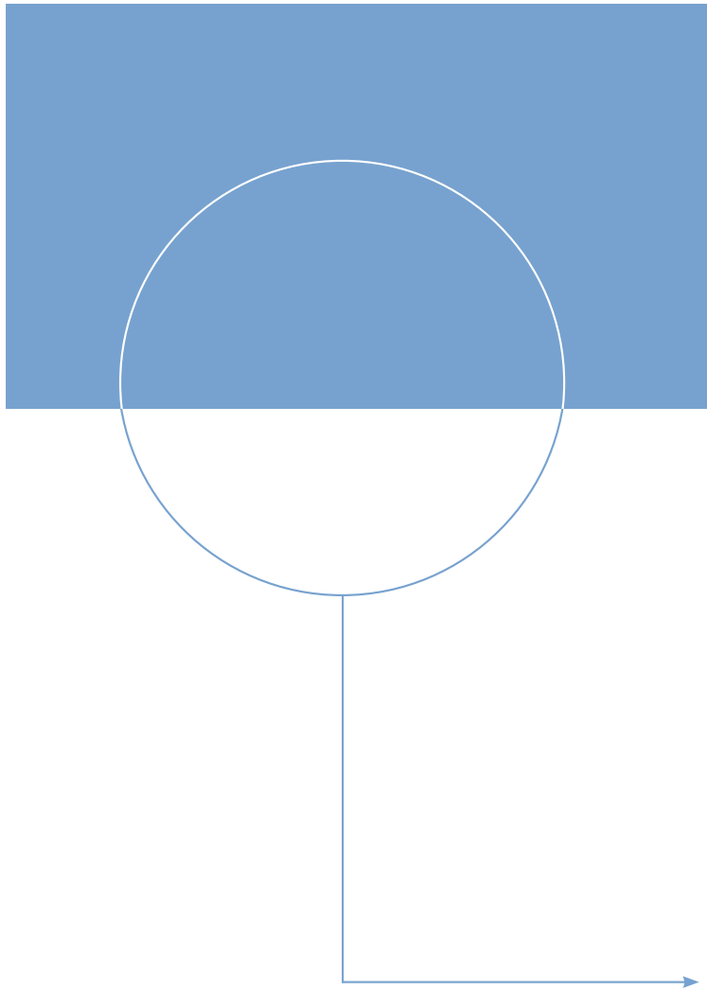

Master's thesis

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New Ventures and Their First Suppliers: The Role of Attractiveness During Relationship Initiation

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Abstract

New ventures are important drivers of economic development in modern society, creating jobs and rejuvenating existing industries by introducing disruptive technologies and innovations. Unfortunately, the probability of failure is highest in a company's first years, and as many as two-thirds of start-ups fail within ten years. Previous research has found supply chain integration to be the most important factor for success in new ventures. However, entering into buyer-supplier relationships with established firms can be challenging for new ventures due to the asymmetry arising from differences in the size, resources, and experience between the parties. New ventures are faced with liabilities of both newness and smallness, and the lack of legitimacy, experience, and resources in new ventures leaves the new venture vulnerable to opportunism, complexity, and uncertainty when entering dynamic industries. In the existing literature on relationship initiation involving new ventures, only a limited amount of focus has been given to relationship initiation between new ventures and their first suppliers and how buyer and supplier attractiveness affects the process in such asymmetric relationships.

The purpose of this thesis is to explore how buyer and supplier attractiveness affects the process of relationship initiation between new ventures and established suppliers. To do so, a multiple-case study of four different cases of relationship initiation between new ventures and medium-sized Norwegian suppliers was conducted. The data was collected through semi-structured interviews with representatives from both parties in each case. Then, it was analyzed using a theoretical framework based on the existing literature on new venture relationship initiation, buyer-supplier attractiveness, and asymmetry. The results revealed that the most prominent drivers of attractiveness appear to be economic- and behavior-based and that the attractiveness is dynamic, thus changing across sub-processes. Therefore, it is argued that one must consider the context in which the actors exist to understand the mechanisms in relationship initiation. Both actors in the asymmetric relationship were found to pursue actions that increased their attractiveness to the counterpart throughout the whole process. The new venture's growth potential and ability to communicate was observed to increase its attractiveness and entice the supplier to commit resources to the collaboration. The suppliers were found to increase their attractiveness by building trust, investing resources, and providing the young firms with competitive price offers. These measures reduced the distance between the companies, provided the new ventures with essential resources, but simultaneously also created lock-in effects increasing the supplier dependency and elevating the suppliers to a favorable position for negotiations. The findings suggest that the most important challenge for new ventures initiating relationships with medium-sized Norwegian suppliers is actually not to appear attractive, but rather to not become overly dependent on the supplier during the process of relationship initiation.

The study found that preparations prior to the initiation affect the companies' attractiveness, the perceived asymmetry, and the degree of "supplier selection" versus "supplier mobilization" characterizing the process. An adapted framework for relationship initiation, including preparations as an additional sub-process and adding the dimensions of supplier selection and mobilizations, is proposed as an alternative to the existing models. Overall, the study has contributed to the current understanding of how attractiveness affects relationship initiation for new ventures establishing their first supplier relations by providing useful insight into the underlying mechanisms driving the process forward.

Sammendrag

Oppstartsbedrifter er viktige drivere for økonomisk utvikling i det moderne samfunnet. Ved å introdusere banebrytende teknologier og innovasjoner skaper de arbeidsplasser og blåser nytt liv i eksisterende næringer. Dessverre er sannsynligheten for at en oppstartsbedrift feiler høyest de første årene, og hele to tredjedeler av oppstarter mislykkes innen ti år. Tidligere forskning har funnet at integrasjon av forsyningskjeden er den viktigste faktoren for suksess i nye virksomheter. Imidlertid kan etableringen av kunde-leverandørforhold med etablerte firmaer være utfordrende for nye virksomheter på grunn av asymmetrien som oppstår som et resultat av forskjeller i størrelse, ressurser og erfaring mellom partene. Oppstartsbedrifter står overfor utfordringer knyttet til det å være liten og ny, og mangelen på legitimitet, erfaring og ressurser gjør at oppstartsbedrifter er sårbare for opportunisme, kompleksitet og usikkerhet når de går inn i dynamiske næringer. I den eksisterende litteraturen som omhandler relasjonsinitiering med oppstartsbedrifter, har det blitt viet lite oppmerksomhet til relasjonsbygging mellom oppstartsbedrifter og deres første leverandører, og hvordan kjøper- og leverandørattraktivitet påvirker initieringsprosessen i slike asymmetriske relasjoner.

Formålet med denne masteroppgaven har vært å undersøke hvordan attraktiviteten til kjøper og leverandør påvirker prosessen med relasjonsinitiering mellom oppstartsbedrifter og etablerte leverandører. For å undersøke dette ble det gjennomført en flercasestudie av fire forskjellige tilfeller av relasjonsinitiering mellom oppstartsbedrifter og mellomstore norske leverandører. Dataene ble samlet inn gjennom semistrukturerte intervjuer med representanter fra begge parter i hvert tilfelle. Deretter ble den analysert ved hjelp av et teoretisk rammeverk basert på eksisterende litteratur om relasjonsinitiering i oppstartsbedrifter, kjøper- og leverandørattraktivitet og asymmetri. Resultatene viste at de mest fremtredende driverne for attraktivitet ser ut til å være økonomiske- og atferdsbaserte, og at attraktiviteten er dynamisk og dermed endrer seg på tvers av delprosesser. Derfor argumenteres det her for at man må vurdere konteksten aktørene eksisterer i for å forstå mekanismene i relasjonsinitiering. Begge aktørene i det asymmetriske forholdet forfulgte handlinger som økte deres attraktivitet for motparten gjennom hele prosessen. Oppstartsbedriftens vekstpotensiale og evne til å kommunisere ble funnet å være viktige faktorer for å øke dens attraktivitet og insentivere leverandøren til å bruke ressurser på samarbeidet. Det ble videre funnet at leverandørene økte sin attraktivitet ved å bygge tillit, investere ressurser og gi oppstartsbedriftene konkurransedyktige pristilbud. Disse tiltakene reduserte avstanden mellom selskapene, ga oppstartsbedriftene tilgang på viktige ressurser, men skapte samtidig innlåsingseffekter som økte leverandøravhengighet og posisjonerte leverandørene gunstig for forhandlinger. Funnene antyder at den viktigste utfordringen for nye virksomheter som innleder forhold til mellomstore norske leverandører, faktisk ikke er å fremstå som attraktiv, men heller det å ikke bli altfor avhengig av leverandøren under prosessen.

Studien fant at forberedelser før innledningen påvirker selskapenes attraktivitet, den opplevde asymmetrien, og i hvilken grad prossessen ble utført som et valg- eller mobilisering av leverandør. Et tilpasset rammeverk for relasjonsinitiering, inkludert forberedelser som en ekstra delprosess og tillegging av dimensjoner av "leverandørvalg" og "leverandørmobilisering", foreslås som et alternativ til eksisterende modeller. Totalt sett har studien bidratt til den nåværende forståelsen av hvordan attraktivitet påvirker relasjonsinitiering for oppstartsbedrifter som etablerer deres første leverandørrelasjoner ved å gi nyttig innsikt i de underliggende mekanismene som driver prosessen fremover.

Preface

This thesis has been completed in partial fulfillment of the requirements for the degree of Master of Science in Engineering and Entrepreneurship at the Norwegian University of Science and Technology (NTNU). The project has been carried out at the Department of Industrial Economics and Technology Management, under the supervision of Prof. Lise Aaboen.

We would like to express our sincere gratitude to our supervisor Lise for her valuable feedback and guidance throughout the project. Our discussions have been both encouraging and helpful. Moreover, we would like to thank all the respondents for their time and participation. Their answers and sharing have been invaluable for the completion of the thesis.

Oskar Svendsen & Lars-Arne Boge

Trondheim, 11.06.2021

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Chapter 1

Introduction

1.1 Background and motivation

New ventures are important drivers of economic development in modern society, with the ability to create jobs and rejuvenate existing industries by introducing disruptive technologies and innovations (Christensen & Bower, 1996). Unfortunately, the probability of failure is highest in a company's first years (Caves, 1998; Klepper, 2002; Zimmerman & Zeitz, 2002), and many new ventures struggle to reach a profitable phase (Fini et al., 2017). In fact, around 22% of new ventures fail within one year of being launched, approximately 50% fail within five years, and two-thirds have failed after ten years (Advocacy, 2016). The reasons why new ventures fail or succeed can be many and complex, but previous research has found supply chain integration to be the most important factor for success in new ventures (M. Song et al., 2008). This relates to the fact that supply chain management is an important facilitator for the creation of sustainable competitive advantages, which in turn lead to growth development in the new ventures (Kickul et al., 2011). Moreover, the value creation in entrepreneurial firms relies on strategic collaborations with other companies (Larson, 1992; Madhok & Tallman, 1998; Wagner et al., 2010), and it is therefore crucial for new ventures to successfully form buyer-supplier relationships. However, entering into buyer-supplier relationships with established firms can be challenging for new ventures. There are almost always differences in the size, resources, and experience between the parties, giving rise to an asymmetric relationship favoring the larger, established firm.

In the field of industrial marketing and purchasing (IMP) research, the majority of research on relationship marketing and management is concerned with how relationships are sustained and developed (e.g. Grönroos, 1997; Håkansson et al., 1982; Gummesson, 2002), and only a small portion is focused on how business relationships are initiated (Edvardsson et al., 2008). Moreover, this body of literature is mainly focused around relationships between mature, established firms (Baraldi et al., 2014; Gadde & Snehota, 2000; Gadde et al., 2012; Ragatz et al., 2002), and little attention has been aimed at relationships between established firms and

new, entrepreneurial ventures (Zaremba et al., 2016). Thus, the current understanding of how business relationships are initiated and developed is mainly based on business performance in established companies (Baraldi et al., 2014; Gadde & Snehota, 2000; Gadde et al., 2012; Ragatz et al., 2002). Fortunately, business relationship initiation has gained increased focus from researchers in recent years (Edvardsson et al., 2008; Valtakoski, 2015; Aarikka-Stenroos et al., 2018), and so has research on new venture development and the role of attractiveness in the initiation process (La Rocca & Snehota, 2020).

In the context of business relationship initiation, it is important to differentiate between the situations of mature, established firms and new, entrepreneurial ventures, as the new ventures are faced with liabilities of both newness and smallness (Gimenez-Fernandez et al., 2020). This is caused by the lack of legitimacy, experience and resources often observed in new ventures, and it leaves the new venture vulnerable to opportunism, complexity and uncertainty when entering dynamic industries (Morse et al., 2007; Miles et al., 2000; Zahra & Neubaum, 1998). Thus, developing initial business relationships is a challenging task for new ventures, and succeeding in doing so is considered an absolute condition for the very survival of the new venture (Aaboen et al., 2017).

For the rather limited amount of previous publications on relationship initiation involving new ventures, the majority focuses on relationships between new ventures and their customers, i.e. new ventures as suppliers, and only a limited amount of focus has been given to relationship initiation between new ventures and their initial suppliers (Aaboen et al., 2011, 2013; La Rocca & Snehota, 2014; Onyemah et al., 2013). Building a greater understanding of how new ventures establish their first supplier relations is important, as the suppliers may be crucial for new venture success (L. Z. Song et al., 2011). Accordingly, the literature has made repeated calls for increased research efforts on the topic of new venture development (e.g. Ambos and Birkinshaw, 2010; Kaulio, 2003; McMullen and Dimov, 2013; Milanov and Fernhaber, 2009; Read et al., 2011; Wiklund et al., 2011), and there is a need for further research on how business relationships between new ventures and established firms are initiated. Additionally, recent publications (e.g. La Rocca and Snehota, 2020) have turned their attention to the effects of customer and supplier attractiveness on the initiation process, and this is a topic currently in need of further research. An increased understanding of the topic can aid managers of both new ventures and established firms in initiating asymmetric relationships, and further research efforts will therefore contribute to enhancing collaborations and cooperation between new ventures and established firms, as well as increasing the new ventures' chances of survival.

1.2 Purpose of this thesis

The purpose of this work is to explore how buyer and supplier attractiveness affects the process of relationship initiation between new ventures and established suppliers. To accomplish this, the work includes gathering empirical data on the exchange that occurs between new ventures and suppliers when they are in the process of relationship initiation, and analyzing the data based on existing knowledge from the literature. Additionally, both the perspectives of the new venture and the supplier will be included in the research, allowing for a more detailed and complete analysis of how the parties perceive each other prior to and during the exchange.

1.3 Scope of this work

In the entrepreneurship literature, the term ”new venture” is often used interchangeably with ”start-up” (Rothaermel, 2002), ”entrepreneurial” (Das & He, 2006), ”emerging” (Patel, 2011), or ”nascent” (Sebastiao & Golicic, 2008), and there exist no clear and explicit definition explaining the correlation between these terms. In general, new ventures are described by the literature as young (La Rocca & Snehota, 2021; Das & He, 2006; Zaremba et al., 2016), small (Das & He, 2006), innovative (Das & He, 2006; Larson, 1992) and adaptive (Larson, 1992). Although these definitions describe the characteristics of new ventures rather well, they do not explicitly state at what age or stage of development firm newness ends. Consequently, the new venture literature comprise research on firms with ages ranging from as much as 15 years and downwards (Bantel, 1998; Zahra et al., 2000; M. Song et al., 2008). For the purpose of this thesis, the scope will be limited to only include new ventures that have recently went through the process of initiating their first supplier relationships in a context where no previous relationships or awareness of potential relationships existed (Figure 1.1). Furthermore, the term "initiating" is here defined as the process starting with a new venture becoming aware of and defining a need for a supplier and ending in a formal, or informal, agreement between the two parties, at which the process evolves to be more about managing rather than establishing.

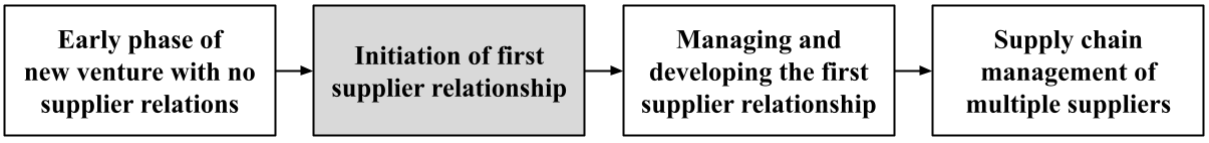

Figure 1.1: The scope of the study.

Chapter 2

Theoretical background

This chapter outlines the theoretical framework utilized in this master thesis. It starts by describing the new venture context and why new ventures face challenges when initiating supplier relationships. The second section presents literature on asymmetric relationships, which often appears when new ventures form relationships with established firms. Then, the third section includes a description of the concept of attractiveness, the existing research on the subject, and how it relates to new ventures in buyer-supplier relationships. After that, section four presents three different theoretical frameworks describing the relationship initiation process between buyers and suppliers. The last section outlines the analytical framework used for analyzing the empirical data.

2.1 The new venture context

A common theme in the existing literature on new ventures is how firm development is affected by the context. Clearly, there are some limitations associated with being a new actor with limited resources in the business landscape. This section presents the most important aspects of the new venture context affecting relationship initiation.

2.1.1 Legitimacy

Lack of legitimacy is a common characteristic describing new ventures in the existing literature, and this can cause difficulties for new ventures when attempting to establish contact with suppliers. La Rocca et al. (2013, p. 1030) states that a new venture is "likely to lack clear organization, expectations, experience and intentions in its interactions", which may lead to inconvenient situations where the new ventures are not able to respond appropriately to issues with established firms. This is supported by Bolumole et al. (2015) who states that new ventures are faced with the challenge of convincing suppliers that they have something of value to offer. Moreover, Rottenburger and Kaufmann (2020) found that "firm age is a determinant of how people perceive and respond toward their supply chain partner", supporting the previous findings indicating that new ventures have a hard time convincing their counterparts of the

value they can offer. Furthermore, new ventures are met with different standards and expectations when contacting potential exchange partners compared to mature firms. Morse et al. (2007) suggests that the lack of legitimacy and bargaining power results in the new venture encountering deceptive behavior when dealing with larger firms. Thus, new ventures are treated differently compared to established firms due to a lack of legitimacy in the early stages.

2.1.2 Social status, skills and experience

Since the ability to communicate legitimacy and value affects the process of getting in contact with potential partners, new ventures are dependent on having management that possess appropriate personal characteristics and social capabilities. More specific, a new venture aiming to establish a business relationship require management with distinctive skills in relating and communicating between parties. Moreover, previous publications (e.g. McGee et al., 1995; L. Z. Song et al., 2011) suggest that new ventures are instead more dependent on their management possessing the functional experience, and McGee et al. (1995, p. 578) found that inexperienced managers involved in manufacturing relationships were "not likely to hurt the firm, but the more experienced managers were better able to take advantage of such relationships". The same is the case for new ventures with higher levels of learning attributes, who generally achieve higher gain from their technology sourcing (Jolly & Therin, 2007). Although the new venture might be more dependent on the appropriate competence for product or service development, it has been shown that entrepreneurs posses a lot of the required characteristics for world-class purchasing and supply chain management (Giunipero et al., 2005). This is due to the fact that working with handling uncertainty in all forms and not being controlled by bureaucratic procedures, may be beneficial in order to establish the best possible supply chain for an evolving environment. Hence, the literature describes how new ventures are dependent on having the appropriate abilities in order to exploit external resources sufficiently.

2.1.3 Resources

In addition to being more dependent on the appropriate competence, the lack of human resources in new ventures could also affect the process of establishing a relationship with suppliers. La Rocca and Snehota (2021) argue that active engagement with suppliers is not without costs in terms of attention and management effort, and this competes with attention on internal technical development, which might be more urgent for a new venture in the early phases. In addition, managers of new ventures can not easily delegate the task of communicating with suppliers to others, and therefore need to be directly involved themselves (La Rocca & Snehota, 2021). Hence, the ability to follow up with multiple suppliers simultaneously is assumed to be somewhat limited for new ventures. This supports the findings of Ellegaard (2006), which implies that most new ventures do not spend much resources on supplier selection as they do not have the capacity for it. This tendency is also reflected in the fit between new ventures and supply chain management. Arend and Wisner (2005) argue that since new ventures have limited

resources, they are not able to benefit from supply chain management in the same way as established companies due to the added cost. On the contrary, Pearson and Ellram (1995) argues that the lack of resources might lead to some positives. More explicitly, they state that by having less resources to spend on supplier management and formal procedures to follow, small firms have better abilities to invest personal resources in a relationship with a supplier (Pearson & Ellram, 1995), possibly leading to more flexibility towards market changes and adjustments for supplier relations. Thus, the literature emphasizes both opportunities and limitations of lacking resources when establishing first supplier relations.

2.2 Asymmetric relationships

2.2.1 Asymmetric strategic alliances

The concept of a strategic alliance is commonly defined in the literature as "a cooperative relationship between two or more firms with the potential to create more value than each firm can achieve on its own" (Ybarra & Turk, 2009). Strategic alliances are important as tools for companies to achieve a competitive advantage and take different forms depending on the purpose of the alliance, e.g., R&D alliances, buyer-supplier relationships, corporate venturing, and learning alliances (Aalbers, 2010; Perez et al., 2013; Villena & Craighead, 2017). The duration of such alliances can be either intentionally short (Duysters & De Man, 2003) or long-term (Lorange & Roos., 1992), and the content and function of the alliance may change over time (Bidault & Salgado, 2001). Moreover, companies involved in strategic alliances generally achieve higher revenues and growth rates compared to the firms that are not engaged in alliances (Segil, 1998).

In most strategic alliances, there are differences in the participating parties' size, resources, and experience, giving rise to asymmetric relationships. In the literature, a general definition of the term "asymmetry" is provided by Pfeffer and Salancik (2003); "Asymmetry exists in the relationship when the exchange is not equally important to both organizations". For partnerships between startups and larger established firms, the asymmetry often becomes prominent in the relationship development, and the smaller firm usually experiences several challenges when managing an alliance with a larger company (Munksgaard et al., 2015). As a result, the smaller firm may be forced to spend a significant part of their resources on developing the relationship with the larger counterpart and still end up in a situation where the dominant partner appropriates an unfairly large part of the created value (Fierro & Pérez, 2018; Alvarez & Barney, 2001). Additionally, the alliance is often more important for the new venture, as it accounts for a more significant portion of the venture's revenue (Pfeffer & Salancik, 2003; Emerson, 1962).

To better understand the challenges arising from asymmetric relationships, the concept of asymmetry can be described in terms of seven characteristics affecting the relationship (Table 2.1): Particularity, Cooperation, Conflict, Intensity, Interpersonal inconsistency, Power and Dependence, and Trust (Munksgaard et al., 2015; Johnsen & Ford, 2008).

Table 2.1: Overview of relationship characteristics affecting the asymmetry of a strategic alliance. Adapted from Munksgaard et al. (2015) and Johnsen and Ford (2008).

Relationship characteristic	**Definition**
Particularity	Direction, uniqueness and commitment in a relationship, when compared to other relationships of the companies, or the extent of standardisation/adaptation of interaction (Ford et al., 1986).
Cooperation	Extent of working together towards a shared aim or direction for the relationship (Ford et al., 1986).
Conflict	Extent of perceived differences between parties, causing friction and disputes, but also the potential for creativity (Ford et al., 1986).
Intensity	Extent of contact and resource exchange between firms in a relationship (Ford & Rosson, 1982).
Interpersonal inconsistency	The personal expectations and individual interests influencing interactions and the extent of perceived variations in the other actor's approach to interaction between individuals or departments (Ford et al., 1986; Johnsen & Ford, 2008).
Power and dependence	Extent to which an actor, implicitly or explicitly, can get another actor to do something that they would not otherwise have done (Dahl, 1961; Hausman & Johnston, 2010). Dependence is the obverse of power as the more dependence of one party on another; the less power the former has within that relationship (Emerson, 1981; Ford, 1980; Hingley, 2005).
Trust	The expectation held by one actor about another - that the other responds in a predictable and mutually acceptable manner. Importance of contractual, competence and goodwill trust at different stages of relationship (Huemer, 2004; Morgan & Hunt, 1994; Sako et al., 1992).

2.2.2 Challenges in asymmetric relationships

New ventures partnering with larger established firms face several challenges, and Prashantham and Birkinshaw (2008) suggested grouping these challenges into three main categories: *lack of access and attention, different long-term objectives, and asymmetry in resources*. The first category, *lack of access and attention*, stems from the fact that new ventures have limited access to the attention of key personnel and decision-makers in their larger counterparts. This issue can become apparent from the very start of the relationship, where the new venture may struggle to find the correct contact point due to complex structures and large-scale operations in the established firm (Minshall et al., 2010). Furthermore, the new venture may find it difficult to reach the decision-makers in the larger organization, resulting in a more bureaucratic process with slower decision cycles. The issue of slow decision-making in larger firms, relative to the speed of decisions in new ventures, can be related to the complexity, size, and multiple layers of management in larger firms. Another issue regarding accessing appears when the responsibility of the alliance is transferred from one department in the larger firm to another, e.g., from the R&D department to the legal department. In such cases, the flow of relationship development and negotiations may be disrupted and changed, as the new venture must spend time and resources on connecting to a new set of decision-makers in the larger firm. All in all, the issue of accessing and attention contribute to creating uncertainty and confusion in the relationship and therefore represents an increased risk of the relationship failing.

The second category, *different long term objectives*, originates from the fact that established firms have explicit strategic plans, established market positions and operating procedures. In contrast, new ventures are more opportunistic and dexterous, operating with shorter planning horizons, measured in months and not years (Prashantham & Birkinshaw, 2008). These differences in strategic horizons and agendas result in a certain degree of ambiguity in the relationship, resulting in fear of the larger firm appropriating the majority of the jointly created value. This fear relates to the imbalance in power between the two parties. In some cases, the larger firm may deliberately draw out negotiations to deplete the new venture's resources and prevent discussions with competitors (Minshall et al., 2010). Thus, forcing the new venture to accept an alliance with sub-optimal conditions. Furthermore, the different perspectives on the future may lead to the larger firm lacking an understanding of the new venture's situation, leading to issues and complications in the collaboration.

In the third category, *asymmetry in resources*, the issues stem from the fact that new ventures lack reputation, financial resources, and human resources. Imbalance in the resource situation may affect the communication between the two parties, as the larger firm has clear roles, functions, and explicit activity processes. In contrast, new ventures have more generalized roles where managers have to fill several functions and areas of responsibility (Prashantham & Birkinshaw, 2008). Thus, managers of new ventures may struggle to find counterparts in the larger firm and often have to deal with several individuals, which complicates the execution of

everyday activities. Moreover, new ventures are often interested in using the brand and reputation of their larger partners to confer credibility. However, the larger firm may be reluctant to accept this, as there is a fear of the new venture using their brand in an inappropriate manner (Minshall et al., 2010). Additionally, the lack of financial resources in the new venture may cause concern in their established partners, which may lead to some constraints in the relationship. Overall, the issues caused by asymmetry in resources are closely tied to the differences in mindset and organizational culture, and this affects the communication and joint activities between the parties (Prashantham & Birkinshaw, 2008).

2.3 The role of attraction in business relationships

The concept of attraction stems from social exchange theory, where it has been defined by researchers such as Blau (1964) and Kelley and Thibaut (1978) as one party's capacity to cause interest and attract attention from the other party. When a partner appears attractive to the other, that partner can attract the other's attention, which can lead to increased performance in the relationship. Adapting the concept to the business context, researchers such as Mortensen (2012, p. 1214) has in later years defined attraction as "a phenomenon that can shed light on what draws, motivates, influences, and attracts the attention or resource allocation of the other party in a relationship". Thus, attraction is not an objective concept but must be considered from the subjective perspective of the counterpart (Ellegaard & Ritter, 2006), relative to the context of which the two parties are in (e.g., La Rocca et al., 2012; Tanskanen and Aminoff, 2015), and as a dynamic concept between two parties that changes over time (Ellegaard et al., 2003).

2.3.1 Customer and supplier attractiveness

A major part of prior research on attractiveness has adopted the perspective of the buyer. This might be a consequence of the fact that much research on the relationship development between buyer and supplier has focused on the process of supplier selection, whereof supplier criteria have gained much attention.

Customer attractiveness

In the business context, customer attractiveness was first mentioned in relation to customer portfolio analysis. Researchers such as Fiocca (1982) and Olsen and Ellram (1997) found it to be an important criteria for suppliers to prioritize which customers to allocate resources to. Moreover, although there is a wide assumption in the literature that customer attractiveness is mainly related to the economic value of the customer, Fiocca (1982) proposes five categories of factors describing buyer attractiveness; market-, competition-, financial-, technological, and sociopolitical factors. The first category of market factors considers the customer's share, growth, and influence on the market. Second, competition factors consider customer strengths, weaknesses,

vulnerabilities to new technology, and level of innovation. Third, financial and economic factors were found, including contribution margins, leveraging factors, barrier to entry, and capacity utilization. Fourth, technology factors considers maturity, complexity, differentiation and patents. Lastly, sociopolitical factors concerns changes in the environment.

In later years, researchers have focused on how suppliers can commit resources to a customer based on its attractiveness (Ellegaard et al., 2003). This is because being an attractive customer or achieving a 'preferred customer status' has shown to result in positive outcomes, such as more supplier benevolent pricing and innovativeness (Schiele et al., 2011). Others (e.g., Mortensen and Arlbjørn, 2012; La Rocca et al., 2012) have tried to define customer attractiveness within business-to-business marketing. Mortensen and Arlbjørn (2012) focus on how attraction influences supplier development and adapts the definition of attractiveness from Harris et al. (2003), stating that it is defined from the economic, resource, and social-based drivers. The economic attractiveness considers the volume offered, the stability of the business, and the level of profit. The resource-based considers the possibility of knowledge and resource from the buyer, the market, and information provided by the buyer. Lastly, the socially based attractiveness considers the social relationship between the two parties (Mortensen & Arlbjørn, 2012; Harris et al., 2003). Similar to this, La Rocca et al. (2012) proposed 20 items of customer attractiveness in a business context sorted in the four factors of: 1) Development potential, which is related to items regarding how the supplier can develop further, 2) intimacy, including items that can be interpreted as characterizing the level of understanding between the two, 3) relational fit, including items referring to the capability of interact in the relationship, and 4) the profitability of the customer. However, as past research tends to focus on different aspects of attractiveness, and the concept remains subject to different understandings, characterizations, and interpretations, no general definition has yet been agreed upon (La Rocca et al., 2012).

Supplier attractiveness

Supplier attractiveness has gained limited attention in prior research, but some existing publications describe the importance of this aspect of attractiveness. Olsen and Ellram (1997) suggest using factors influencing the relative supplier attractiveness to evaluate each supplier, and after that, use this evaluation to select and develop supplier relationships. The suggested factors comprise 1) financial and economic factors, 2) performance factors, 3) technological factors, 4) organizational, cultural, and strategic factors, and 5) other factors such as the supplier's safety record and ability to cope with changes in the environment. These factors are adapted from Ellram (1990), where selection criteria used in the supplier selection process are described and discussed. Thus, the suggested factors of supplier attractiveness originate from research on supplier selection processes.

For the case of established firms, several researchers (e.g., Dickson, 1966; Pearson and Ellram, 1995; Stuart et al., 1999; Das and He, 2006) have mapped out the most important criteria used

when evaluating a potential supplier. The most well-known are the 23 criteria described by Dickson (1966), forming the foundation for supplier selection. Moreover, Pearson and Ellram (1995) found the 12 most important criteria for firms following the rise of Just In Time (JIT) manufacturing and the differences between large and small firms. Of the 12 criteria, the top two were quality and cost for both large and small firms. Adopting a different approach, a number of previous works distinguish between task-related and partner-related criteria (e.g. Geringer, 1988; Das and He, 2006; Geringer, 1991; Glaister and Buckley, 1997). The task-related criteria are concerned with the partner's resources, while the partner-related criteria are concerned with the fit between the two companies. Moreover, for new ventures seeking an asymmetric relationship with an established supplier, it is important to be aware of the differences between the two and carefully evaluate and select alliance partners with the risk of conflict in mind. To avoid conflict and increase the probability of success, new ventures should choose established suppliers that have compatible motivations, give access to manufacturing and marketing functions, provides involvement and commitment of middle managers, have dedicated task forces, and the intention to act with speed (Das & He, 2006).

2.3.2 Attraction in dyadic buyer-supplier relationships

The aspects of customer and supplier attractiveness are theoretically independent of each other. However, the two may still be highly correlated in a dyadic manner, implying that attractiveness can be managed (Ellegaard & Ritter, 2007). Previous research on attractiveness has either been conceptual (e.g Hald et al., 2009) or limited to view attractiveness exclusively from the perspective of the buyer (Ellegaard et al., 2003; La Rocca et al., 2012) or the supplier (Fiocca, 1982). Based on this, Tanskanen and Aminoff (2015) proposed a framework for describing drivers of attraction for both customers and suppliers, and it is argued that the concepts of customer and supplier attractiveness must be considered in light of each other, as they are correlated. Moreover, Tanskanen and Aminoff (2015, p.138) suggest that both the buyer and the supplier "must shape their attractiveness to get the other party to put effort in to the relationship", which is consistent with several previous publications adapting from social exchange theory (Hald et al., 2009; Mortensen, 2012; Schiele et al., 2012).

In the framework proposed by Tanskanen and Aminoff (2015) (Table 2.2), the drivers of buyer and supplier attractiveness are grouped in four categories: Economic, Behaviour, Resource, and Bridging. First, the economic-based drivers are those that induce an economic value in the relationship, and these are consistent with what previous literature has defined as "perceived developmental potential, and profitability" (La Rocca et al., 2012), and "expected value" (Hald et al., 2009). Second, the behavior-based drivers focus on the collaborative aspect of the relationship and comprise factors such as communication, commitment, trust, and respect. This category corresponds to the categories of perceived trust and dependence defined in Hald et al. (2009), and intimacy and relational fit proposed by La Rocca et al. (2012). These first two categories of attractiveness, i.e., economic- and behavior-based, are supported by Halinen (2012,

p. 59), which defines attractions as "a company's interest in exchange with another, based on the economic and social reward-cost outcomes expected from a relationship over time". The third category, resource-based drivers, comprise general management and competencies, brand and reputation, and innovation capability. The factors included in the framework is consistent with previous findings by Harris et al. (2003) and Mortensen and Arlbjørn (2012). Lastly, the bridging-based factors are concerned with the two parties' ability to access each other's business networks and comprise drivers such as geographical presence, information intermediation, access to new partners, and organizational links. Although the categories are the same for both parties, some elements within each category differ because the buyer and supplier perceive and interpret the elements differently. Expanding on this, it is suggested that when understanding what drivers are most important for a given relationship, one must consider the contextual factors of the relationship (La Rocca et al., 2012; Tanskanen & Aminoff, 2015).

Table 2.2: Table showing the different drivers of attractiveness as proposed by Tanskanen and Aminoff (2015).

Drivers of buyer attractiveness	Drivers of supplier attractiveness
Economic-based	
Size and growth	Price/Cost
Fast and reliable payments	Delivery
Customer's success	Quality
Customer's current and new businesses	
Customer's industry	
Future of the industry	
Behavior-based	
Communication	Communication
Commitment	Commitment
Trust and respect	Trust and respect
Long common history	Long common history
Personal Relations	Personal Relations
Learning in the relationship	Organizational flexibility
Simple and stable processes	
Forecasts	
Willingness to improve	
Resource-based	
Management and competences generally	Management and competences generally
Innovation capability	Innovation capability
Brand and reputation	Brand and reputation
Supply chain management capability	Supply chain management capability
Production process capability	Production resources and capability
	Financial resources
	Size
Bridging-based	
Geographical presence	Geographical presence
Information intermediation	Information intermediation
Access to new partners	Access to new partners
Organizational links	Position in the value network

2.3.3 Attraction in the new venture context

In a buyer-supplier relationship, supplier involvement depends on to which degree the supplier finds the new venture attractive (Schiele et al., 2012; Ellegaard & Koch, 2012). Unfortunately, being attractive to suppliers is a great challenge for new ventures, as they have limited to no track record and lack necessary resources, making the risk high for the supplier to become involved (Laage-Hellman et al., 2017). Therefore, as a result of the new venture context, general factors of attractiveness such as profitability, growth potential, intimacy, and relational fit are not directly relevant for new ventures (La Rocca & Snehota, 2020). However, previous research has also found several specific aspects making new ventures attractive as partners. Compared to mature firms, new ventures are usually associated with making faster decisions, having a speedy development, and higher degrees of innovation (Das & He, 2006). The characteristic of high innovation levels has been shown by Ellegaard et al. (2003) to be attractive to corporations for stimulating innovation and developing new competencies within some parts of the established company. In line with these considerations, La Rocca and Snehota (2020) argue that a new venture's attractiveness stems from the co-developed resources and capabilities and the potential of using these in future relationships as well. La Rocca and Snehota (2020) identified three elements of attractiveness making new ventures attractive as customers for suppliers: 1) stimuli to innovate and development of new competencies, 2) reputational benefits and prestige, and 3) personal satisfaction from the interaction.

On the topic of what makes suppliers attractive to new ventures, only a limited amount of previous research exists. Larson (1992) describe some criteria that are important for small and entrepreneurial firms to consider when choosing a supplier, and these include personal reputations and prior relationships, individual friendships, ease of communication and working relationships, enhancement of reputation, and potential impact on growth and trust developed. Moreover, Pearson and Ellram (1995) mapped out the most important criteria for evaluating a potential supplier and found no significant differences between large and small firms, and the most important factors for both groups were quality and cost, followed by current technology and design capabilities. However, Laage-Hellman et al. (2017) found that when new ventures initiate collaboration with a supplier, it is mainly for solving technical problems. This is supported by La Rocca and Snehota (2020) which found that for new ventures mobilizing suppliers, the cost efficiency was not the primary concern, but rather the supplier's technological and managerial capabilities.

Fredriksson (2011) formulated three questions to answer when doing a global sourcing process: 1) what to source, 2) who is most suitable to become a supplier, and 3) how should the relationship to the supplier be established and managed. For new ventures, the first question is easy to answer as they usually have few products. Still, the other two are much more difficult as the question is instead if they can find a supplier fulfilling their demands and at the same time become a preferred customer (Bjørgum et al., 2021; Schiele et al., 2012). Concerning this,

some researchers (e.g. La Rocca and Snehota, 2020; Ellegaard and Koch, 2012) would argue that supplier attractiveness is less important and that the question instead should be how a new venture can mobilize a supplier to commit resources to them.

2.4 Theoretical framework

In the existing literature, the process of establishing initial business relationships is anchored in two separate streams of research, namely entrepreneurship literature focusing on organizing new ventures and Industrial Management and Purchasing (IMP) research studying relationships between industrial customers and suppliers (Aaboen & Aarikka-Stenroos, 2017). Adopting the entrepreneurship perspective, establishing initial relationships is viewed as organizing and integrating resources in the early stages of new venture development. From the IMP perspective, on the other hand, establishing initial relationships is described as relating to an existing business landscape and constructing a new node in the pre-existing business network (La Rocca et al., 2019). In an attempt to formalize the process of establishing a business relationship between buyer and supplier, previous research articles have suggested a number of models designed to explain the process of *supplier selection* (De Boer et al., 2001), the process of *supplier mobilization* (e.g. Ellegaard and Koch, 2012; La Rocca and Snehota, 2020), and the process of *relationship initiation* (e.g. Dwyer et al., 1987, Batonda and Perry, 2003 and Polonsky et al., 2010). In this section, a brief description of the different models is given before introducing the framework utilized for the empirical work in this thesis.

2.4.1 Supplier selection

The process of supplier selection is based on the assumption that a firm possesses a pool of criteria that is used to evaluate the suppliers, as previously described in section 2.3.1. Over the years, several methods and models have been developed for effectively applying the selection criteria to potential suppliers in the selection process. Weber et al. (1991) mapped out the most frequently used methods and found that these can all be divided into linear weighting models, mathematical programming models, and statistical/probabilistic models, where linear weighted models are the most commonly used. Although these cover most of the frequently used methodologies, they are only applied in the final phase of the supplier selection process (De Boer et al., 2001). Furthermore, De Boer et al. (2001) argues that the situational diversities, such as the number of suppliers available, the importance of the purchase and/or the supplier relationship, and the nature of uncertainty, are not taken into consideration when utilizing these models and methods. As a response, the study suggests a framework (Figure 2.1) comprising four steps that a company must go through when choosing a supplier. For a company purchasing for the first time, the first step concerns problem formulation (1) concerning the firm determining exactly what it wants to gain from selecting a supplier. The second step involves the formulation of selection criteria (2), given that there exist no historical data about the supplier or any criteria previously used for that particular supplier. The third step concerns qualification (3) of a small

initial set of suppliers and consists of sorting suppliers rather than ranking them. The last step concerns making the final choice (4), where the suppliers are ranked according to the criteria and a choice is made.

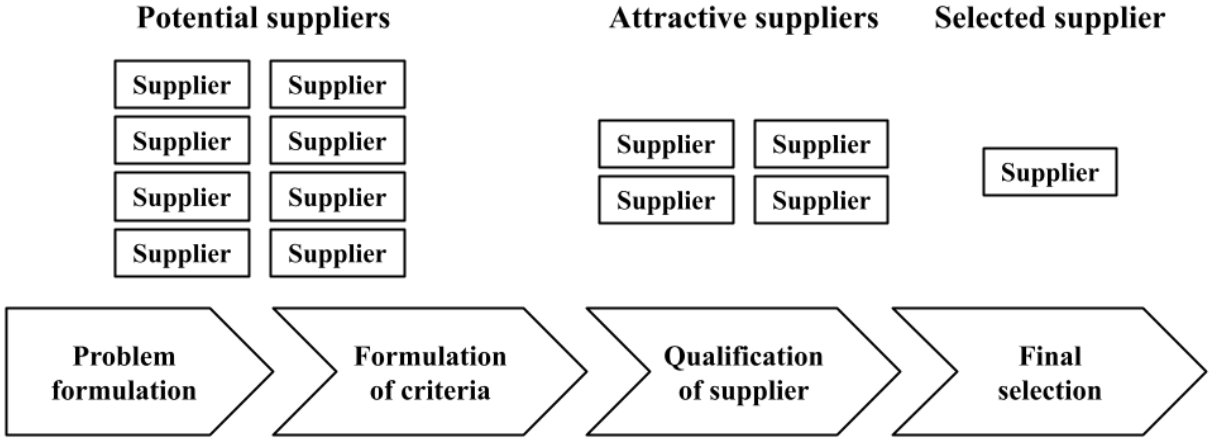

Figure 2.1: Framework for selecting suppliers for new tasks. Adapted from De Boer et al. (2001)

The model described by De Boer et al. (2001) assumes that the process of supplier selection is done based on objective criteria. However, some researchers state that for small companies, this might not be the case. Larson (1992) found that for seven highly cooperative inter-firm alliances built between established- and small entrepreneurial firms, one of the main contributors to the success of the alliances was the development of a mutual orientation containing trust and reciprocity norms shaped by social control. This does not mean that economic incentives were absent, but that for the case of entrepreneurial firms, the social context provides a conductive frame for economic exchange, hence being a foundation for the latter (Larson, 1992). Furthermore, Pearson and Ellram (1995) describes the supplier selection process for small companies to be more informal driven, occurring ad hoc or as a response to problems or complaints. The researchers state that this is supported by the fact that much fewer small firms used a formalized evaluation process, which may correspond to the fact that the small firms had developed personal relationships with the suppliers in many cases. Related to this, Ellegaard (2006) finds that owners of small companies have specific managerial and behavioral characteristics which influence the selected approach to strategic purchasing activities, including supplier selection. In addition, the researchers argue that due to limited resources and competence, a detailed process such as the one described by De Boer et al. (2001) might be too extensive for new ventures.

2.4.2 Supplier mobilization

The concept of supplier mobilization contradicts the model of supplier selection and is based on the assumption that "supplier resources are not just out there to be freely accessed and acquired" (Ellegaard & Koch, 2012, p. 149). The concept is defined as a company's activities of preparing, activating, and deploying its resources to a customer. Moreover, these activities include planning/preparation, clarification, the adaption of procedures, redundant work processes, customer service, problem-solving, and conflict resolution (Ellegaard & Koch, 2012). As the supplier must decide to engage in these activities, they are not passive actors in the process as assumed in the model of supplier selection, but rather an active part that can choose to allocate their resources to the customers that they find most attractive (Ellegaard et al., 2003; Hald et al., 2009; Mortensen, 2012). Thus, resource mobilization has been studied as a concept based on the fact that suppliers actively differentiate their customers and choose which ones to allocate their resources to (Ivens et al., 2009; Kleinaltenkamp & Ehret, 2006).

Several scholars have tried to identify the primary mechanisms for mobilizing resources. Researchers such as Schiele (2010) and Schiele et al. (2011) state that becoming a preferred customer is a necessary act to mobilize supplier resources and can result in superior supplier performance. However, this can be a challenge for the buying firm as it needs to be attractive to achieve a preferred customer status (Galt & Dale, 1991; Schiele et al., 2012). Adopting a different view on mobilization, Pulles et al. (2016, p. 138) state that supplier satisfaction is another concept to consider, as "attractive customers are not necessarily preferred customers within the supplier network if they are unable to satisfy the supplier." Building on this, Vos et al. (2016) proposed four dimensions of satisfaction used by the supplier to determine the allocation of resources: perceived growth opportunity, relational behavior, operative excellence, and profitability. Moreover, Ellegaard and Koch (2012) stress the importance of internal integration within the buying company as this affects the external integration and thus the mobilization. The researchers showed that having "low internal integration affects the possibilities for carrying out exchange initiatives with suppliers negatively because it generates uncoordinated behaviors that affect supplier resource mobilization negatively" (Ellegaard & Koch, 2012, p. 155). Figure 2.2 illustrates how suppliers differentiate between customers during relationship initiation.

For a new venture lacking necessary resources, coordination, and internal integration, suppliers might be in a position where they benefit minimally from the alliance (Ellegaard & Koch, 2012). This is further supported by La Rocca et al. (2019) who argues that new ventures often relate to suppliers even before their product is fully defined, leading to an extra need for coordination. Thus, a new venture's mobilization of a supplier's resources is dependent on how well the new venture can convince the supplier that it is capable of providing economically viable solutions that positively affect the value of the counterpart's assets (La Rocca & Snehota, 2014).

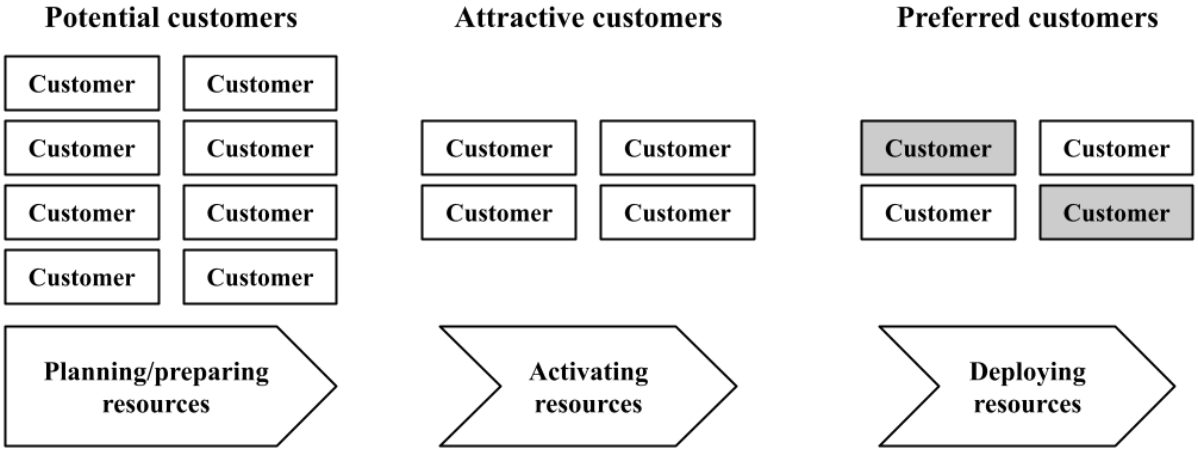

Figure 2.2: Figure illustrating how suppliers choose to allocate their resources to preferred customers.

2.4.3 Relationship initiation

In the relationship development literature, the term "initiation" is often used interchangeably with terms such as "forming", "building", and "creating", and few clear definitions are describing exactly what this process encompasses. However, the term is conventionally defined as the first part of developing a relationship (Ford, 1980; Dwyer et al., 1987), and is for the purpose of this thesis defined as the process starting with a new venture becoming aware of and defining a need for a supplier and ending in a formal, or informal, agreement between the two parties, at which the process evolves to be more about managing rather than establishing. Several researchers have proposed models for describing relationship development, and there are three main groups: stage-, state-, and status models.

For the first group of stage models, it is assumed that all relationships progress through several stages chronologically, implying the notion of an irreversible process. In one of the earliest models, Ford (1980) suggest five subsequent stages; (1) pre-relationship stage, (2) early stage, (3) development stage, (4) long-term stage, and (5) final stage, of which the two first stages are related to the initiation period. Similarly, Dwyer et al. (1987) proposed another model comprising five stages; (1) awareness, (2) exploration, (3) expansion, (4) commitment and (5) dissolution. Also, here, the two first stages correspond to the initiation, but Dwyer et al. (1987) finds that attractiveness seems to play an important role within these stages. In the first stage of awareness, there has not been made contact, but "there may be 'positioning' and 'posturing' by the parties to enhance each one's own attractiveness to a specific (or general) other, these actions are unilateral" (Dwyer et al., 1987, p. 15-16). The second stage of exploration is defined as a trial phase in relational exchange, and trial purchases may occur. The stage is conceptualized in the five sub-processes of 1) attraction, 2) communication and bargaining, 3) development and exercise of power, 4) norm development, and 5) expectation development, adapted from Scanzoni (1979). Here, attractiveness plays a much more important role as it is defined as the initiation of the exploration stage. Moreover, Dwyer et al. (1987) states that

also in the sub-process of communication and bargaining, the perceived willingness to negotiate may be an important factor of attraction because it signals that the partner sees potential value in the relationship. Thus, attractiveness is important over time and plays different roles within the different stages of relationship initiation.

Following the introduction of stage models, several researchers (e.g., Bell, 1995; Quinn and Cameron, 1983) criticized the models for being conducted sequentially and irreversibly and going through a rigid step-by-step development process. In addition, some researchers (e.g., Kale and McIntyre, 1991; Buttery and Leung, 1998) have pointed out that the stage models do not sufficiently take into account how cultural differences influence the stages in relationship development. In response to this, state models were developed, assuming that the relationship development process is an evolution of unpredictable states, describing the condition that holds at a given point in time (Batonda & Perry, 2003). Thus, the models depict how the relationship development occurs in a less structured manner compared to stage models (Bell, 1995; Håkansson & Snehota, 1995; Anderson et al., 1994).

The third group of models, namely status models, differs from the state models. They tend to focus more on the forces affecting which status a relationship development process has rather than the actual states of the process. Polonsky et al. (2010) suggested one such status model, comprising four different phases; exploration, actualization, inactivity, and de-actualization. The model focuses on how the forces enable and/or drive the relationship between the different statuses, thus explaining what happens during relationship formation and why. In addition, this model emphasizes the difference between relationship inactivity and de-actualization, which previous models have not sufficiently covered.

Based on the existing literature on stage, state and status models, Aaboen and Aarikka-Stenroos (2017) proposed a novel framework for describing the process of relationship initiation, emphasizing the dynamics of initiation and the associated sub-processes. The framework comprises six different sub-processes; *need identification*, *matching/attraction*, *accessing*, *defining exchange*, *building conditions and trust*, and *forming the future*. The postulation of need identification as a sub-process corresponds with the fact that most previous models mention a search phase and recognition of opportunities of mutual benefit as an important part of the initiation. Moreover, identifying a potential and suitable exchange partner is formalized in the matching/attraction sub-process and relates to evaluating different candidates for exchange activities. Aaboen and Aarikka-Stenroos (2017) also points out that attraction and awareness are not sufficient factors for initiation to occur and therefore suggest the third sub-process, "accessing", which implies that the parties need to be able to successfully access each other if they are to initiate a relationship. Following the accessing sub-process, the parties can start cooperating on the basis for the exchange, which makes up the fourth sub-process. This includes forming and defining the potential exchange and requires both parties to develop their commitments. This sub-process can also be considered as the most critical, as both parties can quickly terminate the

process if the two don't meet each other's requirements (Edvardsson et al., 2008). In the fifth sub-process, the partners establish their exchange conditions and embark on the trust-building journey, increasing intimacy and mutual understanding between the two. The final sub-process, forming the future, follows naturally from the exchange conditions and trust-building, and the process consists of discussing future operations and long-term goals. The framework is especially suited to investigate the initiation processes between new ventures and larger established companies. It acknowledges contextual characteristics and provides an understanding of how the partners move between sub-processes.

Table 2.3: Overview over the different sub-processes of the initiation framework, adapted from Aaboen and Aarikka-Stenroos (2017)

Sub-process	**Description**
Need identification	One of the parties discovers a need for, or explores the benefits of, cooperating with the other.
Matching & Attraction	One, or both of the parties, evaluate if the other is a viable option and if the cooperation is a good fit.
Accessing	The parties access the right people to initiate the relationship.
Defining exchange	The parties cooperate on defining the potential exchange and develop their commitments.
Building conditions & trust	Intimacy is increased by the two parties communicating over time and forming mutual understanding.
Forming the future	The two starts discussing the long-term goals and future operations.

For the case of new ventures, Aaboen and Aarikka-Stenroos (2017) demonstrated how the framework could be adapted for analyzing how the asymmetric context that new ventures are part of and influence the process of initiation, which previous studies had not adequately addressed. The asymmetry between the actors influences the initiation process in terms of effort spent in sub-processes, such as building conditions and trust and forming the future via multiple direct and indirect connections. More explicitly, this implies that new ventures must play the active part throughout the relationship initiation and convince the opposing party that they are attractive partners (Aaboen & Aarikka-Stenroos, 2017). Furthermore, the researchers found that new ventures' actor bonds play a particular role at the end of the relationship initiation process leading to a partnership, as the bonds "facilitate the sub-processes of forming the future, building conditions, and trust, and defining exchange" (Aaboen & Aarikka-Stenroos, 2017).

In addition to including the aspects as presented above, the framework was used to examine the role of contributors within the different sub-processes (Aarikka-Stenroos et al., 2018). The research was conducted because processual elements such as preparations and social relations seem to affect the relationship initiation. From the perspective of project management, Cova and Salle (2007) stresses the importance of tender preparation as a procedural step of relationship initiation. This includes a market consultation by the customer calling for an offer and builds on the company's strategy, relational- and functional development, and project development. Furthermore, personal relations and social bonds have been shown to play an essential role during relationship initiation from several different perspectives, e.g., the relationship development approach (Edvardsson et al., 2008; Valtakoski, 2015), the project marketing approach (Mainela & Ulkuniemi, 2013), or the international business approach (Andersen, 2006; Ellis, 2000). Based on this, Aarikka-Stenroos et al. (2018) found that contributors to the relationship initiation can be categorized into contact-, artifact -, and ritual contributors. The first category concerns social, organizational, and sleeping relationships. The second category involves references, agreements, standards, and rituals. Lastly, the third category concerns dinners, parties, and visits. These were all shown to both trigger and advance the dyadic process. Also, it was found that the actual beginning of the process is unclear, as preparations for the process happened long before the two parties made contact (Aarikka-Stenroos et al., 2018). In sum, relationship initiation is affected by preparations conducted before the two parties meet, and contributors can play a central role in affecting both the triggering and progress of the process.

Bjørgum et al. (2021) performed a multi-case analysis using the framework proposed by Aaboen and Aarikka-Stenroos (2017) for describing new ventures conducting a global sourcing process. The study was conducted from the perspective of the new ventures and revealed several findings as it analyzed the role of attractiveness within the process. First, the researchers found that attractiveness is not only an important matter within the sub-process of matching and attraction, but it is also equally important through the sub-process of defining exchange as they are dependent on keeping the supplier's interest up and reducing risk. Second, it was found that new ventures use less sophisticated and resource-demanding methods for identifying and screening suppliers than established firms (e.g, Pearson and Ellram, 1995; Ellegaard, 2006), and can increase their attractiveness by performing pre-sales before the process. Third, the researchers also found that during the process, new ventures experience a lack of control and coordination because of their low attractiveness, require a short supply chain with few system integrators, and combine more readily with smaller suppliers. Thus, the research corresponded to what Dwyer et al. (1987) found about attractiveness having different roles at different stages in the process. At last, the researchers iterated on the model, proposing to change the ordering of the sub-processes accessing and matching/attraction, as the two parties could not evaluate the relational fit before accessing each other (Bjørgum et al., 2021). Figure 2.3 illustrates the model below for a buyer/supplier relationship.

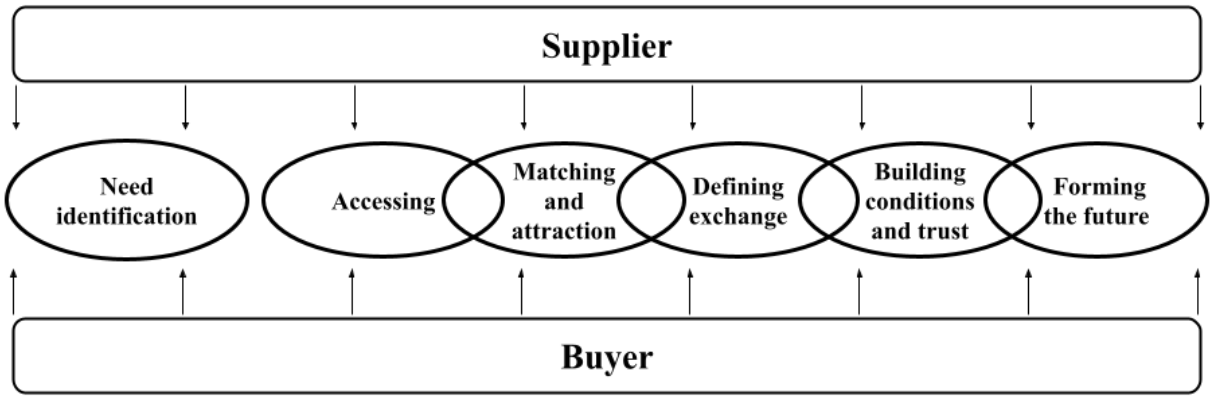

Figure 2.3: Framework for initiation of relationships. Adapted from Bjørgum et al., 2021

2.5 Analytical framework

Ever since Dickson (1966) proposed the most important supplier selection criteria, the process of developing buyer-supplier relationships has received a great amount of attention. However, as the amount of research has increased, it has shown that the process is more complex than a straightforward selection of a partner, especially for new ventures. Much of the research on how the process evolves is based on established companies not taking the situational differences of new ventures and established firms into consideration. However, assuming that there are quite large differences in terms of resources and experience, the relationship between the parties is asymmetric, with the new venture being more dependent on the established firm than vice versa.

Of the three conceptual models describing the first phase of a buyer/supplier relationship, namely supplier selection, supplier mobilization, and relationship initiation, the two latter emphasize attractiveness as a feature for new ventures. Attractiveness has not only shown to be a phenomenon gaining attention from the counterpart at the beginning of the initiation but a concept affecting different phases of relationship development (e.g., Dwyer et al., 1987; Harris et al., 2003; Bjørgum et al., 2021). The three models are based on scenarios in which different actors have the power in the relationship, with supplier selection and supplier mobilization being counterparts. Also, the asymmetric context appearing in the relationship of an established firm and a new venture has gained some focus in the initiation models and is a basis for the term mobilization. As the supplier selection framework can be considered as not taking the low degree of attractiveness of new ventures into consideration, the two latter models are argued to be more suitable frameworks for analyzing the process in the new venture context. However, there is reason to believe that a new venture can choose between suppliers if considered attractive by more than one actor. Thus, the process can not only center mobilizing resources at every point of contact. Based on these considerations, the framework of relationship initiation proposed by Aaboen and Aarikka-Stenroos (2017) is chosen as a foundation for the analytical framework used in this thesis.

The two phenomena, attraction and asymmetry, have not been investigated in parallel during relationship initiation. Although the two concepts are presented here as independent (Harris et al., 2003; Mortensen, 2012), they are closely connected. For example, according to the framework proposed by Tanskanen and Aminoff (2015), behavior-based drivers such as communication, commitment, trust, and respect are important for both the buyer and the supplier as factors of attractiveness. These characteristics are also mentioned as factors for asymmetry described by Munksgaard et al. (2015) and Johnsen and Ford (2008). Similarly, the research on asymmetry also mentions intensity, as to which extent there is contact and resource exchange between the parties, which corresponds to the resource-based drivers of attractiveness. Moreover, Tanskanen and Aminoff (2015) finds that differences in attraction make the relationship asymmetrical. This relates to Emerson (1962) stating that from the perspective of social exchange theory, that attractiveness asymmetry influences the power balance because rewards and cost gained from the relationship will determine the power structure. Therefore, the difference between the concepts is here argued to be that the asymmetry describes the objective differences between companies, whilst the attractiveness of either of the parties is perceived in the eyes of the beholder. Thus, attractiveness and asymmetry can be seen as two separate concepts, only existing between two parties but closely related and affect each other. While asymmetry describes the context of which the two parties are in, the perceived attractiveness of either party can affect the context and perceived asymmetry positively or negatively.

Figure 2.4 presents the analytical framework used in this thesis. The framework for the process of relationship initiation is adapted from Bjørgum et al. (2021) but is placed in an asymmetric context appearing between the new venture and the established firm. Also, the framework includes the fact that the two parties are continuously being attractive, presented in the form of drivers of attractiveness, as proposed by Tanskanen and Aminoff (2015).

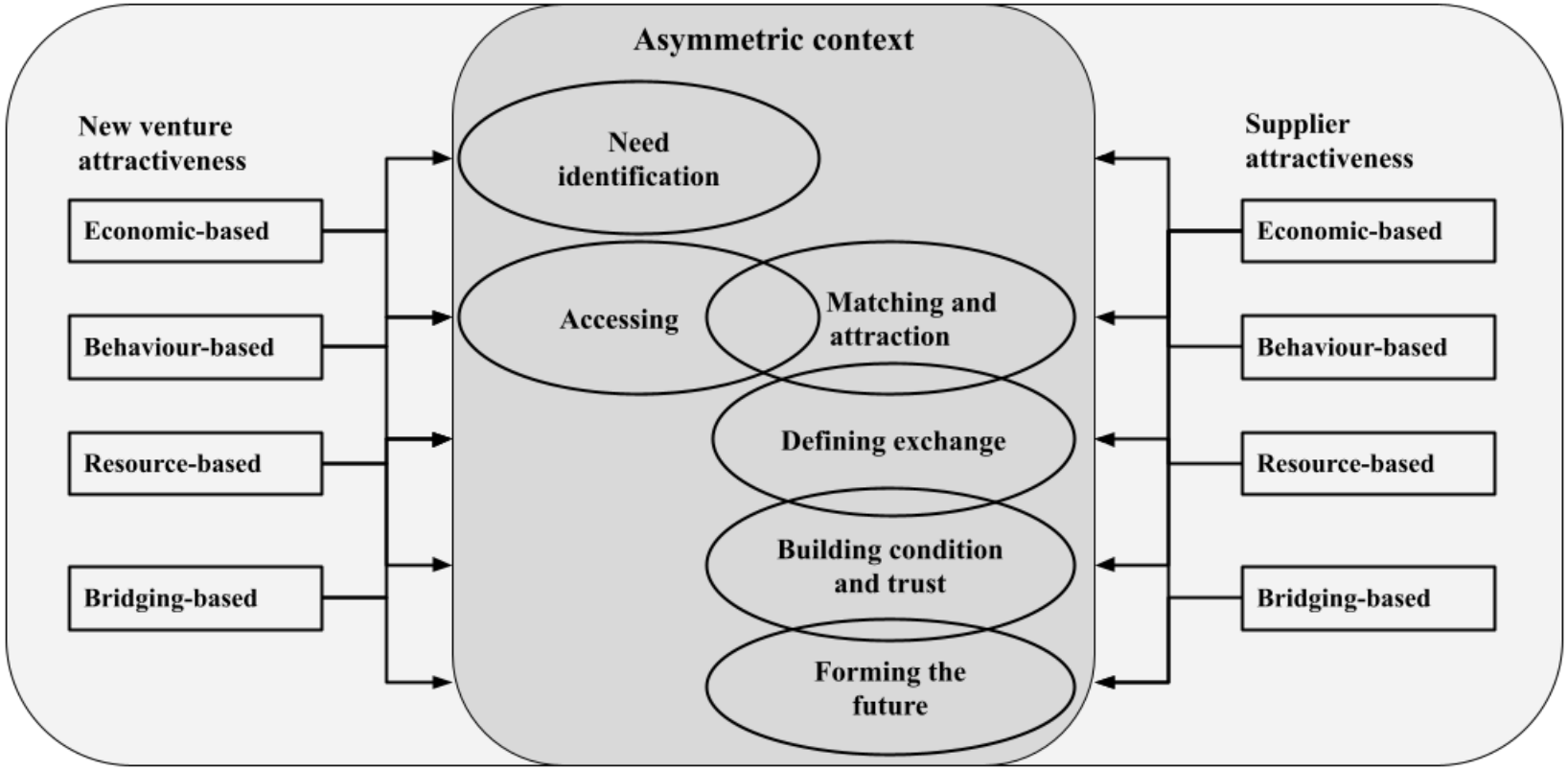

Figure 2.4: Framework used for analyzing relationship initiation process. Adapted from Bjørgum et al., 2021

Chapter 3

Research methodology

This chapter starts by addressing the research design used to address the role of attraction during the initiation of a new venture's first supplier relationship. Then, a description of the data acquisition method follows before presenting how the data analysis has been conducted. After that, the study's trustworthiness is discussed. Lastly, the chapter ends by elaborating on the limitations and assumptions of the methodology. The method used in the study has a basis in prior work in the Specialization Course (TIØ4535) at NTNU School of Entrepreneurship.

3.1 Research design

The process of initiating buyer-supplier relationships in an asymmetric context is complex as it contains multiple actors interfering with each other. Based on this, a qualitative approach was chosen to analyze and understand the complexities of emergent and evolving phenomena (Langley, 1999), and get in detail on concepts that are difficult to measure (Dallan, 2007). Moreover, the study attempts to contribute to the theoretical context presented in chapter 2 and therefore utilized a synthetic strategy, where the analysis aims to analyze the whole process as units and "attempts to construct global measures from the detailed event data to describe it" (Langley, 1999, p. 704). Furthermore, each case was defined as a process including a new venture and a supplier. The two had no pre-existing business relationship, and the supplier was the new venture's very first. The starting point of the process was defined as when one of the parties became aware of a need for the other. The endpoint was defined as when the two formalized the relationship, either formally or informally. Each case contains interviews with both the new venture and the supplier, and semi-structured interviews were chosen as a primary data source to collect data in a representative manner. The interviews, also referred to as qualitative interviews, were conducted with open-ended questions not predetermining the direction of the conversation or what the most important topics would be (Bryman, 2016). As a secondary source, public data about each company and the market they are operating in was collected. Every case was analyzed using an analytical framework derived from theory, as presented in section 2.5, exploring both individual and dyadic mechanisms before performing a

cross-case analysis to investigate commonalities and differences in-between cases.

3.1.1 Multiple-case study

Choosing a case study design for this particular study was appropriate for several reasons. First, the process has been studied in the asymmetric context of a new venture and an established firm, and when studying relationships and organizations, a case study is preferred (Easton, 2010). Furthermore, the evolution of the process can be seen as temporary and dynamic, changing over time and being affected by different contexts (Langley, 1999), for which a case study is also preferred (Birkinshaw et al., 2011). This is supported by Eisenhardt and Graebner (2007), which argues that when the focus is on a contemporary phenomenon in a real-life context needing to be theorized, a case study is suitable. Lastly, a case study is also appropriate because the process usually contains managers of new ventures, being analyzed as a managerial process (Amabile et al., 2001).

Further, it is chosen to do a multiple-case study to fulfill a broader exploration of the research questions (Eisenhardt & Graebner, 2007). As this study is narrowed to the process of new ventures' first supplier relationships and the role of attraction, it is assumed to be several differences across cases and from both perspectives in the relationship. Therefore, a multiple-case study will help to find the similarities and differences between the cases and possibly yield a more generalized and testable theory than if using a single-case design (Eisenhardt & Graebner, 2007). Since the cases themselves are the items for analysis and not the individual components within each case, the design of the case study can be described as a multiple holistic case study analyzing the single cases, being the process of relationship initiation in a given context (Yin, 2017). Figure 3.1 illustrates the case study design.

3.1.2 Selection of cases

To guide the selection of cases, the authors defined a list of minimum criteria for selection as shown in table 3.1. In a multiple case study, somewhere between 4 and 10 cases is preferred (Eisenhardt, 1989). Therefore, 4 cases were selected to ensure that there is a sufficient amount of data to generate theory with much complexity and, at the same time, not have too much data to handle. Further, each case was chosen to fit the purpose of the study, meaning that theoretical sampling was conducted as "the cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner, 2007).

The cases were selected by talking to people in the alumni network of NTNU School of Entrepreneurship. The authors located and contacted 15 new ventures that had the potential for being included, but only the four selected were considered a good fit to ensure diversity in the findings (Welter, 2011). Although the cases were selected from the same network, none of the

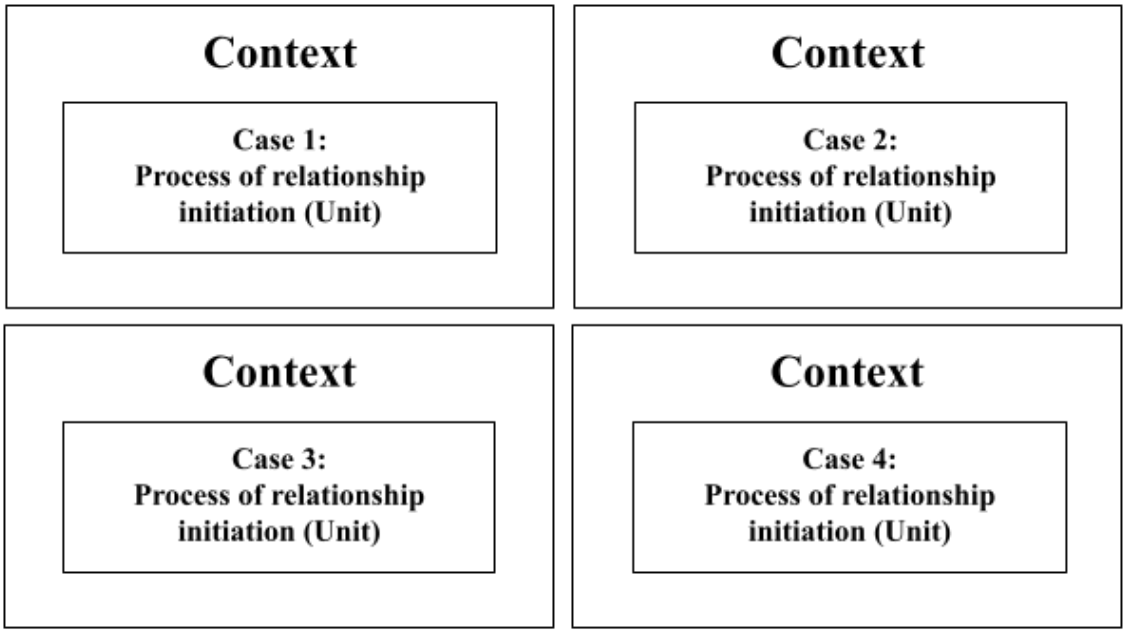

Figure 3.1: Multiple holistic case study, as proposed by Yin (2017).

Table 3.1: Minimum criteria for selection used in the study

Selection criteria
• The new venture must be willing to share access to documentation and suppliers • The case must contain a new venture and a supplier that has initiated and established a relationship • The relationship must have been initiated within the last 5 years • The case must contain the first supplier relation initiated by the new venture

actors were involved in more than one case to ensure diversity in the findings. Furthermore, all the new ventures were willing to share access to documentation, attend the meetings needed, share access to their suppliers, and were comfortable with the authors gaining insight into their external relations. This was highly important for analyzing the relationship from both perspectives and perform triangulation on evolving phenomena. Also, this enhanced the authors' ability to analyze the case on both a procedural- and an individual level and strengthen the accuracy by collecting data from multiple sources (Yin, 2017). The fact that the suppliers are all Norwegian was found appropriate as it would allow an equal amount of data collection from both parties. However, this reduced the diversity because the study was limited to concern the Norwegian context for buyer-supplier relationships.

Moreover, all cases included initiation processes within the five last years, which was essential to ensure a detailed description of the relationship initiation as a whole and understand all the

Table 3.2: Overview over the different cases included in the study and their characteristics.

Case	Type of product	Product complexity	Type of formalization	Nr. of team members NV	Status of process
1	Plastic components	Low	Purchase	5	Finished 1 year ago
2	Plastic components	Low	Purchase to be made	2	Close to finish
3	Circuit boards	High	Purchase to be made	4	Close to finish
4	Metal components	Medium	Exclusive agreement	1	Finished 2,5 years ago

nuances. Further, based on the definition of "initiation" used in this thesis, it was required that a relationship was initiated and established. Still, the establishment did not necessarily have to be in terms of a contract or formal agreement. This was because new ventures do not always use long-term agreements to formalizing a relationship to a supplier (Larson, 1992), but sometimes do orders on a deal-by-deal basis. Two cases had formalized the relationship when conducting the interview, i.e., case 4 through an exclusive agreement with financial support from the supplier, and case 1 through a purchase of injection molds and a batch of products. In case 2, the purchase of the molds was yet to be completed, but the two had started discussing what a future relationship would like. In case 3, the first batch of prototype series was ordered but not payed for. However, all new ventures responded "yes" when asked if they had established the relationship before included in the study. Thus, as all cases had surpassed the decision point of further cooperation, but in different forms, and it was possible to get an overview of all the processes and incidents taking place within each sub-process and generalize between cases and contexts (Yin, 2017).

Lastly, the type of product cooperated on in each case, and the prior preparations, including team size, were assumed to be affecting the process. Therefore, the cases were selected, with cases 1 and 2 having a less complex product and 4 and 3 having medium and high complexity. For the case of team size, the combination of cases was found appropriate as cases 1 and 3 had four and five full-time employees, in comparison to cases 4 and 2, only having one and two employees, by the time the initiation began. Table 3.2 shows an overview of the cases and their commonalities and differences.

3.1.3 Respondents

After contacting the potential new ventures to be included in the study, the authors verified that each company's primary point of contact was still available, as this was a person of main interest in the data collection. After confirming that a new venture wished to participate in the study, the authors contacted the supplier's CEO or sales representative and scheduled separate meetings with one or more representatives from each party. In case 1, both the new venture's CTO and CEO were involved in the process and were interviewed. Table 3.3 provides an overview of the different respondents and their prior industry experience. The employee's position in the company is used instead of names to ensure anonymity.

Table 3.3: Overview of the respondents interviewed in this study.

Case	Respondents	Type of company	Prior industry experience
1	CEO	New Venture	None
	CTO	New Venture	None
	Sales Representative	Supplier	30 years
2	CTO	New Venture	None
	CEO	Supplier	19 years
3	CTO	New Venture	None
	Sales Representative	Supplier	26 years
4	CEO	New Venture	14 years
	CEO	Supplier	40 years

3.2 Data acquisition

Although case studies are preferred when doing qualitative research on a process, the process data are messy, and making sense of them is a constant challenge (Langley, 1999). Therefore, a collection protocol (Yin, 2017) was created, including several steps. The protocol included a definition of what was to be investigated in the study and was based on the theoretical framework outlined in Chapter 2. The theoretical framework formed the interviews, and the analytical framework was used to create the questions and an order to follow. Further, the protocol included steps to prepare the authors and the interviewees and a schedule detailing which interview to conduct when. Before every interview, the authors collected data from the companies' websites and public sites to understand the company's situation better. Also, a statement of consent was prepared and shared with the interviewees before storing any personal information. Lastly, the protocol included a plan for how the interviews were to be conducted. The plan involved what platform to use, whom to take the role as interviewer, and how to record the data and structure the collection.

3.2.1 Conducting the interviews

Semi-structured interviews were chosen as the primary source of information to understand what the interviewees found important in explaining and events and behaviors during the process (Bryman, 2016). This is the most common method of data collection used in case-based research (Eisenhardt, 1989) and includes creating an interview guide as a framework for what to be explored. However, semi-structured interviews allow the interviewers to follow up on replies and vary the order of questions based on what appears interesting (Bryman, 2016). Therefore, the process was less structured than a quantitative approach and focused on exploring concepts and mechanisms between the two parties. As a result, the data collected was suitable for both within- and cross-case analysis.

For each case, the respondent from the new venture was interviewed before the respondent from the supplier. This was based on the new venture making the initial contact in each case and conducting the sub-process of need identification before proceeding with the process. Furthermore, in every interview, both of the authors participated. One had the responsibility for asking the questions from the interview guide, while the other observed the interview and had the responsibility for follow-up questions. Due to Covid-19, the authors performed all interviews through video meetings, which allowed for video recording. Interestingly, several of the interviewees tended to open up after the interview was over (Kvale & Brinkmann, 2009) and even sent extra information in the time after the meeting. The interviews lasted for 60 - 90 minutes, and the same interviewer was asking the questions and transcribing every word of the interview to ensure consistency.

The interview guide was created based on the analytical framework described in section 2.5 and is divided into five respective parts. First, the interviewee was introduced to the purpose of the study and declared rights regarding the handling of personal data. Second, company history, size, and current customer/supplier portfolio were queried. For the supplier, this included how working with smaller actors and new ventures differs from the established firms. Third, the guide elaborated questions regarding the interviewee's experience within the industry, education, and prior work. These first questions were arranged to get a more nuanced understanding of the interviewee and the company's premises for working with the other partner. Then, the fourth part included questions about the different sub-processes of relationship initiation and investigated the influences of asymmetry and attractiveness. These questions did not include the sub-process of need identification for the suppliers as the new ventures made contact in all of the cases. However, the questions regarded when the supplier need emerged and what the need concerned for this sub-process. Then, the guide elaborated questions about the subsequent processes, including accessing, matching/attraction, defining exchange, building conditions and trust, and forming the future. The questions to these sub-processes were somewhat open. Still, they considered when events such as their first meeting or cooperation activities happened and how the interviewee had perceived the counterpart and the event in itself. As the sub-processes

were elaborated on, the authors asked follow-up questions about attractiveness and asymmetry to reveal if the phenomena emerged. Also, the interviewee was frequently requested to timestamp events so that a timeline showing the evolution of the process could be illustrated. Lastly, the fifth part included the interviewee was summarize the process and elaborate on specific actions, events, or phenomena that had affected the relationship to the better or worse. This was to reveal findings appearing across sub-processes or in parallel. The interview guide used is included in Appendix A.

3.2.2 Secondary data

Secondary data was collected before and after the interviews to provide more non-spontaneous information about the relationship initiation process and multiple evidence of the process to be studied (Yin, 2017). The gathering of information before the interview was essential to become familiar with the setting in which the interviewee works (Bryman, 2016). After the interview, data collection was used to timestamp some activities or relations to actors that were somewhat unclear from the data. The data was sourced from the companies' websites and blogs or public news and sites such as *Proff.no* providing financial data about Norwegian companies.

3.3 Data analysis

Analyzing the data can be seen as the heart of building theory from case studies, but also the most difficult (Eisenhardt, 1989). The data analysis in this thesis is divided into within-case and cross-case analysis, where the former is the most important. As a first step after collecting the raw materials from interviews, relevant data were extracted into categories of dimensions pertinent to the study before being analyzed in detail. This coding was performed by the same author interviewing to ensure that the interviewees' expressions were sufficiently considered in the coding (Pratt, 2009). However, both authors went through the coding to ensure that it was conducted uniformly between the two. All coding was conducted using NVivo 12 as a tool for categorization and visualization.

3.3.1 Within-case analysis

The raw data was mainly coded into three categories of dimensions based on the analytical framework before being analyzed further. The first category included information regarding the company and the employee interviewed. These dimensions enabled comparison of background, experience, and the different contexts in which the actors in each case were in before the relationship initiation. The second category was directly based on the analytical framework shown in figure 2.4. In detail, it included all data that either was part of, contributed to, or prevented a sub-process from progressing. As this was done for all data collected, findings related to a particular sub-process were placed under the same heading. This helped to organize the different perceptions of the activities that had taken place in chronological order and permitted the

first findings to be revealed as some similarities and dissimilarities appeared. This coding was also the basis for creating a timeline describing how the process evolved and how the different sub-processes were connected. Lastly, data related to the asymmetric context, or attractiveness perceived by either of the two, were coded together. This was done in parallel to see if the phenomena were related to the different sub-processes or not.

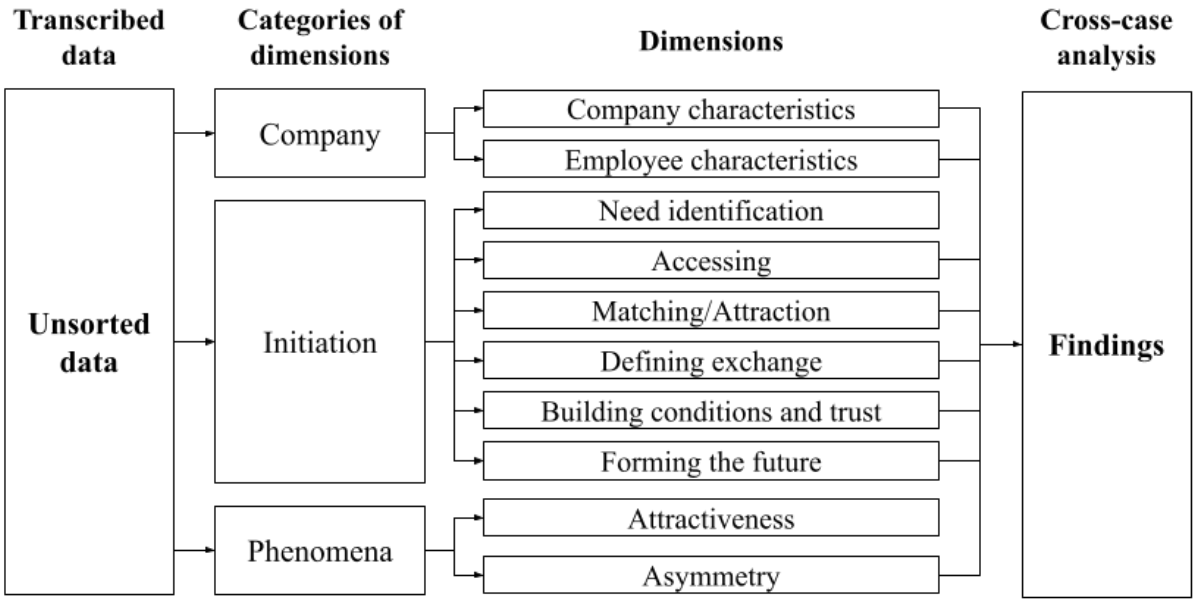

Figure 3.2: Illustration showing how the within-case analysis was conducted.

3.3.2 Cross-case analysis

After performing the within-case analysis, a cross-case analysis was conducted to provide a more holistic view and search for patterns (Eisenhardt, 1989). The focus here was to study how the relationship initiation process had evolved differently between the cases and how the parties' attractiveness had played different roles in the asymmetric context. The dimensions helped reveal the similarities and differences in the new ventures' and suppliers' starting points and how this affected the process. Figure 3.3 illustrates the complete process.

3.4 Trustworthiness of study

Although a qualitative study can center the respondents' context and point of view, it can also lead to difficulties in grasping the vast amount of diverse data and findings. The challenge for the researcher is then to create a truthful replication of the reality of the respondent, obtaining research with high trustworthiness. The trustworthiness of a study can according to Lincoln and Guba (1985) be derived from the four factors of credibility, transferability, dependability, and confirmability. The factors support defining what research quality is and evaluate the quality of

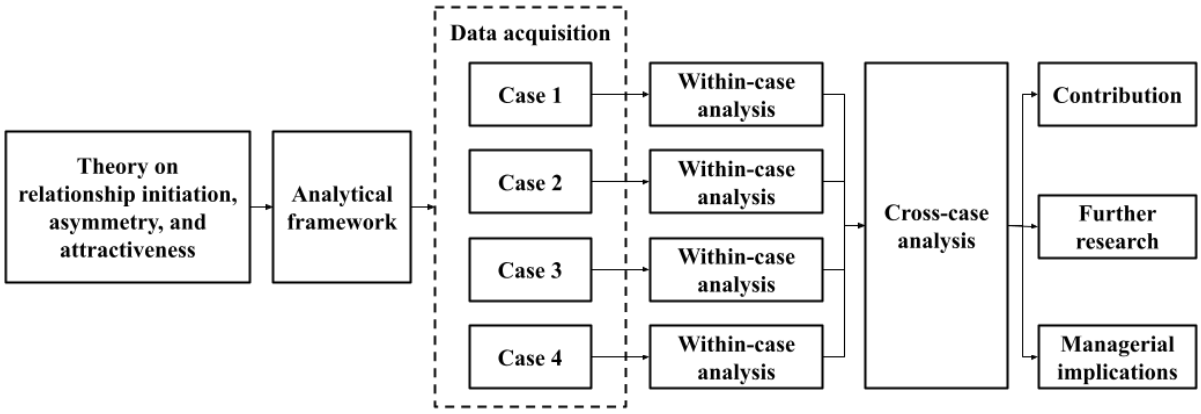

Figure 3.3: Illustration showing the conducted research.

a particular study (Halldorsson & Aastrup, 2003). This section will elaborate on the four factors and describe how these are coped with throughout the study.

3.4.1 Credibility

The credibility of a study is based on the notion that the reality builds on the respondents' perception of a phenomenon, given the context, and if the researcher is able to represent them (Erlandson et al., 1993). Thus, credibility concerns the correspondence between the authors' perception and the response given by the interviewee's (Halldorsson & Aastrup, 2003).

To understand the context of the respondents and increase credibility, the authors have used multiple sources for cross-checking and to perform triangulation (Lincoln & Guba, 1985). This included both the different types of data, being semi-structured interviews as a primary source and other documents as a secondary source, and interviewing both the supplier and the new venture in each case. Also, both authors were present at each interview and discussed the findings and mechanisms subsequently. However, each interview lasted for only 60 - 90 minutes, having a lack of prolonged engagement which is another essential factor to consider for credibility (Lincoln & Guba, 1985).

Moreover, an important aspect to note is the sensibility of the relationship between the two actors. As the business relationship was established but not strengthened for an extended period, one can assume that the interviewees might be restrictive to reveal too many details about the negative elements of the relationship. Therefore, this can have affected nuances of the described reality and affected the credibility. However, timelines and cross-checking were done with the respondents after the interview to verify the findings and replication.

3.4.2 Transferability

The transferability concerns in which degree the study can generate claims applicable to the world (Halldorsson & Aastrup, 2003). Therefore, thick and descriptive data about the context should be provided so that an external judgment or replication can be fulfilled by others (Lincoln & Guba, 1985). The authors have done this by describing the context and process of relationship initiation in great detail. Thus, the data and findings are suited for others to apply them elsewhere. However, both time and space are essential constraints in generalizing the data, affecting the possibilities for replicating the presented findings as they are all connected to Norwegian suppliers in a limited time frame.

3.4.3 Dependability

Dependability, or conventionally called reliability, refers to whether the researchers would make the same conclusion if the same observations were to be replicated (Lincoln & Guba, 1985). Moreover, this describes the stability of data over time and is often affected by researchers being bored or exhausted (Guba & Lincoln, 1989).

To cope with dependability, the authors conducted the interviews by switching between who asked the main questions and who observed and asked follow-up questions. In addition, the interviews were video-recorded and reviewed subsequently as peer debriefing to verify the perceived findings from the collected data.

However, the study's authors were students working with their own new ventures and without the experience of taking the suppliers' perspective, and this can have affected the perception of the findings at the time the study was conducted. To cope with this, a methodological strategy was outlined by the authors and reviewed by the supervisor consecutively. The supervisor has participated in discussing the findings and the analysis throughout the study.

3.4.4 Confirmability

Confirmability concerns the degree to which the interpretations, data, and outcomes of inquiries are based on the context and responses from the interviewees and not the researchers' biases (Guba & Lincoln, 1989). Thus, the collected data and consecutive findings should be traceable back to the source and not affected along the way.

Using the framework of relationship initiation to guide the interviews, and not the phenomena of attractiveness or asymmetry in particular, can have negatively influenced the confirmability. This is because perceptions of the phenomena were partly done by the researchers themselves, rooted in theory, and not by the respondents. However, the concepts were analyzed and visible based on the respondents' own words, which can positively affect the confirmability. Moreover, the interview guide and debriefing posterior to the interview were useful to mitigate this risk.

3.5 Limitations and assumptions

This section elaborates on limitations regarding the applied method and its execution. All limitations must be considered plausible sources of influence on the study and have to the best of the authors' ability been considered throughout the process.

- Due to the scope of the study and the importance of including respondents from new ventures and suppliers, cases that were less informal established were included. Although this increased the diversity of the data collected, one can argue that the process was not thoroughly finalized and limited the total findings of the sub-process of forming the future.
- Related to the prior, this also caused all cases to contain Norwegian suppliers. This provides a somewhat narrow data foundation not depicting differences across borders. However, this is also a strength in terms of the comparable context of the relationships.
- Because all companies are Norwegian, and the data were coded and transcribed to English, some findings or nuances could have been lost in translation.
- The cases selected were all in an asymmetric context in favor of the larger company. This was an essential foundation for conducting the study and contribute to the research scope. However, as some cases were still in critical phases of the relationship, one can assume that they were somewhat passive in describing 'the whole picture' of the relationship, including its negative aspects. Thus, respondents being afraid of worsening the relationship could have influenced the outcome of the study.
- Except for case 1, the study only included one respondent from each firm. The low level of inclusion can be seen as influencing the findings because the individuals' response to questions was considered as representing the firm. Thus, although triangulation was performed by including both companies, the study could have retained more respondents to prevent personal opinions and emotions from influencing the findings.
- As the scope of the study was to investigate all sub-processes of relationship initiation, the methodology included cases happening as much as five years back. However, although this only accounted for two of the new ventures, it might affect the managers' ability to recall events nuanced and with a high degree of accuracy (Yin, 2017).
- All cases were identified and chosen through the alumni network of NTNU School of Entrepreneurship. Therefore, the authors knew some of the new ventures well before the study and had sufficient pre-understanding of the companies. This is assumed to affect how the interviews were conducted and how different aspects of relationship initiation were interpreted.
- Lastly, using the analytical framework to code and sort the collected data could have affected the findings. This was mainly because the process was to fit the framework,

and some sub-processes in the analytical framework overlap. This causes events to be included in several of them, which in turn can influence the findings. The categorization of events was done by the authors' best knowledge but is a source of uncertainty.

Chapter 4

Within-case analysis

This chapter presents the findings provided through the within-case analysis of the four cases included, as described in chapter 3. The chapter comprises four sections, all following the same structure containing three subsections. The first subsection introduces case-specific information about the two companies included in the case. Then, the second presents how the companies have initiated the relationship, described by the framework for relationship initiation. This subsection ends with a timeline showing how the sub-processes have evolved considering both companies' perspectives. Lastly, the third subsection analyzes how attractiveness has affected the perceived asymmetry and different phases of the process. Also, the subsection ends with a table showing what drivers of attractiveness appearing in each sub-process of relationship initiation.

4.1 Case 1: New venture selling consumer electronics and supplier of plastic components

Case 1 considers the relationship initiation between a new venture selling consumer electronics (NV1) and a supplier of injection molded plastic components (SUP1).

4.1.1 Case specific information

This case emerged in August 2019 when NV1 started to work with putting their product in production, and ended in April 2020 through an order of components from SUP1. As of May 2021, the companies have formalized the relationship through an order of production tools and a few recurring orders of plastic components.

NV1: New venture selling consumer electronics

NV1 was founded early in 2018 while the founders were studying entrepreneurship and technology management at a university in Norway. The founders came up with the business idea for

the new venture during feasibility studies that were part of their studies, and for the first year and a half, the founders worked on the new venture in parallel to their studies. After the summer of 2019, three out of the five students of the team, including the current CEO, CMO, and CTO, went from working part-time on the project to being full-time employees. By this point, the company had already secured funding from several public grants and private investors. On the product side, the team had developed a fully functioning prototype and was ready to start the design for manufacturing (DFM) process. The product consists of both electronic- and plastic components, but in this case, it was the relatively simple plastic components that were to be set in production.

SUP1: Supplier of injection molded plastic

SUP1 was originally founded in the 1960s and has since specialized in the mass production of plastic components by injection molding. Today, the company has a turnover of 60 million NOK and 35 employees. The SR has worked with plastic production since the late 1970s and has spent the last 15 years working with the market and sales in SUP1. Moreover, the company has a customer portfolio ranging from small start-up companies such as NV1 to large international actors with activities worldwide, and this diversification is beneficial in order to reduce risk.

> *"We are not making much money on the small companies, but you always need to start somewhere. We cannot only have a few large customers in our portfolio. Especially considering how the industry is today. Because, you never know, suddenly something might happen with the big ones."* - SR of SUP1

4.1.2 The process of relationship initiation

This section describes how the sub-processes of relationship initiation has been conducted, as described by both respondents.

Need identification

In August 2019, NV1 had produced their prototypes by 3D-printing the plastic components. As a natural next step, the team started investigating different options for mass production and quickly realized that 3D-printing plastic components for commercial production was not feasible, due to high cost and high production time per single unit.

> *"When we 3D-printed prototypes, which we did in the office for a long time, it took approximately 70 hours to complete one single product. So that was clearly not an alternative for mass production."* - CEO of NV1

In the process of identifying suitable methods for mass production, the team in NV1 consulted with several new ventures in their personal networks that had previously gone through a similar process of setting up a supply chain for plastic components. In these discussions, the ventures shared advice and experiences on using suppliers locally versus abroad and which production techniques were best suited to the needs of NV1. Based on this, NV1 decided to search for local suppliers of injection-molded plastic components instead of suppliers in China, which is a common country for outsourcing such parts. This decision was based on the ease of communication with local suppliers compared to the language barrier that would exist with Chinese suppliers and the risk of not being prioritized due to the smallness and newness of NV1.

> *"Despite substantially lower component prices, we were advised against choosing Chinese suppliers, due to the high risk posed by the communication barriers and large geographical distance. We therefore chose a deliberate strategy of picking local suppliers to reduce risk."* - CTO of NV1

In addition to obtaining advice, NV1 used their personal networks of new ventures, investors, and other associates to identifying and gather contact info for suppliers that potentially could fit the needs of NV1.

Accessing

NV1 accessed SUP1 through an electronics manufacturer that the venture was considering as a supplier for their PCBs. The first contact between NV1 and SUP1 was mediated by this electronics company, which passed on contact information and documentation on NV1. Shortly after this contact was made, the CTO of NV1 was in October 2019 invited for an introductory meeting at SUP1's production facilities. During this meeting, the CTO was given a tour of the facilities and an introduction to the activities of SUP1. Additionally, the CTO had brought prototypes of their product and briefly presented the business idea, market, and product. Together with the SR and a product engineer from SUP1, the CTO discussed the product's primary material and production needs. Following the introductory meeting, the main line of communication between the parties became direct contact between the CTO and the SR.

Matching & attraction

For the process of contacting the potential suppliers, the CTO of NV1 functioned as the point of contact and was responsible for leading the search for a suitable supplier of plastic components. Therefore, he was the only one attending the first meeting at SUP1's facilities, which was an essential part of the matching and attraction sub-process. The SR believes that the physical meeting and tour of their production facilities is the best way of communicating their capabilities and experience to new customers.

> *"A physical meeting is much more worth than 200 power-points. So it's about getting the chemistry at an early stage when there are new companies. That they have trust in us, and that we are perceiving some kind of sense in the product being presented."* - SR in SUP1

From the perspective of SUP1, the standard procedure when potential customers reach out is to ask for documentation on the components that are to be produced. This information is used to evaluate the manufacturability of the components, give quotas, and form an impression of whether or not the potential customer has done sufficient preparations for mass production. Considering NV1, the SR received 3D files and documentation for the plastic components and quickly got the impression the new venture had done a fair bit of preparations before contacting the supplier. However, the SR were a bit skeptical about the product but gained a generally good impression of the preparation and effort NV1 had put into the product.

> *"The CTO was very well prepared when he visited us and wanted to show us a package of what they had done. This was very positive to us, because we have had a bunch of young entrepreneurs approaching us, but a lot of the ideas is not very well thought through."* - SR in SUP1

Although NV1 had been introduced to SUP1, the young firm formed the search as a tender round. Several potential suppliers were contacted and invited to give quotas and prices on the production of components. Initially, the CTO focused on gathering information about the suppliers and the production process and used this information to evaluate and compare the different options with the CEO. The possibility of comparing different suppliers was perceived as very important by the CTO, as he did not have any experience with suppliers and pricing for plastic components, and therefore had no pre-existing basis for evaluating every single supplier. The suppliers were evaluated concerning objective parameters, such as price, lead time, geographical location, and subjective parameters, such as ease of communication, responsiveness, and perceived interest in working with NV1.

> *"We did of course compare the suppliers of plastic components on price, but the most important criteria for us was how they communicated. Which supplier do we perceive as willing to prioritize us, and respond quickly to our inquiries? Which supplier is most flexible, and appear to be the most keen on having us as their customer?"* - CEO of NV1

Based on the CEO and CTO's good impression of SUP1, NV1 decided in December 2019, to continue with the supplier for further cooperation.

Defining exchange

The sub-process of defining exchange started in parallel to the sub-process of matching and attraction, being already by the time the two companies had their first meeting. Following this,

the CTO of NV1 sent over documentation and 3D sketches of the product to SUP1. Based on some general estimations, SUP1 then provided prices quotas for both production tools and unit cost for the components, which were compared to other offers. In parallel to the tendering process, an external consultant (EXT1) was hired by NV1 to finalize the DFM and ensure that the product was aesthetically pleasing and optimized for the manufacturing process. EXT1 was not planned for taking part in the supplier selection process but appeared very useful for the firm.

> *"Hiring an external consultant for the DFM process was very beneficial for us, as he had been through these kind of processes before. EXT1 brought a lot of experience and knowledge to the table, and this became important in presenting our point of view in the meetings and discussions with the supplier."* - CTO of NV1

During the cooperation, expected future production volumes became a natural and essential talking point. The CEO and CTO of NV1 quickly understood that production volumes were of central importance for SUP1's assessment of the potential customer. Due to the inherent smallness and newness of being a new venture, the representatives from NV1 were conscious of their small size and limited experience. Therefore, they centered their product presentation around their ambitions and future market projections.

> *"It was not until we started discussing with the suppliers that we realized how small we really are, and how important production volumes are for the suppliers. After making this realization we adapted our strategy to ensure that we communicated our ambitions to grow in a way that was appealing to the supplier. I believe it was necessary to do so for the supplier to find us sufficiently interesting as a potential customer."* - CEO of NV1

Furthermore, as the offers from NV1 were compared to price estimates from other suppliers in the tender round, SUP1 stood out as the best offer and was selected by NV1. In the following December 2019, defining the design of the models and how to reduce costs continued. This was an iterative process, where the three parties, NV1, SUP1, and EXT1, had several meetings and cooperated closely. In March, the order was finalized by a purchase contract, which included price, payment conditions, and other details about the order.

Building conditions & trust

The sub-process of building conditions and trust started in December 2019, when the new venture had decided to continue with SUP1, and the two had to cooperate to get the deal in order. An essential factor for this process was the active usage of EXT1 by NV1 in the conversation with SUP1. In this process, the external consultant took the new venture's point of view and became influential in ensuring that their interests were prioritized. However, from the perspective of SUP1, the involvement of EXT1 was seen as a reassuring action by NV1, as it added experience and knowledge to the design process.

> *"When EXT1 is involved we feel reassured, because then we know that the design is properly thought through. EXT1 has a lot of experience, and when we are able to combine that with our experience and a customer with clear expectations we usually have a good team."* - SR of SUP1

In this back and forth process, the two cooperated well, and the increase of communication reduced the distance between them and improved the personal relation. However, as a purchase order was to be agreed upon, the team of NV1 perceived the payment conditions as poor and in favor of the supplier, as they were required to pre-pay 50% of the tool costs. However, they did not see any room for negotiations, as they were under the impression that NV1 needed the supplier more than the supplier needed them. According to the SR of SUP1, the payment conditions were standardized and based on the fact that the supplier also had to pre-pay 50% of the tool cost to their toolmakers. This had not been communicated clearly to the CTO of NV1. He assumed that the payment conditions were a risk management measure that SUP1 used to mitigate financial risk related to new ventures.

> *"My impression is that SUP1's risk was negligible, as they required us to pre-pay the tools. So, if we end up with no sales, SUP1 has still been paid for their work and does not lose any money on our collaboration."* - CTO of NV1

Following, the tools were to be manufactured in China by one of SUP1's suppliers. As a part of the tool production process, a few test batches of plastic components were produced in China to verify the quality and tolerance of the tools. During this process, SUP1 updated NV1 continuously on the progression and time estimates. Upon completion of the tool manufacturing, the tools were transported to SUP1's production facility, and they were ready to mass-produce the components.

Forming the future

At the time of the interviews, NV1 was still in the process of scaling their business but had placed regular orders of plastic components from SUP1. The components are ordered on a batch-by-batch basis, meaning that there is no long-term general production contract but rather separate purchases with individual and standardized conditions. Moreover, NV1 is designing a second product for the market and is preparing for a dialog with SUP1 to discuss the production of components for this product.

Figure 4.1 depicts the time spent on the process, different events, and the sub-processes of relationship initiation.

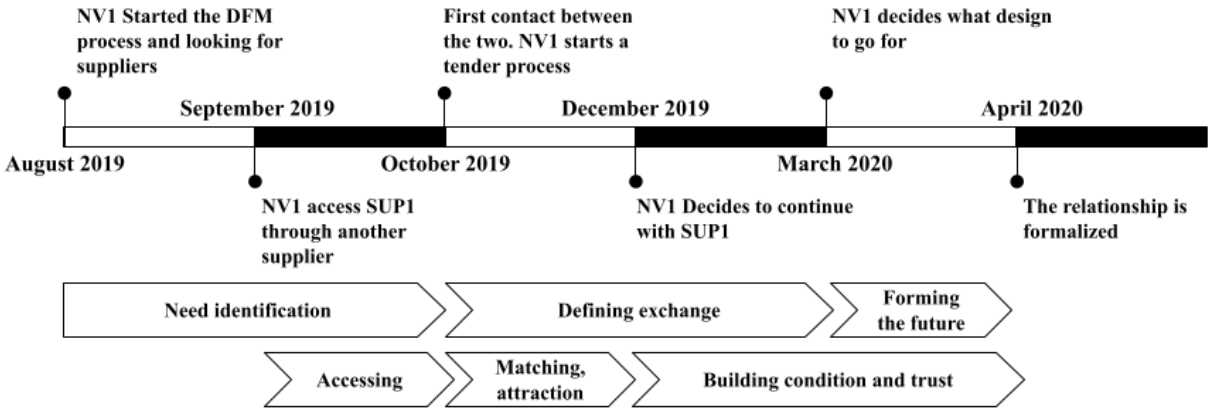

Figure 4.1: Timeline showing the sub-processes of Case 1 and important events

4.1.3 Attractiveness and asymmetry in case 1

This section describes how different drivers of attractiveness are found important in different sub-processes of the relationship initiation process. At the end of the subsection, table 4.1 summarizes the findings.

Pre-relationship considerations

In the period leading up to the relationship initiation, NV1 had made several preparations and developments in their business that would positively affect their attractiveness towards potential suppliers. First, NV1 had established an interdisciplinary team consisting of technical and business competence, resulting in a broad overall competence. In conjunction with the team's core competence, they had also developed several working prototypes, demonstrating their innovative capabilities. Second, the team had worked on their brand and promoted themselves towards their target markets, resulting in confirmation from the market and pre-sales. These factors contributed to increasing the new venture's overall attractiveness towards a potential supplier and simultaneously compensating for the lack of experience in NV1.

Searching for a supplier

During the sub-processes of need identification, NV1 chose to reduce risk by searching for local suppliers. This would ensure ease of communication and a short physical distance between the parties. Both geographical presence and communication are important drivers of attractiveness described in the literature. In this case, the new venture perceived these attributes as attractive and risk-reducing. This evaluation was based on the advice and guidance that NV1 received from people and companies in their personal networks, implying that in a situation where NV1 had limited experience, the team could utilize and learn from other new ventures in their networks that had recently been in similar situations. Additionally, it is worth noting that all the candidates for potential suppliers, in this case, were identified through "word of mouth" from the team's networks and that the team did not conduct a broad search for suppliers outside their

network. This indicates that reputation was an important driver for supplier attractiveness in this case and that NV1 used the advice and experience in their personal networks to reduce the risk related to supplier selection.

Initiating contact and deciding on cooperation

In the accessing phase, a third-party electronics supplier mediated the initial contact between NV1 and SUP1. This may have shortened the process of accessing the supplier, as the CTO was put directly in touch with the SR from the very beginning. However, no findings indicate that the third party mediating the contact affected the new venture attractiveness in any significant manner.

After the initial contact was made, but before the first physical meeting, the asymmetry was perceived by NV1 as significant due to differences in size, experience, and resources. Additionally, the team of NV1 was under the impression that they needed SUP1 much more than SUP1 needed them, leading to increased perceived asymmetry from NV1's perspective. However, the findings suggest that this perception is somewhat exaggerated, as SUP1 believes it important to recruit new ventures early, who can then grow to become large customers in due time. In other words, the supplier is more concerned with the long-term value of the customer relationship rather than the value at the starting point. Additionally, smaller customers are important for diversifying the customer portfolio, which SUP1 also mentioned as an essential factor for them, showing that the economic-based drivers of the new ventures' attractiveness were most important before contact.

For the first physical meeting, SUP1 had invited NV1 to visit their production facilities. This invitation was a deliberate strategy by the supplier to formally introduce themselves and build a personal connection to their counterparts at NV1. By giving a tour of the facility, the supplier could efficiently communicate and demonstrate their production resources and capabilities, which are essential drivers for supplier attractiveness. Thus, the physical meeting becomes an important strategy for the supplier to reduce the customer's perceived asymmetry by increasing the behavior-based drivers of attractiveness and bringing the parties closer to each other.

During the meeting, NV1 was able to communicate their preparations in the form of prototypes, documentation, and market projections, which increased the supplier's perception of NV1 as an attractive customer and ultimately led to the supplier choosing to move forward with NV1 already this first meeting. This indicates the importance of conducting thorough preparations as a new venture and communicating these preparations to the counterpart. Moreover, the opportunity to speak face-to-face was important from both perspectives, as it was perceived by the parties to contribute greatly to the formation of trust between them.

In this case, the tender round initiated by NV1 appears in between the sub-processes of defining exchange and matching and attraction, as all companies were handed details from the new venture about what to exchange. However, the tender round was found to give the new venture several benefits through the process. First, the new venture was able to get advice and information from several different suppliers, which was then used to improve the product and prepare for the production process. This can be seen as free resources from the perspective of the new venture, while the suppliers consider it a part of their sales process towards new customers. Second, the offers and estimates given by the different suppliers are used to challenge the other competitors in the process. Thus, the new venture limits the supplier's ability to take advantage of the asymmetry between them and the new venture. In other words, the suppliers cannot request an unfair price, as they are competing with other suppliers for NV1's attention. Lastly, when the suppliers chose to take part in the tender round, they also explicitly or implicitly decided to move forward with NV1. At the same time, the new venture did not have to choose which supplier to move on with until after the tender round. This means that although the choice of supplier and customer appears to be a mutual decision between the parties, the decision was, in this case, made asynchronous. Thus, the new venture could evaluate all the offers knowing that the suppliers had already chosen to work with them, and therefore effectively reduced the perceived asymmetry quite drastically.

When making the final choice of supplier, NV1 chose SUP1, despite this not being the cheapest option. Interestingly, the team in NV1 considered communication, personal relations, and mutual commitment more important than a slight price difference and argued that the benefits of good cooperation would outweigh the benefits of slightly cheaper components. It is important to note that this evaluation was possible because the new venture had acquired a solid amount of funding, giving them some leeway to prioritize cooperation over financial aspects. Thus, the financial resources of the new venture provided opportunities rather than limitations in this case, which is usually not true in buyer-supplier relationships between start-ups and larger firms.

Cooperation on design for manufacturing and finalizing the order

For the DFM process, the use of a third-party consultant, EXT1, was found to be important both for the progression of the process and the development of the relationship itself. The consultant contributed with knowledge and capabilities that the new venture did not already possess, which increased the venture's attractiveness in terms of general competence and capabilities specific to innovation and production processes. Moreover, the fact that NV1 hired EXT1 for their process was perceived by SUP1 to increase the new venture's attractiveness, which relates to organizational links as a driver for buyer attractiveness. In addition to the increase in attractiveness, EXT1 contributed to the relationship process by acting as an objective supporter for NV1, giving advice, and helping them evaluate the feedback from the supplier. This enabled the new venture to challenge the suppliers on certain decisions and ensure that the new venture's

best interests were prioritized throughout the process.

Another interesting aspect found in the sub-process of defining exchange was NV1's ability to quickly adapt its strategy when getting the impression that production volumes were important in the eyes of the supplier. By focusing their presentations and communications on future volumes and projections rather than the volumes in the growth phase, the new venture could paint an ambitious but still reasonable picture of their growth goals and their future markets. The need for adapting their strategy stems from the new venture's perception of significant asymmetry between the parties, and the change in strategy is a measure to increase the attractiveness of NV1.

The relationship was formalized through an offer from SUP1 that NV1 accepted, and there were no negotiations on price or conditions. NV1 perceived this as an adverse effect stemming from the asymmetry, and were under the impression that there was room for negotiations. The same applies to the payment conditions that NV1 perceived as unfair, but in reality, both small and large customers were given standardized conditions. This illustrates how the perceived asymmetry can lead to misunderstandings and mistrust in situations where the larger party is believed to take advantage of the minor party when in reality this is not the case. Moreover, as the relationship was formalized on an order-by-order basis rather than through a general production agreement, the supplier avoided establishing a formal expectation of exclusivity, which in theory leaves the new venture with the option of changing supplier at any time. However, the cost of moving the production tools from one supplier to another and the alternative cost of building a relationship with a new supplier suggests that the barrier for NV1 to change supplier is relatively large. Thus, the existing relationship and the cost of changing supplier creates an informal and unwritten expectation of mutual exclusivity in the relationship.

Table 4.1: Table showing the drivers of attractiveness during the sub-processes in case 1.

Sub-processes	**Pre-relationship/ Need identification**		**Accessing**		**Matching, Attraction**		**Defining Exchange**		**Building conditions and trust**		**Forming the future**	
Drivers of attractiveness	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**
Economic	x				x		x	x				x
Behavior		x			x	x	x		x	x		x
Resource		x					x					
Bridging		x										

4.2 Case 2: New venture selling drain product and supplier of plastic components

Case 2 considers the relationship initiation between a new venture selling a drainage system (NV2) and a supplier of injection molded plastic components (SUP2)

4.2.1 Case specific information

This case started during the spring of 2019, as one of the inventors from the new venture (NV2) knew a person working at the supplier's (SUP2) parent company (PC) and made contact to ask some general questions. From that point, the two have worked together on making the product ready for manufacturing, as well as on discussing what is needed from both actors to reach mass production. As of May 2021, the companies are close to formalizing the cooperation through payment of the plastic injection molds.

NV2: New venture selling drainage system

NV2 was founded in January 2019 while the two founders were students at an entrepreneurship and technology management program at a university in Norway. During feasibility studies within their study program, the two students were introduced to the product by two industry workers who had come up with the idea two years beforehand. At that point, the inventors had already spent time and resources designing the product in cooperation with a design firm and filed a national patent for the product. However, the inventors did not have enough free time in their schedules to bring the business development forward and therefore introduced the option that the students could take part in the project. As a result, the two students established NV2, with the inventors as co-owners, and became CEO and CTO. Before entering the entrepreneurship and technology management program, the CEO completed a bachelor's degree in economics and the CTO one within mechanical engineering.

SUP2: Supplier of injection molded plastic

SUP2 was initially established in the 1940s, but started specializing in plastic injection products in the 1970s. Today, the company has 40 employees and a turnover of about 60 million NOK. In 2017, PC acquired the company, and the two are currently cooperating on sales and production, but SUP2 handles technical products like injection-molded plastic. The SR has worked in SUP2 since 2016, has 20 years of experience, and is currently running sales for both SUP2 and PC. Moreover, about 30% of SUP2's customers working with new products are new ventures. Also, less than 10% of the customers account for 90% of the annual turnover. However, the new ventures are essential for SUP2's bottom line, because the large customers are strict on pricing and do not allow the suppliers large margins.

> *"We are almost not making money on the large customers. They often cover production costs, and lets us invest in new and modern equipment, but they are strict on pricing. We sort of need the small actors because they let us make money and give us a bottom line."* - SR in SUP2

However, the CTO of SUP2 is frequently being contacted by new ventures and entrepreneurs with ideas and products that they want to realize, and express that they are careful in choosing whom to cooperate with.

> *"We are always checking that they have done their homework with a serious business plan, estimated volume, and information about customers, market and competition."* - SR in SUP2

4.2.2 The process of relationship initiation

This section describes how the sub-processes of relationship initiation has been conducted in case 2. An overview of the process is illustrated in figure 4.2 at the end of the subsection.

Need identification

The need identification sub-process started in June 2019, as NV2 was in the middle of a prototyping phase. At the time, they worked with both a design company and a company making prototypes to develop the product. One of the inventors, who was currently involved in the project, had contacted an acquaintance in PC, a local company manufacturing plastic products to the maritime industry, to ask if they could stop by to discuss a possible mass production of NV2's product. They arranged a meeting one day the CTO and the inventor visited the design and prototype companies who were located close to SUP2.

> *"We stopped by the supplier to discuss what they thought about the product and how one could proceed with it. This was still in a very early stage and we were not ready for production at that time ... This is sort of the approach we have worked after. We are initiating contact with important actors early on to learn about the process even before we have the need for it."* - CTO in NV2

In the period after the meeting, the two employees of NV2 spent time on prototyping, obtaining financial resources, and completing their studies. In parallel to this, they used their network to discuss how they should set up the production, what they needed for the process, and who to contact. They also became determined to find suppliers in Norway, as a strategy to reduce risk and increase efficiency.

> *"We decided to go for a supplier in Norway to have an easier dialogue. We wanted to not have to learn the Chinese culture and deal with misunderstandings which could cost us a lot. So it was some sort of way to reduce risk, and at the same time ensure high quality."* - CTO in NV2

Accessing

Although NV2 made the first contact with SUP2's parent company in June 2019, it was not before October 2020 that the they made the first request for pricing. Moreover, the CTO was forwarded to the SR in SUP2 for further discussion, as he manages sales for both SUP2 and PC. However, SUP2 is located far from PC, which the CTO understood after he had gotten in contact with the SR. Due to this, the two parties met through video meetings to discuss the price quotations. Later correspondence with SUP2 happened through emails, video meetings, and phone calls with SR, who then discussed technical changes with his colleagues.

Matching & attraction

The process of matching and attraction started when NV2 stopped by PC for the physical meeting, but was then put on hold until February 2020, at which point the new venture requested a price quotation from a different supplier that someone in their network had recommended. This was mainly done to use the numbers for budgeting, but also gave them insights about what the process would cost and include. However, the prices were too expensive, and the founders of NV2 knew that they would need to reduce the cost to pay for production. Also, they had received interest from a large Norwegian Wholesaler (NW), who had given them estimates of an acceptable sales price of the finished product. The price level led NV2 to initiate a tendering process in October 2020, including a Swedish company, another local supplier of plastic products, and PC.

> *"We were a bit surprised over the high cost, so we approached all alternatives. We needed several offers to negotiate on pricing and understand the actual production cost of our product. ... Since we had started investigating what we needed one and a half year in advance, we knew what we were needing. So we requested an offer, and continued the dialogue further with the most satisfying supplier."* - CTO in NV2

During the process of approaching suppliers, NV2 and SUP2 had a meeting to discuss the product more in detail and what was required to reach the stage of production. At this point, SUP2 had a good impression of NV2 as a company, and also of what they would require from the supplier further on.

> *"I liked the idea and I could relate to the problem that they were solving. Also, as we were talking back and forth, it turned out that they had gotten NW on board, who were interested to buy their products, if they got everything in order."* - SR in SUP2

Based on the multiple offers NV2 got from the different suppliers, PC qualified as the best, and NV2 decided to cooperate further with them. However, this decision was mainly determined by pricing as NV2 experienced that all of the suppliers that had been contacted were service-minded and interested in their product.

Defining exchange

The process of defining exchange started when NV2 requested the first price quotation from SUP2 and progressed with the two collaborating on optimizing the product and getting it ready for manufacturing, as well as agreeing on price for the injection mold. This process included determining the product dimensions and working with the designing to ensure that the casting process would be seamless. The two companies exchanged multiple emails during this process, and it was essential for SUP2 to be competitive on price for both the injection mold and the components. For NV2, the payment of the injection mold was a significant investment, but ordering the mold from SUP2 did not necessarily commit them to use the supplier for the production of components.

> *"The next step for us is then to be competitive on price when we are making the molding tool. So it is not given that we have made it with NV2 and gets the deal, but we have a good relation to them and are well positioned."* - SR in SUP2

In parallel, NV2 had hired an external consultant (EXT2) helping to progress the DFM process and follow-up on the improvements proposed by SUP2. Moreover, when the interviews were conducted, the two parties were close to finishing the process of ordering the molds. The tasks remaining before finalizing the order concerned NV2 securing additional funding to complete the purchase, as the total sum was significantly large for the new venture at this early stage. Also, the fact that NV2 is well-financed and can afford the investment is important for SUP2 as they need to make the outlay for the molds.

> *"If the new venture is financed, it is much easier for us to give it better payment conditions. Because we are paying the tool maker 50% in advance, so if we see it as a large risk for us not getting the last 50%, we ask for the money in advance. The new ventures are really fragile."* - SR in SUP2

Building conditions & trust

Although SUP2 had trust in NV2 from the beginning because of the unique product idea and NV2s relation to NW, the cooperation between the two reduced the relational distance and made communication easier.

> *"The communication has become more friendly. He probably understands more of what I want and what knowledge i possess. So in that way the communication is easier and it is not a problem for me to just call him, ask a few questions, and hang up the phone."* - CTO in NV2

Furthermore, during the cooperation, both parties act to make the collaboration more easy-going. For the new venture, this appeared as the CTO was conscious of being the point of contact between SUP2 and EXT2 to ease the process and not use too much of the SR's time

spent in the process. On the contrary, the SR offered the CTO extra help with the product- and business development to build trust between them. Although both seemed pleased with the cooperation, the SR was consciously and deliberately building trust with the customer to position themselves for future orders.

> *"I guess there is a common interest in us succeeding here. And I guess that's natural, since we're their customer and if we succeed they succeed. But it is not given that this kind of interest exists in a relationship and I think that's really positive"* - CTO in NV2

> *"We're concerned about helping our customers with the things we're good at so that they also become better. That is our concept. This way, we're getting a closer relationship and considered as a more appealing alternative further in the process."* - SR in SUP2

Forming the future

When the interviews were conducted, the parties had started discussing a future relationship, including supplies, and were close to agreeing on the order for injection molds and payment conditions for these. Although the purchase was not yet conducted, the CTO expressed that they were deeply involved with SUP2 and determined to use it as a supplier in the future.

The time spent on the process, important events, and the sub-processes of relationship initiation is depicted in figure 4.2.

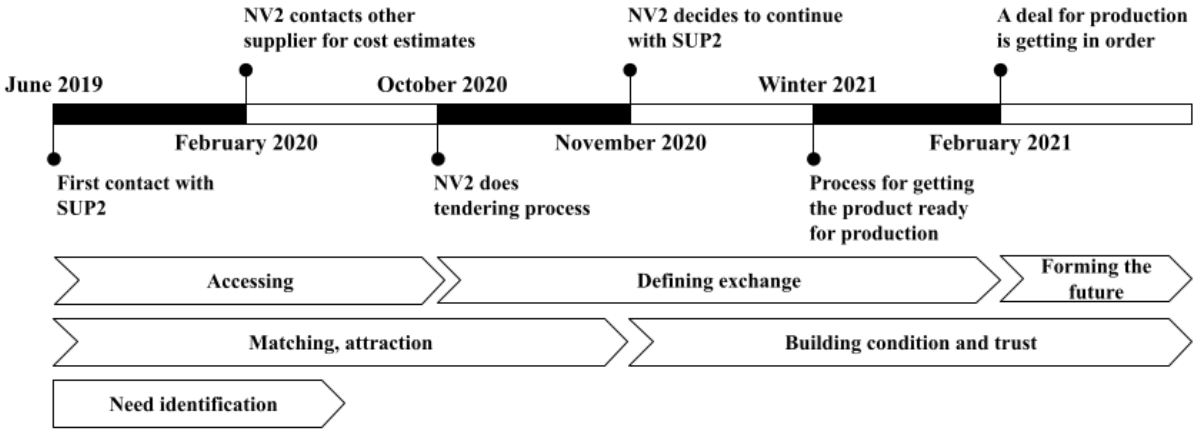

Figure 4.2: Timeline showing the sub-processes of Case 2 and important events.

4.2.3 Attractiveness and asymmetry in case 2

This section describes how different drivers of attractiveness were found important in different sub-processes of the relationship initiation process.

Pre-relationship considerations

Prior to the two parties establishing contact, the team of NV2 did a sufficient amount of work to prepare for the processes of relationship initiation, which would increase their attractiveness to potential suppliers. First, they had increased their competence by cooperating with design bureaus and made several prototypes with another firm. This was to increase their knowledge in DFM, which has proven an important factor for attractiveness by the literature and the perceived legitimacy of the firm. Second, they had contacted both suppliers and people in their network and started the sub-process of need identification early to learn about the process from the very beginning. This was to ensure profound competence about the steps they were approaching and acquire the right resources to complete the process. Lastly, and perhaps most importantly, they had proven market traction and established a business connection with NW. By doing this, they had demonstrated the possibility of economic growth and gained insight into the price level that the market would accept. Thus, the two entrepreneurs had established a proficient foundation for cooperation with suppliers and proven to deliver on business development.

Considering the business situation of SUP2, the company was working with both large companies and new ventures on a daily basis. Diversity in the customer portfolio is vital to the firm, as the large customers enable investments in modern production equipment, while the new ventures and small companies provide the bottom line. This need for working with small companies is an important matter for consideration. It implies that the interaction is built on mutual attraction and that the decision for cooperation lies with both parties and not only with the dominant party. However, cooperation with a new venture is not initiated at any cost. The SR explicitly expresses that they reject some of the new ventures due to a lack of preparations or unprofessionalism. Thus, the economic-based drivers seem the most important as new ventures with market traction and a serious business plan are considered attractive customers.

Searching for a supplier and first contact

In light of the feedback and information gained from their personal network, NV2 determined to find domestic suppliers with geographical proximity. This was mainly to reduce risk by easing communication and not having to learn a new culture, which the team would have had to do if sourcing from outside Europe. Easier communication and similar culture were believed to streamline the process and trust between the parties. Also, quality was an important matter in the search for domestic suppliers by the new venture, which was something that proper communication and trust would ensure. Thus, before the process, the economic-, behavior-, and bridging-based drivers of supplier attractiveness appeared important to the new venture.

When the two companies made contact, NV2 was perceived as highly attractive to SUP2. This was mainly due to the economic-based driver of attractiveness as the team had done their 'homework' with the market, and the SR could relate to the problem that NV2's product is solving. However, NV2 had not secured sufficient funding for paying for the injection molds, and NW had expressed what price estimations it could accept. Therefore, NV2 was dependent on reducing the production-related costs to a minimum and performed a tendering process by contacting several suppliers. This process was an important act to reduce the perceived asymmetry between the companies for several reasons. First, all of the suppliers NV2 approached responded seriously to their request and showed interest in cooperating with the firm. This confirms NV2's attractiveness and confidence in what the company can expect in a relationship. Second, by collecting feedback and cost calculations from different suppliers, NV2 gained knowledge about changes that could be done in the manufacturing process and how to proceed to reduce costs. Lastly, NV2 could choose freely between the alternatives and competitive offers from the suppliers, which drastically reduced the perceived asymmetry. In the end, as all suppliers were attractive in terms of behavior-based drivers of attractiveness, NV2 decided to continue with SUP2 as it was the most attractive option in terms of quality and cost.

Cooperation on product development

The two parties progressed through the sub-process of defining exchange by designing the product for manufacturing and determining the cost of the injection molds. This sub-process was the most critical phase because the two actors were dependent on each other to get a deal in order, and one party could withdraw from the cooperation at any time. In this sub-process, SUP2 was conscious about the price quotes and estimates given, as they were well aware that the new venture could still choose to go for a different supplier if SUP2 turned out to be too expensive. Thus, implying that the economical-based driver of attractiveness was the most important to consider for the new venture. In parallel, NV2 was actively using a design bureau with industry experience in design for manufacturing to help with changes in the product. This was a deliberate strategy to increase the proficiency of NV2 and improve their behavior-based drivers of attractiveness through good cooperation. Also, the EXT2 contributed to ensure an efficient process which reduced the supplier dependency for NV2.

To build conditions and trust in the relationship, both companies did several actions to increase their behavior-based drivers of attractiveness to the other. Considering SUP2, the SR was conscious about building trust by helping NV2 with the product- and business development. This increased SUP2's attractiveness as NV2 got a perception of SUP2 wanting them to succeed. Also, the hours spent on this process by SUP2 were defined as sales-related and therefore free of charge. Although this is standard procedure for the supplier, it created a perception of both parties investing in the process. Consequently, NV2 was careful to treat SUP2 with respect by being well prepared for meetings and by the CTO always being the point of contact to ensure

a well-ordered process. However, the act of building trust by SUP2 was intended to position the supplier for the following transaction and future orders and minimize the risk of the new venture switching to a different supplier.

Negotiating costs and future cooperation

As the cooperation on making the product came close to being finished, the economic- and behavior-based drivers of supplier attractiveness appeared relevant. NV2 was offered payment conditions in line with what SUP2 gave established firms. The fact that NV2 was treated equally as established firms was not a given and was therefore seen as a sign of good faith, increasing the trust between them and SUP2. However, these payment conditions were presented as non-negotiable and as a standard procedure. The findings regarding attractiveness in case 2 are summarized in table 4.2.

Table 4.2: Table showing the drivers of attractiveness during the sub-processes in case 2.

Sub-processes	**Pre-relationship/ Need identification**		**Accessing**		**Matching, Attraction**		**Defining Exchange**		**Building conditions and trust**		**Forming the future**	
Drivers of attractiveness	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**
Economic	x	x			x	x		x				x
Behavior		x				x	x		x	x		x
Resource												
Bridging		x										

4.3 Case 3: New venture selling smart containers and supplier of circuit boards

Case 3 considers the relationship initiation between a new venture selling smart containers (NV3) and a supplier of circuit boards (SUP3).

4.3.1 Case specific information

The case started of in March 2019, as the new venture noticed the need for a supplier. Since then, NV3 and SUP3 have initiated contact, cooperated on developing the new venture's product, and are, by May 2021, close to formalizing the partnership through a first delivery.

NV3: New venture selling smart containers

The CTO and CEO founded NV3 during the autumn of 2017 with the idea of selling smart containers to businesses for more efficient cleaning operations. The two founders met as students at a university in Norway, where the CTO studied mechanical engineering and the CEO studied entrepreneurship and technology management. Naturally, they decided to take suitable roles within the company and kept these roles as they recruited new employees. NV3 sells a complex product consisting of three circuit boards, multiple metal- and plastic components, and technology for data collection and insights. Therefore the team had three out of five employees working on product development when the relationship to SUP3 began. At that time, NV3 had performed several pilot projects, been granted in a startup accelerator program (SAP), and received financial investments from investors.

SUP3: Supplier of circuit boards and assembly

SUP3 was initially founded in 1980 and has a long track record within the industry. The CEO has been employed since 1995 and became an owner in 2006 during a re-branding. He is currently working on sales and administrative tasks needed to run the company. The company makes circuit boards as a primary objective but also offers assembly of final products. Further, SUP3 regards itself as a medium-sized company and had a turnover of approximately 80 Million NOK and 40 employees in 2019. The company has about 45 customers, of which 10-15 are new ventures. SUP3 gets in contact with new ventures through a partnership with SAP, their own suppliers, or direct contact. Although the large customers account for most of the revenues, the CEO enjoys working with new ventures.

> *"I like working with entrepreneurs, maybe not from an economical point of view, but its rewarding on a personal level."* - CEO in SUP3

4.3.2 The process of relationship initiation

This section describes the process of relationship initiation between NV3 and SUP3 as described by both of the companies. At the end of the subsection, figure 4.3 shows the timeline and sub-process of the conducted relationship initiation.

Need identification

In March 2019, NV3 had just been granted an SAP membership and moved to the same city as the accelerator. At this point, the team had developed three working prototypes with help from local manufacturers but felt ready to approach suppliers that could deliver larger quantum. Since the team members had already spent quite some time on product development, they had insights into what was needed from a supplier to produce large series of products. Also, as the team was moving, they wanted to combine the need for suppliers to handle large production rates with closeness to their new city. The need for geographical proximity was mainly to build trust and close relation to the new partner.

> *"It makes sense to go for someone we trust and that is close located. If something would happen you can just get in the car, drive to their facilities, and sort it out with them. Its all about safety."* - CTO in NV3

Accessing

To locate suitable suppliers, NV3 contacted their main contact in SAP and explained the situation. SAP had already awarded them office spaces in their facilities and had partnerships with several manufacturers within the region, including SUP3. These partnerships are useful for the new ventures as it provides them with good connections and for the manufacturers who get easy access to up-and-coming firms in the region.

> *"If a new venture has made it through a membership with SAP, I am not worried to give away free hours of introduction and a prototype"* - CEO in SUP3

Thus, the sub-process of accessing happened through SAP, which arranged a meeting for the new venture and three suppliers, including SUP3, to present themselves to NV2.

Matching & attraction

The meeting found place in April 2019, and started off by NV3 presenting themselves and their product, before the three suppliers presented what they could offer.

> *"We only did a brief introduction of the product and what we needed from the supplier. Afterwards, each of the suppliers were presenting themselves in front of each other, like a type of sales pitch"*- CTO in NV3

In light of the meeting, NV3 contacted people in their network, people at SAP, and browsed the internet to find someone who had been in the same situation and worked with the suppliers who attended the meeting. At this point, NV3 also contacted each of the suppliers to request price estimations for the quotation needed. Based on the feedback and insights, the team decided to continue with SUP3 as a supplier and made contact to forward the process. The CTO of NV3 then drove over to SUP3 to have a first in-depth meeting with the CEO. At the meeting, it was a great match between them, as both found the commitment and communication of the other as very appealing.

> *"The guys were really nice and polite, although I was a bit sceptical to the product to begin with. They wanted to do production in Norway, which I really appreciate, and they were good on cooperation"* - CEO in SUP3

Defining exchange

As NV3 gained access and decided to go for SUP3 as a supplier in October 2019, the two companies started discussing their potential exchange and what costs NV3 could expect when getting everything set for production. This was important as NV3 was still in an R&D process, and many necessary decisions had to be made. Since NV3 came through SAP, and to help them through the costly process, SUP3 offered a *gift card* of 25-50 hours free of charge.

> *"I usually give a gift card of 25-50 hours, like some sort of investment. So we are not billing them for that. However, if a BOM is higher than what they need, I'll probably bill them for the whole amount. I can live with loosing hours to a certain point, but I cant loose money straight of the bottom line."* - CEO in SUP3

The CEO describes this procedural step concerning cost discussions as especially fragile for entrepreneurs. They do not know what to expect regarding costs and the time needed for documentation and testing. However, the meetings included feedback on the electronics and how the product could be adjusted for assembly. Then, from around March 2020 to the summer of 2020, NV3 spent much time testing and working on SUP3's feedback. NV3 then resumed the contact half a year later. The two continued having frequent contact with meetings every month, and several phone calls and emails, to discuss assembly, testing, packaging, and shipping. All to get the product finished for production and optimize costs. In March 2021, NV3 ordered the first series of 20 prototypes which was the last step before heading into large-scale production.

Building conditions & trust

The process of building conditions and trust was initiated as the two parties started defining exchange and what their relationship could include. Before these meetings, the two exchanged an NDA. Further, trust has been built by multiple physical sessions at SUP3s facilities and contributions from SUP3. Not only was the gift card a part of this, but also the level of inclusion and willingness to adjust their contribution and commitment to the relationship.

> *"They are never in a rush and takes us seriously. This was something we noticed from day one and stands out from suppliers we have worked with on beforehand. We are prioritized despite the size of our company, and they are willing to respond quickly"* - CTO in NV3

This became extra apparent when NV3 produced their first printed circuit boards (PCB) and had not used all of their "free hours" included in the gift card.

> *"When we were going to make our first PCBs, we got the offer to spend the rest of the free hours to some of the processes needed. So we were actually getting some of the work needed for the first series for free. These kind of things have been brilliant for us"* - CTO in NV3

From SUP3s point of view, the CEO highlight NV3s ability to cooperate and listen to their inputs on changes in the product as an important matter for trust.

> *"The people in NV3 were bulls-eye, so from our point of view there has been full confidence all the way. And it seems like they have trusted us as well. They are really easy to cooperate with and understands stuff right away. So from that perspective I would say NV3 is one of the better"* - CEO in SUP3

Forming the future

In March 2021, NV3 ordered the first batch of prototypes, and the two parties had started the sub-process of forming the future by discussing actions needed for serial production and what quantum could be realistic. Further, both of the parties were deeply involved with each other. The CEO of SUP3 estimates to have spent 100 - 150 hours free of charge as part of sales and the gift card, leaving much of the competence needed for production at SUP3.

> *"My industry is a bit special when it comes to this matter, because at the moment it would be difficult for NV3 to just switch to another supplier. The product is quite complex, and off course we are trying to not take advantage of this, but a lot of the competence lies within SUP3"* - CEO in SUP3

This is also supported by the CTO in NV3, who expresses that he has not considered the option.

> *"We have not established an agreement, but we have signed an NDA, and that's about it. But it would be really strange if we suddenly were to change to another supplier from SUP3 now. So our relationship is very much established"* - CTO in NV3

By the time the interview was conducted, the testing of the prototypes was around the corner.

Figure 4.3 depicts the sub-process of relationship initiation, influencing events along the way, and the time spent on the process.

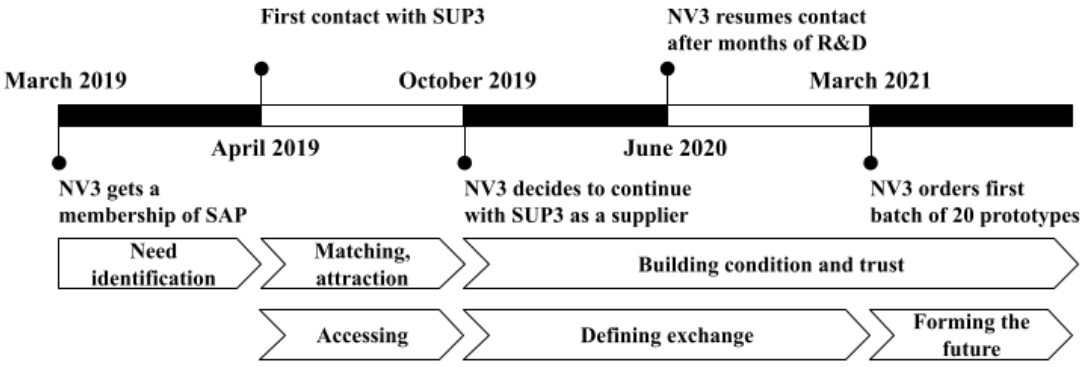

Figure 4.3: Timeline showing the sub-processes of Case 3 and important events.

4.3.3 Attractiveness and asymmetry in case 3

This section describes how different drivers of attractiveness are found important in different sub-processes of the relationship initiation.

Preparations

Before the two companies made contact, the team of NV3 had conducted several preparations to increase their attractiveness and prepare them for the relationship initiation. First, they had established an interdisciplinary team with expertise on all product components, strengthening their management and general competencies and their capability to innovate. Second, the new venture had spent almost two years on developing several working prototypes in cooperation with local manufacturers, which aids in demonstrating the firm's innovative capabilities. Third, the new venture had passed through the eye of the needle and been accepted into SAP, which was a seal of quality adding to the venture's legitimacy. Additionally, this membership also provided the new venture with financial resources and essential network connections, strengthening both the bridging- and resource-based drivers for buyer attractiveness. Thus, by increasing the team's overall competence, developing several prototypes, and being accepted into SAP, the new venture prepared well for the relationship initiation process in terms of team and product. However, the preparations in terms of the market dimension were somewhat limited.

Supplier search and initial meeting

In the search for a supplier, the CTO explicitly communicated that the team sought domestic suppliers with a geographical presence in the region the team was moving to. This would ease the communication and the possibility of easy access to the facility. Additionally, the team was aiming for mass production and required a supplier with the appropriate capabilities and resources. Thus, the drivers of supplier attractiveness in the sub-processes before accessing were mainly behavior -, resource- and bridging-based, and the economic-based drivers were not in focus at this point in the process.

In the sub-process of accessing, SAP acts as a contributor to the initiation process by arranging a joint supplier meeting, where NV3 can establish contact with three different suppliers, including SUP3. As previously mentioned, SAP's acceptance adds to NV3's legitimacy, which SUP3 perceives as the first indication of NV3's growth potential and success. Thus, customer potential for growth and success, or the perception thereof, are important drivers of economic-based customer attractiveness during the accessing sub-process. As a result of this, it became easier for the CEO of SUP3 to justify the "gift card" of free hours that his firm invested in building the relationship.

By inviting three suppliers to present themselves simultaneously, the meeting arranged by SAP established the fact that NV3 had several suppliers to choose from and that it was not dependent on one specific supplier. Thus, the perceived asymmetry in the relationship between NV3 and SUP3 was efficiently limited in the first meeting, shifting the power balance towards the new venture.

During the sub-process of matching and attraction, the CEO of SUP3 quickly became impressed with the team of NV3, and he perceived them as very polite, professional, and easy to communicate with. The CEO finds working with new ventures rewarding personally and achieves a degree of personal satisfaction from aiding in realizing innovations. In addition, the fact that NV3 was actively searching for a local supplier was perceived as attractive by the supplier, as it appealed to the shared value of strengthening the local industry. All these factors are behavior-based drivers of customer attractiveness. The perception of high customer attractiveness leads the CEO of SUP3 to invest time in the new venture's development, despite being well aware that most start-ups never make it to a profitable phase.

From the perspective of NV3, the CEO of SUP3 was perceived as easy to communicate with and genuinely committed to building a good buyer-supplier relationship. This commitment became apparent to NV3 through the "gift card" of free work that was offered by SUP3, which allowed the parties to get well acquainted without costs accumulating for the new venture. This was a deliberate strategy by SUP3 aimed at capturing the interest of NV3 by offering access to free resources and communicating interest and commitment to the relationship. Thus, SUP3 was actively implementing a strategy emphasizing behavior- and economic-based drivers of supplier attractiveness, which successfully reduced the distance between the parties and increased trust. Moreover, NV3 compared cost estimates from several different suppliers and confirmed that SUP3 was competitive on price, further strengthening the presence of economic-based drivers of supplier attractiveness in the sub-process of matching and attraction.

Cooperation on product development

During building conditions and trust, the two firms collaborated closely on product development, further reducing the distance between them and increasing the commitment to the project.

There was a mutual understanding between the parties that efficient communication was necessary for this process and contributed to increased trust. As a result of reduced distance and increased commitment and trust, the CEO extended the "gift card" to also be valid for producing documentation for the PCBs, which was a process that he would normally charge the customer for. Thus, behavior-based drivers for buyer and supplier attractiveness were important for reducing the distance between the firms in the sub-process of building conditions and trust, leading to an overall reduction in the perceived asymmetry of the relationship.

Negotiating costs and future cooperation

Despite the friendly collaboration during the relationship initiation, the process had at the time of the interviews spanned a total of two years. The complexity of the product that NV3 is developing can partially explain this rather time-consuming process, as this has required considerable adjustments and fine-tuning along the way. This led to SUP3 spending around 150 hours on the project free of charge, which is around three times the amount intended in the "gift card". In terms of benefits, this resulted in NV3 receiving a lot more resources than what the team was first promised. Still, the consequences of increased supplier involvement induce implications for the future of the relationship. Most notable, SUP3 have become experts in NV3's product and therefore hold tacit knowledge to produce the product. This drastically increases the supplier dependency, as it would be difficult for NV3 to switch supplier without incurring a considerable expenditure of resources. Also, it increases the resource-based drivers of attractiveness, as the supplier holds the necessary resources for NV3 to succeed. To obtain a return on their additional investment, SUP3 will increase its margins for the first couple of years of mass production. The CEO is conscious that this can be perceived as opportunistic by the new venture, and he is therefore focusing on communicating the reasoning behind the increased margins to avoid any conflict in the future. Thus, also improving the supplier's behavior-based driver of attractiveness.

Table 4.3 illustrates the drivers of attractiveness showed important in the different sub-processes of relationship initiation.

Table 4.3: Table showing the drivers of attractiveness during the sub-processes in case 3.

Sub-processes	**Pre-relationship/ Need identification**		**Accessing**		**Matching, Attraction**		**Defining Exchange**		**Building conditions and trust**		**Forming the future**	
Drivers of attractiveness	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**
Economic			x			x		x				
Behavior	x	x			x	x	x		x	x		x
Resource		x										x
Bridging		x										

4.4 Case 4: New venture selling smart lockers and supplier of metal components

Case 4 considers the relationship initiation between a new venture selling smart lockers (NV4) and a supplier of metal components (SUP4).

4.4.1 Case specific information

This case started in June 2017, as the founder and CEO of NV4 identified a need for a supplier and later contacted SUP4. Since then, the two established a supplier agreement in December 2018 and have cooperated until the time of the data acquisition.

NV4: New venture selling storage product

NV4 was established in January 2017 as a consulting firm working with facilitating locker solutions for companies. The founder and now CEO had quit his job after spending 14 years in another industry and was looking for ideas within the business segment while acquiring consulting assignments. He re-branded the company during the Spring of 2018 to its current name. Today, NV4 sells smart lockers to medium and large companies, has six employees, and had a turnover of 7.5 million NOK in 2020. NV4's products are quite complex, containing both hardware-, electronic-, and software solutions. The company has three leading suppliers, of which SUP4 is the supplier of the metal components.

SUP4: Supplier of metal components

SUP4 has a history going back to the beginning of the 19th century. Today, SUP4 is a supplier of metal components for projects within the electronics and maritime industries. In addition, SUP4 has some products in their portfolio that is sold directly to customers, and one of these is a locker solution quite similar to the one NV4 is selling. The current CEO got employed in the company in the 1980s and became a part-owner in 2017 as the company branched out from its original owner. In addition to manage sales, he currently works with administrating the company and its employees. The company has 25 employees and a turnover of approximately 45 million NOK. Its customer base consist of both large international companies as well as new ventures starting from scratch. When being contacted by new ventures, SUP4 evaluates if the product fits their production capabilities, the growth possibilities of the new venture, and the seriousness and professionalism of the team.

> *"First, the product needs to fit our pool of machines, and second, there must be a potential for growth. Because making a prototype will never be a profitable income, you'll need a production for that. Also, we evaluate the seriousness of the company making contact, or what plans they have for establishing it."* - CEO in SUP4

4.4.2 The process of relationship initiation

This section describes the relationship initiation process from the time NV4 discovered a need for finding a supplier and up until there was an established agreement between the two companies. At the end of the subsection, figure 4.4 depicts a timeline containing the sub-processes of relationship initiation and important events.

Need identification

In May 2017, the CEO of NV4 worked as a consultant providing solutions for company infrastructure and cooperated with a customer needing a locker solution to offer their employees. At the time, the CEO was in an exploratory phase of finding potential solutions to problems the customers were stressing about and had several alternative solutions he considered. As the locker solution came up, he knew that he could handle the software and electronics needed to develop the product. Still, he had a lack of competence on how the lockers could be built and needed to get in contact with a manufacturer. The CEO had no other supplier requirements than one that could suit the needs of the product and wanted to find someone nearby to discuss his requirements. During the autumn of 2017, the CEO started looking for companies to contact for discussing his ideas and browsed the internet for alternatives.

Accessing

After searching for a while, the CEO found that SUP4 had tried to sell a similar product earlier and he therefore considered them a possible alternative. In this case, the accessing sub-process was straightforward as NV4 contacted SUP4 after finding them on the internet.

> *"When I first found them, I took a bit of a naive approach and contacted them right away. They were from the same place as me, seemed like proper business people, and just wanted to make money on production."* - CEO in NV4

The CEO of NV4 initiated the contact in October 2017. Following this, the CEO of SUP4 invited him over to their facilities for a meeting to discuss his ideas.

Matching & attraction

The sub-process of matching and attraction started when the two CEOs had their first meeting. This included the CEO of NV4 presenting what he wanted to do and the CEO of SUP4 presenting what the company had done earlier. The two concluded that NV4 would fit as somewhat of a sales link in a joint development project. However, at the time, the CEO of NV4 did not have much knowledge about the market potential, and nor had he initiated customer contact.

> *"At that time, they were sort of the large company that we were trying to get into for helping them with sales. I didn't have any other strategy than that at the time."* - CEO in NV4

However, the fit between the two seemed to be quite good. NV4 pointed out a smart, innovative locking mechanism, which was one of the challenges NV4 had faced previously when trying to increase sales of their lockers. Also, the two communicated well, with both parties listening and responding to each other's ideas and concerns.

> *"The idea that was proposed to us was very interesting as he had a solution to a software locking mechanism. Also, the communication was an important aspect. We were responsive to his ideas, and he was very responsive to our feedback and comments."* - CEO in SUP4

Defining exchange

The process of defining exchange started in January 2018 as NV4 resumed contact and had concretized the concept. However, as NV4 was to compete against actors with products produced in low-cost countries, it became clear that the lockers were too expensive. Additionally, based on customer feedback, the lockers were found to not be optimal for their purpose. Therefore, the parties needed to reduce the cost of production and make the product more scaleable to achieve a competitive solution. As a start, SUP4 gave NV4 a verified prototype free of charge that NV4 could work with to develop changes and improvements. In June 2018, NV4 also recruited a product developer who spent time with SUP4's technical drawer to develop the products based on customer feedback. During this work, they made space for the smart locking solution, the doors changed size, and the components were improved. However, some tension developed between the firms as the distribution of profit margins for each of the actors had not been defined.

> *"NV4 handled sales and we needed to start drawing to make the lockers cheaper and easier to sell. We tried a lot of different versions, and adjusted them based on the feedback NV4 got from the customers and the production costs. We wanted coverage to gain some on the products, which NV4 wanted as well, so the process were all about cooperation."* - CEO in SUP4

> *"We put a lot of work into that process, in addition to putting a bit of pressure on them to gain as much insights into costs as possible. Because at the time, there were no straightforward policy on how much they were to contribute to the process or what to charge."* - CEO in NV4

From being more dependent on help from SUP4 to develop a suitable product, the product developer in NV4 eventually did most of the design himself. However, they cooperated further to discuss how changes in the production process could be made more cost-efficient. The two finished the new product version in September 2018, and during the defining exchange subprocess, NV4 had initiated several pilot projects with customers, which would need prototypes ready at the beginning of 2019.

Building conditions & trust

The two parties met when the CEO of NV4 only had the idea in order but no market traction or customer relations. However, the two parties felt that it was a good match during their first meeting, but mutual trust was too early to establish as the exact product was not defined and orders from customers were absent.

> *"During the first period, I believed in the case, but they didn't have any product. Actually, we were the ones having the product, and he had the idea. And then, the product changed a bit and ended up suiting the market better."* - CEO in SUP4

> *"I guess it was quite simple for them at the time, if we could come up with orders we could arrange an agreement. Until then, we could cooperate, but I guess the degree of cooperation was determined by how many hours they were willing to put in before there actually were orders on the table."* - CEO in NV4

Therefore, at the beginning of the relationship, the CEO of NV4 felt that he had to ask multiple times to get help with product drawings and development.

> *"I guess they'd probably met several entrepreneurs like myself before, who wanted to conquer the world based on some naive idea. And how much effort should you spend if there's not much of customers lined up?"* - CEO in NV4

As the relationship between the two evolved, and SUP4 came in contact with several potential customers, this lead to an engineer working in SUP4 be more involved to help with production, pricing, and strategic decisions. This cooperation with the two parties attending workshops increased the intensity and intimacy of the relationship, making room for expressing their opinions more explicitly and leading to some argumentation.

> *"We trusted them from the beginning as we had a good dialogue early on. And of course there is some temperament in between when we are talking about construction, but it is important that there is room for suggestions and opinions."* - CEO in SUP4

As a highlight, NV4 won a 2 million NOK tender during the Autumn of 2018, which was somewhat of a turning point for the relationship's seriousness.

Forming the future

As prototypes were ready to be set in production and NV4 had won a large tender, the CEO in NV4 invited the CEO and the chairman of SUP4 to discuss their future collaboration. The meeting happened in November 2018, and until this point, the CEO had still been doing some consultant services as an extra income to cover running expenses with NV4.

> *"At that time, we had delivered the first phase of our entrepreneurial existence, created some concepts, delivered them to the market, shown that we can sell this thing, and we needed some more support to get things going and speed up."* - CEO in NV4

In the meeting, the CEO of NV4 presented the product the two had created, what customers they imagined selling the products to, how to enter the market and increase volume, and how to build a company and on-board investors. This was a much more defined concept and plan than what has been presented to SUP4 earlier, which the chairman and CEO appreciated.

> *"It seemed much more established at that meeting. He had sufficient contact with some customers and had started processes with a couple others. So we were convinced about that this could be a significant production"* - CEO in SUP4

At the end of the meeting, NV4 invited SUP4 to become a part-owner of NV4 and invest the resources needed for the CEO and the product developer to focus solely on developing NV4 further. The CEO and chairman of SUP4 listened and returned to their office to discuss the proposal. They were both convinced to support the business but agreed that they could not invest the whole amount in one sum due to a lack of liquidity. Therefore, they proposed to fund NV4 with a fixed amount each month for one year, with an option of one additional year in exchange for exclusive supplier rights. The proposal was defined explicitly through email correspondence between the two. The companies also agreed to reduce the amount by 50% if NV4 did not make the predicted sales numbers.

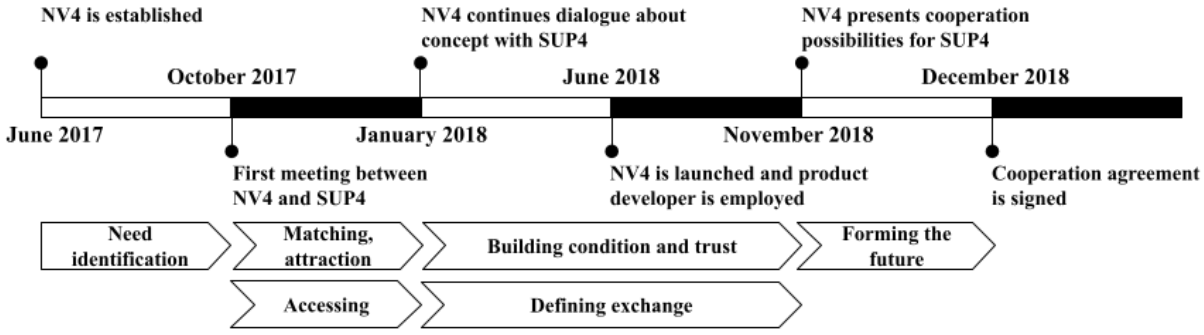

Figure 4.4: Timeline showing the sub-processes of Case 4 and important events.

4.4.3 Attractiveness and asymmetry in case 4

This section describes how the different drivers of attractiveness were found to influence the different sub-processes of case 4. The findings are summarized in table 4.4.

Pre-relationship considerations

Before the two companies initiated a relationship, NV4 took few actions to increase the new venture's attractiveness. Although the founder had several years of experience, the new venture had little to no track record, and the founder himself was new to the industry. He had spent some time talking to potential customers about his idea, but had not received any formal confirmation through purchases of the product or in other ways demonstrated the potential for growth. Also, he had an idea of how the product could be made, but had no physical prototype and therefore not tested the product or performed proof of concept. Also, he had limited experience with working with manufacturers. Thus, although he had competence in dealing with the technological aspects of the solution, the main drivers of supplier attractiveness were the resources and competence he did not possess, but that he needed to realize the project.

The first meeting

During the sub-process of accessing, attractiveness was found to play no particular role. The meeting was initiated based on direct contact, and the two simply arranged a time for the meeting. During the sub-process of matching and attraction, SUP4's attractiveness appeared to mainly comprise resource-based drivers of attractiveness, such as production resources and capabilities. Also, the founder was aware that the company had tried to sell a simpler version of the product idea, which made the two companies a great fit. In addition, NV4 perceived the employees of SUP4 as professional business people during their first meeting, meaning that the behavior-based drivers also were present.

During this first meeting, there was a prominent asymmetry in the relation between them. This was because NV4 only had an idea of what to build, limited resources for developing the product, and only one employee, while SUP4 had 40 employees and a long track record. This was also explicitly mentioned by the CEO of NV4, who felt that he had to convince SUP4 to open the door for cooperation and allow him to handle sales. Thus, the power and dependency was largely in favor of SUP4, and the supplier did not seem willing to invest time or resources before any signs of future growth.

Moreover, from the perspective of SUP4, NV4's resource-based drivers of attractiveness seemed to play a crucial role in this sub-process. This was because NV4 demonstrated its innovative capability by solving the issue regarding a smart lock that the supplier had faced earlier. Thus, the CEO of SUP4 saw an opportunity for gaining access to resources that his company did not possess, which could trigger an increase in the production volume for the supplier. In addition,

the CEO emphasized the communication and professionalism of the CEO in NV4 as an essential aspect of the early phase of the relationship. Thus, as the CEO of NV4 communicated well and listened to SUP4, their behavior-based drivers of attractiveness were strengthened.

Cooperation on product development

In the time after the meeting, defining exchange started out with little engagement from SUP4. However, NV4 was working on market traction in parallel, which increased the attractiveness of the new venture. As the new venture had developed the concept further, it had initiated contact with a couple of customers willing to test the prototypes, which also increased the new venture's market insight. When this was communicated to SUP4, it increased the new venture's attractiveness in terms of economic- and resource-based drivers as it showed the potential for growth and the added value that NV4 could offer. This change resulted in SUP4 investing more resources, as the supplier lent them a prototype free of charge and set up workshops to discuss improvements. Thus, the findings suggested a clear connection between attractiveness and supplier commitment.

Moreover, the CEO hired an employee working with product development. This increased the resource-based drivers further and expanded the competence and capabilities within the company. Also, employing a product developer can be seen as necessary to make the company less dependent on SUP4, as it increased their independence related to product development. Moreover, the new employee allowed the company to work closely with the customers to develop the product with their needs in mind. This increased the added value that the new venture brought to the relationship. In sum, these improvements reduced the perception of asymmetry between NV4 and SUP4.

As the changes appeared to show some results, the companies cooperated on developing the product further by having several workshops. This increased the communication and intensity of the relationship, bringing them closer together and reducing the perceived asymmetry further. However, as the barriers for expressing their opinions were lowered and the differences in innovation capability and size showed off, some disagreements also evolved. This did not lead to any particular conflict but required both parties to trust and respect each other.

Negotiation of cooperation agreement

By the time the CEO of NV4 presented his plan for building a company, the economic-based drivers of the attractiveness of the new venture had increased drastically compared to the first meetings between the partners. This was mainly based on the fact that he had conducted several preparations for future growth. First, he had over a short amount of time proven success with customers, highlighted by winning a 2 Million NOK tender, and established a presence in the market by launching the company's brand. Secondly, he had made a plan for how the company

was to grow with employees, customers, and sales, which the CEO of SUP4 had pointed out as an important metric for new ventures contacting the supplier. Moreover, from the perspective of NV4, the small firm was dependent on SUP4 to deliver the prototypes to upcoming pilot projects. Therefore, the resource-based drivers of attractiveness were important as SUP4 had financial- and production-related resources needed for market entry.

Nevertheless, the new venture brought its share of value into the cooperation and had the opportunity to go for another supplier as soon as the projects were finished. Thus the relational power and dependence were changed between the two, which can be argued to result in a drastic reduction of the perceived asymmetry. This change in asymmetry is apparent as SUP4 had gone from investing little time and resources in the relationship to supporting the new venture financially with a given amount of money each month in exchange for an exclusive relationship.

Table 4.4: Table showing the drivers of attractiveness during the sub-processes in case 4.

Sub-processes	**Pre-relationship/ Need identification**		**Accessing**		**Matching, Attraction**		**Defining Exchange**		**Building conditions and trust**		**Forming the future**	
Drivers of attractiveness	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**
Economic	x						x		x		x	
Behavior					x	x			x	x		
Resource		x			x	x	x	x				x
Bridging		x				x						

Chapter 5

Cross case analysis

This chapter describes the findings revealed across cases and comprises five parts. The first section describes the similarities and differences in attractiveness across cases. Then, the second section describes how contributors played a role in the cases. After that, the third section presents findings regarding supplier incentives. The fourth section elaborates on the interdependence in the cases and how this affects the perceived asymmetry. Lastly, the fifth section presents findings arguing for expanding the model for relationship initiation.

5.1 Attractiveness in the process of relationship initiation

Across the four cases in this study, the importance of the different drivers for buyer and supplier attractiveness were observed to vary as the relationships progressed through the initiation sub-processes. Table 5.1 provides an overview of the variations observed.

Table 5.1: Overview of the different drivers for buyer and supplier attractiveness that were observed to be present in each of the sub-processes of relationship initiation. The presence of a driver for attractiveness in a given sub-process is indicated by the number of the case that it was present in, i.e. 1, 2, 3 and/or 4. NV and SUP indicates whether the driver was important for buyer or supplier attractiveness, respectively.

Sub-processes	**Pre-relationship/ Need identification**		**Accessing**		**Matching, Attraction**		**Defining Exchange**		**Building conditions and trust**		**Forming the future**	
Drivers of attractiveness	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**	**NV**	**SUP**
Economic	1,2,4	2	3		1,2,	2,3	1,4	1,2,3	4		4	1,2
Behavior	3	1,2,3			1,3,4	1,2,3,4	1,2,3		1,2,3,4	1,2,3,4		1,2,3
Resource		1,3,4			4	4	1,4	4				3,4
Bridging		1,2,3,4				4						

5.1.1 Drivers of supplier attractiveness during initiation

In the early phases, i.e., before the parties' meeting and during need identification, the analysis found the new ventures to have a relatively broad focus on behavior-, resource- and bridging-based drivers for supplier attractiveness. This focus transferred to the search for a supplier and formed the basis for the search criteria used by the new ventures to identify potential suppliers. All the new ventures chose to search for local suppliers rather than outsourcing their production to a supplier in a low-cost country. The suppliers abroad were associated with high risk due to the geographical distance, cultural differences, and barriers to communication. Overcoming these challenges and handling the risk associated with a supplier abroad would have required a considerable effort from the new venture. In an already resource-constrained context, this option appeared rather unattractive to the new ventures. Moreover, the local suppliers were considered more attractive and associated with lower risks due to the geographical presence, more accessible communication, and a better reputation in the new ventures' networks. Based on this consideration, and even though local suppliers were associated with higher costs, the risk-reducing aspect of choosing local suppliers appears to be an essential criterion in the new ventures' search for suppliers.

After identifying potential local suppliers, the new ventures accessed their potential partners mainly through third parties and networks. However, attractiveness seemed to play no particular role in the sub-process of accessing, except for case 3, where the new venture was introduced to the suppliers through SAP. In this case, the meeting arranged by the accelerator was a vital driver for attractiveness by verifying the success of the new venture. Furthermore, the new ventures changed their focus to mainly include economic- and behavior-based drivers of supplier attractiveness in the sub-process of matching and attraction. This implies that the potential suppliers identified at this point fulfilled the search criteria and that these criteria required no further focus in the process.

Interestingly, when progressing through the defining exchange sub-process, the economic-based drivers of supplier attractiveness were most important for the new ventures, as the two companies were in most cases cooperating on reducing costs. Similarly, as the sub-process of building conditions and trust fostered cooperation and increased intimacy, the behavior-based drivers for supplier attractiveness were most important. Lastly, the new ventures regained a broader focus centered around the economic-, behavior- and resource-based drivers for the sub-process of forming the future.

This changing focus suggests that the relevance of the different aspects of supplier attractiveness depends heavily on which sub-process the relationship is progressing through, further implying that the new venture's perception of supplier attractiveness is not fixed but rather dynamic throughout relationship initiation.

5.1.2 Drivers of new venture attractiveness during initiation

A similar situation appears from the supplier's perspective, where the focus and importance of the different drivers for customer attractiveness changed and evolved throughout the initiation process. The suppliers focus heavily on the economic-based driver of attractiveness before the relationship initiation. However, as the two parties met in the sub-process of matching and attraction, the suppliers mentioned the vital aspect of behavior-based drivers for wanting to co-operate with the new venture. In comparison, for case 4 lacking economic-based drivers of attractiveness, resource-based drivers seemed necessary in innovation capability.

Moreover, after the suppliers have verified that the new ventures are satisfyingly attractive during the matching and attraction sub-process, the relationship initiation progresses into the later sub-processes of defining exchange and building conditions and trust. At this point in the process, the suppliers appear less concerned with the new ventures' attractiveness and more concerned with the practical tasks ahead.

5.1.3 Changes in importance of actor attractiveness

Overall, the economic- and behavior-based drivers for attractiveness were dominant in both supplier and buyer attractiveness throughout the process, with the resource- and bridging-based drivers less emphasized. Interestingly, as the suppliers decided to move forward with the new ventures as potential customers at an early stage of the initiation process, the buyer attractiveness appears to be crucial for the process to progress beyond the matching and attraction and the accessing sub-processes. After this point, when moving through the last three sub-processes, the supplier attractiveness became increasingly crucial until the formalization of the relationship. This tendency is because although the suppliers had implicitly committed to the relationship by moving forward with the new ventures as potential customers, the new ventures had the opportunity to postpone the commitment until the formalization and could even keep several suppliers in the loop up until this point. Thus, the early sub-processes of the relationship initiation were focused on the new ventures convincing the suppliers that they were suitable customers, and the later sub-processes were focused on the suppliers demonstrating that they were attractive.

5.2 Contributors in the initiation process

The findings show third-party contributors have a vital role in three of the four cases studied, and the exact role varied from case to case. In case 1, two situations involving contributors appeared in the process; when an electronics supplier mediated the initial contact between NV1 and SUP1 and when EXT1 was engaged in the DFM process. The same occurred in case 2; namely, one of the original inventors mediated the initial contact between NV2 and SUP2's parent company and that the company used EXT2 to help with design for manufacturing. The

inventor in question is considered a third party in this case because, at the given time, he was a passive owner in NV2 and did not have an active role in the core team driving the initiation process. For the sake of EXT2, he did not have direct contact with SUP2 but also helped with the DFM process. Furthermore, in case 3, the third-party contributor being SAP prominently affected the process by mediating the initial contact between NV3 and SUP3.

Based on the role of the contributor, the situations observed in this study can be grouped into two categories: circumstances where contributors mediate the initial contact between a new venture and a potential supplier and circumstances where contributors actively take part in the exchange between the parties. For the first category, the contributors were observed to ease accessing by establishing contact between the new venture and critical sales representatives and decision-makers right away. However, it was only for case 3 that the contributor seemed to play a central role in the process. SAP verified the success of NV3, forming the attractiveness, and reduced the perceived asymmetry by increasing the new ventures' legitimacy in the eyes of the suppliers. This increased legitimacy was expressed by the CEO in SUP3, who stated that he had no problem giving away a gift card of free working hours to new ventures coming through SAP. Thus, contributors mediating contact can ease the sub-process of accessing, but the degree of influence depends on the contributors' role and their relation to the supplier.

For the second category, the contributors played an essential part in the DFM process. For cases 1 and 2 using EXT1 and EXT2, it is found that the contributors were actively progressing the sub-process of defining exchange by increasing the new ventures' competence needed for responding to the feedback from the suppliers. Furthermore, the effect was mainly seen in case 1, as EXT1 was involved in cooperation with the supplier, and SUP1 stated that the trust evolved as NV1 included EXT1. Case 1 also used EXT1 the most throughout the initiation process, which also influenced the process and attractiveness of NV1 the most.

5.3 Supplier incentives

The findings from the four cases in this study suggest that suppliers have several strong incentives to establish buyer-supplier relationships with new ventures. First of all, the suppliers were found to rely on a certain degree of diversification in their customer portfolio, i.e., the suppliers actively worked towards achieving a balanced mix of small and large customers. A combination of companies was seen as necessary by the suppliers for creating a sustainable income and reduce risk. A sustainable income is based on the fact that the established companies enable the suppliers to invest in modern equipment and a high turnover. At the same time, the new ventures allow larger margins and a more significant bottom line. Furthermore, the suppliers want to avoid becoming overly dependent on the largest and most dominant customers. A portfolio consisting of only a few large customers represents the risk of considerable consequences if one

large customer terminates the relationship. Thus, a mix of small and large customers would increase the supplier's capability of handling uncertainty and changes in the market. Second, the suppliers have previously experienced that customers move their production outside of Norway to obtain lower prices. This situation implies that the Norwegian suppliers are competing against each other, and all suppliers from low-cost countries can provide better terms. Lastly, another interesting incentive for choosing new ventures as customers is that they are perceived by suppliers as less cynical and demanding on price and conditions and more focused on social bonds than established firms. From the supplier's perspective, this allows for a more meaningful and rewarding personal relationship between the firms and an opportunity to impose higher profit margins on the sold product.

The analysis found that the suppliers' incentives for working with new ventures have several implications for relationship initiation. Most prominently, the incentives affected the suppliers to adopt one common strategy: to recruit new ventures as customers with the expectation that these would grow to be large customers in the future. This strategy builds on the idea that all new ventures must start from scratch and that suppliers can create lasting relationships with new ventures that will benefit the longer term by recruiting at an early stage. The strategy implies that new ventures able to prove a growth potential are attractive customers for the suppliers. Furthermore, the analysis observed the incentives to reduce the overall perceived asymmetry in the initiation processes studied in the four cases. The reduction is because the suppliers require a diversified portfolio and compete with cost-efficient alternatives outside of Norway. Consequently, appearing attractive to the suppliers was not as challenging as the new ventures expected themselves. In three of the four cases, the new ventures received offers from multiple actors. Therefore, the young firms were put in a situation to choose between suppliers, reducing the perceived asymmetry even further. Also, as all cases deemed cooperation on product development over some time, the new ventures could, in theory, choose to withdraw from the collaboration at any time. Considering the incentives, the suppliers had to adapt their prices, conditions, and ways of working to keep the customers from moving their production out of Norway and prevented the suppliers from behaving opportunistically, as short-term greed would damage the long-term profitability.

Although the findings suggest that the suppliers view new ventures as appealing prospects for customer relationships, they are also very aware of the cost and risk involved when establishing a relationship with a new venture. The new ventures generally require more resources and a higher degree of involvement from the supplier to get going, which the experienced suppliers understand very well. To reduce the risk associated with working with new ventures and at the same time prevent them from choosing competitors, the supplier must establish some form of dependency between the parties without investing too many resources. The cases studied in this thesis revealed several examples of this phenomenon. In all cases, the suppliers provided working hours free of charge to cooperate with the new venture as a starting point based on the initial attractiveness. Furthermore, if the new venture could increase its attractiveness, the

number of resources invested by the supplier increased. For example, case 3 showed how the high degree of communication and cooperation made the supplier adjust the gift-card hours to activities they initially could charge the new venture. Another example is case 4, where the new venture increased its growth potential throughout the initiation process. As this made the new venture more attractive, the perceived risk by the supplier was reduced, leading it to invest a sufficient amount of financial resources at the end of the initiation process. However, in both cases, the suppliers expected to get the investments paid back in a certain amount of time. For case 3, the extra hours invested were calculated to be covered by the additional margins that the suppliers demanded from the smaller actor, leaving them to expose themselves to a limited amount of risk. For case 4, the parties formalized the cooperation through exclusive cooperation with an option to reduce the supported amount if the sales did not turn out as well as promised.

5.4 Interdependence and perceived asymmetry

For all four cases studied, the analysis found a certain degree of mutual dependence between the parties formed during the relationship initiation process. The main drivers for dependency from the perspective of the supplier are the need for a diversified customer portfolio and the fear of customers moving their production abroad, as described in section 5.3. This need relates to the strategy observed in three of the four cases, where the suppliers attempt to create strong personal relations and commitment to the new ventures with the hopes of establishing a mutual expectancy of future collaborations. The strong relations can be viewed as an informal lock-in effect, where the supplier attempts to make it more difficult for the new venture to change supplier at a later stage. Similarly, in case 4, SUP4 utilized a more common strategy to establish a mutual dependency, namely a formal production agreement. Interestingly, both approaches appear to develop a high enough degree of dependence between customer and supplier to stabilize the relationship in the short term. Still, the findings provide no insights into the long-term effects of these strategies, which is out of the scope of this study.

From the perspective of the new ventures, the main drivers for dependency are limited resources and favorable personal relationships. The new ventures spent a significant amount of their already sparse resources throughout the relationship initiation process to move the process forward. This includes direct financial costs related to product development and prototyping, time spent on the DFM process, and resources spent on developing the personal relationship between the parties. As the initiation process progresses, the resource expenditure gradually increases, causing an increase in the barrier to change suppliers. Furthermore, the analysis found the new ventures to value personal relations highly in the process of finding a suitable supplier, as this brought the new venture closer to the supplier in terms of communication, commitment and trust. These are all drivers of supplier attractiveness. By aiming to develop close personal relations in the initiation process, the new ventures implicitly also chose to create a higher degree

of dependency on the supplier.

Furthermore, in the cases studied, different levels of supplier dependency appeared. Looking at the cases, the time spent on defining exchange and building conditions and trust affected the degree of dependence. For cases 1 and 2, sub-processes of defining exchange were conducted quite efficiently. Both of the new ventures used external resources to help progress this part of the initiation. Also, they had a product with low complexity, causing them to fulfill the sub-processes without overly dependent on the suppliers. However, neither of the new ventures considered withdrawing from the process as it had turned out very well. On the contrary, cases 3 and 4 spent more time defining exchange. The new ventures did not use external resources for the process, and the product development was more complex. This resulted in a higher degree of dependency throughout the process and left the suppliers with more competence about the product development needed to start production. As the barrier to withdrawal from the process raised, the dependency left the young firms with less power for negotiations at the end of the relationship initiation. Figure 5.1 illustrates the time spent in each of the sub-processes.

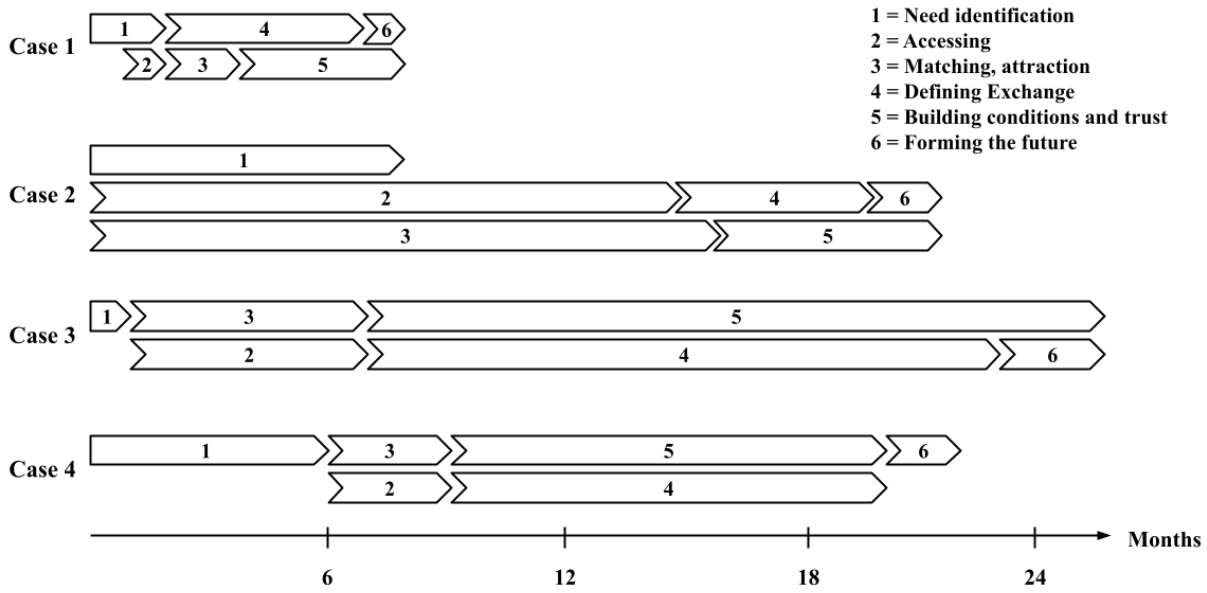

Figure 5.1: Timeline showing how much time the cases spent in each of the sub-processes.

5.5 Expanding on the model for relationship initiation

The relationship initiation processes analyzed in this study corresponded rather well to the theoretical framework utilized. Still, the authors observe a few essential aspects that the current framework does not describe.

For some new ventures, a sub-process of "Preparations" appears in conjunction with the need identification sub-process. The sub-process includes all preparations done by the parties before

or during the relationship initiation. Also, the companies were observed to move back and forth between preparations consciously and need identification, i.e., discovering new needs would often trigger additional preparations. The preparations included acquiring other financial-, networks- or human resources or increase the competence needed about the process to come. The amount of preparations influenced the conduction of the relationship initiation by increasing the new venture attractiveness, reducing the perceived asymmetry, including contributors in the process, or progress the process more seamlessly.

Another finding is the influence of the preparations on the matching and attraction sub-process. In cases 1, 2, and 3, the new ventures had established teams with a broad range of skills and competencies, worked closely with the market to get confirmation from important actors such as wholesalers and customers, and developed advanced prototypes. This divided focus between team, market, and product appears to be beneficial to the overall attractiveness of the new ventures, as preparations and progress in all three areas affected a broad range of the fundamental drivers for buyer attractiveness. In addition, the new ventures spent time talking to several suppliers and arrange a tender process, which enables the first phase of the initiation process to appear as a supplier selection process. Contrary, in case 4, NV4's preparations in terms of the team, product, and market were limited, and the new venture had to a more significant extent mobilize supplier resources throughout relationship initiation. The new venture did not have many possibilities, and a limited amount of preparations influenced the sub-process of matching and attraction to be more about the opportunity of the supplier to commit resources to a highly uncertain project. This effect implies that the amount of work done by the new venture before the relationship initiation, to increase its attractiveness and prepare for the process, heavily influences if the first part of relationship initiation is more similar to the concept of supplier selection or supplier mobilization described in the literature.

Despite the different amounts of preparations, all case companies could progress through the first sub-processes of initiation without significant issues. However, when reaching the sub-process of defining exchange, some of the companies were observed to return to the sub-process of preparations to rectify the missing preparations, e.g., catch up with product development, as seen in case 3, or add a particular competence to the team and obtain verification from the market, as seen in case 4. Overall, it appears that a higher degree of preparations in terms of the team, market, and product by the new venture, leads to a less time-consuming and costly relationship initiation process. Moreover, a lack of preparations does not necessarily lead to the relationship initiation process failing. Still, the new venture might have to accept a higher degree of supplier dependency and more considerable perceived asymmetry in such situations, as seen for NV3 and NV4.

Chapter 6

Discussion

This chapter starts by discussing the findings related to the role of attractiveness during relationship initiation and elaborates on understanding the concept. Then, the second section discusses findings concerning incentives and risks in the asymmetric relationship and how these affect the process. The third section discusses procedural findings of relationship initiation, elaborating on the concepts of preparations, supplier mobilization, and supplier selection. Lastly, the chapter ends by discussing how attractiveness influences relationship initiation and builds on the framework used within the thesis.

6.1 Attractiveness in the process of relationship initiation

This section discuss the most prominent drivers of attractiveness observed in the study, as well as the phenomenon of attractiveness itself and how to interpret it.

6.1.1 Important drivers of attractiveness

The findings presented reveal that the economic- and behavior-based drivers of attractiveness appear to be the most important during the process of relationship initiation, supporting previous research (e.g., Tanskanen and Aminoff, 2015; La Rocca et al., 2012; Halinen, 2012). However, other drivers appeared more important in some cases or situations, revealing interesting phenomena for discussion.

First, in the sub-process of need identification, all of the new ventures emphasized the importance of geographical proximity, which is a central driver for bridging-based attractiveness. This phenomena can be argued to follow naturally from the cases selected for the study, as all included Norwegian new ventures and suppliers, whom had chosen each other. However, the reason for choosing domestic suppliers was based on the desire to reduce risk, ease communication, and avoid spending resources on learning the business culture of a supplier abroad. Thus, one can argue that the risk-reducing aspect of social control by geographical proximity appear

as a first criteria for narrowing the scope of potential suppliers prior to making contact, and that this is more important to the new ventures than cost benefits achieved by choosing suppliers in low-cost countries. This correspond to the findings of La Rocca and Snehota (2021) stating that mobilizing the technological and managerial capabilities of the supplier has become more important to new ventures than concerns related to cost-efficiency.

Another interesting aspect for discussion is the differences in drivers of attractiveness appearing in case 4, compared to the other cases. In contrast to the three other new ventures, NV4 was somewhat unprepared for the initiation process and had little growth potential to showcase for SUP4. Nevertheless, there was a good fit between the companies, as both possessed resources desired by the other, which they could bring into the exchange. In other words, both companies had something that the other needed to increase the sales of what appeared as a co-developed product, emphasizing the importance of each partner's contribution. For the new venture, this referred to the innovation capability for the digital solution of the smart locker. For the supplier, it was the facilities and competence needed for making the mechanical parts. This resulted in cooperation where both parties were mutually invested and committed and utilized each other's resources to realize the product. The level of cooperation can be seen as a consequence of NV4's limited preparations, which lead to the need for inclusion and commitment from SUP4. Also, the resource-based drivers of attractiveness became prominent as the economic-based drivers of attractiveness were absent. This corresponds to the findings proposed by Ellegaard et al. (2003) and La Rocca and Snehota (2020), stating that the attractiveness of the new venture stems from co-developed resources and capabilities and the firm's ability to innovate, rather than economic-based drivers.

6.1.2 Attractiveness as a dynamic phenomenon

The findings of this study reveal that one must understand a company's attractiveness by the context of which it is in (Tanskanen & Aminoff, 2015; La Rocca et al., 2012). This is due to three particular reasons. First, different drivers of attractiveness have shown to vary between cases, as either the new ventures or suppliers involved in each case had different amounts of resources, needs, and desires. Second, the drivers of attractiveness vary between the sub-processes of the relationship initiation. This means that also the maturity of the relationship and the current sub-process the two parties are in, e.g. defining exchange or building conditions and trust, affects what is perceived as attractive in the counterpart. Lastly, the attractiveness can increase during the initiation process, as seen in case 4, where NV4 gained a lot of market traction during the process, thus changing the context and inducing an increase in attractiveness for the new venture.

However, the degree of change observed across different sub-processes in this thesis can be argued to be influenced by the analytical framework utilized to interpret the role of attractiveness

during the process. The sub-processes proposed by Aaboen and Aarikka-Stenroos (2017) all have different characteristics fitting events and activities related to attractiveness, i.e. defining exchange concerns deciding technical aspects and costs, while building conditions and trust concerns building a trustful relationship. Therefore, it can be argued that the characteristics of each sub-process have influenced which drivers of attractiveness that are important at a particular time in the process. That said, the framework assumes that the actors are free to move between sub-processes at any time, and illustrates how the respective sub-processes affects each other. Therefore, given the fact that some of the sub-processes are closely related (i.e matching and attraction and defining exchange), one can argue that by not including the procedural nuances of the framework used, some drivers of attractiveness could have been hidden within others and therefore missed in the analysis.

The same accounts for the framework proposed by Tanskanen and Aminoff (2015) used to categorize the drivers of attractiveness. Different authors (e.g. Harris et al., 2003; Hald et al., 2009; La Rocca et al., 2012; La Rocca and Snehota, 2020) have combined drivers, factors and elements of attractiveness into different categories. Therefore, one can argue that the segmentation could have influenced what categorizations were appearing in each sub-process. However, the framework used in this thesis includes drivers of both customer and supplier attractiveness which has made it possible to compare the two in a dyadic manner throughout the sub-processes.

Although one can argue that the framework used within this thesis might have influenced the findings on attractiveness, the context, drivers- and level of attractiveness changed throughout the process. These findings are in line with prior research stating that attractiveness is a dynamic concept changing over time and plays different roles in different parts of the process (e.g., Dwyer et al., 1987; Ellegaard et al., 2003; Harris et al., 2003; Halinen, 2012). Moreover, the majority of prior research has considered either buyer- (e.g. Fiocca, 1982; Olsen and Ellram, 1997; Ellegaard et al., 2003; La Rocca et al., 2012), or supplier attractiveness (e.g. Ellram, 1990; Pearson and Ellram, 1995), to analyze the driving forces of why either of the parties initiates a relationship with the other. By utilizing the initiation framework and the framework for drivers of attractiveness, the analysis provided a detailed overview of which drivers of attractiveness were present and important for the two parties in each sub-process. The findings support the notion that the drivers of attractiveness differ between the two. However, they emphasize the importance of viewing the relationship initiation as a dyadic process where the perspectives of both parties must be taken into consideration to fully understand how the process occurred (Hald et al., 2009; Mortensen & Arlbjørn, 2012; Schiele, 2010)). Additionally, including both perspectives allowed for a closer investigation on how the customer and supplier attractiveness evolved, or co-evolved, throughout the process. Therefore, one can argue that the dynamic characteristic of attractiveness and the influence of context has been observed in the study and must be considered to understand the role of attractiveness in relationship initiation.

6.2 Incentives and risks in relationships with new ventures

This section will start by discussing the findings regarding the suppliers' incentives for cooperating with new ventures and how these affects the process of relationship initiation. Then, it discuss the challenge of supplier dependency and how it affects the process.

6.2.1 Supplier incentives

The findings in this study suggest that the suppliers have several incentives for cooperating with new ventures. However, one can argue that the type of suppliers included in this study affects the incentives found. For instance, although the Norwegian suppliers mainly are operating in a local environment, they are also facing global competition. Their largest customers are international companies having the possibility to move their production to low-cost countries at any time. Another aspect for consideration is the size of the suppliers. All suppliers included in this study are very alike in size, having 25-40 employees, 45-80 Million NOK in turnover, and medium-sized by Norwegian standards. However, the size and amount of resources result in the suppliers being in asymmetric relationships with large customers and suffer the consequences of being unfairly exploited on prize and margins. Therefore, they pursue customer relationships with smaller companies where the profitability is in their favor. Consequently, one can argue that compared to large-sized suppliers, the type of supplier included in this study has particular incentives for cooperating with new ventures.

Although one can argue that the suppliers included in this study have particular incentives for cooperating with new ventures, it is essential to note that the new ventures approached the same type of suppliers. Previous research tends to study relationships with more significant asymmetry (e.g., Prashantham and Birkinshaw, 2008; Minshall et al., 2010; Aaboen and Aarikka-Stenroos, 2017), and puts little focus on the wide range of size in both new ventures and suppliers. However, in this study, all new ventures chose to cooperate with medium-sized companies, which decreased the perceived asymmetry between the two because of the suppliers' incentives. Therefore, one can argue that it is crucial to examine the effects of new ventures choosing to cooperate with suppliers of medium size.

As described in chapter 5.3, the medium-sized suppliers' incentives follow the new ventures to appear as attractive customers, which in turn reduces the perceived asymmetry. For managers of new ventures, one can argue that this is an essential aspect for consideration. They are in a stronger position for cooperation than they might believe based on the actual asymmetry and can initiate the relationship with confidence. Furthermore, the findings moderate previous research stating that new ventures face challenges in convincing the suppliers that they have something to offer (Bolumole et al., 2015), as this has shown not always to be the case. Also, this follows the argument that new ventures do not always face many challenges in convincing their established partner that they are attractive, as contended by La Rocca and Snehota (2014)

and Aaboen and Aarikka-Stenroos (2017). The case revealed that the new ventures should, to some degree, show off their attractiveness, but that it might not be the most critical part during relationship initiating when approaching medium-sized suppliers.

Moreover, one can argue that the suppliers' response was a natural following of the incentives when contacted by the new ventures. Although the findings showed that the new ventures were treated differently (Rottenburger & Kaufmann, 2020), by being examined by the suppliers, they were all met with professional price offers and hospitality when requesting quotations. This moderates researching stating that new ventures are often met with deceptive behavior (Morse et al., 2007), that creating offerings are too costly (La Rocca et al., 2013), and that the risk is often perceived as too high for suppliers to become involved (Laage-Hellman et al., 2017). Based on these reasons, one can argue that new ventures obtain a more favorable starting point for the cooperation by seeking medium-sized suppliers in international competition.

6.2.2 Inter-dependency

Although supplier incentives may lead to new ventures facing less challenge in appearing attractive, it should not be conducted without care. Because new ventures lack resources, the suppliers realize the opportunity to create dependencies and position themselves for future orders. This causes them to treat the new ventures differently than established firms. In the study, this appears to be by building trust and offering extra help with the product and business development, which they know is attractive to the young firms. Although this seems favorable to the new ventures, the offerings can potentially create lock-in effects, increasing the perceived asymmetry. This is seen in the findings as the dependencies left the new ventures with little negotiation power. This supports earlier research stating that the potential supplier dependency appears to be the main challenge for new ventures cooperating with established firms (Fierro & Pérez, 2018; Alvarez & Barney, 2001), and might put them in a squeeze (Garnsey & Davies, 1994).

On the contrary, the cases included revealed benefits from the emerging dependencies, which increased the commitment from both parties during the process. This supports previous research arguing that the young firms rely on creating interdependencies to survive and foster innovation (M. Song et al., 2008; La Rocca & Snehota, 2014). Also, during the relationship initiation, the new ventures appreciated the inclusion by the suppliers and the extra resources spent on making the product ready for production. This illustrates the dilemma for new ventures to utilize the suppliers' resources as much as possible while not becoming overly dependent on the established firm.

This study supports prior research stating that the dependency between a new venture and a supplier can enable but also limit the new venture (e.g., Garnsey and Davies, 1994; Garnsey and Heffernan, 2005; La Rocca et al., 2019). Given that the supplier finds the new venture attractive,

the young firm can increase its supplier dependency to progress product- and business development. However, they should not do it without care. Further, the findings reveal that competence, involvement of external resources, and product complexity are essential drivers for increasing or minimizing dependency and should be considered when initiating a relationship. Of these, hiring external resources to help with product development was found the best alternative as it also showed to increase the new venture attractiveness.

6.3 A closer look at the framework for relationship initiation

6.3.1 Preparations as a sub-process

The analysis reveals that the framework of relationship initiation should include a sub-process of "Preparations". The findings suggest that new ventures prepare for the process by increasing their competence in manufacturing, developing their product, and acquire financial-, network-, and human resources. These were all essential metrics affecting how the companies conducted the sub-process of matching and attraction, time spent in the sub-process of defining exchange, and dependency on the relationship. The preparations were done not only to conduct the process seamlessly but also because they, in some cases, were necessary. Therefore, it is here argued to add a sub-process containing relationship-specific activities in conjunction with need identification. However, in line with newer research on attractiveness within relationship initiation (Bjørgum et al., 2021), market confirmation and pre-sales showed to be highly influential on attractiveness and supplier commitment. This argues that one might also include the new venture's development in general in the sub-process.

Moreover, the preparations appeared to occur before and during the process, as the new ventures tended to move back and forth between sub-processes to catch up on missing preparations when required. This unstructured nature substantiates previous research arguing that the relationship initiation is not progressing in a rigid step-by-step manner (e.g. Bell, 1995; Quinn and Cameron, 1983), but occurs in a less structured manner (Håkansson & Snehota, 1995; Anderson et al., 1994; Aaboen & Aarikka-Stenroos, 2017).

One can argue that the preparations are essential for the new ventures. However, previous research has stressed the importance of suppliers doing tender preparations (Cova & Salle, 2007). In this thesis, several of the suppliers prepared for the process by approaching the new ventures differently than established firms (Rottenburger & Kaufmann, 2020), or positioning themselves for the potential customers (Dwyer et al., 1987). Therefore, one can argue that the sub-process of preparations applies to both parties in the relationship, but it is more important for the new ventures making the initial contact.

6.3.2 Supplier selection vs. supplier mobilization

As discussed in the previous sections, one can argue that the new venture's attractiveness, preparations, and perceived asymmetry are important factors for choosing between suppliers. The ability to choose appears in the cases containing tendering, where the new ventures can select their partner because all suppliers find them attractive. Selecting based on some pre-defined criteria forms the sub-processes of need identification and matching and attraction to correspond to supplier selection as described by De Boer et al. (2001). However, the new ventures do not conduct the process in a structured manner, but ad-hoc (Pearson & Ellram, 1995) by using their network of entrepreneurs and business contacts to get in touch with and screen the potential partners (Ellegaard, 2006; Bjørgum et al., 2021)).

In contrast, case 4 showed the opposite. The new venture had few possibilities, and little preparations influenced the sub-process of matching and attraction to regard the supplier's willingness to commit resources to a highly uncertain project. Therefore, this process appeared more as supplier mobilization, as described in the literature (e.g. Lilliecreutz, 1998; Ellegaard and Koch, 2012; La Rocca and Snehota, 2020). Based on this, one can argue that the amount of work done by new ventures before the relationship initiation, to increase their attractiveness and prepare for the process, influences if the first sub-processes of relationship initiation are more similar to supplier selection or supplier mobilization.

Although some new ventures conducted the first sub-processes as either selection or mobilization, these tendencies seemed to change during the later sub-processes in the cases studied. Regarding the dynamic characteristic of attractiveness described in section 6.1.2, and that dependencies arose, one can argue that the degree of selection or mobilization is continuously evolving with new ventures' attractiveness and the perceived asymmetry. This study stands out from previous research by including both extremes and moderates previous research supporting either of them by introducing the dynamic aspect of relationship initiation and arguing that it happens somewhere between, continuously drifting to either side.

6.3.3 Buyer and supplier attractiveness influencing relationship initiation

The findings of this study correspond to previous research stating that one must consider the attractiveness of both parties when studying relationship initiation (Dwyer et al., 1987), as both parties in each case were observed to pursue actions to appear attractive to the other. These actions were shown to influence the relationship initiation and to affect the counterpart's perception of asymmetry and attractiveness.

Interestingly, attractiveness can aid in decreasing the perceived asymmetry below the level given by imbalances in resources, size, and competence, and by doing so, giving the new venture the option and ability to choose between alternative suppliers. Furthermore, high levels of attractiveness posterior to the sub-process of matching and attraction are argued to increase the level

of commitment and invested resources by the suppliers because the perceived risk related to the new venture is lowered. This corresponds to previous research by Ellegaard and Ritter (2006, p. 5-6) stating that "attraction is a prerequisite for developing relational trust and commitment" and that "with increased commitment follows increased knowledge sharing and information exchange, which provide the basis for inter-organizational innovative capabilities". This is further supported by Ellegaard et al. (2003) stating that if a customer is perceived as an attractive business partner by the supplier, then the supplier will display a higher degree of commitment to the relationship.

For the sake of the suppliers, as mentioned in the previous section, the new ventures are offered extra help and resources from the supplier to build a close relationship with the potential to last. The increased supplier involvement was a conscious and voluntary strategy pursued by the suppliers, which fosters asymmetry by increasing their power and the new ventures' dependency. However, as the new ventures need resources, the offerings are progressing the process forward and builds a closer relationship between the two parties, which is attractive for the young firms and in line with prior research, as previously discussed in section 6.1.1.

However, given the fact that the actions done by the suppliers to increase their attractiveness towards customers are what affects progress, one can argue that the new ventures' attractiveness is the most important for progressing the process forward. On the other hand, supplier attractiveness is necessary for the new venture to choose to initiate a relationship with the firm in the first place and to decide to continue the relationship in the last phase of relationship initiation. However, the argument of new venture attractiveness being the most important to progress the process is in line with prior research stating that new ventures must play an active part throughout the process to convince the suppliers that they are attractive customers (Ellegaard & Koch, 2012; La Rocca & Snehota, 2020). Despite that, this does not mean that the suppliers are not actively trying to appear attractive towards the new ventures. Also, one can argue that new ventures with high attractiveness levels during the first phases of relationship initiation are less dependent on mobilizing supplier resources because the established firms are convinced about cooperation.

6.3.4 Expanding on the framework for relationship initiation

As all cases studied in this framework progressed through the different sub-processes, one can argue that the framework used within this study seemed to fit quite well. However, based on the role of attractiveness and preparations and that the aspects of supplier mobilization and supplier selection appeared in the cases, one can argue that the framework proposed by Aaboen and Aarikka-Stenroos (2017) can be revised to describe better the mechanisms appearing in each case.

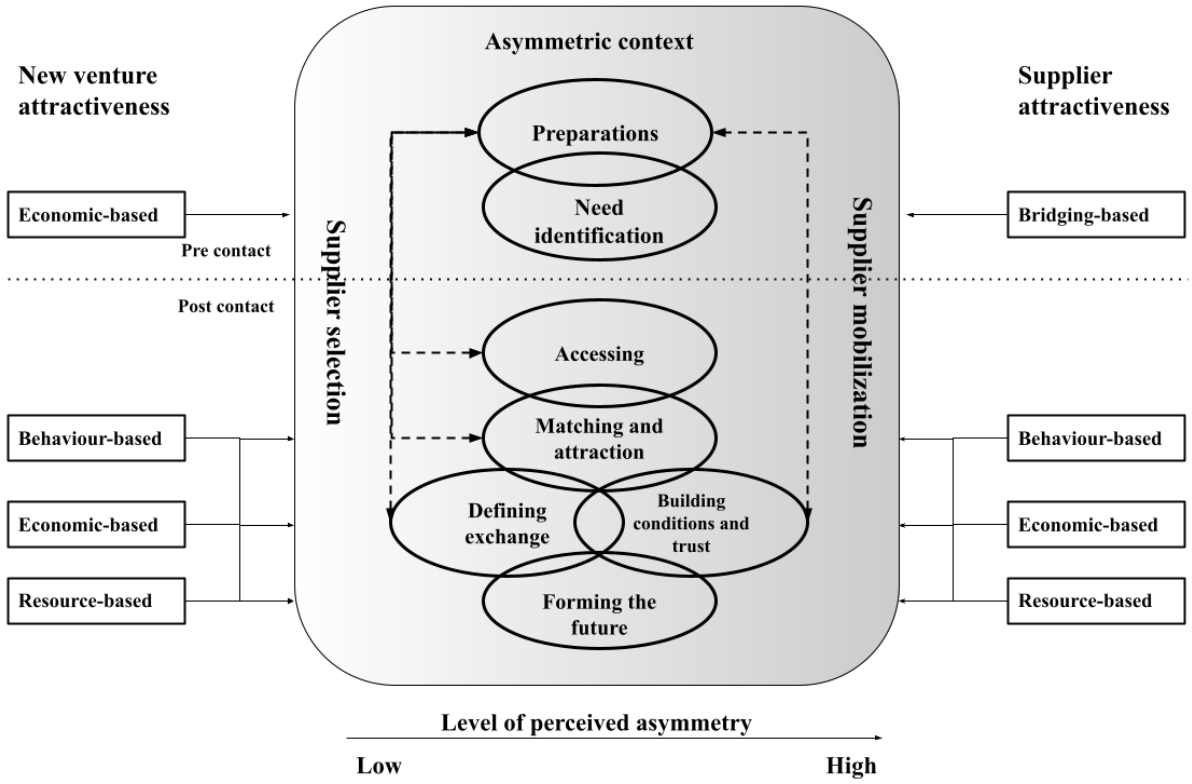

Figure 6.1: A revised model proposed by the authors including the concepts of supplier selection, supplier mobilization, asymmetry, and attractiveness.

First, preparations and their influence on the relationship initiation have been described and discussed throughout this study. Here, It is argued to implement it as a sub-process happening in conjunction to need identification. Actors can move in and out of the preparations during the relationship initiation, not affected by if the two have made contact or not.

Second, given the fact that the actors work individually before the sub-process of accessing, the framework can be divided in two, supporting previous research such as Aarikka-Stenroos et al. (2018). However, these researchers divide the process by segmenting the sub-processes of need identification and matching and attraction in one part and the remaining sub-processes in the other. Here, it is argued that different mechanisms and drivers of attractiveness are affecting the preparations and need identification compared to the other sub-processes and that it is appropriate to segment these in two groups, namely pre- and post-contact.

Third, for new ventures initiating relationships with suppliers, the context is asymmetric. Nevertheless, it is here argued that the degree of perceived asymmetry decides if the process consists of the new venture mobilizing the supplier resources or selects them based on some pre-defined criteria. However, in line with the findings that attractiveness is a dynamic phenomenon, the cases show that although a new venture has a certain amount of attractiveness in the first phase of relationship initiation, this can change during the process. Therefore, to include the nuances and the fact that there might be a gradual or drastic change in perceived asymmetry during the

process, the model includes the two extremes based on the level of asymmetry, where the process of relationship initiation happens somewhere in between.

Lastly, the drivers of attractiveness found important in the different sub-processes are included to illustrate that they affect the perceived asymmetry, the process's progress, and are being perceived and fostered by both parties in the relationship. However, one should be aware that different context can potentially lead to other drivers appearing. Figure 6.1 illustrates a revised model of the framework.

Chapter 7

Conclusion

This dyadic study has explored how buyer and supplier attractiveness affects the process of relationship initiation between a new venture and an established supplier. Considering that the new ventures and suppliers included are asymmetric in terms of resources, competence, and size, the study has built on literature concerning the concepts of asymmetry, attraction, and relationship initiation and documented how they influence each other. To fulfill the purpose of the thesis, the study has identified the influence of attractiveness on the relationship initiation process. The most prominent drivers of attractiveness were found to be economic- and behavior-based. However, the phenomenon is dynamic, changing across sub-processes, and the context that the actors exist in must be taken into consideration. Furthermore, the study has shown that throughout the whole process of relationship initiation both actors in the asymmetric relationship pursue actions that aid them in being perceived as attractive by the other.

For the sake of the new ventures, it has been found that they can increase their attractiveness by displaying growth potential and cooperating with the suppliers professionally and properly. In turn, this is shown to increase the suppliers' level of commitment and resource investment in the relationship. Also, the increased attractiveness affects the relationship by reducing the perceived asymmetry and evening out the power imbalance, allowing new ventures to choose between suppliers. For the case of suppliers, they were found to pursue an increase in their attractiveness by building trust, investing resources, and providing the young firms with competitive price offers. These measures reduced the distance between the companies, provided the new ventures with essential resources, but simultaneously also created lock-in effects increasing the supplier dependency and elevating the suppliers to a favorable position for negotiations.

The new ventures need suppliers and access to their resources to realize their product offerings. This creates strong incentives for the new ventures to succeed in establishing relationships with suppliers. Therefore, they need to be perceived as attractive customers for the suppliers to commit resources and invest in the relationship. However, as the medium-sized Norwegian suppliers also have strong incentives for cooperating with the young firms, the findings suggest that the most important challenge for new ventures initiating relationships with suppliers in this

context is actually not to appear attractive to raise interest. Instead, the challenge lies in not becoming overly dependent on the supplier during relationship initiation and utilizing attractiveness to achieve a balanced position where the new venture can choose between alternatives.

The study has shown how preparations have affected the companies' attractiveness, the perceived asymmetry, and the degree of "supplier selection" versus "supplier mobilization" characterizing the process. Therefore, it is proposed that the sub-process of *Preparations* and the dimensions of *supplier selection* and *supplier mobilization* are added to the framework of relationship initiation. This builds on the argument that attractiveness is constantly evolving throughout the relationship and that this directly affects how the initiation process progresses. In addition, the framework must be considered relative to the context in which the process takes place, and one should include both perspectives for a complete understanding of the relationship initiation.

The study has contributed to the current understanding of how attractiveness affects relationship initiation for new ventures establishing their first supplier relations by providing useful insight into the underlying mechanisms driving the process forward. The findings suggest some important implications (Chapter 8) for both managers of new ventures and established firms that can guide companies in the effort to establish successful buyer-supplier relationships.

Chapter 8

Implications and further research

8.1 Implications for managers in asymmetric business relationships

The purpose of this thesis is to investigate how buyer and supplier attractiveness affects the process of relationship initiation between new ventures and established suppliers. Through qualitative research, the study has provided findings about how attractiveness has affected the initiation of four relationships. All relationships made it to the point of which they decided to continue the cooperation, meaning that they were all successful within the scope of the study. Hopefully, the findings can reveal implications for other managers of either new ventures or suppliers on how to initiate a relationship to the counterpart, in a manner beneficial for one or both parties.

Before elaborating on what specific efforts either of the companies' managers can conduct, both of them should pay close attention to the findings regarding the nature of attractiveness. The phenomenon is an important driver for progress, and is essential for the cooperation happen in the first place and reach the end of relationship initiation. Furthermore, it has been found to be highly influenced by the context, meaning the situational characteristic of either firm, the sub-process of witch they are in, and the maturity of the relationship. Therefore, both managers should be conscious about adjusting their attractiveness during the relationship initiation with respect to these factors. This also implies that either of the firms' attractiveness is dynamic, and changes over time, meaning that they should both continuously consider how to be perceived attractive by the other.

8.1.1 Implications for managers of new ventures

Managers of new ventures can do the following actions and activities to conduct the process of relationship initiation in a favorable manner:

- Obtain market traction or pre-sales to confirm the growth potential of the company. This

has shown to be highly influencing on the new venture's attractiveness, and may position the company to choose between alternatives.

- Approach medium-sized suppliers. Most likely, the relationship will be asymmetric in terms of experience, size, resources, and competence. However, medium-sized suppliers have incentives for working with new ventures which in turn makes it easier for the new ventures to appear as attractive and the relationship less asymmetric than what the measurable metrics describe. Higher attractiveness has shown to increase the commitment of the supplier and less asymmetry puts the new venture in better position for negotiations.
- Prepare the company by making the product ready for manufacturing and provide necessary resources for efficient execution. These resources could be human-, financial, or external resources. However, the cause is to perform the technical development with the supplier without becoming overly dependent, while taking advantage of the supplier's resources.
- Pay attention to the fact that the new venture's attractiveness is the most important for the process to progress. Therefore, the manager should consider adjusting the different drivers of attractiveness throughout the process to make the supplier commit more resources to them.

8.1.2 Implications for managers of suppliers

Managers of suppliers can do the following efforts to fulfill a successful relationship initiation with a new venture:

- Build trust and close personal relationships to the new venture's managers early in the process. New ventures are in a scarce position in the early phase of origin. Therefore, they find suppliers willing to build a trustful relationship with eased communication as highly attractive. Thus, managers of suppliers should express their willingness to cooperate and create informal relationships from the beginning.
- Increase their commitment on product development to a manageable extent in terms of the risk related to the new venture. The commitment is highly needed for the new ventures, which will increase the supplier attractiveness further, and also puts the supplier in a position to hold essential competence and tacit knowledge about the product. Therefore, by committing in the process, the barrier is increased for the new ventures to change supplier.
- Pay attention to that the supplier attractiveness is what makes the new venture wanting to cooperate with the supplier in the first place, and one of the drivers for making the new venture choosing to establish an agreement. However, the supplier must remain attractive throughout the process to close the deal and make the new venture stick with the company in the long term.

8.2 Further research

Little research focuses on how new ventures initiate their first supplier relationships. Especially, the drivers of attractiveness for new ventures and their counterparts during the process have not gained much attention. However, the findings of this study are limited to cases quite similar in context and asymmetry. Therefore, one should be careful in applying the findings to other similar scenarios without elaborating the research on the scope of the study. The following propositions are found important to build further on this thesis' conclusions:

- The findings argue that although the medium-sized suppliers included had incentives for cooperating with new ventures, they create lock-in mechanisms, generating potential challenges for the new ventures. Nevertheless, the long-term effects of supplier dependency were out of the scope of this study. Therefore, lock-in mechanisms are argued to be an important scope for further research to increase knowledge about new ventures and their first supplier relationships. Research on this concept should include different types of new ventures and suppliers of various sizes and geographical locations. This can elaborate on understanding what kind of suppliers new ventures should seek to mitigate risk related to established firms. Also, this can increase the knowledge of the role of attractiveness across cultures and how it affects these lock-in mechanisms.

- This study has included relationships between new ventures and medium-sized suppliers with quite similar levels of asymmetry. However, as the included suppliers have several incentives for cooperating with new ventures, the perceived asymmetry in each case has shown smaller than what the companies' resources and size correspond to. Therefore, providing a similar dyadic study on cases with more significant asymmetry can help to obtain an even better understanding of the role of attractiveness during the initiation of asymmetric relationships. Alternatively, including various sized suppliers can be conducted to find how the size metric influences the relationship, the role of attractiveness, and perceived asymmetry between the parties.

- This study has revealed the importance of preparations and their effect on attractiveness and dependency in the relationship. However, there is little research on preparatory activities and their influence on how new ventures conduct the process of initiating strategic business relationships. Therefore, research on preparations and their influence on relationship mechanisms is proposed to increase the knowledge of their importance. Also, this type of research should be a dyadic study to investigate further what preparations either part finds vital in the counterpart and how it differs between them.

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Appendix A

Semi-structured interview guide

Date:
Interviewers: Lars-Arne Boge & Oskar Svendsen
Interviewee:
Duration: 60 - 90 minutes

Conducting the interview: Both authors attend the interview. One asks the questions and the other takes notes and focuses on follow-up questions.

A.1 Introduction

- About the authors
- The purpose of this study
- Handling of personal data
- Anonymization

A.2 Information about the company

- What are the main operations of the company?
- When was it established?
- What was the number of employees at the time the companies made contact?
- What was the turnover at the time the companies made contact?
- How many products are sold per year?

A.3 Information about the interviewee

- For how long have you been employed in the company?
- What is your position and your main tasks?
- What was your prior experience before the contact was made with the counterpart?

A.4 Relationship initiation

(Questions for new ventures only)

- Need identification
  - Can you describe the situation in the company before initiating contact with the counterpart?
    - What was the status of the product?
    - What resources had the company acquired?
  - Can you describe how the need for a supplier emerged?
    - Which problem needed to be covered?
    - What were you looking for in the supplier?
    - What strategy led you to make contact with the supplier?
    - What considerations were done in the company?
    - Did you have any expectations or requirements that the supplier had to fulfill?
  - Did you do any particular changes within the company before initiating contact?
    - Any particular strategy?
    - Did you acquire any competence?
  - How did you search for suppliers?

(Questions for both companies)

- **Accessing**
  - How were you set in contact with the counterpart?
  - Were there any challenges occurring at this point?
- **Matching/Attraction**
  - How did you present yourself during the first contact?
  - What was your immediate impression of the counterpart?
  - Were there any particular events giving you an impression that it was a good match?
  - Were there any challenges occurring at this point?
- **Defining Exchange**
  - How did you cooperate on deciding the exchange with the counterpart?

  - For how long were you working on defining what to be exchanged?
  - What were your requirements when you started the dialogue with the counterpart?
  - Did you perceive that the counterpart had any requirements or expectations that you had to fulfill?
  - Were there any challenges occurring during this work?

- **Building conditions and trust**
  - What was your impression of cooperating with the counterpart?
  - Were there any juridical agreements before the cooperation?
  - How did trust and commitment evolve over time?
  - How was the communication?
  - Were there any challenges occurring during this work?

- **Forming the future**
  - Did you discuss future cooperation and orders?
    - If so, how did these subjects evolve?
  - Was the cooperation formalized?
  - Were there any negotiations going on? If so, how did they evolve?
  - Were there any challenging uncertainties or requirements?
  - How has the relationship evolved after the formalization?

A.5 Closing remarks

- Are there any activities, actions, or situations we have not talked about that you believe have influenced the process or relationship to the better or worse?

- Thank you!