interaction was dyadic. It is not surprising that the first meeting was instrumental for all the case firms. This is because a first meeting implies that they have not met each other before. Thus, they have not developed any personal bonds. Reputation was more or less the reason for how and where firms met during the first interaction. However, the reputation factor to achieve business customers was to a larger extent present within the network and at a personal level for the newly established firms. On the other hand, the well-established firms had a firm reputation in the market, and

other firms knew about them. This might have eased the initiation of business relationships. Well-established firms have had much more opportunities to establish a name for the firm, and a reputation in their market. This seems like the reason why they meet business customers through the reputation of the firm. Newly established firms, on the other hand, seems to have depended on a solid personal network which is commonly used in order to achieve business customers. This utilization of network is reflected in the findings from the searching process where external agents made the newly established firms aware of their need for the business customers.

During negotiation and establishing of agreement there were similar patterns for both newly and well-established firms. Thus, we will not discuss these separately. This is remarkable and may possibly be explained by the fact that these two sub-processes are determined by both the buying and selling firms, and that their mutual interactions are similar for newly and well-established firms. The negotiation is not affected solely by the selling firm and might therefore not differ as much by the nature of the selling firm to be a newly or well-established firm. Even though agreement is the goal when initiating a business relationship, agreement seems to follow standard rules of formal contracts for both newly and well-established firms, and is not necessarily an important part of the intended initiation strategy. Assuming from theory that most firms operate with formal contracts, it was surprising to find that DRS did not have formal contracts. We argue that this probably happened since they are a newly established firm which recognized that they needed to play by the rules of the business customer.

To summarize, the main findings between newly and well-established firms, regarding the sub-processes in the initiation process were:

- Newly established firms had a stronger need for finding a buying firm, which was often facilitated by an external agent
- The newly established firms were not aware of their business customers, due to the fact that the business customer was not in their searching horizon
- Both categories of firms initiated relationships with firms that is not closely located
- Well-established firms benefit of previous business relationships, and evaluates more often against alternatives before first interaction

- Newly established firms use period of trial more commonly in order to promote sale, and they seem to be more overconfident than well-established firms
- Formal firm reputation characterizes well-established firms, whereas personal reputation levels are more common for newly established firms
- The negotiation and agreement sub-processes are similar for newly and well-established firms

### 4.5.3 Realized Initiation Strategy

With respect to the sequences of the sub-processes, the most remarkable finding was that two of the three newly established firms evaluated after the first interaction, whereas the well-established firms evaluated right after or during the search but before the first interaction. In other words, the well-established firms evaluated earlier in the process. This is compatible with the fact that the well-established firms had a detailed plan that emphasized the importance of evaluating right after the search and before the first interaction, whereas the newly established firms are more eager to start interacting being in a stronger need for business relationship building.

Table 8 presents the findings concerning the realized initiation strategy for the newly and well-established firms.

**Table 8 – Realized initiation strategy: degree of deliberate and emergent elements**

	Newly established firms			Well-established firms		
	BioLab	dSAFE	Dynamic Rock Support	Boost Communications	REC	RESMAN
<b>Degree of Deliberate elements</b> Elements from the intended strategy	High	Low	High	Low	High	High
<b>Degree of Emergent elements</b> Elements from the surroundings	Low	High	Low	High	Low	Low

Table 8 shows the degree of deliberate and emergent elements in the realized initiation strategy. Four of the six firms had a high degree of deliberate element, equally distributed between newly

and well-established firms. This is mainly because planned-emergence strategies were part of their intended strategy, and is not surprising since it showed emergent elements in the initiation process which was according to their intended strategy. We believe that the reason for this finding is much because of our chosen interpretation of the complexity of strategy formation which we discussed in the Theoretical Framework. Here we interpreted that if the intended initiation strategies were aligned with the actual initiation process, also seen as the realized initiation strategy. Thus, we argue that if we had a different interpretation, our findings probably had been different.

As discussed for the intended initiation strategy, there are different reasons for planned-emergence strategies. Since the market is clearly unpredictable and volatile, business opportunities are often unforeseen and accurate planning is difficult. The initiation process is therefore affected by the elements that influence the realized initiation strategy. Both newly and well-established firms have to take precautions in how to respond to emergent opportunities when they arise. Based on planned-emergence we know that the higher degree the firms plan for emerging opportunities, the more prepared they are to handle the emergent opportunities in a resourceful way. In other words, the realized strategy will be deliberate. On the other side, we see that firms like dSAFE and Boost Communications had a lower degree of deliberate and a higher degree of emergent elements in their realized strategy. Being solely emergent is not favourable since the process is not in accordance with the intended initiation strategy. Thus, the realized initiation process has not been prepared for. Emergent elements are outside of the selling firm's control because it appears from the surroundings of the firms.

In summary, concerning the realized initiation strategy:

- During the initiation sub-processes, well-established firms evaluate early and right after the search, whereas newly established firms often start the first interaction before evaluation takes place
- Two newly and two well-established firms had planned-emergence strategies as part of their intended initiation strategy, which led to a high degree of deliberate elements in their realized initiation strategy followed by emergent opportunities

- The two firms who did not have planned-emergence strategies had a higher degree of emergent than deliberate elements in their realized initiation strategy

## 5 Conclusions and Implications

Throughout this thesis we have studied literature concerning initiation of business relationships to customers, strategy formation and newly and well-established firms. Furthermore, we have developed a Theoretical Framework based on the findings from the review of literature, joining together the initiation process and the strategy initiation of business relationships. This Theoretical Framework has been used as a basis for the interview guide, the gathering of information, and the analysis and discussion. We have studied six case firms on how both newly and well-established firms initiated a business relationship to one important customer.

The motivation behind this thesis was our research question: *How does the process of initiating business relationships to customers differ between newly- and well-established firms with regard to their initiation strategy?*

In this section we will draw conclusions that harmonize with our research question. The focus will therefore be seen in light of the differences and similarities found between newly and well-established firms, in line with the Theoretical Framework. Thereafter, both implications for managers and for further research will be presented.

### 5.1 Conclusions

To answer our research question, presented in the beginning of this thesis, we used the Theoretical Framework developed in Review of the Literature as a basis for the analysis and discussion of our case-study. This helped us in finding differences and similarities between newly and well-established firms. Some of these findings were expected and some were unexpected, which will be discussed below.

It has been very challenging to study the initiating process of a business relationship in light of strategy formation, because these fields are complex and this leads to many possible interpretations. Furthermore, it has been perplexed to define the realized strategy in accordance with the intended strategy, especially when the intended initiation strategy is planned-emergence. Based on this we had to define our interpretation regarding strategy formation. Our interpretation



was that intended strategies that are planned-emergence, and occur according to intended strategy, will be categorised as having a high degree of deliberate elements in the realized strategy. This is due to the fact that the realized initiation strategy has the same elements as the intended initiation strategy. Even though this has been challenging, we believe we have managed to expose the research question throughout this thesis.

### ***Differences between newly and well-established firms***

This thesis has confirmed that well-established firms in general used their increased experiences from previous business relationships in the forming of their *intended initiation strategy*. Consequently, well-established firms had a more *detailed plan* in their intended initiation strategy than newly established firms, clearly including elements from *experiences* with earlier initiation processes of business relationships. These findings are in accordance with the theoretical consequences that experience increases with time and exposure.

Newly and well-established firms had also different motives for having *planned-emergence strategies*. Due to restricted knowledge and experiences, newly established firms are forced to seize almost any opportunity that arise, and therefore need to plan for taking emergence opportunities. On the other hand, well-established firms usually have developed their network and can actively use their experience in the formation of their intended strategy. This finding is also in accordance with the nature and definitions of newly and well-established firms.

Differences between newly and well-established firms are also seen throughout the six sub-processes in the initiation process. First and foremost, the newly established firms showed a stronger *need* for the buying customer. They were also more often made aware of the customer by an *external agent*. Furthermore, the theory states that newly established firms often established new relationships due to strong needs for business customers. The reviewed theory implies that the awareness of the need is supposed to happen inside the firm, and not to be facilitated through an external agent. The fact that the newly established firms have a strong need, but do not manage to find the business customer themselves, and since this was not in accordance with the literature reviewed, we find this discovery rather unexpected. The empirical finding in this thesis states that, during the *search*, well-established firms *gathered information*

about the buying firms more commonly than the newly established firms. This is not surprising, since well-established firms often have resources (like employees) that solely work with finding business customers and thoroughly gather information about the buying firms.

During the evaluation, newly established firms used *periods of trial* more commonly than well-established firms. This is as expected since buying firms will have a restricted confidence due to limited reputation and references for the products. Offering a period of trial is less vital for the better known products of well-established firms, who probably have been in use for a longer period of time. Newly-established firms appears more often *overconfident* in their evaluation of the potential business customer than well-established firms, which is in accordance with the entrepreneurial culture being partly characterised by overconfidence in contrast to more well-established firms.

During the first interaction, *reputation* may define how and where the meetings between the firms take place. Newly and well-established firms use more often *personal reputation* and *reputation of the firm*, respectively, in order to achieve business customers. This reflects their degree of reputation and references in the market, which is much higher for the well-established firms. However, it was expected that the newly established firms did not use the firm's reputation due to the fact that they had not established this yet. Still, in our study of three well-established firms, we were surprised to see that none of them used personal reputation more actively during the meetings with their business customers.

The *order by which the sub-process* of initiation occurred showed some differences in sequence. They were in accordance with *state theory*, where the sub-processes do to necessarily appear in a defined order. In general, the well-established firms evaluate right after or during the search, while the newly established firms evaluates after the first interaction. There may possibly be a difference in how the flexible states occur for newly and well-established firms, respectively, and may suggest that the newly established firms had to meet all possible business customers that came into existence. The well-established firms, on the other side, had probably learned from previous business initiation processes that they needed to evaluate carefully before using their time to meet business customers that might be a waste of their time. Moreover, it seem to be

overall a lack of distinctions between newly and well-established firms in the theories of initiation of business relationships.

### ***Similarities between newly and well-established firms***

The *intended initiation strategy* for most of the newly and the well-established firms was characterised as *planned-emergence strategy*. Which indicates that business environment can be volatile and unpredictable for both categories. This again, according to theories, leads to a greater need for planned-emergence strategy as part of firms intended initiation process.

One significant finding in this thesis is the similarities concerning the last sub-processes, *negotiation* and *agreement* between newly and well-established firms. This indicates that these sub-processes are a result of the mutual interaction between the buying and the selling firms, and little influenced by their previous experiences. This seems to be aligned with the theory in the fact that the negotiation and agreement are influenced by two parties. Possible differences in the intended initiation strategy between newly and well-established firms did not affect the last two sub-processes. Based on this we see that negotiation and agreement may possibly be of greater importance in the early initiation process. This finding is surprising because the theories of initiation processes include these two sub-processes, and therefore the intended initiation strategies also should affect them.

Our study also demonstrate that both newly and well-established firms initiated business relationships to customers through *flexible states*. The theories behind the Theoretical Framework imply that there is a clear trend from sequential stages towards flexible states. This means that this finding meets our expectations, and that this is the reality for both newly and well-established firms.

The *realized initiation strategy* of both newly and well-established firms were also characterised by a high degree of deliberate elements, following the *planned-emergence strategy* as part of the intended initiation strategy. This is expected since both newly and well-established firms will succeed in a greater extent in their initiation process if they take the volatility and unpredictability of the market in consideration.

## 5.2 Implications

Differences between newly and well-established firms concerning the initiation process, as well as the strategy regarding the initiation process, may have important practical implications for priority settings in order to obtain a prosperous business development. Following we will present two types of implications. First, we will present managerial implications to newly-, well-established, and both firms, in order to better handle the initiation process of a new business customer relationship. Secondly, we will present implications for further research concerning this topic.

### 5.2.1 Managerial Implications

It has been very interesting to investigate the six case firms. Since all the initiation processes we have studied have led to successful relationships, it implies that the initiation processes that have been carried out are based on good judgements. Thus, other newly and well-established firms can learn from implications found in this thesis.

#### *Newly established firms*

First and foremost, newly established firms lack previous experiences in initiating business relationships making this more challenging. From this thesis it is seen that *external agents* often facilitated the initial contact to the business customers for the newly established firms. Furthermore, these external agents were part of the *personal network* to the newly established firms. This makes it important that entrepreneurial firms establish a good personal network in their market. Also, this case study implies that the personal network of the newly established firms seemed to be larger than their searching horizons. This makes it important that the newly established firms *use their network as a searching function* to a larger extent.

It is also important to notice that this study implies that newly established firms often get other opportunities than originally planned in their intended strategy due to the fact that they have a plan with little details. Therefore, entrepreneurial managers should make a more *detailed plan on how to seize emergent opportunities*.

Although good products, knowledge and skills are necessary prerequisites for success, experienced colleagues from well-established firms are probably of crucial importance for new firms to be able to establish steadily in the market. Our study also demonstrates the importance for newly established firms having *external agents who introduce them to the market, and facilitate their network building beyond their own searching horizon.*

We also want to emphasize that *periods of trial in certain situations* may be effective sales promoters for newly established firms.

### ***Well-established firms***

The findings in this thesis indicate that well-established firm's use the *reputation of the firm* in a larger extent than the personal reputations among their employees. This implies that it is important for well-established firms to *establish a solid firm reputation.*

It is also seen that well-established firms should *utilize their previous experiences* on how to initiate business relationships, due to the fact that this is a unique competitive advantage.

### ***Both newly an well-established firms***

Our thesis further demonstrates that both newly and well-established firms need to have an *active attitude towards planned-emergence strategies* as part of the intended initiation strategy for business relationships. These strategies may have different mutual importance over time, and provide a higher degree of deliberate elements in the realized initiation strategy.

As a contradiction of what the reviewed literature states, the findings in this thesis imply that business customers are not necessary found *closely located.* Thus, firms do not need to solely search within their local environment, but should look further.

We have now presented implications from our most remarkable findings regarding this topic. Thus, we emphasise that this field should be further developed through both theoretical and empirical research. Subsequently, implications for further research will be discussed.

### 5.2.2 Implications for Further Research

In order to study highly complicated processes like the initiation of business relationships, it is important to develop simplified models which can elucidate specific problems and contribute to clarify important elements of the process. Our Theoretical Framework was a result of a systematic study of the literature, and assisted us in the evaluation of our research question. Due to the problem of categorizing a firm's intended and realized initiation strategy in degree of emergent and deliberate elements, it is clearly seen a need for further study on this field. A reasonable approach to handle this issue could be to establish clearer models and remedies used in this categorisation process. This research has presented many challenges in need for further investigations, which here will be outlined.

The *negotiation* and *agreement* in the initiation process seem not to be an important part of the initiation strategy due to the fact that it concerns both the selling and buying firm. This might imply that the initiation process should end earlier, probably before the negotiation starts. Therefore, further research might solely focus on the four other sub-processes in the initiation process: Need, Search, Evaluation and First Interaction.

From theory we saw a clear trend that the authors presented the initiation process through flexible states. This finding was further strengthened in our case studies, where we saw that the sub-processes in the initiation happened according to the *state theory*. Thus, we believe that this is a good basis for further research.

Researchers investigating this topic should also look at the initiation process for a business relationship for *older well-established firms*. The newly and the well-established firms in this thesis do not have a significant age difference. It would be interesting to see if the differences in the initiation process between newly and well established firms would be clearer if the age difference was larger.

Our modest wish is that this thesis on the initiation process of business relationships for newly and well-established firms may inspire future research contributions, in order to increase our

understanding of this complicated but highly important field of initiating business relationships to customers.

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## 7 Appendix 1

### Intervjuguide

#### *Før intervjuet*

Ring for å avtale – skriv ned på forhånd hva man vil si/ evt. send en e-post:

- Ikke book to intervjuer for nært – kan ta lenger tid en det som er satt av
- Ikke book mer enn to intervjuer på en dag (helst en hver dag)

Husk å ta med: noe å skrive på og med, båndopptaker, intervjuguiden, info om bedriften

Spør om vi kan bruke våndopptaker – formuler på en måte så bedriften kan si nei til dette om de ønsker: «Det går fint om du ikke ønsker det, men vi lurte på om det er greit om vi kan bruke båndopptaker?»

#### *Under intervjuet*

- Start med å være interessert
- Høflig
- Vennlig
- Nysgjerrig
- Fleksibel

#### *Hensikten med intervjuet*

I forbindelse med vår masteroppgave ved *Institutt for industriell økonomi og teknologiledelse (IØT)* ved *Norges teknisk-naturvitenskapelige universitet (NTNU)* ønsker vi å finne data til et empirisk studium om hvordan bedrifter starter opp forretnings relasjoner. Oppgaven skrives innenfor *Strategi og internasjonal forretningsutvikling, TIØ 4912*.

Lengde på intervjuet: 1-1,5 time

Hjelpemidler: Lydopptaker, penn og papir

Spesifiserer at intervjuobjektet vil få tilsendt en skriftlig utskrift av intervjuet til godkjenning, for samt muligheten til eventuell korrigering og at opplysningene vil bli behandlet konfidensielt.

### ***Fakta om personen vi snakker med***

«Før vi starter vil vi bare minne om at du vil få tilsendt en skriftlig utskrift av intervjuet til godkjenning om du ønsker dette, der du får muligheten til eventuelt korrigering av opplysningene.»

- 1 Navn:
- 2 Utdannelse:
- 3 Stilling i firmaet:
  - a. (Inneholder arbeidet og/eller å skaffe nye kunder? Håndteres relasjoner til eksisterende og viktige kunder)
- 4 Hvor lenge har personen hatt denne stilling:
- 5 Ansattes historie i firmaet:
- 6 Tidligere jobb erfaring:

### ***Om firmaet***

- 1 Størrelse på firmaet (# ansatte):
- 2 Omsetning:
- 3 Når etablert:
- 4 Hvor er firmaet lokalisert:
- 5 Industri (teknologi, produkt, service):
- 6 Type bedrift (privat, offentlig, universitet, konsulent, institusjon, konkurrent):
- 7 Kan du fortelle kort om bedriften din, og ideen bak?:
- 8 Hvem er de viktigste kundene deres?:
  - a. Hva består samarbeidet med disse av?:
  - b. Er disse også samarbeidspartnere?:
- 9 Hvor er deres viktigste marked (Norge, andre land, spesielle segmenter eller type industri)?:
- 10 Har dere noe overordnet mål/strategi om å skaffe nye kunder?:

Nå, ta for deg deres viktigste kunderelasjon (for eksempel fordi det var langsiktig, mest salg/inntjening, omsetning eller bare den første kunden osv.)

### **Kunderelasjonen**

1 Navn på firmaet som dere har denne kunderelasjonen til:

*Prøv å få dem til å fortelle en kronologisk historie om en viktig kunderelasjon, hvilke elementer ser vi etter i de seks stegene i rammeverket. Det kan hende de hopper mellom stegene i rammeverket, prøv å få med hva de inneholder og hvilken rekkefølge de kommer i.*

2 Kan du fortelle oss hvordan prosessen var og hva som skjedde før dere ble oppmerksom og da dere ble oppmerksom på dette firmaet?

a. **(1) BEHOV** – hvem hadde dette? (dere, kunden eller en tredjepart), hvordan oppdaget dere dette behovet

i. Karakteriseres ved: en årsak/baktanke, internt mål i bedriften, motivasjon, internt behov for ekstra resurser til å løse et eksternt problem eller hoppe på en mulighet.

b. **(2) SØK** – hvem søkte etter hvem? hvilke former søkte dere på? Hvordan ble dere oppmerksomme på hverandre?

i. Karakteriseres ved: leter etter potensielle kunder, viktig med psykisk og fysisk nærhet til potensielle kunder, informasjon blir samlet inn, (faktorene: tillitt, rykte, tilfredstillelse, sosiale bånd, sammenligning, like mål og avhengighet spiller inn), formelt eller uformelt nettverk

c. **(3) EVALUERING** – Har dette foregått? Evt. Hvordan foregikk det? (vha. regler eller kriterier?) Hvorfor ble denne kunden vurdert som interessant og viktig?

i. Karakteriseres ved: kan være resultat fra tidligere erfaringer, gjøres gjennom forventede belønninger (inder og ytre), konflikt mellom forskjellige interesser bedriften har (samhold eller trøbbel), sammenligne med andre potensielle kunder, evaluering i forhold til interne og eksterne faktorer.

d. Hvor oppdaget dere dem? Når og hvorfor?

e. Hadde dere forberedt dere? Altså var det tilfeldig eller planlagt? (del av en strategi)

- 3 Kan du forklare oss hva som skjedde da første kontakten mellom dere tok sted?
- a. **(4) FØRSTE INTERAKSJON** (Her blir det fortalt mye historie – lytt)– Hvem var det som var hovedansvarlig for initiativet mellom dere? (dere, de andre eller en tredjepart) Hvilken type tredjepart? (For eksempel. Styremedlem fra NTNUs støttesystemer).
    - i. *Karakteriseres ved: toveis interaksjon, erkjennelse om hverandres eksistens, første er ofte mer instrumentell enn personlig,*
  - b. Når skjedde første kontakten (når møttes dere?)
  - c. Hvor skjedde første kontakten (hvor møttes dere?)
  - d. Hvordan skjedde første kontakten (hvordan møttes dere?)
  - e. Hva var det viktigste tema dere diskuterte i den første tiden?
- 4 Når ble dere klar over at dette kunne bli en ny forretningskunde, og hva gjorde dere da?
- a. Var det diskusjoner om kontraktsforhold, avtaler og lignende. (Lagde dere en formel eller uformell kontrakt?)
  - b. Var det noe sosialisering utenom arbeidet?
  - c. Hvordan ble dette forretningsforholdet evaluert?
  - d. **(5) FORHANDLING** – Hva skjedde? Hva var temaet? (eks. teknologi, produkt, levering)
    - i. *Karakteriseres ved: er lite erfaring mellom bedriftene og derfor høy usikkerhet, investeringen som kan måles i tid, prestasjon og penger, kommunikasjon, diskusjon, omorganiserer gjensidig fordeling av plikter, goder og byrder, sunn fornuft og formell forhandling, hovedmål: klargjøre gjensidig mål så partene kan starte forholdet, diskuterer potensiell enighet.*
    - ii. *Måtte dere synliggjøre kompetanse og lignende, kvalitet, sertifisering, resultater fra andre kunder*
    - iii. *Hva måtte dere gjøre for å skape forretningsforhold: noen tilpasninger?*
    - iv. *Prøveleveringer?*
  - e. **(6) ENIGHET** – Hvordan kom denne til? Gjensidig med en gang?
    - i. *Karakteriseres ved: forretningsforholdet blir formet, muntlig avtale eller en formell kontrakt, enighet*

- 5 Hva karakteriserer forholdet dere imellom?
  - a. Prosjektbasert (med opphold) eller langsiktig (løpende salg og diskusjoner)?
  - b. Har dere lært noe av dette som dere vil ta med dere videre, i forhold til oppstart av andre kunderelasjoner?

### ***Generelle rutiner – planlagt og/ eller fremspirende strategi***

*Gjør noen tanker om hvordan identifisere planlagte og fremspirende elementer i strategien.*

- 1 Fortell litt om hvordan deres bedrift arbeider med å finne nye kunder?
  - a. Hva er dere flinke til å gjøre (styrker – f.eks. se behov, oppsøke, evaluere, første interaksjonen, forhandlingen eller enigheten?):
  - b. Hva kan dere bli flinkere på (svakheter – f.eks. se behov, søke, evaluere, første interaksjonen, forhandlingen eller enigheten?):
- 2 Vil du si at dette er et bevisst valg (strategi) eller skjer det mer eller mindre tilfeldig (går seg til)?:
  - a. Hvordan tilpasses de ulike kunder?:
  - b. Er det store forskjeller mht. Hvordan de ulike kunderelasjoner starter? Er denne typisk eller spesiell?:
  - c. Hvem arbeider med dette?:

***INTENDED/PLANNED STRATEGY*** – *Hvis de arbeider bevisst med å skaffe nye forretningsrelasjoner. Karakteriseres ved: planlagt aksjon for å nå målet til bedriften, forutsatte planer,*

- 1 Hva er deres fremgangsmåte (strategi) for å skaffe nye kunder, fra utarbeidelsen til utførelsen?
  - a. Hva har vært inspirasjonskilden? Hvem har ansvar for å utforme den?
  - b. Hvordan får dere strategien til livs?
  - c. Hvem og hva påvirker strategien?
  - d. Hvordan håndteres dette arbeidet i firmaet? (penger, resurser, kunnskaper osv. som benyttes)
- 2 Hva synes dere om å ha en slik plan/strategi (positivt eller negativt?)
- 3 Hvordan takler dere nye muligheter som dukker opp langs veien (emergent), som ikke nødvendigvis står i tråd med planen deres?

- 4 I hvilken grad tror dere tidligere forretningsforhold påvirker hvordan dere arbeider med å skaffe nye relasjoner i dag? (positivt eller negativt)

**EMERGENT STRATEGY** – Har det endret seg over tid? (Som følge av å ha lært hva som fungerer bra/mindre bra). Hvis de ikke arbeider bevisst med å skaffe nye forretningsrelasjoner: Karakteriseres ved: dukker opp fra omgivelsene/miljøet til bedriften, uforutsette omstendigheter, fravær av strategi/plan.

- 1 I hvilken grad tror dere tidligere forretningsforhold påvirker hvordan dere arbeider med å skaffe nye relasjoner i dag? (positivt eller negativt)
- 2 Kunne du ønske dere hadde en strategi for dette, eller fungerer det bra som det er i dag?
- 3 Noen eksterne parter som har bidratt til å hjelpe dere med å bli bra/bedre på å starte opp kunderelasjoner?

#### **Avslutningsvis**

- 1 Er det noe spesielt du ønsker å tilføre til dette temaet?:
- 2 Om det trengs, har vi muligheten til å få komme tilbake igjen for å få flere nødvendige opplysninger?

*Spesifiserer at intervjuobjektet vil få tilsendt en skriftlig utskrift av intervjuet til godkjenning og eventuell korrigerings og at opplysningene vil bli behandlet konfidensielt.*