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Initiation of Business Relationships

A Study of Initiation Practices in
Entrepreneurial Start-ups and Consulting
Companies in Norway

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PREFACE

This written work is the master thesis of the authors, who currently pursue a Master of Science degree in Industrial Economics and Technology Management at the Norwegian University of Science and Technology (NTNU). The written work is prepared as the final report in the authors' master courses, respectively TIØ4945 – Innovation and Entrepreneurship, Master Thesis for Brage Strand and TIØ4912 – Strategy and International Business Development, Master Thesis for Fredrik Kjernli Leren.

The reports main components are the theoretical findings from a literature review and empirical findings from a multiple comparative case study.

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ABSTRACT

The purpose of this thesis was to find out how an entrepreneurial start-up company should go forth to initiate successful new relationships with customers. Surprisingly few researchers have focused on initiation alone as a phenomenon, even though it is essential for creating prosperous relationships. The authors have broken the aim into five research questions.

The first research question are; (1) *How the initiation of a relationship progresses, and which sub-processes and factors are important for building a new relationship for an entrepreneurial start-up.* The authors have preformed a broad literature review, covering the following categories and literature perspectives to ensure a thorough theoretical study of the phenomenon; relationship development, selling and buying, and network, third parties and social embeddedness. With regard to relationship development the authors have grouped key aspects from the literature together into a synthesis of four states, including a contextual aspects, which are important sub-processes that must be fulfilled during an initiation process, these are; (1) Pre dialogue state, (2) First contact state, (3) Forming the relationship foundation, and (4) Commitment state. In addition the authors have highlighted some contextual aspects, which may influence to process. Secondly the authors have grouped key aspects from the selling and buying literature into three phases, which describes initiation sub-processes from a sellers perspective, namely; (1) Establishing a strategic foundation, (2) Getting in contact, (3) Meeting and dialogue with the prospect. With regards to the third literature perspective, and network, third parties and social embeddedness, the authors have studied how sellers, third parties and buyers and social relations influence the initiation process through several interfaces, which are named; S1 (seller influences the process directly), S2 (seller influences third parties), B1 (buyer influences the process directly), T1 (third parties influences the process directly), T2 (third parties influences the buyer), and T3 (third parties influences the seller). The authors combine these insights and findings in order to create a conceptualized model to describe initiation of customer relationships. Furthermore, the authors provide an analogy of a maze of traffic lights to explain the complex process.

In addition, the authors conducted a multiple comparative case study consisting of five entrepreneurial start-up companies and five consultancies, in order to gain further insight from an entrepreneurial and a consultant mindset. The findings from the case study provided an answer to the following research questions; (2) *How do consulting companies proceed to initiate new customer relationships?* (3) *How do entrepreneurial start-ups proceed to initiate new customer relationships?* (4) *What are the best practices used by consultancies and entrepreneurial start-ups and what are the similarities and differences in their approaches to initiate new customer relationships?* The main conclusions from the case study with regard to consultancies were that they focus most of their efforts on existing customer relationships. This is due to the fact that the consultancies are very niche and industry specific, and has a very large network and highly specialized competence within their niche and industry. Thus, even when approaching potential new customers they often have some kind of existing tie supporting the initiation process. The main conclusions from the study with regard to entrepreneurs where that they highlighted the importance of keeping the client warm through regular follow-up and involving the client in the product development in a sustainable manner. In addition the entrepreneurial companies focused on taking advantage of network effects by, for instance, make us of hybrid structures.

Finally, the authors answered the last research question, which were; *How may a small entrepreneurial start-up make use of the insight provided by the literature review and the best practices uncovered in the case study to improve their processes of business relationships initiation?* In conclusion, the conceptual model and insight gained from the empirical findings into the initiation process provides an improved understanding for entrepreneurial start-ups. This improved understanding can help entrepreneurs to adapt and improve their initiation efforts, by assessing their current initiation efforts and formulating a strategy to consciously improve their initiation practices. The authors propose several measures for establishing a strategic foundation, getting in contact, and meeting and dialogue with prospects. Furthermore it is important to understand that as a seller they can influence the process directly through sales effort and also proactively by facilitating that third parties influence the initiation process.

Lastly, the authors propose several issues, which may be pursued in further research.

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1 INTRODUCTION

In this thesis we address the issue of initiation of business-to-business relationships in an entrepreneurial setting. We chose this subject because we believe that entrepreneurial start-ups are important for Norwegian industry and economy, and we believed that the research done on the subject were insufficient. As the Norwegian Prime Minister pointed out in his New Year speech a couple of years ago: “The fact that we have experienced skilled workers, good engineers, good teachers, skilled health professionals, creative innovators and daring entrepreneurs - people with expertise, courage and imagination, is what will propel us forward”. This illustrates the importance of entrepreneurial start-ups for Norwegian industry and economy. Additionally, we believe that for an entrepreneurial start-up, the first relationship is very important for the development of the firm. As pointed out by Aaboen, Dubois, & Lind (2011), the development of the first major customer relationship is a crucial issue for an entrepreneurial start-up company. In addition, we believe that entrepreneurial start-ups often are too product focused and in desperate need of help regarding initiation of business relationships. These factors form the basis for why we chose to examine this particular issue

In the following paragraphs we elaborate further on the aim of our master thesis, followed by several research questions that we want to elaborate on and subsequently answer during the course of this thesis. Finally, we present the scope and structure of the thesis.

1.1 AIM OF THE THESIS

The main aim of this thesis is to find out: how an entrepreneurial start-up company should go forth to initiate successful new relationships with customers? In order to do so we have conducted a thorough literature review along with a multiple, comparative case study of entrepreneurial start-ups and consultancies. When we started out we wanted to make a case study of some established businesses with the goal to uncover best practices with regard to initiation of customer relationships. We had a discussion on what kind of established businesses we believed to be very conscious about their customer interaction and could possibly provide us with valuable input on the topic. We ultimately chose to do a case study of consultancies because we believe that they are very conscious about their

customer interaction and that entrepreneurs may have something to learn from them with regard to initiation of business relationships.

1.2 RESEARCH QUESTIONS

In order to achieve the targets indicated above, we chose to break down the aim into several research questions; the first research question concerns the literature in the field of relationship initiation and provides, in this respect, a backdrop for the following research questions as well as for the implementation of the case study. The next questions concern how consultancies and entrepreneurial start-ups initiate customer relationships. Using the literature review and the insight gained through the case study; we will answer the last research question that concerns how entrepreneurial start-ups can make use of this insight in their processes of initiating new customer relationships.

We will review relevant literature to gain an understanding of:

1. How the initiation of a relationship progresses, and which sub-processes and factors are important for building a new relationship for an entrepreneurial start-up.

In addition we will conduct a multiple comparative case study to provide answers to the following questions:

2. How do consulting companies proceed to initiate new customer relationships?
3. How do entrepreneurial start-ups proceed to initiate new customer relationships?
4. What are the best practices used by consultancies and entrepreneurial start-ups and what are the similarities and differences in their approaches to initiate new customer relationships?

Finally, we want to discuss the implication for start-ups from the literature review and the case study by addressing the last question:

5. How may a small entrepreneurial start-up make use of the insight provided by the literature review and the best practices uncovered in the case study to improve their processes of business relationships initiation?

By answering these research questions we believe that we will fulfill the aim of the thesis as we have mapped how entrepreneurial start-ups proceed to initiate new customer relationships today, and, in addition have provided new input for entrepreneurial start-ups regarding how they should handle the process of initiating new customer relationships to achieve better results.

1.3 SCOPE OF THE THESIS

As described above, the main goal of this thesis is to provide some insight into what entrepreneurial start-ups should do when initiating new relationships. However the scope of the study is broader than just looking on what entrepreneurial start-ups do today and what they should do. We also investigate what consultancies do both in the initiation phase of a relationship but also what they do later on in the relationship, since this enable us to understand the initiation process and the interplay with day-to-day relationship activities. Additionally, the case study provides some general insight into the topic of initiation of relationships that is not specifically directed towards entrepreneurial start-ups.

Our focus in this thesis is on customer initiation in an entrepreneurial context. However several aspects from the literature and the case study may also be applicable for other types of relationships, like for instance, relationships towards suppliers, investors, partners, etc. As a result, our thesis will provide insight that also may be applicable for relationship initiation towards non-customer industry actors.

Additionally, the scope of this thesis is limited mainly to Norway and Norwegian companies. This is because the empirical material used in this thesis exclusively is collected from Norwegian companies. The literature used in the thesis however includes authors from a large number of countries around the world, including several Norwegian and Scandinavian authors. As a result the insights provided in this thesis will be highly applicable for entrepreneurial start-ups in Norway and probably also in other Scandinavian countries, and to some extent to entrepreneurial start-ups from other parts of the world.

1.4 STRUCTURE OF THE THESIS

The thesis is divided into seven main chapters, including this one, which constitutes the first chapter. In the next chapter we will account for the methodological approaches we

have used in this thesis. In the third chapter, we will report the results from a literature review of the initiation process for business relationships. In the fourth chapter we discuss the literature reviewed in chapter three, focusing on the issues of most importance to the initiation process, and present a synthesis of those issues. In the following chapter, chapter five, we report on the findings from the case study, and in chapter six we compare the results from the different companies in the case study and discuss them in relation to the reviewed literature. In the last chapter we present our conclusions, and the implications these conclusions may have for entrepreneurs, and additionally will we present issues relevant for further research.

2 METHODOLOGY

The research conducted in this thesis consists of two main parts. First, a thorough *literature review* was conducted. Second, a multiple comparative *case study* was performed in order to add empirical insights from the consultant industry as well as entrepreneurial start-ups. As a consequence of our choice to conduct a very thorough literature review of multiple literature fields, as well as a multiple comparative case study of several case companies, the thesis has become very large and comprehensive.

During the work on this master thesis we have used the method of systematic combining (Dubois & Gadde, 2002), which addresses the issues of matching the framework and the case study, and proposes the possibility of direction and redirection through combining findings from the empirical world with theory. In the next section we will briefly explain how our work process has been throughout the thesis and how we have used systematic combining in this thesis.

As a preparation for this master thesis we wrote a project thesis in the previous semester. The project thesis consisted mainly of a literature review, based on the same research question as the first one of the master thesis. However, the project thesis also contained two case studies of entrepreneurial start-ups. The case studies provided us with additional insight into and new perspectives on the subject at hand. This led to a revised literature review in the project thesis embracing a couple of new topics that were uncovered during the case study, in accordance with the method of systematic combining. When starting the work with this thesis we formed new research questions and revised the final literature from the project thesis in accordance with these new research questions. The revised literature review formed the foundation for the case studies conducted in the master thesis, through an interview guide that were based on the topics of the review. While conducting the multiple comparative case study in the master thesis we, once again, uncovered new perspectives and insights, which in turn were used for revising the interview guide and, to some extent, were added to the existing literature review, according to the method of systematic combining, see Figure 1. The literature review and the case study findings were

then discussed per industry and across the two industries, resulting in a synthesis of the issues discussed. The most important aspects of the discussion and the syntheses finally became the conclusion of the thesis.

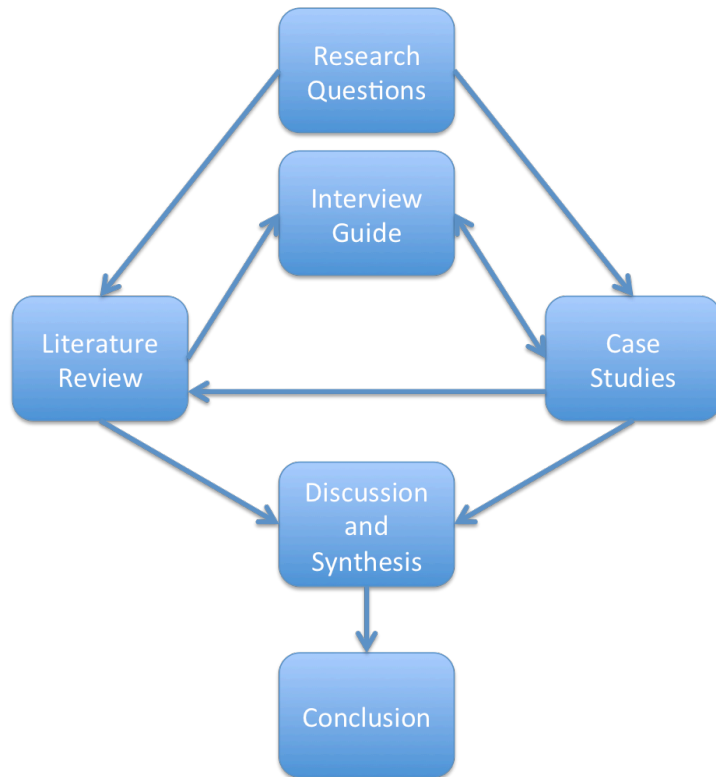


Figure 1 - Work process of the thesis

In the following chapter we discuss the methodology used in the literature review, and how we carried out the case study. Finally, we discuss the strengths and weaknesses of both the literature review and the case study.

2.1 LITERATURE REVIEW

Our literature review aims to review the current literature, including knowledge, earlier findings, and theoretical and methodological contributions, within the particular research fields. The literature review is a review of secondary sources, and therefore does not contain any new or original, experimental work. By making such a review in our thesis we provide an overview over the relevant literature in the field of initiation of business relationships. In addition, as mentioned earlier, our literature review has been through

several iterations after new perspectives were discovered during the case study and these perspectives were examined in light of existing theory.

2.1.1 SEARCH FOR ARTICLES

The purpose of the literature review in this thesis was to review the literature in the following research fields, namely; relationship development, buyer/seller literature, and network and social literature, with an emphasis on the subfields that focus on relationship initiation. We received a literature package from our teaching supervisors early on, mostly consisting of relationship literature, but also some entrepreneurship literature. We have also included entrepreneurship and social relations articles from a Classical entrepreneurship course which one of the authors attended in the fall of 2011. In addition, we have used several articles that we have had as curriculum in other courses such as Strategic management and International business development, mostly contributing to the buyer/seller- and network points of view. When reading these articles we have discovered several other interesting articles that had a high frequency of citation in the articles; some of the articles we have used in this thesis have been discovered that way. Additionally, as mentioned earlier, new topics were discovered during the case study. When searching for articles on these topics we mainly used Google Scholar (GS), with keywords matching the new topic discovered. In addition we also searched Google Scholar (GS), with keywords such as; initiation, entrepreneur, start-up, relationship development and so forth, and using frequency of citation as a key variable for deciding which articles to include.

2.1.2 GROUPING AND SELECTION OF ARTICLES

In order to group the articles properly, an approach in the spirit of grounded theory (Strauss and Corbin, 1998) was used. Each article was assigned key words; the key words were then grouped into different groups, and these groups were finally grouped into three different research fields. These three research fields are, as mentioned before; relationship development, buyer/seller activities, and network and social relations. By searching for, and reading, a large number of articles, we have covered several different research fields, and used the many relevant articles in each field, but we acknowledge that there may be interesting and relevant articles which are not included in this study.

2.1.3 THE ANALYSES OF ARTICLES

The literature selected was analyzed in two steps. First, the literature in each research field was analyzed on a stand-alone basis to understand the different aspects of the initiation process. Secondly, the findings from each category were combined to create a model answering the research question one.

2.2 CASE STUDY

In order to determine if the findings from the literature review on initiation were applicable to real life experiences of entrepreneurial start-ups and to obtain input from more established companies, we decided to conduct a multiple comparative case study of several entrepreneurial start-ups and consultancies. By doing an investigative case study our aim is to provide new knowledge or provide legitimacy to existing knowledge. Thomas (2011) provides a definition of case study: "Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. Yin (2009) argues that a case study is a study where "why" and "how" questions are being posed, the investigator has little control over events, and the focus is on a contemporary phenomenon in a real-life context.

2.2.1 SELECTION OF CASE COMPANIES

When selecting consultancy case companies for our thesis, we set out with a goal of finding companies that represents a wide range of the consultancy companies in Norway. That is, companies that operates in different niches of the consultancy industry and, as a result, is not direct competitors. We wanted to have a wide range of consultancy companies because it allows us to get input from different points of departure, highlighting different challenges for companies and thus captures input from a larger part of industry. We attended several recruitment fairs at NTNU to search for possible case companies and to get contact information to people who could be possible to interview. After attending the recruiting fairs we sent out e-mails to the possible interview candidates, which were people in the companies with responsibilities that included sales and customer management, with the goal of making appointments for interviews. We sent out e-mails to approximately ten different companies, and ended up with five companies that we set up interviews with. The

negative responses were explained either by a lack of time, or that they did not want to disclose this information to us.

We ended up with five case companies from different fields within the consultancy business. Case company A is the consultancy division of one of “The Big 4” audit companies working with issues of strategy and operational effectiveness, towards both public and private companies. Case company B on the other hand works with completely different issues, regarding project management, towards both public and private companies. Case company C provides consultancy services in interdisciplinary engineering like public transport, building, construction, etc., working mainly with public customers. Case company D is an IT consultancy working towards both public and private customers. Case company E is a high-end strategy consultancy working almost exclusively toward private customers. We believe that these five companies represent different areas in the consultancy industry, and that none of these companies are direct competitors. As a consequence, the data collected in the case study were very diversified and, in principle, not overlapping. This made it possible for us to see differences and similarities across niches in the industry.

From this point and forward the consultancy case companies are assigned additional names in order to make it easier for the reader to distinguish between the companies throughout the thesis while still keeping the cases anonymous. The assigned names are as follows: (A) The big 4 consultancy, (B) The project management consultancy, (C) The engineering consultancy, (D) The IT consultancy, (E) The high-end consultancy.

When selecting the entrepreneurial start-up companies we set out to find five cases, which were different from each other in some way. We chose five companies because we wanted to match the number of consultancy firms. We wanted the companies to be different from each other in terms of experience, offerings and maturity. Case company F and G come from NTNU School of Entrepreneurship, and both these cases represent start-up companies that are in the very early phases of starting up. Case company H, on the other hand, is a consultancy that started up in 2007 and has grown since then. This case represents a more mature start-up company. Case I, represents a personal case of the interviewee more than a

company case. The interviewee in this case is an experienced serial entrepreneur who has completed one very successful start-up, and now is starting again with a new company. Both of the interviewees' companies are addressed in this paper; we distinguish between them by labeling them I1 and I2. Case J is somewhat similar to case I, but differs as the interviewee in this case has worked for decades in many large companies, and now is an investor in and employee of a start-up company. We believe that these five companies are different in many ways and that this creates diversity in the thesis in terms of experience, offerings and maturity. This is important because it allows us to get input from different points of departure, highlighting different challenges for companies and thus captures input from a larger part of industry.

From this point and forward the entrepreneurial start-up case companies are also assigned additional names in order to make it easier for the reader to distinguish between the companies throughout the thesis. The assigned names are as follows: (F) The digital estate start-up, (G) The HR application start-up, (H) The consultancy start-up, (I1) The oil & gas software start-up, (I2) The developer software start-up, (J) The technology start-up.

2.2.2 INTERVIEWS

All of the interviews lasted for about 45 to 60 minutes and followed a semi-structured interview guide based on the three different research fields identified in the literature review. As suggested by Eisenhardt (1989), two investigators were present during the interview in order complement each other during the interview. The presence of two investigators also made it possible for us to discuss the cases afterwards and made sure that we captured more of the details uncovered in the interviews. Conducting a semi-structured interviews enabled the interviewees to talk about what they think are important when initiating relationships and what experiences they have gained so far at initiating business relationships, while at the same time gave us the possibility of steering the interview to make sure we covered all the relevant topics. As mentioned earlier, the interview guide developed as the interviews progressed, because new and interesting topics that were uncovered during the interviews and thus became a part of the interview guide in the subsequent interviews. This led to some topics being part of the interview

guide in some interviews and not in some other interviews, which may lead to missing data in some cases and a smaller basis for comparison on that specific subject.

2.2.3 BUILDING AND ANALYZING CASE STUDIES

We recorded all the interviews and subsequently transcribed them, the transcribed interviews were then sent to the interviewees for feedback and approval, as a measure to increase the credibility of the study according to Lincoln & Guba (1985). In addition to the transcriptions, both of the interviewers took notes during the interviews; this was later compiled into one written report. When building the case study, information was also gathered from other sources when available, such as news reports, press statements, and company web sites.

The findings from the case study were then compared to the findings and research fields identified in the literature review. Originally we planned to do a within case analysis of each case company, and then compare case by case. However, after we had written the within case analyses we chose, as advised by our supervisors, to not include these in the thesis because of the large number of pages they added to the thesis and because there were a lot of repetition of the same arguments in the cases. In addition, the main purpose of the case study was to look at aspects and practices across case companies, and therefore it is not so interesting to present discussions of each case separately. We then chose to combine all of the entrepreneurial cases into one analysis, and all the consultancy cases into another analysis. Subsequently we carried out a comparative analysis between the two groups of cases, where we highlighted the most important aspects.

2.3 CRITICISM OF LITERATURE REVIEW METHODOLOGY

2.3.1 MIXTURE OF PUBLISHED AND UNPUBLISHED ARTICLES

Although the literature search started out with a focus on published and frequently cited articles, we have also, in some instances, used unpublished articles and blog posts by authors that are in the process of writing an article. The use of these articles may have affected the quality of the overall selection of articles, since only a subjective evaluation from the authors was used as a selection criterion. However, by including these articles we

have been able to obtain the newest insight into the subject of initiation and into the subject of entrepreneurship.

2.3.2 JOURNAL BIAS

After selecting the articles that we have used in this study we noticed that a large part of the articles are published in “The Journal of Marketing” and “The European Journal of Marketing”. This might lead to a journal bias where the orientation of those specific publishers may be overrepresented in our thesis. This may, in turn, have influenced our thesis in a way that it has obtained an excessive marketing point of view. On the other hand these journals provide input from studies in the US as well as Europe, which may have strengthened our thesis from an international point of view.

2.3.3 KEY AUTHORS

The work by some authors have inspired us more than the work by others in this study, for instance we rely heavily on the work by Aarikka-Stenroos (2008, 2011) throughout the study. This might lead to a researcher bias, where this author is given too much attention. This may have influenced our thesis in a way that we have may have missed out on other research perspectives not addressed by Aarikka-Stenroos (2008, 2011). To justify this potential source of bias, it should be noted that research into the field of initiation of relationship has been fairly limited, and a thorough literature search for relevant perspectives has been conducted. Additionally, we believe that relying heavily on key authors is not uncommon, and is thus not something that is particular to our thesis.

2.4 CRITICISM OF CASE STUDY METHODOLOGY

2.4.1 RETROSPECTIVE BIAS

Since the case interviews were conducted after the actual events had taken place, there is always a danger of retrospective bias, since people tend to remember past events in more favorable terms than they actually occurred in (Seidler, 1974). This may result in wrong or inaccurate narratives in our thesis, which ultimately may lead to errors in our discussion and conclusion.

2.4.2 SUBJECTIVE BIAS

One of the authors of this thesis has close relations to two of the entrepreneurial start-ups studied in this thesis. He is a student at Norwegian University of Science and Technology's School of Entrepreneurship from where two of the case companies originate. In addition, he is currently working for one of the case companies. This may lead to a subjective bias when conducting the interview and when treating the material from the case study of that company. We have taken measures to prevent this by having the other author have primary responsibility for that company.

2.4.3 SENSITIVITY ISSUES

Due to sensitivity the case companies may have been selective with regards to what information they wanted to share, and what they consciously withheld from us. In order to encourage the interviewees to share freely, all the cases and interviewees are presented in an anonymous way in the thesis. In addition, as mentioned earlier, all the case companies have been given the opportunity to read through and approve the transcription of their own interview. None of them wanted us to remove any information that they believed to be confidential.

2.4.4 TRANSLATION OF INTERVIEWS

Since the interviews were conducted in Norwegian, and the notes and transcriptions also were written in Norwegian, we needed to translate the reports into English. The translation might be a source of errors, since some words or meanings might have been lost in translation. This may result in wrong or inaccurate narratives in our thesis, either from changing what the interviewees actually said or by overlooking important aspects from the interviews. This may ultimately lead to errors in our discussion and conclusion.

2.4.5 EVALUATION OF QUALITATIVE STUDIES

One important aspect when conducting a qualitative study is to validate the quality of the study, and to secure that the findings from the study are correct and well founded. We have chosen to follow the naturalistic approach proposed by Lincoln & Guba (1985) instead of the rationalistic approach of Yin (2009), because we believe that Yin's (2009) evaluation

criteria are better suited for an quantitative study and that Lincoln & Guba's (1985) evaluation criteria are better suited for a qualitative study like ours. During the work with this study we have consciously worked towards creating trustworthiness for the study according to Lincoln & Guba (1985). We have done this by; for example, make use of triangulation of multiple cases to increase the study's *credibility* and *conformability*. Additionally, as mentioned earlier, we have conducted member checks by sending out the transcriptions from the interviews to be checked by the case companies, this also increases *credibility*. During the work with the thesis we have also created an *audit trail* of documents; in order to strengthen the *dependability* of the study, but this trail will be deleted upon completion of the study due to sensitivity issues. Finally, we have collected large amounts of data from several different companies, which help improve the *transferability* of the study's findings. However we acknowledge that we could have taken additional measures in order to create trustworthiness for the study, for instance, we could have conducted a longitude study of some of the case companies in order to increase credibility.

3 LITERATURE REVIEW

3.1 INTRODUCTION TO LITERATURE REVIEW

In this chapter we will perform a literature review, which deals with the initiation of customer relationships. In this first part of the chapter we will define, and elaborate on issues, that are key to understanding the importance of initiation of customer relationships.

3.1.1 DEFINING INITIATION - WHEN DOES A RELATIONSHIP START?

The initiating process is viewed as the “birth” of relationships, thus the initial creation, forming and building of relationships. But previous literature lacks a concise definition of initiation (Aarikka-Stenroos, 2008; Edvardsson, Holmlund, & Strandvik, 2008).

The “starting point” is often considered to be when a need or interest arises (Edvardsson et al., 2008), when the parties search for solutions or partners, or become aware of a suitable exchange partner (Dwyer et al., 1987). Some authors also see the starting point as when parties interact or even when they evaluate each other (Ford, 1980). Another perspective is to define the start of a relationship as when initial contact is made (Batonda & Perry, 2003), or to start with pre-existing social relationships which might lead to business opportunities that can be explored to build new relations (Aarikka-Stenroos, 2008; Edvardsson et al., 2008; Wilson, 1995).

A definition of the initiation process is suggested by (Edvardsson et al., 2008, page 2): “initiation starts when the companies in a potential relationship recognize each other and ideally ends when a business agreement is reached.” According to this definition, the initiation is a dyadic process starting with both parties being aware of each other and ending with an actual agreement, for example an order for some products. It is also important that prior to initiation the parties need to somehow become aware of each other, either because one party identifies the other and initiate actions to build awareness or through other third party network actors, and one could argue that perhaps this pre-initiation activities could be a part of the initiation phase.

So when do really relationship begin? Aarikka-Stenroos (2008) uses the definition of relationship by Holmlund & Törnroos (1997, page 2); “an interdependent process of continuous interaction and exchange between at least two actors”. Thus to pinpoint the exact starting point you have two aspects: attitudinal and temporal. The first aspect, attitudinal, concerns how “big” the interactions have to be in order to be considered as relationship: Is it enough that they are starting to act together, or is a long term intention needed? The other problematic point, temporal, is how difficult it is to define the occasion and timeline that forms the relationships. It is possible that several informal episodes might precede economical transactions and due to social embeddedness and personal networking some of these might be critical for forming a long-term economic relationship (Aarikka-Stenroos, 2008). With this point of departure one could argue that the initiation process might last longer than the first business agreement, and that it might vary between different relationships according to the definition of relationship used.

3.1.2 WHY RELATIONSHIPS ARE IMPORTANT

It is common that close relationships are developed between a buyer and a seller when the product or service being exchanged is a complex or a highly customized product, but companies can in most instances also benefit from close relationships on more commodity like products, because it is usually less costly to keep an existing customer than to attract a new customer (Cann, 1998). As Ford (1980) points out; “Companies will develop close relationships rather than play the market, where they can obtain benefits in the form of cost reduction or increased revenues (Ford, 1980). These benefits manifest themselves in many different ways, for instance by feedback on products, a good reputation and other positive network effects.

3.1.3 WHY THE FIRST RELATIONSHIP ARE IMPORTANT FOR START-UPS

For an entrepreneurial start-up the first relationship is very important for the development of the firm. As pointed out by Aaboen, Dubois, & Lind (2011), the development of the first major customer relationship is a crucial issue for an entrepreneurial start-up company. Aaboen et al. (2011) believe that the start-up can benefit in several way from this first relationship: (1) It can give the start-up a structural imprinting in terms of how to combine

resources in an economically viable way, (2) they can use the partners network to generate new contacts with additional potential customers, (3) the partner can act as a reference for the start-up company, (4) the partner will generate income which will give the start-up a more secure financial situation (Aaboen et al., 2011).

3.1.4 WHY IS INITIATION OF RELATIONSHIPS IMPORTANT?

Relationship development is a broadly studied phenomenon, but surprisingly few researchers have focused on how relationships really begin (Aarikka-Stenroos, 2008; Edvardsson et al., 2008; Holmen et al., 2005). There are several reasons for the lack of research in this area. One explanation might be that researchers in the field so far have focused mostly on important, long-lasting and high value adding relationships. Since managing these relationships and keeping them over time ensures high value for a company it is an important field to research. Therefore, in such a long-term perspective, the somewhat “minor” initiation phase of a relationship seems less important. But we would argue otherwise, as the initial phase is a prerequisite for further cooperation and the understanding of it is important in several business scenarios. Another explanation is provided by (Aarikka-Stenroos, 2008) who argues that initiation is a blurred phase that involves various actors and different episodes. The relationship may start from the first contact or require several years of overture before the first deal (Aarikka-Stenroos, 2008). The literature introduces several examples of business situations where the understanding of the initiation process could help companies achieve their goals (Aarikka-Stenroos, 2008; Frazier, 1983; Holmen et al., 2005).

1. A (start-up) company starting to build its customer base that needs knowledge on how to best form these relationships.
2. An actor entering new markets, such as entering foreign markets
3. A (mature) firm that is expanding to achieve new clients/customers. This can be achieved either through introducing new products or repositioning themselves to focus on new markets/segments.
4. A company looking for new suppliers, as their needs as a buyer emerge, increase or change, they need to consider new suppliers in order to fulfill these new needs.

5. A firm, either the buyer or seller, will experience situations when relationships end. Then there may be a need to build new relations.
6. A firm, a buyer or seller, having to deal with a complex and specialized offering have to overcome the challenges of understanding the need/offering, identify suitable relationships and evaluate the situation.

Both small start-ups and larger mature firms might encounter all these situations, with the exception (1) of large mature firms. In such situations an increased understanding of how relationships begin and how to facilitate the initiation can help a firm to ensure a prosperous short- or long-term relationship (Holmen et al., 2005).

3.1.5 THE INITIATION PROCESS AS A SUBCOMPONENT IN THE DEVELOPMENT OF RELATIONSHIPS

The initiations of relationships can be understood from a broad range of research school, and Aarikka-Stenroos (2008) have highlighted five such fields of literature that bring different insights into the initiation process:

- The *relationship development* literature explains how a relationship develops. Researchers have introduced several models to describe the evolution of a relationship where the stage and state models are the most cited ones. (Aarikka-Stenroos, 2008; Batonda & Perry, 2003; Dwyer et al., 1987; Ford, 1980).
- The *selling* literature focuses on the process for a seller to initiate, acquire and communicate market offerings to new customer, often through seven clearly defined steps (Aarikka-Stenroos, 2008; Moncrief & Marshall, 2005).
- The literature with *a buyer's viewpoint* addresses how a buyer should act when discovering that there might be a need for a new partner. Thus how they should identify a suitable partner, interact with the new suppliers and evaluate several possible new business relations through a "rational" decision making process (Aarikka-Stenroos, 2008; Frazier, 1983; Johnston & Lewin, 1996; Webster & Wind, 1972).

- The literature on *industrial network* views relationship development in the context of a business network and how it affects and can trigger a focal relationship (Aarikka-Stenroos, 2008).
- The *social relations* perspective highlights the role of personal and social relations, and how existing networks can be a foundation for building new business relations (Aarikka-Stenroos, 2008; Granovetter, 1993).

In the rest of the chapter we will review the literature on each of these fields in terms of the initiation process. We begin by reviewing the relationship literature, before moving on to the buyer/seller literature, and finally the network and social relations literature. We chose to review literature on all of these fields because we believe that each one will provide different insight into the process of initiation of business relationships.

3.2 THE INITIATION PROCESS AS RELATIONSHIP DEVELOPMENT ACTIVITIES

In this following section we will present an overview of the relationship development literature with focus on the initiation process. Previous research has introduced several models to describe the evolution of a relationship where the stage and state models are the most cited. In these models the initiation is often the first and/or second phase of the development process (Aarikka-Stenroos, 2008; Batonda & Perry, 2003; Dwyer et al., 1987; Ford, 1980; Wilson, 1995). We will present these stage and state theories, but also present several other theories, which also says something about initiation.

3.2.1 STAGE MODELS

The stage models describe relationship development as a sequential and irreversible process through distinct stages where each new stage entails increased resource commitment and interdependence. There are many different stages theories, they all share the same basic structure but the number and classifications of the stages may differ.

The classic and most cited article on this subject is “The development of buyer-seller relationships in industrial markets” by Ford (1980). This article describes the relationship development process as a five-step process through the stages of: (1) Pre-Relationship Stage, (2) The Early Stage, (3) The Development Stage, (4) The Long-Term Stage, (5) The

Final Stage. As the relationship develops through the stages, the experience of the relationship between the two companies increases, the uncertainty and the distance between the two companies is reduced, resources are increasingly committed and adaptations to the other company are progressively made. It is important to note that this process is not inevitable; it can fail and stop at any time. In the Pre-Relationship Stage a company's evaluation of a potential new supplier takes place without any commitment to the supplier. The outcome of the evaluation is influenced by three factors; experience with previous suppliers, uncertainty about the potential costs and benefits obtained by dealing with a potential new supplier, and the distance between the company and the potential supplier. The second stage of Ford's model is The Early Stage, in this stage the first contact between the company and the potential supplier is made. It is common that a specification of the product is made, and a sample delivery is done. At this stage the companies have very limited experience with each other, but some investments in and commitment to the relationship are made although the uncertainty is large.

Another frequently cited article is "Developing Buyer-Seller Relationships" by Dwyer et al. (1987). This article also describes the relationship development process as a five-step process, although they use the term phase instead of stage. The five phases are; (1) awareness, (2) exploration, (3) expansion, (4) commitment, (5) dissolution. The two first phases in this model concern the initiation of the relationship, namely the awareness phase and the exploration phase. Awareness refers to party A's recognition that party B is a feasible exchange partner. Situational proximity between the parties facilitates awareness (Dwyer et al., 1987), thereby in the awareness phase no interaction between the company and the potential supplier exists, hence the awareness phase is unilateral. Dyadic interaction is initiated in the exploration phase, where the two parties initiates communication and explore the possibilities for becoming business partners. The timespan of this phase varies a lot, it may be very short but it may also span a long period of testing and evaluation. The evaluation may result in a trial purchase, but the exploratory relationship is very fragile in the sense that minimal investment and interdependence make for simple termination (Dwyer et al., 1987).

Yet another frequently cited article is “An Integrated Model of Buyer-Seller Relationships” by Wilson (1995). Wilson (1995) proposed an integrated five stage model of buyer-seller relationship based on previous literature such as (Dwyer, Schurr, & Oh, 1987) and (Boryst & Jemison, 1989)’s hybrid concept. The five stages in Wilson (1995) model are; *Search and Selection, Defining Purpose, Boundary Definition, Creating Relationship Value* and *Relationship Maintenance or Hybrid Stability*. Wilson (1995) used Boryst & Jemison (1989)’s four stage models on hybrid governance structures as his foundation, and added the first stage himself. The researcher also stress that the search and selection stage is a more active stage than what Dwyer et al. (1987) consider with their awareness stage. Wilson (1995) further elaborates on how different variables and factors are *active* in some of the stages and *latent* in other during the relationship development. Examples of such variables are reputation, performance satisfaction, trust, social bonds, comparison of mutual goals, power and dependency. The first stages in his model give insight into initiation of a relationship, and it is elaborated how in the early phases of relationships it is difficult, or close to impossible, to compare alternatives. Thus, the search and selection stages are dominated by reputation and initial discussions. The buyer also wants to ensure good performance by looking at track records or trying to verify the supplier’s offering in some manner, although trails and testing might be difficult in such an early stage. Trust and compatible personal chemistry are important for successful relationships and thus social bonds are very important in the early phases. Interaction between buyer and seller enables trust to be built for a future relationship, as they exchange information, build social relations, and earn each other’s respect and trust related to performance. The next stages, defining purpose, and later defining boundaries are when the parties sets a foundation to build on further by clarifying goals, scope and expectations (Boryst & Jemison, 1989; Dwyer et al., 1987; Wilson, 1995).

The stage and phase models are heavily criticized for the assumption that the relationship development process occurs in in a sequential and irreversible manner (Batonda & Perry, 2003; Bell, 1995). Because the relationship existis in the context of the surrounding network, it has a great deal of uncertainty that the phase/stage theories do not take into

account (Granovetter, 1995). Also the phase/stage theories are criticized for the lack of explanation of how a relationship moves from one phase/stage to another (Porter, 1980).

3.2.2 STATE MODELS

In the previous chapter we introduced the stage model proposed by Ford in 1980. Ford later changed his mindset from stage thinking to state thinking; this resulted in the first article that proposed a state model, written by Ford & Rosson (1982). The state models build on the same framework as the stage theory, with clearly defined states that a relationship can be in. In contrast to the stages framework, however, the state models propose that a relationship can move from one state to another in a random fashion. That is, the state models assume that the relationship development process is not necessarily orderly or progressive over time (Ford & Rosson, 1982).

The state model proposed by Ford & Rosson (1982) consists of 5 different states; New, Static, Troubled, Growing, and Inert. The relationship moves from being new to being inert, through one or many of the three other states. Three participant dimensions influence the way a relationship develops through these states: Stake, Experience, and Uncertainty. Four relationship dimensions also influence the relationship: Commitment, Adaptation, Conflict, and Distance. Nevertheless this model does not conceptualize the initiation of relationships, as the starting point for the model is a new relationship that already has a dyadic form. But some of the other state models do take initiation into consideration. For example Halinen (1996) mentions the initiation process. The author argues that complementary needs and resources between parties, personal awareness of the other party's goals, needs and resources, and a common interest in building relationship are preconditions for starting a business relationship. Driving events and sources of mutual attraction are seen as processes before the relationship reaches the first state (Halinen, 1996).

Edvardsson et al. (2008) argue that existing stage and state models are not adequate to describe the initiation process and introduce a new model that only focuses on the initiation of relationship. The model describes how the initiation process proceeds, and what are the key drivers and constraints in this process, in contrast to the earlier models

that just assume that the relationship will progress further. Edvardsson et al. (2008) addresses this issue, and states, “efforts to develop relationships are more likely to fail than succeed. Current relationship development conceptualizations and models do not acknowledge this” (Edvardsson et al., 2008, page 4).

As illustrated in Figure 2 Edvardsson et al. (2008) conceptualize initiation, from unrecognized to business agreement, with *status* and *forces* that enables changes between statuses. The process can possibly progress between the statuses; *unrecognized*, *recognized*, *considered* (and *Agreement/Relationship*) that can be described as:

- Unrecognized: The parties are unaware of each other or the buyer/seller does not recognize the other party
- Recognized: There is one-sided or two sided awareness. Furthermore (social) interaction might start to form social relations.
- Considered: The selling party is on the “list” of actors that the buyer considers evaluating during purchasing. The challenge for a seller is to be considered as a suitable partner.
- Agreement: An actual agreement is made between the buyer and seller

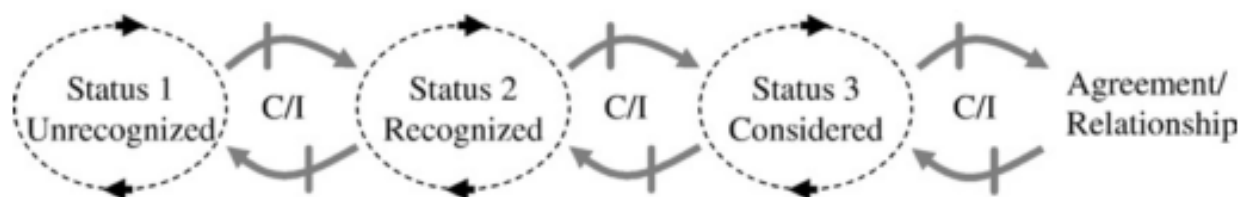


Figure 2 – Statures in relationship initiation (Edvardsson et al., 2008)

In contrast to the stage model with a lifecycle progress, the initiation progress according to Edvardsson et al. (2008) may start from any of the statuses and “pause” for an indefinite period of time in any status. The initiation can even end in each one of the statuses. Furthermore they address how the process changes from one status to another by introducing the two forces of *convertors* and *inhibitors*. The convertors are the forces that strive for a change in status and move the relationship to the next status, such as timing,

trust, competence and offering. The inhibitor on the other hand hinders the change in status and prevents progress, such as bonds, risk and image. Inhibitors may not only prevent a shift in status forward, but may also prevent a shift backward, thus “locking” the relationship in a specific status. The sum of those forces either enables a move to the next stage, prevent progress or even revert progress. In their empirical findings Edvardsson et al. (2008) revealed that main challenge for the seller is to facilitate that the initiation process proceeds further, and to avoid having the process halted or being reversed to an earlier status.

3.2.3 STAGE AND STATE MODELS COMBINED

Batonda and Perry (2003) integrate stage and state models by revising previous models and combined them to make their own six-phase process as shown in Figure 3. Consisting of the following processes; searching processes, starting processes, development processes, ongoing maintenance processes, termination processes, and the dormant process, of which the two first can be considered initiation and the sixth can affect initiation progress. The searching processes are without commitment and deal with the search for and trial of potential partners, followed by evaluation. The relationship starting processes consist of the testing and probing of goals and compatibility, identification of inter-firm and interpersonal dynamics, and selective entry based on abilities and the long-term compatibility of partners. The dormant processes are when a relationship goes into an inactive state; this can happen because of several reasons, for instance, change in business or project completion or failure to meet requirements. A relationship may end up in the dormant phase regardless to the state its previous phase, and may exit the dormant phase by going to any of the five other phases. The identified phases can progress in unpredictable ways without a step-by-step sequence, so that some phases can be skipped or the sequence may be reversed.

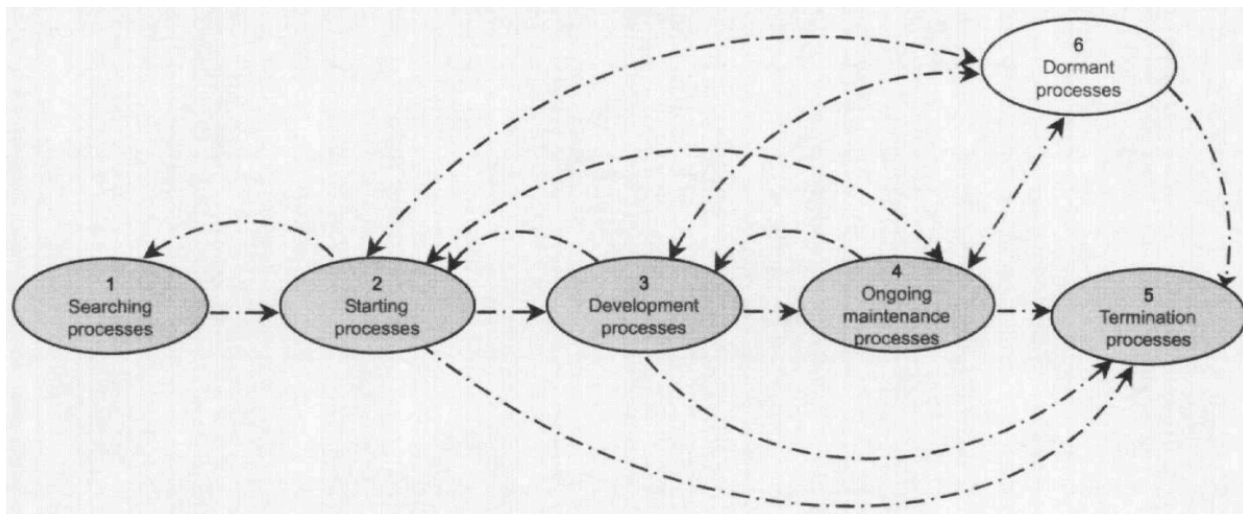


Figure 3 – Proposed phase model by Batonda & Perry (2008)

3.2.4 THE INITIATION PHASE OF RELATIONSHIP DEVELOPMENT

In the following section we will present several different views on the initiation phase of relationship development. First we will have a look at the role of marketing channels in initiation, secondly we will have a look at network dyads in initiation. Third, we will have a look at cooperative interorganizational relationships in initiation. Forth, we will se what role market communication may play in initiation. Fifth we will introduce the concept of dancing and mating. Finally we will present a synthesis of the initiation sub processes presented by Aarikka-Stenroos (2008, 2011).

3.2.4.1 The role of marketing channels in the initiation phase

Frazier (1983) researched the interorganizational exchange behavior in the context of the marketing channels, and elaborates on initiation, implementation and review of channel relationships. The initiation starts with the firm acknowledging or perceiving a need. Thus creating a motive to form an exchange relationship and in that way satisfy that particular need. This need acknowledging can also be facilitated by external agents, such as sales people or current customers. According to Frazier (1983) a firm will start to search for suitable partners when the perceived need is intense enough. Then the firm will have to assemble information, using sources such as sales representatives and personal connections, and identify an “evoked set” of potential suitable suppliers based on general information of rewards associated with alternative suppliers. This evoked set has to be

evaluated in more detail, and the parties will make personal contacts to discuss the benefits of a potential exchange relationship. These discussions build a foundation for what the parties must invest and the expected return on that investment (Frazier, 1983).

3.2.4.2 The role of network dyads in the initiation phase

Larson (1992) study of network dyads in an entrepreneurial setting give insight into initiation of relationship by describing the development process in three phases for exchange; *Preconditions*, *Conditions to Build* and *Integration & Control*. According to Larson (1992) a certain set of preconditions needs to be set for forming new relationships. These preconditions are based on social embeddedness, reputation and trust. The author elaborate that personal and firm reputations of trustworthiness as well as prior relations forms a building block for a new relationship by reducing uncertainty, enabling a more transparent and joint understanding of expectations and obligations, and also providing a early environment for cooperation and further evolution. The next phase is about building conditions to ensure mutual economic advantage and facilitating trial periods to build trust and set rules, procedures and expectations. Larson (1992) also highlights the empirical finding that there is a need for one actor to actively be the initiator for developing a relationship. The last phase is the need for integration and control when the relationship solidifies on an operational, strategic and social level. Larsson (1992) also finds through a case study of entrepreneurial businesses that the majority of the businesses does not use formal contracts, but rely on trust and commitment instead.

3.2.4.3 Repetitive negotiation, commitment and execution in the initiation phase

Ring & Van De Ven (1994) examine the development process of cooperative interorganizational relationships (IORs). They propose a framework to understand the process of how relationships emerge, grow and dissolve. As we can see in Figure 4 they suggest a framework where the development consists of repetitive sequences of *negotiation*, *commitment* and *execution*. Furthermore each stage is assessed in terms of efficiency and equity, so the parties evaluate the speed, performance and cost structure and, at the same time, maintain social relationships through fair dealings. The framework highlights how some processes will be formal and perhaps with a legal nature while others,

on the other hand, are informal psychological processes. It should be noted that the stages might overlap, but are viewed as separate in the framework for analytical purposes. The duration of each stage will also vary depending on the complexity of transactions, uncertainties, trust and role among the parties in the relationship (Ring & Van De Ven, 1994).

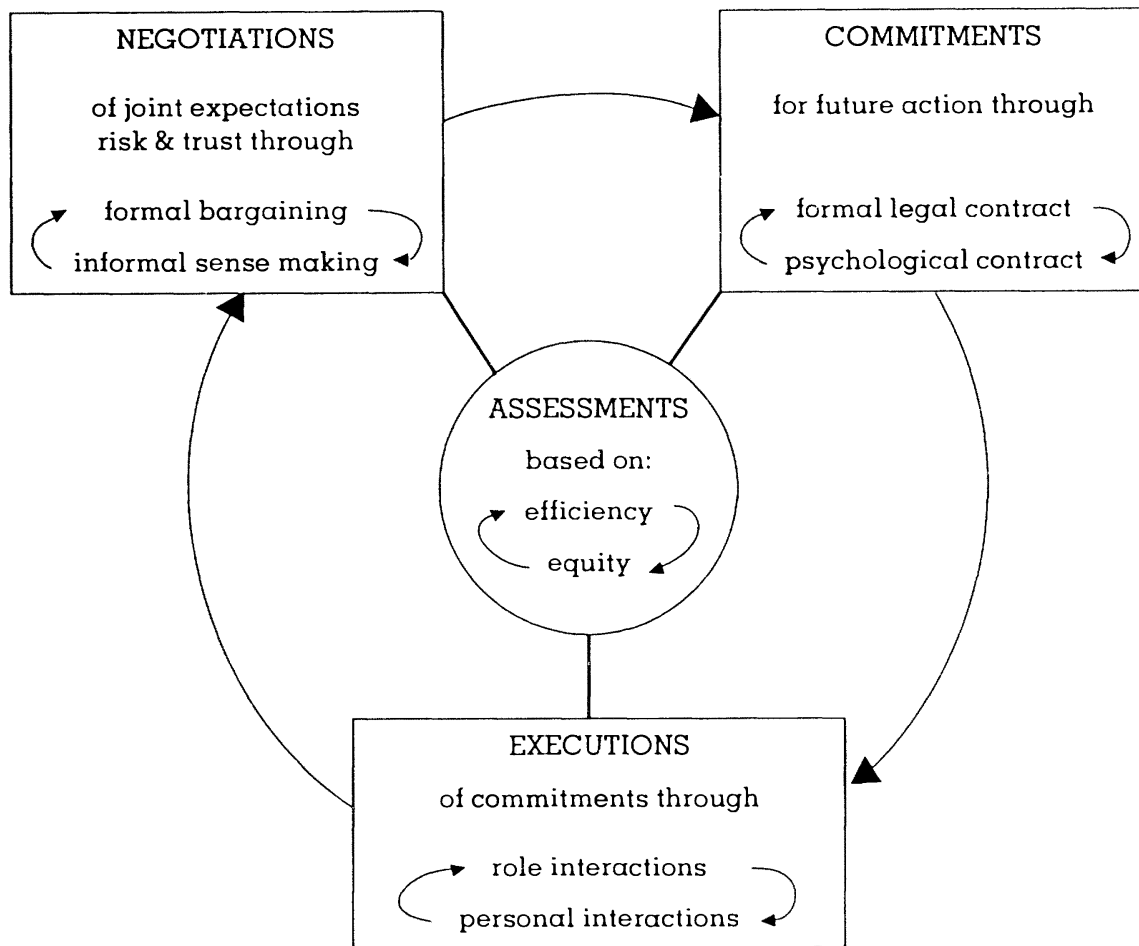


Figure 4 - Development of cooperative IORs (Ring & Van De Ven, 1994)

In negotiation processes, the parties communicate their individual expectations and form joint expectations with regards to motivations, investments, perceived uncertainties and risk. The focus is also on approaching and selecting suitable partners. The commitments processes are about establishing rules and contracts. The terms and rules in the commitment process will either be codified in a formal and legal manner or informally understood in a psychological contract among the actors. The commitments established

earlier are executed in the execution processes by starting up work-routines, buying materials, and other activities agreed on. Initially the parties will depend on formally designed role interactions, as a way to reduce uncertainties regarding the execution.

3.2.4.4 The role of marketing communication in the initiation phase

Another perspective is provided by Andersen (2001), which focuses on relationship development in the context of marketing communication, and introduces an integrative model for relationship development and communication practices. The author emphasizes that communication plays a vital part in relationship building and provides a building ground for mutual understanding between the parties regarding intentions and capabilities. Furthermore communication provides a way to enhance an actor's own attractiveness, reduce uncertainty and distance, and build trust and set expectations. Based on previous stage-models Andersen (2001) suggests a compound model consisting of three processes where the first stages give insight into initiation; *a pre-relationship phase, a negotiation phase and a relationship development phase.*

According to Andersen (2001), in the pre-relationship there is a process where the buyer starts evaluating potential suppliers and comparing them among each other, and with the present solution. From a communication standpoint the objective in such a phase is to build awareness, as the seller wants to ensure that their products will be evaluated. Andersen (2001) elaborates that the approach in this phase tend to be one-way communication such as advertising through mass media to build an attractive profile for a buyer, so the buyer will be provided with information and a way to look-up more information. The buyer also uses friends and business colleagues for information gathering. Thus reputational and referrals management are relevant and proven tools that complements the one-way communication practices. In the next stage the bilateral communication starts as the buyer decides to go into deeper discussions with a selected seller. The negotiation phase enables a discussion of issues, wants, priorities and so forth. The parties often evade issues; hint their preferences while at the same time showing an interest in the exchange partner's goals. The negotiation might also break down due to incompatibility. Andersen (2001) emphasizes attraction and communication of power, norms and expectations as critical activities in this phase. Thus the objective from a communication point of view is to

persuade the other party through a series of influencing tactics that seek to affect the decision makers uncertainty in a way that benefit one of the alternatives (Andersen, 2001).

3.2.4.5 Dancing and Mating – An alternative perspective to the traditional relationship development literature

A branch in the relationship development literature totally rejects the stage and state models by introducing the concepts of business dancing and business mating (Aarikka-Stenroos, 2008; Wilkinson & Young, 1994; Wilkinson, Young, & Freytag, 2002). Wilkinson & Young (1994) focused on the nature and difference in various interfirm relations based on the modes of cooperativeness and competitiveness. This led to the introduction the metaphor of “dancing” in contrast to the metaphor of “marriage” which is often used in relationship development literature. The analogy of marriage in earlier relationship literature leads to an implicit conclusion that relations develop in a life-cycle manner to successful long-term committed relationship, but they question if this metaphor captures the broad and diverse range of relationships. With the analogy of dancing, the firms dance and interact with each other in the context of their environment and networks of partners. No dance is the same and they differ with more or less speed or frequency, flexibility and competence. Some firms “marry” each other, but others have shorter affairs and the dance will differ from fast and heavily coordinated Latin dance to just walking on the dance floor assessing the new potential dance partner (Wilkinson & Young, 1994; Wilkinson et al., 2002).

With the mating metaphor Wilkinson et al. (2002) aims to explain with whom and how firms mate, and elaborate how firms search for good and compatible partners with characteristics that make a good match. Thus the parties evaluate the qualities of each other, and assess skills, personal relations with individuals in the other party, competencies, key industry relations, market position and performance, and so forth. In the formation process of a relationship both parties are involved in a joint choice of both choosing and being chosen. According to Wilkinson et al. (2002) companies build relationships with actors that are geographically and/or socially close to them in terms of a similar business philosophy or somewhat aligning objectives and attitude; this is because attraction is a combination of similarities and complementarities or differences. Thus there

is a need for some similarity regarding the business environment. Furthermore, they elaborate on attraction being founded on the expected value any potential relationship might have, as companies cooperate and interact over time to produce value for each other and the network (Aarikka-Stenroos, 2008; Wilkinson & Young, 1994; Wilkinson et al., 2002).

3.2.4.6 Synthesis of the initiation sub processes

Aarikka-Stenroos (2008, 2011) concludes with a synthesis of the essential initiation sub processes, consisting of seven categories that represent key processes for initiation. Namely; (1) Identification of the need, (2) Identification of matching, attractive partner, (3) Access, (4) Constant information gathering and providing, performance scanning and performance verification, (5) Forming and defining the first focal transaction, (6) Building conditions to operate (trust creation, information sharing, getting acquainted, gaining mutual understanding), and (7) Planning and forming the future of potential relationship (expectations, evaluation, trust creation, matching, social compatibility). It is important to note that these seven categories should not be understood as sequential steps, but rather as a range of subprocesses that combined constitute the initiation process (Aarikka-Stenroos, 2008, 2011). Aarikka-Stenroos (2008, 2011) elaborates these categories further:

- **Identification of the need:** In the initiation process the need or motivation needs to be recognized and defined.
- **Identification of matching, attractive partner:** Actors create awareness and want to be aware of potential partners. During the initiation, both parties evaluate matching through scanning the goals, attractiveness and performance of each other.
- **Access:** Awareness and attractiveness is not always enough for two actors to initiate. Access need to be present. External parties, social relations, and trustworthiness through word of mouth, reputation and referencing can facilitate access.
- **Constant information gathering and providing, performance scanning and performance verification:** By performing constant information gathering and

performance assessment in the initiation phase, the risk and uncertainty for the actors can be reduced and decisions can be made on a better basis.

- **Forming and defining the first focal transaction:** During the initiation process actors bargain and form the conditions of the transaction. They specify the deal that is going to be made, and forms expectations on what are to be delivered.
- **Building conditions to operate (trust creation, information sharing, getting acquainted, gaining mutual understanding):** Both actors aims to reduce distance between them, this can be done by trials, social relations and through gaining experience through interaction. It is also important to gain mutual communication and information sharing. Mutual communication is dependent on the sellers willingness to listen to and understand the buyer and that the seller is able to show this to the buyer.
- Planning and forming the future of potential relationship (expectations, evaluation, trust creation, matching, social compatibility): Building of mutual trust is essential for long-term a long term relationship. In the initiation process parties forecast their common future and goes through organizational matching and common goals.

3.2.5 BRIEF ACCOUNT OF THE INITIATION PROCESS AS RELATIONSHIP DEVELOPMENT ACTIVITIES

In sum, the relationship development literature describes the initiation phase of a relationship as the period when a relationship between two parties emerges. Although there are many different definitions of initiation and many different models and theories that explain relationship development, all of them seem to involve three kinds of initiation activities. Namely; searching activities that leads to recognition of potential partners, compatibility testing and building preconditions for agreement that lead to social bonds and trust, and mutual negotiation process that leads to a definitions of expectations and a common goal.

3.3 THE INITIATION PROCESS AS BUYING AND SELLING ACTIVITIES

An entrepreneurial firm in the start-up phase needs to build several relationships with and sell concepts to potential customers to verify an actual need for their offering and later on to grow revenues. Furthermore they need to buy solutions from suppliers to be able to deliver their offerings. The creation of these relations, and many other business relations, can be understood in as a process of buying and selling. We shall therefore look into how relationship initiation is discussed within the fields of buying and selling.

The buying literature emphasizes the buyer's activities, actions and goals. Furthermore, it stresses the rational decision making process for a buyer, where the buyer should identify its needs and evaluate the offerings of several identified potential selling parties. The buyer should aim to reduce the risk and reach an optimal decision to satisfy their need. The selling literature, on the other hand, gives insight into how a seller should initiate new relationships through active selling, marketing communication and customer acquisition activities (Aarikka-Stenroos, 2008).

In the relationship development literature presented earlier, the initiation is understood as a mutual and gradual process, and the literature of buying and selling gives further insight to understand the initiation from the perspective of a seller or a buyer (Aarikka-Stenroos, 2008). Furthermore understanding the buying process of other firms can help give an entrepreneurial firm some inspiration for how the seller's process and initiation activities should be. At the same time it can help an entrepreneurial firm to become better at choosing which potential customers to focus their efforts on, as the scarcity of resources in start-ups firms makes it critical to use them wisely. In the next four sections we will first present literature that sees the initiation activities from a seller's perspective, then from an entrepreneurial start-up building customer base, then from a consultant selling point of view and finally from a buyer's perspective.

3.3.1 THE INITIATION ACTIVITIES AND PROCESS FROM A SELLER'S PERSPECTIVE

The selling literature see the seller as an actor actively seeking to create new customer relationships through the selling process, and often as the initiator in some way (Aarikka-Stenroos, 2008). Furthermore the key account management literature emphasizes that

systematic analysis, planning, offering development, and sales performance will build new business agreements (Edvardsson et al., 2008). Being a school of research that affects how sales people interact with new customers today, the perspective offers valuable complementary insight into the initiation phase of a relationship.

3.3.1.1 The traditional seven steps of selling

The traditional selling process can be divided into several steps where the first one is to *segment, define* and *prospect* potential customers. The goal is to target more homogeneous customer groups, and typical tools to find them might be using telemarketing, networking and online databases. The next step is to *pre-approach* the customer by doing research, look up information online on the web, assess the customers need, talk with and strategize to get around gatekeepers, reviewing previous correspondence and preparing sales material (Aarikka-Stenroos, 2008; Jaramillo & Marshall, 2004).

Later the seller must *approach* the potential customer to present the offering and solution. Here the contact is made and the literature recommends several different tactics to approach new relations, such as highlighting benefits or using referrals and introductions from others. During a *presentation* the seller need to visualize the concept and demonstrate an ability to solve the customers assumed problem. Furthermore the literature emphasizes understanding the customer's actual needs and providing a solution that fits. Thus the *presentation* should be tailored to the specific customer. Finally the seller must try to *overcome any objections* and *close the deal*. Afterwards and continually the seller needs to *follow-up* to maintain long-term customer relations (Aarikka-Stenroos, 2008; Jaramillo & Marshall, 2004; Moncrief & Marshall, 2005).



Figure 5 - The traditional seven steps of selling

3.3.1.2 Customer acquisition techniques and communication practices

The seller literature highlights several different customer acquisition techniques and communication practices, and we have tried to group them into the four categories as shown below (Aarikka-Stenroos, 2008; Moncrief & Marshall, 2005).

- *ICT based communication and marketing tools* such as email, SMS, web pages, electronic newsletters, marketing videos, and online videoconferences, etc. The ICT revolution enables sellers to collect more information about customers, capture and easily present the firm's offering to a large number of potential customers at once.
- *Traditional marketing* to build awareness and capture potential customers that respond to the marketing activities, such as direct mail, TV, billboards, agency news letters, trade advertising, publicity of recent successful works, brochures, and yellow pages.
- *Network, external advocates and word-of-mouth* as satisfied customers and experts can play a significant role in generating new business through recommendations to their network. They might act as a gatekeeper for potential prospects that are looking for a solution or even as an initiator to set up initial contacts. In such a setting, a trade show is a networking arena. Things like speaking at trade fairs and hosting seminars, entertaining potential clients, responding to requests for new-business presentations, personal contacts with top management, and winning industry awards helps to build reputation.
- *Cold calling* boils down to picking up the phone and calling the potential customers. Here the goal is to arrange a meeting or make a sale over the phone. There are several techniques to enhance the success rate such as trying to use other customers or contacts as referrals and shaping the script so it is psychological hard to say no to a meeting.

In the article "Customer acquisition in sticky business markets" Hedaa (1996) identifies four different situations or customer positions that are assumed to represent different levels of difficulty or opportunity structures for sales people in getting new customers:

1. New or first time users.

2. Existing users of the components, who are looking for a new supplier, because they are unhappy with a present supplier.
3. Existing users, who may be open for an additional supplier.
4. Existing users, who break existing ties with a present supplier, despite of their satisfaction, to take up a new supplier.

These four different situations result in different sales strategies for the seller, namely (Hedaa, 1996)

1. Finding new users.
2. Replacing a broken or weak tie.
3. Adding a tie.
4. Breaking a strong tie.

For an entrepreneurial seller it is important to be aware of these different situations and to make a careful consideration about what kind of selling strategy they should make use of.

The activities by a seller in the initiation phase of relationship may vary depending of the characteristics of the firm. Larger and more mature firms might have a larger and scalable sales organization, more stable financial resources to invest in marketing to build awareness, and more experience in starting relationships. Smaller firms, such as small start-ups, often do not have the luxury of a large budget and sales force. Thus they invest in creating customer relationships and building image through fast follow-up referrals (Aarikka-Stenroos, 2008). Furthermore they might be able to have a more flexible product offering and tailor the products even more to important customers.

3.3.1.3 The challenger sale

The Sales Executive Council in the research and analysis organization Corporate Executive Board (CEB) have recently finished a global study of sales representatives` productivity, involving as many as 6,000 representatives in around 100 companies in several industries. Some of the insights are highlighted in the blog by (Dixon & Adamson, 2011), the directors of CEB's Sales and Service Practice, and will be address further in their upcoming book *The Challenger Sale*. Based on the empirical findings they have grouped sales professionals into

five distinct profiles describing specific skills, behaviors, and primary mode of customer interaction. Dixon & Adamson (2011) describe the profiles as:

- **Relationship Builders** focus on developing strong personal and professional relationships and advocates across the customer organization. They are generous with their time, strive to meet customers' every need, and work hard to resolve tensions in the commercial relationship.
- **Hard Workers** show up early, stay late, and always go the extra mile. They'll make more calls in an hour and conduct more visits in a week than just about anyone else on the team.
- **Lone Wolves** are the deeply self-confident, the rule-breaking cowboys of the sales force who do things their way or not at all.
- **Reactive Problem Solvers** are, from the customers' standpoint, highly reliable and detail-oriented. They focus on post-sales follow-up, ensuring that service issues related to implementation and execution are addressed quickly and thoroughly.
- **Challengers** use their deep understanding of their customers' business to push their thinking and take control of the sales conversation. They're not afraid to share even potentially controversial views and are assertive — with both their customers and bosses.

Their findings suggest that a sales person with a *Challenger* style outperform the other interaction modes. Out of the high-performing representatives almost 40 % is a Challenger. Among the average performing representatives they find an even distribution across the profiles. The Challenger approach differs from the others on three capabilities. The first is that Challengers *teaches* their customers, so the focus of the sales dialogue is not features and specifications but rather bringing unique, perhaps provocative, insight and perspective to help the customers' business, for example opportunities to save or make money in a way the customer themselves had not realized existed. Secondly the Challengers *tailor* the sales message to each customer and stakeholder. An understanding of individual and customer goals and value drivers is used to tailor each sales pitch to fit for different stakeholders

within the organization. Thirdly Challengers exercise *control* over the sale, but not in an aggressive matter. They are comfortable with tension and to push the customer a bit when necessary, thus they are unlikely to agree with every customer demand. Furthermore Challengers dominate complex selling and solution selling with 54 % of the top sellers in such environment being Challengers (Dixon & Adamson, 2011).

Another insight is that sales representatives with a sales practice described as what Dixon & Adamson (2011) defined as Relationship Builders come dead last only account for 7 % of all high performing sellers and only 4% of the high performing sellers in sales with high complexity. So why is Relationship Builders being outperformed by Challengers? As Dixon & Adamson (2011) put it "It's certainly not because relationships no longer matter in B2B sales--that would be a naïve conclusion. Rather, what the data tell us is that it is the nature of the relationships that matter". Furthermore they elaborate that Challengers shine by using insight to create a constructive tension that pushes the customer to think differently, and this enables the seller to create real value for the customer. A Relationship Builder on the other hand is more focused on being accepted into the comfort zone than to push the customer to think differently, and thus adopts a service mentality where convenience matter more than to create real customer value. So from a customer perspective a Challenger will help you to ensure the firm makes progress to achieve your goals. This is in contrast to a Relationship Builder who will ensure that you get everything you think you need and have an enjoyable day purchasing (Dixon & Adamson, 2011).

3.3.1.4 Building a customer base as an entrepreneurial firm

Selling and initiation relationship in an entrepreneurial context can be a challenging task. Start-up firms struggle with building up an organization and product offering often with scarce resources, and it can be hard to gain access to customers for a firm in its early days (Aaboen et al., 2011; Warsta et al., 2001). We will first look into how entrepreneurial firm struggle with the need for both exploration and exploitation. Later we will see this in the context of Strategic Entrepreneurship. Furthermore, how choosing different customers, channels and strategies might affect the initiation process. Last we want to look deeper into thoughts on choosing and building the customer base.

Balancing between exploration and exploitation

March (1991) highlights the trade-off organizations have between exploration and exploitation, as firms need to balance between pursuing new ideas and opportunities and utilizing existing solutions, contacts and knowledge. The trade-off will also affect the position an organization will be able to achieve in the market place, and March (1991) argues that if an organization aims to be in the frontier of the industry it should focus on exploration to create and capture new potential concept and markets. On the other hand if a firm wants to sustain its position and avoid being one of the losing actor in the industry it should focus on exploitation, as this can be compared to building core competences and focusing on these to ensure competitive advantage. If a firm focuses solely on one of the two it increases the chances of failing to deliver in the market place, but the optimal balance between the two factors is very complex to calculate due to several factors at the individual, organizational and societal levels (March, 1991). Thus a firm need a certain level of ambidexterity, which is the ability to combine exploitation and exploration (Benner & Tushman, 2003). According to March (1991) firms should also strive to build a heterogeneous working force, as this would increase the average knowledge in the organization. Furthermore some turnover and renewal of the working force is favourable to gain new inputs and creativity to the organization, but the number must not be too high as this would be destructive (March, 1991).

For an entrepreneurial organization developing a new innovation this balance becomes very evident and hard, as they must balance their scarce resources to initiate and maintain new relations. These relations and the exploration the start-up does will shape the start-up's offering to other customers. Thus the start-up need to choose when to participate in new exploration and product development to build relations and when to utilize the offering they have to build new relations with customers that can be satisfied with the current product offering (Aaboen et al., 2011; March, 1991; Rothaermel & Deeds, 2004). Ireland et al. (2003) claim that start-ups are often better than more mature firms at pursuing opportunities, but worse than the mature firms to build competitive advantage. Therefore they introduce the concept of Strategic Entrepreneurship (SE) as a perspective for start-ups to be ambidextrous, focusing both on pursuing opportunities and at the same time developing competitive advantage. SE embraces both being opportunity-seeking and

creating sustainable competitive advantage, but the initiation of new relations and exploration of opportunities also has to be aligned with a process to create sustained competitive advantage. An entrepreneurial firm should utilize the SE framework for developing the organization along four dimensions (Ireland, Hitt, & Sirmon, 2003); (1) embracing an Entrepreneurial mind-set, (2) building an entrepreneurial culture and leadership practices, (3) managing resources strategically to develop competitive advantage, and (4) applying creativity and developing innovation

Ireland et al. (2003) also separate between distributive and sustainable/incremental innovations, and suggest that firms need to strive for a combination of both. In accordance to what Christensen et al. (2004) elaborates that distributive innovations might be easier to sell, as one could hide from the incumbent and larger firms behind an asymmetric shield since they are likely to not perceive such a solution as a big threat, and that it consists of a radical “improvement” from a customer perspective (Christensen et al., 2004).

The strategic choices of the start-up affects the initiation of relationships

Even with a framework such as SE, entrepreneurial firms have to prioritize their efforts, adapt the initiation practices to what resources they have, and consider the importance of the customer. On the other hand, do start-up have the option to be picky or should they, due to lack of resources, just take the customers they can get? Warsta et.al (2001) investigates the screening of partners from a supplier and start-up perspective. They stress that screening is beneficial, since they will find customers that match the company and their long-term strategic vision. This also enables the opportunity to actively prioritize customers to utilize the resources in the most effective manner. The company needs a degree of maturity regarding experience and existence of a vision to employ such screening efficiency. For example one could achieve even more rapid growth by utilizing “*hybrid structures/channels*” and aiming to be a “*born global*” (More, 1991). By focusing on building an initial customer base to support “*smart sales channels*” for the later initiation of new relations, one can scale fast, even with a constrained resource pool. These hybrid structures can address the typical lack of large resources needed for growth by utilizing other organizations to scale and expand. An example could be a software firm selling its product bundled with the offering of insurance or bank companies. By doing this the start-

up, being in a hybrid structure, is able to reach potential customers faster and with the need for fewer resources, but often there are some costs associated with the hybrid structure such as a commission fee or similar. Start-up firms should explore the opportunities for using hybrid structures, as this might open up even larger markets (Gabrielsson & Kirpalani, 2004; Shane, 1996; Warsta et al., 2001).

Sarasvathy (2001) introduces the concept of *effectuation* as a decision making process where entrepreneurs focus on utilizing the given resources and choose between different suitable opportunities, given what is an acceptable loss, to build value. This is in contrast to traditional *causation* where one focuses on one end-goal, and the acquiring of the resources needed to reach the goal. The effectuation mind-set might help start-up to prioritize what customers to focus on, build alliances to reduce risk, utilize opportunities, and how to approach them in a resource efficient way to overcome scarce resources (Sarasvathy, 2001).

The strategic decisions start-ups make will also affect how a start-up firm can act in the creation of new customer relationships. For example the structuring of a firm's business models with the configuration of; Offering, Customer (E.g. segment, channels), Infrastructure (E.g. resources, partners), Finances (cost and revenue structure) will affect the nature of the initiation activities in the seller firm (Johnson et al., 2008; Osterwalder & Pigneur, 2010). Furthermore if a firm choose a strategy focusing on delivering the best product, either by low cost or differentiation, the nature of the initiation process might be different that if one focused on building a system lock-in or total customer solutions (Hax & Wilde II, 2002, 2003).

Crossing the chasm

Another perspective on building a customer base when launching new technology ventures is proposed by Moore (1991), it is called *Crossing the Chasm*. As we can see in Figure 6 Moore (1991) uses a Traditional Technology Adaption Life Cycle to group potential customers into five groups; *Innovators*, *Early Adopters*, *Early Majority*, *Late Majority* and *Laggards*. These groups represent a collection of customers with similar adoption rate and practices of technology, and the adoption of new technology and new customer progress from left to right, thus first adopted by typical Innovators and later by the larger group of

Early Majority and so forth. The Innovators, as a small slice of the bell curve, are the technology enthusiasts wanting to try out new things first. Then we have the Early Adopters who can be described as visionaries as they see strategic value in possible breakthroughs. The larger and more mainstream customer group named Early Majority is pragmatists and, as a group, they are harder to sell to, as they require a whole product with testing, infrastructure and support services. They are also more prices sensitive and require other pragmatists as references. The Late Majority or the conservatives are very similar to the Early Majority, but are even more resistant to buying new technology, as they are less likely to be comfortable with using it themselves. The last group; the Laggards or the sceptics are very unlikely to adopt unless it is forced on them. Thus a selling firm should avoid this group and try to ensure that they do not influence the other groups (Moore, 1991).

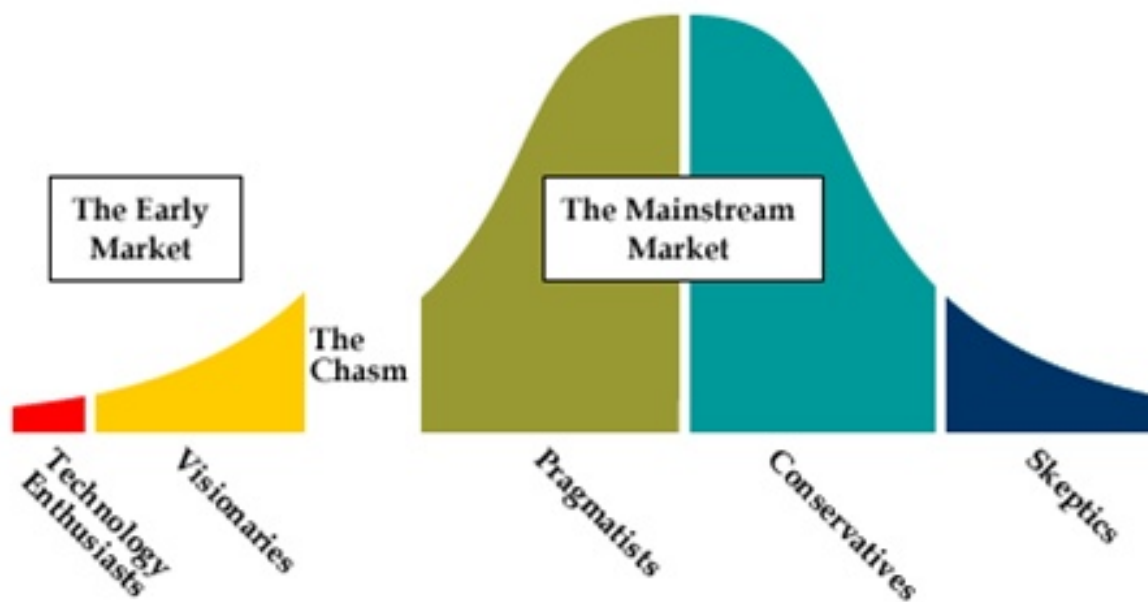


Figure 6 - Crossing the chasm (More, 1991)

Traditionally the model was used to argue that a firm should progress by using each group as a reference for the next, but Moore (1991) argues otherwise as he claims that each group mostly use references within their own group when making buying decision. He argue that there are cracks in the curve and the cracks represent as he puts it “the difficulty any group

will have in accepting a new product if it is presented in the same way as it was to the group to its immediate left." Furthermore, one crack stands out as very large, and this is the *chasm* between Early Adopters and the Early Majority, and perhaps trying to cross this chasm is where many technology ventures fail. The difference in needs, perspectives and the fact that the pragmatists are not satisfied with references from visionaries make crossing the chasm an issue of getting a foothold in the pragmatist segment (Moore, 1991).

To grow, Moore (1991) argues that a company should focus on a single market beachhead, and aim to win that niche and use it as a springboard to adjacent markets. His strategies are to *target the point of attack* by selecting a niche to focus all resources on to achieve leadership position. This also should be a niche that, by virtue of its connections, creates entry points into other segments and a niche where the pragmatist group have high need for the product. Then to *assemble an invasion force* by creating a whole product and building a relevant network of partners so the early majority can find the product compelling. Later one should *define the battle* by acknowledging competition and position needed to reach the pragmatist, as this frames it in a compelling manner for the pragmatist. Last one need to *launch the invasion* by using the best distribution, pricing and sales force as possible. Notice how all this is build around creating a reference base and environment that is perceived as appealing to the Early Majority. Furthermore for a technology start-up firm it is vital to find those early adopters that see strategic value in their product for initial testing. But it is even more important to prepare to cross the chasm to the larger group of more pragmatist buyers (Moore, 1991).

The relationships with the first few customers are likely to impact the venture significantly in several ways such as later product offering, the next target customer segment and conditions for how later initiation can proceed (Aaboen et al., 2011; Moore, 1991; Warsta et al., 2001). Several times customers can appear almost by accident, and as the seller it would be advantageous, if they could perceive the real future customers and ensure that the offering is appealing (Warsta et al., 2001). Moore (1991) argue that one should pick a niche market one could dominate fast, with appealing adjacent markets that one could expand into using references. Furthermore it is important in the initiation process and choices of niche to ensure that the start-up addresses a real problem. In other words; the

customers is more likely to buy if they see strategic value of the offering and further perceive a real “pain” or need regarding the offering (Moore, 1991; Narus & Anderson, 1998; Patnaik & Becker, 1999; Warsta et al., 2001). With the first customers it is more about identifying the innovators/early-adopters for the solution, since they will see strategic value of the offering. Later, when expanding into a wider customer group, there will be a pre-requirement of a whole product and the start-up will have to struggle to establish legitimacy through gaining references within the early majority group of customers (Moore, 1991).

This perspective will, of course, be relevant as an entrepreneurial start-up grows and wants to expand into new markets, but it may also be applicable to initiation of customer relationships. One could imagine that instead of looking at a market an entrepreneurial start-up are looking at different employees of a possible customer. And by getting the technology visionaries and enthusiasts on their side this may help them to “cross the chasm” within the company, and subsequently acquire a new customer.

In sum, all these strategic choices, such as choosing the target market, positioning, niche selection, the structure of the business model and so forth, affect the initiation process and how the initiation efforts by a seller will be. How the strategic foundation functions as pillars for the sales approach and channel tactics is illustrated in Figure 7.



Figure 7 – The strategic foundation affects the sales process

3.3.1.5 Selling as a consultant

The challenges a consultancy face when selling their services may be different from the challenges of an entrepreneurial start-up, although some aspects applies to both types of companies. In this section we will elaborate on consultative selling and how consultative selling emerged. Furthermore we emphasize that consultative selling is applicable for all kinds of companies, and not just for consultancies.

The new way of selling - Consultative selling

In the start of the twentieth century selling was seen to follow the seven steps of selling, described earlier in the chapter, and the focus of the salespeople was to recite product advantages, to close deals hard and often, and to batter reluctant customers into submission through pressure and persistence. The main focus was on the product, not on the needs of the customers and delivering value to the customers. Around the seventies, however, times were changing; the product offerings became more complex and the customers became less accepting of the pushy selling practices. At the same time competition in many industries was increasing and as a result, customers were able to choose the supplier that provided them with the most value. The power shifted from the supplier to the customer (Rackham, 1999).

As a response to the shift of power towards the customer a new way of selling emerged, called consultative selling. In consultative selling the salesperson's focus is to work with the customer to identify their problems and needs, and then subsequently implement effective solutions. Rackham (1999) states that consultative selling allows a sales force to add unique customer value in three distinct areas, namely; (1) Consultative salespeople can help customers understand their problems, issues, and opportunities in a new or different way, (2) Consultative salespeople can show customers new or better solutions to their problems, (3) Consultative salespeople can act as advocates for their customers within the supplier organization. "The effective consultative sale has potential to create value at many points in the buying process – not just in the transaction itself – and can justify much greater sales investment if the result is higher value for the customer" (Rackham, 1999).

The evolved seven steps of selling

In recent years, the traditional seven steps of selling have evolved into seven transformed steps influenced by a variety of transformative factors, including technology, the expanding strategic role of selling within organizations, team-based approaches to selling, increased buyer knowledge and sophistication, etc. (Moncrief & Marshall, 2005). They propose seven new steps of selling, see Figure 8. These new steps are (1) customer retention and deletion, (2) database and knowledge management, (3) nurturing the relationship, (4) marketing the product, (5) problem solving, (6) adding value/satisfying needs, and (7) customer relationship maintenance. In contrast to the traditional steps, these new steps are not sequential. This new approach to selling reflects a shift from a sales orientation into a customer orientated sales process, as that the focus is now on relationship selling—that is, securing, building, and maintaining long-term relationships with profitable customers (Moncrief & Marshall, 2005).

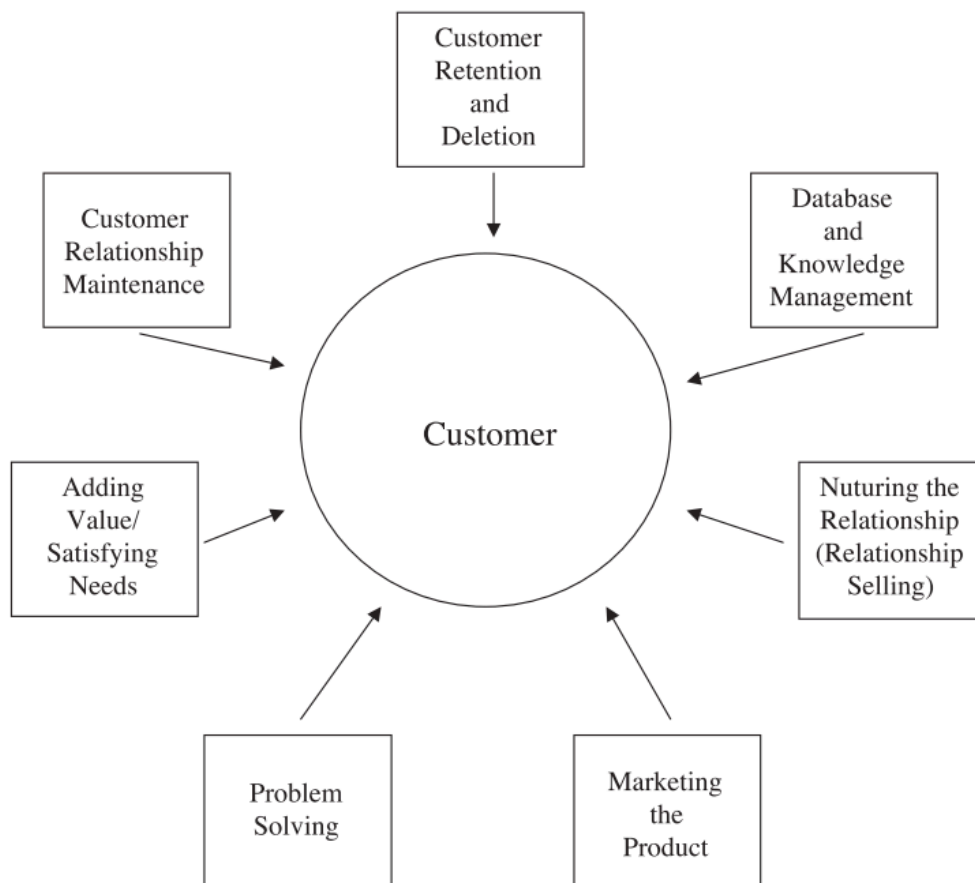


Figure 8 - Evolved seven steps of selling

The evolved steps fits very well with the notion of consultancy selling discussed in the section above, as these evolved steps take greater account of the needs of the customers, problem solving, and delivering value to the customers. One of the most significant changes to the seven step framework is that in the evolved steps there is more focus on building long term customer relationships and nurturing these relationships to build and maintain the customer's business, in contrast to the traditional steps where the focus is on approaching as many customers as possible. This fits well with the research done by Glückler & Armbrüster (2002) suggesting that the main drivers of competitiveness in the management consultant industry are experienced based trust and reputation, instead of the more traditional mechanisms of price and quality.

3.3.2 THE INITIATION ACTIVITIES AND PROCESS FROM A BUYER'S PERSPECTIVE

Literature on buying behavior and processes including the decision-making where buyers evaluate a potential seller according to a set of criteria, gives insight into the initiation process, and may also provide some insight into how entrepreneurial firms should approach buyers.

3.3.2.1 The buying process

The buying literature describes a buying process with activities such as (a) defining the need and buying situation and (b) identifying, evaluating and choosing between potential suppliers and solutions. This is a complex decision making process with several sequential phases and involving many persons and stakeholders with different roles and all with several different goals and objectives (Aarikka-Stenroos, 2008; Frazier, 1983; Johnston & Lewin, 1996; Webster & Wind, 1972). In the literature there is proposed several different sequential "buy phases" as a framework for the buying process. An example is Webster & Wind (1972) who introduce specific activities and phases that should be performed to solve a buying problem:

1. Identification (and recognition) of the need (or a general solution)
2. Establishment of specification (such as characteristics, quantity, requirements)
3. Identification of alternatives (and search for potential suppliers)

4. (Acquire, analyze and) Evaluation of alternatives
5. Selection of suppliers (and order routine)

In addition Robinson, Faris, & Wind (1967) included performance feedback and evolution as the last step in their 8 phase-model which, in many ways describe the same 5 steps as above but break it down into 8 steps instead of 5.

You can draw a parallel of the buying process to problem solving, as the situation starts with a problem and a need to change the present situation to a desired outcome. This can potentially be solved through a buying process (Aarikka-Stenroos, 2008; Webster & Wind, 1972). The whole buying process including the negotiating phase with potential suppliers are also likely to be a collaborative problem-solving process, since the buyer's goal is to find the best solution to an important problem and to reduce risk and uncertainty. Thus the communication will be less confrontational and aggressive, and rather a focus on sharing as an attempt to discover the best solution (Johnston & Lewin, 1996). From a buyer's standpoint it will be important that a seller understands their preferences and problem, and a seller that clearly show that he has not listened and recommended an unfit or unrealistic solution (or price) might destroy its progress or position in the view of the buyer (Edvardsson et al., 2008).

3.3.2.2 The buying center

The buying process requires gathering of information from many sources and the characteristics of the gathering process depends on the buyers size, expertise, level of risk and organizational purchasing structure. The buying center in organizations gathers and evaluates relevant information by attending and participating in trade shows, conferences, exhibitions, associations, magazines, and information available on the internet. They also act as a gatekeeper that makes recommendations to upper-level management and decision makers. The members of the buying center have both intrafirm and interfirm communications networks, as they communicate and are part of networks both internally with other co-workers and with the external selling center and other actors in the environment. The literature emphasizes the need for a rational decision making process with well-defined criteria, checklists and selection factors to evaluate selling partners, such

as price, quality, service and availability. (Aarikka-Stenroos, 2008; Anderson & Narus, 2004; Johnston & Lewin, 1996; Webster & Wind, 1972).

3.3.2.3 Different types of buying situations

Aarikka-Stenroos (2008) acknowledges the classification “new buy, modified rebuy or straight rebuy situations” by Robinson, Faris, & Wind (1967), as it highlights the difference in process depending on the novel nature of the offering evaluated for purchasing. A “new buy” situation is more complex and thus usually involves more risk, and this often leads to more involvement of buying centers and more extensive information search. Initiation of new relations is, in general, assumed to be of high risk to a buyer. Factors like “type of purchase” and “complexity” that increases risk might be of importance for the buyer. To reduce the risk, several reduction tactics can be applied, such as external uncertainty reduction (visiting supplier’s plant), internal uncertainty reduction (consult with other buyers), external consequences reduction (multiple sourcing) and internal consequences reduction (consult with company’s top management) and use of professional purchasing consultants with prior work in the field, and recommendation to the buying firm by referrals.

In the buying process the use of personal non-commercial information sources and interfirm relationship will often increase in the *later stages* of the process and in high-risk procurement situations (Johnston & Lewin, 1996). The situations of proven track record, recommendations from outside consultants and others with experience in similar purchasing scenarios might reduce the perceived risk, and the networks will facilitate information exchange and enable an atmosphere of cooperation. During the *first stages* of a buying process, impersonal commercial and public available information is more likely to be sufficient (Aarikka-Stenroos, 2008; Anderson & Narus, 2004; Johnston & Lewin, 1996). There is also a trend that buyers increasingly have a policy to do a periodical reevaluation of their suppliers as a way to reduce cost and improve quality (Edvardsson et al., 2008). In addition to these different types of buying situations there is also different type of purchasing orientations that the buying company can make us of. We will elaborate on those in the next paragraph.

3.3.2.4 Different purchasing orientations

Organizations differ in their purchasing orientations, and Anderson & Narus (2004) emphasize three different purchasing practices; *buying*, *procurement* and *supply management*. As illustrated in Figure 9 there are different perspectives between the purchasing orientations.

The narrowest perspective is the *buying orientation* where a buyer aims to minimize the annual total purchasing spends. The objective is to obtain the best possible deal on each individual purchase in terms of price, quality and availability. Furthermore, such a buyer focuses on maximizing power over its suppliers by trying to commoditize the products and buy from several suppliers and leverage these against each other to compare prices and do supplier cost analyses. This is also a way to reduce the risk, as they spread quotes between different vendors, and another risk avoiding measure is only to use proven vendors. For a seller this leaves few degrees of freedom to create shared value, as the buyer focuses on having an arms-length relationship with the seller and buy in a tactical and short term manner. The negotiations will typically be distributive, as the parties assume a fixed value pie where there will be a win-lose situations, thus it often boils down to haggling over price, and if the supplier is not within an acceptable price range to start with it will not be evaluated (Anderson & Narus, 2004).

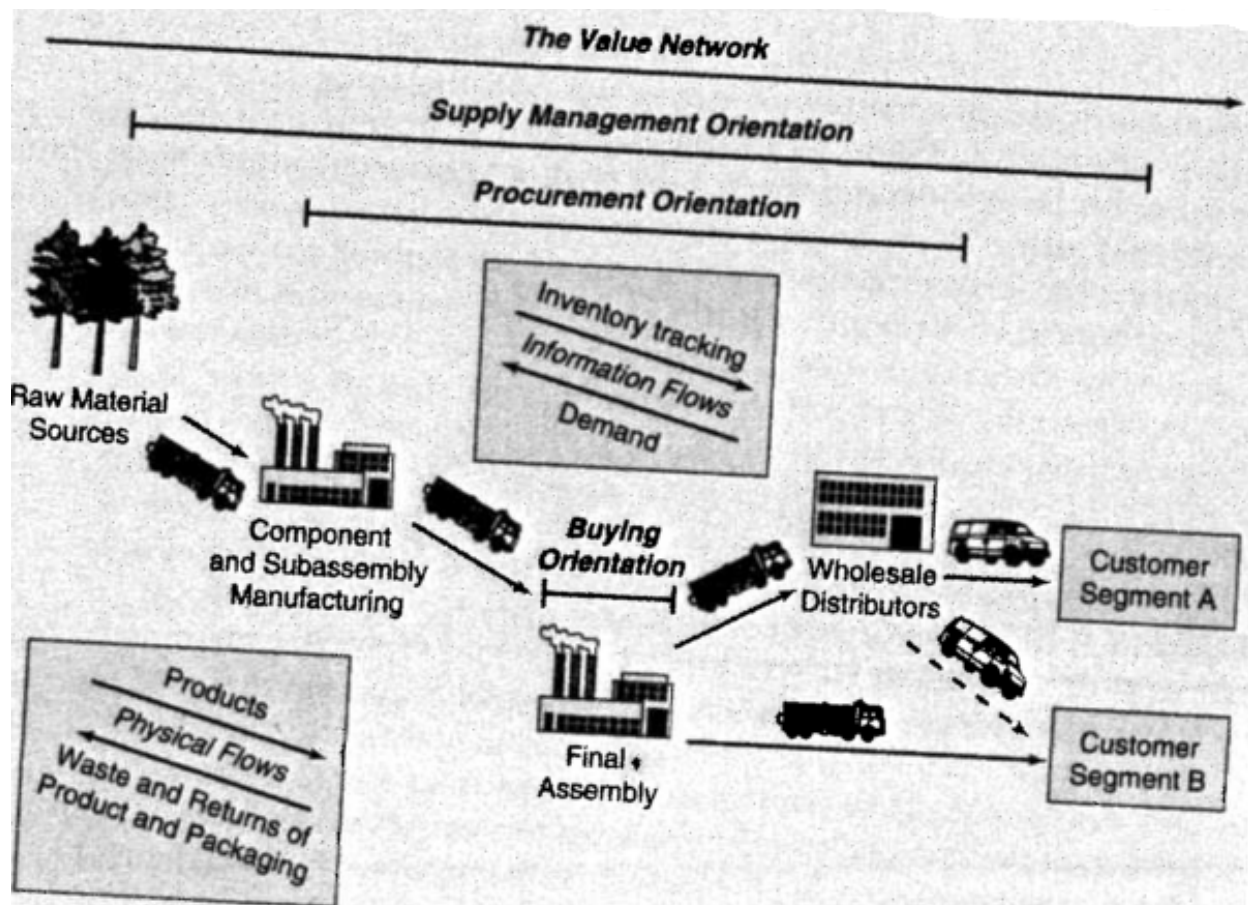


Figure 9 - Purchasing orientation and the value network (Anderson & Narus, 2004)

In a *procurement orientation*, on the other hand, the perspective is broadened, as the focus is to obtain a best total solution and not maximize each deal alone. This opens for closer cooperation with a potential seller to create shared value, as the buyer acknowledges the opportunity to improve margins by reducing cost of goods sold in other ways the pushing on purchasing price. The objective will be to minimize the total cost of ownership where one would assess the lifetime cost the purchase, including the acquisition cost, the conversion (cost of use) cost, and the cost related to disposal. Furthermore the goal is to improve quality, defining overall specifications that are not over- or underspecified, and to understand and coordinate the interplay between different internal functions, as some cost increases in one department might enable even larger cost savings in another. By cooperating closer with its suppliers they can expand the value pie together, creating a

win-win situations through integrated negotiations and, for example, standardize to improve quality or cooperate to reach a target cost level.

The widest perspective is a *supply management orientation* where the buyer has an extended perspective beyond its own organization. They focus on understanding how one could deliver the most value to end users and customers, and extend the considerations beyond what only the customer want and look at customers customer and so forth. To deliver the most value to the end costumer and at the same time build a profitable business, such a buyer aims to build a sourcing strategy around its core competencies and thus outsource non-critical operations and what others do better. To achieve the goal of most value added, the overall process need to be coordinated by building a supply network that efficiently carries out required business processes. A buyer with such a perspective will have the objective to build a large integrated network of suppliers and selected sub suppliers with highly collaborative relationships. The buyer and sellers will work together, learning from each other and actively try to improve each other's and the overall business. Toyota and its network with a high level of coordination is an example of a successful supply management orientation practice (Anderson & Narus, 2004).

3.3.2.5 Non rational factors in the buying process

The literature presented so far sees the buying process as a rational decision making process built around economic factors and evaluation, but several researchers also acknowledge that the buying firm is a set of individuals with personal goals and thus argue that the process will be shaped by non-rational factors. Examples might be the personal relations between the buyer and seller as well as internal politics and individual motives not aligned with the organization's overall purchasing strategy (Aarikka-Stenroos, 2008; Jaramillo & Marshall, 2004; Webster & Wind, 1972).

3.3.3 BRIEF ACCOUNT OF THE INITIATION PROCESS AS BUYING AND SELLING

ACTIVITIES

The purpose of the selling literature is to help sellers find new customers for their product or service. We have presented the *seven steps of selling*, which go through seven steps from prospecting of potential customers, and ending in follow up and maintain the long-term

relationship. Additionally we have presented four different customer acquisitions techniques and communication practices. Finally we presented the notion of the challenger sale, which concludes that the challenger salesperson obtains better result than any other type of salesperson.

We also addressed the critical issue of building a customer base as an entrepreneurial firm. Balancing between exploration and exploitation is both crucial and very hard for the entrepreneurial firm. Additionally we addressed the issues of strategic choices for the entrepreneurial firm, such as strategic alliances, market segmentation, and market channel. Finally we presented the crossing the chasm framework, which focuses on crossing the chasm from the small early market to the much larger mainstream market.

The traditional buying process initiates when the buyer recognizes a need or a problem, goes through information gathering, and ends in the selection of a supplier. The notion of the buying center is important in the buying process, because it consists of all the people who can influence the buying decision. We presented three types of buying situations, namely; *new buy, modified rebuy or straight rebuy* situations, where the new buy situation implies the highest risk and complexity. In addition to these three types of buying situations there is also three types of purchasing orientations, namely: *buying, procurement* and *supply management*.

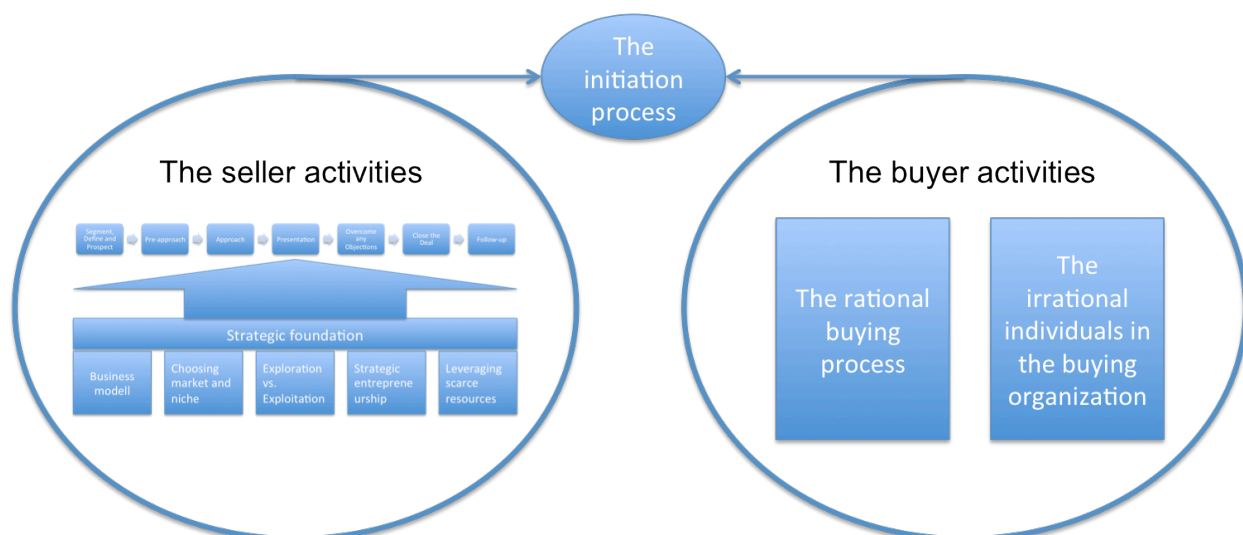


Figure 10 – Both buyer and seller activities influence the initiation process

3.4 NETWORK APPROACH, SOCIAL EMBEDDEDNESS AND THIRD PARTIES IN THE INITIATION PROCESS

Social capital is an important resource when establishing new ventures (Shane & Cable, 2002). But what is social capital and how does it affect the establishment of new customer relations? In this section we will look at how sociology comes into play, and how it affects the initiation process in itself. First we will look into how network aspects affect initiation of relationships, and look into how the network of actors affects initiations. Then we want to take a closer look on social embeddedness and personal relations in the context of initiation of relations. Later we want to focus on how specific third parties can influence the initiation process. Last we also want elaborate on thoughts of building a personal network.

3.4.1 A NETWORK AND IMP-PERSPECTIVE: HOW DOES NETWORKS AFFECT INITIATION?

We want to have a look into how networks affect the initiation process in a relationship. The network perspective highlights how organizations are part of a network of actors, some within their network horizon and others on the outside of it, with both direct and indirect relationship, depending on the network structure (Håkansson & Snehota, 1995). As Aarikka-Stenroos (2011, page 82) points out: “Due to connectedness, several actors can be involved in initiation, and thus the initiation can be widened from the dyadic phenomenon to a triadic network phenomenon”.

Anderson et.al (1994) divides a business relationship into two parts: namely primary functions and secondary functions. The primary functions are positive and negative effects from the interactions between the companies on the focal dyadic relationship. The secondary functions, also called network functions, capture the indirect positive and negative effects of a relationship because it is directly or indirectly connected to other relationships. However, in a given relationship, secondary functions can be as important as the primary ones, or even more so (Anderson et.al, 1994).

Most firms have a portfolio of relationships; these relationships can form a network of relationships. Within such networks, relationships do not exist independently from each other—they are interconnected because a given relationship does not only affect itself and

the two actors involved (Ritter, 2000). Ritter (2000) proposes several different examples on interconnectedness of relationships effect initiation, either directly or indirectly; one of those examples is mediation of new relationships. Companies can mediate inter-organizational relationships through actively promoting the relationship initiation process between two companies. Actors with direct relations can bridge parties that are not connected (Ritter, 2000). For a small start-up company who desperately needs to initiate new relationships, their existing network of relationships can through mediation contribute to that process. This situation, when one organization introduces to each other, is called “initiation effect”. Experiences gained in one relationship can also be used in another, and references are example of such a one-sided positive “assistance effect” (Ritter, 2000).

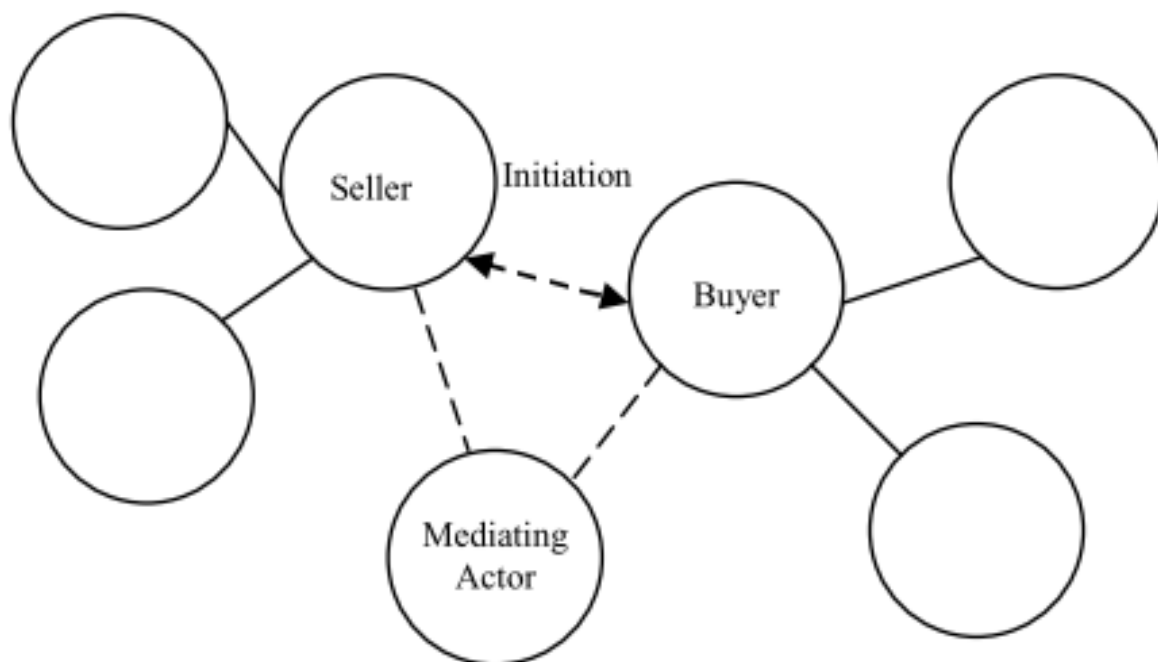


Figure 11 - Mediation of new relationship by a third party (Aarikka-Stenroos, 2008)

According to Aarikka-Stenroos (2008) network effects on initiation and how the connectedness that enables external network actors to, in some cases, influence initiations is acknowledged, but just briefly mentioned in the existing literature. As mentioned earlier, Ritter (2000) addresses this issue. In addition Holmen et al. (2005) investigate the

perspective network and IMP-researchers have on how relationships really begins, and introduce the notion that known relations can act as network-mediators to initiation as we can see in Figure 11. Furthermore Holmen et.al (2005) elaborates based on a case study on initiation types and dimensions in the initiation process. One dimension is the degree of network-mediated opportunity vs. direct initial contact, and the other is how active vs. reactive the focal firm is in the initiation process. Thus through the network mediated opportunities external actors are able to contribute to the emergence of new relationships by sharing information and relations (Aarikka-Stenroos, 2011; Holmen et al., 2005; Ritter, 2000). Examples can be inexperienced buyers asking external actors for input, or sellers using intermediaries for introductions, word-of-mouth, referrals and references for approaching new customers (Aarikka-Stenroos, 2011; Anderson & Narus, 2004; Jaramillo & Marshall, 2004; Moncrief & Marshall, 2005)

3.4.2 SOCIAL EMBEDDEDNESS AND SOCIAL RELATIONS IN THE INITIATION PROCESS

Social networks and personal relations are widely acknowledged as powerful and important with regard to formation of relationships. Social relations can act as preconditions and have enhancing effects to the initiation process (Aarikka-Stenroos, 2008; Batonda & Perry, 2003; Dwyer et al., 1987; Ford, 1980; Granovetter, 1985; Gulati, 1995; Halinen & Salmi, 2001; Larson, 1992; Uzzi, 1997).

According to Gulati (1995), based on findings from a longitudinal study of alliance formation, the number and density of direct and indirect linkages to potential business partners are important for the creation of new business relations, and more important than size and age of the firm. The findings suggest that past alliances, the larger number of common third-part ties and a short path between the two firms in their network increase the likelihood of formation of a new alliance (Gulati, 1995). The social relations and embeddedness creates economic opportunities, and Uzzi (1997) elaborates that social relations signals reliability, competence and increases the capacity to access resources. Furthermore, social embeddedness, can function as a way to adjust to unforeseen events, to acquire information, and to handle risk and uncertainties (Uzzi, 1997).

According to Aarikka-Stenroos (2008) social embeddedness of initiations can be divided into two layers; economic exchange layer and social exchange layer, see Figure 12. On the economic exchange layer organizations are initiating, but beneath the organizational structure the economic actions are embedded in relationships and human actors who execute the activities initiated in the upper level. This is done in a context of social relations between the human actors (Aarikka-Stenroos, 2008; Granovetter, 1985; Uzzi, 1997).

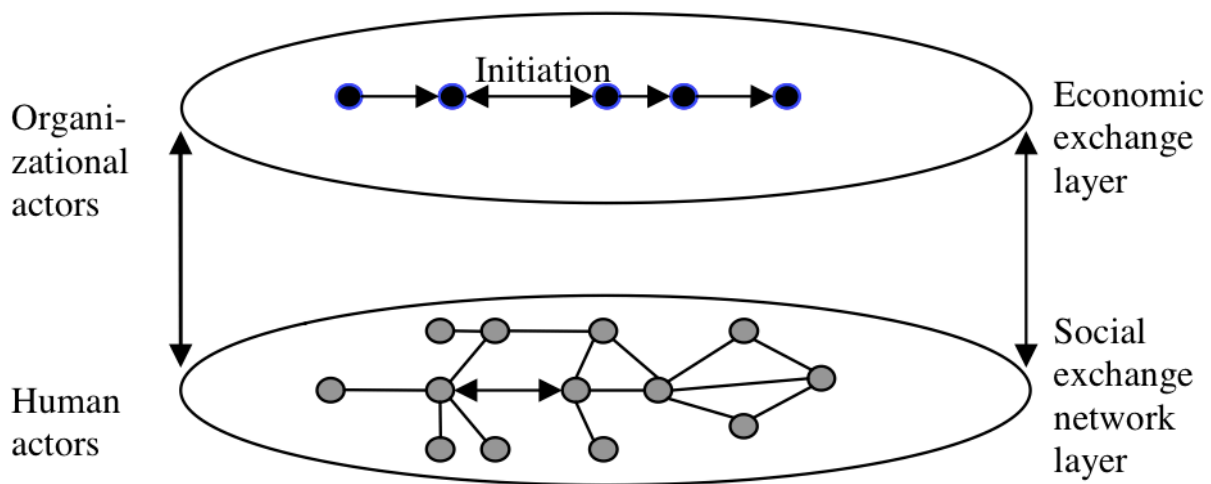


Figure 12 - Social and economic layers in initiation (Aarikka-Stenroos, 2008)

Social relations and activities can be linked to other initiations performed on both levels in Figure 12. One key activity in initiation situations amongst the human actors is sharing of information and relevant contacts, since this enables access to confidential and crucial information that are usually shared through social relations. Potential customers will be able to use these social relations as “advice pools” and help them in the decision-making (Nebus, 2006). For new ventures, social relations serve as an information provider that helps them facilitate prospecting, validation and approaching of potential customers. In other words, social relations support the seller to generate leads through recommendations and referrals (Aarikka-Stenroos, 2008; Jaramillo & Marshall, 2004; Moncrief & Marshall, 2005; Waller et al., 2001). For small start-ups personal relationship can be of remarkable help to gain access to larger corporations and channels that can open doors to many other potential customers (Warsta et al., 2001). Furthermore, the individual

relations a seller might have which start to emerge with a potential buyer sets a context for the purchasing process (Aarikka-Stenroos, 2008; Nebus, 2006). This reflects Edvardsson et.al (2008)'s findings that key people and personal relations might have a strong impact on the development process. Furthermore the empirical study done by Ellis (2000), initiation of new international exchange partners, highlights the importance of social ties and personal contact. Shane & Cable (2002) further argue that organizational theorists believe that investors use social embeddedness, social ties and reputation in the initiation process to overcome the problem of information asymmetry.

Halinen and Salmi (2001) focus on the role of personal contacts in development of business relationship, and more specifically on critical phases such as initiation, crisis and ending of relationships. Personal contacts can have both *positive* and *negative* effect on relationship, and enable *information exchange, assessment, negotiation and adaption, and production and transfer of service*. The basic functions are *promoter* and *inhibitor* was the first foster the maintenance and development of relationship and the later hinder it. In the *initiation* of relationship personal contacts have dynamic functions as positive *door openers* or negative *gatekeepers*. Thus either allowing/aiding-to-gain entrance or actively blocking the initiation process. In this manner; existing personal relations may provide first contact, access, information and recommendations that may be crucial to the creation of new business relations. In some situations can existing personal relations be a necessary prerequisite for further initiation of business relations. Thus personal attraction and the ability to build a trustworthy personal image can be crucial for business relations to emerge (Halinen & Salmi, 2001).

During crisis personal relations act as *peace makers* or *trouble makers*, and in the ending for relationship the dynamic functions are either a positive *door closer*, helping to end it in a positive atmosphere, or *terminator*, who cause an awkward exit. For a seller who is trying to replace an existing supplier or compete with an old supplier for a new deal, the knowledge of what and how personal actors influence the process might be useful for tuning their own initiation efforts (Halinen & Salmi, 2001).

Initiation of relations is also a question of cultural background according to the work done by Granovetter (1995). As social interactions are a product of social structures, so are social structures a product of ethnicity and background. So understanding how initiations work, require an understanding of how different social structures work. Granovetter (1995) points to the advantage experienced by minority groups with a shared ethnic experience when setting up new ventures. By using their social relations they are able to attract talent from their own ethnic group, at the expense of superior employers. According to Granovetter (1995) this is the result of two phenomena; social trust between the members of the minority group and discrimination in the work field by the majority population. In line with Shane & Cable (2002) conclusion that reputation will supersede and affect the initiation process, Granovetter (1995) suggest that the cultural background and level of trust affect the initiation process in itself (Granovetter, 1995). Furthermore past acquaintances, prior knowledge, personal relations and reputation help establish trust needed for initiation, and make it easier to assess the real level of commitment among the parties (Gulati, 1995; Larson, 1992; Warsta et al., 2001). Such network enables discovery of new opportunities and assessment of potential partners by gaining information on each other's needs, capabilities and requirements (Gulati, 1995; Ring & Van De Ven, 1994).

3.4.3 A CLOSER LOOK ON THIRD PARTIES INFLUENCING INITIATION

By broadening the perspective to the network level, the phenomenon of initiation can now be seen as a triadic configuration with an external third party. These external third parties can influence the initiation in multiple ways. Several research schools, such as seller-buyer, relationship and network acknowledge a variety of third parties, and for example an actor can participate by introducing a seller and buyer; making the relationship triadic (Aarikka-Stenroos, 2011). Aarikka-Stenroos (2011) elaborate explicitly on third parties in the context of initiation by doing a systematic literature review of the prior spread literature on external third parties. This is combined with a case study which addresses who the third parties are and what they contribute with in initiations of business relations (Aarikka-Stenroos, 2011; Aarikka-Stenroos & Halinen, 2007).

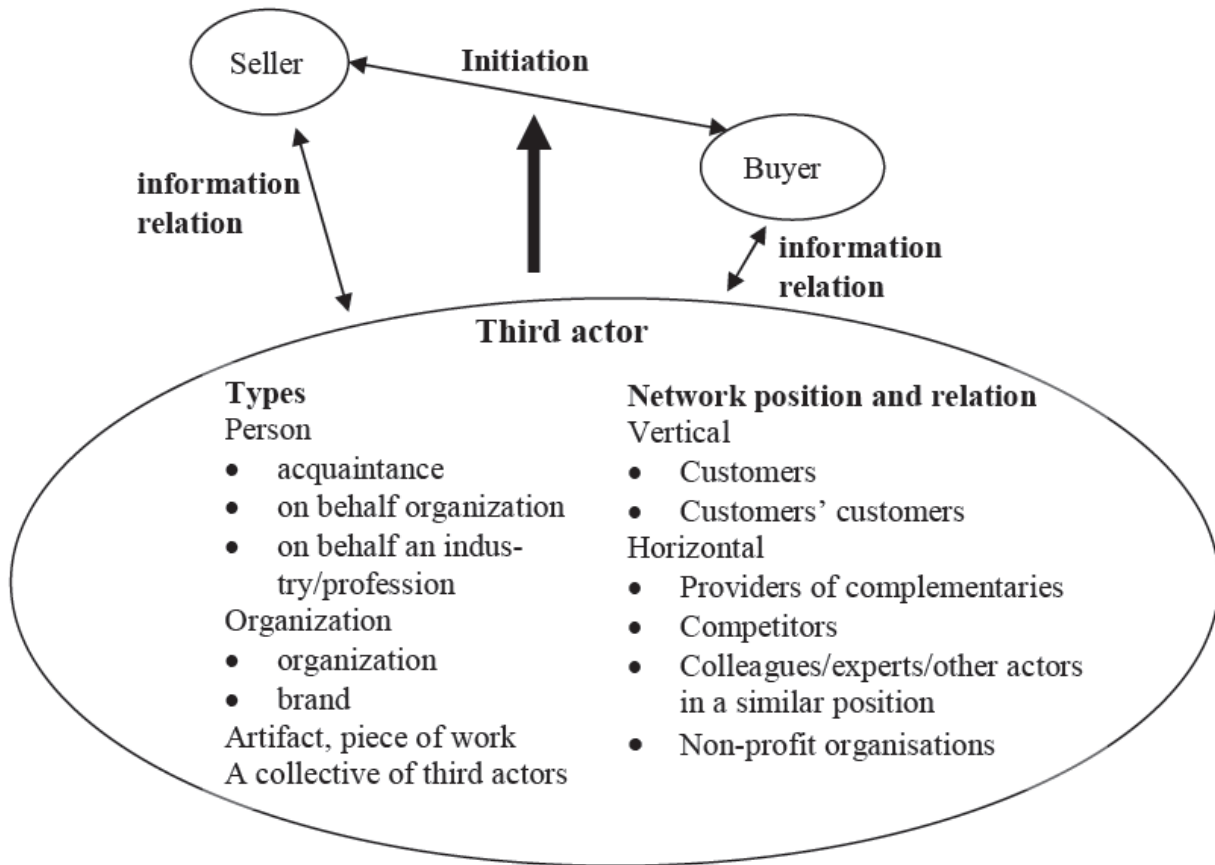


Figure 13 - Categories for types of third parties (Aarikka-Stenroos, 2011)

Aarikka-Stenroos (2011) identified several *types of third parties* as we can see in Figure 13. Third parties can be *individuals* and *organization*, such as business connections or perhaps a brand. The last two types are *artifacts* and a *collective group* of third parties, such as for example famous design artifacts that help in gaining new design customers, or for example, a more blurred group of “industry experts” that can influence the initiation through recommendations. Furthermore, one can identify the *position* of the actors on a *vertical* or *horizontal* dimension. The vertical dimension is the customer-to-supplier-axis, and an example would be customer’s customer promoting and creating word-of-mouth. The horizontal axis is the industry relations, such as complementary companies creating word-of-mouth promotion. The findings also suggest that there are four *activity modes*; *active*, *reactive*, *passive* and *inactive*. The active third party creates a situation themselves for promotion, in contrast to the reactive third who react on a buyer’s or seller’s request to

contribute. The passive activity mode is when third parties let their named be used for marketing purposes. Totally inactive is when they do not contribute to the initiation process. Inactive thirds might have relevant information and connections. Thus, it is a challenge for marketers, buyers and sellers to engage such actors and overcome confidentiality policies or distrust to utilize also them as a more active third. Aarikka-Stenroos (2001) also identify several motives, as we can see in Figure 14, these might be helpful for a firm in order to understand third parties and assess and expand their network of such actors (Aarikka-Stenroos, 2011; Aarikka-Stenroos & Halinen, 2007).

<i>Identified motivation factors</i>			
Motivation to develop markets: - keeping competition sharp - facilitating new entrances with new offerings.	Relational motivation towards the seller party: - satisfaction - advocacy - goodwill - partnership	Collective motivation towards seller or buyer party: - social control - reciprocity - social reward - mentoring - involvement on the common topic - liking - duty to help peers	Individual, self-interested motivation: - indirect monetary rewards - halo effect - self-confirmation

Figure 14 - Motivation factors for third parties to contribute (Aarikka-Stenroos, 2011)

Aarikka-Stenroos elaborates that there are *five main tasks* done by third parties in the initiation process; *share information, diminish distance, share and mediate relations, establish trust, and lubricate* the initiation process. The study further identifies *12 roles* third parties can have in relationship initiation, as we can see in Figure 15. They can all act as thirds of the four different types and with the activity mode mentioned earlier, and several of them fulfil several of the five main tasks. It is important to note that in initiation there might be several types of thirds and that each one of those also can play several specific roles throughout the initiation (Aarikka-Stenroos, 2011).

The *scouter* identifies and generates potential leads for a seller, as well as scouting for meaningful information about contacts, organizational structure of customers, market development and so forth. Third parties can be awareness *builders* by creating and building awareness in their own network. The *need creator* helps a potential buyer acknowledge that there is a need or potential. Further an *access provider* can offer access by creating a connection between the initiating parties. This can be done by actively introducing the focal firm to a potential customer that was unwilling to meet them unless they had an introduction, or by passive aids as a referral. The *Accelerator* speed up process by, for example, giving a recommendation, and address the issue that initiation can stay still for months, years or never more, thus needing someone to speed up the process (Aarikka-Stenroos, 2011; Edvardsson et al., 2008; Warsta et al., 2001). An *advocate seller*, often a satisfied customer, acts as an ambassador and auxiliary sales force that actively promotes a seller. Such word-of-mouth marketing can be powerful, and particularly useful for resource constrained SMEs. The *matchmaker* identifies the most suitable party, evaluate the fit or aid the parties to evaluate the potential match. Trust is crucial in relationships and the *trust builder* builds trust by offering external statements and promises. A third party might help as an *evaluation assistant* by giving input to evaluate the quality of offering and performance of the supplier, and rate it in accordance with other to any evaluations and industry criteria. This might be as an active agent explicitly giving input or as a passive third party, for example, if a large and respectable firm uses a certain solution it can signal to others that that solution passes the evaluation test. The *expectations builder* help by offering a crucial aid in building realistic and explicit expectations that are acceptable to both parties. The *risk reducers* can actively or passively reduce risk, such as information sharing, establishing social and organizational relations, and highlighting successful work. Lastly, the *provider of concrete evidence* can help illustrate, visualize and describe the content and benefit of exchange (Aarikka-Stenroos, 2011; Aarikka-Stenroos & Halinen, 2007).

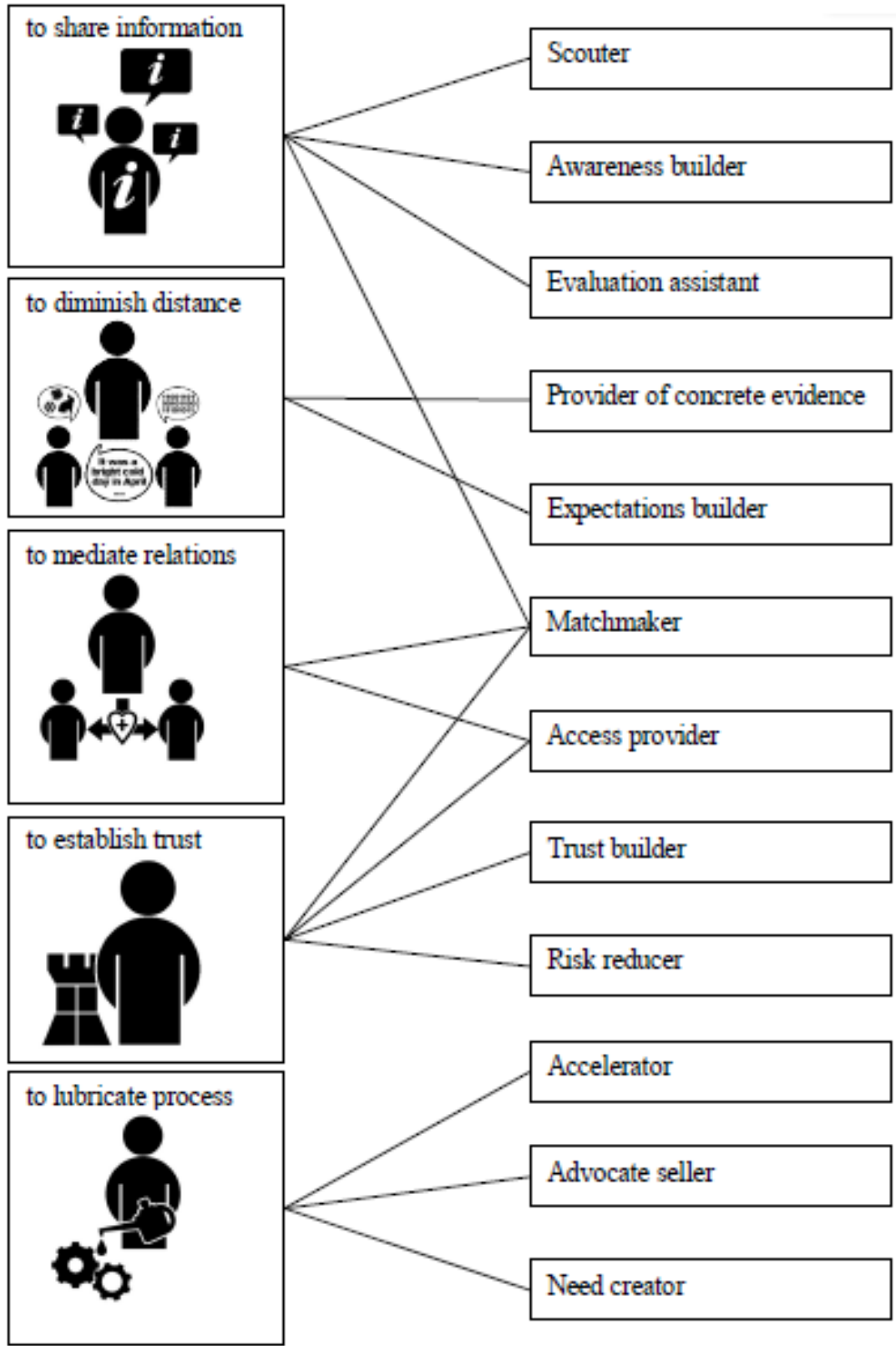


Figure 15 - The roles of third parties (Aarikka-Stenroos, 2011)

3.4.4 CREATING PROFIT THROUGH SOCIAL CAPITAL AND BY BUILDING AN EFFICIENT NETWORK

Social networks are important and useful for firms, start-ups and individual entrepreneurs, but how could one build and maintain such a network? In the paper "The Network Entrepreneur", Burt (1993) looks into how networks expose individuals to profitable *opportunities*. When these opportunities arise, an actor can *act* on them, *invest* the *capital* available and needed, to perhaps generate a profitable *rate of return*. Every actor or individual has a set of contacts, both *direct* and *indirect*, in their network, and these contacts are the foundation for which opportunities one is introduced to. Thus one should strive for a proper structured network that generates many opportunities (Burt, 1993).

Burt (1993) proposes a clear distinction between *social*, *financial* and *human* capital. While financial and human capital can be described as the property of individuals, the parties in the relationship own social capital jointly. As a consequence, if a venture loses a customer or any other relation they would lose social capital. Another important distinction is the fact that both financial and human capital needs investment of time and money, while social capital will influence the rate of return in various opportunities. Put differently, financial and human capital would be the investment part in the market-production equation, while social capital would be the rate of return part. An important role to be played in an organization within this social capital context is the "*rainmaker*". This role is valued for the ability to deliver clients, enabling the rest of the organization to profit from the work and production capabilities created after investing financial and human capital. Burt (1993) agrees further that *an entrepreneur should focus on building an efficient network to maximize the return from the network* (Burt, 1993).

3.4.5 INFORMATION AND CONTROL BENEFITS FROM NETWORKS

A social network will give a start-up company *information and control benefits* that it may use to develop a competitive advantage in the marketplace (Burt, 1993). The information flows of a network define who knows what about the different opportunities that spring up everywhere. Furthermore, when an actor is made aware of the information, the network sets the premises for how to best utilize the opportunities by defining what resources are

available in the network and, for example, who it is possible to invite to participate. Thus Burt (1993) argues that one should strive for an optimally structured network, since such a network will enjoy higher rates of return. Furthermore *information benefits* can be grouped in three (Burt, 1993):

Access

- Receiving a valuable price of information and knowing how to use it
- There may be an overflow of information, using the network as a screening tool lets you more easily access the vital information

Timing

- Information has different value dependent on when you get it
- Act on information yourself or invest it back into the network by passing it onto a friend who could benefit from it.

Referrals

- Important that a given name is referred to at the right moment, at the right place, and by the right person.
- A start-up will need to build legitimacy by having solid referrals.

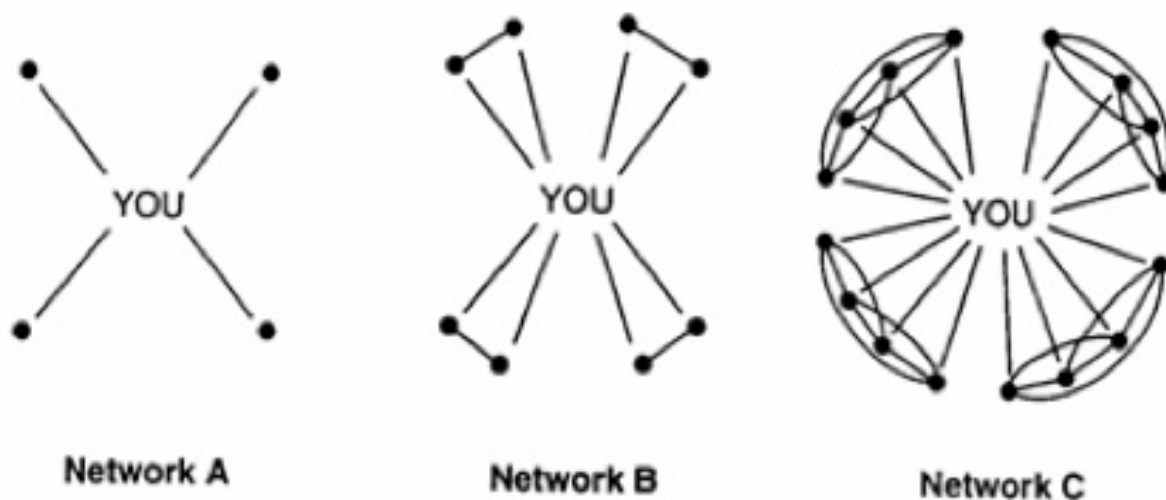


Figure 16 - Network expansion (Burt, 1993)

A well-structured network also enables *control benefits* by exercising control over situations and taking advantage of information in negotiation. Burt (1993) elaborates how an actor could come out of negotiations as the *Tertius Gaudens*, this being “the third who benefits”. As an Italian saying puts it; “Between two fighters, the third benefits”. The *tertius gardens* concept refers to a situation where one party benefits from a conflict among others. Exercising control and having access to information enables one to identify advantages of bringing contacts together and leverage their preferences in a manner that generate profit. Thus the positioning, structure and contacts in an actors network will be very important to ensure access to information and how to utilize the opportunities (Burt, 1993).

Social science research shows that strong relations tend to develop between people with similar social attributes. These relations tend to come easily, and are easy to maintain, but a network like this will accumulate *redundant contacts*. According to Burt, having redundant contacts will narrow down the information flow. So optimally, the network should be as big as possible without overlapping. At the same time the network should not have too many contacts, as this would be hard to maintain, and it should be structured in an efficient manner optimizing it both for information flow and reduction of maintenance. Thus one needs to choose wisely which contact to have as a direct contact, since one would want to utilize the indirect contacts in the most efficient manner. In Figure 16 we see that network A has a 4 direct contacts without redundancy making and it is easier to maintain, while network B and C both has several overlapping contacts making the information gained more overlapping and more troublesome to maintain (Burt, 1993).

A *structural hole* is a term used to separate non-redundant contacts (Burt, 1993). Non-redundant contacts are contacts that hold information that does not overlap with information held by others in the contact network. So by structuring the contact network, an entrepreneur will get an overview of what contacts that is unnecessary, and contacts one might still lack. This will give an entrepreneur an overview of the contact network, thus creating the motivation to reach out to new contacts (Burt, 1993).

In order to identify structural holes, Burt (1993) listed up two attributes when dealing with redundant contacts: *cohesion* and *structural equivalence*. Cohesion means that two contacts

are redundant if they have a strong relationship. Put in other words, you could easily access both if you know one of them, e.g. father and son, and they contribute with almost the same to the network. Structural equivalence means that two contacts are redundant if they have the same indirect contacts. Regardless of the relation between structurally equivalent people, they lead to the same sources of information and so are redundant. Burt (1993) argues that one should strive for as many structural holes in a network as possible, avoiding redundant contacts, to gain benefits by having contacts established in places to capture useful, diverse and relevant information and to ensure a reliable flow of information to and from those places. The choice of who to have as direct contacts becomes a key decision and maintaining their trust will be a vital activity, as it is important that the contacts protect the interests for the actor building a network. With such an optimal network one would gain a competitive advantage of a better rate of return from the network, thus a focused network with low degree of unnecessary overlapping will generate more opportunities that might lead to initiation of new customer relations. Furthermore, one would be better equipped with information in the negotiation process (Burt, 1993).

3.4.6 BRIEF ACCOUNT OF NETWORK, SOCIAL EMBEDDEDNESS AND THIRD PARTIES

In sum we have presented several ways in which the network can affect the initiation of new relationships between two actors. The literature emphasizes that an external third party may facilitate initiation between two other parties. For a small entrepreneurial start-up such mediation from a third party can greatly help the company expand their network and find new customers. Social relations between parties may also greatly affect initiation, and in some instances even be preconditions of initiation. Existing social relations may impact the initiation processes as it can support the recognition of a business opportunity, gaining access and building trust. We have also presented a classification of third parties, explaining some of the characteristics of the third party mediator and their incentives. Finally we took a closer look at how a well-structured social network is easier to maintain, as it doesn't contain redundancy in the social links.

4 DEVELOPING A THEORETICAL FRAMEWORK OF RELATIONSHIP INITIATION

In this chapter we discuss the literature reviewed in the previous chapter, highlight the most important sub-processes and factors, and make our own synthesis of the initiation process of business relationships. First, we discuss key findings from each of the three main segments from last chapter separately. Then, we combine the discussions into one framework for relationship initiation processes that can give insight for entrepreneurs to improve their initiation efforts.

4.1 KEY FINDINGS FROM INITIATION PROCESS AS RELATIONSHIP DEVELOPMENT ACTIVITIES

When conducting the literature review we have identified several interesting sub-processes and factors of initiation as relationship development activities. In this section we discuss these aspects, group them together and highlight the aspects from the literature that we believe are most important for initiation, this is summarized in Figure 17. It is important to note that we do not see this as a linear process, but rather as states the initiation processes may or may not go through, an initiation process may start in any of the states and may also skip some of the states. Throughout this process the “status” of the overall initiation might differ, in accordance to Edvardsson et.al (2008) concept of unrecognized, recognized and considered.

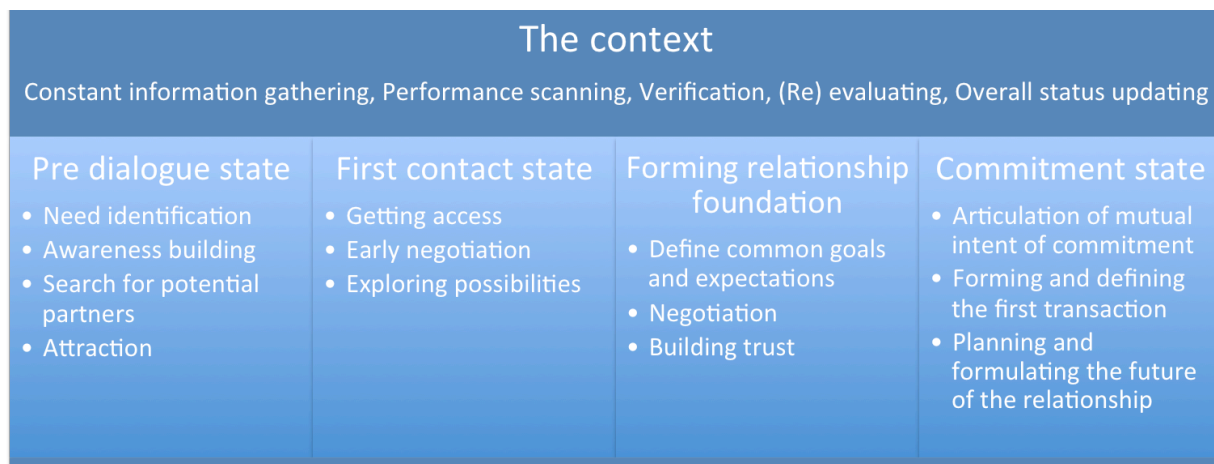


Figure 17 - The sub processes in relationship development

4.1.1 PRE DIALOGUE STATE

Virtually all of the models in the relationship literature have a first phase/step/state/stage that addresses some kind of **pre dialogue state**. This state is characterized by one-way communication aimed at awareness building, in other words a transition from being unrecognized to recognized, in accordance with Edvardsson et.al (2008)'s views. The literature mentions several processes and factors affecting the process. We believe that the key processes are; *need identification, awareness building, search for potential partners* and *attraction*, which are greatly affected by *reputation, trust* and *situational proximity*.

4.1.2 FIRST CONTACT STATE

Virtually all of the models also have a second phase/step/state/stage that addresses some kind of **first contact state**. The characteristics of this state are that two-way communication and dyadic interaction is initiated and it may in some cases, imply a transition from recognized to considered (Edvardsson, Holmlund, & Strandvik, 2008). The transition might depend on what kind of introduction the two companies have had before their first meeting. A first meeting where the buyer knows little of the seller in beforehand may not imply a move to being considered, but a situation where the buyer is already well aware of the seller in beforehand, will in some cases, imply a shift from recognized to considered. In the case of a start-up company the buyer might have very limited information about on the seller and little proof of capabilities and reputation, and might thus initially be a bit skeptical of the offering. In such cases the seller will only be recognized and not considered. The literature mentions several processes and factors affecting the process. We believe that the key processes are *getting access, early negotiation* and *exploring possibilities*, all off which are highly affected by the *compatibility* between the actors, *trust* and *reputation*.

4.1.3 FORMING THE RELATIONSHIP FOUNDATION

We have also identified a third state from the literature reviewed earlier, **forming the relationship foundation**. The characteristics of this state are that the actors have come past the first contact state and now want to lay the foundation of their joint relationship. This implies a move from recognized to considered for the companies that did not make

this move in the previous state. We believe that the key processes are to *define common goals and expectations, negotiation and building trust*, which is greatly affected by *compatibility between the actors, mutual economic advantage, trust and reputation*.

4.1.4 COMMITMENT STATE

The last state we have identified from the literature review is the **commitment state**. The characteristics of this state are that the actors start to form their relationship and now want to commit to each other for the longer run, which implies a transition from considered to agreement/relationship. The literature mentions several processes and factors affecting the process. We believe that the key processes are *articulation a mutual intent of commitment, forming and defining the first transaction, planning and formulating the future of the relationship*, which is greatly affected by *prior negotiation, communication, and trust*.

4.1.5 THE CONTEXT

In addition to these four states we have identified several processes that take place continuously in the initiation phase of a relationship. We conceptualize these processes as taking place in **the context** that surrounds the initiation states. In the context we suggest that the key ongoing processes are *constant information gathering, performance scanning, verification, (re) evaluating and overall status updating*. Throughout the initiation both parties will constantly evaluate the other party and the potential new relationship. Thus the parties will constantly negotiate, commit, execute and assess the efforts, cf. Ring & Van De Ven (1994), and as they assess meetings, presentations, necessary adaptations and so forth; the overall status of the initiation process might progress or be reverted as converts and inhibitors influence the process, cf. Edvardsson et.al (2008). Furthermore it might stay dormant for longer periods of time as proposed by Batonda & Perry (2008). During key processes and activities by parties influencing the initiation the overall status might change, it might go backwards or perhaps both parties are ready to give the relationship a green light. Furthermore it is important to acknowledge that the requirements needed for relationship commitment will vary depending on the parties, the situation and the forces that influence the process. For example, firms where the individuals have prior experiences

with each other will often skip the processes in the pre dialogue and first contact states, thus being closer to a joint commitment from the start. A start-up initiating through cold calls on the other hand might have a longer way to go, and perhaps stay still at the same status or having it reverted. But if an industry expert instead introduced them, the progress towards commitment might speed up the process.

The literature review revealed that one of main challenges for the entrepreneurial seller is to facilitate that the initiation process proceed further, and to avoid the process being dormant or being reversed to an earlier status. Thus it will be important for sellers to ensure that they are included in the mindset of potential buyers, and having a strategy for following up even dormant leads. We believe that entrepreneurial firms who are aware of the key processes of initiation and the factors, which influence it, may gain a competitive advantage over a firm, which is not aware of these.

4.2 KEY FINDINGS FROM THE INITIATION PROCESS AS BUYING AND SELLING ACTIVITIES

To confirm and verify the actual need for a new innovative offering, a start-up need to be able to sell the offering to a potential customer, and use their commitments as the first proof-of-concept for a potential profitable new business. Thus, selling activities are very important for start-ups from the very first days, and the selling literature gives valuable insight into how an entrepreneurial firm should initiate relationships and how the initiation process looks like from both the seller and buyer side. The literature often sees the seller as the active initiator creating new relations through a stepwise process from prospecting and approaching to closing the deal. In this discussion we have grouped these processes into several phases, cf. Figure 18, seen from the seller's point of view, and also incorporated insight from the buying literature. We will go through the phases one by one, while emphasising the key sub-processes and factors affecting the respective phases.

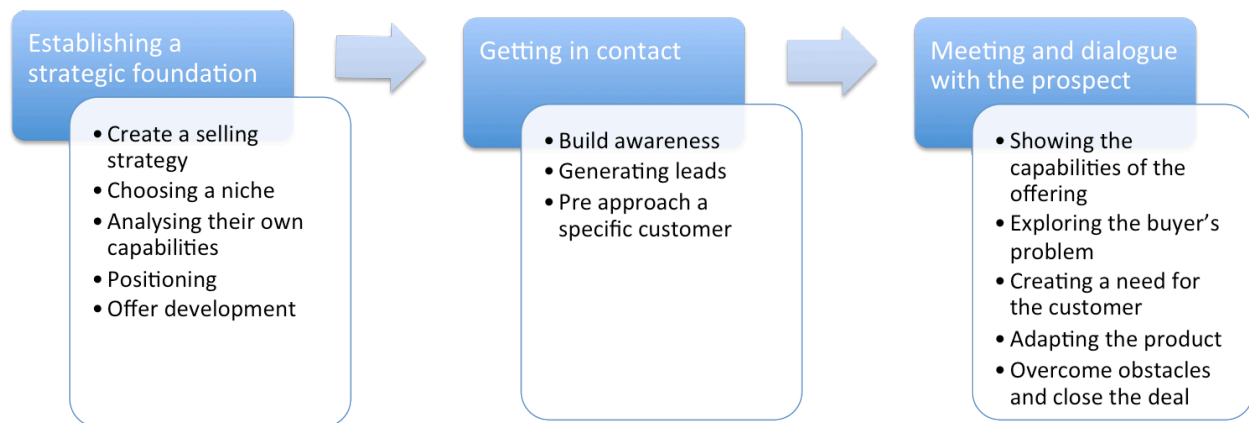


Figure 18 - Grouping of the buyer and seller activities

4.2.1 ESTABLISHING A STRATEGIC FOUNDATION

The first of these phases is **establishing a strategic foundation**, which involves mostly *pre-sales* efforts to ensure that the seller is well *prepared* for initiation, such as *creating a selling strategy*, systematic approach *segmenting*, choose a *niche*, analysis of customer *segments* and their own *capabilities*, *positioning*, and *offer* development. In sum these efforts involves answering **where** and **what** a firm wants to be in the future. Start-ups need to ensure good sales practices as they grow and scale their sales forces, thus the establishment of routines and coordination are important, as well as to have a strategic plan to handle increased volume and organizational growth. This can be a managerial challenge for inexperienced entrepreneurs. Dixon & Adamson (2011) suggest that it is important to have several different types of sales representatives, but keep in mind that a typical *challenger* outperforms other representatives. The entrepreneurial seller should also try to assess their typical sale is in accordance to the classification by Hedaa (1996). For instance, replacing a strong tie might be very hard, even for a mature firm with a large resource and offering pool. Selling a need to a first time user, on the other hand, is an easier sale, but a lot of these sales are to other small start-ups and with that comes elevated risk, as the start-up may go bankrupt and stop paying. This suggest that start-ups should focus on *identifying broken ties*, often through social relations and network connections, and create awareness so potential buyers can re-evaluate their current solutions. *Adding a tie* can also be a way in for start-ups to gain a foothold, and after proven superiority, and patience without pushing, this can perhaps be expanded to other offerings. Thus, an

innovation offering such as a clear cost efficiency improvement or exploiting weak points in competitors' offerings might be a door opener (Hedaa, 1996). It is also important to acknowledge that the strategic and organizational choices, as well as the business model configuration, need to be aligned with the initiation efforts to ensure delivery of quality, the whole product and necessary actions to initiate relations. Furthermore, a start-up needs to choose its first market niches wisely, to optimize the value of using those first customers as references in later initiation process. All these strategic choices sets limitations, guidelines and requirements on how a selling firm will utilize their sales efforts, which channels and how to prioritize resources. To build this strategic foundation and make these choices it is important that the firm understand the initiation process and ensure that their efforts are good practices.

4.2.2 GETTING IN CONTACT

The next phase is **getting in contact** with the customers, which involves building general *awareness* and *marketing, generating leads, pre-approaching a specific customer* and *starting* an actual *dialogue* with the potential customer. In sum it is about answering **how** the firm should manage to go where the strategic foundation have pointed them. Here we argue that start-ups might gain insight into how to approach the initiation of relations by understanding the purchasing literature. In contrast to the selling literature, the buying and purchasing literature often see the buyer as the active party controlling the situation through a systematic, rational decision model, including need assessment and a thorough evolution process (Aarikka-Stenroos, 2008; Anderson & Narus, 2004; Johnston & Lewin, 1996a; Moncrief & Marshall, 2005; Webster & Wind, 1972). Insight into the models potential customers use in their purchasing process will be of value since this enables the seller to adapt accordingly. Even *insights on general purchasing* tactics may help the seller to understand how the buyer acts. Specific insight into the buying firm's goals, how they evaluate suppliers, and what factors and requirements are most important, will enable a seller to tailor the approach to the specific customer. Thus, from a seller's perspective it is wise to spend time *researching* and *preparing* for the potential customer, and especially understand how the seller can offer value for the potential customers. This enables the

seller to communicate value in a more efficient manner to the potential buyer (Jaramillo & Marshall, 2004; Johnston & Lewin, 1996a; Moncrief & Marshall, 2005).

Furthermore, it is important for an entrepreneurial seller to understand that the buying firm often consists of several individuals with personal goals and objectives and that there is a complex intra-organizational communication network consisting of *influencers, decision-makers and gatekeepers* (Anderson & Narus, 2004; Halinen & Salmi, 2001; Johnston & Lewin, 1996; Robinson, Faris, & Wind, 1967; Webster & Wind, 1972). The entrepreneurial seller could try to understand the motives of these individuals, also as non-rational persons, and try to assess which individual is the *key decision maker*. Thus, personal relations and history might enhance the selling process by influencing the buyer and be a source for information of the intra-organizational interplay. Furthermore the entrepreneurial seller could keep in mind that the buyers want to minimize risk, and take appropriate measures to minimize the buyer's perceived risk.

This phase also involves obtaining actual meetings and contact with prospects. In the previous chapter we presented four different customer acquisition and communication practices, namely *ICT based communication and marketing tools, traditional marketing, network effects; external advocates and word-of-mouth, and cold calling*. We propose that for an entrepreneurial start-up; *network, external advocates and word-of-mouth* would be the best practices for building a good reputation. Furthermore, these types of practices require few monetary resources, thus also enabling small start-ups to create a powerful marketing message. And by knowing whom your target customer is, you can develop a strategy for building a reputation and many social ties within the niche target market. This may include activities such as: *gaining referrals from established domain experts, participating in conferences and workshops and being media friendly*. It can also be combined with, for example, other tactics to enhance the network effect, such as ICT social media tools. As we see here third parties and relations might be very useful influencing the initiation process, both as a way to generate leads and as a way to get in contact with potential customers through for example mediated introductions by the third parties, which we will address further in the following sections. Furthermore the selling efforts include the initial relationship building with a client, and relations might be source to information and insight

of need and problems for a potential buyer, which again can be used as a foundation for the initial dialogue. Every start-up is different, so in some instances ICT based communication-marketing tools, traditional marketing, and cold calling may be just as fruitful as relations, but relations are likely to be important in especially B2B businesses. Furthermore it is important to the firms to harvest the collective market knowledge in an organization and establish routines for coordination and information management with regards to leads and customer follow-up.

In recent literature we also find several examples of “hybrid structures” and “born global’s” that utilize “smart sales channels”, and here we see that start-ups actively utilize third parties. By leveraging their network and the channels to external actors the start-up is able to reach potential customers faster and with the need for less resources, thus overcoming the lack of resources needed to grow. Although there are often some costs associated with the hybrid structure, such as a commission fee, the benefits from gaining access to a larger market fast often outweigh the cost. Therefore start-up firms should explore the opportunities for using hybrid structures and perhaps try to initiate contact with suitable partners, as this might open up an even larger market. At the same time they also improve the credibility and legitimacy of their offering by being associated with a larger, more reputable brand (Warsta et al., 2001).

The entrepreneurial seller might have more constraints on time-resources than larger and more mature firms. Thus the start-up should balance between spending enough time on preparing and following up a specific customer, while not using too much time on just one potential customer. By achieving such a balance in their strategic foundation, the start-up ensures that the potential customer is compatible and worth pursuing further, and that they are prepared for a meeting. Furthermore, they will also have time to prioritize other customers in the pipeline and evaluate which customer who is truly important. Using effectuation, as presented by Sarasvathy (2001), as a decision making process and defining acceptable loss might help start-ups to prioritize use of the time resources.

4.2.3 MEETING AND DIALOGUE WITH THE PROSPECT

The final phase is called **meeting and dialogue with the prospect**, which implies *showing the capabilities* of the offering, *present value proposition*, exploring the *buyer's problem*, *creating a need* for the customer, *adapting* the product to the specific customers, *overcoming obstacles* and, finally, *closing* the deal. In sum, these phases is about answering **what** to do when you are (almost) where you want to be. The dialogue with the customer might be a lengthy and blurred process from a seller's point of view. Thus a seller should utilize their resources to understand the customers, decision makers and influencers and ensuring that the sale progresses, by for examples reducing the risk regarding variables that are important to the buyer. To overcome the lack of information and credibility *third parties* and *relations* might be useful in several manners, by for example utilizing building up a focused customer references base. Furthermore, third parties might influence the initiation process by recommending their evaluations to a potential client, and relations might be a valuable source of extra insight into the buyers organization, actual need and purchasing criteria. In sum this phase focus on building, nurturing and maintaining a relationship, as well as relationship selling and uncovering problems and needs that the seller can solve. Thus adding-value to the customer.

A start-up firm might lack the resources to serve every lead sufficiently, and thus needs to prioritize which customer leads to focus on and how to approach them in a resource efficient way to overcome scarce resources. The early customer acquisitions will also be of major importance by shaping the future strategy, offering and relations of the firm (Aaboen, Dubois, & Lind, 2011). As introduced in the previous chapter there is a need to balance exploration and exploitation. Forming of new relations and the knowledge obtained in the process help entrepreneurs to explore opportunities. This initiation of new relations and exploration of opportunities also have to be aligned with a process to create sustained competitive advantage, as a strategic foundation for the sales process. This way the start-up will ensure that they customize to some degree, and explore different opportunities to identify the "best problem" or most profitable customer to serve, but it is important to ensure that they can reuse developed competencies in later sales (Aaboen et al., 2011; Ireland, Hitt, & Sirmon, 2003, March, 1991).

4.3 KEY FINDINGS FROM NETWORK APPROACH AND SOCIAL EMBEDDEDNESS IN THE INITIATION PROCESS

The network and social embeddedness perspectives focus on how a network affects a relationship. With regard to initiation, this perspective highlights the phenomenon in a *triadic setting*. We would like to emphasize that it is very important that start-ups, and firms in general, acknowledge that third parties and social relations influence the initiation process. This is a contrast to the traditional dyadic view of relationship development literature as well as the viewpoint from the buying and selling literature. By highlighting how these external parties contribute to initiation, and how the network enables opportunities, a start-up can improve their efforts at building new relationships. To some degree authors on relationship development, and the buying and selling literature acknowledge that external, third parties and social relations influence initiation in a variety of ways, such as for example through recommendations and referrals. However, a more explicit and specific understanding of this interplay is needed. Throughout this discussion we aim to create a better understanding that can be useful for an entrepreneur. Furthermore, we want to take a closer look at personal relations, and their functions as third parties, and we argue that it is also important to understand the social interplay with the individuals in the buying organization.

4.3.1 THIRD PARTIES INFLUENCE INITIATION

Being a start-up in the context of a network characterized by social embeddedness enables a set of opportunities, but it also indicates a more complex and blurred selling situation where several actors might influence the process. With interconnectedness between actors, third parties might influence initiation of relations in a *positive* manner, by for example by mediating and creating an initiation effect to kick-start new relations between two other parties. However, third parties can also have *negative* effects on the initiation by, for example, acting as experts that actively discourage the new solution a buyer evaluates (Anderson, Håkansson, & Johanson, 1994; Holmen et al., 2005; Ritter, 2000). For any firm, it can be complicated to understand how the interconnectedness functions and influences a specific initiation process. To improve the success rate of initiating new relations we argue that firms should actively try to *assess* who is influencing the initiation process, and in what

way. This is the first step towards creating a more *conscious* strategy to handle the influence by third parties. Start-ups are less likely to be able to benefit from prior experiences, reputation and brand value, thus it is even more important to try to actively influence third parties. So what can start-ups do in the initiation of relationships to take advantage of the opportunities of external actors and to some extent influence the network environment?

When influencing how third parties contribute to and facilitate the relationship initiation between two parties, it is important to understand what functions they might serve. Throughout the literature several functions and task that third parties performs have been presented. Based on key activities identified in the literature review, we suggest six main functions:

- **To help the focal firm gain *access to the potential customer*** through; mediation, introductions, referrals, referencing, matchmaking, word of mouth, providing awareness, vouch for and provide credibility for the focal firm, by an “objective external third party”
- **Provide initial *trust* and building *trust*** by providing prior experience, ensuring necessary preconditions, reducing risk and providing expert insight.
- **Reduce *distance* and perceived *risk*** by bridging unfamiliar parties; providing information, providing experience and signalling trustworthiness. Furthermore provide assistance to set expectations, provide concrete evidence, being an advice pool, help evaluate and interpret needs, offerings, goals and so forth.
- ***Accelerate the initiation*** of a relationship by being an active ambassador, creating a need, conveying information, giving an external viewpoint, assist in establishing a common foundation to build the relationship, sharing relevant connections and established social relations.
- **Ensuring/validating the *value of offering* and *credibility* of the focal firm** by providing prior experience, objective insight, and credibility through the third parties own brand and capabilities.

- **Provide and share relevant *information*.** Thus building awareness, matchmaking, providing information for capability verification, assisting prospecting, evaluation and decision making for both buyer and seller.

We propose that it is important to be aware that third parties might exercise several of these functions at the same time, and perhaps different functions depending on the situation. What function a specific third party might serve in a specific initiation process is likely to depend on several different variables, such as the motivation of that third party, type, nature of relations to and perception of both seller and buying firm, time and resources available for the third party and so forth. In particular Aarikka-Stenroos' (2011) findings are very interesting for understanding the roles of third parties in a more systematic manner. By looking at the type, position in network, motivations, task and activity mode it is possible to obtain a broader understanding for third parties in initiation, which also can be actively used to assess who the third parties are, and how they contribute to initiation.

To tackle the challenge to ensure a, in general, positive influence by third parties we suggest that a firm starts with assessing their firm's initiation profile, and activities by mapping them in two dimensions introduced by Holmen et.al (2005); *active vs. reactive* and *direct vs. network-mediated opportunity*. By doing this firms can enhance their knowledge of how they actually gain new relations, how it changes, and perhaps identify opportunities for improvements. By combining this knowledge with the possible functions third parties may exercise, and Aarikka-Stenroos (2011)'s framework, entrepreneurial firms are more likely to assess the impact of their third parties and create a suitable strategy for handling, and actively using, third parties. By doing this, a start-up will gain knowledge, and identify who and what types of third parties that influence the process. Furthermore it is important to identify which parties that more frequently influence the process and thus are most important. With this knowledge firms can consciously utilize and leverage relationships to third parties during the initiation process, and to a larger degree identify potential pitfalls due to negative effects of third parties. Furthermore, one could proactively promote relationship sharing, facilitate for word-of-mouth promotion, build awareness and reputation, encourage referrals and referencing, and encourage positive influence by third

parties. It is important to note that some third parties might show resistance to attempts of explicit utilization, thus third parties should be motivated cautiously. For example, the firm should specifically assess which parties that functions as advocates and evaluators during the initiation, so that measures can be taken to increase the likelihood of promotion by those third parties. Furthermore a start-up should also strive to have third parties that help with prospecting, introductions to new potential relations, and as a smart network mediated sales channel with access to a larger customer pool.

The influences of third parties in initiation are multiple, and it will be hard to identify all of them from a seller`s perspective. Mapping it in the perspective of *vertical* or *horizontal* positioning in the network can help start-ups to obtain a mutually exclusive and collectively exhaustive understanding of the third parties, and possible actors that can be influenced to enhance the initiation process. Furthermore, start-ups should acknowledge different types of third parties, since making a clear distinction between for example persons and organizations enables a more precise identification and strategy. Still, it will be impossible to identify every third party that might influence the creation of new relations, as some third parties will be outside of the network horizon of the focal firm. To broaden the network horizon, firms should try to detect unknown third parties in a manner that does not jeopardize the initiation. Furthermore, a conscious strategy to enhance positive third party efforts, if successful, might spread even outside the network horizon of the focal firm. The activities identifying the network will undoubtedly require a lot of efforts, thus it is important to balance these with the scarcity of resources in start-ups.

We believe it is important to strive for as many engaged ambassadors as possible. The value of an *active* third party is higher than of a *reactive* one, at least if they are active in a positive manner. Furthermore, a *reactive* third party will contribute more to facilitating the initiation than a passive third party, and *inactive* ones do not contribute at all. Thus, in the strategy of engaging third parties, one should aim to encourage third parties so that they act in a positive way towards the start-up. One tactic could be to increase the likelihood of many *reactive* third parties, and that they provide positive facilitation through for example evaluation and advice in some manner. An example could be to send free product samples to industry experts, increasing the likelihood that the seller will be mentioned if a potential

customer asks the expert for advice. It is even better if one is able to create an *active* third party, for example by actively creating social ties and ensuring an exceptional product experience for these industry experts. Higher numbers of *active* and *reactive* third parties are more valuable, but only if they contribute to the initiation with a positive effect. *Passive* third parties can also be very valuable by being references and creating credibility for a firm, and it will also be important to utilize passive third parties.

Thus it will be a question for the start-up to prioritize the resources in most efficient manner. In the context of a resource scarce start-up it is important to focus their efforts on key third parties, and ensure an enhanced positive contribution from the most important third parties. The early customers, for examples, are often very important for later customer relationship initiation (Aaboen et al., 2011). By focusing on “over-delivering” with regards to tailoring the offering and providing superior quality to the early customers; the first customers might be essential sources for many new customers, through referrals and validation of the product. Furthermore one could actively involve customers to promote ownership. Although tailoring will be essential to ensure good ambassadors from these early customers, it is also important to ensure that one can transfer the developed capabilities in the next relationship.

In conclusion, we propose a number of key strategies that start-ups may use to utilize thirds parties:

- Assess which third parties influence the process, how often and by how much (what type, motivation, position in network, task and function, activity mode)
- Assess the initiation profile of the start-up in terms of *active vs. reactive* and *direct vs. network-mediated opportunity*
- Focus on building engaged ambassadors by increasing the number of positive third parties being active and reactive (prioritized in that other)
- Promote relation sharing, facilitate for word-of-mouth promotion, build awareness and reputation, encourage referrals and referencing and encourage positive influence by third parties

- Strive to utilize key third parties for prospecting, introductions to new potential relations, and as a smart network mediated sales channel with access to a larger customer pool.

4.3.2 PERSONAL RELATIONS INFLUENCE INITIATION

Social embeddedness, and existing and emerging *personal relations* might also be a significant factor in the formation of new relations. We want to take a closer look on personal relations, as they occur for instance between the buyer and the seller, and a better understanding of this phenomenon might improve selling practices. In the literature we find that, in the same manner as third parties, social relations can effect initiation with either *positively* or a *negatively*. Halinen & Salmi (2001) label *promoters* as the social relations that foster development of relationships, and *inhibitors*, as those that hinder the development. That way a personal contact can function as a *door opener* or *gatekeeper* during initiation. Furthermore, firms should be aware that the same contact might change between a positive or negative function depending on the social relation, situation and context.

In the literature we identified five main functions for personal relations in initiation; help to gain **access** and first contact with a potential customer, the forming of **trust** and reducing of **risk**, sharing of **information** and relevant **contacts**, **accelerating** initiation, and providing **common grounds**. Thus, existing and emerging social relations will be important for start-ups, and in some cases it might even be a precondition for further initiation. Personal contacts will also be an important source of insight into the buyers and their goals and motives, as such crucial and confidential information is often more reachable through social relations. Firms should also aim to leverage personal contacts to understand which individuals influence the buying process both internally and externally. Furthermore, according to Gulati (1995) as the number of social linkages and prior experiences increases so does the likelihood of formation of relations. This seems reasonable to us, since the existence of a prior platform on a social level creates introductions, reduces risk and distance, builds trust and reputation, signals competences, increases the likelihood of

positive recommendations and perhaps enables an internal individual to actively promote a specific solution because of the social relations.

These personal relations will, in many ways function as third parties, but we think it is important to acknowledge the social aspect of the relation. Thus we urge a firm to assess their resources and usage with regards to personal relations, and use this in their strategy for engaging third parties. Start-ups should ask themselves who in their personal networks that can assist them in making an introduction, understanding a specific firm, or contribute to facilitating word-of-mouth promotion. Furthermore it is also important to develop personal relations to the individuals in a buying organization, and leverage this in the selling process and hopefully create individuals committed to you as a person, your company and your product. To do this, a firm need to build an attractive and trustworthy image, and start-ups should actively try to understand how their social relations perceive them and compensate for any common pitfalls.

Personal networks and relations can be of substantial value, but how should one go forth building such networks? Burt (1993) postulates a rather cynical use of the social network in his paper about structural holes. In an American start-up environment this would help the entrepreneur to use his time more efficiently, only adding relevant and non-redundant contacts to his social network. But in a Norwegian context this approach may, in many environments, be looked at as too cynical. The Norwegian entrepreneurial environment is a tiny fraction of the massive entrepreneurial industry in the US. Size, and the Norwegian “openness” make the Norwegian environment more transparent than the American equivalent. This transparency will make it more difficult for anyone to maintain a non-redundant contact network, as the word of the “cynical” networker gets out. Furthermore, assessing and configuring a personal network in such a manner might be difficult from a practical perspective, since it is hard to assess the value of each contact ex ante, and in the future. Anyhow, in a resource-constrained work-environment, such as start-ups, we acknowledge that networking in a strategic manner is valued, at least if one does it in practical manner. Interesting contacts might appear in unexpected situations, thus one should also strive to attend gatherings and network somewhat randomly, but ensuring some strategic focus on the most important events and contacts. We suggest entrepreneurs

to actively acquire knowledge of, and attend, relevant and interesting social events, network arenas and trade-fairs. A start-up in its early phases will often find it more important to focus on product development and that is indeed important, but it may be even more important to get customer validation before going further with development. Thus one should strive to get introduced to build an intimate knowledge of potential customers as this can form the first exact specifications of the offering. Having several areas to choose from we would encourage first to prioritize industry relevant network areas and trade fairs. Furthermore, general networking arenas and incubators for entrepreneur, innovators and actors such as venture companies might be fruitful, as they will be somewhat like-minded and perhaps more prepared to connect you with relevant actors. But as mentioned, connections to new potential customers might appear more serendipitously, and to enhance this we urge entrepreneurs to talk about their concept in almost every setting they are and consistently ask by the end of the meetings if the other parties know of anyone useful to talk to.

In conclusion we propose a couple of key strategies that start-ups may use to utilize social relations:

- A start-up needs to be aware of the value of social relations, and assess their relations when approaching and selling to a potential customer. It is important to understand the inter-firm network of individuals, and that the firm's own social relations might influence the process.
- A start-up should consciously build personal relations through, for instance, trade fairs, NGO's, incubators for entrepreneurs, etc.
- The ability to build attraction and a trustworthy personal image can be crucial for business relations to emerge.

4.4 COMBINING CONTRIBUTIONS ACROSS RESEARCH DISCIPLINES

While reviewing the literature, we discovered several perspectives and insights into how the initiation process progresses. Furthermore several factors, sub-processes and the environmental context influence in the initiation process. Thus we argue that a conceptual model only highlighting "sequential" steps from either a sellers or a buyer's viewpoint will

be insufficient for understanding the complex and blurred phenomena of initiation. This is also one of the key findings for entrepreneurial firms, they should *acknowledge the complexity* in initiation and *try to address it consciously*. However, we acknowledge that sometime it may be better for an entrepreneurial start-up to disregard the complexity because if they had taken the full complexity into account, the complexity could overwhelm them. To understand the initiation process a start-up must understand the buyers viewpoint, the important factors and sub-processes that might be critical for further relationship development, and the fact that third parties and social relations influence the initiation process, which again will form their own activities as a seller.

4.4.1 CONCEPTUAL MODEL TO ILLUSTRATE INITIATION

Based on our literature review and the discussion in the preceding sections, we suggest a *conceptual model for relationship initiation*, in Figure 19. Furthermore, we take the perspective of an entrepreneurial seller; thus we aim to *highlight interfaces where start-ups can influence the process*. As mentioned earlier we find it important to acknowledge that *three types of actors influence* the initiation process; Seller, Buyer and Third parties. All these actors can influence the initiation process between the seller and the buyer.

As discussed in the previous sections, the relationship process consists of both continuous and non-linear activities, as well as activities of a more linear and sequential nature, although these also may vary in order or at least “strength” and length. This is illustrated as the *initiation processes (IP)* in Figure 19 where we have grouped factors together as pre-dialogue, first contact, forming of relationship foundation, and commitment, as described in section 4.1 and Figure 17. These states consists of activities such as establishing awareness of each other, access to each other, the first exploration, risk reduction and trust building, and finally committing to a joint collaboration or agreement. Surrounding these activities we have chosen to highlight the context of constant information gathering, trust building and the fact that a relationship might change status back and forth, and be dormant for a longer period of time. For the relationship to move forward, actually committing to an agreement, the overall impression of all the initiation processes must be satisfying for both parties. To accomplish this the seller influence the initiation process through several

different activities through the following phases; establishing a strategic foundation, getting in contact, and meeting and dialogue with the prospect, which are described in section 4.2 and Figure 18.

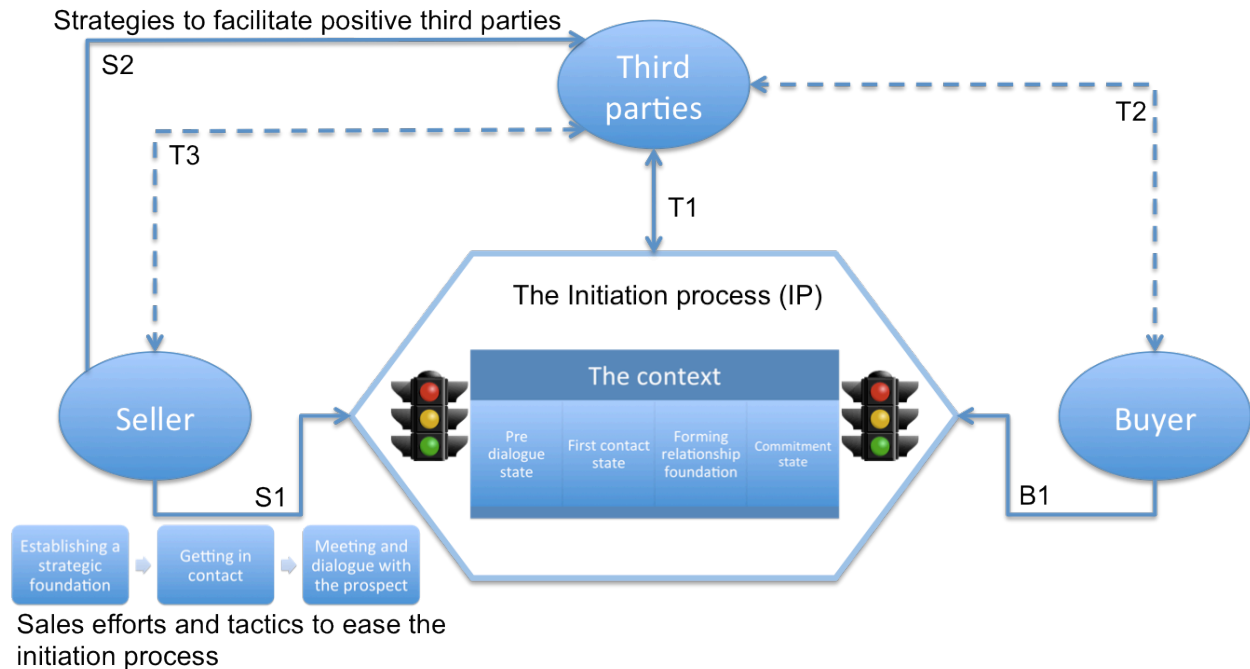


Figure 19 - Conceptual model of the initiation process

4.4.2 ANALOGY - MAZE WITH TRAFFIC LIGHTS

To elaborate further we would like to introduce an analogy of a maze with traffic lights. When driving from A to B you will pass several different traffic lights, and these lights might also direct you in certain directions, and have multiple directions to send you at each traffic light. To pass each traffic light you need to wait for a factor or process that changes one of the directions to green, and to get all the way to B you have to find a route or manipulate the lights to obtain a green route to B. Thus all the factors in the initiation process, in Figure 19, must be green, and perhaps this is accomplished through the sellers initiation efforts, but other parties might also contribute significantly to the process.

If we relate this to initiation by using a mature reputable firm that are driving together with a recurring customer from A to B; all lights are green. The factors controlling the traffic lights acknowledge that the selling firm should have a priority, thus the overall impression

from both parties are that they both have a “good to go” for further relationship development, and they might have a police escort all the way to a finish line. On the other hand, if new start-ups drive with a potential customer it might be standing still at the first traffic light, due to not gaining access to the customer. Or perhaps the light can be turned green by leveraging their social relations to gain access, thus taking a turn on the green light. But still there are many lights that need to be green if the start-ups shall arrive together with the customer at a finish line.

Several factors can also change the colour of the lights. Another example could be that a leading firm in commercial air travel actively promotes a service from a start-up to a social relation in another firm in the same industry, and that other firm decides to approach the start-up. Then the starting points for the trip are very different, overall we see more green lights on the route, since the third party provide credibility and build trust for the start-up. Although, there are still road blocks and traffic lights one must pass to arrive at a finishing line, and other factors might make the traffic lights red again, such as for example negative impression by individuals in the buying firm, unaligned goals or offerings, key individuals changing employer or other factors.

The trips can also take a significant amount of time, and perhaps even go into a dormant state without any progress, as the car might run out of gas or break down. In the same way as it are several different starting points there might be several different finishing lines that are equally good or better, and start-ups might benefit from exploring a few routes to find the easy ones. Thus changing car from time to time is not necessary the worst thing, as long as you have enough money for gas most of the time. Furthermore, you might want to ask for some routing advice or install a new GPS. But it is hard to choose one, and especially when you are bit low on cash.

Additionally, we want to introduce the possibility of owning multiple cars at the same time in the maze, thus increasing the possibilities to reaching any of the possible finish lines. For instance, an entrepreneurial seller might utilize measures targeted in different directions or different people working in different directions to initiate a customer relationship. For instance, one seller might have multiple people working towards the same buyer, but with

a different angle in their approach, this is equivalent of driving in different directions through the maze.

By this analogy we want to illustrate how firms together have to overcome several factors and process, and both acknowledge the green light to move further. Furthermore, the importance of each of these processes and factors might change, thus creating the opportunities of several possible routes and starting points to possible targets. Lastly, while progressing towards the finish line you are likely to go on detours, be delayed, be forced into pauses and perhaps abort the trip altogether.

4.4.3 THE INTERFACES THAT INFLUENCE INITIATION

As mentioned we stress that the buyer, seller and third parties might influence the process, and thus influence the colour of the traffic lights. This is illustrated in the model; see Figure 19, by interface S1 and B1 where the seller and buyer influence the initiation process directly. The buyers' interface is covered by the buying literature, but this is not a focus area for our model, as we have incorporated an understanding of the purchasing process through the seller's interface S1. Third parties influence the initiation through three interfaces; T1, T2, T3. Through S2, the seller can also influence third parties.

Thus there are two interfaces where sellers can influence the initiation, the first, S1, focuses on the specific initiation process at hand, and the second, S2, are the interface a seller can utilize to influence third parties.

4.4.3.1 Third parties influence the process through T1, T2, T3

T1 is the interface where a third party influences the process directly, by for example being a reference or perhaps actively mediate. These are the influences the seller can "see" and thus try to adjust the initiation effort to them if necessary. Through interface *T2* a third party influence the buyer directly, for example by being an advice pool for the buyer or making a potential buyer aware of the product, this is reflected again on the initiation process through the buyers interface B1. The seller might be unaware of these influences, so they will probably be even harder to utilize as a positive third party. The last third party interface, *T3*, is the linkage and any communication that may occur from the third party to

the seller. As discussed in the previous section, third parties might influence the process in several different ways through all these interfaces.

4.4.3.2 Seller influences the initiation directly through S1

Through S1 the seller contribute to the initiation through its *sales effort and processes*. As discussed in previous discussion, and summed up in Figure 18, it consist of building a strategic foundation, getting in contact with customers, and meeting and dialogue with the prospect. Through S1 a seller *can ease and facilitate the initiation process directly*, by for example improving sales techniques and the competency of the sales team. An important aspect identified throughout the literature is that sellers should acknowledge and strive to understand the purchasing process that an organization also consists of non-rational individual and goals. For a seller it will be important to incorporate their understanding of B1 into their efforts through S1, and for example actively assess who is the decision maker and adapts its sales efforts accordingly. The understanding of B1 might also change the strategic foundation and pre-sales considerations to change the offering or target segment. This way a seller can restructure their sales effort and build social relations more tailored to the potential customer. We also want to highlight that the use of social relations in this interface might be valuable. Furthermore, sellers have the opportunity to *react* to third parties influencing the process, and perhaps take actions to avoid permanent damage from negative network influences and invoke necessary third parties to lubricate the initiation. Overall the big question through this interface is to keep moving forward in the initiation process or the maze of traffic lights, ensuring that the lights stay green and that the ones ahead change from red to green. To do this, entrepreneurial sellers have to identify the key factors, or traffic lights, slowing the process down or hindering the process, thus identifying the green convertors and red inhibitors, cf. Edvardsson et.al (2008). Perhaps utilizing social relations and third parties to obtain this information. Practically, just having a system that ensures regular but casual enough follow-up is important to identify possible “crises”, such as new contact persons, and ensuring that the buyer considers the seller.

4.4.3.3 Sellers influence third parties through S2

The second interface, S2, is where the seller influences third parties. Since the third parties influence the initiation process we urge selling firms to try to take control and utilize third

parties as positive influences. This facilitation of third parties' activities is going through the S2 interface. We discussed the influences of third parties in detail in the previous discussion, and a seller should systematically use a strategy to enhance the effects third parties have on initiation through interfaces T1 and T2. We suggest that an entrepreneur can use three types of strategic activities, proposed by Tikkanen & Halinen (2003), to ensure a thorough formation of strategies to handle the third parties;

- Network visioning (anticipating network evolution and creating alternative evolutionary scenarios)
- Network positioning (selecting partners and changing positions within networks by establishing and dissolving linkages with other organizations)
- Network mobilizing (committing partners by sharing visions or goals, influencing relationships and network development, and allocating resources to the relationships)

By following these strategies, start-ups can systematically identify types, motives, position and functions of third parties, and further mobilize a strategy to *proactively* utilize the third parties in initiation. When identifying potential third parties it will also encourage firms to do an assessment of their initiation profile in regard to the dimension proposed by Holmen et.al (2005), and evaluate the strengths and weaknesses of their current initiations. Furthermore, we also encourage start-ups to include assessments of third parties for choice of segments and market niches, as the first segment may be the initial reference group for the next set of initiations. Thus a firm would want to creating value from all these references and build a snow balling effect of word-of-mouth promotion to compensate for resource scarcity, c.f Moore(1991). Leveraging of third parties might also open access to large customer groups through their channels. The seller might also actively use the S2 interface for advice on prospecting, evaluating and constant information gathering to support the initiation process.

4.4.4 FINAL COMMENTS

In this chapter we have discussed initiation from the perspective of several research schools; relationship development, buyer-seller and network perspective. Through insight from this literature we have proposed a conceptual model for understanding initiation and how the initiation of relationship progress, as well as highlighting important sub-processes and factors for initiation, it explains the interplay between the seller, buyer and third parties, see Figure 19. Furthermore we have provided the analogy of maze of traffic lights to illustrate the process of initiation. As illustrated by the maze of traffic the initiation process is blurred and complex, as the real world is complex. With our model we have tried to simplify the initiation by highlighting the interfaces that influence initiation.

Furthermore we have highlighted how start-ups can influence the initiation processes through two interfaces; S1, directly through sales effort, and S2, by leveraging third parties. We believe that Figure 19 provides a comprehensive understanding of the initiation process, and answers in this respect the first research question. When continuing the thesis we want to focus on the seller's point of view, as shown in Figure 18 and in the bottom left part of Figure 19. While at the same time taking aspects from the totality, such as how third parties and buyers interplay with the initiation, into account.

As presented in the previous paragraph we will from now on focus on the initiation process from the seller's perspective, and the interfaces where the seller can directly affect either the buyer or a third party. In Figure 20, we have revised Figure 18 from the buying and selling discussion by highlighting and including what we believe to be key aspects from the all three literature discussions, and the interfaces from Figure 19. It is important to note that the aspects in Figure 20 are a mix of internal activities and efforts directed towards a specific buyer or third party. We believe that in Figure 20 we get a comprehensive overview over the initiation process from the seller's perspective. This figure will later form the basis for the discussion of empirical findings in chapter 6.

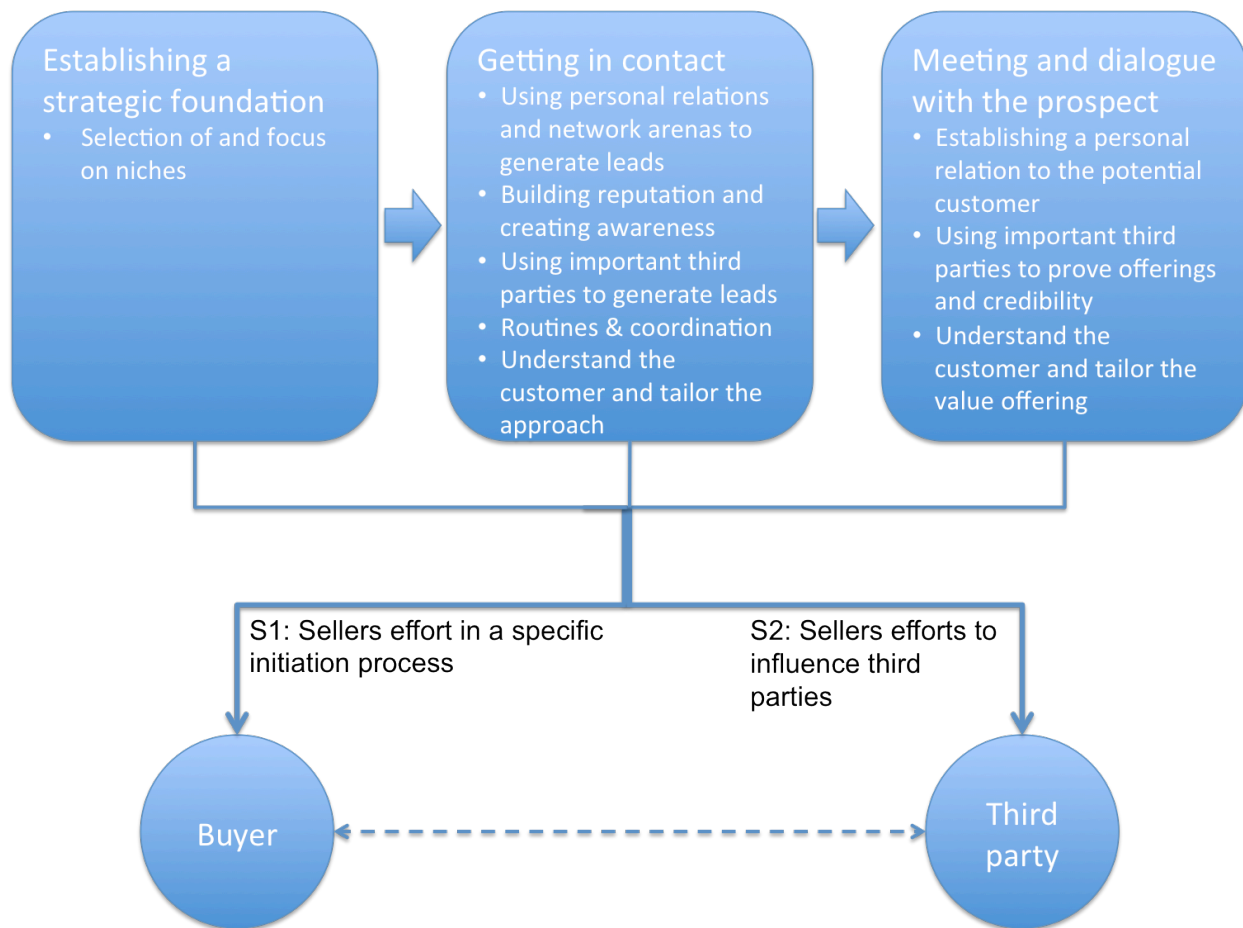


Figure 20 – Key aspects in initiation from a seller’s perspective

5 CASE PRESENTATION AND EMPIRICAL FINDINGS

In this chapter we present the results from a multiple case study of several consultancy firms and entrepreneurial start-ups. By doing so we aim to provide some real life insight into the topics discussed in the literature review. In addition, the empirical study may bring to our attention some topics that have not been treated in the literature review.

We start of by presenting the case on company A, and then present the case on company B, and so forth. We first present the five consultant cases, and subsequently the entrepreneurial cases. For each case company we first give a brief presentation of the company, and subsequently present the findings from the interviews. When presenting the findings we follow the structure from the interview guide, starting with how the case company initiates new customer relationships. On this subject several of the case companies distinguishes between the public and private sector. Thus, for some of the cases are such a section included when presenting the findings, although this was not originally a part of our theoretical framework and interview guide, but became a part of the revised interview guide after we conducted the first interview. Second, we present the findings regarding routines and sales responsibilities in the case company. In the entrepreneurial cases this topic is not treated as a separate subject due to the entrepreneur's lack of established routines. Subsequently we present the findings regarding the use of existing relationships and third parties in the sales process. Finally, we present the interviewees reflections on the challenges of a start-up company. Additionally, we in some of the cases present findings that we did not anticipate to find, these are subjects, which the interviewees emphasized, and topics that we were not aware of when making our interview guide.

5.1 CASE A: THE BIG 4 CONSULTANCY

5.1.1 *PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND*

This case company is the Norwegian branch of one of "The Big 4" audit companies; in addition to its audit services the company also provides a wide range of consultancy

services and legal services. The case company has a wide range of clients of both international and domestic companies, in both the public and the private sectors.

We conducted one interview where two senior managers of the management consultant division in the company were present. The first senior manager has worked for the company for about six years; three and a half of those years were in the USA before coming to work in Norway. He holds an MBA in Finance, Strategy and Marketing from the University of Minnesota. The second senior manager has worked for the company for about four and a half years, and worked for a large Scandinavian bank for seven years before that. He holds a Master of Business and Economics from The Norwegian Business School. Both managers' work within the fields of Operational Excellence which concerns profitability and efficiency improvement, post merger integration, LEAN and Six Sigma.

5.1.1 FINDINGS FROM THE INTERVIEW

5.1.1.1 How does the case company initiate new customer relationships

First of all the interviewees stressed the importance of distinguishing between private and public sector clients, because these are two completely different worlds when it comes to initiation of customer relationship initiation. Let us first review what they said about public sector clients, followed by their thoughts on the private sector clients.

Public sector clients

In the public sector, most of the projects are put out for tender, and as a result there is almost always competition for a specific project and existing relationships are not that influential according to the interviewees. However this again is debatable because the closer you are to the potential client the better is the chance that your offer will meet their needs. For instance if the project that you are bidding on are part 2 of 3 of the total project package, and your company were the ones doing part 1, it will often be easier to win the tender the second time around because you know the client and you have already uncovered their needs. In addition they talked about the subject of framework agreements in the public sector, when you have secured a framework agreement there are calls for projects under this agreement and in this situation, in contrast to the tender situation, relationships can definitively contribute so that your company gets the project assignment.

In this situation the client has more freedom to choose a provider because they are not bound by the strict tender rules. Normally in this situation the price and capacity is set, and the crucial factor may be your relationship with the client and/or how you have delivered in earlier projects.

Private sector clients

In the private sector, on the other hand, the interviewees believed that relationships might play a crucial role in the process of getting a new customer, because the procurement process is less rigid and often less formal. They distinguish between totally new customers and existing customers. In the existing customer group there are two types of customers; namely existing customers of the company but new to this department, and existing customers of this department. They conduct sales to all of these categories on a regular basis, but with a primary focus on the existing customers of the company category.

Selling to new customers

When selling to new customers the case company use different techniques to get the sale. The interviewees believed that cold calling to sell consulting services is not a very effective technique, since it usually requires a lot of work to get a potential new customer. However they do from time to time use cold calling to potential customers if the customers are in an industry where the case company already has developed something industry-specific, like an analysis of the challenges that specific industry is facing. When doing this they believe that they get a better hit-rate than with just plain cold calling. They also arrange breakfast seminars, which often are industry specific workshops, where they invite potential customers to come and hear what the company can offer. In addition to that, they also participate in industry fairs to expose the company to potential customers. The customers identified by these approaches seldom purchase a service at once, but they get in dialog with a potential customer, and develop the relationship further into what eventually may lead to a sale.

Selling to existing customers of other business units

The case company conducts most of their sales to existing customers, but sometimes the client may be an existing customer for the company, but new to the interviewees' department. Since the case company is a large audit company their biggest contact area are

their audit department. And there is a huge potential for new projects for their consulting department coming from the audit clients. They actively try to get leads that way, but it is a difficult task to get the whole company to be aware what the other divisions of the company can deliver. In order to improve the awareness of what the company can do, they have established cross-functional themes across the departments, like for instance M&A. In M&A they can offer several different services from different departments like financial advisory, legal department, audit services from the audit department, interaction services from the strategy department. As a result the company is able to deliver the full range of services in an M&A case the client may need, and this is perceived as seamless for the customer because all the services are delivered from the same company. The interviewees believed that this kind of sales is easier because the client already know their company, and what kind of quality they deliver.

5.1.1.2 Routines and sales responsibilities

Each of the case company's existing clients have what they call a "Lead Service Client Partner", this is a partner or manager in the firm who is responsible for this client, and for maintaining the relationship with the client so that new projects may be generated. Partners and managers are the ones who have explicit sales responsibilities, but all the consultants are encouraged to actively work on generating leads. They do not have a strict routine for how to do this; as it varies from person to person. But when the company is ready to make an offer for a project they have very strict routines on how to do that.

5.1.1.3 Using existing relationships and third parties in the sales process

The interviewees believed that it is possible to get new projects by using former employees and other types of existing personal relationships. For instance if a person which you have sold to in company A gets a new job in company B, and he was very pleased with what you delivered earlier to company A, you have a good chance of selling to company B in the future. Former employees who have got a job in the industry are also a source of getting new projects. Since they have first hand knowledge of what the company can do, they can very easily recommend the company for their new employer, but this is a double-edged sword because this puts their own reputation at stake when recommending their former employer. So in these cases it is extremely important not just to deliver well, but also to

deliver well over expectations. The case company uses this network actively by organizing alumni events, and by keeping in contact with former colleagues.

They also mentioned other kinds of third parties, which may help them to get new projects. They believed that one of the most effective third parties is a partner, in for instance, the software business. For instance Oracle produces CRM software, which the case company consultants integrate for their customer. In a case like this, Oracle and the case company both have incentives for selling the software. When Oracle has a potential client that wants to buy their software, they need someone to integrate it, and that may be the case company. But it can also be one of their competitors, so it is extremely important to have a good relationship with your partner companies so that they choose you over your competitors. They also see that other kinds of third parties may influence their sales process. Due to the fact that Norway is not a very large country, people talk together, a person may sit in multiple boards of directors, and this may generate additional sales. They stressed that the crucial element here is, of course, to always deliver good quality so that people have good things to say about what you do.

5.1.1.4 Reflections on the challenges of a start-up company

They interviewees believed that in terms of start-up companies, there are very few in the consultant business, because to start out as a Greenfield consultancy is almost impossible. If a new consultancy start-up is to be successful they need to have people in their company who already have a large network, either from industry or from their former consultant job.

A technology start-up on the other hand may have better chances when starting without a network, but it will still be a very hard thing to do, according to the interviewees.

Regrettably they often have a too large product focus, and ignore the marked possibilities somewhat. In comparison when the case company launches a new service it is always market driven and not some brilliant new thing they thought of while sitting at their desk. For instance in the case company, new services are often a combination of existing services in different departments that the market wants, like for instance a tax optimized supply chain.

5.2 CASE B: THE PROJECT MANAGEMENT CONSULTANCY

5.2.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Case company B is a Norwegian consulting company, which specializes in leadership and management of projects. The company has four areas of activity; academy, consultant services, staffing of projects, and IT system solutions. The company has a wide range of domestic clients in both the public and the private sector.

The interviewee is a senior manager in the case company and has been with the company for the past two and a half years, as a Key Account Manager for large customers. Before joining the case company he worked in a large Norwegian Oil and Energy Company for one year, previously he has also worked in several companies in the Oil and Energy industry. He holds a master degree in Mechanical Engineering from the Norwegian University of Science and Technology.

5.2.1 FINDINGS FROM THE INTERVIEW

5.2.1.1 How does the case company initiate new customer relationships

This interviewee also stressed that the public and private sector are two completely different worlds with respect to initiation of new customer relationships. Let us first review what they said about public sector clients, followed by their thoughts on the private sector clients.

Public sector clients

The interviewee stated that the main part of their business in the public sector comes from public tenders through the Doffin portal. But when the projects are put out for tender it is often too late he says. Because when a project has reached that phase there have probably been another company in the process already envisioning how it should be done. So it pays to be in dialogue with the customer as early as possible and be in touch with customers so that one can catch these things early, and take part in the envisioning with the customer and understand the real needs of the customer, as it is not always a given that the customer explains the needs well enough in the tender documents. In terms of relationships in the public sector he believes that they are less important, because tender processes are very strict, with specific evaluation criteria. But, on the other hand, he says if you have done a

project for the customer earlier so that they know who you are and that your company represents good quality, or you have, as discussed above, been involved in the process before the project is put out to tender, it can positively influence your company.

Private sector clients

In the private sector the interviewee says that the main part of their business comes from existing customers, and that about 20% comes from new customers. The case company makes use of several different techniques to acquire these new customers. They do some cold calling, but this is not the main focus in the customer acquisition process. They would rather make use of seminars and lectures to create awareness among customers; this in combination with using the employees' networks accounts stands for the majority of new customers acquired. The interviewee also stressed that this varies between the areas of activity, for instance in the academy business unit the company is much more focused on new sales than in the other areas. This activity area is also a gate opener for new customers in the other units; we often see that customers who have bought academy services return to buy our other services the interviewee said.

5.2.1.2 Routines and sales responsibilities

The case company has one person that is responsible for sales in each of the activity areas. Additionally, the interviewee said that all the employees can be considered as sales people with their individual unique professional network, but how much each person focuses on sales depends on their personality. The case company also conducts weekly sales meeting called "complex sales", where they discuss large clients and projects that may be implemented across the organization. According to the interviewee, the case company tries to carry on the sales process as routinized as possible, but keep in mind that each customer is a new customer with a new unique set of challenges. When the case company follows a lead for a potential customer, they normally try to collect as many people from the client as possible to discuss the problem and to map it correctly. They also want to get the top management of the client involved as soon as possible. These processes may be both time and cost consuming, and may last for several years before culminating in a project.

5.2.1.3 Using existing relationships and third parties in the sales process

The interviewee believed that third parties are important for acquiring new customers. The case company uses their existing clients as references actively, in addition they write reference stories that describes prior projects and clients, which they distribute to potential customers to educate and inform them.

The interviewee also believed that industry experience and relations in the industry in which you work towards are very important. For instance the interviewees background from the Oil and Energy industry enables him to more easily communicate and understand the customers from that industry because he knows the industry language and the way of doing business. Additionally he is able to use his contacts to identify new potential projects in that industry and by doing so generating either new sales or additional sales for the case company. But a conflict of interest may also arise when selling to prior employer, thus he might hand the project over to a co-worker before the contract is signed.

5.2.1.1 Reflections on the challenges of a start-up company

According to the interviewee, the two most important things for a start-up are to have a good business plan and good relations in the industry they wish to operate within. Additionally, he believes that a pitfall for many start-ups is having an excessive product focus and not listening enough to what the customer needs.

He also draws some parallels to when the case company wants to enter a new marked segment. The case company's main challenge is then that they do not have any references in that marked and because of that it is harder to start from scratch in a new marked, but when you get the ball rolling it becomes easier as you get good customer references. The case company has used partners when entering a new marked with great success. The partnership may help to generate positive attention and boost credibility. For instance when the case company wanted to enter the construction marked they established a partnership with NTNU, which gave the case company both a boost in credibility in that marked and also helped the company develop their offerings in the marked.

5.3 CASE C: THE ENGINEERING CONSULTANCY

5.3.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Company C is among the largest and leading interdisciplinary engineering and consulting firms in Norway and a considerable player in Europe. They offer community planning and design services to both private and public sector clients. Planning and transport, buildings, construction and property, water and many more are among their market areas. The firm has several offices in Norway and some offices on the international scene.

The individuals that we interviewed from this case company are both located in their offices in Trondheim. We conducted two separate interviews one with the Office Manager and one with a manager with market responsibility of one of their disciplinary fields. The Office Manager has worked in case company for several years, and is the manager of the original advisory team in Trondheim. The office is fairly new, as they established it around 2004-2005. The interviewee has a Masters degree in engineering in transport, planning and road design. He have worked for several years in a competing engineering and consultancy firm, as well as several years in Statens Vegvesen and some time for one of Norway's largest contractor and developer firms. The other interviewee, the Disciplinary Field Manager, has an M.Sc in engineering and has worked in company C for several years. Before that he worked in smaller companies in the software industry and for companies focusing on maps, and geographical and geological data. He is the manager of the services area that provides information system and services related to the software they are selling.

5.3.1 FINDINGS FROM THE INTERVIEW

5.3.1.1 How does the case company initiate new customer relationships

The case company has two offices in Trondheim. Both offices have clients from both private and public sector. The interviewees have most experience with public sector clients. They both stress that the difference between public and private sector clients is huge; the private customer can be processed and influenced to a much larger degree by a seller. Let us first review what they said about public sector clients, followed by their thoughts on the private sector clients.

Public sector clients

With regard to the clients from the public sector there is a formal tender process through the tender portal Doffin. Through this portal, written offers are evaluated according to a given set of criteria. Thus the importance of relations and relationships with potential clients are not that important according to the Office Manager. A few years back the company experienced more direct inquiries from potential clients or about potential projects, but these have decreased significantly. Some public buyers engage consultants in the tender process, and in such cases the value of former customer or personal relations are close to zero. The case company has some harsh experience with such professional buyers in a tender process for the municipality of Trondheim. Being a former client of the case firm the quality and services are known to the potential buyer, thus in the written offer the case firm did not focus on elaborating on what they, as a supplier, stands for. In this case the potential client had engaged a professional buyer to evaluate the offers, thus they are being evaluated on the written offer alone without the value of past project relations and in such cases there is a need for a more extensive written offer.

Still, according to the Disciplinary Field Manager, building relations are important, since an actual sale can take 1-2 years; it is the long-term effort and relations that counts. It is important to be known by and visible to potential customer, and in the software industry it is important to spread the knowledge that the firm supports certain standards and can be integrated with other systems. Thus one has to be active towards the public sector to create a need, do a bit of visioning together and add some suggestions to the specifications, then that need has to be considered in the budgeting process, and perhaps they will start a public tender process. In some cases the existing relations might notify the case firm that a tender is online on Doffin, and that they are expecting an offer from them. For the smaller projects reputation and relations are very important, since they might not be distributed through Doffin, but potential clients might ask for offers from firms on their mental short-list.

The use of framework agreements have increased, thus the client might have an agreement with several suppliers to accomplish the project and in some cases a new rounds of mini-competition may even occur if one is a part of the framework agreement. With these

agreements, the clients have more flexibility to choose case company C, and in these cases relations and personal relationships becomes more important. Although the agreement often also specifies how the tasks and projects should be shared among the suppliers.

Private sector clients

In the disciplinary field most familiar to the Office Manager there are few private clients. Their efforts are mostly the same as described above, but the tender processes are less formal or non-existing and there is very little available information online about plans and potential projects. Thus personal relations become more important, and new projects often appear when working on existing projects. Other contacts, such as former colleagues or study acquaintances might be useful, but the Office Manager personally does not utilize these much. There are some arenas for networking, such as industry organizations, but they do not use these actively to obtain new leads or relations. In some private client cases the firm is perceived as the only supplier for the customer though, and the clients are often proactive in trying to book the resources of the case company. In situations where the firm has competitors in the process it is important to distinguish themselves from the competitors and stand out.

5.3.1.2 Routines and sales responsibilities

The Office Manager emphasizes the fact that it is important to be familiar with the current market to ensure that they can prepare in advance for upcoming potential projects. The firm has some routines to achieve this; although these might differ between the disciplinary fields they offer consulting services in. The work focusing on primary transport and planning have regular market meetings where they discuss what they have done in the field, what they plan to do, the current resource situation, potential upcoming project both in private and public sector, potential upcoming tender cases, etc. By doing this they hope to obtain knowledge of almost all upcoming relevant projects. In some occasions some potential projects appear as a surprise, but this should not happen, as they should have market intelligence to anticipate what is coming so they can react proactively with regard to resource allocation and efforts to win a tender situation. In the public sector most of the upcoming plans are public knowledge, and we can often find a lot of information about large project online. Thus personal relations and contacts are not that

crucial for gathering information about a lead, and during the tender process the potential client are obligated to not disclose vital information to only one firm. The working force at current projects however and the contact they have with current and potential clients are important to build the needed market knowledge about upcoming projects. The case company often obtains potential leads when working on current projects as they learn about upcoming plans and events in the area. Other than the market meeting there are few formal routines with regard to the lead generating process. Thus it depends a lot on the individual working on the current projects and their ability to small talk, be curious, and keep them up to date. Through this process of evaluating the market they try to maneuver their resources so they can provide the best offer possible in the tender process.

The Disciplinary Field Manager's routines comprise are that he, as responsible for that market area, and the department manager subscribe to tenders published with certain keywords. Afterwards the team has a discussion if this is something they should prioritize, and if it is within their core capabilities they usually provide an offer. When writing an offer to a tender they try follow the specification in the most objective and academically oriented manner as possible, as a long term strategy to build a reputation with an academically strong profile for the company. Furthermore they have advertisements regularly in industry magazines and journals, as a branding strategy for the company and their offerings. They feel that attending seminars and events, sometimes as a main speaker, is a forceful way to build awareness and reputation. They do also respond to industry call-for-papers, typically sent by academic forums or journals, and try to engage themselves as much as possible in such academically forums specific for their field. The disciplinary field also arranges several seminars each year where they promote and discuss solutions.

5.3.1.3 Using existing relationships and third parties in the sales process

To the case company the existing customers are very important, and thus they mostly focus on the existing customers. The reason for this, according to the Office Manager, is that it is easier to retain their current clients by doing solid work and then try to upsell new projects to them, than to go the hard way and obtain new clients. The most important marketing they do is through current projects, as this eases the upselling process. Acquiring new clients is time consuming, and this is something the company struggles with, since they

have limited time to use on customer acquisition. The efforts they mostly consists of providing information to potential clients, general marketing about what they can offer, attending relevant meetings within the disciplinary field, and collaborating with relevant partners since they often obtain new clients through some external event or actor.

Partners, such as architects, might generate leads and in 2012 the transport and planning disciplinary field have had around 3-4 such meetings. The case company has often worked with these partners or external actors in prior projects, and the Office Manager emphasizes the importance to be perceived as a good collaboration partner and delivering quality services, or else these partners will recommend someone else. The process is just as important as the end result to obtain engaged external partners.

According to the Disciplinary Field Manager their services area also obtains leads from partners, such as suppliers of IT platforms, which the company is the only distributor of in Norway. They volunteer to collaborate in the national and regional standardization and integration process. Here the firm gains a better reputation and increased visibility, as well as market themselves as a progressive company. This reputation leads to clients actively contacting them as experts on the new integration challenges with regards to governmental IT work tools. Furthermore, such actions are important to build long-term relations and to create a need that might result in a small sale or a larger tender process. The potential customers also have their information network that might give a hint to a potential client about the case firm, but it is hard to say how important this is and the customers very rarely express that as the reason for contacting us.

According to the Office Manager, the use of references and reference projects are important in this industry, and even bad projects can be good references. The Disciplinary field Manager however only promotes a chosen few as references. Either way the clients always ask for contact persons in the tender description, but to what degree it is actually used by the potential client is somewhat uncertain. Sometimes they ask for so many references that checking them would take an enormous amount of time. New clients can also contact us, and in these cases they are often dissatisfied with their current engineering consultant. The Disciplinary Field Manager also experience that former colleagues sometimes approach them as a potential client or with leads, since they know what the case company can

deliver. Case company C have a brand name in Norway, but the offices in Trondheim are fairly new and have changed a lot the last years. Thus it also happens that new clients wonder what the case firm can deliver, and with regard to this the Office Manager remarks that they probably could be more active to promote what they can offer. But since they mostly have more than enough projects they do not prioritize such efforts. In times of worse financial crisis, on the other hand, they would increase their outreaching efforts by calling potential clients to ask them what they currently are working on and saying that the case firm has available resources and capacity to start new projects. In such cases, personal relations and market knowledge is vital, since it is very hard to start from scratch. Thus the person that knows the client best would be the one making such a phone call.

Furthermore the customers are also aware that there is scarcity of resources, thus they want to educate potential suppliers about upcoming plans and large projects. As an example of this the Office manager mentions that they last week was invited to a seminar held by the governmental institution responsible for the railroads in the region about upcoming projects and plans. More and more actors invite potential suppliers to prepare them for becoming suppliers. Since the market place regarding large construction and planning projects is fairly transparent, there is no need for the company to exercise extra efforts to obtain invitations to such arenas, as the clients often have them on the shortlist already. In newer disciplinary fields, on the other hand, we need to work to get on that shortlist. Some events and seminars are also connected to an organization for engineering firms, RIF (Rådgivende Ingeniørs Forening), thus all engineering firms are invited. Furthermore, clients they have framework agreements with might invite them to hear about other potential projects that might enable the case company to identify a potential lead for upselling.

The case company has multiple disciplinary fields, and they are conscious of upselling possibilities between the different fields according to the Office Manager. Due to recent mergers and acquisitions they are in a position where they have many different clients, and selling new services to existing clients is a focus area. Furthermore, there is a trend that clients want a complete interdisciplinary package, and this is one of their value propositions as they can deliver services in multiple fields. Especially the private sector can

be influenced more for upselling, since you can avoid a formal tender process. Some disciplinary fields are also key fields, by being offered only by a few sets of suppliers and important in most projects in the industry, and these are important opportunities. The Disciplinary Field Manager on the other hand says that the different departments tips each other about current tenders available, but it rarely leads to a concrete project.

5.3.1.1 Reflections on the challenges of a start-up company

On the subject of the challenges of a start-up company the interviewees draws parallels to the establishment of their office in Trondheim and the establishment of new disciplinary fields. The offices in Trondheim are fairly new, and even though the company has a respectable brand name nationally, it has been a tough process to start from scratch in Trondheim. It basically involves a lot of hard work, and a lot of initial hard sales. Now the firm focuses on adding new disciplinary fields, and also the process of adding fields is notably harder than regular sales. According to the Disciplinary Field Manager they do not increase their marketing efforts, but ensure a focus on the new service area in all the channels and web pages used. Furthermore, they will include it in their monthly newsletter sent to their contact list. The Office Manager emphasizes the importance of the right manager and people, but it is difficult to find them. It is important to recruit people with great leadership skills, good engineering skills and good market knowledge due to having contacts and experience in the field and geographical area. To compensate for a lack of experience, reputation and higher perceived risk due to being a new company, the office in Trondheim has often utilized experts and exceptional people with great track records from the Oslo office in the start-up phase. Thus improving the offering with better people and references from projects in Oslo. Today, the office in Trondheim is no longer a blank sheet, and the reputation and ability to deliver the whole package is strong enough for itself.

A start-up might struggle with many of the same challenges as described above, and they need to find a way to prove themselves, according to both the interviewees. By having some kind of reference customer or contact network the next sales becomes easier, based on in their experience. Furthermore it is essential to be perceived as somewhat unique and valuable in the offering, since, from a customer perspective, a start-up means increased risk and the buyer needs to see the return on the investment clearly.

5.4 CASE D: THE IT CONSULTANCY

5.4.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Case company D is a consulting firm focusing on IT and the interconnection with business. Thus they deliver application development and regular IT-solutions, but also strategic advises regarding IT and the use of IT and technology in business. The firm has clients from the public sector and the private sector, with a main focus on banking and insurance.

We have interviewed a Director in the firm, who is the leader of their business-consulting unit. He has prior experience in the firm as their sales and marketing director.

Furthermore, he has past experience in several other consulting firms and as a manger in regular industrial firms.

5.4.1 FINDINGS FROM THE INTERVIEW

5.4.1.1 How does the case company initiate new customer relationships

The case company has a lot of focus on their existing customers, and as of today around 10 clients brings in 50 % of their turnover, and these are firms they plan to work with for several years. Thus maintaining these relationships are very important. Furthermore, the range of services in the company needs to be continually renewed, since last years hits are off-the-shelf solutions today. Therefore upselling activities to existing customers will always be vital for their turn-over by, for example, selling business services where they have delivered IT-solutions or vice versa. However it can be a challenge to identify such opportunities, since individuals naturally knows their own service offerings best.

Eventually these 10 clients have to be renewed. Thus they need to identify firms with growth potential to become one of the next ten firms for the case company. It is important to be very selective when approaching the opportunities, going for the leads with significant growth possibilities in the future and where they can play on the strengths in the case company. In this industry it is rare to find a very dominant actor having all the customers, so there is often room for different niche firms, and the trick is to focus on these.

The firm has established a name for themselves in some industry niches and with certain IT-solutions, thus they are often considered by potential clients in the sector they work in,

since their reputation spreads when they deliver good solutions. But they rarely get a sale for free as there are several competitors, and thus there is a need to be proactive when initiating new customer relationships. By being dependent on a small group of clients, and renewing this group, the company sometimes has to act strategically in their efforts by deciding that a specific potential client is someone they want to work with. Then they might consciously work perhaps up to 1.5 years to build that new relationship, by approaching the firm building on existing relations if they have that and actively trying to understand the potential client, the problem the client has and how they can help. The case company might go several rounds of identifying problems or solutions that can fit the potential client, and if they receive small rewards during the sales process they will continue, but after 1.5 years without any rewards or signals for upcoming work they have to rethink their priorities. This way they will often build new relations to the firm before they achieve an actual sale, and long-term relations are key as the value increases significantly over time. In such a process they often find buyers at several levels, the real decision maker is often a project manager, but a deal needs to be approved by upper management. Thus the case company works hard to understand the potential buyer, the internal organization and their individual challenges and motives, so they can highlight their competency to the customer and visualize a plan for a common future together. Large organizations can be very demanding to work with, where you meet with perhaps more than 50 people, without even being close to an actual project, and there are often a lot of competing suppliers approaching them. Thus the more the case firm has relations to and knows about a potential buyer, the higher the likelihood of success. With information they can adapt the proposal. For example, a marketing and a IT director may have two completely different expectations even if they are buying a similar service, and in that case the key is to uncover who is actually purchasing. Such a process is costly, thus they mainly focus on existing large customers as well as the smaller ones in their portfolio with growth potential.

The case company also has a more ad-hoc part of the business, when managers or consultants know someone who has a problem or have heard from someone that another company needs a solution for X. When these ad-hoc leads appear, the company ideally has

to prioritize according to if they see any long-term potential or not, but it is not always possible to only have projects with later growth potential.

The practices in the company are weekly meetings and CRM-systems to follow-up leads, and a monthly meeting for more long-term sales planning. They rarely do regular cold-calls, as they have bad experiences with that in their industry, but the situation is very different if your friend knows from his brother that the IT-manager in X firm has large challenge. In such a situation it can be experienced as a cold call for the client, but it is a lot more focused for the case company. Furthermore, it is also often possible to “cold call” with industry solutions, if they already are proven in the industry sector, since the approach is a lot easier and they often will have some relations to a potential client in some way.

New services areas are also tough to initiate, since a firm will get less for free, and it takes time to establish a reputation. In such cases it is very important to have a valuable and clear proposal so the potential customer easily can see that the potential value outweighs the risk. The case company has had success with a low cost testing service, where they can sell improved quality and at a lower cost due to outsourcing. Thus the client can experience the monetary value at once. The trick is always to get the first client, and then it starts snowballing into a nice portfolio where existing customers also buy that service or new clients that have received a tip somewhere about this service.

The case firm has marketing activities, such as hosting several seminars each year for important areas for the firm and the (potential) clients, and some of a more social degree. Furthermore several potential clients also arrange seminars and events that the firm can attend, and in some cases they are invited to talk about certain business or technology aspects. This is important to reach prior buyers and educate them about what we can do, intrigue potential new buyers and build brand. In the last ten years the firm has been involved in a merger to offer a broader service area, also changing the name. They consciously utilized the former name in some marketing activities and gradually phased it out, and included important clients in this process.

5.4.1.2 Routines and sales responsibilities

The individuals in leadership positions mostly maintain the organization responsibility for sales, thus sales are an essential part of the managers' activities in the case company. Furthermore, they have four dedicated sellers focusing on the customers, and a group of consultants who are good salesmen. The largest customers are assigned a Key Account Manager who is responsible for them. The consultants at current projects have opportunities to identify leads for upselling and perhaps start the idea generating process for the client. The firm wants to ensure that the whole organization have a good impression of them as a supplier, thus it is important for the managers to work with the managers in the buying organization, the sellers direct their efforts to the ones doing the purchasing, and the consultants should deliver quality through their assigned tasks. It is rather easy to train the salesmen and managers, but with over hundred consultants there are significant possibilities for improvement. Selling as a regular consultant is often harder, since they are deployed there to deliver, so even though they identify an upselling possibility there is risk of failure due to mixing the roles too much. Clients dislike consultants that push too, but creative inputs and solutions to challenges are appreciated.

5.4.1.3 Using existing relationships and third parties in the sales process

The case company have around 20 % public customers, 50 % are private companies in the bank, insurance and financing sector, and the rest are private companies where technology are important such as FINN (online advertising and sales portal). The difference among the private and public are mostly the additional formality required in the public sector, and that the purchasing process might take longer time. The long-term work we do is not that different, as it still consists of delivering quality, building relations, utilizing the areas of contact that is possible to have a good dialogue with the clients and plan ahead. In both sectors relations are very useful, and in the public sector they are almost a consequence of rigid purchasing processes since there is no room for dialogue. It is rarely possible to pre-process concepts and ideas before public tender situations. Therefore prior experiences, reputations, relations and references are very important. Furthermore it is important with references in the industry, both for public and private clients. The potential clients check the given references to a varying degree but most of them check with some other references or relations they know of.

The case firm has several partners, for example suppliers of collaborating IT-solutions, and they often approach the case firm with new leads or want them to join in on a joint effort. Thus as many tentacles as possible at the correct places are good, and to ensure good tentacles the most important factors are the quality of what one delivers, and the relations built and good cooperation experiences created from past working processes.

In this industry it is not uncommon to change employer from time to time, and this can be a challenge if the personal relationship is very important with regard to customer relations. Thus the firm tries to be as robust as possible with regard to client relations, so they do not lose any customers. This is one of the reasons why they want their managers to be involved in the process. Furthermore, they also want to ensure good relations to all consultants leaving for competitors, since the more that think positively about them the better. It is also common in the sector to start working for industrial firms, and companies such as McKinsey, are well known for being great at taking care of former employees by finding them a new job in a discrete manner, and keeping in touch through alumni network and regular meetings, and thus gain information and positive influence through their former employees. Accenture have to some degree done this as well, but it is harder when they let people go in batches. Personally the Director have mixed experience with this, since it can be hard for former consultants to buy or recommend their former employer, since it can be used against them and hurt their credibility and competence.

5.4.1.1 Reflections on the challenges of a start-up company

The Director believes that focus is most important, since there are several different task involving products, organization and more the start-ups has to be very focus and conscious when approaching clients. It is important to have a strategic and ambitious plan regarding customers and a well researched and articulated value proposition, so one should ask themselves what is unique with their offering. Furthermore it is important to focus on a area or a niche systematically, not jumping around too much, since a start-up will not have the resources to follow-up things that are a bit out of the focus area. Thus it important to be realistic about who they can deliver to and follow-up on this.

5.4.1.2 Reflections on differences between the case company and other companies where the interviewee has previously worked

From prior work experience the Director expresses that the consulting department of one of the big four auditing firms has a very different approach, since they can utilize the link with the firm they do auditing for in upselling efforts, thus almost 50 % of new sales are to existing auditing clients. In addition, his experience from a multinational consultancy firm was that you would find a small group of partners responsible for sales at the top. In such cases there are no sales forces that are capable of a broad sales effort, thus selling to a new potential client with no prior experience is a very tough process. Furthermore, they have a lot fewer clients that they are very dedicated to, and the personal relations between the partner and the individual buyer in the purchasing firm are very important.

His experience from a large billion-dollar multinational technology firm, on the other hand, was that there were an extremely tuned and dedicated sales force focusing on the big 100 million dollar deals. Here they are very good at gathering the absolute best in the world and flying in both experts and clients to discuss possibilities and past experiences.

5.5 CASE E: THE HIGH-END CONSULTANCY

5.5.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Case company E is the Norwegian branch of one of the top tier high-level management consultancy firms worldwide. The company has a wide range of both domestic and international customers almost exclusively in the private sector.

The interviewee has been with the firm for about half a year, and is a partner in the firm as well as head of the company's office in Norway. Before joining the case company he worked in several other management consultancies for the last sixteen years, including one of "The Big 4" and a self-started consultancy. He holds a master degree in Strategy and Marketing from The Norwegian Business School.

5.5.1 FINDINGS FROM THE INTERVIEW

5.5.1.1 How does the case company initiate new customer relationships

The case company has chosen a strategic direction where they work a lot with a few customers, instead of little with many. The interviewee supports the strategic decision

because he believes that personal relationships and an understanding of the individual situations, both individuals and organizations, is essential in order to be a good advisor and consultant. But nonetheless new situations and issues occur frequently, either with new clients, which are rare because the company have worked with almost all the large company's in Norway, or more frequently with a new department in an already existing client, which for some of the case company's largest clients is almost like establishing a new customer relationship. The case company defines both these situations, as situations where they establish a new customer relationship.

For the case company a new customer relationship may occur in several different ways. Sometimes they are contacted because people are familiar with them in general and what they are able to do specifically, and they have an expectation as to what that the company may be able to assist them with, either directly or as one of several potential consultancies. Another approach is that the case company conducts an internal discussion that hopefully is part of a strategic discussion, which leads them to contact a potential client, because they believe that they have an idea. The case company always wants to have a starting point to discuss, and not as a number of other consultancies that first ask the client what they are concerned about, and subsequently adapts their message. For instance when approaching a potential client in private equity the case company always presents an idea, in the case of private equity it is often formulated like this; "have you considered this company interesting for a potential acquisition".

5.5.1.2 Routines and sales responsibilities

The case company has a policy that they never talk about sales; they would rather talk about having discussions with our clients, because they want to appear to be sparring partner and advisor, rather than a seller. In practice the employees responsible for having these discussions with our clients are Principals, Managers and Partners the interviewee said. But having that said all our consultants are helping to create new situations for projects either in the form of delivering something that the customer will hopefully appreciate and see that I would definitely like to use this consultant again because he is a good guy, or because the consultants out working come in discussions of other topics. In addition the case company holds bi-weekly meetings where the Principals, Managers and

Partners are present, where they discuss the current client situation and how it will develop in the near future.

5.5.1.3 Using existing relationships and third parties in the sales process

The on the subject of third party references the interviewee believed them to be of utmost importance. He believed that the case company benefits a lot from the fact that their clients talk together, and he thinks that unassisted positive references is the best way to establish a new relationship with a client. He also believed that there are clients of the company which may generate new leads for the company, for instance a client who calls him up and says: "Hey, I met a friend who is the CEO of company X, they have something going that I think you should contact him and just say hello from me".

The case company also has a policy of maintaining the relationship with people who has left the company, because they already have a relationship with the company and may now be working in potential client companies. They do this by organizing different alumni events and even help with employees who have decided to quit with finding their new job. According to the interviewee this may even help strengthen the relationship in a potential difficult situation.

On the subject of what the company would do differently when entering a new industry, the interviewee responded that it is a much harder task acquiring new clients in a new industry. In this situation the company must to a larger degree prove what they can do, and in doing so the most important aspect is to be competent. Additionally the company's brand and references from other industries will also count as important. But he stresses that the most important thing is to be competent in the new industry. This competence may come from new employees with previous experience from that specific industry.

5.5.1.4 Reflections on the challenges of a start-up company

For a small start-up firm the interviewee said that the focus should be on generating income, and not on cutting cost or focusing on activities adding cost but related to selling, which he believed to be a pitfall many start-up may fall inn. He also suggested that a start-up company might benefit from creating some "simple rules", like for instance, this is how our company works with our clients, and following a list of principles. He believed that this

is a smart thing to do because you get some kind of guidelines without having to use a lot of times creating extensive routines and methods for everything. He also suggested that it would be wise for a start-up to think long-term, and not push the customers to make a hasted decision. But he also recognized that this might be hard to do for a start-up, which is very keen on getting new customers.

5.5.1.5 Reflection on differences between the case company and “The Big 4”

We asked the interviewee to highlight the differences between the way the case company works, and “The Big 4”. The interviewee responded that there is a great difference, which probably have something to do with what kind of issues you work with. The case company, for instance, works mostly towards senior managers and board level, while “The Big 4” mostly works lower down in the organization. This leads to that projects often being less critical for the client and therefore has a lower fee, which again explains why “The Big 4” have to work little with a lot of clients. The case company has lower volumes and larger fees, while the big four have larger volumes and lower fees.

As a result “The Big 4” have to be a lot more sales driven than the case company. The case company on the other hand try to talk more about what we have done for clients, for instance one of our youngest consultants laid down a lot of work to figure out one tiny little problem for our client, which she eventually did, and it turned out that her solution gave the customer an extreme additional value.

5.5.1.6 How the case company works with international clients

The fact that the case company is a more internationally oriented company gives, according to the interviewee a lot of benefits for the company. Collaboration across departments and countries are seamless because the company have one common European bottom line, in comparison to “The Big 4” which often have their bottom line down to office level. Each of the company’s big clients also has one designated Client officer, which not necessarily based in the same country as the client. The case company also collaborates and share the best resources on a worldwide basis, for instance if the Norwegian branch has a project with a manufacturing footprint issue, they send out a “Request for support” and gets input from people from all over the world who knows something about that issue. And this is

according to the interviewee essential in establishing a new customer relationship and that is what we want first and foremost to appear as competent.

5.6 CASE F: THE DIGITAL ESTATE START-UP

5.6.1 *PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND*

Case Company F is a student start-up at Norwegian University of Science and Technology's School of Entrepreneurship in Trondheim (NSE). Four students at NTNU launched the project in January of 2011. The team consisted of students from NSE; all four are 24 years old, with different technological backgrounds ranging from production and quality management, to energy and environment, and petroleum. In January 2012 two of the students decided to quit the project, and subsequently a third student also left around Easter in 2012. Today one student manages the company. We conducted an interview with all four students during the fall of 2011 in connection with our project thesis; additionally we conducted a follow-up interview in the spring of 2012 with the last person to leave the team and the one still working in the company.

The company won the Norwegian student project of the year award in 2011 sponsored by Deloitte, which gave them 30000 NOK in prize money. They have received funding from several different grants, such as "Discover NTNU". The company's product offering is still in the development phase so the relations with potential customers are divided between getting feedback on their product and establishing a customer base for later full scale launch of their product. The original business idea came from a former student at NSE who now works as a management consultant, and the students have developed it further. The business idea is to perform digital cleanup after people have passed away, settling of digital estate so to speak. Today people live large parts of their lives online. The Internet has largely taken over as the channel for everyday tasks like paying bills, sending mail, and especially shopping. Everything from movie tickets to trips is available now online, and in addition, the Internet is a social platform with blogs, discussion forums and social networks like Facebook and Twitter. People distribute a lot of information about themselves uncritically and publish personal diaries and photo albums. Mothers publish pictures of

their kids, and bloggers elaborate personal events and observations. It is easy to forget that what is published will remain and become a huge collection over a long life on the Internet.

The company's value proposition is to help the surviving relatives to settle the digital estate of the deceased. As this can be time consuming and cumbersome for the relatives to do themselves, the company plans to use funeral agents as distributors towards the end customer, and therefore focuses most of their marketing activities and relational building towards this industry.

5.6.1 FINDINGS FROM THE INTERVIEW

5.6.1.1 How does the case company initiate new customer relationships

The company's main customer market is the funeral agencies, which in turn can act as a distributor to the end customers, who are the relatives of a deceased person. When it comes to initiation of customer relations they emphasize that it is important to appear as a serious partner, while at the same time matching the jovial atmosphere in the industry. "The whole industry is like one big family where we are the new son-in-law that tries to become accepted". And most importantly they emphasize that they know their services well and that the service can help solve a problem. "Generally we have very good relationship with several funeral agencies, but that does not automatically mean a lot of new customers. We do feel that the agencies are on our team, and want to sell our service, but we have noticed that they focus more on our service if we are in contact frequently".

The company does a great deal of networking on the personal level in the funeral industry. As they self put it: " We want the agencies to feel that the we all are on the same team". They carry out bi-weekly follow up calls to find out how the agencies are doing. They carry out workshops with the agencies, to get their feedbacks on the product offering. As they put it; " Frequent contact with the agencies are important for building a good relation and trust. They seem to take us more seriously now that we have been around almost a year". However in the second interview conducted with the case company the said that they have not been good enough on keeping in contact with the agencies during the winter and spring, and they said; it feels bad to not have followed up well enough, since it is an important network, it is hard to know where we have them now". The company explains

this with a shift in strategy during the winter and spring; they now focus more on the product development than on initiating new customer relations. They justify this with that they do not have enough capacity to take on new customers and by saying that to release an unfinished product in the market may lead to a poor reputation.

During the spring of 2012 the company designed a brochure that they plan to distribute to their pilot customers and funeral agencies. But this is on hold for the moment due to the capacity issues highlighted earlier, awaiting more funding and as a result of that more capacity. They have also started collaboration with slettmeg.no, which is a web site that deals with erasing digital information in a wider context. If someone contacts them about erasing digital footprints of a deceased person, they set them in contact with the case company.

Additionally, the company has worked actively and routinely on building awareness and being visible for potential customers, both the distributors who sell the service on provision, and the end customers. These customers have different needs and have to be approached differently. The awareness building for end customers is primary done through media, both actively and by chance. The company got an interview in the Norwegian national radio station p3 by chance. A friend of one of the team members works in p3, she was looking for interesting interview objects, and that suited the case company very well. When building awareness with the distributors, the company uses other approaches, for instance the company attended a trade fair in 2011. In addition they also obtained professional input from the other participants and industry insights. After the fair a boat excursion was arranged for the whole industry, which the case company, also were allowed to attend. "The excursion gave us a much better understanding of the composition of the industry, and was a better arena than the fair to build personal relations. A totally different picture of the industry and industry actors emerged." They see these types of activities as a crucial part of acquiring new customers, however as mentioned earlier they have not been able to be as active in these dimensions as they were in 2011.

5.6.1.2 Using existing relationships and third parties in the sales process

The company claims that they are not very conscious about their network building. Although they have done some strategic networking, as they put it “It is very important to be building a relationship with the most influential people in the industry, we have done so by building a relationship with the leader of the funeral agencies union. That gives us validity when meeting other agencies in the industry. So we have actively tried to create relations with them”. But the entire network building process is more driven by luck than by planned action. They are very conscious that by attending events or helping others even when it seems a bit irrelevant might have value. The goal is to create their own luck by not gambling on just one big “chance object”, or “luck ball”, but rather create their own luck by initiating as many “chance objects” as possible. They refer to this, as the, “Lucky ball theory” by former NSE student Halvor Gregussen, where one attends as many scenarios as possible to increase the chance of one of the scenarios might being the jackpot.

5.6.1.1 Reflections on the challenges of a start-up company

As this is a fairly new start-up we didn’t ask them on their thoughts of the challenges, we rather asked them what they had done to overcome some of the challenges of a start-up company and if they believed they would have done anything differently if not being a start-up.

To overcome some of the barriers associated with being a completely new actor in an industry company F focuses on teaching the funeral agencies as much as possible about the problem, and stir up discussions around the subject of digital cleanup. To the question of what they would have done differently if they were an established actor in the industry and not a start-up the team responds that they probably would have used their brand more actively to build awareness. The attitude towards the funeral agencies would also have been different. “As a start-up, we are very humble and focus on them helping us developing our service when meeting with the agencies, but if we were a larger actor we would probably have focused more on the economic perspective, and pointed out that it is their loss if they do not buy this new service.

5.7 CASE G: THE HR APPLICATION START-UP

5.7.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Case company G is a small software start-up emerging from NTNU. The current CEO in the company developed the business idea before enrolling to NTNU, but the company was founded in 2009, two years after the CEO were enrolled to NTNU as a student. The company is affiliated with the incubator at NTNU and the School of Entrepreneurship. The company CEO is in his early thirties, and has a master's degree in business and economics. He has previous work experience from an industry with potential customers of the company's product, and worked with similar solutions prior to the start-up. The company has 7 part time employees including the CEO. The employees are working with development of the product, and two of them, including the CEO, are working with administrative task, sales, and marketing. The company have received several grants from governmental and university financing funds. We conducted an interview with the CEO during the fall of 2011 in connection with our project thesis; additionally we conducted a follow-up interview in the spring of 2012.

The company is developing a new software solution to help businesses with administrative and HR functions. In more detail, the product can be considered a premium add-on integrated with certain ERP-systems. Owing to confidentiality issues the product will not be designed further in this study. The company's product offering is still in the development phase so the relations with potential customers is divided between getting feedback on their product and establishing a customer base for later full scale launch of their product.

5.7.1 FINDINGS FROM THE INTERVIEW

5.7.1.1 How does the case company initiate new customer relationships

Company G choses their potential customers based on what kind of technical ERP solution they are using, because the company will integrate their product with a couple of specific ERP solutions, the customers which already uses those ERP solutions are the most appealing customers. As a result when making cold calls they want to find out what kind of

system the potential customer is using as early as possible in the call, to not waste time on the wrong potential customers.

They emphasize the importance of demonstrating that they can deliver value to the customer, preferably already on the first meeting or even in a pre-approach phase, or the in the cold call. The interviewee also states that the value can be of several different types; from more economic value of the offering to generating personal satisfaction for individuals by letting them helps an innovation project. To assess the potential value that can be delivered in the long-term, and in a more economical setting the company engage in exploring need, potential problems and solutions together. To do this it is important that the customer wants to talk about their situation and potential problems. This is normally not a problem, at least if you have physical meeting with the other party, since most people enjoy elaborating on and talk about themselves.

It is also important to create a feeling of influence and ownership for the customer. Company G is conscious of actively involving the customers in the development process, that implies letting them come up with proposals for the product specifications and adaptations the product to the their needs. The CEO emphasized that it is extremely important to keep your promises, so therefore do not overpromise what you can do on the short term, but show the product's potential and possible value added on the long term.

Thus a start-up has to carefully build their way, step by step, up the stairs towards larger customers. At least the case company believes in focusing their efforts on smaller firms, since they are easier to sell to, but also because the larger firms have higher requirements, such as a more extensive list of references, and more concerns regarding reliability, support and security. However, the CEO also thinks that start-ups could benefit significantly by obtaining a large reputable firm as one of their early customers. In the case of company G, a customer with 50-100 employees and several million USD in revenues, is a much stronger signal effect that their offering is solid than if only smaller companies with 2-3 employees use it. Another type of actor that would be extremely beneficial as reference customers would be an industry expert, such as for example ICT purchasing consultants for the case company.

Furthermore the frequency of contact is very important, especially in the beginning should the parties interact often, but periodical contact is important to move a purchasing process forward, and capture any dissatisfaction and opportunities for upselling. It also important to acknowledge the people in the buying organization and ensure bonding on a personal level. Further the CEO states; "In a development phase we risk to fall out of the consciousness of the potential buyer, thus it is important that we remind them from time to time so we avoid situations where we have to start over again or being turned down without opportunity to "recreate" the need/want for the buyer. Particularly important relations; I call from time to time; giving them an update on our progress, ask around for other relevant contacts or information, or perhaps just to see how there are doing". They also actively work to create a personal commitment and ownership by their customers and pilot testers, thus they believe it is important to involve them as much as possible. Although it is important that one is not perceived as too persistent and aggressive. The company plans to send out periodically mail updates, written in a personal format, to every stakeholder as a way to build ownership on a personal level and inspire the stakeholders to introduce them to some of their contacts.

The CEO elaborates that the resource scarcity to some extent dictates their sales strategy. As a software firm, which consists of a cheap labor force of students, they require a minimum of resources in the development phase, but to grow their sales they still need substantial amount of resources. To overcome these resource constraints they aim to utilize existing sales channels by selling through resellers of established ERP-solutions. These resellers already have existing customer relations and trust built with our end customers, thus having a much easier task upselling than a small start-up will have with direct sales. The end customers know that the reseller is familiar with their situation and needs, and often see the reseller more like an expert consultant on solutions. Thus the CEO hopes this will enable a faster growth to an ever-larger market, even with few resources. According to the CEO it is also important that the reseller's initiation and follow-up of these resellers are vital for their sales efforts towards the end-customer.

Thus the CEO stresses that one should physical meet with the resellers, establish a personal relationship, and create economical incentives through upselling. Again frequency is

important, as long as one does not over do it, since you do not want to waste their time. Company G focuses also here on creating ownership, and breeding an active agent for the company, thus increasing the likelihood of better upselling efforts. Thus it is important to deliver value for them early and actively involve them in the development process, by even perhaps purchasing some services by important resellers that will be used in the development. When asked if they would focus their strategies the same way if they had no resource constraints the respond was; "I think we still would embrace the upselling channels, since the resellers will have much easier selling in the premium add-on to existing customers then we as a third-party. Furthermore it enables us to launch and scale faster, but I also think we would explore the use of own sales efforts to see if the increased margins would outweigh the positive sides of using the establish resellers.

During the winter and spring of 2012 the case company have acquired their first pilot customers. One of these customers was acquired through an employee of the customer, which knew about the case company, and tipped his employer about the company. Another customer were acquired though the CEO, when he were on a stand for NES and got to talk with the people on the stand next door, and found out that they had a need for the company's software solution. Additionally the company has multiple pilot customers on hold due to capacity problems.

5.7.1.2 Using existing relationships and third parties in the sales process

Relations from earlier projects or work are important. Previous relations can be used in a new context, since one has the benefit of established trust and reputation that can be used for new projects. For instance, the CEO's prior work relations has been sources of potential new customers, and aided in the design of the product offering.

Furthermore, company G elaborate that being associated with organizations with high credibility, such as Sintef, the university and larger customers, to some degree increase the legitimacy for start- ups. As the CEO of company G sates: "Being a new firm we have much more to prove". According to the CEO awards, incubators, grants and funds might also be a way to gain "external approval".

In addition the interviewee believes that references are of utmost importance for the company. "A early pilot customer brought another possible customer to a meeting, today they are both pilot customers". This example illustrates the importance of references for this company; they try to always ask whomever they are meeting at the end of a meeting if they know someone who might also be interested in the product. "The more connections we have, the more patient the potential customer is in the first few meetings."

Lastly the CEO highlights the importance of third parties, as they can help to lower the barriers for a potential customer. The whole sales situation involves that they have confidence in us and that we can deliver what we say we can do. When you don't have a long history, perhaps such third parties are extra important.

5.7.1.1 Reflections on the challenges of a start-up company

The interviewee believed that start-ups especially struggle with the fact that they do not have prior experience to validate their competencies. But according to him small firms can utilize their advantage of being small by using more resources per customer. This enables start-ups to build close personal contacts with early customers and to focus even more on delivering the perfect offering for that specific customer by being flexible. The CEO hopes this can give start-up an edge with regards to later customer acquisition by creating active ambassadors of those early customers. More mature and larger firms need routines and systematic approaches to a larger degree, thus making them less able to deliver the same personal relation building.

5.8 CASE H: THE CONSULTANCY START-UP

5.8.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

Case company H is a small consultancy firm based in Trondheim, the firm was established in the fall of 2007 by the interviewee. And has since grown steadily, and now employs seven people which are all partners in the firm. The company mainly works within the fields of IT procurement and change management.

We conducted one interview where the CEO and founder of the company were present. He has been with the case company since the fall of 2007, and he has previous experience from

various IT companies and consultancies. He holds a bachelor degree from the school previously known as Trondheim engineering school; know today as Sør-Trøndelag University College. In addition he have completed parts of the Master of Management from the Norwegian Business School, among other things, Strategic Management and Project Management.

5.8.1 FINDINGS FROM THE INTERVIEW

5.8.1.1 How does the case company initiate new customer relationships

The interviewee believed that there are two things that must be in place to establish a new consultancy start-up; it is relevant expertise and the fact that you have a network, provided you have those two parameters in place then you are well prepared. When he established case company H and started the process of acquiring customers he used his network extensively. The case company was founded in November 2007, and the interviewee had originally planned to use November and December to just travel around to meet and brush up on some contacts. But after three days he got a call from his brother in law, which is product manager in a large software firm, and wanted to hire him for a short-term project. After that project were finished he soon after got a call from his former employer, which he was careful to maintain good relations with, and they would like to hire him for a project for one of their clients.

This became one of the main strategies for getting new projects in the start-up phase, the interviewee worked his connections to larger consultancies with the goal of getting new projects through them, these consulting companies are so much bigger than the case company and therefore the case company is not a threat to them, but rather an addition or an additional resource that they can offer. However the interviewee still worked in parallel with acquiring the projects directly and not through other consulting companies. As a result they became competitors of the bigger companies, and the interviewee admitted to that this was a bit tricky, but he said that he explained to them that it's okay that we are competitors on Mondays but on Tuesdays we are partners again. Additionally to make the cooperation with the larger companies work smoothly, the case company has tried to “give a lot of themselves”, and if the larger companies have set hard against hard, they let them

take the project. Today the case company's projects are a mixture of projects run through other companies and projects that the case company run on their own.

The projects that the case company run themselves are mainly obtained through the partners in the firm's contact network. On the question on how one should go forth to create a good network, and how one should maintain good relations the interviewee had a number of interesting views. To a large extent the interviewee believed that it is about not being afraid to pick up the telephone and call someone, have a lunch with someone, etc. When doing that the interviewee believed that the most important aspect is to make sure that you have left a positive impression on people you meet. In addition he highlighted the importance of being present in various contexts like NGOs and trade associations and make yourself visible in these forums by having posts in debates, lectures, etc.

On the question about differences between the public and private sector the interviewee responded that although the public tender scheme is rigid, it would be very wrong to conclude that relationships and contact network does not matter in this sector. He has experience from sitting on the purchasing side of these tenders as a consultant hired by public companies and believes that if the person screening the tenders know about your company it is easier to end up on the top of the pile, especially if the proposal basically is quite similar. Since the strict rules of the tender process prohibits any contact between the parties when a project is put out to tender, the contact must be done in advance, so you have to have some probes so that you know what is going on in the market. The interviewee quotes an old CEO of a contracting company in Trondheim: "If a request for tender dumps down in your mailbox that you didn't know were coming, you should refrain from answering it. As you can be 100% sure that there are some other company who have been in the loop and affected how the request looks like, and that they are much better positioned." In the private sector, on the other hand the process is much easier, if you get a request for a project you may already be in a good position or you can position yourself and make new contacts before bidding on the job.

In the years following the establishment of the company, new partners joined the company; all of them used the same approach as the interviewee to acquire new projects, namely an

extensive use of their existing network. Most of the people who joined the case company had a similar competence profile as the interviewee; they all have a broad but not very deep expertise together with a broad contact network. However one of the partners who joined the company has an opposite profile, he has a much more narrow expertise along with a much more narrow contact network, but then again he has a much more in depth expertise within this competence field.

The case company has a way of doing business that requires each and one of the partner to acquire new projects themselves, the other partners may of course aid in this process, but each partner is responsible to obtain their own projects. With that been said they also have a very “communitic” approach to wages, everyone has a fixed wage and everyone has the same wage. The interviewee believed that this way of doing business promotes a community feeling in the company. As a result of this the company only employs experienced people holding a large contact network.

5.8.1.2 Using existing relationships and third parties in the sales process

As highlighted in the previous section, the case company uses existing relationships to a large extent. They use existing relationships with larger consultancies to acquire new projects, as well as the personal network of each partner in the firm. In addition the interviewee has good relationships with similar companies like themselves in other parts of Norway. They use these relationships in two different ways; the first is that the help each other by forwarding leads for potential projects. For instance the case company gets a request from a company they have a framework agreement with, but they do not have the capacity to take the project, they can forward the project of one of the other companies they have a relationship with. However, when doing this there is an expectation that the other company may provide a counter service sometime. The other way of using this relationships are that multiple small firms may join forces to make an offer for a project, and will in such cases cooperate in the implementation of the project. This may be done for instance if one company alone don't have the capacity to take on the project.

The interviewee also believes that references are of great importance. The company maintains an overview over the projects they have done, and uses this when bidding on

new projects. However he highlights the importance that you must be sure that the reference has good things to say about you. The company has a policy of letting the reference customers know each time they use their reference in a new bid for a project.

5.8.1.1 Reflections on the challenges of a start-up company

The interviewee has been in contact with several start-ups from NTNU, and holds some personal observations. He believes that the products the start-ups offer are often very good, but the rest can be a bit light footed. They struggle with administration, finance, marketing and sales. And they often have problems with getting a proper scope of the market area. Often there are great products that really have a world market; and they fail to even get out of Trondheim. As a general remark he believes that marketing and sales efforts have failed for many of the start-ups. The interviewee thinks it is a pity that they do not get more out of it, although there are many who have achieved a lot; he believes the potential is huge.

5.9 CASE I: THE OIL & GAS SOFTWARE START-UP AND THE DEVELOPER SOFTWARE START-UP

5.9.1 PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND

In this case the main focus is not necessarily the company, but rather the interviewee. He has completed a very successful start-up, and has now started a second start-up; his interview will be based on experiences and situations from both these companies. The first company, here called company I1, is a start-up, which emerged from NTNU School of Entrepreneurship in 2005. The company's initial product was a software program based on an artificial intelligence (AI) directed towards the Oil & Gas industry. The company has had great successes, and has now expanded their product portfolio to also include artificial intelligence (AI) software directed towards the Finance and Health industry. The second start-up, here called I2, was started in the fall of 2011 at the innovation center on NTNU. The company's product is a software development kit for use in machine-to-machine communication. The company believes that their product will cut developing cost related to distributed systems in half.

The interviewee has worked for company I2 since the fall of 2011; he left company I1 in January of 2010, and worked as an independent consultant in the time before joining company I2. He holds a masters degree in innovation and entrepreneurship from NTNU.

5.9.1 FINDINGS FROM THE INTERVIEW

5.9.1.1 How does the case company initiate new customer relationships

In the case of case company I1 start-up the interviewee highlighted that they are selling early technology, since the product still are in the development phase. In that case he says that it was really about identifying someone who is willing to try out and test the product on a large scale. The case company did work in a very traditional sales process, where the main goal was to find a few champions on the inside of the customer company. You need someone on the inside who believe in what you do and who can convince the management this is an appropriate investment for this company. Early in the development phase the case company I1 acquired a pilot customer, which they also did a lot of the development of the product in collaboration with. This led them to adapt their product in accordance with this pilot customer. According to the interviewee this pilot customer wanted to buy the product after it was fully tested and fully developed. But internal politics in the company led to that them did not purchase the product. In retrospect the interviewee believes that to become dependent on a single company and adapt the software to fit that single company, was not a wise decision. Because when that company did not purchase they sat there with software that the customer had made a large impact on, and that made it harder to sell it to another customer.

The case company I1 used network to a large extent to acquire new customers. Since they did not possess such a network themselves they hired consultants, which knew the market and had a large network within the Oil & Gas industry. These consultants worked as door openers, which lead to the case company being allowed to present their product. If the customer was convinced, it did not result in a purchase at that time, but rather a trial installation, and if the trial was successful it would result in a sale. The interviewee said that this is a long and tiresome process, but that it is very awarding when the customer sees that the software really works, and when this results in a sale.

In the new start-up the product is also very early technology, and has only been released in a developer preview. The case company I2 has not done any marketing yet, but still they have gotten about 85 test users from all over the world. The company is working in three different directions to acquire new customers. They choose to pursue three different directions because of the interviewee's previous bad experience of becoming too attached to one potential customer. The first one is to create an "internet religion" among the people that will use the product for non-commercial use, to do so they will attend fairs, use marketing like Google adwords, etc. In addition they are establishing a consultancy division that can provide development services for the huge SMB market, working with software projects in a magnitude of less than a half million, the case company believes that this is a good way to generate good references. The last area is aimed at acquiring big corporate companies, which possibly may purchase thousands of licences and of course will have great reference value.

According to the interviewee the case company is very active in its follow up work on the test users they have, they invite the Norwegian test users on seminars. They also send out weekly e-mails to all the test users, just to see how they are doing and to get feedback on the product. The case company hopes that the developer preview may lead to the first purchase of the product already in 2012. They hope to sell through a developer, which is using the product in the preview and finds out that it is a good tool, and goes to his boss and say that the company should use it. As the interviewee pointed out manager cannot say very much if a developer comes to him and says that this tool will make us more efficient and subsequently save us a lot of money. The interviewee therefore highlights the importance for the company to convince the developer that this is a useful tool to use and that it will make them more efficient.

5.9.1.2 Using existing relationships and third parties in the sales process

As mentioned earlier case company I2 actively want to use third parties in the sales process by getting developer users to influence their bosses. In addition they try to acquire as many academic users as possible, they have already held courses for about 50 fourth year students at NTNU, which in two years will be in companies that are potential customers for the company. As of the fall of 2012, their software product will be a part of the introduction

course for all telematics students on NTNU. The interviewee believes that this will create a lot of users, which potentially may affect their company to buy this product.

The case company also do some adaptations to their software so that it works perfectly with a specific piece of hardware, in this case the case company links to the hardware producer and vice versa, and this may generate additional customers for both companies.

The interviewee also elaborated on the use of high profile people from the industry. In the case of company I1 they associated with a professor from the petroleum on NTNU, this was a person, which a lot of the people in the Oil & Gas industry in Norway have had as a professor and has great respect for. The interviewee said that they are trying to do the same in case company I2 where they are associated with a professor at the telematics department on NTNU.

5.9.1.1 Reflections on the challenges of a start-up company

The interviewee believed that the most important aspect for a start-up is to always push on, and keep the momentum in the company high. He believed that many start-ups go into the trap of thinking that they will see where they stand in a half-year and then evaluate if there is any point to continuing, if you think like that you may as well shut down right away he says. The interviewee says that the most important is to keep on going, have faith in what you're doing, and inspire confidence with your customers.

5.9.1.2 Reflections on the value of previous start-up experience

Since the interviewee has previous start-up experience we asked about what value that gave to the new start-up to acquiring customers. He said that the experience and network is very industry-oriented, and since the new start-up is in a different industry it didn't help the new company at all to acquire customers. But it has an impact on other issues regarding the new start-up. For instance is it easier to get investors involved since the interviewee has one very successful start-up behind him. Additionally it helps that the interviewee has a better basis for making day to day decisions for the company, and that he is aware of some of the pitfalls they should avoid getting into.

5.10 CASE J: THE TECHNOLOGY START-UP

5.10.1 *PRESENTATION OF COMPANY AND INTERVIEWEE'S BACKGROUND*

Like the previous case the main focus in this case is the interviewee, and not the company. The interviewee in case J is an experienced businessman and entrepreneur. He holds a degree in Computer Science & Economics from NTNU, in the early days of his carrier he worked in a fast growing IT firm in Norway for about six years, as the company grew from about 10 employees to become on of the major actors in the Norwegian IT industry. Subsequently he worked and was a part of the corporate management team in one of Norway's largest IT company, for about three years. After that he started his own business partly in Norway, and partly in the UK. At about the same time he started his own investment company that invests in small entrepreneurial start-ups. In addition to that he has worked as a consultant for entrepreneurial firms that want to expand internationally. As of today he still works as a consultant for entrepreneurs, in addition to being an investor, and he also holds a position as VP of sales and distribution in a small technology start-up firm that is expanding globally. This start-up's product is a USB stick sized computer device that allows users a single, secure point of access to all personal cloud services and apps through their favorite operating system, while delivering a consistent experience on any screen.

During the interview the interviewee spoke on the basis of his vast experience, and in addition on the basis of the small technology firm where he works at the moment.

5.10.2 *FINDINGS FROM THE INTERVIEW*

5.10.2.1 How does the case company initiate new customer relationships

First of all the interviewee highlighted the importance of distinguishing between some dimensions. Some companies are working locally, some are working nationally, and some work internationally. The case company has a product that caters to an international market from the outset. A more commonly used approach is that you establish a customer base in Norway and then use it as a reference when you expand internationally, but case company J doesn't do that as they go international from the start.

The case company's product will be available in May 2012, and they plan to use two different distribution channels. The first channel is through a web store, where people can log in and order the device. The case company's product was launched in two big trade fairs in the US during 2011, and this has generated a lot of international publicity. The interviewee believed that this would generate sales on the web store when the product is available to order. Additionally the case company plans to use digital marketing to generate sales through the web store, like for instance Google adwords.

The second one is to sell to large companies internationally, from Japan to the United States, where they intend to use the case company's product as part of their own product. When selling to these large companies the interviewee believe that sales are generated in two different ways. Either the customers have followed the development of the product for some time and are already interested in the products; they may have discovered the product at trade fairs or through media publicity. Or the sales are generated through networks, so it is important to know someone who works for potential customers that can lead you to the person with the decision-making authority and the checkbook.

The interviewee believed that when selling to large companies it can often be difficult to get a meeting, but if you have a relationship with someone who can put you in contact with the decision maker, he believed that it would be a lot easier to get a sale. If you do not have that existing relationship then people are often more restrictive, and it may be difficult to get a meeting with a large company the interviewee said. He justified it with that you do not know where to start calling, who is the decision maker or how the company are organized. So, networking is extremely important according to the interviewee.

5.10.2.2 Using existing relationships and third parties in the sales process

On the subject of third parties the interviewee responded that they are extremely important because satisfied customers may generate new leads, and they can be used as references when approaching other potential customers. In addition he highlighted the importance of working closely with suppliers and partners to get tips on potential customers, and that this is a win-win situation for both parties, since more customers for the case company may lead more business for suppliers and partners.

The interviewee also believed that cooperation with academic environments like NTNU, may help generate a positive reputation and could also be helpful in the development of the product, especially for start-up companies. However he emphasizes the importance of that the professor not leading the company.

5.10.2.1 Reflections on the challenges of a start-up company

In the interviewees' experience small technology start-ups often focus too much on their products, they are very good at talking about their products. They are less adept at thinking about what the customer needs, and what value their product gives to the customer. Additionally they are struggling to sell, they are very good at the technology, but they are struggling to get the doors opened, to get a meeting and to conduct a good meeting. Another point of view that the interviewee had was that technology start-ups often use too much time on developing their product, he believed that they ought to develop the product to a point where it is good enough, and then begin trying to sell it.

As mentioned earlier the interviewee believed that network is the most important aspect when it comes to selling. He also believed that small technology start-ups often do not possess this network, and he suggested some ways for them to increase their network. He highlighted the importance of being active in industry associations, entrepreneurial associations, NGO's, etc. In addition he believed that it could be smart for small start-up to recruit experienced people with a larger network to sit on the board of the company or as an advisor to the company

The interviewee believed that the main factor that small technology start-ups fail are that they are unable to sell their product, they often have excellent product, but they fail into explain a good business case for their potential customers. Additionally he mentioned that of course many start-ups fail because of lack of funding.

5.10.2.2 Reflections on the value of previous experience

Since the interviewee has massive experience from large companies he had some thought on what value this experience had in the setting of the small start-up case company. When you're a small company you have few employees and you have limited resources, but you should still try to create some structures that results in that when you grow everything still

hangs together, the interviewee believed that his previous experience from larger companies helped the case company in building these structures.

In addition the interviewee believed that it is important for a small start-up to recruit people with different previous experiences. For instance he believed that a person with previous industry experience could help open the doors to potential customers, while a person with previous start-up experience could be of great help in other aspects of the new start-up, like administration, strategic choices, getting founding, etc.

The interviewee has also had some experience with working as an advisor or consultant to small start-ups. The main thing he tried to learn the start-ups was how to communicate the value of their product; with what you say and what you write, and how you present it. He stressed the importance of listening to the customer first, and then to tell the customer what you can deliver in accordance with their problem secondly. In addition he stressed the importance of following up after meetings with potential customers, and also follow up potential customers on a regular basis, especially if you have not heard from them in a while.

6 DISCUSSION OF EMPIRICAL FINDINGS

In this chapter we discuss the empirical findings found in the case study in the context of the literature review and our theoretical framework. With our focus on the entrepreneurial start-up as a seller we have chosen to structure our discussion based on Figure 20 introduced in chapter four, since this gives a foundation for understanding initiation from a seller's point of view and the empirical findings can highlight potential improvements in the model. Thus the structure in our discussion will follow the phases in initiation from a seller's perspective, which are; *establish a strategic foundation*, *getting in contact with customer*, and *meeting and dialogue with prospects*. In addition we have added several new aspects under these main topics, which came up unexpectedly during the empirical study, and these will be introduced explicitly during the discussion. We will furthermore utilize the interfaces the seller can influence, *S1* and *S2*, to understand the initiation and identify good initiation practices and improvement areas, and how these efforts influence the process in order to turn the lights green in the traffic maze. The other interfaces, such as *T2* and *B1*, are also very important for assessing how a seller should react to third parties and how buyers influence the initiation. In this chapter we will firstly compare and discuss all the consulting cases collectively, secondly we will apply the same approach to entrepreneurial start-ups. Last, we will conduct a comparison of the two groups.

6.1 DISCUSSION OF AND COMPARISON BETWEEN THE CONSULTANCY CASES

In the following section we will compare and discuss the consulting case companies from a seller's perspective, which are based on our conceptual model and theoretical understanding. First we will discuss the practices with regards to *establishing a strategic foundation*, then look further into *getting in contact*, and last discuss *meeting and dialogue with prospect*, in accordance with our theoretical understanding presented in Figure 20. We have also uncovered two aspects through the interviews that we have chosen to include when discussing practices with regards to establishing a strategic foundation, as they were considered important and expressed by several case companies, which are "market or product driven philosophy" and "incentives, sales volumes and sales effort".

6.1.1 ESTABLISHING A STRATEGIC FOUNDATION

6.1.1.1 Selection of and focus on niches

An important part of establishing a strategic foundation in our framework is choosing what type of customer the firm wants to pursue, as this enables targeting of sales efforts in accordance with the firm's product and capabilities. Case company A, the big 4 consultancy, emphasized the distinction between *public* and *private* sector customers as important to understand customer initiation, and this classification was very common in all the consulting cases. Even though we have not focused on this distinction in the literature review we agree that the initiation process to customers in the sectors are *different* on some levels. Thus, when segmenting and choosing how to prioritize sales effort it is important to consider the different efforts needed in the sectors. We see that some firms clearly choose not to focus on the public sector customer, such as company E, the high-end consultancy. Company C, the engineering consultancy, on the other hand, embraces the public sectors and focus strategically on these niches, and case A, the big 4 consultancy, case B, the project management consultancy, and case D, the IT consultancy, have a relative balanced mix between the sectors. Differences are also likely to vary among countries and regions depending on the governmental routines and purchasing practices. In Norway the most notable differences are that the public sector has a large *formal* tender process for any acquisition above 100 000 NOK and when the acquisitions are above 500 000 NOK they have to go through the public purchasing portal Doffin. Thus, there is an open and controlled competition with requirements for several potential suppliers in most situations. What these differences imply for the subsequent initiation efforts will we address further in the next two sub-chapters.

Case D, the IT consultancy, highlights another interesting insight with regards to segmenting, targeting and positioning for consulting firms, and that is the fact that there is very few, if any, large actor domination across every consulting discipline. The competitive landscape consists mostly of firms building a focused set of solutions for a specific niche. This is confirmed when assessing the competitors and strategic focus of the case companies, where all have a relative specific and narrow niche focus. As a niche player

even a smaller actor can establish a substantial reputation and expertise to be dominant and recognized in a market sphere, thus having some *unique* and *desirable competencies*.

Much similar to the thoughts of crossing the chasm this strategy might be applicable for start-ups as a way to grow as a firm, since they are likely to prove themselves faster due the fact that the reference base is more relevant within the industry niche. Thus it is easier to leverage them and expand inside the niche, in contrast to unfocused targeting of multiple segments (Moore, 1991). Such focused and systematic efforts can contribute to overcome resource scenarios, since a firm is less likely to waste resource on sidetracks, but the challenge is to understand if those sidetracks might be the correct niche to go for. Thus a firm needs to thoroughly *assess their offerings* and the *value* for several potential segments, and be ambitious but realistic with regard to what they can accomplish and follow-up according to case company D, the IT consultancy, who work very systematically on building niche competencies for the financial sector.

It should be noted that when building a customer base in these niches the case consulting companies very rarely pursue completely *cold* and *new* clients, since they often have some *tie* to the potential clients through either prior experience, relations or industry connections. Furthermore they all have an existing customer base, and in general more than enough projects, thus they do not need to focus on new customers. It was expressed that in worse financial times they would more likely do more outreaching efforts to potential new clients. Selling to complete cold and new customers are described as a very *hard* process. In these scenarios the consulting firms are forced to power through and utilize their *resources* to keep *momentum* in the initiation process. In contrast to start-ups they are more likely to have resources to pursue customers or new service areas for strategic reasons. Especially one firm, case D, the IT consultancy, made very strategically focused efforts to obtain a set of important customers, but all of the consulting firms had regular meetings discussing where they wanted to be in the market place, and thus discussion pursuing important *strategic customers* or new service areas. In their efforts focusing on strategically important customers, case company D, the IT consultancy, expresses that it is important to identify and assess the potential growth potential for every customer, and be selective and prioritize the efforts and focus on the ones with great

growth potential. The case firm might pursue specific firms for a longer period of time, even without prior relations, if they find strategic value of that potential relationship. Case company D, the IT consultancy, also stress that it is very important that they receive some kind of positive feedback during the process, such as for example a paid pre-assessment project that can be some kind of reassurance to avoid pitfalls of “false positives”. But even with this in mind it can be hard to determine the probability of success. Especially large firms can be hard to assess and signal false positive pitfalls, which company A, the big 4 consultancy, case B, the project management consultancy, and case D, the IT consultancy, express since the interplay in large organization can be very complex with several influences and potential internal buyers. Case E, the high-end consultancy, also acknowledge the complexity of intra-organizational motives, but they work almost only with the top management of firms thus we believe they are more likely to obtain this reassurance sooner. Case C, the engineering consultancy, on the other hand, with a focus on public sector customer has to assess their compatibility with the tender specifications, thus without the same ability obtain such reassurances.

6.1.1.2 Market or product driven philosophy

Another interesting insight with regard to strategic philosophy of the firms uncovered during the consulting case interviews is the large degree of *market driven* innovation and sales approach. Due to the fact that most of the consulting companies mentioned this aspect and thought it was important, we have chosen to include it as a topic in the empirical discussion. The philosophy is similar across all the case companies, as they always want to have a potential services area *anchored* in an actual *need* and thus ensuring that the solution fits the need and that they obtain some income at a very early stage of a new service. Furthermore this ensures that the offerings they introduce serve a real *problem* for the customer, and in a manner that the customer is *willing to pay* for. This way they can actually validate the offering before committing large resources. As the interviewee from Case B, the project management consultancy, expressed it is about understanding a real customer’s needs, and thus forming the product from the perspective of the customer. New services areas are thus often developed on the basis of feedback from the market, which then again results in a change in the services offerings from the case

companies. Case A, the big 4 consultancy, highlights how it is often a response to a concrete problem for a specific client. This approach might be in contrast to entrepreneurs doing a product driven discovery, then finding the actual need in the market. Although a market driven approach helps to ensure a willingness to pay it might not encourage the large *distributive* innovation according to case A as the solution often will be *incremental* changes of existing service areas.

Our impressions from the case companies are that by addressing an actual need it is also easier to establish a firm in a new area, since one can contribute actual value to a proven problem. Case D, the IT consultancy, highlights that also new offerings can be a result from collaboration with an existing customer that can be resold to other customers, and the first customer can be used as a reference.

6.1.1.3 Incentives, sales volumes and sales effort

Another interesting perspective uncovered in case E, the high-end consultancy, is that the phenomenon of initiation of client relations was connected to the economical concept of *supply and demand curves*. Since this perspective is rather interesting when analyzing the case firms we have chosen to include it in the structure of our empirical discussion. Case company E can sell with a price premium thus their *sales volume* can be lower, and their *efforts* dedicated to selling is lower compared to another consulting firm the interviewee have worked for who again needs a larger volume and lower price. To obtain the premium price it is essential to differentiate themselves and focus on high value adding services according to company E. This perspective on initiation might be useful by comparing the volume and price point between consulting firms and their selling efforts, and thus highlighting how strategic choices affect the direct selling efforts through interface S1. For instance, if we compare case A, the big 4 consultancy, and case E, the high-end consultancy, we see that case A, with a lower price point and higher volume, has to engage and create incentives for individuals and the organizations as a whole to contribute with regards to customer initiation, which is in large contrast with case firm E. With regards to case D, the IT consultancy, we see that the small group of customers contribute with most of the sales volume, thus the sales effort maintaining and building these customers are most important. Case B, the project management consultancy, has a mix of large volume with low price

solutions and premium projects. Thus the effort are a mixed of selling efforts dedicated to ensure large enough volume, but also on attracting premium projects and convert the low cost sales to a premium projects. For case C, the engineering consultancy, the large public tender construction projects drive the sales effort, and smaller projects are a way to utilize spare capacity.

The concept highlights that firms need to align individual efforts in the organizations with the sales strategy. Thus introducing another concept not covered in our literature study and our interview guide, which is the effect of *individual and organizational incentives* on initiation of customer relations, and this can be understood in a principle-agent theory framework. Case company E, the high-end consultancy, highlighted that the overall international revenues is the most important key performance indicator (KPI) used for evaluation in their firm, thus departments have to coordinate their sales efforts internationally to ensure a good KPI value and together deliver great quality. In contrast to the practices where one has KPIs based of regional offices thus encouraging the offices to compete for the same clients in some cases, which the interview in company E have experience by working in the auditing industry. Furthermore, it would also be important to align individual efforts to the company's goals, as firms that need a higher degree of sales efforts also need to create incentives for individuals to commit to such efforts. The other consulting case companies have not brought up this phenomenon explicit.

6.1.2 GETTING IN CONTACT

6.1.2.1 Using personal relations and network arenas to generate leads

When targeting new customers the consulting firms as a seller has to *identify firms* that have (potential) problems, and afterwards evaluate which *problems* to pursue and how to best *start a dialogue* around the problem. The interviews indicate that the one of the most important factors for such customer initiation in the consulting industry are personal *relations*. Relations can be very valuable in an initiation process and often be the source for *leads and information* a consulting company needs to approach potential clients. An existing tie to an individual who have *positive experiences with* one of the case companies, and have *knowledge* of what they can deliver are able to easily *match* a problem with a their solution and perhaps even recommend it. Thus influencing the initiation process through

T1, as a third party, which we will discuss explicit later on. Relations is not only an important factor for consulting firms with regards to lead generating, but also important as a way to get introduced or enable an *entry point* and open doors into potential clients. In the same manner relations can increase *barriers* for competitors by excluding potential suppliers without a relational tie from the competition. When selling to new customers or to new market areas the interviewees articulate that relations might be even more important, since they lack the full weight of the brand name and reputation. Thus relations might be a way to obtain meetings and get in contact with potential clients. Case company D, the IT consultancy, for instance, was often in situations where the firm had a relation that mediates leads about potential problems or needs. In these cases the consulting firm have insight about the customer that can be used as an entry point. Thus it is a lot easier to contact a potential customer since they, as a seller, are more likely to provide the buyer with interesting offerings. This is rather common among the case firms, as they often have some tie to the potential client by for example prior projects or through focus on industry solutions, or information obtained about a challenge they can address at the potential customer.

In general the consulting firms express that a firm's ability to *uncover a problem*, get *access*, and create a *need* that can result in projects depends on the *collective* relationship building in the consulting firm. When selling to existing clients one would often have an increased understanding and contact network, but relations are also important for generating leads and pre-approaching new and cold customers.

In this context, networking and relationship becomes very important for each individual. An important factor is the former work experience of employees, as this in many ways determines their relationships and network. Especially case company B, the project management consultancy, emphasized the importance of the *background* of the seller. The interviewee in case B is responsible for large offshore clients, and the background and former work experiences to a large degree dictates the *individual position* in the network structure. It enables having relations in the *industry*, and most likely having the position as a more *central node* in other individuals network, thus generating more leads or obtaining more *relevant information* shared through the network. Furthermore, one could argue that

having a background in a certain field that person has the *competency* to speak the *language* and ability to *identify valuable opportunities* due to increased customer or industry understanding.

6.1.2.2 Building reputation and creating awareness

A common tactic among the case companies are the efforts to brand themselves as *advisors* and *experts* that will help to discuss a challenge and introduce inputs, that might potential initiate the need for a project. Especially case firm E, the high-end consultancy, stressed the fact that they are not sellers but advisors and avoid the term “selling”, and both case company E and D, the IT consultancy, would never go to a sales meeting without an *actual challenge* to discuss. Case A, the big 4 consultancy, also prefer a concrete situation and problem, but also focus more broad on industry problems or event driven problems that, for instance, are introduced through the media. The case firms have a philosophy where they want some kind of foundation when starting the initial dialogue with potential customers. In similar manner case C, the engineering consultancy, and case B, the project management consultancy focus on branding their academic profile and *reputation*, which again signals *trust* and *expertise*, by contributing to industry magazines and journals. Case company C are also very conscious to position themselves as a progressive firm, by being part of standardization processes and technology development to build their brand. By establishing a niche reputation all the case companies, from time to time, experience that potential customers contact them without any prior tie. The case companies in general often attend or arrange workshop, lectures and industry seminars as a way to build brand and awareness.

Regular *cold calling* are rarely used to a large degree by the consulting firms, but as case company A, the big 4 consultancy, case B, the project management consultancy, and case D, the IT consultancy, highlighted some targeted calling might happen when they have some *industry specific* information or solutions which will increase the hit rate. Here the seller have increased knowledge about the industry, and can thus target their efforts through S1 more efficiently than regular cold calls. Case company E, the high-end consultancy, does this in an even more targeted manner only when they have specific customer information. By focusing on public sector, cold calling is even more rare for case company C, the

engineering consultancy, as most of the interesting project will go through the tender portal anyway. Furthermore, we see that the customer acquisition techniques are different depending on what “*product*” the firms are selling. It is especially apparent with regards to Case B as they sell several products. Their sales effort in selling the most product oriented solutions, such as smaller eLearning sessions and seminars about project management, have a much more *direct sales effort* and cold calls, and this again can be used to build a relation that can contribute in later larger initiation processes.

All of the consulting firms emphasizes that when targeting new services areas or new type of customers it is important to focus your actions to create momentum in one direction. Case company C, the engineering consultancy, for instance, highlights the value of having the same focused articulated message in every available channel and work systematically to approach specific customers.

6.1.2.3 Using important third parties to generate leads

Many of these consulting firms also have partners and suppliers that they work closely with who might generate leads and influence the initiation process. Case companies A, B, C and D which are, the big 4 consultancy, the project management consultancy, the engineering consultancy and the IT consultancy, for instance mentions suppliers of software solutions that contribute with leads, and for instance architect firms for company C, the engineering consultancy. Focusing on high management consulting case E, the high-end consultancy, do not have such partners, but all of the case companies highlight that customers who have had a *positive experience* are more likely to promote them to others. Thus it is important to have good relationships with partners and existing customers, as this ensures that the consulting firm is the preferred partner from the supplier side or promoted by existing customers. Company C have also achieved a position where they are the only supplier delivering a software solution in Norway, thus all the potential leads eventually are brought to the case firms attention, and this exclusivity increases the value of the *active* third party. Other more distant parties, such as technical experts, might also influence potential new clients. As mentioned earlier does Company C want to build a brand as a progressive firm, and theses efforts also contribute to create influencing third parties. The case company obtains possibly unique knowledge about up-and-coming-

solutions through these technology-testing arenas, but more importantly; third parties connected to these arenas perceive the firm as technical experts, which encourages them to mediate and build a reputation for the company. Thus advocating and promoting case firm C when potential customers struggle with a relevant challenge, and here we see that comprehensive and concise efforts through S2 facilitate positive third parties, and encourage active efforts through T2 to influence the initiation process. The other case companies, and especially company B, D and E, also focus on narrow service areas and industry niches, thus obtaining a reputation as expert in the fields and educating relevant third parties that might influence the process through T2. Such influence could for instance be encouraged through relations to participants in industry forums who might help the company to get in contact with relevant customers.

In sum *third parties*, or a *network* of relations as discussed previously, can influence initiation quite significantly by *mediating* in both *positive* and *negative* manner through T1. For example *directly* by providing concrete leads to a selling firm or more *indirectly* by encourage a potential client to look closer at a certain potential supplier.

Third parties might also be seen in the context of employees and other important *individual* third parties, such as board members. This is highlighted by Case A, the big 4 consultancy, and case D, the IT consultancy, as they provide insight on several different parties that might advocate certain solutions that the case companies provide. This can be an individual working for a customer who might change employer and then introduce the case company for the new employer. Another, are board members who work on multiple boards of directors, or former employees of the case firm. The latter might be double-edge sword and should be handled with care and professionalism. Both case firm A and D highlighted McKinsey & Co as the prime example of having a good alumni system for following up of former employees so they can facilitate new purchases. Both the case firms themselves have some alumni events for networking with former employees. Case company E, the high-end consultancy, is the case firm that focus most consciously on having good routines for maintaining good relations with prior employees and having regular dialogue with the alumni network. Case firm C, the engineering consultancy, on the other hand wants to maintain good professional relations and ensure an orderly termination process, but not

because of a conscious effort with regards to later potential initiation. This might be because case firm C focus mostly on enormous public tender processes as mentioned earlier.

Our focus is on how a seller can facilitate positive influences from third parties throughout the initiation process by taking active measures through interface S2. Thus the focus is on how entrepreneurial start-ups can get third parties to help with generating leads, introducing and facilitating the first contact, and overcoming objections through interface T1 in our model. Most of the case companies have some *regular efforts to facilitate* for positive network effects through S2, but how conscious their efforts are varies a lot between the case firms. As discussed earlier, case company A, B, C and D, which are the, the big 4 consultancy, the project management consultancy, the engineering consultancy and the IT consultancy, attend and arrange workshop, lectures or industry seminars to build brand, but these efforts are also a way to get in contact with potential clients. Furthermore, such efforts also have an *educating* effect on the network, as third parties learn what the firm can offer and their competencies. Thus enabling more of their network to mediate. Depending on the perceived experience of the case company potential clients or other third parties might *add* the firm to their *mental short list* with regards to a certain set of problems. Other third parties might *remove* them from the list since they, for instance, perceived the firm as incompetent or unprofessional at such an arena. Another example from the cases are that the IT-part of company C, the engineering consultancy, it is very important to educate potential clients about standards and solution that they support to ensure that they are *considered*, by regular news letters. In similar manner Company B, the project management consultancy, actively distribute reference stories to their network. Efforts such as this increase the likelihood of someone connecting the case firm when a similar need or problem arise somewhere, and hopefully one would obtain active third parties that *promote* them to potential clients. Thus educating the network and having a general lead generating effect, as well as building awareness. As the interviewee from case D, the IT consultancy, said: "having as many tentacles as possible at the correct places are good". Our impression is that the firms in general value such activities, but perhaps with a different rationale behind the efforts. Case C and B focus perhaps most on the traditional

marketing aspect of the activities, and Case A, the big 4 consultancy, and D the IT consultancy, still want to build brand but have a higher conscious networking focus. Case E, the high-end consultancy, on the other hand, has an even more targeted networking with a specific set of large customers. While case company C, the engineering consultancy, focus on building needed credibility and competences for tender specifications.

To ensure a positive impression among these parties towards the consulting firms all of the case companies highlight the value of delivering *quality*, being professional and ensuring good *cooperation* with all relevant third parties and clients. This will be important at every *interface* a selling firm have with potential customers and important third parties, that influence initiation processes, such as projects, meetings or network arenas. These efforts help to build a notable reputation, and perhaps enable third parties to contribute. Third parties that have *economic incentives* or have a joint interest in cooperation with the consulting firm are also more likely to actively promote a firm as they have clear monetary incentives. It is at least more likely to be something the consulting firm themselves would be aware of and can influence more directly. Thus it might also result in increased formalization of the third parties activities.

With regards to new market areas and new solution offerings the case interviews indicate that efforts through S2 might be even more important than for mature offerings. Case company B, the project management consultancy, highlighted that the lack of references and relations makes entering new market areas very difficult. They have had success by collaborating with established partner that increase *credibility* of the case firm, and this enables them to establish and *prove* themselves in the service area with the help of the reputation of an established third party. Thus if it is possible, utilizes the network, relations or partners somehow to compensate for a lack of experience and reputation, as this reduces the risk for a potential buyer. Case company C, the engineering consultancy, for instance, included external experts in their offerings to improve it. The case companies in general express that it is important to leverage existing relations, and systematically build a *reference base* to prove their *capabilities* in the new field. Thus one can increase the network effect through S2 by utilizing a growing group of third parties acting as references, as this is a way to build credibility and trust. This can be channeled through T1 when third

parties are influencing the initiation process positively, or help in S1 by for example using references as a way to establish the firm as a proven player.

6.1.2.4 Routines & coordination – Focus on existing customers

For all the consulting firms *upselling to existing* customers are important, since they have relations to build on and *knowledge* of the customers' *needs* and *problems*. Many of the case companies are larger multidisciplinary firms; who have opportunities where a client served by a certain market area might be sold services from another. But the efforts and routines through interface S1 are different between the case companies. Another interesting insight that became apparent during the interviews is that a lot of the sales efforts vary from *person-to-person*, and thus each manager or partner might approach a firm differently

Company A, the big 4 consultancy, are very focused on the upselling opportunities, as their large customer base in auditing departments are a huge potential for their consulting practices. For them to take advantage of this, they need their employees to be able to identify potential leads. This requires knowledge of the potential problem and the ability to match the problem with a solution within the case firm, as well as the effort to connect that knowledge in a concrete situation. Thus company A focuses on building a *culture* of a united firm that deliver together, thus *encouraging* and *educating* cross disciplinary *lead generation*. The goal is to engage regular consultants to identify potential opportunities for sales across the organization, and then have the managers and partners handling the process in the next stages. In the end it is up to each individual how they will approach and involve themselves, but as case company A stresses; the routines around formalizing the offer would be the same across the case company. In case firm E, the high-end consultancy, on the other hand, the partners and managers have the complete sales responsibilities, and the only job for regular clients is to deliver outstanding quality and performance. The actual approach change between the partners and since every problem and client is different they will also need different tailored approach. Case B, the project management consultancy, often use shorter and small engagements sold through direct sales to establish a relation with the client where the later focus is on upselling additional services and consultancy services through a longer and more relationship building sales efforts. For

such leads and more complex sales, case company B has established a weekly routine where they discuss these complex sales, and the sales responsibility regarding handling clients directly, through S1 in our interface, are well defined in their organizational structure. They also acknowledge that the process involves individuals selling to individual companies, thus the sales process and approaches will depend on the personal skills and experiences, as well as the need for tailoring to that a specific potential client. Selling mainly to the public sector there are limited immediate opportunities for upselling for company C, the engineering consultancy, but some of their offerings are key disciplinary fields where the demand is high, and can thus be used as door opener. But the actual result of this effort depends a lot on each individual's effort and knowledge of the services areas. Case C highlights how important market knowledge about upcoming projects is, also for public sector customer, as they can take proactive measures to improve potential later offerings to upcoming tender processes. With regards to the private sector the other case firms express that the relation itself might provide market knowledge enough to start dialoguing with a potential customer, and is more needed since there is less available information online according to company C. To obtain this important market information the individuals working at existing projects might be valuable, and with regards to the public sector customer company C have routines to identify relevant public tenders through online search portals. Company C in many ways want to obtain that same culture as company A, the big 4 consultancy, although without expressing it in such a conscious manner. Company C, the engineering consultancy, focus on recruiting skilled individuals with leadership skills, high academic performance and with good market knowledge or personality to obtain the needed market knowledge that can contribute to the shared market knowledge. With regular coordination meetings and team efforts when planning and writing tenders they can improve their offerings by utilizing the shared market knowledge. Case D also wants to engage the regular consultants for upselling, but to minimizing the risk of losing clients when employees change employer the management and a dedicated sales force to be responsible for the sales. Even though they acknowledge the upselling potential, they also express that the actual opportunities are very situational and depend too much on individuals and their knowledge to identify these opportunities. They try to encourage several parts of the their own organization to influence the buying

organization at several levels of hierarchy. To accomplish these efforts it is important to coordinate all the individuals contributing, by regular meetings and CRM tools.

In sum we see that the goal of the consulting firms in general is to establish a web of sensors picking up news and plans in the community that they can bring back to the hive, where they can discuss appropriate actions together. It is not a strict set of rules, but it is more about finding the correct sensors or recruiting the right people, and having coordination routines that channels the individual efforts and approaches in the same direction. Thus utilizing obtained information about leads to act with proper responses. But the actual approach when networking and approaching clients depend on the individual at the consulting firm and the need to tailor the approach for the client.

To improve the effect of existing relations we suggest that a firm might increase the customer acquisition rate by having *routines to follow up individuals* to a larger degree, and not only organizations. This can for example be by calling board member X to chat and perhaps check if he is engaged in any new board of directors. Another example could be by calling a former employee of an existing client to check if the new workplace for that individual has similar needs. Today such efforts are likely to be very different between each individual working in the case companies.

6.1.2.5 Understand the customer and tailor the approach

In general all the consulting firms have a very clear viewpoint that it is extremely valuable to *understand the internal purchasing process and organization*. Especially case company D, the IT consultancy, and case E, the high-end consultancy, proactively assess the internal actors, since this enables the firms to *tailor* their initial approaches they as a seller can have through interface S1 to the efforts the buyer have through interface B1. Company C, the engineering consultancy, on the other hand obtains most of their sales through public tender portals, and it is not that important to understand the intra-organizational motives and actions. But it is important to understand the actual meaning and need behind the tender, since this improves the abilities to write an offer that respond to that need. Thus also for company C understanding the needs behind the tender improves their sales effort.

Such insights are often obtained through connections, relations and third parties and they make it easier to tailor the approach and understand the customers' decision-making.

6.1.3 MEETING AND DIALOGUE WITH THE PROSPECT

6.1.3.1 Establishing a personal relation to the potential customer

After getting in contact with a potential new customer the case firms highlight that one has to start building a relation with the client, thus establishing personal relations through S1 with regards to a specific customer. As mentioned earlier; to strengthen and build the relation to the potential client all the firms emphasize that it is important to act professionally and show good cooperation skills, as well as delivering quality in everything they do. Especially case E, the high-end consultancy, focuses on selling through *relationships*, but also *challenging* their customers to take control of the sales conversations. In many ways similar to the style described by Dixon & Adamson (2011) they try to build a platform where they can gain deep *understanding* with their customers. This way they exploit their branding tactics as trusted advisors by "selling" projects that push their clients to the next level.

Furthermore, several of the firms try to attend and create arenas where they can have a dialogue with potential customers. The areas mentioned earlier for general awareness building, such as breakfast seminars and so forth, can also often be utilized as a way to have a dialogue with specific customers. Thus they can build relations with specific firms and individuals through their efforts in interface S1

6.1.3.2 Using important third parties to prove offerings and credibility

In the literature we see that, when buyers evaluate potential suppliers and considers buying a specific solution, third parties might influence the process. The case firms in general have some experienced with direct involvement from third parties and partners as mentioned in previous discussions, but this is mostly before the dialogue phase. However third parties can provide crucial information to the seller so they can improve their presentations and offerings. Case company E, the high-end consultancy, express that the same companies generating leads might also contribute by validating the credibility and offering for them, as well as building trust and reducing risk. Thus accelerating the

initiation even further after the first meeting by helping to convince the potential customer. With regards to indirect efforts by third parties all of the firms value and utilize reference customers to build credibility. All the firms also express that references can contribute by proving their capabilities, competencies and reputation. Buyers often require a set of references, especially the public sector customers, according to case company B, the project management consultancy, case C, the engineering consultancy, and case D, the IT consultancy. Good references reduce the perceived risk and increase the *trustworthiness* of the case company in the eyes of a potential client. Case E emphasizes that especially un-assisted references, such as satisfied clients who generate a positive word of mouth campaign on their own, are perhaps one of the best way to establish a relation and foundation needed for purchase. One interesting findings with regards to references from case company C are that one of the interviewees expressed that also bad projects can be good references, as it demonstrate prior experience and with rigid reference requirements that can be good enough for some public sector customers. Furthermore it seems to vary among the actual due diligence the clients do with regards to checking each reference. This might indicate that to some of the clients the values of references are a requirement to ensure a perceived feeling of basic safety around the supplier and the solution, or increased credibility by using large or challenging customers as references. Others might do a more thorough due diligence including extensive input from each references in their evaluation. However, the general impression from the case companies is that it is mostly used as a fast tactic to check that the suppliers have proven themselves earlier without extensive research. With regards to selling new services and selling to new industry sectors, especially the first few sales are the hardest according to all the consulting firms. By patiently building a *reference base* and contact network the firm can prove their capabilities and the need for the solution from a clients perspective, thus the value proposition are more credible for the next customer.

Our impression is that a lot of third parties who influence the initiation process are more “hidden” or distant in many situations for the consulting firms. Thus discovering these unknown parties might important, such as for instance board members on multiple boards, as they can help clients to evaluate suppliers, or advocating certain solutions or

recommending the potential client to stay away from them. For instance, if the board member have negative experience of the consulting firm from prior cooperation at one of his board position he is likely to bring the attitude with him to the next board meeting at another firm, according to several of the case companies. Here we see how third parties might influence the buyer and initiation process to interface T2 in our conceptual model, thus influencing the buyers' own effort to initiation through B1. Case company C, the engineering consultancy, for instance, lost a tender process most likely due to professional buyers evaluating the tender offer. This was something the case firm did not take into account when making the offer. To overcome these challenges with unknown parties influencing through T1 or internal disputes in the clients' organization, several of the case companies emphasizes that it is important to assess the buying organization and parties influencing or setting constraints in the process. Case company B, the project management consultancy, for instance, arrange regular complex sales meetings when having a dialogue with a large customer, and company D, the IT consultancy, highlighted their efforts to map out influencing parties and relevant actors that they needed to influence in the process.

These findings on how third parties influence throughout the process might indicate that firms should focus on the parties they can interact with directly, and thoroughly assess continuously what parties who might influence the process. Furthermore, as case company C, the engineering consultancy, did with regards to the professional buyer, it can be valuable to evaluate failed sales process as this can uncover important third parties and bad practices.

6.1.3.3 Understand the customer and tailor the value offering

When being in a dialogue with a specific customer and providing concrete offerings to the potential clients it is important as mentioned above to *understand* the customer as this can improve the offering to that specific customer. In the interviews, relations and third parties ,are highlighted as a sources to understand the customer and obtain information needed to *tailor the offering*. Especially case E, the high-end consultancy, stress that they actively assess the *buying center* and influencing factors when approaching new clients or new departments at exist clients. This focus helps the firm to understand moving forces and constraints in the client organization. Case company B, the project management

consultancy, also highlight that they actively try to assess and involve the decision makers and top management as soon as possible, especially in the larger contracts. To improve the offering the consulting firms stress that it is important to understand the *real customer need*. As highlighted by case company D, the IT consultancy, and supported by all other case companies indirectly it seems like the importance of understanding the buyer, the individuals and political internal *motives* and *interests*, at the client's firm increases with the size of the buying organization, since the number of pitfalls and risk increases. As company D also expressed it; when working with large buying organization it is common that they find the actual internal buyer are another than the one they organically thought of. Which results in a change in the direction and finishing line in the Maze Analogy. On the way the firm also thoroughly assess the organization and address objections and roadblocks as best they can. In total this is about understanding the buyer, and how the buyers interface B1 influence the initiation process, and improve initiation efforts accordingly.

Case B, the project management consultancy, brought up the concept of *envisioning* together with a potential customer, since such an envisioning process to some degree is used by the case firm to *assess* and *understand* the *buying organization* and their *needs*. Most importantly it *plants* a seed around the "correct" solution for the firm. The process can "*create*" the *problem* or *need*, and create it in manner so it fits well with the *context* and *solution* of the case company as a supplier. As expressed in the interview it is valuable to plan ahead, such envisioning with the customers can perhaps create the fastest way to the finishing line in the initiation maze. This indicates that a company has to continually leverage their getting-in-contact-efforts to approach potential clients through S1 to ensure that they are not too late to form the purchasing process, but due to resource constrains one have to prioritize strategically important customers according to case D, the IT consultancy. Furthermore do company D express that due to the rigid purchasing systems in the public sector it is extremely important to be able to envision with potential clients before the tender process, as this is a way to compensate for lack of regular dialogue after the tender process have started. In such scenarios the public purchaser might actually create criteria for the upcoming tender that are specially design to fit the offering from a

specific supplier who have envisioned with the buyer. Also one of the interviewees in case firm C, the engineering consultancy, also highlighted the value of being able to create a need for a potential buyer, but the other interviewee who worked with the large public construction projects believed that there is little value in relations that can be utilized in this manner, but that prior work experience together, prior deliveries of quality matters more and human beings are more likely to consider a firm they are *familiar with*. Furthermore, he believed that the written offer that is the response to a tender is most important, and the essential part is to write this as objectively as possible and match the criteria's in the tender. With such a perspective it is important for the seller to articulate their offering in the most adequate way. Thus, for interface S1, it is important understand the client, since a tender document in it self not necessary describes the whole situation, and it is important to signal trust, quality and reliability. It is interesting to see this to some degree contradicting statements as to how valuable relations are for the public sector within an organization. Both acknowledge that relations might be important to move forward on an evaluation *short list* and those prior projects might give a potential buyer an increased *trust* in them as a supplier. The two interviewees work in different services areas, and with larger billion NOK construction projects there might be harder to "create the need" and thus influence the tender specification, and smaller million NOK projects are more likely to have it originate at a discussion over lunch between friends, since there is more room for envisioning together. The other case firms with public sector clients see relations as almost just as valuable as in the private sector, and it is highlighted that tender processes may appear as dormant for the seller for years, and in such cases relations are important to obtain further knowledge. One explanation of this contradiction might be that the use of relations in the public sector is less transparent, and that it from an individual perspective is perceived as more concrete and direct in the private sector, as the interviewee who stated that relations are less valuable also had examples were prior relations clearly mattered in the evaluation process. Which indicates that relations after all are important, but that it might not be possible to use these relations at any given time during a tender process.

Either way, *relations* and *early dialogue* are important in both private and public tender process to increase the likelihood of being chosen as supplier. Especially A, D and E, which are the big 4 consultancy, the IT consultancy, and the high-end consultancy, try to anchor such an envisioning process to an actual problem, and together with the potential customer assess what value they can bring to the customer. Thus they again ensure a market driven approach where the value proposition fits the need of a customer.

Furthermore, all of the case companies emphasizes that it is very important to articulate the value offerings in a attractive and professional way that matches the need the customer have. According to the consulting firms it is important to pinpoint the value and uniqueness for the customer. With regards to new service offerings sometimes the offering itself can be unique enough to overcome the risk perceived by the customers due to the potential return of investment. Thus the case companies to try to articulate and evaluate what value one is actually adding to a customer. If possible it should be articulated in monetary terms. Case company D, the IT consultancy, for instance, achieved success with a clear and well-articulated value proposition when starting a new service field, and express that proven monetary value is harder to turn down. Techniques with regards to actual presentation, follow-up and meetings seems to vary between the individuals in each case company, but they all have some basic routines to coordinate sales effort and obtain input from other individuals in the selling firm

6.2 DISCUSSION OF AND COMPARISON BETWEEN THE ENTREPRENEURIAL START-UP CASES

In the following section we will we will compare and discuss the entrepreneurial start-up companies from a sellers perspective, which are based on our conceptual model and theoretical understanding. First we will discuss the practices with regards to *establishing a strategic foundation*, then address *getting in contact*, and last look into *meeting and dialogue with the prospect*, in accordance with our theoretical understanding presented in Figure 20. In this section we have chosen to include two aspect uncovered through the interviews, as they were considered important and express by several case companies; “Market or product driven philosophy” is included under establishing a strategic

foundation and “customer contact and follow-up of potential customers” is included under meeting and dialogue with the prospect.

6.2.1 ESTABLISHING A STRATEGIC FOUNDATION

6.2.1.1 Selection of and focus on niches

An important aspect for an entrepreneurial start-up is to find the marked segment they want to focus on and what *niche* they want to operate within. For instance case company G, the HR application start-up, defines their market segment as SMB's with a specific type of ERP systems and need. This is because they believe that the SMB's are easier to sell to than large companies, and the users have a very complex system that company G can simplify. Thus the actual customers might come from several different sectors, but with the focus on a few ERP systems it is a fairly narrow niche. Case company I1, the oil & gas software start-up, on the other hand has significantly fewer possible sectors and segments, as well as a small niche. Since they provide one specific software solution for the oil & gas industry, and the potential customers are only a handful of multibillion-dollar companies. Case company I2, the developer software start-up, and J, the technology start-up, however is what the literature would call born globals, where the whole world are a potential market, but for a fairly limited niche. Case company J emphasizes three different dimensions with the regards to initiation, which are locally, nationally and internationally, and a firm has to assess their strengths and benefits in regards to their strategic approach along these dimensions. By focusing nationally a firm might have easier access to the local testing environments, and it is likely that building a customer base in a familiar market at home are easier than going abroad according to case company J. Especially for the founders with little experience and relations in regards to international sales, thus one would often want to get a proof of concept nationally before considering the international market. But in a small market, such as Norway, firms should assess the international possibilities sooner than later, since this enables a larger potential. The other cases support this claim as case I2, the software development start-up, focus internationally at once and have international experience. Case F, the digital estate start-up, and case G, have limited international experience and thus starting in Norway, but want to expand as quickly as possible.

The interviewees also had some thought about the value of a niche and why they choose their niche. For instance the interviewee from case company G, the HR application start-up, said that they wanted customers that were enthusiastic about this type of technology, and a niche where the software are likely to provide actual monetary value by improving the HR processes. And in the case of case company I2, the developer software start-up, users have to register for a developer preview; people who do that are often innovators in their field. The goal is to encourage innovators to lead the way for a larger user group. Thus targeting an audience that are likely to *bridge the chasm* to larger segments, and create an *eco-system* where broad technical expertise and support convinces the top-management of the improved efficiency. They already see the effects of this as in many of the towns where an academic user has registered they also see that commercial user register. This strategic choice shapes the foundation for later initiation efforts, and if they had chosen to go for regular B2B outreaching sales their subsequently initiation activities through our interfaces S1 and S2 would be different. Case company J, the technology start-up, said that they are very conscious about what their niche are and what value they can offer to the potential customers in this niche. Overall we see that the entrepreneurial start-ups focus on relative narrow niches, but with strategic thoughts on how to utilize these niches to expand to larger markets. Thus, all of the case companies have some rational behind their focused efforts, where they assess their own *capabilities* and *value for the customers*. But the efforts to thoroughly identify and systematically evaluate between potential buyers seems to be very different between the companies. This can also be because the products in some cases has a very limited set of potential buyers due to the nature of the product itself, such as for the I1, the oil & gas software start-up, that can only be used by a very small niche worldwide. Our impression is that company G might be the firm with most change in targeting and focus depending on the feedback, but this can be because it is harder to pinpoint what type of niche that are most attractive for that firm.

6.2.1.2 Market or product driven philosophy

As in the consulting interviews all of the start-up case companies have discussed their selling and development philosophes. Thus we have uncovered that the issue of product or market driven product development and selling strategy is how they fundamental

approach their innovation efforts, either from a product centered development process or with the market need as their foundation. Two of our interviewees, H, from the consultancy start-up, and J, from the technology start-up, which both are experienced entrepreneurs and have extensive work experience, both believed that a majority of start-ups are product driven, and as a result struggles with marketing and sales activities. Especially the technology start-ups with origin from the universities often have good products, and are very good to talk about the technical side of their products. However they often have problems when it comes to analyzing the customers needs and subsequently articulate that they fulfill these needs with their product. Interviewee J highlighted that start-ups in general struggle with articulating their value offering and presenting it for the potential customer. Thus having a product oriented approach seems to result in less efficient selling efforts through interface S1, as the seller are more likely to neglect the actual value adding from a customer perspective and instead focus on the technical features. Another benefit of market driven philosophy, according to company J, the technology start-up, is that going to market sooner enables the firms to test the actual market response. Thus it might be wise to try selling a minimum buyable product as soon as possible.

In contrast to the statement from interviewee H and J above, we found that all the case companies to some degree have a mindset that is market oriented. In the case of company F, the digital estate start-up, and G, the HR application start-up, this may be because the founders are all students of entrepreneurship and therefore are very conscious about the importance of market needs. For instance case company F is developing a very disruptive and new service, and the launch of the company was driven by a perceived need in the market. Case company G also express that they want to verify the need in the marketplace before doing the actual development. But the actual efforts conducted by the case companies suggest that they are more product focused than they claim, since the majority of work hours for Company G are used on product development rather than on sales. However they try to regularly use feedback from several potential pilot customers to ensure the connection with actual market need. Lately this has also been the case for case company F where most of the work has been centered on developing the product and obtaining funding for the company. In the case of interviewee I on the other hand he has

followed a very different approach in his two start-ups, I1, the oil & gas software start-up, and I2, the developer software start-up. In I1 they were very marked focused and acquired a pilot customer very early in the process, which they developed the product in collaboration with, and the pilot customer proved that there was potential customers willing to pay for products solving this type of problem. In the case of I2 however they are much more product focused, they develop a software package with may be useful and timesaving for their customers without anchoring the development with a pilot customer. This however is a conscious tactic to establish the product in the academic sectors, thus encouraging students to advocate the solutions when they start working. Case company H, the consultancy start-up, is probably the most market-oriented company off all the entrepreneurial case because they are a consultancy start-up building their skillset through the prior and upcoming projects, which are initiated by an actual customer need.

6.2.2 GETTING IN CONTACT

6.2.2.1 Using personal relations and network arenas to generate leads

An important aspect when it comes to getting into contact with potential customers is the use of *personal relations* and selling through these. Thus establishing a bond that can be utilized in interface S1 in our conceptual model. For instance case company F, the digital estate start-up, has done a great deal of networking on the personal level in the funeral industry. They have built a close relationship with the leader of the funeral agencies union, which they believe help to increase their *credibility* and *validity* as a supplier when approaching potential customers and partners in the industry. All the case companies also stress that such relations can contribute with *information*, generating *leads*, *introductions* and help *facilitate* the first *meetings*.

Case company G, the HR application start-up, stresses the importance of physical meeting with the resellers and customers, and to establish a personal relationship with them. Furthermore it is important to utilize their advantage of being small by using more resources per customer. This enables start-ups to build close personal contacts with early customers. By involving such parties, as much as they can, the goal is to create positive word of mouth marketing and resellers get an extra incentive to sell the company's product. The CEO hopes this can give the start-up an edge with regards to later customer

acquisition by creating *active ambassadors* of those early customers and partners. Here we see that the personal relation obtained and built through S1, and conscious efforts through S2, might facilitate that such relations contribute as third parties, which will be discussed more subsequently. Case company I1, the oil & gas software start-up, on the other hand build personal relations to create internal ambassadors within large organizations thus enhancing the initiation efforts through S1 by having a positive force in the buyers interface B1.

Another important aspect of getting in contact with new potential clients or customers is to build a large network in the industry where you operate and use the network to generate new leads. All of the case companies highlighted this as an important aspect of initiation of new customer relationships. Personal relations are to a large degree overlapping with *industry relations* and network, as a relationship may be both personal and be a part of the company's industry network. The general impression from the case companies is that a relation is more valuable for initiation itself if it is connected to a relevant industry sector, and these relations can contribute with actual leads or relevant information that might result in a lead. The interviewee from case company J, the technology start-up, who has extensive entrepreneurial experience, believes that many small entrepreneurial start-ups often do not possess this network, and has to work actively with building a network. He proposed two ways they could do that, either by being active in industry associations, entrepreneurial associations, NGO's and so forth. Another way may be by recruiting experienced people with a larger network to either work for the company, to sit on the board of the company or as an advisor to the company. He believes these people could help open the doors to potential customers. Especially case F, the digital estate start-up, and Case G, the HR application start-up, have limited start-up and industry network compared to the other start-ups, and they clearly express this as challenge. Thus they have to build their network. Case company H, the consultancy start-up, also believed that it is important to meet people frequently, have lunch with important people in the industry and being part of various networking contexts like NGOs and trade associations. It is important to make yourself visible in these forums by participating in debates and lectures, similar to what company J suggest. Another interesting insight brought up in the interview is that it is

important to treat others with respect, and if any individual might end up losing face, and you can help them that might be profitable in the long run. Case Company H uses their personal relations extensively to initiate new customer relationships, and both previous co-workers and personal friends contact the firm about potential projects. The firm is very conscious to follow-up the personal relations they do have and recruit new employees with extensive enough network to acquire projects on their own. The CEO of case company G, the HR application start-up, also emphasized the importance of participating in trade and industry fairs and organizations. It is also possible to leverage existing relations to establish new relations, such as for instance contact former employees and so forth. Case company F, the digital estate start-up, participated on a trade fair and they believed that it helped them a great deal when it comes to building network in the industry.

Another approach to building an industry network was used by case company I1, the oil & gas software start-up, they actually hired consultants who had an extensive network in the oil & gas industry, and used their network to initiate new customer relationships. These consultants worked as *door openers*, thus allowed the company to present their product. Case company J, the technology start-up, also want to sell their product through their industry network, and expressed the importance of network when selling to large companies, because without a network it may be almost impossible to get the first meeting with the company. They express that a potential customer are more restrictive if they do not know you, and in addition you do not know where to start calling, who the decision maker is or how the company are organized. Case company J has significant experience with international sale, which are very helpful when targeting large international organizations. With regards to tactics to build relations internationally it is important to leverage the network locally, since it is very likely that there might be relations relevant for international expansions at home according to case J. Furthermore the interviewee highlighted the value of planning ahead, to ensure a fruitful trip by for example pre-booking meetings.

Case company H, the consultancy start-up, brought up the distinction of public and private sector customers with regards to relations. The interviewee found the public tender rules to be very rigid, and he believed that relations might play a crucial role when it comes to

initiation. He justified this with his experience from sitting on the purchasing side of these tenders, and he believes that if the person screening the tenders know about your company it is easier to obtain a position at the top of the pile of offers. Because of the strict tender rules the networking must be done in advance before a project are put out to tender, and the value of such early efforts is summarized nicely by a quote introduced in the interview; "If a request for tender dumps down in your mailbox that you didn't know was coming, you should refrain from answering it. As you can be 100% sure that there is some other company who have been in the loop and affected how the request looks like, and then they are much better positioned." In the private sector, on the other hand, the entrepreneurial start-ups express that the process is much easier, and relations can be a way to establish a good position. The other start-ups have very little focus on public sector customer, and this is most likely due to the rigid purchasing structure and the impression that a public buyer are less likely to take the risk of purchasing from a start-up.

6.2.2.2 Building reputation and awareness

In general the impression from the interviewees are that marketing activities, such as *branding*, might be prioritized as less important during a product development phase. They still think such efforts are important, but their efforts suggest that moving forward with the development are even more important. Although we see that general networking and relationship building are a focus area, which also provide an effect to build *awareness* around the firm and solution.

Especially case company J, the technology start-up, is focused on creating media publicity, news updates on their web site and awareness around their solution. They think this is important, as a way to prepare for sales through their web shop. In addition they will also use traditional marketing like Google adwords and attend relevant trade fairs. Company I2, the developer software start-up, also have plans for similar efforts in the future, but the marketing efforts have not been a focus area. Despite the low publicity have 85 test users from all over the world started the testing. Creating an Internet religion that creates positive third parties, as described in the empirical findings, have been important to do this according to the case company. Although, up until now they have not done much to create this religion other than getting the word out, attending one academic seminar where a

paper was published, but later they plan to use more traditional marketing like Google adwords to spread the word. Additionally they plan to initiate new customer relationships through two additional channels, namely by establishing a consultant division which will provide development products for the SMB market, and try to acquire some big companies as customers. Case company F, the digital estate start-up are, in the process of producing a brochure which they plan to distribute to the funeral agencies to create awareness around the problem, but they have also attended work-shops to discuss the upcoming challenges with digital estate. As well as obtained media attention when individuals struggle with similar problems. Thus they have worked actively to build awareness for their company and the issue of digital estate. Case H, the consultancy start-up, however mostly use relations, as discussed earlier, thus their branding and awareness building activities are their relationship building activities and their deliveries through their projects. Case G, the HR application start-up, have focused mainly on pinpointing the actual need in the market and developing the software without any conscious market efforts, but this is likely to change when they launch the product. They have however cold called a lot of potential pilot customers, but this is an effort they find very time-consuming and with a low hit rate. But sometime they get lucky, and it is also a process to learn about the niches and segments that need their product the most.

6.2.2.3 Using important third parties to generate leads

Third parties may also act as important influences when getting in contact with new customers. All of the entrepreneurial case companies believed that third parties are very important in initiation of customer relationships because satisfied customers may generate new *leads*, and they can be used as *references* when approaching other potential customers. For instance case company G, the HR application start-up, had a case where a pilot customer brought another possible customer to a meeting, which in time also became a pilot customer. In addition, the CEO express that they have a routine to always ask whomever they are meeting with if they know someone else that might be interested in their software solution. Case company J, the technology start-up, and F, the digital estate start-up, stresses that it is important to work closely with suppliers and partners to get tips on potential customers, and that this is a win-win situation for both parties. Case G, the HR

application start-up, and case H, the consultancy start-up, said that third parties, as well as references, might help to lower the barriers for a potential customer by raising confidence and reputation. This is also something the other case companies agree with. Case company I2, the developer software start-up, on the other hand uses third parties even more actively in the selling process, as they hope to create an eco-system that will encourage ICT companies to buy their development kit. Today they focus on distributing free academic developer previews, and they hope that these innovators using the preview can contribute as active third parties within their own organization. In addition, by distributing it to universities and students they try to establish the product in the academic environment, which hopefully will propagate to the commercial business since the third parties coming from the academic environment are going to promote the product to their future employers. This enables them to eventually obtain SMB customers, and subsequently use them as references when trying to acquire larger firms as customers.

In the situations above we see how the start-ups leverage third parties, through their efforts in interface S2, to influence the initiation process directly through T2. Thus they enable an *active* third party that contributes with, for instance, leads or introductions for meetings. Furthermore, the effect of having third parties as references increases the *credibility* and *reduces risk*. The best way of ensuring positive third parties, according to G, the HR application start-up, and H, the consultancy start-up, is to make sure you always keep your promises, make a good impression on all the people you meet and make sure your product or service is fulfilling the customer's needs. Thus under-promise and *over-deliver*, according to the interviewee in case I1, the oil & gas software start-up, and case I2, the developer software start-up.

Another important use of third parties for the majority of the entrepreneurial case companies is the use of *hybrid structures* as a sales channel. Hybrid structures are a good sales channel for start-ups because they require less resource commitment, and they enable a start-up to reach a large customer base, according to several of the case companies.

Case company F, the digital estate start-up, and case G, the HR application start-up, rely heavily on the use of *distributors* for their products. Although both companies also do some

sales themselves, the main focus is on selling through distributors. Case company F for instance wants to sell their service through funeral agencies and have partners in the digital estate industry that can introduce potential customer to case company. Case G has a segment that is defined by what kind of ERP solution the customer uses, and will use the distributors of these specific ERP solutions as a distributor for their product as well. These distributors already have existing customer relations. Thus the start-up can leverage the trust the resellers already have with the end customers, and they will have much easier task upselling an additional service than a small start-up using direct sales to sell a brand new service. The CEO hopes this will enable the firm to grow faster in even larger market, and with the use of fewer resources. Both companies' emphasizes the importance of maintaining good relationships with the resellers and show them that by selling the case companies products they will get additional value themselves. Case H, the consultancy start-up, also adopted hybrid structures as one of their main strategies for acquiring new customers. They have done this in two different ways, either through larger consultancies or through a collaborating with several smaller consultancies. When partnering up with larger consultancies the case company provide extra man power on projects sold in by their partner, thus having a hybrid structure that generate customers. The case company also stress the importance of positioning themselves in a manner so they avoid being competitors with their partners, or having a strategy or open dialogue on how one should handle the situation if the firms end up competing on some levels. Furthermore, they try to assess how important and valuable that potential competitor are as a partner, since in some cases it might be sensible to step down to ensure that one do not risk to compromise the cooperation. When collaborating with several small consultancies, they work together with several other companies to bid on a project, which they do not have the expertise or capacity to take on their own.

A way for entrepreneurial start-ups to be perceived as more stable, with stronger reputation and with higher validity is by *associating* their company with *academic organizations* like universities, research centers and researchers. In addition, this association may provide the company with financial support; help with product development and administrative support that might be just as important for the start-up.

This impression is shared among all the case companies. For instance case company G, the HR application start-up, believed that being associated with organizations of high credibility to some degree increase the legitimacy for start-ups. In addition, they mentioned that awards, incubators, grants and funds might also be a way to gain “external approval”. Another approach to this is to associate your company with high profile people from the industry or research environment. Case company I1, the oil & gas software start-up, and case I2, the developer software start-up, both made use of this approach, to help the company with product development, network building and increasing validity and legitimacy. However the interviewee from case company J emphasized the importance of not letting these high profile technical experts dictate your company due to risk of not prioritizing the market efforts.

Here we see the effect of third parties influencing the process through T1, as being associated with organization, such as Norwegian University of Science and Technology (NTNU), provide some *credibility* when initiating relationships. Case J, the technology start-up, highlighted that the international value of such associations are limited, since local names and logos are not recognized internationally. Furthermore, our impression from the interviewees is that the actual value of such associating is mostly used as a way to obtain initial attention and as an “introduction” to get a meeting. Later in the initiation the effect wears off unless the start-up prove themselves. We also find it very interesting to see that the value of having an office space, being close to a test environment, having the ability to recruit exceptional technical competencies, being part of a entrepreneurial environment and so forth are highlighted as perhaps even more important than the reference value of having their origin at some universities or contributing to initiation in other manners. None of the case companies have described universities or incubators as an active third party providing leads, apart from I2, the developer software start-up, who introduces their products through courses at the university to build active third parties from the students. However, some of the case companies have obtained personal relations through such areas that led to actual customers. Furthermore, none of our cases is associated with the Technology Transfer Office (TTO), and since TTO is likely to take a more active involvement with start-ups they might contribute more as an active third party.

6.2.2.4 Routines & coordination – Focus on development & new customers

Our impression from the entrepreneurial start-up cases is that they are very conscious to have focused effort to obtain potential customers, or prepare for selling to customers. But the reality is that many of the entrepreneurs in our case companies struggle with product development, administration and funding issues that require significant effort. Case company J, the technology start-up, highlight that each individual in the organization is likely to work with several different tasks and have many responsibilities they share with the other individuals. Thus they lack the resources to have dedicated members working only with customer initiation. This is also the case for several of the other case companies, thus reducing the abilities to use a lot of man-hours on customer initiation efforts. Case I2, the developer software start-up, for instance currently used most of his time on an emissions and continually ensuring good enough liquidity. Case F, the digital estate start-up, also focused on funding and case G, the HR application start-up, used most of their time on product development. Case H, the consultancy start-up, had practices where they started to look for new projects some months before their current project ended.

Here we see that during a resource demanding development phase, and with limited access to funding, it might actually be difficult to prioritize efforts for customer initiation through S1 and S2. Although some start-ups fund the development by cooperating with a pilot customer, thus combining the efforts of initiation and raising funds, such as I1, the oil & gas software start-up.

Another important factor apparent from the interviews is that prior experience as an entrepreneur might help the start-ups to work more efficient, as highlighted by case J, the technology start-up, and case I2, the developer software start-up. The case companies with less prior experience such as F, the digital estate start-up, and case G, the HR application start-up, confirm that they use significant efforts on learning administrative task. Individuals with prior experience do also often have more relevant relations and knowledge about funding sources, thus easing the process to establish a competitive economy. Management experience are also likely to be of importance, and if we compare case company J, the technology start-up, with a experience manager with case F who consists of a student team, the responsibilities within the organization is much more clearly defined in case J. Case J

emphasized that the first phases of the start-up process do not need a rigid set of structures, but some guidelines and clearly articulated responsibilities. Later, when start-ups are growing the need for more routines will be apparent. When growing it is important to create a lean structure and utilize the opportunities a larger organization have to assign individuals to dedicated task. Thus create a better and more systematic sales funnel. Here we see that experience, large network and track record from prior start-ups and industry enables the firm to focus more on customer initiation, as well as product and marketing activities. Furthermore, spend less time on what can be considered “noise” such as understanding administrative task, people management and organizational growth, and assessing funding possibilities.

6.2.2.5 Understand the customer and tailor the approach

As highlighted previously, relations can be a source for introductions to potential clients, and in the same way provide *insight* on the buyer. In general, our impression is that if the information is available the start-ups adapt and *tailor* their initial approach.

An example could be company G, the HR application start-up, who express that having a meeting with the VP of finance or the technical manager of product are very different. Thus they highlight different value propositions depending on the individual they are having a meeting with. Case company F, the digital estate start-up, on the other hand obtained an increased understanding of the industry language by attending social industry events, thus improving their presentations and language. Case J, the technology start-up, stress that it is important to listen before providing the offering, thus improving the offering accordingly. Case I1, the oil & gas software start-up, and I2, the developer software start-up, thoroughly assess their customers, which results in a very different approach between the two start-ups

In general the start-ups obtain information from third parties through interface T3 in our conceptual model, and then improve their efforts as much as possible through S1. Several of the companies also try to understand a specific customer and their initiation practices through B1 to improve their own initiation efforts.

6.2.3 METING AND DIALOGUE WITH THE PROSPECT

6.2.3.1 Establishing a personal relation to the potential customer

The interviewee from case company G, the HR application start-up, stresses the importance of physical meeting with the resellers and pilot customers. Thus establishing a personal relationship with them and encourage other parties to build their own ownership towards the start-up. The goal is to get the individuals personally involved and engaged by the start-up and the product, thus strengthening the bond to customers and partners, which again make them easier to work with. By proving that you are a *trustworthy, reliable* and *credible* individual the *risk* and *distant reduces* from the customer perspective. Case company I1, the oil & gas software start-up, also actively tried to build personal relations with individuals within the buyer organizations, thus creating champions that could act as an *internal ambassador*. The case firm expressed a very conscious strategy to utilize such individuals after assessing the buying organization. Another aspect highlighted by case companies G, the HR application start-up, H, the consultancy start-up, I2, the developer software start-up, and J, the technology start-up, is the fact that is important to keep promises, and as mentioned before; under-promise and over-deliver. Case J and H also highlight that it is important to be positive to provide favors, since these can be harvested later when you need a favor yourself.

Here we see efforts in interface S1 that aim to ease and lubricate the initiation process, but as discussed previously it are also likely to have an effect through interface S2 to encourage active third parties.

6.2.3.2 Using important third parties to prove offerings and credibility

Third parties are important for the start-ups after the initial contact, and all of the case companies explain that it can be difficult to overcome perceived *risk* and lack of *trustworthiness*. Case F, the digital estate start-up, and case G, the HR application start-up, try to overcome this by using hybrid structures, as these third parties in many ways pre-approves the solution and company for the customer, thus signaling a proven offering and credibility. In these cases the third parties function to *accelerate* and *validate* the start-ups by taking active actions through the interfaces in our conceptual model. Case I2, the developer software start-up, also try to utilize third parties to accomplish a “technical sale”

in contrast to what they called a “commercial sale”. As mentioned before, they want to establish an eco system where technical experts and the academic environments validate the offering before targeting companies. Thus, they can harvest the reputable opinions of experts and use this as “proof” of ensured monetary value from the product, as this have the power to convince the management. The commercial sale, on the other hand, is to target a specific firm and patiently build a reference base, but in I1, the oil & gas software start-up, they experienced that it was hard to convince the management without technical experts confirming the product and the monetary offering. Either way, *references* are an important type of third parties, and all the case companies acknowledge the value of a good reference to validate the trustworthiness. Furthermore, can we see in case H, the consultancy start-up, how they leverage third parties to overcome lacking in competence and thus collaborate with partners to be able to satisfy the customer requirements.

Entrepreneurial start-ups in general lack a track record and an established reputation, thus all the case companies have efforts through S2 to encourage or utilize third parties in the initiation process.

6.2.3.3 Understand the customer and tailor the value offering

Our general impression from the case companies is that understanding the buyer after the initial contact are important, as understanding the *motives* and *forces* influencing the process can help the firms to *tailor* their presentations and approach. That being said the actual efforts or corrective actions taken based on the feedback or knowledge obtained *varies* among the case companies. Since the entrepreneurial start-ups in general have a more product-oriented practice, and *limited resources* to alter the offering and products the abilities to actually tailor the offering might be limited. Case company G, the HR application start-up, for instance stress the fact it is important to understand the customer to tailor the value proposition and how they will present that proposition, but changing the actual product have a significant changing cost. Thus cost demanding changes has to be justified by large or strategically important customer. Therefore, will feasibility studies and market research before actual meeting and dialogue be valuable to target the best niche with a attractive customer group that matches the capabilities in the firm, as discussed in earlier. Company I, the developer software start-up, also support this by expressing that it is

important to stay *focused* on a path, and decrease the amounts of *detours* even if one customer might be tempting. Most important is when going on a detour it should also be in a focused manner, thus pursue the current path to the fullest.

In some cases will such detours be the correct path to take, and it is very normal for the entrepreneurial start-ups to development the product or service in a joint effort with either a larger company or a pilot customer company. This also helps the entrepreneurial start-ups to overcome resource scarcity, and build a reference base. When conducting the cases we discovered that the some of the case companies has very different views on the usefulness of this approach.

For instance case company I1, the oil & gas software start-up, developed their product in collaboration with a large pilot customer in the oil & gas industry. They hoped that this pilot customer could be a valuable reference for later initiation and confirm the willingness to pay. As mentioned, working with a large organization was challenging, as they had to influence several intra organizational decision makers, internal R&D departments and budgets, influencers and gatekeepers. Thus they worked hard to create internal champions and map out the influencers, the money flow and decision makers. In retrospect the interviewee express that they were too dependent on a single company and adapting the software to fit that single company, was not a wise decision. Because the collaborative developments lead to that the case company's product were adapted to fit the pilot customer perfectly. When the pilot customer did not purchase the product the development was done to no avail. In addition it made it much more difficult to sell the product to other potential customers, since other potential buyers wondered why the first pilot customer did not purchase the finished product. He we see that start-ups struggle by balancing exploration and exploitation of opportunities. Even though I1 is a success the founder chose a different approach in I2, the developer software start-up, as they do not develop in collaboration with anyone, however they do get feedback from the test users on a regular basis. But the case company is much freer to steer the development themselves. Both case company F, the digital estate start-up, and case G, the HR application start-up, make use of a pilot customer approach, although with a more loosely connection to their pilot customers. They actively seek feedback on their products and actively involves the

customer in the development process. In contrast to I1, the oil & gas software start-up, they are not so tightly connected to the pilot customers, and is free to develop the product as they think is best. Based on these three case companies it seems that it is very important for start-ups to ensure that the tailoring they do are not too much, thus the product improvement has to be made in a way so it contribute for later income and initiation processes. Furthermore cooperating with a large pilot organization can be very challenging for a start-up, but the value obtained can also result in a proven product with a market. Involving firms only for testing are likely to be easier, but then start-ups need financing from other institutions. Case company H, the consultancy start-up, utilizes “product development” with pilot customers extensively, since competencies learned can be resold as a new project to the next in many situations, but being a consultancy start-up the cost of adapting their efforts is low.

Another important factor highlighted in the literature is the actual presentation and articulation of the value offering, and the interviewee from case J, the technology start-up, who has experience as an advisor for start-ups, highlighted that many start-ups struggles with articulating their value proposition and communication it to a potential customer. The main thing he tried to teach the start-ups are how to communicate the value of their product; what you say, what you write, and how you present it. He stressed the importance of listening to the customer first, and then subsequently tell customer what you can deliver in accordance with their problem. Thus tailoring the presentation based on the insight on the customers need, problem and requirements. Furthermore, case company J claimed that technology savvy individuals are not necessary the best salesmen, thus start-ups might improve by reading simple sales literature and online material. Addressing a very delicate problem with their product case company F, the digital estate start-up, have assessed thoroughly how they should be appear to the customers, but again it is hard verify without starting to sell. Company G, the HR application start-up, try to evaluate their meetings and reactions from customers to improve their efforts. Selling to a very large organization I1, the oil & gas software start-up, was very conscious to tailor the presentation to whom they very addressing internally and use demonstrations as a way to prove the value of the offering.

In general, all of the case companies assess how the buyer influence initiation parties through interface B1 in our conceptual model. The actual efforts by the seller, through S1, to tailor the approach and offering to the understanding of the buyer are different between the companies. Some important factors with regards to the degree of tailoring are the *cost of change* and *strategic value* for later initiation.

6.2.3.4 Customer contact and follow-up of potential customers

Another aspect uncovered through the cases, and were frequently highlighted by the case companies, are how one should go forth when *keeping in contact* with potential customers and follow up of potential customers after, for instance, a meeting. Due to the fact that most of the entrepreneurial start-up mentioned this and thought it was important, we have chosen to include it as a topic in the empirical discussion. The interviewee from case company I highlighted keeping in frequent contact with potential customers as one of the most important aspects for success for an entrepreneurial start-up. As a result case company I2, the developer software start-up, works very actively with follow-up of their test users on a weekly basis.

Several other interviewees support this statement, for instance the CEO of case company G, the HR application start-up, stated that; "In a development phase we risk to fall out of the consciousness of the potential buyer, thus it is important that we remind them from time to time so we avoid situations where we have to start over again or being turned down without opportunity to "recreate" the need/want for the buyer." Thus several of the case companies regularly contact important relations with updates about progress, ask for relevant contacts and information, or just to check in. Case J, the technology start-up, stress that such efforts is especially important if it is some time since the firm heard from them. Company F, the digital estate start-up, for instance are doing weekly follow up calls to the funeral agencies, as this is important for building good relation and trust. The interviewee from case company J also stressed the importance of following up after a meeting with potential customers. In many ways these efforts are also efforts to build personal relations through S1 as mentioned earlier, but we have highlighted it here since these efforts also try move the entrepreneurial start-ups *overall status* from *unrecognized*, *recognized*, *considered* and finally to a *contract*. To accomplish progress in the initiation, all of the case companies

emphasizes that it is extreme important to keep *momentum* and that the start-up have *faith* in themselves as well as the product. This signals confidence and shows abilities to execute to the customer. Furthermore, it also ensures, or decreases the likelihood of customer forgetting, avoiding a dormant initiation process, or moving the overall status for the seller as a potential supplier backwards.

6.3 CROSS CASE DISCUSSION AND ANALYSIS – HIGHLIGHTING THE IMPORTANT ASPECTS

In this section we will conduct a cross discussion and analysis of the two groups of case companies, thus comparing and discussing entrepreneurial start-ups and consultancies as a group. We will highlight the findings which we believe are of most importance for an entrepreneurial start-up with regards to initiation of customer relationships. The structure of this section is the same as two previous sections, thus based on a seller's perspective on initiation. First we discuss *establishing a strategic foundation*, then *getting in contact* and last *meeting and dialogue with prospects*.

The aspects uncovered through the empirical data, which were highlighted in the previous sections, are also included with the exception of "Incentives, sales volumes and sales efforts". That topic was uncovered in the consulting case interviews, and even though the aspect is interesting for understanding initiation practices, we have removed it from further discussion as our understanding of the aspect do not contribute to actual actions and measures that entrepreneurial start-ups can use to improve their initiation efforts.

6.3.1 ESTABLISHING A STRATEGIC FOUNDATION

One important aspect for *establishing a strategic foundation* is **choosing a marked niche**. The general conclusion from both the consultancies and from the entrepreneurial start-ups is that they all have chosen a relative small niche, although because of slightly different reasons. In general the consultancies have chosen a small niche because they possess very specialized competences in that niche. In addition a small niche allows the consultancies to build and maintain a large network within the niche. The entrepreneurial start-ups, on the other hand, often focus on small niches with technology enthusiasts, which they may use to

expand into more mainstream markets. In addition, several of the entrepreneurial case companies have a product with a nature that appeals only to a small niche.

Another important aspect when *establishing a strategic foundation* is the **choice between a marked or product driven philosophy**. However the aspect was not discussed in the literature review in our thesis, but since it came up frequently in the interviews, we have chosen to highlight it as an important aspect in the establishment of a strategic foundation. All of the consultancies in the study consider themselves as marked driven. They never launch a new service without seeing a need and a willingness to pay in the market. Several of the interviewees from both types of case companies believed that many start-ups follow a product driven philosophy, and that this could lead to neglect of the marked aspect. However this claim that many start-ups are product driven was not unambiguously supported by the findings from our case study, because all the entrepreneurial start-up considered themselves as to some degree marked oriented, although they may struggle with the implementation, and as a result may unconsciously become more and more product driven in their activities. The notion that a too large product focus would lead to a neglect of the marked aspect, were supported by the findings from the case study, as several of the entrepreneurs were conscious about the risk associated with having a too large product focus.

In sum this suggest that an entrepreneurial start-up with regards to *establishing a strategic foundation*, should choose a small niche and in addition adopt a marked driven philosophy.

6.3.2 GETTING IN CONTACT

Using **personal relations and network arenas** is an important aspect of *getting in contact* with new customers. The findings from the consultancy cases mostly consist of using personal relations to generate leads and information. These personal relations may have been obtained through, for instance, previous projects and previous work experience from the customers industry or through participation in various other network arenas. The consulting firms use these relations in order to obtain insight about the customers and their needs, and subsequently use this as an entry point. They believe that it is a lot easier to initiate relationships with a potential customer when they already have some insight,

since they are more likely to provide the buyer with interesting offerings. The findings from the entrepreneurial cases are coherent with the findings from the consultants, as they also believe that social relations to people in the industry are extremely important. However, many of the entrepreneurial start-ups struggle with a smaller network than the consultancies. Thus prior experience in the entrepreneurial start-up organization might be very valuable for initiations. When the founder lack such prior experience and network they can compensate by approaching individuals with large network, and engage them as their advisors or board members. Building a network is very important for the entrepreneurial cases and they highlight the importance of being present in, for instance, industry association, NGO's, and entrepreneurial associations. Consultants often arrange arenas, such as for instance breakfast seminars, but due to limited resources and perhaps lack of an established academic reputation this might be troublesome for entrepreneurial start-ups. However, we encourage entrepreneurial start-ups to think creative on how to establish important relations and create network arenas.

Another important aspect of *getting in contact* with potential customers is **building reputation and creating awareness**. All of the case companies believe that building reputation and awareness is important for initiation of customer relationships. However, how each of the cases goes forth in building reputation and creating awareness is very different from case to case, as well as done unconsciously through other activities as, for instance, network building. Therefore we do not propose a specific measure an entrepreneurial start-up should take in order to build reputation and create awareness, but we acknowledge the importance of these factors.

The aspect of **using important third parties to generate leads** is also interesting in a *getting in contact* context. Both the consultancies and entrepreneurial start-up case companies highlights the importance of building positive third parties and utilizing them to generate leads, get introductions and overcoming objections. The best way to generate positive third parties are according to both the consultancies and the entrepreneurial start-ups to make sure you always keep your promises, make a good impression on all the people you meet and make sure your product or service is fulfilling the customer's needs. In addition, several of both the consultancies and entrepreneurial start-ups case companies

have positive experiences of establishing hybrid structures in order to generate new leads, or using a reseller or distributor, thus allowing them to have a faster marked growth than they would have managed on their own. Finally, several of the entrepreneurial start-ups highlighted the importance of being associated with academic organizations like universities, research centers and researchers. They believed that this would help an entrepreneurial start-up to be perceived as more stable, with a stronger reputation and with higher validity with regards to the initial contact.

Another important aspect in the context of *getting in contact* is **routines & coordination**. Here we see that the consultancies and entrepreneurial start-up are very different. The consultancies have routines and coordination efforts that focus mainly on existing customers and maintaining a large organization, while entrepreneurial start-ups, on the other hand, focus most of their efforts on new customers and coordinating a smaller team. Several of the consultancies focuses on selling new services to existing customers, for instance, services from another department of the company. The entrepreneurial start-ups are as mentioned very focused on obtaining new customers, however with limited resources this is often given a low priority due to pressing matters of getting funding, product development and administrative tasks. The entrepreneurial case companies highlight that if an entrepreneurial start-up had employees with prior experience with start-ups, this would aid the processes of getting funding and administrative tasks, thus freeing up more time and resources to obtaining new customers.

Understand the customer and tailor the approach is also an important aspect of *getting in contact* with a potential customer. Both the consultancies and the entrepreneurial start-ups believe that it is valuable to understand the internal purchasing process and organization. This enables the company to tailor their initial approaches according to the customers buying organization.

In sum this suggest that an entrepreneurial start-up with regard to *getting in contact* with customers, should actively make use of personal relations in order to generate leads and should be active in networking arenas in order to build these relations. In addition, we believe that entrepreneurial start-ups should be aware of the importance of building a

reputation and creating awareness. Entrepreneurial start-ups should actively try to build positive third parties, and utilize them in order to initiate customer relationships. Additionally, entrepreneurial start-up could consider utilizing hybrid structures, and consider establishing an association with academic organizations. An entrepreneurial start-up may try to employ people with previous start-up experience in order to be more effective in the day-to-day tasks. Furthermore, they could attract employees, board members or build advisors in a advisory board who have relevant industry experience and relations, as industry relations are likely to open doors to potential customers. Finally, an entrepreneurial start-up could tailor their approach to a customer in accordance to their buying organization.

6.3.3 MEETING AND DIALOGUE WITH THE PROSPECT

An important aspect when it comes to *meeting and dialogue with the prospect* is **establishing a personal relation to the potential customer**. Both the consultancies and the entrepreneurial start-ups highlight the importance of establishing and nurturing a personal relation to the customer. Some aspect that the entrepreneurial start-ups highlights are to create a personal relation with resellers and distributors, as well as try to create creating champions for your product in the customers organization that could act as an internal ambassador.

Another important aspect for *meeting and dialogue with the prospect* is **using important third parties to prove offerings and credibility**. All of the case companies agreed that third parties might play a role when buyers evaluate potential suppliers and considers buying a specific solution. They highlighted that third parties might contribute by validating the credibility and offering for the buyer, as well as building trust and reducing the risk perceived by the buyer. In these cases third parties may function to accelerate and validate the start-ups by taking active actions through the interfaces in our conceptual model. We believe that it is important for an entrepreneurial start-up to assess third parties who might influence the initiation process and focus on building positive third parties.

Another important aspect when *meeting and dialoging with the prospect* is to **understand the customer and tailor the value offering**. The consultancies highlighted the importance of understanding the need of the customer and tailor the offering to the customer and need. The entrepreneurial cases also agree with this. However several of the start-ups sells a products instead of a service, and altering the offering of products will usually be more costly and resource demanding than altering a consultancy service. As a result it is very important for start-ups to ensure that the tailoring they do are not too much, thus the product improvement has to be made in a way so it contribute for later income and initiation processes. In addition both consultancies and entrepreneurial start-ups highlights the importance of presenting the value offerings in an attractive and professional way.

We believe that **customer contact and follow-up of potential customers** is an interesting aspect when it comes to *meeting and dialoging with the prospect*. The entrepreneurial cases highlighted the importance of having frequent contact with potential customers, thus ensuring that they do not fall out of the customer's consciousness. They stress the value of following up the customers, after for instance meetings and other encounters. The case companies also emphasized that it is extremely important to keep momentum and that the start-up have faith in themselves as well as their product.

In sum this suggest that en entrepreneurial start-up with regards to *meeting and dialogue with prospect*, should actively try to establish a personal relation to the potential customer. In addition they should continuously assess which third parties that may influence the initiation process, and actively take measures in order to ensure that these are positive third parties. In addition they could focus on understanding the real need of the customer and tailor the offering in a sustainable way. Entrepreneurial start-ups should strive for frequent contact with potential customers and keeping up the momentum of the start-up. Finally, they could establish a set of principles for following up potential customers.

6.4 FINAL COMMENTS

In this chapter in the thesis have we discussed the consultancies, then addressed the entrepreneurial start-ups, and last discussed these two groups in a cross discussion. Our

theoretical understanding of a seller formed the foundation for our understanding. During the gathering and analysis of empirical data we discovered new aspects that was not included in our conceptual model, thus the discussion have be extended with the uncovered aspects. Our revised understanding of a seller's perspective with regards to initiation is summarized in Figure 21.

In general we expected the consultancies to be more different from each other, since we explicitly choose consultancies from different niches. But during the case study we have found that they are very similar in most of the key aspects, which is interesting and indicate that consulting companies have fairly similar initiation practices even across many industry niches. With regards to the entrepreneurial start-ups, on the other hand, we expected to find even more differences between the case companies. Our empirical findings also illustrate more differences, which is as expected since the prior experience of the founders and the nature of the product offering have a large impact on the initiation practices. In sum we have obtained insight from a broad specter of niches and types of consulting firms and entrepreneurial start-ups, and highlighted several similarities and differences between the cases.

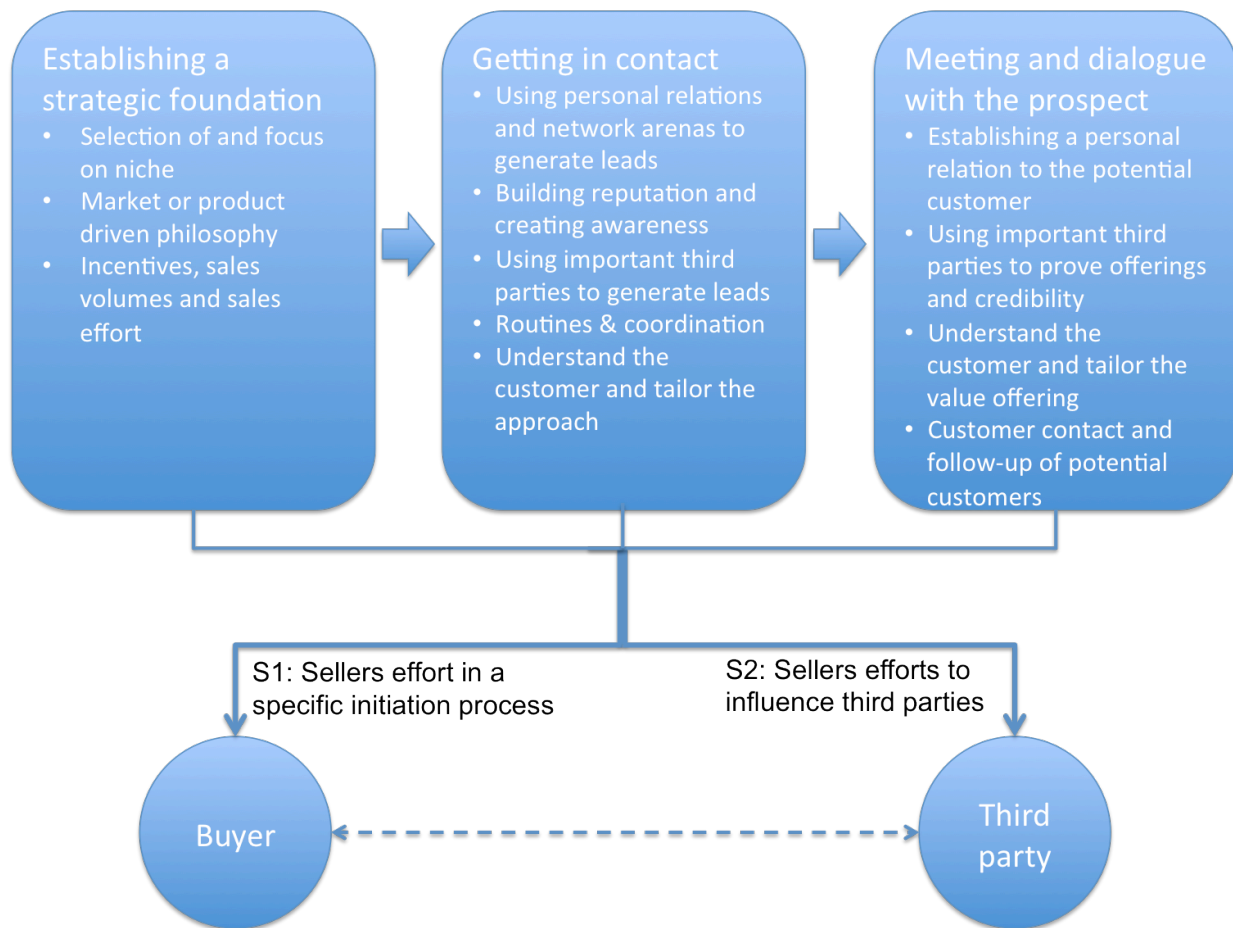


Figure 21 – Revised key aspects in initiation from a seller’s perspective

7 CONCLUSION AND IMPLICATIONS

7.1 CONCLUSION AND FULFILLMENT OF THE RESEARCH QUESTIONS

The main *aim* of this master thesis was to find out how an entrepreneurial start-up company could go forth when initiating new relationships with customers. The goal was to contribute to how entrepreneurs can be better in their customer relationship initiation efforts. The aim was broken down into five research questions, which we have answered in this thesis.

The first research question was; *How the initiation of a relationship progresses, and which sub-processes and factors are important for building a new relationship for an entrepreneurial start-up.* To answer this question we have conducted a thorough literature review in chapter three, covering the following categories and literature perspectives to ensure a thorough theoretical study of the phenomenon; relationship development, selling and buying, and network, third parties and social embeddedness. Through the literature review we have identified several key processes and factors that influence the initiation process. The relationship development literature have been grouped into key aspects and we have created a synthesis of four states, including a contextual aspects, which sums up important sub processes and factors that must be fulfilled during an initiation process, these are; (1) Pre dialogue state, (2) First contact state, (3) Forming the relationship foundation, and (4) Commitment state. In addition, the contextual aspect involves sub-processes such as continuous re-evaluating, status updating and information sharing. Secondly we have grouped key aspects from the selling and buying literature into three phases that describe the phases in initiation from a sellers perspective, namely; (1) Establishing a strategic foundation, (2) Getting in contact, (3) Meeting and dialogue with the prospect. In each phase, a seller will influence the initiation process through various activities. The third literature perspective, network and social embeddedness, contribute with how third parties and social relations influence the initiation process.

Based on the insights from the literature review we proposed *a theoretical framework*, presented in chapter four, that describes the initiation process. The model highlights that

there is a seller, a buyer and third parties who influence the complex initiation process through the following interfaces; S1 (seller influences the process directly), S2 (seller influences third parties), B1 (buyer influences the process directly), T1 (third parties influences the process directly), T2 (third parties influences the buyer), and T3 (third parties influences the seller). Start-ups can directly influence the initiation process through sales effort in S1 and facilitate positive influencing by third parties through S2.

Furthermore, we introduced the analogy of a maze of traffic lights to describe the initiation process. We believe that our literature review in chapter 3 and the proposed theoretical model in chapter 4 sufficiently answers research question one.

The following three research questions were; (2) *How do consulting companies proceed to initiate new customer relationships?* (3) *How do entrepreneurial start-ups proceed to initiate new customer relationships?* (4) *What are the best practices used by consultancies and entrepreneurial start-ups and what are the similarities and differences in their approaches to initiate new customer relationships?* These questions were answered by conducting a multiple comparative case study. The findings from the study are presented in chapter five, and subsequently discussed in the context of the *theoretical framework* in chapter six. Through the implementation of this study we have acquired empirical insight into how consultancies and entrepreneurial start-ups proceed to initiate new relationships, thus answering research question two and three. The main conclusions from the study with regard to consultancies were that they focus most of their efforts on existing customer relationships, and even in a situation with a new customer they usually already have an existing relationship with the new customer one some level. This is due to the fact that the consultancies are very niche and industry focused, and has a very large network and highly specialized competence within their niche and industry. Another important finding from the consultancies are that even though they have routines and systems for their initiation efforts, a lot of their organizational efforts are dependent on each individuals approach to initiation. The main conclusions from the study with regard to entrepreneurs were that they highlighted the importance of keeping the client “warm” through regular follow-up and involving the customer in the product development in a sustainable manner. In addition the entrepreneurial companies focused on taking advantage of network effects by,

for instance, making use of hybrid structures. Research question four is answered by comparing the findings from research questions two and three, which is done in chapter 6. We have found many similarities as well as some differences between the two types of companies, as highlighted above. The important aspects uncovered in the cross case analysis, together with our theoretical understanding, are the basis for the implications for entrepreneurs in the next section. It includes, for instance, having a niche focus, keeping the momentum up, and building and utilizing a large network.

The last research question was; *How may a small entrepreneurial start-up make use of the insight provided by the literature review and the best practices uncovered in the case study to improve their processes of business relationships initiation?* We believe this question is partly answered during the literature review discussion and our proposed model in chapter four, and through the discussion of the empirical findings in chapter six. In these chapters we have highlighted what we believe to be the most important measures an entrepreneurial start-up might use to improve their initiation process. These findings form the foundation for the following section regarding implications for entrepreneurs, where we group and present what we believe to be the most important measures an entrepreneurial start-up may take in order to improve their initiation process. Thus answering the last research question.

7.2 IMPLICATIONS FOR ENTREPRENEURS

For entrepreneurs the process of initiation might be perceived as blurring and complex, and this is no surprise since the initiation *are* a complex process that consist of several important sub-process and might be influenced by several actors and situational factors. Thus we encourage entrepreneurs to acknowledge the complexity and utilize our proposed conceptual framework to improve their understanding of initiation and the fact that third parties might influence initiation. But it also important not invest too much time in analyzing the complexity, and the empirical findings strongly suggest that start-ups can profit from establishing a set of fairly simple principles and guidelines as a way to overcome the complexity through simplification. Furthermore, it is important for entrepreneurs to acknowledge that initiations of relations are very important as they build

the foundation for possible profitable relationships, thus it is important to ensure good initiation practices.

The findings from our thesis can help entrepreneurs to become more aware of how initiation progresses, what sub-processes it consists of and which actors that influence the process. We have provided several measures throughout the thesis for how an entrepreneurial start-up may improve their initiation process. These measures are grouped and summarized in the following paragraphs according to phases in initiation from a seller's perspective, see Figure 20. These are (1) Establishing a strategic foundation, (2) Getting in contact with customers and (3) Meeting and dialogue with those potential customers. Furthermore, we want to highlight how a sellers effort in each phase are a combination of measures to improve the initiation directly through interface S1 in our model, but also activities through interface S2 to facilitate positive involvement from third parties and network relations.

Establishing the strategic foundation is the building block for later initiation efforts, thus firms need to ensure good practices and strategies to facilitate proper sales effort through S1 and network enhancement efforts through S2. The following is a synthesis of important insight that can be used by entrepreneurial start-ups:

- Initially choose a small market niche – Ensure that the niche is as good references for future potential customers
- Adapt a market driven philosophy
- Proactively assess the network and network actors, product, capabilities, and initiation profile.
 - Assess resources availability
 - Assess the start-ups existing network and personal relations
 - Assess and identify relevant third parties and actors in the industry. Assess their role, function, type and activity mode in the initiation process.
 - Assess network opportunities

- Assess whether the product has any network enhancing properties. Take this into account when choosing focus areas and channels.
- Analyse the start-ups own capabilities and utilize the strengths in direct initiation, but also to build network and positive third parties.
- Assess the start-ups initiation profile with regards to the following dimensions; reactive vs. active and direct vs. network-mediated
- Formulate an initiation strategy after assessing the situation
 - Formulate a conscious strategy to improve direct sales efforts
 - Formulate a conscious strategy on how to position the start-up and how to mobilize their efforts to facilitate positive contribution by third parties.
 - Formulate the strategy to engage as many positive active, reactive and passive third parties as possible.
 - Focus on key actors in the network
 - Formulate a business model and choose a marked channel early on, so it will be easier for the firm to prioritize the strategically important customer. Describe the perfect customer.
 - Consider possibilities to establish the start-up as a born global from the start, or establish a hybrid structure, or maybe can create an ecosystem by distributing product to for instance academic users for free, which may generate commercial income at a later stage.
- Seek help and establish relations to minimize administrative task and efforts needed to obtain funding.
 - Ensure enough time to prioritize customer initiation by removing as much “noise” as possible.
 - Assess the start-ups network in order to compensate for lack of competencies.
 - Actively associate the start-up company with or hire people that can contribute with prior start-up experience and industry relations, this will increase

credibility needed funding, can help with administrative and organizational advice, as well as contribute in initiation.

To improve a start-ups effort of *Getting in contact* with possible customers it is important to be conscious about building awareness through S1 and in addition build a network that possibly can influence the process through S2. The following is a synthesis of important insight that can be used by entrepreneurial start-ups:

- Attend every networking arena possible - If possible speak as guest speaker on these events. In addition a start-up may also host networking events themselves.
- Utilize existing relations to understand potential clients, obtain introductions and build awareness.
- Tailor the start-ups approach to a new customer in accordance to the customers buying organization.
- Be aware of the importance of building a reputation and creating awareness.
- Establish a set of simple rules for networking for everyone in the start-up (Eisenhardt & Sull, 2001)
 - This will encourage the individuals to look for potential opportunities and contribute with a more conscious networking.
 - The rules could, for instance, include that all the employees of the start-up should attend a weekly internal meeting where they discuss and compare their latest individual networking efforts.
 - These principles could include rules to ensure that the all members of the start-up are following up interesting network opportunities.
 - The principles should leave room for serendipity, as good opportunities may emerge at unexpected places, thus the rules could encourage every employee to talk about the start-up as much as possible.
 - Include rules that ensure a low threshold for asking the relations the start-up have if they know about any other relations that could be useful for the start-up

- Establish routines for codifying customer interactions, and utilize these in later dialogue.
- Leverage third parties and build references
 - Follow-up existing customers and partners as they may be a good source for future customers and information
 - Look at the possibilities for establishing a hybrid structure with a third party. Thus obtaining a larger sales channel through third parties.
 - Consider establishing an association with academic organizations.
 - Consider associating the start-up with people that have experience from the industry and have a large network in the industry. This may be done through hiring people, recruit board members or hiring consultants.
 - Consider using ICT tool to enhance the word of mouth effect

With regards to efforts to improve *Meeting and Dialogue with the prospect* the empirical findings suggest that entrepreneurial start-ups often can improve their direct sales effort and practices through S1, and utilize S2 to engage third parties in the process. The following is a synthesis of important insight that can be used by entrepreneurial start-ups:

- Keep momentum by frequent contact with potential customers
- Establish a personal relation to the potential customer - involve them personally as much as possible
- Tailor a well-articulated value proposition – It should be based on the problem and need from a customer perspective in a sustainable manner
 - Ensure that the start-up understands the problem and need from a customer perspective.
 - What do the customer actually want to pay for? Is this addressed by the value proposition?

- Tailor the value proposition and presentation to the customer need. Present the actual value of the product in a crisp manner the customer will understand.
- Try to express the monetary benefit for the customer. If start-up is unable to do that, how can one prove the monetary value? Is it possible to demonstrate the concept?
- Tailor the offering in a sustainable way, so that it still will be applicable for other potential customers.
- Establish a routine to follow-up existing customers and positive third parties regularly.
 - Focus on building a positive customer reference base.
 - Ensure that follow-up routines are included in the simple rules of networking.
 - Utilize CRM systems with alerts to do follow-up actions.
 - Publish and email regular updates to the network, but do not spam. Make sure that it is easy for any third party to replay or comment on the update.
 - Actively assess if it is possible to involve a third party even more in the start-up
- Continuously assess which third parties that may influence the initiation process - actively take measures in order to ensure that these are positive third parties
- Establish a learning culture to continually improve the start-ups sales approach
 - Acquire relevant lightweight sales literature with focus on articulating value propositions, meeting and presentation practices. Even the smallest tips and tricks can be useful, such as actually listening to the customer and let them do the talking the first meeting, and then later presenting a tailored approach for them.
 - Establish a culture to continually add initiation insights. Thus prioritize spare time to personal development of sales capabilities, and have every seller contribute by adding insight.

- Try keep everyone in the organization as engaged as possible, since individuals truly believing in a concept are perceived as more convincing and signals an attitude of hard work to deliver quality.
- Establish routines for evaluating customer interaction
 - Asses why do customers buy and why they do not
 - If possible, ask the customers to elaborate.
 - If possible, have routines where the employees evaluate each other after every sales task/interaction. This improves both the actual sales effort, and the awareness of the importance of good sales practice.
 - The main goal is to encourage and improve good direct practices sales practices, through S1, such as well-articulated value propositions or intriguing presentations. As well as to ensure that any customer perceive them as professional, thus removing bad habits with regards to meetings or weaknesses in the offer. Assess the need, the offering, and any presentations and dialogue with the customer.
 - The main goal is to uncover potential third parties influencing the initiation, through T2 and T1, as the start-up might be able to react to similar third parties in the future. Furthermore conscious formulate a strategy or tactics to handle these third parties. Assess the buying organization and relevant actors influencing.
- Establish a set of simple rules for customer interaction for everyone in the organization (Eisenhardt & Sull, 2001)
 - The rules should incorporate inputs and insights from the other efforts mentioned above
 - One of these rules could, for instance, be “we always send the customer a follow-up mail at the latest of one day after a meeting” or “always under promise and over deliver”, which are likely to be very fruitful in building a relationship.

- Ensure that the strategic targeted niche is anchored in these principles, so that a firm do not stray too far away from the niche and also identify threats of tailoring the product too much to a specific customer, thus making it harder to resell to others.
- Ensure that the principles capture the need an entrepreneurial start-up has to keep momentum in the dialogue, thus regular follow-up routines.
- Evaluate these principles when growing. A larger organization might need stricter sales routines. Use the opportunities to improve efficiency in the sales funnel by assigning dedicated persons to specific parts of the sales activities, such as separating booking meetings and doing the actual meeting.
- Explore different incentives to encourage sales activities, and at least track the actual results.

In this section we have highlighted what we believe are the most important and effective measure for entrepreneurial start-ups in initiation of new customer relationships, based on our theoretical and empirical insight presented during the thesis. These measures are summarized in Figure 22, where we have highlighted the measures proposed for each of the phases in the initiation process from a seller's perspective. The efforts and measures functions either as a way to influence initiation and the buyer directly (through interface S1), or to influence third parties (through interface S2) to help facilitate the initiation process or influence the buyer. Some of these measures will also have an effect that influence through both interfaces.

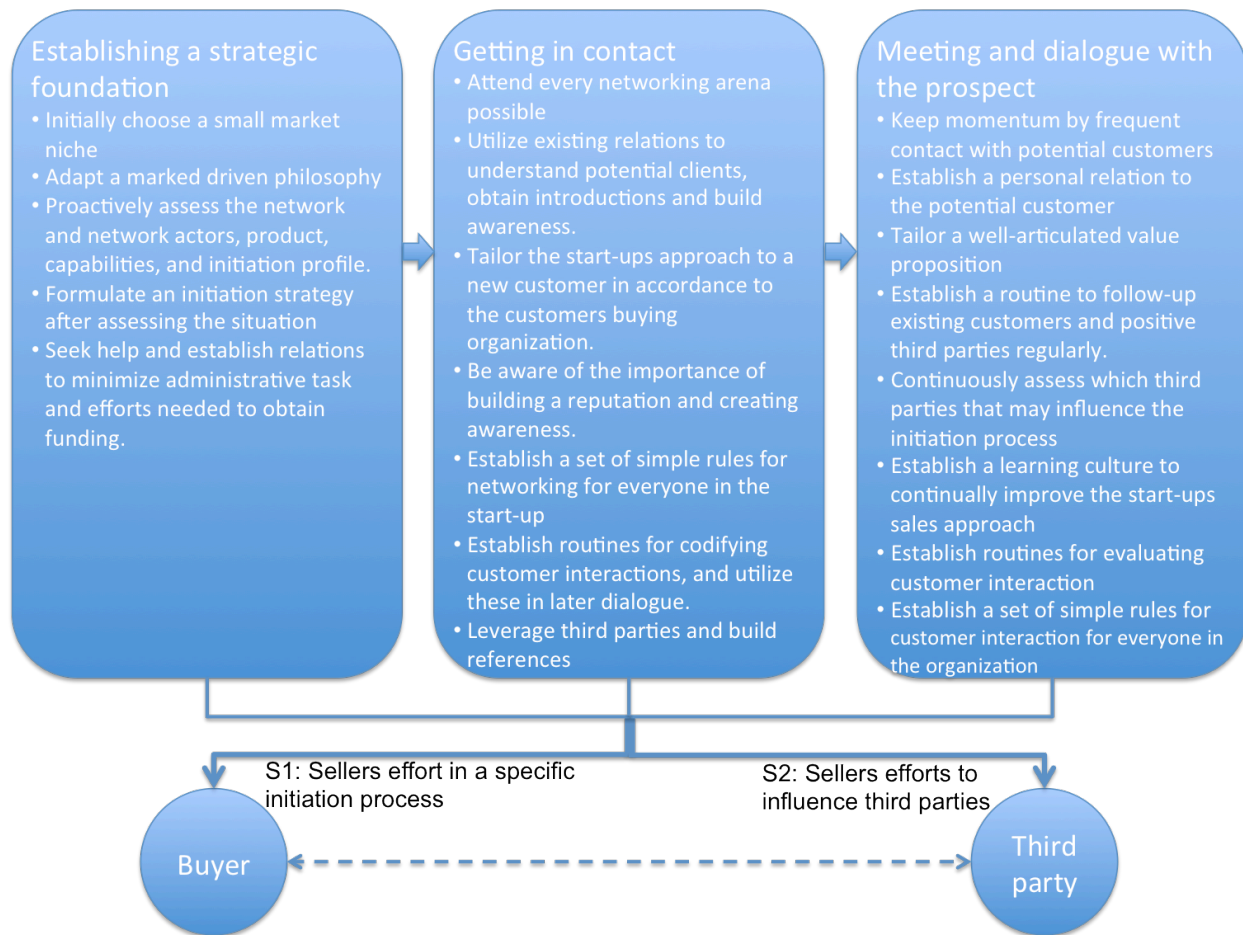


Figure 22 - Measures to improve initiation efforts for entrepreneurial start-ups

7.3 IMPLICATIONS FOR SOCIETY, UNIVERSITIES AND INCUBATORS

The initiation practices of entrepreneurs should be of interests to the society and breeding grounds of innovations, such as universities and incubators. The society and such organizations might reap rewards of new successful start-ups by facilitating a good initiation and learning areas for entrepreneurs regarding initiation tactics. Universities and incubators could for example contribute by arranging workshops or lectures to discuss initiation practices, teach conceptual models and best practices towards initiation. Furthermore, one could publish a summary of initiation insights in a book or online tailored for entrepreneurs. Our empirical findings indicate that start-ups benefit from being part of an entrepreneurial community, as this connects like-minded individuals and can function as a motivational factor for hard-working entrepreneurs. But we suggest that such organization could focus even more on creating explicit and conscious arenas or

events for learning initiation practices from each other. Thus encouraging a learning culture within the entrepreneurial community. The empirical findings also suggest that these institutions should help with administrative, test environments, recruitment areas and financing challenges, thus enabling start-ups to focus more on customer initiation.

Universities, incubators and other governmental parties may also acknowledge their role as a third party, and thus actively try to mediate for start-ups and create areas/events where start-ups can connect with potential customers. The empirical findings suggest that industry relations are very valuable within the industry niche a start-up is targeting, thus such organization should encourage niche specialist to contribute with their network within an industry niche. Universities could for instance facilitate and encourage informal ties between start-ups and the different research and academic departments, thus making it easier for start-ups to establish relations with informal advisors that can help them with industry network. Furthermore such institutions might ease the process of initiation for start-ups by letting start-ups use their name as references and reactively express positive opinions. This might help the start-ups to compensate for their “newness”, and gain increased credibility by being associated with such reputable and mature organizations. Our empirical findings indicate that the value of such references is most important in the first phases of initiation as a way to get in contact with potential buyers and establish initial credibility, and for later meeting and dialogue the seller have to prove their offering and capabilities on their own, but approval from specialized experts are likely to be crucial in the process.

7.4 FURTHER RESEARCH

This study has focused on gaining insight into the initiation process, and what is important for entrepreneurs and how they can improve their initiation efforts. Further research should focus on improving the generalizability of the findings. We encourage researchers to make larger empirical quantitative research to strengthen the generalizability, as well as longitude case studies of entrepreneurs and their initiation process to further understand how to process move forward on a day-to-day basis.

For further research we recommend to expand the empirical context by looking at initiation for start-up firms in different scenarios, competencies and capabilities and environments. These different scenarios should depend on which resources each start-up company has from the start, what experience and prior start-up experience the start-up team has, what type of product they are developing and to what industry, how the customers may differ in their need for the product, and which efforts that works best in that scenario. In addition, researchers could compare insights from successful entrepreneurs and less successful entrepreneurs. It is also possible to expand the empirical study of consulting firms, by increasing the amount of case firms and different consulting niches. All of these suggestions may also include a through test of our proposed conceptual framework.

Furthermore, this study have highlighted that the initiation process can be understand from both the seller and buyers perspective, and also be influenced by network third parties. To gain more insight into the initiation, and to improve what both seller and buyers think are important for initiation of new relations, we think a multiple dyadic case study will provide interesting insight and further generalization of the findings. If possible this can also be studied in a triadic setting, including third parties, where one also account for and improve the understanding of the interplay with third parties in creation of new relationships. However we acknowledge that a triadic case study might be difficult to accomplish due to problems of finding suitable cases, practical arrangements and the large amount of possible combinations due to many types of third parties.

Several of the entrepreneurial start-up case companies in our thesis have some connection to the entrepreneurial environment at Norwegian University of Science and Technology (NTNU). Our case study could be expanded to a more comprehensive embedded case study of the start-up environment connected to the university. An interesting research question might be how universities, such as NTNU, may help facilitate better initiation practices among the start-ups connected to the university. As well as what do actually NTNU, Incubators, TTO-offices and the School of Entrepreneurship contribute with today with regards to the initiation challenge for start-ups.

Some of the empirical findings from this study have highlighted the issue of incentives in the intention process. With inspiration from that we want to propose the possibility of doing research on what incentives should be present in a start-up so that all employees, even product developers, will be more active in respect to networking and initiation of new customer relations. Another interesting subject, which has come up during our case study, are to study incentives across offices and national borders, in larger companies. What is the key performance indicator, which a large company uses to measure success, and how are these distributed across multiple offices or nations. What kind of incentives must be in place to create a corporate culture, where different offices do not compete and take customers from each other?

Another interesting research subject that has come up in some of the case interviews are the subject of what kind of role relationships play in other aspects of an entrepreneurial start-up, like for instance, with regard to funding or product development. For instance one of our case companies reported that they found it very difficult to get founding to begin with, but once they got founding the first time, they found it much easier to get additional founding. Although we thought this finding were very interesting we did not proceed with it because it were out of the scope of this thesis. However we believe that a study of the importance of relationships with regards to founding for entrepreneurial start-ups could be very interesting, and we therefore suggest it for further research.

Yet another interesting subject that came up during our empirical study are the challenges when selling to the public sector through tender processes. Our findings indicate that this may be though for entrepreneurial start-ups to do. We believe that a study, which investigated these challenges, as well as measures to improve sales effort to a public sector client, would be very interesting.

In addition, researchers may shed more light on the topic in an international context, by assessing how our insights apply for start-ups expanding international.

Lastly, we acknowledge that we have focused on initiation as a phenomenon alone, and researchers could see the initiation in the context of later relationship development. Therefore we ask; are good initiation practices also the correct pre-conditions for the

relationship development coming after the initiation phase, and should one alter the initiation tactics to improve the potential long-term relationship?

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9 APPENDIX

9.1 INTERVIEW GUIDE CONSULTANCY

9.1.1 *BACKGROUND INFORMATION*

9.1.1.1 **Individual Background information**

- Name
- Position
- Experience

9.1.1.2 **Company background information**

- Name
- Offering
- Customer base and development
- Background and company build-up

9.1.2 *INTERVIEW GUIDE - INITIATION OF CUSTOMER RELATIONS (SEMI STRUCTURED)*

9.1.2.1 **How does the case company initiate new customer relationships**

- What are important in relation to the initiation of new customer relationships
- How does the company initiate new customer relationships?
- To what extent does your company sell to new customers?
- Which factors affect the initiation process?
- What are the differences of initiation of new customer relationships in the public and private sector? (Note this question were added after revising the interview guide)
- What challenges do you face at the initiation of new customer relationships?
- How can you improve your initiation process?

- What are the differences with regards to initiation of new customer relationships versus existing customer relationships?
- What do you think is unique with selling consultant services?
- Would you say that you do something different when you are working in new industries or providing new services?

9.1.2.2 Routines and sales responsibilities

- Do you have regular routines/strategies on how to get you new customers? If so, what are they?
- Who has the formal sale responsibility in your company, and how is it spread throughout the organization?
- Do these routines and responsibilities change if the global economy is struggling?

9.1.2.3 Using existing relationships and third parties in the sales process

- How important do you think references are?
- How important do you think personal relations and acquaintances are?
- How do you think 3.parties may influence the process?
- To what extend do you sell to former employees?
 - Do you use sales to former employees as a strategy?
 - Or are contacts from former employees who want to buy a service more random?

9.1.2.4 The interviewees thoughts on the challenges of a start-up company

- What instruments do you think is best to use for a startup company with limited resources?
- What do you think a startup company may learn from a consultancy?

9.2 INTERVIEW GUIDE ENTREPRENEUR

9.2.1 BACKGROUND INFORMATION

9.2.1.1 Individual Background information

- Name
- Position
- Experience

9.2.1.2 Company background information

- Name
- Offering
- Customer base and development
- Background and company build-up!

9.2.2 INTERVIEW GUIDE - INITIATION OF CUSTOMER RELATIONS (SEMI STRUCTURED)

9.2.2.1 How does the case company initiate new customer relationships

- What are important in relation to the initiation of new customer relationships
- How does the company initiate new customer relationships?
- Are your ways of initiating customer relationship affected by the former startup experience that is held by individuals in the company?
- Can you tell us about how acquired your first customer?
- To what extent does your company sell to new customers?
- What challenges do you face at the initiation of new customer relationships?
- What are the differences of initiation of new customer relationships in the public and private sector? (Note this question were added after revising the interview guide)
- How do you prioritize which customers to work with in the early startup phase?
- What are the differences with regards to initiation of new customer relationships versus existing customer relationships?

- Would you say that you do something different when you are working in new industries or providing new services?
- Do you have regular routines/strategies on how to get you new customers? If so, what are they?

9.2.2.2 Using existing relationships and third parties in the sales process

- How important do you think references are?
- How important do you think personal relations and acquaintances are?
- How do you think 3.parties may influence the process?
- How important do you think the connection to NTNU has been for your company?
(Only when applicable)

9.3 ABSTRACT IN NORWEGIAN (SAMMENDRAG PÅ NORSK)

Hensikten med denne avhandlingen var å finne ut hvordan en oppstartsbedrift bør gå frem for å etablere vellykkede nye kunderelasjoner. Overraskende få forskere har fokusert på etablering alene som fenomen, selv om det er avgjørende for å skape langvarige og fruktbare kundeforhold. For å finne ut hvordan oppstartsbedrifter bør etablere nye kundeforhold har forfatterne sett på fem forskjellige forskningsspørsmål for å oppfylle formålet med oppgaven.

Det første forskningsspørsmålet er; (1) *Hvordan etablering av et kundeforhold utvikler seg, og hvilke delprosesser og faktorer er viktige for å bygge et nytt kundeforhold for en oppstartsbedrift?* Forfatterne har gjennomført en bred litteraturgjennomgang, som dekker følgende litteratur perspektiver; relasjonsutvikling, salg og kjøp, og nettverk og sosiale relasjoner. I forhold til relasjonsutvikling har forfatterne samlet sentrale aspekter fra litteraturen sammen til en syntese av fire tilstander og noen kontekstuelle aspekter, disse er; (1) Pre dialog tilstand, (2) Første kontakt tilstand, (3) Forming av forholdets fundament, og (4) Forpliktelse tilstand. I tillegg har forfatterne fremhevet noen kontekstuelle aspekter, som kan påvirke etableringen av kundeforhold. Dernest har forfatterne samlet sentrale aspekter fra salg og kjøps litteraturen i tre faser, nemlig; (1) Etablere et strategisk fundament, (2) Komme i kontakt, (3) Møte og dialog med prospektet. Med hensyn til det

tredje litteratur perspektivet, nettverk og sosiale relasjoner, har forfatterne studert hvordan selgere, kjøpere, tredjeparter og sosiale relasjoner påvirker initieringen prosessen gjennom noen grensesnitt, som er kalt; S1, S2, T1, T2, T3 og B1. Forfatterne kombinere disse innsikter og funn for å skape en konseptualisert modell for å beskrive etablering av nye kundeforhold. Videre foreslår forfatterne en analogi til en labyrint av trafikkløp for å forklare den komplekse prosessen.

I tillegg gjennomførte forfatterne en multippel komparativ casestudie bestående av fem oppstartsbedrifter og fem konsulentselskaper, for å få ytterligere innsikt fra en oppstarts bedrifts og en konsulents tenkemåte. Funnene fra denne studien har gitt svar på følgende forskningsspørsmål; (2) *Hvordan går konsulentselskaper fram for å etablere nye kunderelasjoner?* (3) *Hvordan går oppstartsbedrifter frem for å etablere nye kunderelasjoner?* (4) *Hva er beste praksis som brukes av konsulentselskaper og oppstartsbedrifter, og hvilke likheter og forskjeller har de i sine tilnærminger for å etablere nye kunderelasjoner?* Hovedkonklusjonene fra casestudien med hensyn på konsulentselskaper er at de fokuserer mesteparten av sin innsats på eksisterende kunderelasjoner. Dette skyldes det faktum at konsulentselskapene er veldig nisje og industri spesifikke, og har et meget stort nettverk og høyt spesialisert kompetanse innenfor sin nisje og industri. Dermed vil de også ofte ha en relasjon å bygge på selv ved initiering av helt nye kundeforhold. De viktigste konklusjonene fra studien med hensyn på oppstartsbedrifter er at de understreket viktigheten av å holde klienten varme gjennom jevnlig oppfølging og å la kunden være involvert i produktutvikling til en viss grad. I tillegg er oppstartsbedrifter fokuserte på å utnytte nettverkseffekter ved, for eksempel, å bruke hybrid strukturer.

Til slutt adresserte forfatterne det siste forskningsspørsmålet, som var, (5) *Hvordan kan en oppstartsbedrift benytte seg av den innsikten avdekket i litteraturgjennomgangen og de beste praksisene avdekket i casestudien for å forbedre sine prosesser rundt det å etablere nye kundeforhold?* Den konseptuelle modellen og innsikt fra de empiriske funnene i forhold til etablering av nye kunderelasjoner gir en bedre forståelse for oppstartsbedrifter. Denne forståelsen kan hjelpe oppstartsbedrifter til å tilpasse og forbedre sine egen innsats rundt det å etablere nye kunderelasjoner. Videre er det viktig for oppstartsbedriftene å forstå at

de som selger kan påvirke prosessen direkte gjennom salgsinnsats og proaktivt ved å tilrettelegge for at tredjeparter kan påvirke etablerings prosessen.

Avslutningsvis foreslår forfatterne flere temaer, som kan forfølges i videre forskning.