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NTNU
Norwegian University of Science and Technology
Faculty of Economics and Management
Dept. of Industrial Economics and Technology Management

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Managing Asymmetric Alliances: An Exploration of the Interplay between Dependence and Trust in Fintech-Bank Partnerships

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Preface

This Master's thesis is written as the final part of the authors' Master's degree in Industrial Economics and Technology Management at the Norwegian University of Science and Technology (NTNU) in Trondheim. The work has been developed during the Spring of 2022.

Our common interest in entrepreneurship and finance sparked the motivation for this thesis' topic. It has been highly interesting to get insight into the industry developments from the focal firms themselves. During this period we have also garnered increased experience in academic writing and close collaboration.

Naturally, some acknowledgements are due. We would like to thank all the representatives from the interviewed fintech companies, banks, and industry organisations that have shared their knowledge, experience, and time with us. It could not have been done without them. We would also like to extend our thanks to Associate Professor Øyvind Bjørgum for his continuous support and guidance in writing this thesis. His patience and trust in us have been invaluable for the outcome of the process. Last but not least, big thanks to our families, friends, and classmates for their support.

Abstract

Sparked by rapid technological developments, advantageous regulations and increasing customer demands, the emergence of fintech services has disrupted the banking sector worldwide. While fintech companies challenge and compete with large incumbents for market shares, a shift in the competitive landscape towards more collaboration has been observed. As such partnerships are intrinsically asymmetric with regards to resources, level of experience, and strategic relevance, several interesting implications have emerged. One regards the associated imbalance of power, which may lead to unfavourable conditions for the smaller partner. In parallel, a healthy relationship based on trust has been found be important for the development of collective interests, knowledge sharing, reducing and solving conflicts, and ultimately for alliance success. This study contributes to an increased understanding of the phenomenon of asymmetric alliances by studying how such collaborations are affected by dependence and power issues, and how trust can alleviate the reverberating effects in the context of fintech-bank relationships. By conducting an embedded single-case study with fintechs and banks as the two units of analysis, complex mechanisms and links are uncovered. Findings show that dependence between partners is influenced by uniqueness of resources, integration of solution, and time perspective on the partnership. We propose the power asymmetry to be less problematic in fintech-bank partnerships than in other asymmetric alliances described in literature due to a higher level of interdependence. The effects of power asymmetry are found to be further mitigated when the relationship is built on a strong foundation of trust. In relation to trust, reliance on individuals, conflict solving, mitigation of opportunism and different incentives for trust-building are discussed. The findings particularly call for further research on dynamic shifts of the dependence of each actor on short- and long-term, in addition to causalities between interdependence and alliance success.

Sammendrag

En fremvekst av fintech-tjenester, trigget av rask teknologisk utvikling, regulatoriske endringer og økende kundekrav, har rokket ved den globale bankindustrien. Samtidig som fintech-selskaper utfordrer og konkurrerer med store, etablerte aktører om markedsandeler, har det vært observert et skifte i konkurranselandskapet i retning av mer samarbeid. Den iboende asymmetrien i slike partnerskap med hensyn til ressurser, erfaringsnivå og strategisk viktighet har flere interessante implikasjoner. En av disse angår den tilhørende maktubalansen, som kan føre til ugunstige forhold for det mindre selskapet. Parallelt har sterke relasjoner bygget på tillit mellom partnerne vist seg å være viktig for utviklingen av felles interesser, kunnskapsdeling og alliansesuksess, samt reduksjon og håndtering av konflikter. Denne studien bidrar til økt forståelse for asymmetriske allianser som fenomen ved å studere hvordan slike samarbeid påvirkes av avhengighets- og maktproblematikk, og hvordan tillit kan lindre tilhørende konsekvenser, i fintech-bank-samarbeid. Gjennom en integrert single-case studie med fintech-selskaper og banker som hver sin analyseenhet, har det i denne studien blitt avdekket komplekse mekanismer og koblinger mellom disse fenomene. Funnene viser at avhengighet mellom partnerne påvirkes av egenarten av ressurser, integrasjon av løsningen og tidsperspektivet en har på partnerskapet. Vi argumenterer for at maktasymmetrien er mindre problematisk i fintech-bank-partnerskap enn i andre asymmetriske allianser beskrevet i litteraturen på grunn av høyere nivå av gjensidig avhengighet. Effektene av avhengighetsasymmetri viser seg å bli ytterligere dempet når forholdet mellom partene er bygget på et fundament av tillit. Dette relateres til avhengighet av tiltrodde enkeltpersoner, konfliktløsning, demping av opportunistisk oppførsel og ulike insentiver for tillitsbygging. Det anbefales videre forskning på dynamiske endringer i avhengigheten til hver aktør på kort og lang sikt, samt årsakssammenhenger mellom gjensidig avhengighet og alliansesuksess.

Contents

List of Figures

List of Tables

Chapter 1

Introduction

The banking sector has historically been considered one of the financial industry's most impenetrable to technological disruptions with large incumbents facing little outside competition for market share (McKinsey, 2016). However, the rapid evolution of financial technology - hereafter referred to as *fintech* - in the recent decades has disrupted the stable banking sector worldwide (Gomber et al., 2018). In Norway, fintechs have flourished within areas such as capital raising, payment methods, wealth management, and data and analytics. FundingPartner is an example of a fast growing crowdlending fintech company fundamentally altering the ways individuals and firms can raise capital. Fintech companies are known to creatively integrate technology with financial service offerings to improve its customer deliveries, and to become experts in a particular niche market (Lee & Shin, 2018). The increased technological capabilities of fintechs, combined with changing regulatory requirements such as The revised Payment Services Directive (PSD2), emergence of digital business models, and increased customer expectations, have opened up for a change in the competitive landscape with a shift towards more collaboration. This is a result of pressing needs on both ends: bank managers' lack of knowledge on how to leverage emerging capabilities of new technology (PwC, 2020) and fintechs' quest to overcome *liabilities of newness* (EY, 2021; Stinchcombe, 1965).

The term *strategic alliances* is described as a collaborative relationship between two or more firms with the potential to aggregate more value than the participating parties can create on their own (Ybarra & Turk, 2009). Collaborations between banks and fintechs are intrinsically asymmetric, meaning that there exists an imbalance in the characteristics of the relationships affecting both competitive and cooperative aspects (Johnsen & Ford, 2008; Pérez & Cambra-Fierro, 2015b). These include factors such as size of the respective partners, nature of dedicated resources, level of experience and strategic relevance of the alliance (Das & Teng, 2000; Johnsen & Ford, 2008; Pfeffer & Salancik, 2003).

An extensive stream of literature identifies several characteristics and issues of asymmetric strategic alliances. Some of these are dependence and power balance (e.g. Jin & Shao, 2022), self-interest and politicality (e.g. Walter et al., 2012), trust (e.g. Brinkhoff et al., 2015; Munksgaard et al., 2015), coopetition (e.g. Bouncken et al., 2020; Jakobsen, 2020), and value creation (e.g. Pérez et al., 2012; Prashantham & Birkinshaw, 2008). A majority of the issues are founded in the resource dependence theory (Emerson, 1962), but simultaneously draw on relationship management aspects with trust as an essential building block. Furthermore, scholars commonly investigate multiple characteristics of asymmetric alliances and their interrelation, such as the interplay between trust and asymmetric dependence explored by Brinkhoff et al. (2015). Firms' poor understanding of strategic dynamics under conditions of asymmetry is highlighted as a significant hinder for partnership success (Khanna et al., 1998).

Nevertheless, scholars identify multiple research gaps, such as the development of trust mechanisms in asymmetric alliances (Jakobsen, 2020). Similarly, Brinkhoff et al. (2015) encourage additional research on the influence of trust and dependence on such alliances in other industries to contribute to generalisation of their results. Moreover, in a literature review on power and dependence, Hingley et al. (2015) argue that the majority of influential studies on asymmetric alliances considers linear supply chains (e.g. Brinkhoff et al., 2015; Johnsen & Ford, 2008; Munksgaard et al., 2015). They urge for particular explorations into new business challenges induced by development of high technology and consequent power issues. As the technological revolution places the development and integration of digital products and services in focus, the traditional format of supplier-customer relationship between firms is arguably challenged. Ultimately, the established assumptions regarding characteristics of asymmetric alliances in tech industries rise as an interesting area of study. The fintech sphere is an example of such a context where value propositions revolve around digital products and firms co-exist, co-evolve and influence each other in an emerging business ecosystem (Hedman & Henningsson, 2015; Lee & Shin, 2018; Moore, 1996). Intrigued by the relation between power imbalance founded in dependence and relational management anchored in trust, this paper aims to narrow the research gaps by exploring how the interplay between the two affect collaboration efforts in asymmetric alliances in a context that, arguably, has not yet received proper attention in asymmetric alliance research.

1.1 Research questions and structure

1.1.1 Research questions

A natural context to explore such issues in is the evolving Norwegian banking sector. In fintech-bank partnerships, the differences in size, resources, and reputation are prominent, leading to significant asymmetries. By taking a resource-based view, we aim to contribute to the understanding of characteristics of the Norwegian ecosystem involving banks and fintechs, and how the interplay between some of these affects collaboration efforts in strategic partnerships. We thereby arrive at the overarching question that will be explored in this paper, namely:

How does the interplay between dependence and trust affect collaboration in asymmetric partnerships between Norwegian fintechs and banks?

In order to elucidate this topic, the thesis will seek to answer two different research questions (RQs). Literature identifies issues related to dependence and power imbalance as especially relevant in asymmetric alliances. Therefore, we will firstly explore how the differences between fintechs and banks affect the dependence and power balance between them, and consequent issues that emerge. Thus, the first RQ is:

RQ 1: *How do dependence and power issues affect collaboration in fintech-bank alliances?*

Secondly, literature suggests that asymmetry between alliance partners requires a certain level of trust to mediate the collaboration and alleviate consequences of dependence asymmetry. As risk of knowledge misappropriation of technology from the fintech's perspective and compliance know-how from the banks' perspective create prominent vulnerabilities, trust arises as a particular relevant trait to explore.

Trust is tightly linked with, and affects, other factors of the relationship, such as communication and information sharing. Thus, the second RQ is:

RQ 2: *How do trust and relationships alleviate consequences of dependence asymmetry in fintech-bank alliances?*

1.1.2 Structure

In order to answer our RQs, the structure of this paper is as follows: first, in Chapter 2, we present the chosen industry context of the Norwegian banking sector. Next, in Chapter 3, we delve into the extant literature on asymmetric strategic alliances. After that, in Chapter 4, the methodology of the conducted embedded single-case study is described, before we in Chapter 5 embark on a presentation of the findings from the data collection. In Chapter 6, we discuss the findings in light of literature and industry context. Thereafter, we present limitations of the study, implications for further research, and managerial implications. Finally, we draw a conclusion in Chapter 7.

Chapter 2

Industry context

In this chapter, the historical backdrop and major drivers for change within the global banking sector are described. Thereafter, the term *fintech* is explained, and the evolving Norwegian banking scene and the emerging trend of collaboration between banks and fintechs are presented.

2.1 Developments in the banking industry

Historically, the banking sector has been one of the financial industry's most impenetrable to technological disruptions (McKinsey, 2016). The industry was known for its corporate stability and strong reputation, and consumers' perception of the banking system was characterised by high levels of trust (Gomber et al., 2018; Järvinen, 2014). However, after the financial crisis in 2007-2008, levels of trust and confidence in financial institutions dramatically decreased (Järvinen, 2014; Zavolokina et al., 2016). Governments have in recent years provided a regulatory environment that stimulates innovation within the industry in an attempt to form a more resilient financial system (Lee & Shin, 2018; Sironi, 2018). For example, the 2019 introduction of PSD2 has paved the way for new players in the field (The Factory, 2022). Consequently, the sector has experienced rapid technological innovation and become less dominated by traditional banks. This evolution is to a large degree driven by non-bank actors offering financial services that are merging technologies and innovative business models to challenge the established banking sector (Gulamhuseinwala et al., 2015). As technology has allowed for a whole new generation of digital financial services to rapidly evolve, traditional banks have been forced to rethink their business models (Datatilsynet, 2018; Shim & Shin, 2016; The Factory, 2022). The EU has announced multiple new regulations in the coming years, some of which are already underway, such as the new Consumer Credit Regulation (CCD), Digital Identity Regulation, Open Finance Regulation, and Markets in Crypto Assets Regulation (MiCA) (The Factory, 2022).

A further essential driver for change is shifts in consumer expectations in that consumers increasingly expect and demand solutions that simplify everyday tasks (Cortet et al., 2016). Such developments place banks in a split between controlling costs and risks and maintaining a reputation of trust on one side, and innovating and meeting changing customer demands on the other side (E24, 2019). Consequently, technology-based new ventures have been encouraged to enter the financial services sector, causing turbulence across the industry and putting pressure on traditional banks in the process (Shim & Shin, 2016).

Advances in technology, regulatory changes, new competitors and evolving customer demands are transforming the financial landscape into a new *digital ecosystem* (EY, 2021). Hannah and Eisenhardt (2018, p. 3164) proposes business ecosystems to be "*groups of firms that produce products or services that together comprise a coherent solution*". An important aspect of ecosystems is the co-evolvement of the member organisms within roles, capabilities, and alignment of strategic direction, which is often determined by one or more central companies (Moore, 1996). Stakeholders in the ecosystem may also exercise power over other stakeholders through the control of important resources and thereby capture a larger part of the total value generated in the ecosystem (Hedman & Henningsson, 2015). Digital ecosystems are further characterised by collaboration of different actors across industries and production of value-added services and products through the use of digital platforms (Weill & Woerner, 2015).

2.2 Fintech - what is it?

The term *fintech* is short for financial technology and refers to the use of technology to provide new and improved financial services (Thakor, 2020). This may include software, algorithms, or applications for computers and mobiles (Forbes, 2020). Fintech solutions are generally associated with new ventures, although the term also includes services provided by incumbent financial service providers, such as banks (Puschmann, 2017). The past decade has witnessed a remarkable growth of new ventures within financial technology (Phan et al., 2020). Data from Venture Scanner show that venture funding of financial technology through Q3 in 2021 was well above previous full year sums, demonstrating the positive trend (Venturescanner, 2021). Moreover, the investments into global fintech surpassed USD 98 billion in the first half of 2021 - a significant growth from USD 87 billion in the second half of 2020 (KPMG, 2021).

Industry and academic researchers alike characterise the development as a *fintech revolution*, as both start-ups and established actors embrace new technologies and challenge traditional business models (Gomber et al., 2018). Fintech companies often drive an unbundling of financial services, thus challenging specific product lines of banks (Lee & Shin, 2018). This may be within payments, insurance, lending, wealth management, or crowdfunding. As a result, consumers are in the position to select the services they would like from a large offering of companies, rather than having to rely on a single bank to cover their needs. Financial technology already has a strong foothold among consumers globally; in 2019, the global consumer adoption rate of fintech had reached 64% (EY, 2019). Although the disruptive effects of fintechs have rippled through the entire financial sector, banking and payments have been the most affected, with 28% of banks' business at risk of being lost to these innovative startups (PwC, 2020).

2.3 The Norwegian fintech sector

Norwegian banks benefit from a strong reputation and high levels of trust in the population, possibly linked to the financial crisis hitting relatively mild compared to other countries (EFTA, 2016). Norwegian banks are also considered particularly innovative compared to those of neighboring countries (Mastercard, 2021). Fintech services such as Vipps, the domestic digital payment wallet scheme developed by DNB, have gained high popularity, and multiple banks have started financial technology initiatives. However, with the entrance of big techs such as Google and Amazon, the competition for customers and market share sharpens. PwC (2020) claims that bank managers are poorly prepared for the digital transformation and unsure of how to utilise the emerging capabilities in current services. Others argue that their hesitance is grounded in the strongly regulated environment that leaves no space for risk at the cost of innovation (Forbes, 2021).

Simultaneously, the fintech accelerator and incubator The Factory claims that the trust-based, transparent Norwegian culture with a population of tech savvy, early adopters facilitates a flourishing fintech environment (The Factory, 2022). In addition, growth of the fintech sector in Norway has been driven by a highly digitalised banking sector, enabling technologies like AI, machine learning, blockchain, and more, combined with new regulations in the financial sector. In the years 2016-2019 the number of fintechs increased from around 30 to 120 companies, and has continued to grow to approximately 180 companies as of Q2 in 2022 (The Factory, 2022).

However, although the Norwegian fintech ecosystem has experienced a remarkable development over the past ten years in terms of regulatory changes, emerging incubators and accelerators, as well as digitalisation of the banking sector, the financial industry is still a tough sector to operate within for new ventures. Forbes (2021) and The Factory (2022) claim that from a fintech's perspective, the banking infrastructure is difficult at best to tap into, regulatory compliance issues demand a significant amount of already scarce resources, and the struggle for market share may kill a promising product before reaching the right customer. Status quo for Norwegian fintech companies is that very few have managed to reach a significant size, and even fewer have managed to earn money (Finansforbundet, 2021; The Factory, 2022).

2.4 Evolution of fintech-bank partnerships

Real innovation is argued to occur when the momentum of large institutions and the creativity of agile new challengers are brought together (Finansforbundet, 2021).

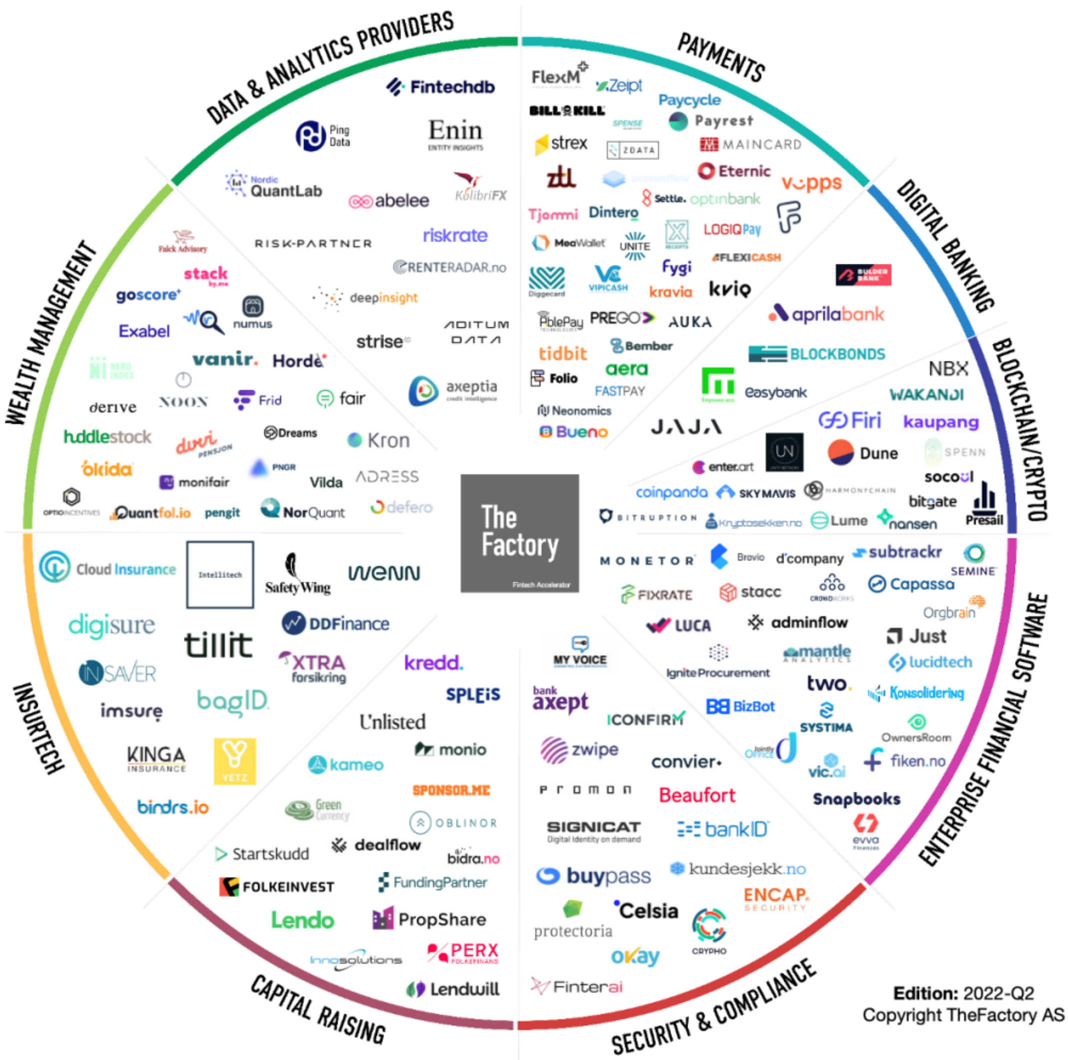

Figure 2.3.1: *An overview of active Norwegian fintechs in 2022 (The Factory, 2022)*

Moving towards an *open API society* where different services can access and initiate transactions, industry experts foresee that new fintech services will connect various industries and predict a clear shift towards more cooperation and co-creation between banks and other players in the years to come (Cicero Consulting, 2019; The Factory, 2020). Forbes goes as far as to claim that the banking industry is "*the most regulated, scrutinised and arguably most depended-on industry there is - and its future depends on collaboration*" (Forbes, 2021).

By engaging in product-related alliances and benefitting from technological advancements of fintechs, banks that are not able to or willing to develop new digital services on their own - either due to IT legacy, costs, or organisational structure - are able to broaden their service portfolio and reach new customers (EY, 2021; Hornuf et al., 2020). Consequently, through more permeable organisational forms than their traditional corporate boundaries, banks can strengthen their response to technology-driven young firms and instead benefit from new innovations (Borah & Tellis, 2014; Jacobides & Billinger, 2006). Moreover, prominent bank managers claim that actors must collaborate in order to exploit the potential of financial technologies and enable Norway to compete in the international market (Shifter, 2017).

Regarding fintechs, the tough requirements concerning regulation and compliance fintechs need to handle can be seen as a motivation for entering alliances with banks (Forbes, 2021). Moreover, in an industry report developed by Ontogeny on behalf of Finansforbundet (2021), entering partnerships with established financial institutions is found to be important in order for startups to overcome liabilities of newness and to be able compete in the Norwegian financial landscape. Similarly, easier market entry and increased profits are considered important motivational factors (Bömer & Maxin, 2018).

Collaboration between banks and fintechs is already evolving globally (EY, 2021). An example of a successful fintech-bank collaborations is that of Cross River Bank and its fintech partner Affirm, where Affirm offers a *buy now, pay later* service and Cross River handles the compliance and financial back end of the operation (Forbes, 2021). In Norway, most of the major Norwegian banks already collaborate with startups to some degree. For example, DNB works with Aiia, a licensed PISP and AISP, and have a partnership with the startup incubator StartupLab (Mastercard, 2021). Moreover, in 2019, they invested in the 11:FS Foundry platform to deliver financial loan services (DNB, 2019). Other examples include Nordea LP and the savings app Spiff (Finansavisen, 2017). The Head of Innovation in SR-Bank argues that fintechs are way ahead when it comes to technology adoption and UX development, but lack distribution and market presence, which is where the incumbent banks play a dominant role (The Factory, 2022). He further argues that harnessing each others' strengths ultimately brings out better services and products for consumers (The Factory, 2022).

Chapter 3

Theoretical background

In this chapter, the thesis' theoretical foundation is presented. First, the concept of strategic alliances between firms is explained, along with the resource-based perspective on strategic alliances. This is followed by an introduction to the characteristics of asymmetric strategic alliances and motivations to enter such partnerships. Then, it is elaborated on prominent issues in asymmetric alliance literature. Finally, a categorisation of the issues and how they relate to the two main themes of dependence and trust is presented.

3.1 Strategic alliances

A strategic alliance is commonly defined in literature as a collaborative relationship between two or more firms with the potential to aggregate more value than the participating parties can create on their own (Ybarra & Turk, 2009). Pérez and Cambra-Fierro (2015b) argue that inter-firm relationships and alliances have proliferated due to enhanced competition in global markets, making it increasingly difficult for firms to create value in isolation. Such alliances can take different forms depending on the purpose of the alliance, such as R&D alliances, buyer-supplier relationships, corporate venturing, and learning alliances (Aalbers, 2014; Becerra et al., 2008; Villena & Craighead, 2017). The duration of an alliance may be either intentionally short- or long-term, and its function and content can change over time

(Bidault & Salgado, 2001). Moreover, companies engaging in strategic alliances generally achieve higher growth rates and revenues compared to firms not involved in alliances (Segil, 1998).

3.1.1 The resource-based theory on strategic alliances

Literature sets forth different perspectives for rationalising strategic alliances between firms. Two of the most dominant views are the resource-based theory (RBT) (e.g. Eisenhardt & Schoonhoven, 1996) and transaction-cost theory (TCT) (Coase, 1937; Hennart, 1988).

RBT, also called resource-based view (RBV), is recognised by management scholars as one of literature's most influential and cited theories (Kraaijenbrink et al., 2010) and is used for predicting, describing and explaining organisational relationships (Barney et al., 2011). RBT in relation to alliances suggests that the rationale behind formation of alliances is the pooling of resources (Das & Teng, 2000). The RBT of a firm builds on the pioneering work of Penrose (1959), which sees firms as bundles of resources and capabilities, and argues that a firm's internal and external growth depend on the manner in which they are leveraged. Applying RBT to the notion of alliances implies that a firm can generate competitive advantage from its alliance partner's resources (Eisenhardt & Schoonhoven, 1996) and expects this, as well as access to more resources and increased economic vale, to be outcomes of the relationship (Street & Cameron, 2007).

An opposing view to RBT is the transaction cost theory (TCT) rationale. Decision-making in this theory has the focus of minimising the total sum of transaction costs and production costs (Coase, 1937). According to TCT, strategic alliances are desired when the associated transaction costs of an exchange are not high enough to justify vertical integration of the firms (Gulati, 1995a). Both RBT and TCT treat characteristics of the internal elements of a firm, but with distinct differences. TCT has been criticised for only paying attention to minimising costs associated with inter-firm transactions (Das & Teng, 2000). It recommends choosing alliances as an organisational model only if transaction cost minimisation is achieved through it (Yasuda, 2005), which is argued to result in negligence of value-creation related to strategic alliances (Das & Teng, 2000). As asymmetric alliances are characterised and often motivated by the facilitation of access to complementary resources for each firm, a resource-based view is what will be taken in this thesis, which gives a natural foundation for the resource dependence theory that is elaborated on later.

3.2 Asymmetric strategic alliances

Asymmetry in partnerships may be defined as an imbalance in the characteristics of the relationship where the dissimilarities affect both competitive and cooperative aspects of their interactions (Johnsen & Ford, 2008; Pérez & Cambra-Fierro, 2015b). Such differences may be reflected in size of the respective partners, nature of dedicated resources, or level of experience in managing alliances, and can result in unequal levels of dependence and uneven distribution of value. Some research focuses on single characteristics, such as the strategic importance of the alliance to the organisations (Pfeffer & Salancik, 2003) or trust (Ybarra & Turk, 2009). However, Johnsen and Ford (2008) stress the necessity of pursuing a comprehensive view including multiple relationship characteristics rather than its individual characteristics in understanding the totality of an asymmetric relationship. As an example, they highlight that it could be that a supplier may be smaller and have less power than its customer, but more trust in the relationship than the larger customer firm. Khanna et al. (1998) highlight that a hinder for partnership success is firms' poor understanding of strategic dynamics under conditions of asymmetry.

3.2.1 Motivations to enter asymmetric strategic alliances

Asymmetric alliances often refer to partnerships between small and large firms, who usually have different motivations to enter alliances with each other. While small, mature firms may also enter alliances with large firms, this study considers alliances where the smaller company is a new venture.

Incumbents' motivations

Incumbents refer to firms well established in an industry because of the existing rules of the game (Peng, 2003). Creativity, flexibility and innovation are becoming increasingly important for companies in differentiating themselves from competitors and responding to rapid change (Hamel, 2008). Consequently, one of the most prominent motivational factors discussed in the literature for such companies to enter asymmetric alliances is that of accelerating innovation processes (e.g. Klus et al., 2019; Pérez et al., 2012). Literature also points to costs and resource saving when outsourcing projects (e.g. Klus et al., 2019). Cambra-Fierro and Pérez (2018) highlight the reduced need to hire new employees when collaborating with tech startups, and the benefit of reduced risks related to new technology projects. Due to a lower commitment of resources, larger firms may benefit from increased organisational flexibility (Pérez et al., 2012). Other motives include technical know-how, learning from the younger firm's processes, as well as increased revenues and improved image towards stakeholders by offering innovative services (Klus et al., 2019). The possibility of a competitive advantage by offering innovative services is also recognised (Pérez et al., 2012).

New ventures' motivations

New ventures are broadly defined as firms that are early in their development and growth stages (H. Li, 2020). The achilles of new ventures is that they often suffer from liability of newness - they lack the resources (e.g. financial, human, social and/or marketing capital) and have not yet established the business relationships (e.g. with suppliers and customers) necessary to successfully exploit opportunities for new products and services (Fisher et al., 2016; Stinchcombe, 1965; Suchman, 1995). Such liabilities can be compensated for by interacting with other organisations. Research has shown that especially relationships with established organisations is a major source of financial and non-financial resources (e.g. Pérez et al., 2012; Plummer et al., 2016). Such actors can also provide startups with the institutional legitimacy and endorsement they need to survive (McKnight & Zietsma, 2018; Rao et al., 2008; Söderblom et al., 2015; Wallin & Fuglsang, 2017).

Asymmetric alliances may be especially beneficial for young firms in order to overcome increasing costs of new product development and enable new ventures to develop solutions they cannot normally develop on their own (Ariño et al., 2008; Pérez et al., 2012). Quick new product development is important for young technology firms in order to gain access to early funding and increase odds of survival (Ketchen et al., 2007). Easier market entry and increased profits are also motivating small firms to engage in alliances with incumbents (Bömer & Maxin, 2018). This relates to the large customer resource network well-established partners may offer new ventures (Ariño et al., 2008).

3.3 Prominent issues in asymmetric alliances

Literature describes several characteristics and issues within asymmetric alliances. While the benefits of asymmetric partnerships between startups and large companies are recognized, prior research identify various issues and risks the partners face. In this section, an overview of some of the most prominent issues and topics discussed in modern research are presented, before delving deeper into each of the overarching topics identified.

3.3.1 Brief overview

The research on asymmetric alliances is divergent in scope and perspective, resulting in different sub streams of literature. A large body of literature focuses on the balance of power in asymmetric alliances (e.g. Belaya et al., 2009; Jin & Shao, 2022; Knoben & Bakker, 2019; Nyaga et al., 2013), which is tightly linked to the resource dependence theory developed by Emerson (1962). This relates to a different stream of research regarding decision making processes, where particularly the roles of self-interest and politicality are analysed (e.g. Munksgaard et al., 2015; Walter et al., 2012). Others place emphasis on confrontational issues, such as that of David against Goliath (e.g. Katila et al., 2008; Prashantham & Birkinshaw, 2008). Additionally, a popular concept in modern research is that of *coopetition*, where multiple studies focus on how partners balance competitive and cooperative tensions in their relationship (e.g. Bouncken et al., 2020; Jakobsen, 2020; Munksgaard et al., 2015). In relationships characterised by large dissimilarities, the importance of trust, communication and relational development have also sparked the interest of scholars (e.g. Huemer, 2004; Ybarra & Turk, 2009). Nevertheless, there is a general focus on value creation throughout the literature. Some investigate the effects of asymmetry on learning capabilities and total value generation (e.g. Bouncken et al., 2020; Pérez et al., 2012), whereas others investigate the issue of uneven value distribution and misappropriation (e.g. Katila et al., 2008; Prashantham & Birkinshaw, 2008).

Moreover, Munksgaard et al. (2015) found that asymmetry in a partnership often becomes prominent as the relationship develops, and that particularly the smaller firm experiences several challenges in managing partnerships with larger firms (Alvarez & Barney, 2001; Munksgaard et al., 2015). They further identified relationship characteristics, rather than size imbalances, to be the prominent reason for failure of asymmetric alliances, notably as they relate to levels of cooperation.

Next, six major topics within asymmetric alliance research will be presented in-depth with associated aspects of dependence and trust being highlighted. These are Resource complementarity, Strategic compatibility and mutual goal development, Resource dependence and power imbalance, Strategic importance and interdependence, Relationship management, and Joint decision-making processes.

3.3.2 Resource complementarity

As seen earlier, RBT suggests that the incentive of firms to engage in alliances is the pooling of resources (Das & Teng, 2000). This is tightly related to *resource complementarity* - the management of both partners' strengths and weaknesses to create excess value that neither is able to create on their own (Pérez et al., 2012). Thus, the fundamental logic behind complementarity is a reasoning of differences that, when managed together, complement each other (Hamel, 1991; Pérez et al., 2012). In alliances between startups and incumbents, specifically, complementarity stems from the former providing access to innovative technologies and new products and services, while the latter contribute with market know-how and extensive customer bases. As a result, resource gaps may be efficiently filled (Street & Cameron, 2007).

Moreover, Pérez et al. (2012) found that the significant differences in type and amount of resources brought into asymmetric alliances position the smaller firm as a non-threatening and low-risk partner, decreasing the level of politicality that may result from competing technology and solutions, which in turn facilitates relational management. Thus, while traditional absorptive capacity literature, which concerns the learning ability of firms in innovation processes (Cohen & Levinthal, 1990), emphasises the need to share knowledge and informational bases (Lane & Lubatkin, 1998), Pérez et al. (2012) found that minimal overlap is desired, as it results in low potential for conflict regarding issues such as protecting oneself from a learning race in such partnerships. Moreover, it facilitates trust development and cooperation. When it comes to technology complementarity, particularly in product development collaborations, Chen et al. (2008) proposed a thorough examination of a potential partner's product development and improvement, extent of skill application, and capability of innovation.

3.3.3 Strategic compatibility and mutual goal development

The issue of compatibility of strategic goals and interests is a further recurring topic in the strategic management literature. Douma et al. (2000) explored the concept of strategic fit in relation to partnership success and found that strategic fit goes beyond a complementarity of resources to also depend on compatibility of strategies and a shared vision with regards to the environment they operate in.

Why goal alignment is important

In strategy literature, it is argued that achievement of developing joint goals leads to increased levels of effectiveness, collaboration, and innovation. Corsaro and Snehota (2011) link the importance of alignment to perceptions of available resources and interpretations of critical events, particularly as the complexity of a partnership increases. Moreover, Munksgaard et al. (2015) investigated the influence of asymmetric relationships on self- and collective goal development in customer–supplier relationships, and argued that because of the complex interplay of characteristics of asymmetric relationships, alignment of goals between a customer and supplier is considered particularly challenging and important. Furthermore, Lubatkin et al. (2001) found that conflicting commercial objectives negatively affect social interaction, as well as the exchange of information and inter-firm learning. Similarly, Reuver et al. (2015), in studying collaboration between banks and telecom operators, found that differing objectives and interests led to discontinuance of collective action. In their study, in the case of differing interests, involved actors would only commit efforts to their joint product as long as they believed it would ultimately positively affect their own business.

Sources of different goals and interests

Munksgaard et al. (2015) argue that one can expect the customer and supplier to have different expectations of their joint business in asymmetric buyer–supplier relationships in particular due to differences in their resource bases. In assessing the motivation of both multinational companies (MNC) and small and medium-sized enterprises (SMEs) in entering asymmetric strategic alliances, O'Dwyer and O'Flynn (2005) showed that SMEs, contrary to MNCs, tend to be more focused on short-term operational profitability, while disregarding the development of coherent long-term plans for future growth. In the study of Reuver et al. (2015), differing objectives and interests mainly resulted from the fact that actors came from different sub-industries. Regarding startups and incumbent organisations in particular, some scholars claim that they do not usually have compatible goals and shared benefits, resulting in their interactions to be characterised by disagreements about what to do and how to do it (Chicksand, 2015). Nevertheless, Munksgaard et al. (2015) found that clear expression of each partner's self-interest could form a basis for developing a well-functioning asymmetric relationship. Moreover, as asymmetric relationships may leave less room for business goals of the smaller party to develop (Johnsen & Ford, 2008), Munksgaard et al. (2015) suggest assisting the smaller partner in expressing their self-interest to be especially important for collective goal development in order to create a win-win situation.

Opportunities of misalignment

However, misalignment of strategic objectives can have a positive effect by forcing firms to make greater efforts to achieve joint goals (Corsaro & Snehota, 2011). Moreover, the extent to which misalignment leads to conflict is often related to the parties' perceptions of the problem (Jameson, 1999) and can be solved through effective communication. In relation to value creation, Pérez et al. (2012) proposed that because of differences in strategic intent between companies in asymmetric alliances the relationship can benefit from *dual value appropriation* - each partner fully appropriates a different and unique value from the relationship. This proposal challenges two notions frequently discussed in literature. The first one is the idea that partners in an alliance split the value creation pie, referred to as a *zero-sum game* (Wagner et al. (2010), as cited in Cambra-Fierro and Pérez (2018)). The second notion refers to the distribution of value according to power dynamics, where the dominant view in literature on supply chain alliances is that the larger actor will be in a position to acquire a bigger share of the value creation pie at the expense of the small supplier (Katila et al., 2008). Pérez and Cambra-Fierro (2015a) point out that lack of overlap in interests can prevent such opportunistic behaviour in asymmetric alliances.

3.3.4 Resource dependence and power imbalance

Resource dependence has been well discussed in the strategic management literature, and one of the most prominent issues of startups is the urgent need of resources

(Knoben & Bakker, 2019). Startups' lack of resources compared to their incumbent partners results in resource dependence asymmetry.

The power-dependence relation

The foundation of modern dependence research is the infamous power-dependence theory developed by (Emerson, 1962) where the central proposition is that, within any relationship, power stems from 1) control over valued or needed resources by others, and 2) the availability of alternative sources for these resources. Ultimately, the more an actor values resources controlled by another, the more dependent that actor is and the less power they have in the relationship (Emerson, 1962; Hingley, 2005; Pfeffer & Salancik, 2003). Power may be defined as the extent to which an actor can get another actor to do something they would not otherwise have done (Hausman & Johnston, 2010). Cambra-Fierro and Pérez (2018) claim that asymmetry is primarily grounded in the logic of power, since unequal dependence causes power imbalances likely to be destructive for the weaker firm.

Power is generally categorised into coercive and non-coercive bases of power (Yeung et al., 2009). Coercive tactics include mediated and economic power (withholding important support or reward, imposing financial penalties, or threatening to withdraw initial promise), and non-coercive tactics involve non-economic, non-mediated sources of power (expert, reference and legitimate dimensions). Similarly, Kumar (2005) identified four types of power: Dependence, punitive capability, non-coercive influence strategies, and punitive actions. In asymmetric alliances literature, dependence is the most cited type of power (e.g. Munksgaard et al., 2015; Pérez et al., 2012). However, Cowan et al. (2015) argue that, rather than using a distinct type, firms tend to use various types of power jointly.

The evolution of power research views

Particularly in older power-research, power asymmetry and the abuse of power has been considered detrimental to inter-firm relationships (e.g. Dyer & Singh, 1998). However, in 2005, Industrial Marketing Management journal departed from traditional approaches by publishing a contribution that challenged the commonly accepted preconceptions of a negative view of power, taking an active role in setting the research agenda (Hingley et al., 2015). Subsequently, following the work of Hingley

(2005), a line of research arguing for the constant presence of power and acceptance of asymmetry emerged. Furthermore, dependent parties may accept power imbalances given they gain what they expect from the partnership (Hingley, 2005; Muthusamy & White, 2006). On a similar note, Cowan et al. (2015), offer a dynamic perspective of shifts in strategic alliances, arguing that firms are not locked into one typology (adversarial, collaborative, arm's length, etc.). They argue that firms negotiate for positions, and will try to change the relationship continuously. Consequently, as differences in power among the partners are considered inevitable, power dynamics in asymmetric alliances is recognised as an important area for research (Nyaga et al., 2013).

Opportunism and appropriation issues

A commonly described threat in alliances is the risk of opportunistic behaviour by one's partner. Power asymmetry stemming from differences in size and resources leads the weaker firm to run a greater risk of being taken advantage of by the stronger firm (Nyaga et al., 2013). Chicksand (2015) argues that for partnerships to succeed, there should be an equal sharing of risk and rewards, which is most likely to be achieved in a state of power balance between the actors. Asymmetry in resources available, amount of bargaining power and legitimacy between a start-up and an incumbent can leave the nascent firm vulnerable to misappropriation of its resources. For a new venture, losing a core resource to a partner can be fatal (D. Li, 2013). Thus, new ventures face an *expropriation dilemma*: "*At the time they need externally-held resources the most, they run the highest risk of being exploited by their partner*" (Knoben & Bakker, 2019, p. 104).

Bradach and Eccles (1989) refer to trust as an expectation easing the fear of one's partner to behave opportunistically. By reducing effects of uncertainty related to opportunism, more predictability of the partner's behaviour can arguably be achieved, which is often a concern for firms entering alliances (Gulati, 1995a). Gulati (1995a) posits that there are two mechanisms to make behaviour predictable, one being a detailed contract, and the other being trust. Both tools are recommended by Alvarez and Barney (2001) as ways for small technology firms to mitigate threats of appropriation from a large firm. When trust is present in a relationship, one may choose not to negotiate aspects of the relationship in detail, as this limits the potential for learning (Pérez et al., 2012). However, Jakobsen (2020) argues that the smaller firm in an asymmetric alliance should not be inclined to naivety, but rather rely on contracts to regulate the collaboration.

3.3.5 Strategic importance and interdependence

Another source of dependence asymmetry is differences in strategic importance. High strategic importance of the partnership and interdependence are identified as important for alliance success (e.g. Douma et al., 2000), although difficult to achieve in asymmetric alliances (e.g. Pfeffer & Salancik, 2003).

The importance of interdependence

Scholars argue that it is essential for partnership to be of key strategic importance to the firms - the value it can derive is clear and the partners are willing to commit sufficient amounts and types of resources to the process (Douma et al., 2000). In this regard, Cox et al. (2003) and Chicksand (2015) suggest that partnerships are most likely to be successful under conditions of *interdependence*, or *mutual dependence*. Interdependence traditionally involves that the interests of each party cannot be protected without reliance on one another (Doz, 1996). Child et al. (2005) emphasise the importance of both actors needing each other equally in order to avoid that the less reliant partner takes advantage of its counterpart.

Mutual dependence can be divided into *structural dependence* and *psychological dependence* in order to understand its different dimensions and the relation between them (Das & Kumar, 2009). Structural dependence relates to the mutual dependence on the investment of resources each partner makes, whereas psychological dependence refers to the reluctance of partners to dissolve the relationship as they experience a commitment towards each other. Trust between partners is an important notion for building a psychological dependence, as it leads to stronger commitment of both employees and top management to the partnership (Brinkhoff et al., 2015; Das & Kumar, 2009). Furthermore, trust facilitates openness in knowledge sharing by enabling partners to give each other the benefit of the doubt rather than interpret the actions of the counterpart in a negative way (Krishnan et al., 2006). In a partnership without psychological dependence based on trust, communication and sharing of knowledge will be restrained and partners must rely on standardised and impersonal mechanisms to share information (Enberg, 2012). The psychological and structural aspects are interconnected in the process of developing mutual dependence, as higher levels of structural dependence lead to higher levels of psychological dependence (Das & Kumar, 2009).

Moreover, interdependence often leads to financial investments towards an alliance, which may constitute both a substantial and irreversible commitment (Drees & Heugens, 2013). One reason for corporations to invest in partnering startups is the ability to have access to first-hand insights and influence on the strategic direction of the new venture (Weiblen & Chesbrough, 2015). Costs related to due diligence before undertaking the investment, negotiations, attracting further investors, as well as monitoring and enforcement later on, may be justified if the partnership is instrumental in reaching the corporation's strategic goals (Weiblen & Chesbrough, 2015). In relation to partnership dynamics, Luo (2008) suggests that economic integration within an alliance can increase the value of other variables such as joint governance, inter-party trust and alliance performance. However, Weiblen and Chesbrough (2015) argue that ties to a large firm make corporate venture investments a double-edged sword for new ventures (Weiblen & Chesbrough, 2015). While additional capital is always welcomed, being tied to an incumbent actor might limit a startup's freedom to collaborate with or exit to competitors of the larger corporation. In addition, the real agenda of a corporate investor is not always clear and may contradict the startup's goals, which poses strategic risks for the latter.

Dependence asymmetry in startup-incumbent partnerships

The symbiotic partnership between large and small actors is based on a complex interdependence benefitting both parties, and its success is therefore not solely dependent on the larger partner alone, according to findings from the case study of O'Dwyer and O'Flynn (2005) on alliances between multi-national corporations and small-medium enterprises. However, both traditional and modern literature argue that incumbent organisations and startups do not usually have a mutual level of interdependence (Chicksand, 2015; Emerson, 1962; Pfeffer & Salancik, 2003), and resource dependence theory argues that asymmetry exists when the collaboration is not equally important for both parties in the relationship (Pfeffer & Salancik, 2003). The general presumption is that the alliance is more important for the new venture, as it accounts for a more significant part of the venture's revenue (Emerson, 1962; Pfeffer & Salancik, 2003). An alliance may also be particularly vital for new ventures due to their lack of resources, knowledge, and internal legitimacy (Baum et al., 2000). This, in turn, may lead them to enter partnerships under unfavourable conditions (Knoben & Bakker, 2019). Similarly, the smaller firm may be forced to spend a more significant portion of their resources on developing the relationship with its larger counterpart and still end up in a situation where their partner appropriates an unfairly large part of the created value (Alvarez & Barney, 2001; Cambra-Fierro & Pérez, 2018). Brinkhoff et al. (2015) studied the complex interplay between asymmetric dependence and development of trust, and suggest that asymmetric dependence lowers the trust between the partners, possibly rooted in the uncertainty experienced by the more reliant partner. On the other hand, trust is found to mediate the negative effects of asymmetric dependence on alliance performance.

3.3.6 Relationship management

In asymmetric relationships, trust is seen as a building block for developing collective interests (Huemer, 2004). Managing the relationship with the objective of building trust between partners is considered an essential ingredient to facilitate the exchange of information and knowledge between diverse organizations (Becerra et al., 2008; Bierly & Gallagher, 2007).

Formation of trust

Trust is in inter-organisational relations literature described as a confidence or predictability in expectations of another's behaviour or goodwill (Ring & van de Ven, 1992). When a relationship is characterised by vulnerability and risk, trust appears as important (Huemer, 2004). In a business relationship, trust can increase willingness to take risks (Becerra et al., 2008) and reduce conflict (Zaheer et al., 1998). Additionally, in partnerships characterised by a high level of trust, communication between the parties is more frequent, reducing motivation for withholding critical information (Brinkhoff et al., 2015).

Gulati (1995a) differentiate between two main sources of trust, namely *knowledge-based trust* and *deterrence-based trust*. Knowledge-based trust emerges between firms through ongoing interactions between individuals in the organisations, in which the parts acquire increased knowledge about each other. Similarly, previous alliance ties or existing ties between individuals in the respective firms can increase trust (Gulati, 1995b), in addition to common social network links for the firms, such as suppliers, customers and partners (Bierly & Gallagher, 2007). Deterrence-based trust refers to a ‘forced’ kind of trust that relies on the introduction of sanctions that discourage opportunistic behaviour. The mechanism is to let the consequence of a trust breach be more costly than the opportunistic behaviour’s potential upside (Gulati, 1995a).

Interpersonal vs interorganisational trust

Management scholars have taken the psychological phenomenon of trust and extended this from a phenomenon between individuals to an organisational level (e.g. Gulati, 1995a; Zaheer et al., 1998). *Interpersonal trust* is defined by Zaheer et al. (1998, p. 142) to be the trust between a "*boundary-spanning agent’s trust in her counterpart in the partner organisation*", while *interorganisational trust* refers to the level of trust “*placed in the partner organisation by the members of a focal organisation*”. In supplier-buyer relationships, they found mutually reinforcing effects of trust at the two levels: When the boundary-spanning individuals trust each other more, the organisations trust each other more. However, it is possible to have a high level of interorganisational trust while individuals in the dyads may not trust each other (Zaheer et al., 1998). This coexistence can be explained by the fact that while people in an organisation may come and go, their role definitions are stable and enduring (Ring & van de Ven, 1992). Trust may be tightly connected with institutionalised structures, roles and routines within an organisation, and not only individuals (Ybarra & Turk, 2009; Zaheer et al., 1998).

Diverging organisational cultures

Bierly and Gallagher (2007) found that institutional trust is often higher among firms that are similar in culture and practice, as well as comparable in size. Small firms and large companies are described by Prashantham and Birkinshaw (2008, p. 9) as “*entirely different species*” in terms of level of formality around roles, processes, organisational culture, and mindset. This can make communication and procreation extremely challenging in joint execution of activities. Pérez and Cambra-Fierro (2015a) found that committed champions, such as a middle manager in the large organisation with whom there is a common understanding, can bridge the organisations, increase visibility of the startup, and help solve issues when they arise.

While social interactions between the firms are equally important to leverage complementary resources, Pérez et al. (2012) found that relational management between asymmetric partners is largely in the hands of the smaller partner, who assumes the burden of relational management and approaches it as a one-sided effort. They argued that this is a core alliance capability of the small firm, and that "*for the small firm, investing in the relationship means investing in its own future*" (Pérez et al., 2012, p. 150).

3.3.7 Joint decision-making

The inherent power imbalance raises questions of how to perform joint decision-making. Issues related to joint decision-making constitute a notable area of research in extant literature, and particularly size asymmetry is identified as a determining factor in such processes (e.g. Hingley, 2005). This includes aspects such as bargaining power, differences in internal processes, and organisational cultures.

Bargaining power

As seen above, resource dependence creates an asymmetrical power balance that is especially prominent in decision-making. When there is an asymmetrical net resource balance, the partner controlling more resources may take advantage of the weaker part, since their partner becomes dependent on them (Pfeffer & Salancik, 2003). However, the bargaining power of a firm is increased at the expense of their partner's power when the former has unique and scarce resources (Emerson, 1962; Hingley, 2005; Pfeffer & Salancik, 2003). Taking a more dynamic view, Shenkar and Yan (2002) argue that interdependence may change over time, affecting the initial balance of bargaining power and shaking the foundation on which the collaboration was built on. The larger partner in an alliance often has power to choose the mode of governance that meets its own strategic goals, as it is superior in terms of both qualitatively and quantitatively knowledge (O'Dwyer & O'Flynn, 2005). Having a self-interested orientation in decisions may be rational seen from the individual perspectives of the firms, but yet produce a collectively suboptimal outcome (Shenkar & Yan, 2002).

Processual differences

Size asymmetry also relates to the speed and processes at which the companies take decisions. Smaller firms can with speed and flexibility respond and build upon an initial mandate, greatly contrasting larger firms which often have slower, more bureaucratic decision-making processes (Prashantham & Birkinshaw, 2008). Walter et al. (2008) found that increased levels of politicality within a firm reduce a firm's ability to do joint decision-making with its partner. Large organisations' decision-making is often characterised by coalitions with conflicting interests within the firms, often led by powerful members with individual agendas (Eisenhardt & Zbaracki, 1992). Furthermore, the smaller part often has restricted access to key decision-makers in the larger company (Prashantham & Birkinshaw, 2008), in contrast to symmetrical relationships, in which managers on corresponding levels typically have easy access to communicating (Pérez & Cambra-Fierro, 2015b). This lowers the smaller partner's influence on strategic decisions, in addition to creating a social asymmetry which reduces communication, learning and value creation (Pérez et al., 2012). For small firms in asymmetric partnerships, building trust is an essential ingredient to overcome these challenges by facilitating knowledge exchange, learning, navigating the political landscape within an organisation (Becerra et al., 2008; Pérez et al., 2012; Ybarra & Turk, 2009).

Dangers of trusting

Under conditions of uncertainty, trust may enable decision-making, but it can also produce systematic biases (Ferrin et al., 2003). Researchers have found that when there is high environmental uncertainty, partners can be reluctant to respond to them if it compromises their relationship, even though it might, ultimately, lead to alliance failure (Krishnan et al., 2006). Trust reduces the screening of knowledge received from others, meaning that a receiver is less inclined to verify the accuracy of the information and more likely to "*accept the knowledge at face value*" (McEvily et al., 2003, p. 97). This way, trust can limit cognitive efforts or cause strategic blindness in that partners can make suboptimal decisions for their alliance (Krishnan et al., 2006).

In strategic alliance research, a common line of thought is that partnering firms need an equal distribution of risk and rewards for the alliance to succeed (Chicksand, 2015). However, the intrinsic differences in asymmetric alliances inherently leads the small firm to face more risk (e.g. Jakobsen, 2020; Knoben & Bakker, 2019; Nyaga et al., 2013). Cox et al. (2003) argues that this may be considered but a consequence of reality, and that working together does not automatically imply an equal distribution of risk and rewards.

3.4 Categorisation and preparation for analysis

Based on a thorough review of existing literature it has been outlined several different issues of asymmetric alliances. Prior research has categorised such issues into multiple theoretical frameworks, one example being three categories of challenges in asymmetric alliances proposed by Prashantham and Birkinshaw (2008) - lack of access and attention, different long-term objectives, and asymmetry in resources. Moreover, the framework set forward by Munksgaard et al. (2015), adapted from Johnsen and Ford (2008), discusses particularity, cooperation, conflict, intensity, interpersonal inconsistency, power and dependence, and trust in asymmetric relationships, and more specifically ties these partnership characteristics to how they affect self- and collective interests in goal development. By studying the at times diverging, other times overlapping, literature on asymmetric alliances, it becomes evident that many of the issues are intertwined. A majority of the presented issues are founded in RBT and resource dependence theory, but nevertheless continuously draw on relationship management aspects with trust as an essential building block. Although some studies focus on single issues, scholars commonly investigate multiple characteristics of asymmetric alliances and their interrelation. An example is the interplay between trust and asymmetric dependence explored by Brinkhoff et al. (2015) where level of trust and dependence between alliance partners is found to influence alliance success.

The focus of both Munksgaard et al. (2015) and Brinkhoff et al. (2015) is on supply chains, reflecting the predominance of theoretical analyses of power dynamics in pure supply chain alliances evident in the literature. This further corresponds to the literature review findings of Hingley et al. (2015), who urge for particular explorations into new business challenges posed by high technology and their consequent power issues. Moreover, there is a research gap related to studying the development of trust mechanisms in asymmetric alliances (Jakobsen, 2020). Similarly, Brinkhoff et al. (2015) encourage additional research into the influence of trust and dependence on asymmetric alliances in other industries to contribute to generalisation of their results. Intrigued by the relation between power imbalance anchored in dependence and relational management founded in trust, this paper aims to narrow the research gaps by exploring how the interplay affect collaboration efforts in asymmetric alliances in a context that, arguably, has not yet received proper attention in the asymmetric alliance research.

Although drawing on extant theoretical frameworks, the examined literature encourages a somewhat different categorisation. The scope of the study motivates a distinction between the two major elements of analysis, namely dependence and trust. Following is a categorisation of theoretical issues substantiating this study, shown in Table 3.4.1. It is worth noting that the presented topics are not exhaustive. Consequently, additional considerations might emerge from the data collection, especially since few studies thus far have examined asymmetric alliances between fintechs and banks.

Table 3.4.1: *Main issues of asymmetric alliances categorised by dependence and trust.*

Issue with exemplary references	**Dependence**	**Trust**
Resource complementarity Das & Teng (2000), Hamel (1991), Street & Cameron (2007)	Partners complement each other, strengths and weaknesses are combined to create excess value neither can create alone. Resource gaps are filled for both partners.	Different resources decrease levels of politicality and facilitate relational management. Minimal overlap in knowledge protects from learning race and increases trust and cooperation.
Strategic compatibility and mutual goal development Jameson (1993) Munksgaard et al. (2015), Pérez et al. (2012), Pérez & Cambra-Fierro (2015b), Wagner et al. (2010)	Goal alignment between asymmetric partners is particularly important, yet challenging. Differing focus on profitability matters; smaller companies tend to focus on short-term, while larger partners focus on long-term. Value distribution can assume three forms; 1) zero-sum game, 2) larger partner acquiring a bigger part of the value pie or 3) as dual value appropriation. Lack of overlap in interests can prevent opportunitstic behavior.	Conflicting goals and objectives negatively affects social interaction and inter-firm learning. Joint goal development leads to increased effectiveness, collaboration and innovation. To create win-win situation, smaller companies should be assisted to express self-interests for collective goal development. Perceptions of misalignment of goals can be solved through effective communication.
Resource dependence and power imbalance Emerson (1962), Hingley et al. (2015), Jakobsen (2020), Knoben & Bakker (2019) Pfeffer & Salancik (2003)	Nascent firms lack important resources which their incumbent partner can provide access to. Asymmetric dependence causes power imbalance which is destructive for the weaker firm and leaves it vulnerable to opportunism However, power presence is inevitable, and dependent parties may accept it, given what they gain.	Abuse of power can be detrimental to inter-firm relationships. Firms continuously negotiate for positions in the relationship, and the smaller partner inherently face more risk. Threats of opportunism and appropriation can be relieved by building trust or regulating the relationship through contracts.
Strategic importance and interdependence Baum et al. (2000), Chicksand (2015), Jakobsen (2020), Pfeffer & Salancik (2003)	Interdependence is important for partnership success, but due to differences in strategic importance there is generally not a mutual level of dependence. Structural dependence strengthens psychological dependence. Economic integration increases larger partner's influence over smaller partner.	Trust builds psychological dependence, which increases commitment to the partnership and knowledge and information sharing. Asymmetric dependence lowers trust between the partners, but trust can mediate effects of asymmetric dependence on alliance success. Economic integration can increase inter-party trust.
Relationship management Bigley & Pearce (1998), Huemer (2004), Gulati (1995a, 1995b), Ring & van de Ven (1992), Zaheer et al., 1998)	Relational management is largely in hands of the smaller partner.	Trust is a fundamental building block in relational management particularly in partnerships characterised by vulnerability and risk. Trust may be knowledge-based or deterrence-based. Interpersonal and interorganisational trust are mutually reinforcing. Large differences in organisational cultures and hierarchy create issues in communication and decision-making, which can be reduced through ties with committed champions.
Joint decision-making Krishnan et al. (2006), Pfeffer & Salancik (2003), Walter et al. (2008),	Size asymmetry significantly affects negotiation processes due to asymmetry in resources and high levels of politicality. Changing levels of dependence affect bargaining power.	As startups have restricted access to key decision-makers, trust is important in facilitating knowledge and information exchange to increase influence in joint decision-making. However, high levels of trust can result in strategic blindness and suboptimal decisions.

Chapter 4

Methodology

This chapter presents in detail the methodology of the research process and explains the reasoning behind the choices taken in the research approach. To answer the problem statement, qualitative research based on an embedded single-case study design has been carried out. Based on an interpretivist research philosophy, leading research on asymmetric alliance was synthesised to a theoretical background, and in combination with the chosen context of the Norwegian banking industry, it guided data collection and discussion. The framework of analysis is illustrated in Figure 4.0.1 and will be elaborated on in the following sections. Finally, a discussion on the research quality along with limitations to the method is presented.

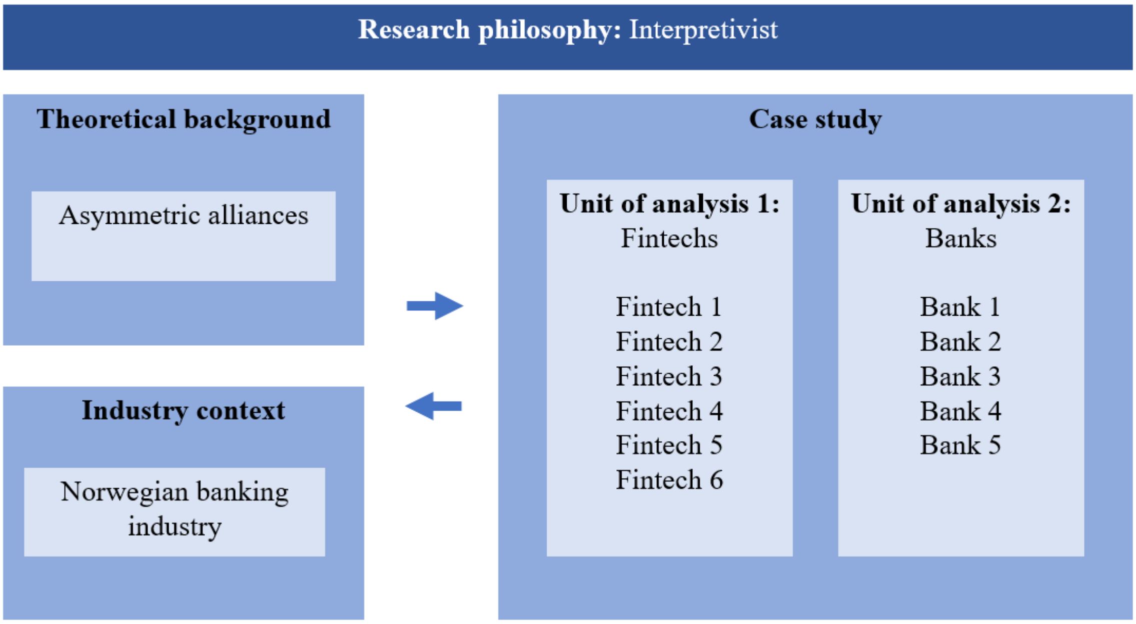

Figure 4.0.1: *Framework of analysis.*

4.1 Research philosophy

Research philosophy refers to the system of beliefs and assumptions about the development of knowledge. This entails *epistemological*, *ontological* and *axiological* assumptions, which are, respectively, the assumptions about what constitutes acceptable and valid human knowledge, realities encountered in the research, and the extent to which the researcher's own values and ethics influence the research process (Saunders et al., 2009). Along these axes of assumptions, the different research philosophies positivism, critical realism, interpretivism, postmodernism, and pragmatism, are scattered on a continuum between two opposing ends: from objectivism to subjectivism. In this thesis, a subjective position is taken, meaning that it is acknowledged that social reality is a result of social actors' perceptions and consequent actions. A interpretivist philosophy is adopted with the purpose to "*create new, richer understandings and interpretations of social worlds and contexts*" (Saunders et al., 2009, p. 140), thus emphasising that humans are different from physical phenomena by creating meaning. This contrasts the positivist stance of the natural sciences that produce law-like generalisations (Saunders et al., 2009), since the subject matter of social sciences - people and organisations - differ by nature (Bryman, 2016). According to Saunders et al. (2009), interpretivist philosophy is a particularly relevant stance in business and management research, as the contexts are complex, unique and reflect a set of circumstances and interactions coming together. Axiologically, this implies that the researchers' recognition of their own values and beliefs is crucial to the research process.

In this thesis, an ontological assumption is that the asymmetrical conditions affecting the firms are not necessarily negative, but rather can be harnessed to benefit the alliance partners jointly. Epistemologically, different units of data have been asserted as valid, including the opinions and stories of the interviewees, and contributions to knowledge about specific contexts. Axiologically, the researchers have reflected upon their values to try to keep a neutral, bias-free stance, while acknowledging that there can be no such thing as complete detachment of values in subjective research.

4.2 Industrial context

The Norwegian banking industry constitutes the industrial context in this thesis. In relation to partnership and alliances, a business sector characterised by rapid technological developments is an appropriate setting in which to study partnership structures because knowledge creation and innovative activities of small firms are particularly salient here (Shan et al., 1994).

Information about the industrial context was found mainly through recent reports and articles from industry experts such as The Factory, Forbes and MasterCard, and well-reputed consultancy firms such as McKinsey, Deloitte, EY, PwC, and Cicero Consulting. In addition, websites were searched to gain an initial understanding of the noteworthy developments such as new partnership establishments in the field.

4.3 Theoretical background

A thorough literature search on asymmetric alliances was conducted in order to establish a sound theoretical foundation for data collection and analysis in this study (Yin, 2009). Focus was put on partnerships between new ventures and incumbent actors in technology-driven industries, but relevant articles concerning other industries and within the broader strategic alliance literature were also included. Synonyms for new ventures used in the literature search include small firms, SMEs, startups, and entrepreneurs, whereas synonyms of incumbents include large firms and MNCs. The articles were searched for at Scopus and Google Scholar. The selected articles were chosen based on relevance to the theme and influence of the journal. The journals were mostly in Business, Management and Accounting and Social Sciences in SCImago Journal Rank (SJR) indicator[1] with a relatively high number of citations. The initial search of articles was constricted to the time period 2000-2022 to increase contextual relevance and manageability of the search. Additional literature was found through upwards and downwards citation searching, also referred to as snowballing. These articles were chosen either due to high topic relevance, influence in their field, or because their findings complemented other literature.

4.4 Research design

The research design refers to the overall framework of strategies and methods that are chosen for the collection and analysis of data and how these are logically integrated (Bryman, 2016; de Vaus, 2001). Arguments for an overall qualitative research approach and descriptions of how the case study was conducted is presented next.

4.4.1 Qualitative research approach

The research process of this thesis is complex as it encompasses multiple actors that interfere with each other affected by external factors. A qualitative approach was chosen to analyse and understand the complexities of an emergent and evolving phenomena (Langley, 1999), and get into detail on phenomena that are difficult to measure (Dalland, 2012). Yin (2009) argues that the first and most important condition for differentiating among various research methods is to classify the type of research questions being asked. RQs that start with “how” are often best answered through a qualitative research methodology because they investigate relationships proposed between different theory components (Yin, 2009). In addition, RQs placing emphasis on “how” rather than “how many” seek an understanding of the perspectives of individuals and examine processes, and therefore call for qualitative research methods (Pratt, 2009).

[1] SJR indicates a journal’s impact, prestige, or influence, by expressing the average number of weighted citations received in the selected year by the documents published in the journal in the three previous years. Link to website: https://www.scimagojr.com/journalrank.php

4.4.2 Selection of the embedded single-case study method

One of the most used research methods for qualitative research is that of case studies. Qualitative case studies are particularly well-suited for extensive and in-depth descriptions of complex social phenomena such as business-related studies including strategic alliances (Eisenhardt & Graebner, 2007). However, a common concern regarding case studies is that they provide little basis for scientific generalisation (Yin, 2009). Social scientists argue that case studies are generalisable to theoretical propositions rather than to the population. The goal of a case study is therefore to expand and generalise theories and not to determine frequencies.

A clear definition of the case helps determine the focus of collecting and analysing data (Yin, 2009). There are different scholarly perspectives on what a case is, but Miles et al. (1994, p. 28), as cited in Yin (2009), define case as "*a phenomenon of some sort occurring in a bounded context*". The case represents the overarching unit of analysis and guides the study. Supporting the premise of a bounded context, Yin (2009) argues that the case may be an organisation, person, behavioural condition, or other social phenomena, and that the boundary between context and case may not be easily distinguished. The case of this study is defined to be asymmetric alliances in the context of the Norwegian financial landscape. (Yin, 2009) argues that when a case is representative or typical, single-case design is appropriate. As asymmetric alliances may be found in the majority of industries, it is argued that the chosen method is suitable.

The case of asymmetric alliances represents a complex social phenomenon calling for well defined units of analysis, which can be achieved by following an embedded case study design involving multiple sub-units of analysis (Yin, 2009). Subunits can add significant opportunities for extensive analysis, by giving increased insight into the case. A further advantage of embedded design is the possibility of altering orientation of the RQs as the study evolves. As a result, an embedded research design can serve as an important tool for focusing a case study inquiry (Yin, 2009). Due to the complexity of the phenomenon of interest and the exploratory nature of the study, the research design found most suitable for answering the RQs in this study is the embedded single-case study design, as shown in Figure 4.4.1. However, one pitfall of this research design is the shifting of study focus from defined case to subunits resulting in the original phenomenon of interest to become the context and not target of the study. However, by the nature of the RQs, which explicitly encourage the investigation of asymmetric alliances, this risk is considered to be mitigated.

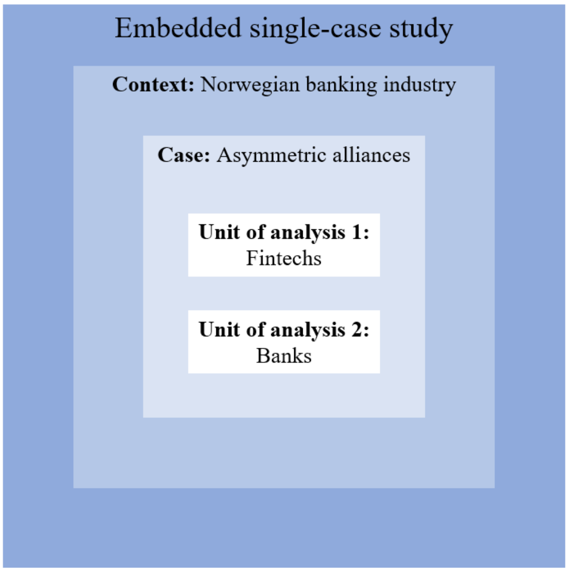

Figure 4.4.1: *Illustration of the embedded single-case study conducted in this thesis.*

Notably, before the presented final research design was settled, some initial ideas were rejected. During early stages of designing the research project, feasibility of a holistic multiple-case study design was assessed, and dyadic partnerships of fintechs and banks were explored. However, when contacting various banks and fintechs, it became evident that the sensitivity of the research topic and related interview questions made company representatives reluctant to participate in fear of negative consequences to their company or the alliance. In addition, the relatively small size of the Norwegian fintech industry and time constraint of the study made the collection of alliance pairs involving fintechs and banks difficult. As a result, we redefined our initial research design to embedded single-case study with anonymisation of companies.

4.4.3 Defining research questions

According to Yin (2009) and Bryman (2016), formulating RQs can help keep focus and avoid confusion during the research process, which may be especially relevant in open-ended research such as case studies. The development of RQs was founded in the initial conducted literature search, as reviewing previous research is used not only to gain insight into the extant knowledge on a topic, but also to formulate sharper and more insightful questions about a topic (Yin, 2009). According to Yin (2009), "how" or "why" questions are asked about contemporary sets of events over which the investigator has no control. As events discussed in the interviews are mostly past occurrences and involve actors over which we have no control, these types of questions are suitable in our study. The RQs were used to direct the interview guide and data collection, as well as to focus the discussion.

4.4.4 Selection criteria for interviewees

Development of selection criteria

When choosing which companies to include in the two units of analysis, it was necessary to establish suitable boundaries and selection criteria (Stake, 1995). Firstly, to increase similarity and credibility in data collected in the interviews, all partnerships in focus were required to be less than five years old. Secondly, the companies and their partners were required to operate in Norway in order to limit the scope to the Norwegian financial industry. In addition, all fintechs interviewed for this thesis can be defined as small companies according to the European Commission's definition. This definition states that small companies have less than 50 employees, and that they have an annual turnover below 10 million EUR and/or an annual balance sheet total below 10 million EUR (EU, n.d.). To further ensure case similarity, an age limit of ten years were set. Regarding banks, the requirement was to have more than 500 employees. Large enterprises are by OECD (2022) defined to have over 250 employees, but the number for the criteria was doubled in this study, in order to capture notable size asymmetries.

Bryman (2016) argues that also the individuals who participate in the case study context have to be sampled according to criteria. For the fintechs, the interviewees had to be CXO-level with central position in managing the partnership(s) in focus, and preferably one of the co-founders, while for the banks, the interviewees had to have a key position within the management of the partnership in study. This was decided to ensure the interviewees could provide the most accurate and up-to-date information possible in order to increase the credibility of the findings. The selection criteria for banks and fintechs are displayed in Table 4.4.1.

Table 4.4.1: *Selection criteria for fintech startups and banks.*

Criteria	Fintechs	Banks
Market	The Norwegian banking industry	
Service	Technology for financial applications	Traditional banking services
Organisation	Independent venture <10 years, not a spin-off from an established company, with <50 employees	An established bank, with >500 employees.
Partnership	Has or has had a partnership with one or more Norwegian banks initiated in the last 5 years, and where it is not solely an investor-relation	Has or has had a partnership with one or more Norwegian fintech startups initiated in the last 5 years, and where it is not solely an investor-relation
Interviewee position	CXO level, preferably one of the co-founders	Management position with responsibility for partnerships

Selecting case companies

After establishing selection criteria, the process of selecting the respective companies for the two units of analysis began. For fintechs, the starting point was the member lists of industry organisations and clusters NCE Finance Innovation[2], Finance Norway[3], and other industry reports, such as from Cicero Consulting (2019). In parallel, we attended industry events in Trondheim centre to establish contact with interesting actors. In total, around 40 fintechs were properly screened. Each initially relevant company was screened according to the criteria by gathering publicly available information online, resulting in 18 candidates. The 18 companies were contacted by e-mail or phone with an invitation to participate in the study. In the case of interest, an initial 15-minutes phone call was requested to ensure that the criteria were met and to further inform about the study. This resulted in the exclusion of 11 companies, as seven did not respond, three proved not relevant after all, and one declined due to the sensitivity of the topic. We scheduled interviews with the seven remaining fintechs, one of which withdrew from the study prior to the interview due to time constraints. Thus, the final number of fintechs to be interviewed was six.

In parallel with contacting fintechs, the sample of banks was established. In the start, when it was sought to study dyadic partnerships of fintechs and banks, the banks that were in partnerships with relevant fintechs were in the initial pool of

[2]https://financeinnovation.no/members
[3]https://www.fintechnorway.com/medlemmer/

candidates. However, when the final research design was established, other large banks were included as well. It was desired to get approximately the same amount of banks. Nine large banks in Norway were screened according to the established criteria, and thereafter, desired interviewee candidates were contacted by e-mail (or, where e-mail was not available, via LinkedIn) with an invitation to participate, followed by a request of a 15-minutes phone call. Four banks did not respond to the request, and the remaining five agreed to participate, which was seen as adequate.

During the initial conversations concerns regarding information sensitivity and professional repercussions were uttered by almost all of the companies. Many required anonymity for their participation. Consequently, all company names, their partners and interview data were decided to be anonymised in this study. During the interviews, interviewees were asked to focus on one to two partnerships in order to ensure a satisfactory level of detail, manage time constraints, and to increase the quality of the data analysis. Although a couple of banks insisted on speaking in general terms, most interviews were focused on one or two partnerships.

4.5 Data collection

In preparation for data collection, informal, exploratory interviews were held with industry experts. These included key personnel in a fintech innovation cluster and a top innovation leader within a large, technology-friendly bank. The purpose was to obtain insight into the bank-fintech sphere and into key challenges in the eyes of industry experts. Conducting exploratory interviews has been used in research as a way to reveal contrasting views, strengthening the research relevance of the topic and help form relevant questions (e.g. Cambra-Fierro & Pérez, 2018).

The chosen approach for the data collection was semi-structured, focused interviews. A focused interview refers to an interview method using predominantly open questions about specific events (Merton et al., 1956, as cited in Bryman (2016)), which lets the interviewee elaborate on their desired points. In order to ensure that the interviews were performed in a somewhat structural manner and that the questions spanned our RQs, a general interview guide (displayed in Appendix A) was developed. The interview guide was slightly adapted during each interview to fit the individual firms. A stripped down version of the interview guide including topics of conversation was sent to the interviewees beforehand, to allow them to prepare before the interview. As such, the interviews could be characterised as what Yin (2009) argues all case study interviews to be - namely guided conversations rather than structured queries.

An overview of the conducted interviews can be seen in Table 4.5.1. Both researchers were present in each of the interviews. Nine of the interviews were conducted over online video calls, while two were conducted in person. Two of the interviews were held partly on two separate occasions due to practical reasons. All interviews lasted between 48 and 70 minutes, with an average duration of 59 minutes. In agreement with all respondents, the interviews were recorded. Upon completion, they were transcribed to allow for preparation of data coding and data analysis. Notably, all the interviews were held and transcribed in Norwegian, and only the quotes and passages relevant for analysis were later translated to English.

Table 4.5.1: *Overview of conducted interviews.*

Banks	**Interviewee position**	**Interview date**	**Total duration**	**Location**
Bank 1 (B1)	Top innovation leader	14.03.2022	60 min	Trondheim
Bank 2 (B2)	Manager of partnerships	16.03.22 and 20.04.22	61 min	Microsoft Teams
Bank 3 (B3)	Manager of partnership	14.03.2022	48 min	Microsoft Teams
Bank 4 (B4)	Investments leader	25.03.2022	54 min	Microsoft Teams
Bank 5 (B5)	Top innovation leader	24.03.2022	58 min	Microsoft Teams
Fintechs	**Interviewee position**	**Interview date**	**Total duration**	**Location**
Fintech 1 (F1)	Chief Product Officer and co-founder	22.03.2022	69 min	Trondheim
Fintech 2 (F2)	CEO and co-founder	17.03.2022	55 min	Microsoft Teams
Fintech 3 (F3)	CEO and co-founder	17.03.2022	70 min	Microsoft Teams
Fintech 4 (F4)	Chief Marketing Officer and co-founder	23.03.2022	65 min	Microsoft Teams
Fintech 5 (F5)	CEO and co-founder	19.04.22 and 26.04.22	53 min	Microsoft Teams
Fintech 6 (F6)	CEO and co-founder	22.03.2022	60 min	Microsoft Teams

4.6 Data analysis

To allow for a structured analysis of data, coding was employed. Coding concerns the process of attributing interpreted meaning to unstructured or semi-structured data with the goal of categorisation, detecting patterns, building theory, or performing other analytical processes (Saldana, 2016). The coding process followed in this thesis was inspired by the Gioia coding methodology (Corley & Gioia, 2004; Gioia et al., 2013) with a hierarchy of leveled codes. Each researcher first did a round of initial coding on parts of the data, and the generated text-near codes were then compared before deciding on a preliminary set of fixed codes, which was subject to expansion whenever necessary further in the coding process. Such pilot-testing of coding makes it possible to assess both the coding method and the suitability of the developed codes (Saldana, 2016). As new codes were added or old ones deleted, the previously coded data material was re-coded accordingly. Finally, three different levels of coding were employed, with the lowest level being most text-near, then the middle level being broader codes. The middle level codes were then summarised into eleven categories, which were:

- Baseline categorisation
- Partner selection
- Motivations
- Goals and goal development
- Resources and strategic importance
- Power balance
- Cultural and organisational differences
- Relationship
- Information exchange
- Challenges and conflicts
- Results of partnership

These again were connected to the two main themes that followed the RQs, namely dependence and power, and trust and relationship. Yin (2009) argues that to increase accountability and enhance the depth and breadth of the research results, more than one coding technique should be used. To answer epistemological RQs, which are chosen in this study, Saldana (2016) suggests, among others, Descriptive and Process coding. This is because such RQs address theories and seek to understand a phenomenon, which suggest data analysis based on exploring processes and perceptions from participants. On the lowest-level (most detailed, text-near) codes, it was sought to be sparse with Descriptive coding, which merely "*generates a list of subtopics*" (Saldana, 2016, p. 76) rather than offering reflexive insight. Instead, more action-oriented codes were used, such as In-Vivo and Process codes. This also facilitates a more "*evocative analytic memo writing about the phenomenon*" (Saldana, 2016, p. 78). Yet, on the higher coding levels, more descriptive, thematic codes were used, to categorise the data into broader categories. Post-coding and pre-analysis, it was sought to capture the essence of the data through taking out the passages or quotes, regardless of codes applied, which had the most prominent, representational or vivid description of the total data material. This focusing strategy is argued by Saldana (2016) to enable researchers to prioritise observations and reflect on the essence of their meanings.

During the analysis, data applied to the same code or category were analysed in-depth together, with the goal of finding patterns, contrasting or overlapping views, or other interesting insight for each unit of analysis. However, the basis of different parts of the analysis was not solely restricted to data belonging to the same coding categories, but rather with additional analysis across codes in order to capture interesting characteristics of the data. Where suitable, it was sought to compress and summarise the findings into tables to identify common traits and present the data in a systematic and coherent manner. Analysing data from both units of analysis separately served the purpose of enabling a later discussion of the RQs from each side of an asymmetric partnership.

At the point of coding and data analysis in the research process, the researchers were informed about main concepts in literature, but without being completely subsumed by the current literature stream. This helps exclude confirmation bias (Gioia et al., 2013). Then, as literature was consulted later in the research process, the research process can be said to transition from inductive to abductive, as it was iterated between new data and existing research in order to problematise dominating theoretical ideas where empirical findings encourage a need for novel thinking (Alvesson & Kärreman, 2007).

4.7 Research quality

Qualitative research is fundamentally different from quantitative research and evaluation criteria that are appropriate for quantitative research are found to be insufficient for qualitative research. Krefting (1991) proposes several strategies for researchers to increase rigour in qualitative studies in terms of credibility, transferability, dependability, and confirmability.

4.7.1 Credibility

Credibility is argued by Krefting (1991) to be the most important criterion for assessing qualitative research. It refers to the truth value of a study, and to the researchers' confidence in the truth of the findings for the informants and the context of the study (Lincoln & Guba, 1985). A credible qualitative study is one that presents accurate descriptions or interpretations of human experience such that people with the same experience can immediately recognise the descriptions.

Several strategies for ensuring credibility are set forth by Krefting (1991). One of the strategies that have been employed in this study is *prolonged engagement* (Lincoln & Guba, 1985), which refers to spending an extended period of time with informants. This has been done by early on establishing contact with the informants through email, an initial conversation over telephone, the interview itself, and, where necessary, communicating through email for follow-up clarifications from both sides. This lets the informant become accustomed to the researcher (Krefting, 1991), and may also have contributed to the informants volunteering different data and more sensitive information than they would have if the engagement spanned a shorter time period (Kielhofner, 1982). Another strategy used for ensuring credibility is triangulation. This is a powerful strategy that is based on the idea that multiple perspectives should converge to a mutual confirmation of data to ensure that the complete phenomenon has been investigated (Knafl & Breitmayer, 1989). This cross-checking of data minimises distortion from data sources or biassed researchers. In our study, we used *triangulation of investigators*, as we were two researchers rather than one who worked together in investigating and assessing the findings.

During the interview process, credibility was enhanced through several measures that together comprise the *interview technique* elaborated on by Krefting (1991).

To verify observations and interpretations, internal consistency was sought after through reframing, repetition, and expansion of questions, as explained by May (1989). *Structural coherence* is another strategy mentioned by Krefting (1991) ensuring that there are no unexplained inconsistencies between data and its interpretations (Guba, 1981). Where contradictions in the data appear, the interpretation should explain why. Much emphasis has in this thesis been placed on a detailed description of method and an overall logical structure, which has ensured that loosely connected data has been structured into a logical, holistic picture which constitutes structural coherence.

Other methods involving people outside of the research group were used to ensure credibility. For example, we used *member checking* by sending citation checks to the informants, ensuring that the translation from information to data is correct. Also, *peer examination* was extensively used, by discussing the research process and findings continuously throughout the process with the supervisor. Peer examination is a way of keeping the researchers honest (Lincoln & Guba, 1985).

4.7.2 Transferability

Transferability refers to the degree to which findings of a study can be applied to other contexts and settings or with other groups, in other words, the generalisability of findings of the sample to the larger population (Krefting, 1991). As it is difficult to obtain generalisability for qualitative studies, (Sandelowski, 1986), applicability is argued to be addressed as long as the original researcher presents sufficient descriptive data to allow for comparison with contexts outside of the study (Lincoln & Guba, 1985).

The *dense description* technique (Krefting, 1991) addresses the transferability of this study, by presenting an extensive and detailed description of the studied context. This included a dedicated chapter of the studied context from a macro perspective (Chapter 2), a list of case selection criteria, and limitations of study. Thus, other researchers are able to perform judgments of transferability, which is argued to be their responsibility and not the original researchers' job themselves (Lincoln & Guba, 1985).

Our sample could also be said to follow a *nominated sample*, meaning that the sample is selected with help from a panel of judges that can assess their representativeness of the phenomenon in study (Krefting, 1991). The initial interview with representatives from a Norwegian fintech innovation cluster and their member list on the website functioned as a pointer in the direction of choosing our sample.

4.7.3 Dependability

In quantitative studies, dependability refers to consistency, stability and equivalence in the study (Sandelowski, 1986). In a qualitative study, the setting may not be easily controlled, as it is often complicated by extraneous and unexpected variables (Krefting, 1991). Thus, dependability, as conceptualised by Guba (1981), rather implies variability that can be explained from identified sources, such as increasing insight of the researcher or informant fatigue.

The *dense descriptions* of data gathering and data analysis in this study contributes to its dependability, as this provides information about repeatability of the study and relates to the consistency of findings (Kielhofner, 1982). Detailed methods of data collection and data analysis are explained, leaving it possible to replicate the study, although one cannot always obtain the same findings due to the nature of qualitative studies.

Coding checks were used for all of the data, which ensured agreement between and within the different concepts and themes. Findings were tied to existing literature and theories, and understandings and interpretations were frequently discussed through *peer examinations* and *peer reviews*. Also, dependability was enhanced through *triangulation* by allowing for the compensation of weaknesses of one method or source by using alternative methods and sources.

4.7.4 Confirmability

Confirmability concerns the neutrality and objectiveness of the research process. In other words, confirmability means freedom from bias in the research process and results (Sandelowski, 1986). Following the research philosophy, and as the researcher is the instrument of data gathering as well as analysis and interpretation, subjectivity is inherent in the methods. However, strategies need to be in place to account for potential biases and not compromise confirmability. Lincoln and Guba (1985) argued that one should look at neutrality of data rather than neutrality of the investigator.

The *audit strategy* is suggested by Lincoln and Guba (1985) as a way of ensuring neutrality. During the work of this thesis, the supervisor has functioned as an external auditor, who has closely been following the research process in line with Lincoln and Guba (1985). Also, *triangulation* of data sources and methods and *reflexive analysis* through attentive transcriptions of all interviews, has been used to exclude possible biases. As described in Chapter 4.1, the axiological implications of interpretivist research philosophy makes reflexive analysis about the researchers' own beliefs and values especially crucial in order to exclude bias and obtain confirmability.

4.8 Limitations to the research method

Through the evaluation of quality of the study, we argue that the study is of sufficient trustworthiness. However, there are certain limitations to the methodology that deserves the reader's attention.

As an overarching remark, there is the matter of subjectivity. Qualitative research is, by its very nature, unconfined and depends on the subjective experience of the researchers and the topic of research (Greenhalgh & Taylor, 1997). The chosen approach of embedded single-case study inherently entails subjectivity. Thus, there might be a bias of researchers, particularly in relation to data coding and analysis. As argued by Yin (2009), how a person perceives and interprets the data depends on the filter that covers that lens, and from which perspective they view the phenomenon. Although there were two people coding each interview, and measures have been taken to exclude bias, as mentioned in Chapter 4.7, one should not neglect the potential bias affecting the findings and discussion. Furthermore, dependence, power, trust, and relationships are elements that are difficult to measure, and might also be affected by bias.

Moreover, it is important to address the potential bias of the respondents. The findings are highly dependent on opinions of the interviewed individuals, which might not reflect their organisation as a whole. However, this person had a central position in the management of the partnership and is therefore argued to have sufficient insight.

As this study is performed by two students over a period of five months, the decision to limit the number of companies in focus and related interviews was made early in the process. A related challenge concerns the assessment of general findings. Although certain findings apply to all companies included in the study, these findings cannot be claimed to be representative for all companies that fit the selection criteria. A goal of this study was to gain a broad understanding of various relationship dynamics between fintechs and banks, and this breadth would naturally be greater if more companies were included in the research. Moreover, the study seeks to draw lines between two large research fields within asymmetric alliances, namely power and dependence, and trust and relationships. Dangers of simplifications and loss of nuance may have occurred in the synthetisation of prior research. With more resources and time, one could delve deeper into the complex phenomenon of asymmetrical alliances in the banking industry.

Chapter 5

Findings

The aim of this chapter is to present the findings from the conducted interviews in the embedded single-case study. While this chapter is structured around the main issues identified in literature, the contents in each section is steered by the main findings. This is done to allow for a comprehensive analysis and to enable a comparison of the empirical findings to what the literature describes as the main challenges or issues. For each topic, the interviewees' viewpoints from fintechs and banks are presented separately, before a short summary is presented. At the end of this section, a table summarising the main findings by topic is shown.

5.1 Presentation of the interviewed companies

Although the 11 selected companies in this study follow certain selection criteria, natural organisational variation, and dynamics of entrepreneurship colour the collected data. In this section, a brief overview of such factors is provided, and discussion regarding the development of partnership structures is presented.

The six fintechs operate within wealth management, data & analytics, and security & compliance, according to the metrics of the incubator TheFactory seen in Figure 2.3.1. Their business ideas are a mix of bank-specific solutions or services and more generic technology with applications targeted at the banking sector. Some have already launched their product and have accumulated multiple consumers, e.g. F1 and F4, and some are in the nascent phase of developing a technological solution, e.g. F5. With regards to the banks, they are all well-established, incumbent actors with wide-spanning operations and a large pool of services. Although a large portion of the companies in this study have more than one partnerships, the data collected for this study is focused around one or two fintech-bank partnerships per company interviewed. Nevertheless, a more general line was taken where this was advantageous or requested by the interviewee. In addition, some of the partnerships are monetary, meaning that one of the partners is financially invested in the other. A brief overview of the status and investor situation of the partnerships in focus be seen in Table 5.1.1.

Table 5.1.1: *Overview of interviewed companies' partnership status and whether the partnership is monetary or non-monetary.*

Company	Partnership status	Monetary vs non-monetary partnership
B1	Active	Non-monetary
B2	Active	Monetary
B3	Active	Monetary
B4	Active	Monetary
B5	Active	Non-monetary
F1	Active	Non-monetary
F2	Active	Non-monetary
F3	Active	Non-monetary
F4	Active	Monetary
F5	Active	Non-monetary
F6	Not active	Non-monetary

The partnerships explored in this study can roughly be categorised into three types of partnerships, namely new product development (NPD), supplier-buyer relationship, and business development collaborations. However, one remarkable result for both fintechs and banks is that the form of the partnership is complex and not confined to one of these categories. B3 explained how the partnership "*is essentially a product development partnership, but spans much more*" and elaborated on how they have divided areas of responsibility in the sense that the bank focuses on the back-end mechanisms whereas the fintech functions as the layer between end consumer and bank in order to create better user-experiences, and they are therefore assigned different positions in the value chain. F2 explains that at the partnership currently is in a phase of product development and commercialisation in combination with building the startup where the bank contributes with "*business know-how, funding, architecture, structuring of various operations, etc. They have been a great sparring partner*". Looking at partnerships with fintechs in general, B2 explained:

> "*When working with startups the lines [between various collaboration forms] are blurred because you're working with something entirely new. [For example], if it is something disruptive and in the early-phase of development, co-development is in focus. (...) We have customer-supplier partnerships that are also strategic partnerships, so when working with startups, it's hard to distinguish [between the different forms].*" (B2)

Furthermore, the form and type of collaboration evolves over time according to the needs of the fintech and the bank. As F3 explained; "*The partnership has been through many phases*". Findings show that "*it was more focused around product and business development earlier in the partnership*" (F1) but as the fintech mature, "*it is more of a supplier-buyer relationship* (B5). This is a highly repeating pattern for both fintechs and banks, which B1 summarised like this:

> *"We usually start by presenting a problem [to the fintech] that we need to solve, resembling a supplier-customer relationship, but normally the answer to our problem cannot be directly found in that company. However, we identify a potential, and the relationship develops into more of a strategic partnership including product or business development. We know what we need to solve, they know how they can solve it theoretically, and together we pivot on that. After a period of time, we often switch back to more of a supplier-customer relationship like we have with many other actors."* (B1)

5.2 Motivations, strategic compatibility and mutual goal development

To understand the strategic compatibility and goals of each type of firm, the interviewees were asked about their motivations to enter the partnerships, their objectives and goals, and how they selected their partner. Thus, in this section, the various incentives to form asymmetric alliances are presented and criteria for selecting the partner are discussed.

5.2.1 Motivation to enter partnerships with banks

Fintechs

When asked about their motivations for entering partnerships with banks one of the recurring topics was that of innovation and developing a commercial product "*that the market needs*" (F5). F1 used the analogy of "*throwing spaghetti on the wall to see what sticks*", as they believed in their ability to solve technological problems but had little knowledge of the problems banks face. F6 elaborated on a similar argument related to improving their existing product. Closely related to this is the need for domain knowledge of the banking industry mentioned by some of the fintechs. F1 characterised their industry-specific knowledge as very limited, arguing that they were dependent on the insights a bank could offer to develop a valuable product for the financial sector.

The second major motivation for entering partnerships was that of acquiring financial means, either in the sense of customers or of investors. F3 and F5 highlighted the need for income through paying customers and F1 explained that they "*were in need of a customer to pay us for the technology we had developed, otherwise we wouldn't have survived*". In the case of F4, the main motivation was to land investors. However, they underlined that they were searching for investors that could contribute with both financial means and expertise to enhance the value of the company. F3 argued that entering the partnership was meant to help attract outside investors.

Banks

One motivational factor mentioned by all the banks revolved around meeting evolving customer demands or a new market trend. Both B3 and B5 had identified user needs they could not fulfil at the time, prompting them to look for partnerships with fintechs that could help meet such needs. B2 argued that the customers' expectations of user experience (UX) are constantly increasing and partnering with fintechs is "*a way to stay relevant*". The latter was also discussed by B1, who argued that it is an "*eternal battle*" against other banks to offer the best financial services, saying that "*what we're totally sure about is that if we do not do something about it we will fall behind every month*". B3 and B5 highlighted the benefit of joining a journey of innovation as part of their long term strategic plan to stay competitive. A tightly linked motivational factor is that of creating an innovative image towards the various stakeholders. For example, B1 mentioned how partnerships with fintechs may pose an opportunity to display their innovative line of work to both customers and investors. Another incentive mentioned was that of using new technology to solve a problem of their own, such as optimising internal processes and existing business (B1, B5).

5.2.2 Partner selection

Fintechs

All the interviewed fintechs stated that they, to a varying degree, had alternative partners before entering the alliances of discussion. However, one of the most recurring reasons for choosing their specific partner was that they shared the same vision for the collaboration and that they had "*tangent, almost overlapping, interests*" (F3) with respect to the end users. F4, who's partner was also an investor, stated that it was "*almost a premise for us that they envisioned a similar route for our company and the product development that would enhance its competitiveness in the market*", and that a prerequisite for the partnership was that the bank "*didn't wish for all our resources to be spent on our collaboration*", but also on building the company.

A second factor mentioned was how innovative and progressive the relevant bank was. "*[Our partner] strives to be at the forefront [of developments in the industry]*" (F1) and "*they run a relatively forward-leaning entrepreneurship initiative*" (F2) were some recurring arguments. Furthermore, F3 identified the innovativeness of their partner as the decisive factor for their decision to enter the partnership.

Identifying complementary capabilities were also important when deciding to partner up with a bank. F4 explained how expertise in the specific area of business the bank brought into the partnership, and their own ability to visualise this expertise through technology sparked synergetic opportunities that were important for their decision to enter the partnership. They also reflected upon key areas in which the bank's specific capabilities in combination with the competencies of the fintech could help elevate both the product and the fintech itself.

Furthermore, the element of a "*positive personal connection*" (F5) was highlighted as an important factor in the selection of a partner. F1 argued that, although they had multiple alternative partners, their current partner showed a unique degree of transparency and honesty. F2 highlighted the same focus on dynamics between individuals, and rationalised it by them knowing "*how fragile innovation is*".

Banks

There seems to be a larger variation in the amount of alternative partners the banks had compared to the fintechs. Where the banks were looking to solve a specific problem for their customers or themselves, the recurring result was that there were few options, often due to "*few actors offering this specific type of solutions*" (B4). B3 stated that their options were "*[Our partner], do it ourselves, or not do it at all*". On the other hand, where the motivation for partnering with a fintech was founded on the desire to follow market trends or increase general innovativeness within the company, banks had more options. B5 stated that, as their focus is on following entrepreneurial trends, they "*always make sure to perform a wide and solid evaluation of alternatives before entering partnerships.*"

Nevertheless, there were certain recurring factors for the selection of the partnering fintech. One of the main factors was the fintechs' expertise, and whether they were a leading actor in their respective fields. B2 highlighted the opportunity of collaborating with someone specialising in the types of problems they are looking to solve rather than having to spend resources developing the solutions themselves. "*We don't have the capacity to develop all the solutions ourselves. (...) It is difficult having in-house departments specialising in the various technological fields and being industry leaders in all these fields. We would rather collaborate with actors specialising in these particular fields*" (B2). Similarly, complementary capabilities were of high importance in the evaluation process. B4 stated that "*the background for our interest in entering a partnership with them is complementary competencies*", enabling them to create more value in collaboration.

Similar to the fintechs, the banks stressed the importance of finding a company with similar vision and goals, someone on a "*parallel journey*" (B4) as themselves. B3 elaborated on their choice of partner, saying "*we have a shared vision and a similar outlook on the future. (…) We have overlapping interests [regarding the technology]*", and highlighted the importance of shared goals and the feeling that "*we're in this together*". Banks also partly based their partner selection on personal relations and trust. B1 explained how their collaboration with a startup "*started with speed-dating across the table*", explaining that if they did not click personally, they would not have entered the partnership.

Lastly, one bank mentioned the importance of experience within data security and handling in their selection of partner. B5 stated that one of their requirements was that the fintech had a track record, elaborating:

> "*When they've already implemented some banks they're familiar with the regulatory regimes we operate under. If they haven't done this before, we know from experience that we will have to spend one to two years of intense work in order to get the startup to a level where we can actually enter into a strategic partnership with them, which is extremely resource-demanding.*" (B5)

They rationalised this prerequisite through the importance of legitimacy, trust and reputation in the financial industry, claiming that "*if we choose a partner that doesn't have control of the data or something were to happen it would have major repercussions for us.*"

5.2.3 Summary

Evidently, both sides of the partnership are motivated by enhanced innovation and the possibility of satisfying an unmet user demand. However, while the fintechs need the banks for their domain knowledge and financial means to develop a product or service, a motif of the banks regards gaining competitive advantage over other banks, and, in the future, other competing actors. The time perspective is accentuated by banks, implying a more long-term motivation and indicating that the banks are strategising for embarking on a journey of innovation. Creating a certain image is a motivation from both sides, although distinct. The banks are incentivised by the possibility of being perceived as innovative and progressive by stakeholders, whereas the fintechs seek an image as a legimate actor. With regards to partner selection, common for the two sides is the importance of aligned vision and goals. The fintechs particularly seek partners that value, understand, and practice innovation, whereas banks highlighted their desire to partner up with fintechs that are leading in their field. Both sides also underlined the importance of personal connection and relationship in the decision to enter the partnership.

5.3 Resource complementarity

This section revolves around the complementarity and leveraging of resources in the studied alliances. Each interviewee was asked to identify which capabilities the partners contributed with into the partnership, to which the answers are summarised in Table 5.3.1, and elaborated on below.

Table 5.3.1: *Capabilities brought into the partnership by fintechs and banks.*

Capability	Fintechs	Banks
Technology and design	Yes, cutting-edge technology and UX	Yes, development resources
Agility and disruptiveness	Yes, disruptive and lean work methodology	No
Business development	To some degree, one fintech brings project management	Yes, general business development experience and knowledge, pricing, project management.
Network and partners	To some degree, some fintechs participate in clusters	Yes, access to network and customers.
Banking licence	To some degree, one fintech has its own concession	Yes, have concession to operate banking services
Customers and distribution	No	Yes, large customer base and distribution
Insight in user needs	No	Yes, relationship with users gives insight and understanding of the problem
Domain knowledge	No	Yes, compliance, regulations, and general banking market insights
Financial means	No	Yes, in the form of innovation contracts, payments for the service, investments, or loans
Legitimacy and brand	No	Yes, legitimacy and credibility in eyes of customers and other actors

5.3.1 Different capability and resource contributions

Fintechs

When asked about which capabilities they brought to the table, the answer from all fintechs was that they brought technological expertise or IP, and "*a strong power* *to implement it*" (F4). Contributing with "*continuous research efforts*" (F3), UX, and system development resources were also mentioned. Additionally, business development knowledge in the form of project management was mentioned, together with agility and disruptive mindset. One fintech stated "*we don't have anything that stops us from being super agile*" (F3), while F4 stated that their partner "*struggles with time to market for their own innovations*" and although they solve multiple problems for them, this is the largest problem they solve; by bringing "*capacity and innovation power*".

The fintechs also mentioned which capabilities their partner banks brought into the partnership. Access to network and distribution was often highlighted by fintechs as the most important resource, as understood from F3's statement: "*Distribution is the single most important thing [we get] from the partnership*". Regarding insight into user needs, F1 stated: "*We have been very dependent on this capability. We could have gotten it from another bank, but we didn't know anything about working in a bank*". Domain knowledge in the form of compliance with regulations, security, and knowledge about the sector was frequently mentioned, and according to F5, it has been "*absolutely crucial*". However, like F1, F5 stated that they could have gotten this insight from a partnership with another bank as well, or even hired someone with the desired competence. Finally, when engaging in a partnership with a fintech, the banks bring an element of legitimacy to their partner. This stamp of approval is mentioned by several fintechs: "*It shows that we aren't just a small fintech with which it entails a risk of choosing as a partner or supplier*" (F4) and "*the legitimacy of having a large strategic partner makes it easier to hire, get new board members, and attract investors*" (F2).

When looking at Table 5.3.1, it is seemingly evident that each part brings different capabilities, which the other part lacks, to the table. F3 noted "*I think that must be the foundation of all partnerships. If you partner up with someone that overlaps you in competences, it's more like a joint venture. There would be no use in entering a partnership - one could rather look into other solutions*". According to F4, combining specific areas of expertise creates "*significant synergies*" in the partnership. Moreover, F2 elaborated on how the organisational differences pose opportunities for synergies due to complementarity:

> "*They're a bank with an infinite amount of resources and could therefore theo-*

retically do whatever they want. However, it is difficult to drive innovation and define it from a large corporate group. (...) It often requires two types of brains to be good at reporting and to be good at innovating - the two abilities don't necessarily coincide (...). What startups can do that not so many large corporations can do is really abstract. It's sort of a feeling - a creative joy." (F2)

Banks

The answers of the banks mirror those of the fintechs: "*The fintechs may have the best tech people, but they don't know anything about the industry*" (B2). Some of the banks allocate development resources to cultivate the fintech's solution, and they largely contribute with business development, domain knowledge, insight in user needs, network, customers, and distribution. However, in contrast to the other banks, B3 stated that their partner had the customer access, and that the bank functioned more as a back-end service. With respect to compliance and domain knowledge, B2 stated that by partnering with them, fintechs learn what is required of them in order to work with a large bank, which enables them to work with other large corporations with similar requirements. Financially, banks contribute indirectly in the form of hours from their employees or through innovation contracts, or directly through being investors or offering loans. The inherent legitimacy of banks was often mentioned, and B5 stated that "*it might be the most important thing we contribute with. We put a stamp of approval on the fintech*". Furthermore, a partnership with a bank signals outwards that the fintech "*is to be trusted*" (B5), and may help them attract customers. Regarding formalities, the banks have a banking licence. B3's partner could not exist without this, as it is the enabler of their business model.

The agility of fintechs was highlighted by banks as a valuable capability, as illustrated by B5: "*They have what we don't have. That computer of ours in the basement is starting to get pretty dusty. There are complex structures to integrate within - it's easier to go into a partnership with a startup, because they are so much more agile*". Quicker, less attached to procedures and processes, with no legacy systems and less levels of decision making, the fintechs can scale faster and quicker test and pilot solutions (B1, B5). According to one bank, this fundamentally challenges them in an "*extremely valuable*" way: "*They push us, and confront us with demands no one else will ask of us in a long time*" (B3). On the note of complementing each other, B4 summed up the resource contributions this way: "*We have complementary areas* *of competence. They can strengthen our position in [their specific technology], while we can strengthen their position in [our field of expertise]*".

5.3.2 Summary

As seen from Table 5.3.1, the banks and fintechs contribute with different resources, where fintechs bring technology and agility and banks bring close to everything else, including domain knowledge, financial means, banking license, distribution, and customers. The various resources brought to the table complementing each other is discussed by both fintechs and banks, and argued to create significant synergies benefitting both parties, including a strengthened market position and enhanced innovation.

5.4 Power imbalance, resource dependence, and strategic importance

In this section, findings related to the issue of replacing the partner or ending the partnerships, either voluntarily or involuntarily, are examined. The aspect of time, both in the sense of the fintechs' maturity and advancement of the partnership, is found to be important in the analysis, and is used to nuance the findings. Secondly, interviewees' reflections about their experience with exclusive deals are presented.

5.4.1 Strategic importance and replaceability of partner

Fintechs

An interesting finding from the interviews was the great importance of landing the partnership for the fintech, especially if it was their first partner or customer, and the consequences of termination of the partnership in the early phase. The first customer was characterised by F5 as "*extremely important*", who also mentioned that they were willing to "*invest a lot [in terms of] greatly lowering the price" in order to "get the first reference customer*". In the case of F3, whose partnership of focus was also their first partner acquired, the consequences of not closing the deal were clear: "*If we had not landed a contract with [this partner], we probably wouldn't* *have had the time to turn around and rebuild our brand. Would probably have gone bankrupt*". Similarly, F1 claimed that they "*would not exist if not for [our partner]. There was a time where basically all of our resources were spent on this partnership*". It should be noted that F1, F3 and F5 were in the nascent phase of development when entering the partnerships in question.

Similarly, when discussing the consequences of termination of the contract or possibility of replacing the partner in the early phases of the fintech, effects seem to remain severe. F5, still in a nascent phase of developing a product, stated that a termination of the contract would have had "*a very large impact*" on the company, as "*they're sort of our first customer to go into production, so we would be greatly delayed in our development*". However, they explained that it would not be irreparable, although *"it requires that [we] land another round of investors before it happens*".

On the other hand, as the fintech matures and the partnership develops, consequences of termination become less severe, although still substantial. The recurring answer was that the banks were generally possible to replace. F1, now a couple of years into the partnership, said that "*[they are] still a significant part of our income (...). I would have experienced it as dramatic, but not life-threatening*". F2, although in the early phases of commercialisation, illustrated the benefits of having multiple partners. They explained the relatively low risk as "*there is rarely one single egg in the basket, so we've got a lot of legs to stand on in terms of collaboration partners, distribution, etc*". F4, already having developed a product and looking to expand internationally, claimed that they are "*in no way dependent on them [to expand internationally]*", and elaborated on how the prior entrepreneurship experience they have within the team and the detailed plans they have developed result in little dependence on their partner. Although they are not strategically dependent, they do "*need the money to do it*".

A distinction was drawn between replacing the general bank functionality - "*principally, if you only think about the functionality, a bank is a bank*" (F2) - and the relationship between the partners or the specific characteristics of the bank. F5 said "*I think any bank could have had the same role. It's more about the relationship we develop. It would take time to recreate a similar relationship with someone*".

When discussing how a possible exit would affect their partners, the general answer from the fintechs was that the banks would not be significantly harmed. However, some interesting findings relate to the level of integration of the solution into the bank's systems and the uniqueness of the fintech. F1 argued that although their partnering bank would not have capitulated from their exit, they would have had to solve issues in substantially more cumbersome and costly ways. They elaborated on how "*the difference between how much it would cost to replace us increases every month, as we're becoming increasingly more integrated into their work processes*". They admitted that they are trying to make the replacement cost as high as possible by increasing the number of users on their platform, as their value "*increases proportionally with the number of users*". This dependence was also discussed in relation to decision-making processes, with F1 confirming that the integration, combined with the unique data they collected, increased their negotiation power. Relating uniqueness to negotiation power, F5 argued:

> "*The more unique we are or the better we are at meeting their specific needs in their preferred way, the easier it is for us to equalise the power. In that case, the difference in size doesn't matter that much.*" (F5)

This was confirmed by F6, who argued that they strive to achieve a level of uniqueness and concrete value proposition, as there are many other agents in the market. Notably, a majority of the fintechs (F1, F2, F4, and F6) do not consider themselves to be more dependent on their partner than their partner is on them.

Banks

Regarding whether the banks were existentially dependent on their partner, the consistent answer was "*no*", with some describing it as "*peanuts in the big picture. You won't see it in our annual results yet, to put it that way*" (B3). On the other hand, banks generally answered that the "*uniqueness of the fintechs' technology*" made the barriers of switching partners higher (B5). "*It all comes down to the [fintech's] expertise*", B2 said about how easy it would be to replace the fintech. B3 pointed out that there exist international actors with similar technology as their partner, but that there was no other actor in the Norwegian environment that they could replace them with. They acknowledged that this uniqueness implied a dependency, in the sense that it would be difficult for B3 to replace their partner. B4 described the time it takes to build a similar partnership as a major concern: "*It would have* *been extremely impractical. We would have to start from scratch. It's very inconvenient*" (B4), and B1 explicitly stated that they did not want to be so closely tied to a fintech supplier that they were not able to replace them.

In relation to the aspect of solution integration, several banks voiced concerns regarding the termination of the partnership after their employees or customers start incorporating and relying on the product. B1, who has already integrated their partner's solution, referred to costs related to downtime of services, reputation in the eyes of their customers, and money, as they would have to reprioritise development resources, concluding that "*it would have created more noise than I would like to admit*". B4, too, admitted that it would be extremely impractical to switch partners, because the timelines of such processes are of multiple years. B5, referring to a different fintech collaboration than the one in focus, stated that "*when the solution succeeds and we have 100.000 customers using it, the dependency ratio changes. (...) We'll be more dependent when the solution proves to be a success*".

Many of the banks talk about dependency in a long-term perspective, which is closely related to their motivation for engaging in fintech partnerships. If no fintechs want to cooperate with them, or at least, if the banks do not themselves innovate, this might affect the banks severely long term. Yet, in a short-term perspective, the strategic importance of the partnerships is low, with one bank (B3) even characterising it as "*charity work*" (In Norwegian: dugnad), as it has yet to generate revenue. They elaborated: "*We do a lot for them that does not pay back monetarily, at least not in the short term. So charity work may be a suitable term. They need something, and we turn around and give it to them*". However, the belief that the solution would be adopted by more customers and corresponding growth of the fintech is what makes it worth it for the bank in the long run. With the sustainment of competitive advantage in mind, B5 elaborated on the short- and long-term perspectives as follows:

> "*We are not dependent on them in any way. I think we would live completely fine without the partnerships in a 5-7 years perspective. But from a longer time perspective, it's different. (...) I think it's important for banks to go into these partnerships because it's a journey. What are banks going to look like in 5 years, 10 years, 15 years? (...) I think banks are going to be completely dependent on being skilled in partnerships, and then you have to start now. It's two-sided.*" (B5)

The banks also discussed the effect their potential withdrawal from the partnership would have on the fintech. B1 did not want their partner to be solely dependent, and therefore makes sure to not "*make up their total business*" (B1). Similarly, B3, who has an exclusive deal with a nascent fintech, said that the most important difference between partnerships they have with fintechs and other partnerships they have is that if they do not prioritise their partner or continue the partnership, the fintech would cease to exist, as "*the amount of time it takes for them to build it up again with a new actor or get their own banking licence is enormous*". In general, B1 and B5 are mindful of the signals they send to the fintechs and make sure to give them sufficient time to adjust to the change if they decide to exit the partnership, arguing that "*they don't have a large and wide market, or many feet to stand on. They may only have this one foot to stand on*" (B1).

5.4.2 Exclusivity and dependence on one partner

Fintechs

A recurring argument among the fintechs was the need for having multiple partners or partnering options. F2 argued that "*having multiple sturdy partnerships results in healthy collaboration dynamics*". They elaborated:

> "*If you're an entrepreneur and only choose one partner to collaborate with, it's sort of binary whether you succeed or not depending on the mercy of your partner. It basically results in desperation in the collaboration. That's why I believe it's wise to have a lot of robust legs to stand on - so you don't end up with such dynamics of insecurity.*" (F2)

F6 also discussed the importance of always having several options, claiming:

> "*In partnerships like these it's obvious that you [as a fintech] are the weaker part. There are no nice firms. We experience it time after time; if you don't have leverage, they will screw you, and the way we've got leverage is by having several partnerships. If you're not willing to walk away from the table you'll be forced to take what they offer.*" (F6)

Another aspect of this is exclusivity requirements from the partner - the issue of not being allowed to sell to or collaborate with other actors. The fintech that acted as an agent (F6) spoke about their former partner wanting exclusive deals with them:

> "*They wanted to have veto rights on when we could cooperate with the next bank. We can't live like that. We cannot have a bank breathing down our necks when we are trying to innovate and grow as a company. We cannot live at the mercy of one bank. (...) We would be 100% dependent on their mercy. When we are also their supplier, how the hell would we negotiate with them going forward? Are we just supposed to trust that they will be kind to us?*" (F6)

In fact, the exclusivity requirement was one of the reasons F6 decided to terminate the partnership. Similarly, F4 experienced how exclusivity clauses restrained their growth by unabling them to enter negotiations with other companies. Some fintechs, such as F1 and F5, also develop technology with the goal of it being generic and possible to implement across bank platforms, making exclusive deals undesired.

Banks

The banks did not discuss the importance of multiple partners, but were observant of the skewness effects of exclusive deals. B2 stated: "*We don't encourage exclusive partnerships with early phase startups, because this is an abuse of power*", and B1 added "*we seldom do exclusive deals, because it quickly becomes difficult for a startup to sell to other banks*". In addition, the one bank in the sample that had an exclusive partnership deal, namely B3, who is both majority shareholder and product development partner, acknowledged the skewness in the power as the fintech could not survive on its own. The bank admitted that they "*feel a responsibility to secure their jobs*" and that their choices may affect whether their partner continues to exist or not, which is different from other partners they have where they are one of many.

5.4.3 Summary

Many issues and mechanisms related to dependence has been uncovered. On the topic of consequences of a termination of contract, it is apparent that the fintechs are more vulnerable than the banks, especially in the beginning of their lifespan, which is something the banks are highly aware of. However, as the fintechs mature, the consequences of a contract termination decreases. Moreover, the more unique and integrated a fintech's solution is, the more dependent the bank becomes on the partnership. It is described as impractical and cumbersome to change partners. With regards to exclusive deals, the fintechs avoid this as it limits their possibilities and strengthens the dependence on their partner.

5.5 Relationship management

In this chapter, the relationship and foundation of trust between the fintechs and banks are elaborated on. More specifically, it is presented how actors build their relationship through trust and how the strength of the relationship affects collaboration. Also, the interviewees' perspectives on the importance of individuals are presented. Throughout the text, the term *relationship* signifies a business relationship between organisations, unless *personal relationship* is used or otherwise specified.

5.5.1 Characterisation and building of relationship

Fintechs

On a general basis, the fintechs claimed that the relationship with their partner is good. One fintech could only give praise to their partner:

> "*It's actually a very good relationship. It's driven by innovation. It's solution-oriented. It sounds like a fairytale, but that is really how it is. It's very good. They are understanding. They have their own ambitions, but we work well together.*" (F4)

Several of the fintechs mention the personal relationship between the people involved in the partnership to be important for its success: "*It is a relationship between two juridical entities, but the relationship is largely based on personal relations that are built over time*" (F6). One fintech (F1) argued that even though one might theoretically distinguish between trust between organisations and trust between individuals, "*the one relies on the other*", and that "*people buy from people*". The human dimension is also highlighted by F2: "*It is the people we work with that enables an uncomplicated partnership. (...) It is them that makes it possible*". F5 summed it up: "*To be a startup is a relationship game. If you build trust over time, you get better relationships*". In addition to time, referencing prior partnerships can help the fintech build trust towards their partner. As F4 noted: "*If we can show that we have* *other partners and have built something before helps with establishing trust*".

It appears that all fintechs engage in activities with their partner to establish the foundation of the relationship from the beginning. F1 said: "*On a general basis, [we have] an extremely high amount of trust in our relationship. And we have been conscious of that from both sides from the beginning*". Showing honesty and transparency early appears to be a basic building block, which the majority of the fintechs highlight. Being open and honest about your own ambitions and goals, and about what you know and do not know builds credibility and closer relationships. About initiating a business relationship, which includes selling your product or expertise, F1 said: "*When I say that we are bad at doing two things, and then that we are great at doing the third thing, people believe it*". F4 built on this: "*Being accountable is an important dimension*". F5, too, agreed: "*I'm very into being honest. It's better to be open about the things that we cannot do*".

It is also important to be honest about what you want to do, not only what you are able to do. F3 mentioned that the partners engaged in a discussion early on about their respective goals: "*It would be really stupid to say that we want only the best for the bank, we only want to contribute, this will be cozy*". Instead, they said that they benefit from getting to the bottom of the goals of the respective partners, and the purpose of their relationship. F1 also mentioned being open and clear about goals to be important, but that it has taken time to get to a point where they can be completely honest about it. Other activities, such as showing integrity, anchoring the idea of the partnership internally and making sure deliveries were on time, were also mentioned as important.

Having frequent touchpoints and physical meetings are mentioned as ways to build the relationship. There seems to be a pattern in that the parties meet more frequently in the early phase of the partnership, and less frequently once a relationship has been established. F4 said:

> "*We have had so many touch points during the process that we became well acquainted. This is trust-building because they get time to reflect over things, and what comes back in the form of requirements [from them] does not seem unfair [to us].*" (F4)

Several of the partnerships were characterised by the sharing of additional information and knowledge not bound by the contract. This comes in the form of business development knowledge and insight into the industry. Moreover, F1 mentioned flexibility as a reason for having few aspects of their partnership regulated in their contract. According to F5, the contract is not what guides the project, and their partner bank has probably spent a hundred times the money they committed to in their contract, in terms of internal resources. They said: "*It's only when things turn really bad that the contract matters*" (F5). The rest of the time, they argued, the partnership is fueled by trust, and it is crucial with a common understanding. This is further illustrated by F3, who argued: "*A contract is an intention. You write it for the event of a disagreement*".

The fintechs underlined how communication and relationships had proved to be the solution to overcome challenges in their partnerships. For F1, personal relationships had saved their partnership from "*going under*", when they had experienced product delivery delays. Communication, typically in the form of expectation management, is by several of the fintechs highlighted as a necessary action. F4 reflected: "*There will always be different expectations (...). But then you just need trust, good communication, and anchoring*". About different wishes and goals for the partnerships, F2's approach was to go into discussions with "*ears first*", accepting that the fintech is "*David and not Goliath*". To be adaptive, listening and learning is their approach whenever there are strategic discussions.

On the note of information sharing, the fintechs reflected upon sharing information about their technology that could be exploited by large companies. F3 noted:

> "*There is a large size difference which requires us to be careful not to step wrong. There have been many stories in the banking industry about someone having a clever idea and the large actor just adopting that idea as its own and building it themselves. That's an incredibly ugly thing to do, disgraceful, but it happens. That's why contract negotiations take time - because you have to look after yourself.*" (F3)

This is also backed by F4, who stated: "*For small companies, it's incredibly important to have thorough contracts in place, so they won't be eaten by large actors. It's so important to understand the true rationale [of the large actor]*". Furthermore, they had in their own partnership reflected upon the same issue, but trusted their partner not to engage in such opportunism: "*You could have had a dynamic where you were afraid to show your idea, because it can give them the opportunity to build the solution themselves, but we are not there at all*" (F4). However, F1 shared another argument on a general level, saying: "*Some entrepreneurs are way too scared to share. The problem is not oversharing, rather, it is undersharing*". On the question if they had ever experienced or been worried that a large firm was going to steal their idea, they said that they were "*absolutely not worried about it*", and "*if that happens, well... you have to understand the value of your idea, and how easy it is to copy. (...) You have to patent or protect it in some way. But also, if you patent it, you need to run faster to market*" (F1). Seemingly, this is an threat the fintechs are conscious of, but not a prominent issue in the partnerships in focus.

Banks

Personal relationships are also mentioned by banks to be highly important for building trust. B3 recalled: "*In that moment when we agreed that we were going to do this, we all met, ate pizza and drank beer. We did all this to establish a relationship, which, evidently, has to be maintained and cared for*" (B3). B5 characterised the relationship with their fintech partner as good, noting "*trust was established very early*". B3 further mentioned that they genuinely want their partner to succeed, and that a lot of their partnership is based on favours they do for each other, rather than being rigidly regulated by a contract.

The relationships are maintained through meeting regularly. B4 stated:

> "*Most of it happens through meetings, where we establish agreements. We've had both structured negotiations, and more informal contact, which oils the whole machinery. And sometimes we just call each other, to catch up on how it's going, what's happening, and so on.*" (B4)

B1 admits that building trust is something one has to actively work for: "*There is no point in just expecting them to trust us. We have to show them that they really can trust us.*" They have to be as "*transparent as possible*", giving the fintech insight into processes, their competencies, and the people that are involved. Highlighting the importance of frequent touch points, B5 claimed that "*you have to work shoulder by shoulder over time*". The other way around, B4 mentioned that knowing that the fintech has had other partners before them creates an initial level of trust towards the company.

Banks place weight on being actors in a highly regulated industry, which makes it necessary to regulate the partnership through contracts. B5 could not *"think of anything [regarding the partnership] that only rests on trust and relationship"*. On the other hand, B4 said that "*as long as we have incentives in common, there is no need to regulate things contractually*". Both B3 and B4 shared knowledge about business development and market insight with their partner, but this was only contractually agreed in one of the partnerships.

Communication is a key area of focus for the banks in managing the relationship. A majority of the banks highlighted identifying a shared purpose, common goals and win-win situations, in addition to a willingness to share risk, to be key to success. B2 mentioned this as a continuous line of work, where they have had varying degrees of success. "*Cooperating with startups is very much about management of expectations*" was vocalised by B2. They had also been in situations where the common goal had ceased to exist, and the partnership was headed for termination. In those situations, transparency and ending the relationship on good terms was said to be important. Notably, this may also be tied to protection of their reputation and image towards other startups. In any case, communication is identified as a problem-solving mechanism. One bank (B1) reflected on a situation with a different startup than that of focus. The bank's ambition had been to help build the company and commercialise a product, but the startup also functioned as a technology supplier. Their partner had partnered up, without them knowing, with another large, non-bank firm.As the large actors were already in a supplier-buyer relationship, the outside actor could develop a very profitable business model affecting the supply chain. "*Right there and then, we became sceptical*", B1 said. "*But after we talked about it, understood the deal, and increased transparency again, everything went smoother*". The potential conflict was solved through dialogue and the right measures were taken to tidy up the supply chain.

5.5.2 The importance of individuals

Fintechs

Overall, the fintechs have experienced that certain people are key to the relationship. F1 and F2 characterise it as a person with a coordination role, who acts like a mentor by bringing them along to relevant meetings, and who thus opened doors for them inside the organisation. This is identified by F3 as a success factor, as they always knew who to turn to in case something went wrong. They reflected:

> "*I've met people in [large banks] who worked for 10 years in the company and still meet new people. And if that's the case for the internally employed, imagine how it is to not be employed in that company and having to navigate who actually makes decisions. That's why it's important to have a person with long experience in the company, who is proficient in their job, and who is not afraid to ask the questions that hurt. If you can't have that person, then you might as well forget it. You will never be able to navigate internally in the company.*" (F3)

F4, F5, and F6 talked about internal champions and stakeholders, who were passionate about the partnership, and who were thus important for the anchoring of the partnership in the large company. F4 recalled: "*We have had internal champions and stakeholders who have liked us, and who have cheered us on further into the organisation*".

However, with dependence on individuals comes vulnerability. Most fintechs had to some extent experienced challenges related to a key person leaving the partnership. F6 also titulated this as a "*huge risk*", remarking "*we have experienced new directors coming in who need to mark themselves in some way. But we have been able to avoid any huge consequences*" (F6). F4 explained:

> "*This is an inherent risk - we depend on the people we have met, who have backed us throughout the investment, who we have built relationships and trust with. But there is a risk that people quit, and that new leaders with other priorities come in. To get a whole new personnel with completely different opinions and no history with us would evidently be a big challenge for us. You cannot really mitigate this risk. (...) You can never put everything in a contract, so this is an inherent trust and a risk that we have to live with.*" (F4)

It seems like key people quitting poses a larger risk at the beginning of the partnership, when the collaboration is not sufficiently anchored in the respective firms. According to F3, losing their key contact person at an early point could have meant that they might "*not ever have gone live*". F1, who had experienced losing a key person, but at a later stage, said: "*If it had happened at an early age, I think it would have been really hard. But it happened at a stage where we had already gotten other key contact people*". F5 supported this argument, and elaborated on that "*if the pre-work is formalised and anchored in the [partnering] company, it matters less*".

Moreover, F1 argued that it was "*not only a good thing*" to have such a clearly defined key contact person, as everyone has their own agenda. Establishing contact with more people in the organisation may expand the spectrum of opportunities. Seemingly, there are both potential upsides and potential downsides with individuals acting as internal champions, ambassadors, or key contacts. Nevertheless, a replacement of management could set back a project by months, if access to resources from the bank suddenly becomes restricted (F3).

Banks

The banks also placed much emphasis on key people driving the relationship forward. "*It is alpha and omega that you have some people who are truly passionate about the partnership (...) Ownership and engagement is incredibly important*", B5 stated. Dialogue and a low bar for communication was highlighted by B3, who said that the partners would "*probably not be where we are today*" if not for personal relationships between individuals at top level in both companies. One bank (B2) had formalised the relationship with startups, in the sense that they have a special role designated to managing the relationship with fintechs. This person acts as a mediator between the firms, and balances the conversation in meetings and information exchanges. According to B2, in case of disputes, fintechs can have complete faith in the bank's intention to solve any issues that arise, while protecting interests at both sides.

The importance of the individuals is actually formalised in the partnership of B4, where key personnel in the fintech are by contract not allowed to quit, meaning that the consequence is dissolution of the contract. B4's statements indicate that this is rooted in dependency on the people in the small company: "*Since the startup is a smaller company, one becomes more vulnerable to the chemistry between the* *relatively few people involved*". This underlines the vulnerability of people and is put in context with the differences in size of the staff. B5 supported this, arguing that the relationship has to be built up again, which is challenging depending on the person coming in - "*it depends on the match of the new people, right? They are humans, after all*" (B5). Moreover, preservation of why the partnership was initiated and its history are put at risk - "*If the history of why disappeared, it's not given that someone new would think the same thoughts. And then it would be rather unclear why we engage in this partnership*" (B3).

5.5.3 Summary

Both fintechs and banks in this study state that their overall relationships are well-functioning and characterised by high levels of trust. They emphasise the importance of trust between people from both organisations, and actively work together to build the relationship. Openness about abilities and ambitions are mentioned by fintechs to build trust with their partner. Interestingly, there are different opinions between the fintechs on how tightly one should regulate the partnerships through contracts, whereas the banks tend to rely more on contratual agreements. Nevertheless, frequent communication and transparency were highlighted by both groups as important to avoid conflicts. Moreover, internal champions and ambassadors are seen as imperative to the success of the alliance for both groups. These individuals can help fintechs navigate internally in the company, anchor the collaboration in the large firm, and give access to important people and resources. However, relying too much on these individuals may create an unfortunate vulnerability and dependence for the fintechs. Statements from banks do not indicate the same amount of vulnerability, but the risks are high enough that one company bound important personnel at the fintech to the partnership by contract.

5.6 Joint decision-making

Intrinsic differences between startups and incumbent firms also become evident in their relation to work pace and decision-making. In this section, findings related to issues and opportunities concerning differences in culture, size, and organisational structure are presented. Secondly, the firms' reflections upon how influence in decisions are affected by whether the bank is an investor in the fintech are shown.

5.6.1 Differences in processes and organisation

Fintechs

When interviewing the fintechs, there was unanimous agreement that the size difference between the fintech and the bank affected their collaboration. One of the consequences of different organisational sizes is the development of dissimilar organisational cultures and work methodologies, which may result in a "*cultural crash*" (F3) and suboptimal leveraging of resources. F3 explained the issue as follows:

> "*There are two very different cultures meeting. Our culture is colored by the fact that we aren't bound by any regulations, other than what all firms are. We don't have a bank licence etc. preventing us from being super agile (...) and creative. All that is stopping us is lack of resources (...). The banking industry claims to be agile, and they probably are in terms of development, but it all halts when it comes to legal processes, compliance, procedures or customer journeys. (...) We can be as creative as we want, but it all has to go through that eye of the needle [on their end].*" (F3)

The core issue of this statement relates to different paces within the organisations. "*It takes a lot of time*" (F4) and "*you can forget getting anything done in a month*" (F6) are some of the findings reflecting the frustration related to time. One major reason for this dissonance relates to the *"extremely regulated industry (...) in terms of compliance, SLA, technical due diligence, financial stability, etc*" (F3) the companies are operating within. Another reason is the size of the banks resulting in "*hierarchy and bureaucracy*" (F3) and "*a lot of corporate governance*" (F4). This causes discrepancies in internal decision-making processes in the respective companies, as "*in large organisations that are highly regulated, decision-making takes time*" (F5). Whereas representatives from the fintechs can "*make decisions on the spot*" (F3), the bank requires "*40 [people] to agree, and there are 40 [people] that can say 'no'*" (F6). Several of the fintechs stated that the process of landing their partner often takes minimum a year, and F3 had to begin the process with other partners simultaneously because the process did not move fast enough.

One of the recurring issues found related to resources and size asymmetry is the imbalance of influence in decision-making processes. F1 claimed that "*the size asymmetry has a lot to say [in decision-making]. That's just something you need to be* *aware of as an entrepreneur. It's just how it is*". Although claiming that the power balance is less prominent in product development processes, F5 admits that "*if they want something that we don't really want to build, we might end up building it anyways because we need money*". When asked if they had ever felt pressure to accept less favourable agreements when negotiating with banks, F3 answered:

> "*I would lie if I said no, because a month is an incredibly long period of time for a startup. It's like 10 years for a large company. You're always short on time and you never have enough resources to distribute the workload. So you're always working on it yourself, which puts you in situations where you need to just go for the lesser evil. I believe that everyone you speak to who says the opposite either lies to you or to themselves. It's just how it is. It's not only applicable to startups, but to all partnerships where there is a difference in size.*" (F3)

F4 acknowledged the risk, but explained that it has not yet been a problem because "*we've been in a relatively good financial situation. (...) Really, the alternatives we have at the moment are due to our investors and other funding*", indicating the importance of resources in the power balance.

Other issues fintechs face when working with large, hierarchical organisations include manifestation of the partnership, "*there are a lot of stakeholders, so you'll have to anchor it in a lot of places*" (F4). F5 elaborated on how the imbalance of power is evident in their contracts:

> "*Many banks have strict uptime and service level requirements, affecting the requirements of our delivery and posing risks of fines and economical consequences if you don't adhere to their requirements. That's a type of power. They're in a position where they can demand a lot more than we can.*" (F5)

Banks

A recurring topic when interviewing the banks was that of "*large cultural differences*" (B4) between the organisations. Comparing partnerships with startups to partnerships with other large corporations, B2 said:

> "*Working with startups is very different. It has something to do with cultural fit. (...) There are a lot of aspects to consider when working with them, and usually*

a stronger need for technical competence on our side." (B2)

Similarly, B4 identified a need for a substantial amount of information from the fintech in order to anchor the project in various departments that they struggle to fulfil. Moreover, B5 discussed the difference in turnover, where "*the contact person in a fintech may change 4-5 times over two years, whereas in banks you work until you die. We're more stable*". B4 mentioned their surprise in "*lack of structure and lack of follow-ups*", but also their surprise in "*how fast they can make decisions and how agile they are*".

The different organisational structures and cultures lead to differences in internal decision-making processes. Whereas banks have a long pipeline, with "*a lot of strategic priorities, many projects going on simultaneously, as well as on hold*" (B5), fintechs are a lot quicker to start testing a pilot, partly "*because they don't have all the other projects and processes - all these layers [of people] that need to agree to a decision*" (B1). Similarly to the fintechs, the issue of different pace and relation to time was identified by the banks. For example, "*it took maybe eight months from when the investment process started to the closing of the deal. In this case, we were pretty fast and not very bureaucratic, but for a startup eight months is very long*" (B4). The high burn rate and little income of fintechs, leading to them being in a hurry, was frequently mentioned. B2 characterised their startup partners as being "*generally more impatient*", and not understanding the bank's decision-making processes. B4 visualised the difference like this:

> "*What one person does in [a fintech], 20 people are working on in [our company] (...) The path to making a decision is longer and we've got a larger need for anchoring the decision in various places to ensure success. (...). Contrastingly, in a startup there may be only two people executing the decision, so those two just have to come to an agreement.*" (B4)

Nevertheless, several of the banks referred to the importance of legitimacy in the market and regulatory issues related to "*authorisations and requirements from 'Finanstilsynet'*" (B4), and "*GDPR, sharing of data - legal compliance*" as part of the explanation for their long decision-making processes.

Moreover, all the banks acknowledged that there was an intrinsic skewness in negotiation power due to differences in size and available resources. B4 and B5 confirmed their large influence to be "*a function of how big of a customer we are*" (B4), with B4 explaining:

> "*We make up a significant portion of their expected future revenue. (...) As one of their largest customers, it's important for them not to lose that revenue because of conflicts. (...) In that sense, we've got influence.*" (B4)

B5 acknowledged that "*the bank is so large and momentous, whereas the startup is so small, so one needs to be aware of the power imbalance present. (...) [A bank] can easily run over a business like that*". To exemplify the issue, they explained how they, in contract and price negotiations where they experienced a significant dissonance in dependence and power, had to be cautious of identifying a fair price instead of "*negotiating the price all the way down to the bottom just because we can*". The main reason was to maintain a good relationship and chemistry with their partner. When asked if this power imbalance in negotiations differs between the partnership involving the nascent fintech and the partnership with the fintech that already has a commercialised product and other partners, the answer was "*I would say it's pretty similar. They will either way be very small compared to a bank*" (B5).

However, the banks also identified opportunities related to different organisational cultures. "*I'd like to point out that there's at least as many positive aspects, such as that we're learning from their pace and agility in development*" (B4) and "*they have a much leaner way of thinking than we do, and maybe a stronger will to identify the real business need of the consumer. We may get cocky because we have so many customers. We may think that there's always someone who will want the solution*" (B1) are some of the findings related to benefits of different organisational structures and cultures.

5.6.2 Strategic partner vs investor

Fintechs

Among the fintechs, F4 was the only one with a monetary partnership in focus of this study. Their partner was represented on the board, which resulted in direct influence on the strategic direction of the company. F4 explained that "*they cannot in any way dictate the company, but they definitely have power on the board with regards to initiatives they want to implement*". Furthermore, they reflected upon the vulnerability and risks that startups are exposed to when new investors come in:

> "*In an investment process, someone puts a lot of money into a small company, and it's very easy for those that contribute with money to come with requirements, and then [the startup] has to cave even though they don't really want to. That's a bad start to a partnership. [Our partner] has a deep understanding that we are a company with the liberty to grow and stand on our own, and this has made us trust them. They don't come to us with paragraphs or judicial formulations (...). This is how mutual trust is built over time.*" (F4)

F4 added that they listen to their partner, because they have visions and initiatives in common and their partner has backed them so far, stating "*it's about trust and relationships*". Also, they mention that they feel like it is a strength that their partner is both owner and customer of their solution, as they get access to the bank's highly proficient competence within a desired field. In that way, it could be said that the bank gets a higher degree of influence on the company because of their good relationship.

Banks

Three of the banks, B2, B3, and B4,fcA were financially invested in the partnerships in focus, although B2 talked more in general terms. B4 explained that they do not invest in startups for the sole purpose of earning money, but rather invest in fintechs where they also have a commercial interest. They mention a strong belief in the leadership of the fintech to be an essential factor when they consider investing. Their main rationale behind investing in partnering fintechs revolves around "*the amount of resources we will spend building their product encourages us to also own a part of the value we create*" (B4). They further argued that reasons to own shares in the company included that of being able to "*have a hand on the wheel*" in order to ensure the quality of their joint product delivery to the bank's customers and to avert strategic changes that could make the fintech less suitable to the bank as a partner.

B2 has their own venture arm, and calls this a less messy and more professional method, which enables the parts to work together without the bank becoming biassed by their owner role. However, B1, who only by exception invests in startups, and for the most part do not, mention exactly this "*insider issue*" as the main reason why they do not invest in their fintech partners. B1 also mention that they do not want to be so tightly linked to a supplier that they cannot be replaced, and therefore, they do not want to invest financially in them, as it would hinder an eventual replacement. B5, although not having invested in fintechs themselves, supported the rationale for banks having a venture arm, arguing:

> "*You increase the value of the startup significantly by the number of hours of work you put in. Therefore, in addition to the benefits of collaboration, you may want a payoff in terms of financial returns.*" (B5)

This was supported by B3, who claimed most of the value of the relationship to be derived from being an investor, and not by engaging in a strategic partnership. On the question of whether being both an investor and a strategic partner could create potential conflicts of interest, the banks, for the most part, agreed that it did not. "*There is not really a dissonance there, not necessarily*", B3 noted. According to B4, the way to prevent such discordances is to always be clear about "*which hat you're wearing*" at different times. While acknowledging the increase in negotiation power it may entail and the potential threat to the collaboration, they solve this through drawing on different people for different roles. They argued that "*while we do represent B4's interests in the board, we cannot decide things there that are not in [the fintech's] best interest*"

5.6.3 Summary

Cultural and structural differences with consequent differences in decision-making processes and work paces are seen as big obstacles in the collaboration and leads to frustration, especially on the fintechs' end. In addition, how size asymmetry affects influence in joint decision-making is particularly argued by fintechs to be an inherent issue in such partnerships and their lack of resources can put them in a more vulnerable position in negotiation processes. Moreover, whether the bank has invested in their partner or not may affect their influence in decision-making, as findings suggest that power can be more asymmetrically distributed in monetary partnerships. However, banks are found to reflect upon having positions as both strategic partner and investor, and take conscious steps to assure that this does not create unfortunate situations.

5.7 Overview of findings

Table 5.7.1 shows an overview of the main findings categorised by topic.

Table 5.7.1: *Main findings summarised by topic.*

Topic	Main findings
Motivations, strategic compatibility and mutual goal development	Fintechs seek access to needed resources to increase survival chances and quickly commercialise products, while banks want to maintain or gain competitive advantage going forward through enhanced innovation and agility. Both sides accentuate the importance of aligned vision and goals, and personal relationships, for partnership success.
Resource complementarity	Differences are viewed as beneficial as they enable valuable synergies. While fintechs bring technology and agility, banks bring resources such as domain knowledge, financial means, banking license, and customers.
Power imbalance, resource dependence, and strategic importance	Fintechs do not consider themselves more dependent on their partner than vice versa. However, findings suggest notable power imbalances and dependence asymmetries from early on in disfavour of the fintechs. Nevertheless, the more unique the technology is, and as solutions are integrated, inter-dependence increases. Moreover, banks express a long term dependence on fintech partnerships. Neither group of interviewees expressed considerable concerns regarding opportunism, referring to importance of contracts, high levels of trust, common incentives and positive relationships. Exclusive deals entail a skew in power and are generally avoided from both sides.
Relationship management	There is generally a high level of trust and healthy interpersonal relationships between the partners. Openness about abilities, ambitions, and goals builds trust, which is recognised as an important factor of partnership success. Diverging opinions exist on how tightly one should regulate the partnerships through contracts. Individuals such as internal champions are important for the operation of the partnerships but create vulnerabilities, particularly for fintechs.
Joint decision-making	Obstacles rooted in size asymmetries, and processual and organisational differences, negatively affect joint decision-making and create a skewness in negotiation power in favor of banks. Interpartner trust and strong relationships help reduce conflicts and may increase influence in decision-making. Influence in decisions increases through corporate venturing.

Chapter 6

Discussion

In this chapter, findings from the interviews are combined with the theoretical background and the industrial context in order to assess how elements of dependence and trust affect fintech-bank partnerships. The discussion follows the two RQs proposed in Chapter 1. Propositions that highlight particularly interesting points of discussion are presented.

6.1 Dependence and power issues affecting fintech-bank collaboration

Several aspects of asymmetries tied to dependence and power in asymmetric alliances are presented in literature. Similarly, throughout the various interviews, aspects related to dependencies in various forms and respective power issues appear as prominent dynamics of fintech-bank partnerships, although the interviewees play down its criticality. In this section, RQ 1: "*How do dependence and power affect collaboration in fintech-bank alliances?*" will be discussed. First, it will be discussed how amounts and uniqueness of resources affect the power balance, followed by an examination of effects of goal misalignment on dependence asymmetry. Then, it will be discussed how dependence changes as the partnerships evolve, and finally how asymmetry affects decision-making in the partnerships.

6.1.1 Dependence due to amount and uniqueness of resources

Complementarity of resources is argued by RBT to be the main incentive for firms to enter strategic alliances (Das & Teng, 2000), and newer research considers complementarity as differences in resources that, when managed together, complement each other (e.g. Pérez et al., 2012). However, a respective issue to different resource bases is resource dependence. One of the founding assumptions in resource dependence theory is that the more an actor values resources controlled by another, the more dependent that actor is and the less power they have in the relationship (Emerson, 1962; Hingley, 2005; Pfeffer & Salancik, 2003). As startups inherently have less resources than large incumbents (Knoben & Bakker, 2019; Stinchcombe, 1965), a prerequisite in existing research is that unequal dependence causes power imbalances likely to be destructive for the weaker firm (Nyaga et al., 2013). However, in contrast to extant research on asymmetric alliances, the data in our study is divergent. A majority of the fintechs argued that they do not consider themselves more dependent on their partner than vice versa. Some of these are more mature in terms of product development and customers, but others are in the nascent phase, contrasting the common assumption of imbalances. On the other hand, the banks were clear about the dependence asymmetry due to resources. B5 exemplified skewness in negotiation power by elaborating on how their large momentum enabled them to set the price they desired. More interestingly, they claimed that the difference between negotiating with a nascent and a more mature fintech was insignificant, as they either way would be comparably very small.

The discrepancy between the data from the fintechs and the banks may be explained by the findings of Oukes et al. (2017) which indicate that the startup tends to overestimate its own power and underestimate its partners' power. Moreover, examples from the fintechs of pressure to accept less favourable agreements, disadvantageous contracts and lowering of prices indicate that there is a notable power asymmetry. F3 even claimed that any startup that says it has not been pressured into accepting less favourable agreements is either lying to others or to themselves, as it applies to all partnerships where there is a difference in size. In addition, F4, the most mature fintech in the study, acknowledged their dependence to some degree, but argued that their relatively strong financial situation due to investors and funding stabilised the asymmetry in dependence. This interestingly confirms the importance of resources in the balance of power argued for in extant literature.

P1: Fintechs in the nascent phase tend to overestimate their own power in relation to banks.

When there is an asymmetrical net resource balance, meaning that the stronger firm has superior advantages related to multiple resources that cannot be counterbalanced by the weaker firm, the larger partner may take advantage of the weaker part (Child et al., 2005; Pérez et al., 2012; Pfeffer & Salancik, 2003). This constitutes one of the major risks in asymmetric alliances and is referred to as opportunistic behaviour. Brinkhoff et al. (2015) found that dependence asymmetry had negative effects on a project's success because the fear of opportunistic behaviour lowered trust between partners. Interestingly, none of the fintechs expressed notable concerns regarding opportunism, although acknowledging the potential threat and the need to properly protect their intellectual property through contracts and patents. However, F3 did elaborate on external examples of exploitation of fintechs' technology in the banking industry and highlighted the importance of looking after yourself as a startup. Further, regarding the intensifying competition from bigtechs such as Apple and Google, Norwegian banks' focus on innovation in order to maintain market share and avoid potential learning races (Lane & Lubatkin, 1998; Mastercard, 2021; PwC, 2020), opportunism is argued to pose a naturally big threat in the Norwegian fintech industry. Similarly, literature discusses the issue of value distribution where the smaller firm may be forced to spend a more significant portion of their resources on developing the relationship and still end up in a situation where their partner appropriates an unfairly large part of the created value (Alvarez & Barney, 2001; Cambra-Fierro & Pérez, 2018). Keeping in mind that most of the partnerships were still active at the time of writing and the expressed fear of consequences if their companies were to be identified in this study, their rejections of fear of, or experiences involving, opportunistic behaviour should not uncritically be taken as the ultimate truth.

However, the skewness in dependence and power in fintech-bank partnerships may not be as drastic as described in prior research on asymmetric alliances due to the uniqueness of the fintech's capabilities. As scholars argue that the holder of unique resources can potentially create a situation of dependence and power asymmetry in their favour (Emerson, 1962; Hingley, 2005; Pfeffer & Salancik, 2003), distinguishing between amount and uniqueness of resources reveal an interesting point of discussion. Data from the interviews with fintechs showed clear patterns of stabilisation of power asymmetry due to their technological expertise. As F5 argued; "*the more unique we are (...), the easier it is for us to equalise the [negotiation] power. In that case, the difference in size doesn't matter that much*".

The banks, although not acknowledging the effect it has on bargaining power, generally answered that barriers of replacing the partner increased in correlation with the uniqueness of their technological competence and that it affected their dependence. Ultimately, the fintechs' unique resources within technological development, agility and innovative thinking, and the banks' distribution network, banking licence, domain knowledge and amount of resources, suggest that there is a significant interdependence present in Norwegian fintech-bank alliances. In relation to theory, such interdependence rests on structural dependence (Das & Kumar, 2009) and increases the likelihood of success (Chicksand, 2015; Cox et al., 2003).

P2: Fintechs' unique technical capabilities reduce the power asymmetry and create a significant interdependence in fintech-bank alliances.

These findings confirm the foundation of resource dependence theory, but challenge the assumptions in asymmetric alliance literature regarding the startup as the inherently less powerful actor. On one hand, resources such as a banking licence, reputation as a trustworthy financial institution and a huge consumer base are arguably both scarce and difficult to acquire by Norwegian fintechs in "*the most regulated, scrutinised and arguably most depended-on industry there is*" (Forbes, 2021). On the other hand, "*continuous research efforts*" (F3) and expertise within deep-tech are unique capabilities inaccessible to most banks and the result of a financial services revolution enabled by governments and the global digital evolution (Datatilsynet, 2018; Gulamhuseinwala et al., 2015; Lee & Shin, 2018; Shim & Shin, 2016; Sironi, 2018). Consequently, due to unique resources on each side of the dyadic alliance, each founded in either rigid banking infrastructure or ever-increasing customer expectations, power dynamics in fintech-bank partnerships may be considered notably different from more traditional supplier-customer alliances discussed in prior literature.

6.1.2 Difference in goal alignment and effect on dependence asymmetry

The motivations of the fintechs and banks to enter into alliances tightly correspond to those described in literature. For the fintechs, recurring motifs were reflected in a desire to quickly develop a commercial product, to acquire financial means in terms of increased profitability or financial investors, and to obtain legitimacy in the eyes of stakeholders (McKnight & Zietsma, 2018; Pérez et al., 2012; Plummer et al., 2016; Rao et al., 2008). In addition, the specific industry knowledge concerning consumers and compliance needs a bank could offer was highlighted as particularly important, reflecting the importance of domain knowledge and experience in the banking sector (Forbes, 2021). For banks, accelerating innovation efforts, optimising internal processes, increasing organisational flexibility, and enhancing innovative image towards stakeholders are the most prominent motivations, which corresponds to the findings in literature and industry reports (Barabel et al., 2014; EY, 2021; Klus et al., 2019; Pérez et al., 2012). Moreover, the banks specifically mentioned following market trends and ever-increasing customer demands as a dominant reason, which can be seen in correlation with the rapid digitalisation and revolution of technological solutions in the financial sector during the past decades (Gomber et al., 2018).

The importance of alignment of goals and vision was stressed by both fintechs and banks, not only in their selection of partners but also in the success of the partnership, which reflects a well-established consensus in prior research (e.g. Douma et al., 2000; Reuver et al., 2015). However, it is also acknowledged by scholars that startups and incumbents do not usually have compatible goals and shared benefits due to different resource bases, which may result in disagreements about what to do and how to do it (Chicksand, 2015; Munksgaard et al., 2015). As a result, small companies tend to be more focused on short-term goals such as profitability in order to increase chances of survival, while large corporations rather develop long-term plans for future growth (Bömer & Maxin, 2018; Ketchen et al., 2007; O'Dwyer & O'Flynn, 2005). This is reflected in the collected data, where acquiring financial means and quick product development may be considered short-term goals, whereas following market trends and enhancing a company's innovative image relate to future growth.

In contrast to the literature, a general claim from both the fintechs and the banks is that the two parties have a shared vision and overlapping interests, rejecting conflicts rooted in different goals. However, one of the most recurring learning points elaborated on in the interviews was the need for revealing the actual rationale of the partnering company. The fintechs highlighted the time it has taken to get to the point where they can be completely honest about their goals, and the risk of being run over as a small company if you do not spend time uncovering the bank's real interests and goals. Although not in fear of being exploited, several of the banks accentuated spending enough time on identifying overlapping goals as an important learning point. B2 characterised this process as an important learning journey where they had previously had varying degrees of success. Consequently, despite the almost unanimous claim of significantly overlapping goals, a clear expression of each partner's self-interest and the development of mutual goals emerges as a demanding process that is crucial to prioritise in order to avoid conflicts, in accordance with literature on asymmetric alliances (Munksgaard et al., 2015).

Moreover, differences in individual interests and goals affect the importance of the given partnership to the respective partners, which is argued in the resource dependence theory to create dependence asymmetry (Pfeffer & Salancik, 2003). A majority of the fintechs clearly stated that the partnership was of great significance, especially if the bank was their first partner. This is exemplified by F3 who stated that "*If we had not landed a contract with [this partner], we probably wouldn't have had the time to turn around and rebuild our brand. We probably would have gone bankrupt*", demonstrating the urgency of closing the deal and the consequences of their high burn rate - an example of their liability of newness (Stinchcombe, 1965). The banks, on the other hand, denied the urgency of landing a deal with the partnering fintech, showing the imbalance in dependence early in the alliance.

However, when taking the varying time perspectives into consideration, an intriguing point of discussion emerges: long-term versus short-term dependence. Although the specific partnerships are of low strategic importance in a short-term perspective, multiple banks reflected upon future consequences if they do not prioritise collaborating with fintechs now. B1 argued that if they do not take action they will fall behind every month and B5 suggested that banks will be completely dependent on being skilled in partnership - and that it requires them to start now. Few prior studies seem to consider this aspect of dependence in asymmetric alliance, which might imply a context-specific issue. Taking into consideration the rapidly evolving financial technology sector and consumer expectations (Gomber et al., 2018; Lee

& Shin, 2018), the entrance of big tech giants (Forbes, 2021), and the particular innovativeness of Norwegian banks (Mastercard, 2021), forming collaborations with technology specialists in order to stay competitive and profitable in the long run appears as critical. As a result, long-term dependence may be argued to be an emergent but important issue in fintech-bank partnerships.

P3: Banks are generally not dependent on fintech partnerships in a short-term perspective, but they are dependent on them in a long-term perspective.

6.1.3 Changes in power and dependence as the partnership evolves

Another interesting point of discussion revolves around the dynamics of interdependence as the partnership matures and solutions are integrated. Several banks voiced concerns regarding the termination of the partnership after their employees or customers start incorporating and relying on the product. For example, B4 explained how a part of their business will completely rely on the functionality of the developed solution and B5 argued that they will be more dependent when the solution proves to be a success and has gained a significant consumer base. Negative potential consequences include downtime of services, harm to their reputation in the eyes of the consumer and financial loss due to reprioritisation of development resources. Similarly, some fintechs stated that they aim to make the replacement cost as high as possible by increasing the number of users, acknowledging the increase in negotiation power that follows. This issue is not an apparent prominent point of discussion in prior research on asymmetric alliances, other than that interdependence may change over time, altering the initial balance of bargaining power (Shenkar & Yan, 2002).

However, industry-specific elements may shed light on this dynamic. Firstly, as reputation is a critical prerequisite in the banking sector and Norwegian banks generally benefit from a strong reputation (EFTA, 2016; Gomber et al., 2018), in addition to the rapidly intensifying consumer demands in financial technology (Cortet et al., 2016), the consequences of service downtime and reduction in reputation are critical for banks. The increase in dependence as the solution is integrated should also be considered in the light of the complex governance structure of large corporations

(Prashantham & Birkinshaw, 2008) and the tough regulatory requirements in the banking sector (Forbes, 2021). This is clearly reflected in the data where the compliance requirements for partner selection were high and the timelines of entering new partnerships with fintechs or developing own solutions were argued to potentially be of multiple years. One may also argue that the complexity of adapting and integrating digital products between companies bolster this dependence. Consequently, the difficulty in reversing the solution integration as the partnership matures proves an intriguing point of discussion that may be particularly important in partnerships between fintechs and banks, and which is not an apparent prominent issue in prior research. Moreover, although the literature argues that incumbent organisations and startups do not have a mutual level of interdependence (Chicksand, 2015; Emerson, 1962; Pfeffer & Salancik, 2003), it may be argued that the mutual dependence stabilises and strengthens as the partnership matures.

P4: As the partnership matures and the product or service becomes more integrated, interdependence between the partners increases due to the complexity of digital products.

On a similar note, interdependence often leads to financial investments towards the alliance (Drees & Heugens, 2013). Multiple banks chose to invest in the startups they collaborate with, and some argued that the reason was the importance of the solution after integration. Having equity stakes enables the corporate venture arm to have access to first-hand insights and a say in the future direction of the new venture (Weiblen & Chesbrough, 2015). This mirrors the banks' urge to "*have a hand on the wheel*" (B4) in internal strategic decisions that may affect the bank or their customers - a particular issue as the solution becomes integrated. It may therefore be argued that one of the reasons banks invest in their partnering fintechs is to hedge risks related to their integration by increasing strategic influence. A further reason given by the banks is the amount of resources spent on developing the product and increasing the value of the new venture. Prior research argues that corporate venturing may justify the costs related to due diligence, negotiations, further investors, monitoring and enforcement if the partnership is instrumental in pursuing the corporation's strategic goals (Weiblen & Chesbrough, 2015), relating the decision to become shareholders to the recurring motivation of the banks of creating an innovative image and engaging in innovation processes.

Luo (2008) suggests that economic integration within an alliance can increase joint governance, interparty trust and alliance performance, but ties to the large firm make corporate venture investments a double-edged sword for startups (Weiblen & Chesbrough, 2015). While resources such as financial means are always welcome, being bound to an incumbent actor might limit the smaller venture's freedom to collaborate with or exit to competitors of that large corporation. This issue was discussed by a majority of the interviewed fintechs, either in the sense of corporate ownership or exclusivity in partnership contracts. Exclusivity in any form was argued by the fintechs to cause dynamics of insecurity, desperation and strong power imbalance, whereas having multiple partners, or at least options, was argued to increase leverage, decrease dependence and stabilise the power dynamics. Similarly, the real agenda of the corporate investor is not always clear and may contradict the startup's goals (Weiblen & Chesbrough, 2015), implying that the fintechs face significant risks when engaging in exclusive deals or partner investments and "*requires us to be careful not to step wrong*" (F3).

6.1.4 Processual differences in decision-making

An interesting finding with regards to decision-making is the role of different organisational structures and cultures. Literature identifies size asymmetry as a determining factor in decision-making between asymmetric alliance partners (Pfeffer & Salancik, 2003; Shenkar & Yan, 2002), which resonates with the findings from both fintechs and banks, who all acknowledged the intrinsic skewness in negotiation power during decision-making. However, while literature places much emphasis on this imbalance of negotiation power and influence, the interviewees from both sides tended to place more weight on the difficulties arising from differences in processes and speed at each firm, especially relating to the banks' many levels of internal decision-making. Prashantham and Birkinshaw (2008, p. 9) also mention this challenge, and noted the firms to be of "*different species*". Organisational culture and internal processes at the bank were highlighted by interviewees as large obstacles: while fintechs are able to take decisions on the spot, the banks need "*40 [people] to agree, and there are 40 [people] that can say 'no'*" (F6). As seen, "*a month is an incredibly long period of time for a startup. It's like 10 years for a large company*" (F3). Fintechs' high burn rate and the large differences in decision-making processes, evident in that most of the partnerships took minimum a year to establish, together strengthen the power imbalance. Such differences are argued to be a natural consequence of the size and complicated bureaucracy of the banks, which requires complex governance modes. On another note, seen in relation with the macro trends in the industry, some important notions may be raised. Consumers are more attracted to and expect increased innovativeness and speed in their services (Cortet et al., 2016), which is the core of fintechs' value proposition - agility, speed and innovation. Consequently, learning from the agility of fintechs may not only reduce conflicts related to organisational differences in decision-making processes, but also better meet the evolving demands of the consumers, ultimately improving the banks' image towards stakeholders. This learning opportunity may be argued to pose an element of dependence for the banks on fintech partnerships in order to remain competitive and relevant in the long run.

P5: Differences in organisational decision-making processes and culture increase the power imbalance, but pose a valuable opportunity for banks to increase competitive advantage in the long run.

6.2 Trust as an alleviator of dependence asymmetry consequences in fintech-bank collaboration

This section will seek to answer RQ 2: *How do trust and relationships alleviate consequences of dependence asymmetry in fintech-bank alliances?* First, an understanding of the role of trust in asymmetric relationships will be presented, before discussing several issues related to dependence: how trust as a relationship characteristic affects negotiations and conflict solving, how trust can reduce threats of opportunism, and finally some negative aspects of high levels of trust.

6.2.1 Trust as a building block in the relationship

Brinkhoff et al. (2015) found a complex relationship between dependence and trust in that asymmetric dependence lowers the trust between the partners, but trust mediates the negative effects of asymmetric dependence on the performance of the alliance. To properly understand the function of trust, one can see to both literature and the collected data. Huemer (2004) argues that in asymmetric alliances, trust is a fundamental building block for developing collective interests. Moreover, partnerships are inherently about people, as it becomes clear from the collected data: Several of the interviewees stressed the importance of trust in building relationships between the firms, and highlighted how the trust built between people is foundational for the business relationship. Gulati (1995a) mentions repeated and frequent communication to be important in building knowledge-based trust. In the same regard, interviewees pointed to various activities to increase trust and to build the relationship: meetings and workshops, transparency, as well as being honest about interests, ambitions, and goals. The level of trust appears to work as a proxy for the health of the relationship between firms, and the terms were often used interchangeably in the interviewees' statements.

6.2.2 Negotiations and conflict solving

In partnerships characterised by a high level of trust, communication between the parties is more frequent, lowering their motivation for withholding critical information, and is found to reduce conflict (Brinkhoff et al., 2015; Zaheer et al., 1998). In accordance with prior research, multiple banks voiced that potential conflicts are avoided due to solid relationships and issues resolved through dialogue. In example, a conflict experienced by B1 was resolved through increased communication and restoring the level of transparency. Similarly, the fintechs highlighted the importance of transparent communication and building of strong relationships in the handling of conflicts. Moreover, findings indicate that a high level of trust in a partner's good intentions enhance influence in negotiations and decision-making, where F4 explained how they listen more than necessary to the partner in question on issues related to product development due to their repeated show of support, arguing that "*it's about trust and relations*". Trust in the sincerity of the other actor's intentions was also explained to affect the amount of resources spent on the mutual project. As a result, being trusted by the other party may arguably both enhance their own influence in decision-making and mutual productivity.

In general, the collected data indicated a low level of conflict in the partnerships. However, the preventive and alleviating effect of individuals mediating conflicts in the relationship between the fintech and the bank was highlighted as important. Extant literature distinguishes between interpersonal and inter-organisational trust, but finds mutually reinforcing effects in that when individuals trust each other more, the organisations trust each other more (e.g. Gulati, 1995a; Zaheer et al., 1998). Our findings show that such individuals tend to be representatives from the banks who help navigate the internal political landscape, share valuable information and facilitate effective problem-solving between the parties. According to B2, the trust their startup partners have in their contact person to protect the fintech's interests and mediate disputes is crucial. The described function of such a committed champion to bridge the organisations and help solve arising issues resonates highly with the proposals of Pérez and Cambra-Fierro (2015a). Moreover, one fintech referred to early information from close personal relations as the reason why they managed to turn around and save the partnership after a poor performance in a project.

While literature argues that trust between individuals in organisations is closely tied to their role and processes, and therefore should be at a stable level even when these individuals change roles (Ybarra & Turk, 2009), our findings contrastingly indicate that in reality, the personal relationships and the personality and capabilities of the individuals matter to a high degree, and are not necessarily easy to replace. This may contribute to a larger vulnerability or dependence for both partners. Without weighing the consequences against each other, one might argue that there is an asymmetry in the repercussions; when losing an important ambassador or internal champion, banks express that they risk losing a part of the history and some technical know-how, while fintechs voice concerns of losing access to crucial resources and influence in decision-making. Notably, the power relation also comes to show in this issue: The studied fintechs do not have any influence on which individuals at the partner bank they had contact with, while one of the banks mentioned that they have contractually bound the co-founders to stay in the partnership.

P6: Internal champions and ambassadors can be a way to overcome asymmetry challenges, but also make the partners, particularly the fintechs, vulnerable to the event of said individuals changing roles, since personal relationships are not easily replaceable.

6.2.3 Reducing threats of opportunism

As discussed earlier, the threat of opportunism, a particular issue for new ventures in asymmetric alliances, is a prominent topic in prior research. Nevertheless, the fintechs in this study rejected any significant fear of opportunism in the partnerships in focus. Literature refers to trust as a key element in reducing the fear and threat of opportunistic behaviour (Alvarez & Barney, 2001; Bradach & Eccles, 1989; Gulati, 1995a). Similarly, the recurring opinion between the fintechs was that they had trust in their partner's intentions, where F4 explained that "*you could have had a dynamic where you were afraid to show your idea, because it can give them the opportunity to build the solution themselves, but we are not there at all*". In the case of the banks, their reluctance to excessively push prices in order to maintain a good relationship and their genuine interest in the success of their partner suggest that trust and relational bonds reduce the threat of opportunism (Alvarez & Barney, 2001), mirroring Bradach and Eccles (1989)'s definition of trust as easing fear of opportunistic behaviour.

In relation to the sharing of sensitive data, the collected data is diverging. This may be due to differences between the fintechs in services offered, uniqueness of technology, maturity of company and maturity of partnership. F1, who is in a established supplier-buyer relationship and is a comparatively mature fintech, argued that entrepreneurs are generally too scared, claiming that "*the problem is not oversharing, but rather undersharing*". On the other hand, F3 and F4 highlighted the importance of thoroughly working through the contractual agreements in order for the new venture to protect itself from opportunistic threats due to the large size difference. Fear of opportunism is related to predictability in the behaviour of the other actor, and prior research argues that there are two mechanisms to make behaviour predictable, one being a detailed contract, and another one being trust (Gulati, 1995a). Both tools are recommended by Alvarez and Barney (2001) as ways for small technology firms to mitigate threats of appropriation from a large firm. This is mirrored in the findings in this study as, although stressing the importance of thorough contracts, all fintechs admitted to sharing considerable amounts of information and data exceeding what is specified in their formal agreements. A recurring argument was that contracts are only relevant in the event of disagreement - the rest of the time, partnerships are fueled by trust. When trust is present in a relationship, one may choose not to negotiate aspects of the relationship in detail, as this limits the potential for learning and innovation (Pérez et al., 2012). However, Jakobsen (2020) argues that the smaller firm in an asymmetric alliance should not be inclined to naivety, but rather rely on contracts to regulate the cooperation. This was supported by some of the fintechs, where F3 argued that "*contract negotiations take time (...) because you have to look after yourself*". The contract can be seen as a way of facilitating deterrence-based trust (Gulati, 1995a) and minimising opportunistic behaviour. It should be noted, however, that none of the fintechs confirmed that they had been negatively surprised by their partner's actions in a way that affected their relationship, suggesting a certain level of predictability. Ultimately, one may argue that both knowledge-based and deterrence-based trust are crucial in fintech-bank partnerships to reduce potential threats of opportunism that new ventures are facing.

P7: Fintechs build both knowledge-based and deterrence-based trust to reduce threats of opportunism.

The findings regarding information sharing were spread in the case of the banks as well, although collectively showing a trend of a larger concern than the fintechs. For instance, B5 stated that nothing in their partnership relied solely on trust and relations, whereas B4 claimed that "*as long as we have incentives in common, there is no need to regulate things contractually*". Nevertheless, both fintechs and banks mentioned the considerable risks, and major corresponding potential repercussions, related to data security and compliance banks face, which may be explained by the rigorous regulatory environment they are operating within (Forbes, 2021). The divergent findings may therefore be rationalised by the dilemma of banks' need to control costs and risks and maintain a reputation of trust on one side, and facilitating innovation and meeting changing customer demands on the other side (E24, 2019). Thus, some of the cautiousness and the contractual bindings the banks impose may be explained by the sensitivity of the personal data exchanged between fintechs and banks, and the novelty of the technology.

P8: Strong regulations, sensitivity of data, and novelty of technology negatively affects information sharing between fintechs and banks.

6.2.4 Shared burden of trust-building and too much of a good thing

Building trust appears as a crucial ingredient, but can also be challenging to achieve. It is seen from literature that relationship management is a burden that often falls on the startup's shoulders alone (Pérez et al., 2012). This is, however, nuanced in our findings, in that banks also have to undertake efforts in building and maintaining the relationship. B1 admitted that building trust is something one has to actively work for: "*There is no point in just expecting that they trust us. We also have to show them that they really can trust us*". Nevertheless, due to the observed asymmetric dependence in most of the relationships studied, we argue that the fintechs are incentivised to make a stronger effort to build trust in order to help alleviate issues and increase their influence in decisions. As argued by Pérez et al. (2012, p. 150), "*for the small firm, investing in the relationship means investing in its own future*".

P9: Fintechs are more incentivised than banks to build the relationship in order to reduce consequences of dependence asymmetry.

Despite the seemingly many advantages of trust, it is also discussed in literature how trust may be a double-edged sword, in that it can also create a blind-spot and systematic biases in strategic decisions under conditions of uncertainty (Ferrin et al., 2003; Krishnan et al., 2006). This can be seen in relation with psychological dependence, which comes to show when partners are reluctant to dissolve the partnership due to a feeling of commitment to each other (Das & Kumar, 2009). In a highly disruptive environment, such as the fintech-bank context, this threat might be highly relevant to mention, as changing environmental factors may lead to a situation where it is best to change partner or terminate the partnership (Krishnan et al., 2006). However, none of the fintechs nor the banks mentioned anything about this issue. Although this might be explainable, such as that they were not directly asked this question, or that some of the partnerships are relatively new, this is a threat that both actors should be consciously aware of when making strategic decisions going forward. Answering to changing environmental factors should be prioritised even if it might compromise relationships - otherwise, it may prove detrimental to both firms (Krishnan et al., 2006).

However, trust has in this study been found to be important in mediating negotiations, alleviating risks, and increasing productivity. This supports the findings of Brinkhoff et al. (2015) in that negative effects of the asymmetric dependence, such as skewness in negotiation power and high risks, are alleviated by trust.

6.3 Concluding remarks

Table 6.3.1 sums up the propositions made under each RQ.

Table 6.3.1: *Propositions outlined in the discussion.*

RQ	Proposition
Dependence and power	**P1**: Fintechs in the nascent phase tend to overestimate their own power in relation to banks. **P2**: Fintechs' unique technical capabilities reduce the power asymmetry and create a significant interdependence in fintech-bank alliances. **P3**: Banks are generally not dependent on fintech partnerships in a short-term perspective, but they are dependent on them in a long-term perspective. **P4**: As the partnership matures and the product or service becomes more integrated, interdependence between the partners increases due to the complexity of digital products. **P5**: Differences in organisational decision-making processes and culture increase the power imbalance, but pose a valuable opportunity for banks to increase competitive advantage in the long run.
Trust and relationships	**P6**: Internal champions and ambassadors can be a way to overcome asymmetry challenges, but also make the partners, particularly the fintechs, vulnerable to the event of said individuals changing roles, since personal relationships are not easily replaceable. **P7**: Fintechs build both knowledge-based and deterrence-based trust to reduce threats of opportunism. **P8**: Strong regulations, sensitivity of data, and novelty of technology negatively affects information sharing between fintechs and banks. **P9**: Fintechs are more incentivised than banks to build the relationship in order to reduce consequences of dependence asymmetry.

The interplay between dependence asymmetry, sparking various issues, and trust, facilitating a productive collaboration between two intrinsically different organisations, emerges as complex and dynamic. Nevertheless, based on the presented empirical results, it is interesting to note that in many respects the experiences of fintechs in alliances parallel those of banks, creating a credible basis for theoretical contributions. The theoretical perspective of this study is grounded in RBT, making the resource dependence theory a natural theoretical foundation. Ultimately, situations described by the interviewees and dilemmas discussed in relation to the industry context were viewed through a lens grounded in the assumption that the rationale behind the formation of the partnership was the pooling of resources (Penrose, 1959).

A motivation for this study was a suggested dissonance between traditional asymmetric alliance research mainly involving conventional supplier-buyer partnerships and the evolving alliance structures in high tech industries. It has become evident that the form of fintech-bank partnerships is complex, dynamic and not necessarily confined to one of the established categories. In light of our findings, there tends to be more joint product development in the beginning, before the partners eventually move on to a more traditional supplier-buyer relationship as the product or service matures. Nevertheless, our findings seem to complement many arguments of traditional literature on supplier-buyer partnerships, although we find the power asymmetry to be less problematic in fintech-bank partnerships than argued in prior research due to a higher lever of interdependence. The background for this suggestion is the combination of unique resources of each partner. The intricate regulatory environment in the banking industry and the rapidly evolving consumer demands make specific resources less accessible to the other partner.

In addition, the intrinsic differences between startups and large incumbents leading the small firm to face more risks is argued to be inevitable and an equal distribution of risks and rewards should not be expected (e.g. Cox et al., 2003; Jakobsen, 2020; Knoben & Bakker, 2019). Consequently, the partners should accept a constant presence of power and asymmetry as long as they gain what they expect (Hingley, 2005; Muthusamy & White, 2006). However, the intrinsic differences between fintechs and banks may pose opportunities of enhanced value creation, which is argued to be the overarching goal of entering partnerships. Due to differences in strategic intent between companies in asymmetric alliances, the partnership can benefit from dual value appropriation, meaning that each actor fully appropriates a different and unique value from the relationship (Pérez et al., 2012). Consequently, this study shows that the parties in fintech-bank partnerships encounter several issues, risks and dilemmas rooted in resource dependence, but argues that there are considerable opportunities of significant value creation for both fintechs and banks if the actors manage to exploit the complementary capabilities and sort out the difficulties, arguably through a solid foundation of mutual trust and respect.

6.4 Limitations of study and implications for future research

Our findings make for several interesting future research avenues, some of which are guided by the limitations of this study. Firstly, the findings from the interviewees should be seen in relation with the partnerships' maturity and the fintechs' varying maturity and product offering. Notably, an attempt to nuance the analysis and the discussion with the different characteristics has been made, but the effectiveness may be questioned. For future research, still in an embedded single-case study, one could adjust the criteria for companies within the units of analysis. For instance, one could narrow the criteria for fintechs to understand one specific sub-industry, or see differences according to maturity or product offering. However, it should be noted that the relatively small number of fintechs in Norway does not allow for much selectivity on fintech type, and it is therefore challenging to obtain a homogeneous and still sufficiently large group of sample firms.

Moreover, the final group of interviewed firms only contained one actor focusing on a terminated partnership. As the other companies were in active partnerships, they might have been incentivised to not elaborate on negative aspects of the partnerships out of consideration of their partner. However, a conscious stance was taken to interpret the findings with this issue in mind. We do argue that our analysis captures a piece of the puzzle in understanding the phenomenon, and urge researchers performing similar studies to include more terminated partnerships, as it may provide a more critical and accurate analysis capturing more aspects of dependence and trust in asymmetric partnerships.

A particularly interesting future research avenue pertains to the point raised previously that the dependence between the partners is found to be affected by the observer's short-term or long-term perspective. To build on Cowan et al. (2015)'s efforts in studying shifting dynamics of strategic alliances, we recommend conducting an embedded longitudinal case study, as RQs that target evolution of a phenomenon are suited to this research design (Bass et al., 2018). This would enable researchers to capture evolution of dependence from both sides in an asymmetric alliance and enhance understanding of the phenomenon.

Furthermore, as we propose that there is a high interdependence in alliances between fintechs and banks, we encourage researchers to more closely investigate the correlation between interdependence and alliance success in the banking industry. While this study has considered asymmetric alliances as a case, it could be interesting to investigate these mechanisms by going deeper into specific cases of dyads of fintechs and banks. We urge more researchers to put efforts into understanding these complex and intricate phenomena, especially in the rapidly evolving industry context that surrounds fintechs and banks.

6.5 Managerial implications

Fintechs and banks exist symbiotically in a business ecosystem, and, although asymmetries create challenges, engaging in partnerships is shown to create synergies for both partners. Findings from this study raise implications for managers of both banks and fintechs who want to master the challenging task of engaging in asymmetric partnerships.

Bank managers should be concerned with succeeding in these types of partnerships in order to stay competitive in the future. As fintechs arguably will have increased influence as their solutions become adopted by consumers, banks should direct efforts towards enhancing their compatibility with fintechs. Adapting to the speed and agility of fintechs and reducing bureaucracy are examples of such measures that would likely appeal to fintechs' inclination to engage in partnerships. As fintechs drive an unbundling of traditional bank services and consumers become familiar with tailoring their own service provider portfolios to their own preferences, banks may have to increasingly prepare to become back-end service providers for fintechs. Alternatively, banks can choose the strategic path of investing in fintechs. In that case, findings from this study suggest employing a separate corporate venture arm and that fintechs' autonomy in product-related questions should not be compromised.

Fintech managers should be aware of the associated risks of dependence asymmetry, such as opportunism, but may increase the banks' dependence if they manage to reach a significant level of integration into their processes or diversify their value proposition from other fintechs'. Moreover, spending time to properly anchor the partnership at both sides and identifying win-win situations are found to be important for partnership success. Fintech managers should not overestimate their powers, but rather be consciously aware of and accept the asymmetry, while finding ways to mitigate its negative aspects. To decrease dependence on banking capabilities, one strategic choice could be to hire employees with bank experience who can provide understanding of the industry and the problems banks and their customers face.

An important strategic point for both sides is how they should respond to the rapidly changing environment in which they operate in. Both regulatory, technological, and consumer-specific changes may continue to disrupt the banking sector. We have found that while both banks and fintech emphasise the importance of having strong, trustful relationships, none of the interviewees acknowledged the corresponding danger of too much loyalty and trust. It has been shown that too much trust may contribute to strategic blind-spots and systematic biases under conditions of environmental uncertainty (Ferrin et al., 2003; Krishnan et al., 2006). This may be an increasingly important issue to keep in mind for managers going forward.

Furthermore, managers of both firms need to understand both the benefits of individuals and the inherent risk in relying too much on them. While our findings suggest that internal champions and ambassadors may help to overcome challenges of asymmetry, both parts are vulnerable to changes in such positions. Particularly fintechs should strive to mitigate this threat by involving more individuals from early on to decrease the associated risks.

Chapter 7

Conclusion

The interplay between dependence and trust and its effects on collaboration have been investigated through an embedded single-case study of Norwegian fintechs and banks. The study sought to answer two RQs. First, RQ 1: *How do dependence and power issues affect collaboration in fintech-bank alliances?* was answered. It was found that asymmetry in dependence and power lead to issues related to interdependence, threats of appropriation, and decision-making, which are often complex and interrelated. Several propositions were made relating to uniqueness of resources, integration of solution, and short- and long-term perspectives. Following, it was sought to answer RQ 2: *How do trust and relationships alleviate consequences of dependence asymmetry in fintech-bank alliances?* We discussed the role of trust in negotiations, conflict-solving and reducing threats of opportunism, and elaborated on its disadvantageous aspects. Propositions regarding these issues include the role of individuals, sources of trust, information-sharing, and decreasing dependence asymmetries through building trust. Overall, the power asymmetry is suggested to be less problematic in fintech-bank partnerships than in prior research due to uniqueness of resources. Moreover, there are considerable opportunities of value creation if the actors manage to exploit the complementary capabilities and sort out the difficulties, arguably through a solid foundation of mutual trust. Calls for future research include understanding of temporal and evolutionary aspects of dependence through different phases of partnerships, causalities regarding alliance success, and case studies involving both partners.

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Appendix A

Appendix

A.1 Interview guide

A.1.1 Introduction of researchers and study

- Introduction of us: short personal background, master thesis students at NTNU
- Introduction of the project: purpose of study, problem statement, anonymity and data privacy information
- Structure of the interview

A.1.2 Interview questions

Short introduction about interviewee, company and relevant partnership (5 min)

- What role do you have in the company?
- What role do you have in the partnership?
- What type of partnership is it?
- What experience does your company have with partnerships?

Differences in resources and influence (25 min)

Motivation and goals for the partnership

- What was the motivation to go into this specific partnership?
- What was the goal of this partnership?
- How equal are the goals and visions of you and your partner?

- Did your partner show interest in your goals of the partnership?

Strategic importance of the partnership

- How strategically important is this partnership for your company?
- How much time and resources is spent on this partnership relative to other activities or other partnerships?

Resources and capabilities

- What resources and capabilities does your company bring into the partnership?
- What resources and capabilities does your partner bring into the partnership?
- How well do you complement each other in terms of resources and capabilities?
- Have you found an optimal leveraging of the different resources and capabilities? In what way?

Mutual dependence

- What can your partner do that you cannot?
- What can you do that your partner cannot?
- To what extent are you dependent on your partner's technology, knowledge, network, etc?
- Is your partner's technology or property unique?
- Would it be difficult to replace your partner with another?
- How many alternative possible partners did you have when you entered the collaboration? Why did you choose this one?
- How do you set priorities and make decisions together?
- In what way does your company influence strategic choices and decisions? In what way does your partner?
- How would you describe the power balance?
- Have you been in situations where you have felt pressured to make an agreement or decision that was less favorable to you than desired, due to e.g. lack of time? In what way?
- How would your company be affected if you or your partner withdrew from the collaboration?

Relationship and trust (25 min)

Building the relationship

- How would you characterise the relationship with your partner? First and foremost between the companies.
- Is there an atmosphere of trust between you and your partner? For example,

is there a fair treatment of both parties, is information kept confidential, are promises held?
- How have you built relationship and trust with the other party?

Information exchange

- What information and knowledge is shared?
- How is information and knowledge exchanged?
- How often do you meet?
- What is the frequency of information exchange?

Predictability and stability

- To what extent do you regulate the collaboration through a contract?
- Which aspects of the partnership depend only on trust and relationship, i.e., is not contractually bound?
- Why do you have a contract for some areas of the partnership, but not for all?
- Have you ever been surprised by your partner's actions? If so, how? What were the consequences of this?

Key individuals

- In what way have relationships between individuals been important for the collaboration? In what areas?
- Are people who participated in the initiation phase of the partnership still present in the companies? If not, how has it changed the collaboration?

Challenges in the collaboration

- How have you handled diverging wishes and goals?
- Are there any bottlenecks in the collaboration?
- Have you experienced conflicts? If so, about what, and how have they unfolded?
- Have you encountered other challenges in fintech/bank collaborations than in other collaborations?

Result of collaboration

- Have you reached your goals of the collaboration? If not, why not? Can you link any of this to interdependence, trust or other things we have talked about today?
- Would you enter the partnership again if you knew what you know today? Why?

- Would you do something different?
- What learning points do you take with you in future partnerships?

Ending (5 mins)

- Do you have anything else you would like to add? Other characteristics, issues you have come across, etc?
- Citation check will be sent later
- Thank you for participating

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