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Mobilizing suppliers when starting up a new business venture

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Mobilizing suppliers when starting up a new business venture

Abstract

Prior research has shown that new ventures can complement their capabilities and extend their limited internal resources by drawing on suppliers. Yet, our knowledge of the supplier mobilization process in new ventures is limited. In this paper, we take a relational perspective on the mobilizing process, which entails investigating the scope for mobilizing suppliers in new ventures and new ventures' attractiveness to suppliers. Drawing on three new venture cases, we posit that for new ventures the scope for mobilizing suppliers: 1) ranges from the use of suppliers for the procurement of well-defined existing inputs to the co-development of various resources and capabilities with suppliers; 2) varies across ventures, reflecting the new venture's distance to market; and 3) depends on the supplier's assessment of the new venture's attractiveness as a customer. We also argue that the attractiveness of new ventures as customers to the suppliers is based on elements that differ from those found in studies of ongoing businesses, and include: 1) stimuli to innovate and develop new competencies, 2) reputational benefits and prestige, and 3) personal satisfaction.

Keywords: *customer attractiveness, new ventures, supplier mobilization, supplier relationships*

1. Introduction

This study connects to the IMP-related stream of research that over the last ten years has been increasingly concerned with the phenomenon of new business development (e.g. Aaboen et al., 2011, 2017; Baraldi et al., 2019, 2020; Havensvid & La Rocca, 2017; Snehota, 2011). Our specific focus in this study is on the process of mobilizing suppliers in new ventures. We define a new venture as an “organization in its early years of existence, whether initiated by an established organization or independent from an established organization” (Zimmerman & Zeitz, 2002, p. 414), and we distinguish new ventures from established businesses, which are generally well-known companies that have been operating for some time. The background of our study are two findings on the role of supplier relationships in prior research. Firstly, research has shown that mobilizing suppliers is essential for the development of new ventures (Ciabuschi et al., 2012; La Rocca et al., 2019; Larson, 1991). Secondly, research has also shown that mobilizing suppliers and accessing their resources can be a differentiating element of a firm’s performance (e.g. Ellegaard & Koch, 2012; Gadde & Snehota, 2019; Ramsay & Wagner, 2009; Ritvala & Salmi, 2010; Schiele, 2010).

More specifically, actual supplier mobilization is about customers inducing suppliers to commit resources to them (Dyer & Hatch, 2006; Ellegaard & Koch, 2012), but suppliers are not passive actors in that process. Suppliers choose the customers to which they want to commit additional resources, based on how ‘attractive’ they evaluate these customers to be (e.g. Ellegaard, Johansen & Drejer, 2003; Hald, Cordón & Vollmann, 2009; Mortensen, Freytag & Arlbjørn, 2008; Mortensen & Arlbjørn, 2012; Schiele & Vos, 2015; Tóth et al., 2014). Mobilizing suppliers thus stands out as a relational process in which the supplier’s perception of a customer as attractive is a condition for the mobilization to proceed. The notion of attractiveness of a counterpart has its origin in social exchange theory, where it is defined as the capacity to draw interest and attract the attention of another party (Blau, 1964; Kelly & Thibaut, 1978). Applied to buyer-seller relationships, the concept implies that “a buyer must make it attractive for a supplier to do business with his or her firm” (Galt & Dale, 1991, p. 18). A customer is attractive when the supplier has a positive expectation of the relationship with that customer (Schiele, Calvi & Gibbert, 2012). However, the factors of customer attractiveness can be difficult to pin down because of the relational and context-specific nature of the concept (Ellegaard & Ritter, 2006; La Rocca, Caruana & Snehota, 2012).

The development of first business relationships in new ventures has been increasingly explored in research on new business ventures (e.g. Aaboen et al., 2011; La Rocca, Ford & Snehota, 2013). Such research has focused primarily on relationships with customers and institutions such as investors, funding bodies, incubators and the like, and, to a lesser extent, on supplier relationships (Ciabuschi et al., 2012; Keating, Geiger & McLoughlin, 2010; La Rocca et al., 2019). Studies on supplier relationships of new ventures have focused on analysing the effects of new venture development, rather than on the process leading to supplier mobilization – that is, on the efforts and measures of the new ventures to mobilize suppliers – *and* on the suppliers’ perception of the new venture’s attractiveness. Our study, taking a relational view, revolves around two entwined research questions: 1) What is the scope for mobilizing suppliers in new ventures? and 2) What makes a new venture attractive in the eyes of a supplier? The term supplier mobilization in the context of this study refers to the activities of preparing, activating and deploying suppliers’ resources for use by customers, activities that can be influenced by customers’ attempts to mobilize suppliers (Ellegaard & Koch, 2012, p.149), acknowledging that such mobilization is conditional on suppliers perceiving the customer as attractive (Galt & Dale, 1991). As we deal with new ventures, we focus on the scope for supplier mobilization in the initial stages of development of supplier relationships, using the term scope in its general meaning to denote the space for movement or activity, or, in other words, the opportunity for operation. Translated into the context of supplier mobilization, this refers to the opportunity for operation the new venture sees in mobilizing suppliers.

To answer our research questions, we undertook a multiple case study drawing on analysis and comparison of three new ventures based on 43 interviews and secondary data. We found that (1) the scope for mobilizing suppliers is context dependent, and ranges from using suppliers for the procurement of well-defined inputs to a rather open-ended interaction to co-develop resources and capabilities, and that (2) customer attractiveness is based on elements that differ from those found in research on established businesses. We found the scope for supplier mobilization broader in (problem) market-driven new ventures than in (technology) science-based new ventures, and that mobilization becomes more focused as commercialization and full-scale production come in sight.

This study, contributes to the IMP stream of research on entrepreneurship (e.g. Aaboen et al., 2017; Baraldi et al., 2019, 2020; Snehota, 2011), in particular on the formation of new ventures' supplier relationships (Ciabuschi et al., 2012; La Rocca et al., 2019). Our study adds to the research on supplier mobilization and customer attractiveness (e.g. Ellegard & Koch, 2012; Ellram et al., 2013; Schiele & Vos, 2015) by shedding light on the distinctive elements of attractiveness of new ventures for suppliers such as the stimuli to innovate and develop new competencies, reputational benefits and prestige and personal satisfaction.

The paper is structured in six sections. In the section that follows, we examine previous studies on mobilizing suppliers and on customer attractiveness, and use this as an initial framework for our exploratory empirical study. In Section three, we discuss our methodology and analytical framework. In Section four, we report the findings from interviews conducted with stakeholders involved in three new ventures and with some of their suppliers. In Section five, we discuss the findings, and in Section six we formulate our contribution to theory and discuss the implications for further research and for management.

2. Theoretical framework

The insight that firms can enhance their performance by collaborating with suppliers is well established across various research fields, such as supply chain management, strategic management, industrial marketing management and innovation studies. Supplier relationships have a strategic role (e.g. Gadde & Snehota, 2019) because they potentially enhance the resource portfolio of a business, and consequently its capacity to create value (Simon, Hitt & Ireland, 2007). Extensive empirical research has shown that businesses mobilize supplier resources primarily to achieve cost efficiencies (Dyer, 1997; Kang, Mahoney & Tan, 2009). Other studies, however, show that suppliers can be mobilized not only to rationalize operations (cost efficiencies), but also to develop customers' business (innovativeness) and to structure the supply chain and position customers in the existing business network (Gadde, Håkansson & Persson, 2010; Gadde & Wynstra, 2017). Several studies have found customer-supplier relationships to be a major source of innovation (Håkansson & Waluszewski, 2007; Luzzini et al., 2015; Sawhney, Wolcott & Arroniz, 2006).

Unlike the concept of 'supplier selection' (e.g. de Boer, Labro & Marlocchi, 2001), the concept of supplier mobilization entails acknowledging the relational nature and dynamics of

the process. It builds on the idea that resources are not just out there to be acquired, but have to be actively accessed, connected and combined in the process of supplier mobilization (Ellegaard & Koch, 2012; Håkansson & Snehota, 1995; Lilliecreutz, 1998; Villanueva, Van de Ven & Sapienza, 2012). The issue then becomes how a company “manages to get suppliers to mobilize their resources to prioritize the buying company in the first place” (Ellegaard & Koch, 2012, p. 148). Some scholars have argued that becoming a “preferred customer” (Schiele, Veldman & Hüttinger, 2011; Schiele et al., 2012) and obtaining external resources superior to those of competitors is a challenge for the buying firm (Ellram, Tate & Feitzinger, 2013).

Understanding supplier resource mobilization, which is a relational process involving deliberate preferential treatment, requires examining how suppliers decide to allocate resources to customers (Mitsuhashi & Greve, 2009). This has led to the notion of ‘customer attractiveness’ and the argument that resource mobilization requires the supplier to perceive a certain customer as “attractive” (Galt & Dale, 1991). The benefit of being perceived as an attractive or “interesting customer” is that it tends to result in superior supplier performance (Christiansen & Maltz, 2002; Schiele et al., 2011). Attraction has been defined as “the extent to which relational partners perceive past, current, future and potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility” (Harris, O'Malley & Patterson, 2003, p. 12). However, attraction is a relational concept; there are no objectively attractive customers, and attractiveness lies in the eyes of the beholder (Ellegaard & Ritter, 2006). La Rocca et al. (2012) identified four dimensions of customer attractiveness in the B2B context: development potential, intimacy, relational fit, and profitability. Similarly, Tanskanen and Aminoff (2015) identified four drivers of customer attractiveness: economic, behavioural, resource and bridging. Both studies suggest that the relative weight of the various dimensions of attractiveness depends on the context (La Rocca et al., 2012; Tanskanen & Aminoff, 2015). In the competition for suppliers’ resources, Pulles et al. (2016) have pointed to supplier satisfaction as another aspect to consider when customers compete for suppliers’ resources. They argue that “attractive customers are not necessarily preferred customers if they are unable to satisfy the supplier. Conversely, other buying firms might attain the best resources, despite their perceived lower attractiveness” (p. 137). In line with these arguments, Vos, Schiele and Hüttinger (2016) found four dimensions of supplier satisfaction suppliers use to

allocate their resources: perceived growth opportunity, relational behaviour, operative excellence and profitability.

Turning our attention to new ventures, we find several studies that stress the importance of external partners to access resources essential for a new venture's development (e.g. Ciabuschi et al., 2012; Hoang & Antoncic, 2003; Jack, 2010; Song & Di Benedetto, 2008; Stuart & Sorenson, 2007). Ciabuschi et al. (2012) argue that new ventures can assemble the needed dispersed resources only through interaction in business relationships. Unlike established companies, new ventures have to create business relationships with suppliers and customers from scratch, which is a challenge for new ventures, which often lack the resources for doing this (Laage-Hellman, Lind & Landqvist, 2017). While most studies of initial relationships in new venture development have focused on customer relationships (e.g. Aaboen et al., 2013; Aaboen, Dubois & Lind, 2011; Coviello & Joseph, 2012; Laage-Hellman, Landqvist & Lind, 2018; La Rocca & Snehota, 2014; Onyemah, Rivera Pesquera & Ali, 2013), we also have a few hints on new ventures' supplier relationships (Laage-Hellman, Lind & Landqvist, 2017; Landqvist & Lind, 2019; Song & Di Benedetto, 2008). Song & Di Benedetto (2008) have shown that supplier involvement is pivotal to a start-up's product innovation performance. Laage-Hellman et al. (2017) have shown that when a startup initiates collaboration with a supplier, it is mainly to solve specific technical problems (Laage-Hellman et al., 2017). The authors illustrate the "difficulties a start-up may encounter when approaching potential suppliers", and highlight that suppliers hesitate to become involved as "the risk may be perceived too high, given the start-up's lack of resources, competencies and track record, and the uncertainties associated with the invention" (p. 163). This is in line with the findings of other studies that have evidenced new ventures' difficulties in relating to external actors in their early stage of development (La Rocca & Snehota, 2014; Onyemah et al., 2013). When a new venture relates to other businesses, it often lacks "clear organization, expectations, experience and intentions in its interactions" with counterparts (La Rocca et al., 2013, p. 1030). While several studies testify to the difficulty new ventures experience in *relating* to external actors, some have greater difficulty than others do, according to the context and nature of the business. For instance, science-based new ventures, often embedded in university incubators and similar environments, often experience difficulties in developing business relationships as they are typically inward looking (Havenvid, 2017; Lubik & Guarnsay, 2016; La Rocca, Öberg & Hoholm, 2017), while new ventures initiated by an

established organization may rely on the support of the mother company when developing new business relationships (La Rocca et al., 2013).

Against this background, we identify a need to examine the scope for supplier mobilization in new ventures and the elements of attractiveness that may induce suppliers to commit their resources to new ventures as customers. We have thus undertaken an empirical research study as explicated below.

3. Methodology

To answer our research questions - 1) What is the scope for mobilizing suppliers in the context of new ventures? and 2) What makes a new venture an attractive customer in the eyes of the supplier? - we adopted a multiple-case study approach (Eisenhardt & Graebner, 2007) and examined three cases of new ventures (the focal companies in the study), whose names are disguised to ensure confidentiality. A case study approach was taken because the boundaries of the phenomenon of interest are not neat (Yin, 2009) as our study deals with ongoing processes whose key actors are in development. Our case selection was motivated by theoretical concerns (in line with the literature pointing to differences among different types of ventures) as well as convenience and opportunism (Miles & Huberman, 1994), as we selected new ventures whose founders were willing to engage in the data collection and provide access to their suppliers. Given that previous research shows differences among different types of ventures that are relevant for the purpose of our study, in selecting our cases we looked for diversity in the contextual situation (Welter, 2011; Welter & Gartner, 2016). We have therefore selected a new venture initiated by an established business (MES) and two independent ventures: a science-based and technology-driven venture (ALA) and a market-driven new venture (BEA). Following these criteria, the university incubator hosting ALA and BEA facilitated the choice of the cases. ALA was selected as a typical science-based, technology-driven venture (Lubik & Garnsey, 2016), while BEA was selected as a traditional market-driven new venture starting from a known industry problem and building on a new solution under development. MES was selected as a new venture initiated by an established organization.

We collected ‘dyadic data’ that incorporated supplier mobilization and customer attractiveness assessment as two complementary processes. For each new venture, we interviewed the internal members of the new venture and carried out the interviews in the

supplier companies between 2017 and 2018, (see Table 1). The ten internal members of the new ventures (with whom we had contact facilitated by the university's incubator) were interviewed three or four times over the data-collection period in order to better appreciate the contextual factors and understand the evolution of the new venture. Five open-ended questions guided the interviews in the new ventures: 1) Who do you perceive as an important "partner/supplier" for the new venture? 2) What are the reasons for relating to this supplier and its resources? 3) How do you judge your experience with the supplier(s) so far? 4) What problems did you encounter? 5) How do you judge the outcomes? In the supplier organizations questions that guided the interviews were: 1) When and why did you engage with this customer (new venture)? 2) What, if any, returns or benefits do you expect from working with this new venture? 3) What risks do you see in the situation? 4) How do you judge your experience so far?

[Insert Table 1. Key informants]

The interviews (43 in all, with 18 informants) lasted from 30 to 90 minutes and were recorded and transcribed. We also used secondary data, such as business plans and other internal documents as well as information retrieved from the web to enrich the case study. We analysed the collected data and developed the case description relying on existing theoretical frameworks (Yin, 2009). We first coded the data descriptively (sections 4.1-4.3), following the same structure for each of the three cases. In the first part of the case description, we set out the idea, origin and development of the new venture, following Langley et al. (2009), who suggested considering how managerial and organizational phenomena emerge, change and unfold over time. This allowed us to develop a timeline and appreciate the contextual factors of the new ventures, which we found critical in answering our research questions. We then report specifically on the supplier mobilization process and the supplier's assessment of customer attractiveness. We identified all the places in an interview when an informant said something relevant to our questions (Richards & Richards, 1994). On one side, in line with the definition of supplier mobilization, particularly the argument that supplier mobilization is influenced by customers' attempts to mobilize suppliers (Ellegaard & Koch, 2012), we looked at various instances of the approach and actions of the new ventures' founders toward suppliers/partners in attempts to mobilize them. We paid attention to awareness of the need to mobilize suppliers and to the opportunities perceived in relation to potential suppliers. On the other hand, building on prior research on customer attractiveness, we looked at the reasons

that motivate suppliers to commit some of their resources towards new ventures; we called these reasons ‘elements of attractiveness’, in line with previous studies (e.g. La Rocca et al., 2012).

In a second step (reported in Section 5), we performed an across-cases analysis, with the aim of linking empirical observations to the existing body of theoretical knowledge (Dubois & Gadde, 2002; Ragin, 1992; Schreiner, 2016). This analysis allowed us to single out and analyse the differences and similarities in the scope of mobilizing and in the related elements of attractiveness in the three cases, and to examine the role of contextual factors in explaining the differences. The across-cases analysis was performed by confronting findings from cases with an existing theoretical understanding of supplier mobilization and customer attractiveness (reviewed in Section 2). In particular, we have compared the scope for mobilizing suppliers that emerged in our cases with previous insights on supplier mobilization by established customers (e.g. Gadde, Håkansson & Persson, 2010; Gadde & Wynstra, 2017; Håkansson & Waluszewski, 2007) as well as by new ventures (e.g. Laage-Hellman et al., 2017). In the same way, we have used existing knowledge on customer attractiveness and specifically on the “elements” (La Rocca et al., 2012) or “categories” (Taskanen & Arminoff, 2015) of attractiveness of established businesses for comparison with the elements of attractiveness that emerged in our three new ventures. The across-cases analysis allowed us to provide an explanation of the link between the scope for mobilization, the elements of attractiveness and the features and contexts of the new ventures.

4. Cases

4.1 The case of ALA

4.1.1 The idea of business

ALA is a start-up based on the idea of airborne wind energy systems (AWES). These systems aim to exploit winds 200-600 meters above the ground, which are up to 10 times more abundant than ground winds. In principle, AWES consist of a flying device (sail, kite, or similar) connected by a tether to a power generator on the ground. When the flying device gains altitude, there is a generating phase that alternates with a recovery phase when the device loses altitude. There are several AWES projects being developed in various countries, but none is yet ready for commercial power generation. Ground-based wind turbines are

currently the most cost-efficient power-generating technology, and attract the majority of new investments in renewable power. The general interest in AWES is based on the belief that it could overcome some of the limitations of the ground wind turbines, and the cost of energy from AWES is expected to be competitive compared to ground turbines. AWES could complement and serve as a substitute for wind turbines.

The ALA project, launched in 2014, is led by a four-person team: the head of the team (CEO), who has an MBA; the Chief Technology Officer (CTO), who is an engineer with expertise in the design and construction of aeronautical composite structures, and who has previous experience in designing wind turbines; the Chief Marketing Officer (CMO), who has previous experience as the R&D manager of Altitude Wind Energy projects (and is a consultant for the European Commission); and the Chief Financial Officer (CFO), who has experience in business planning and mergers and acquisitions. Firmly rooted in institutional entrepreneurship support networks, ALA participated in various rounds of fundraising that netted €500,000, and is actively seeking further funding for ongoing technical development.

ALA solution (SP) consists of a patented, fully autonomous flying device – “a box-wing drone” that pulls the generator on the ground. The SP concept consists of three parts: the drone, the power-generating unit on the ground and the software to control the system’s operation. The system could be used as a standalone to produce electricity off grid or plugged into a power grid. A prototype (SP1) currently being tested appears to offer higher wing efficiency and flexibility than alternative devices. Within a few years, ALA plans to put into operation an intermediary model (SP2) with a wingspan of about six metres, capable of a power output of 50 kW (corresponding to the output of a small ground wind turbine). Thereafter, ALA aims to construct SP3, a drone with a wingspan of 17 meters and an output of around 150 kW and an expected power generation range of up to 1MW/year, comparable to average ground wind turbines.

ALA is considering various application areas but has limited knowledge of the energy production ecosystem in which the SP2 and SP3 would become a part, and of its key players. However, the team is increasingly aware of the need to define various business aspects of the venture. The use of SP2 as a solution for temporary power generation in localities that are remote from power grids, such as isolated rural areas or islands, has been discussed. ALA’s

current focus is on the development of the concept and on the technical solution of the drone, and the company is working on scaling it up towards the final dimensions (SP3).

The original idea of the business was to focus on the design and construction of the drone and to outsource the engineering, procurement, construction and commissioning (EPCC) of the actual installation to other companies. Both the SP2 and SP3 models require the involvement of partners capable of constructing, producing and installing the system, and possibly some other businesses that can operate the system and connect to an existing energy supply infrastructure for some end users.

4.1.2 Supply side

ALA has approached a few suppliers and partners for the construction of the prototypes of the box-wing drone. Except for the drone, which is an original design that resulted in several patents, the main parts of the system are currently based on components available on the market. The ground power generator used is a relatively standard solution available from an existing supplier. The development of software to monitor and control the operation of the system has been commissioned to an academic research institute.

For the prototyping of the drone, ALA turned to a mid-sized Slovenian company with the competence and equipment to construct and assemble prototypes on an appropriate scale. A local utility company as a partner has offered a site for testing the prototype and has lent some test measurement equipment to ALA. Mobilizing industrial suppliers of system components, assemblers or system integrators has not been the team's priority. However, the team has acknowledged the need to address the issue, and ALA has approached a mid-sized engineering procurement and construction company (EPC) that works with renewable energy solutions to identify potential partners for commercializing the SP2.

ALA approached some large-equipment manufacturers (e.g. Siemens), and elicited some attention but no tangible commitment. In an interview, one of these major operators in the field explained:

The ALA project is interesting, and so are AWES in general, but we can only ask ALA to come back when the solution idea is more developed and the industrial and business implications become clearer. (Sales manager of SE)

We are only interested in solutions that can be scaled up to commercial on grid power generation... developing an economically feasible solution is bound to take some time. (Sales manager of SE)

Minor players in the energy field were more interested in the smaller-scale solution SP2, which could be installed for small private operators. After discussions with ALA, a potential investor opined:

If the ALA people are right about how the solution will be, it could be economically interesting. With current regulations, it might even yield some profits, but this will only happen if the [airspace] regulations will clear the AWES. (Sales manager of EPC)

The theoretical cost advantages of the AWES solution for power generation resonate well with various stakeholders in principle, even though an industrial-scale deployment is likely to take some time. Current partners are attracted by the “publicity and prestige” of the project and the positive overflow in terms of image:

We are very proud to be part of such an interesting project even if the commercial returns are far ahead. (CEO of AE)

External parties see ALA as an advanced technology project that meets the criteria common in the institutional start-up support network, since it involves technologies at the frontier. None of the current industrial partners is concerned about the direct economic returns from the project, and considers working with ALA as a way to keep updated and eventually to acquire new know-how.

The project is very prestigious, and taking part in it can help open other doors. This will help find funding for it among both private and public bodies. (CEO of AE)

The market side of the project has yet to be clarified. ALA would prefer to focus on design, development and contract manufacturing of the drone, and to outsource the system development and installation. The management team, however, is open to other business model options. Suppliers have been limited to those needed to develop the prototypes (modeling, solution development). However, as proof of the concept of the full-scale prototypes of SP2 and SP3 approaches, there is an emerging need to find suppliers and partners with competencies and resources for the actual industrial-scale deployment. After four years of focusing on solving technical issues in developing the flying device, testing the market concept is now in sight, and the ALA team is increasingly concerned about finding suitable business partners, even though the actual business model must still be settled.

4.1.3 Mobilizing suppliers and customer attractiveness

The scope of mobilizing supplier resources in ALA is rather limited and reflects the primary focus of management on the technical development of the solution. Indeed, the scope for mobilizing suppliers has been limited to the procurement of materials and components that are available on the market for the prototype under development. The need and opportunity to mobilize suppliers beyond the pure acquisition of existing resources starts to be recognized only when the new venture comes closer to the industrialization and commercialization phase. However, the scope for mobilizing suppliers is vague and limited, as ALA's future business has yet to be defined. ALA management's limited interest in actively mobilizing suppliers appears to be related to some extent to the founders' concern about protecting their intellectual property.

Suppliers approached by ALA (e.g. academic research institutions, the EPC company, the supplier constructing the prototypes) have not been attracted primarily by the expected direct economic returns of doing business with ALA, as these appear rather limited within the foreseeable future. The principal element of attractiveness in suppliers appears to be the halo of science, technology and prestige that accompanies the ALA project. The possibility of keeping abreast of technological developments potentially relevant to the supplier's business is a valid reason for committing some resources to ALA. Also the "prestige and reputation" of various actors and institutions related to the new venture's project is an element of attractiveness for some of the suppliers. However, at the current stage of development of the concept of ALA, potential suppliers/partners, such as large system integrators like Siemens, see few elements on which to assess ALA's commercial attractiveness. These potential partners have difficulty figuring out how ALA could fit into their businesses and what resources to allocate to the new venture.

4.2 BEA

4.2.1. The idea of business

BEA has developed and is about to introduce to the market a new beehive design: Primal-Bee System (PBS), which helps to fend off the weakening of bee colonies. The background to the BEA project is the "world's honeybee crisis", which led to a reduction of 25-40% of the commercial bee stock in the US and Europe over the past 10 years. Experts worry that there

will eventually not be enough bees to pollinate crops, which will have potentially serious effects on agricultural production.

BEA has its origins back in 2009, when two mechanical engineers connected the weakening resistance of bees to the less favorable habitat of commercial beehives, elementary wooden boxes with considerable thermal energy loss. This led the engineers to experiment with a hive design that reproduces a natural habitat with less thermal loss. The product, PBS, was tested under different environmental conditions, and the tests showed that limiting the thermal loss of the hive makes new generations of bees more resistant to pollution and parasites.

In recent years, BEA became connected to the national support network for start-ups and received about €150,000 from a funding organization. While the partners of BEA are motivated by the prospect of “providing an effective solution with effects on the worldwide food-chain” (CEO of BEA), the academic establishment has been more sceptical of the idea of PBS. The concept of a “thermally effective hive” is foreign to the academic community, where the focus is on biological and chemical solutions. Because of the lack of support in academic circles, BEA directly approached beekeepers in Italy, Israel and the US who were willing to try it out. In the process of testing the solution with the beekeepers, the founders have learned a lot about the industry and its players.

During their visit to the US in 2016, the founders discovered that using bees for pollination is particularly important for almond growing in California. The almond plantations in California cover some 250,000 ha (one million acres), and more than 500,000 bee colonies are used to pollinate these. Natural bee stocks are only marginal in relation to the need for pollination, and a business of “beekeepers for pollination” has emerged. Over the past 10 years, the cost of pollination for almond growers has increased nearly tenfold (from \$20 to \$180 an acre).

BEA plans to commercialize the hives, especially in the US. The visit to the US led to contacts with two almond growers and two pollination companies. One is TWC, which owns 10% of the almond orchards in California. TWC became interested when BEA presented the results of the tests carried out. TWC and another two major pollinator businesses agreed to acquire a pilot series of the PBS (about 50 each) to test on their premises. To meet the requests of potential customers to document the benefits of the PBS hives, BEA developed a “Beecounter”, an instrument that registers the exits and entries of bees from the hive,

movements that can be correlated with pollination. Prototypes of the Beecounter documented an increase in hive activity of up to 30% when PBS was used, instead of conventional hives.

4.2.2 Supply side

The PBS consists of a box moulded in polyurethane plastic (patented in 2016), which was developed in collaboration with three suppliers. During the early stages of the prototype's development in 2013, BEA approached two suppliers identified through informal social connections. The first, IC, is a mid-sized company producing large objects in plastics (e.g. plastic seats). The owner became interested in the idea and introduced BEA to DS, a company located in the same region with 15 employees. The company designs and produces moulds for IC and other similar producers. Discussions with DS led to refining the design of the PBS. Both DS and IC have committed resources and time over more than two years, and have discussed various solutions with BEA that capitalize on their competencies in production and the design of the moulds. The contacts have intensified as the test series of PBS for the US have been prepared. Both DS and IC are privileged suppliers for BEA, but in view of the possibility of marketing PBS on a large scale (thousands of pieces), other sourcing options have been examined. Discussions have been held with IC and DC to have a US company produce the hives for US customers using DC moulds, and both suppliers accept the business logic behind such an arrangement. As TWC is developing a large almond orchard in Portugal, and there are some other prospective clients, BEA aims for DC to produce beehives for the European market. In the progression towards serial production, the two suppliers have become increasingly involved in the venture, and a third important supplier has emerged. While the idea and software were being developed by a junior colleague of the partners, BEA found a mid-sized Swiss company (BC) as a suitable partner for producing the Beecounters. With commercialization in sight, BEA is also looking for suppliers of some standard components (e.g. wooden frames for beehives) and logistical services.

Asked about the reasons for engaging with BEA and committing some resources to it, the three key suppliers offered similar answers. Until now, both IC and DS have absorbed the costs of development, confident it will generate some business in the future. None of the three sees BEA as one of their major customers in the near future, even though the business potential is considerable.

Our business suffers due to the weak market for a few years now, so we value every new order. However, BEA is unlikely to become one of the ten largest customers we have. (Owner/CEO of DS)

The future business with BEA looks promising but probably not getting to volumes we achieve with some other customers we have. (Owner/CEO of IC)

All three suppliers said their reasons for committing some resources to BEA were not directly related to business interests. IC and BC empathize with the pathos of the BEA founders and their personalities, and have developed quite strong personal bonds. Neither of the suppliers has found the relationship with BEA to be particularly challenging technically, but since none works with international customers, they appreciate the international projection of BEA.

Our company is committed to some social initiative, such as offering employment to disabled and minorities. We consider CSR a part of our mission. We feel that the BEA societal impact is interesting, and we like the idea of being a partner to such a project. (Sales manager BC)

Quite apart from the business aspects, I really like the two guys [BEA founders]. It is a pleasure to see how committed and competent they are. (Owner/CEO of the supplier IC)

Drawing on suppliers' technical competences was important for the two founders, and they appreciate the role the suppliers played in developing the commercially viable design of PBS. While the technical aspects of the product solution have been the main issue in the past, the business issues tend to come to the fore as commercialization and full-scale production is in sight.

We have learned a lot about the technical issues from the three suppliers; now the discussions are shifting more towards costs and business solutions. We still learn from their experience. (BEA's CEO)

The industrialization of the solution and the increasing tangibility of the market prospects have increased engagement with the suppliers taking considerable amount of effort and attention on the part of the founders.

4.2.3 Mobilizing suppliers and customer attractiveness

The solution concept under development (PBS) in BEA originates from a known and relatively well-defined problem (the honeybee crisis), and the idea of the business has its roots in a problem that is urgent and relevant for a definite category of potential customers/users. The specific application of the solution (PBS) has been clear since development of the solution began. As the actual product solution (PBS) has been taking form, BEA's management, aware that developing relationships with suppliers is a condition for starting the

business, clearly acknowledges the need to industrialize and commercialize the solution. The scope for mobilizing suppliers is quite broad, as BEA's management draws on suppliers' technological and organizational resources, skills and competencies to address technical and managerial issues. BEA's management does not see the eventual dependency on suppliers as a problem.

On the other side of the relationship, the suppliers interviewed (DS, IC and BC) see BEA as a trustworthy customer/business partner, and expect some direct sales to BEA in the near future, but none of the three suppliers expects BEA to become one of their largest customers. The fact that the PBS solution is anchored to a clear application area and market helps the suppliers understand the type and entity of possible commitment of resources, and thus to figure out the possible future costs and benefits from working with BEA. While the expected profitability and growth potential from BEA is limited, the social aspect of the venture seems to play a non-marginal role in the suppliers' decision to allocate some resources and to make their know-how available to BEA. BC, for instance, finds the project laden with CSR that is of interest to them because the company has social responsibility initiatives as an important part of their mission. Also, for DS and IC, the social significance of BEA's beehives is among the reasons for their commitment. However, the two also emphasize personal motivations and put value on their personal relationships with the BEA founders.

4.3 MES/ SGS venture

4.3.1 The idea of business

MES is a minor utility company that launched a smart-grid solution (SGS) project in 2016. With a staff of 30, a turnover of about €50 million, and a history that goes back to the 1940s, it produces and distributes electricity in nine municipalities serving about 10,000 users, most of which are residential but also include some commercial and industrial customers. Like many other utilities, it faces a fast-changing technology and market context, which challenges the traditional model of centralised power production and distribution through a grid to users, in which utilities act primarily as distributors. New energy sources (especially solar and wind) entail fluctuations in production that depend on changing weather conditions. Current regulations tend to promote and incentivize alternative sources, even on a minor scale on the grid. Utilities then face the challenge of balancing various inputs to secure stability in the charge of the grid. At the same time, the traditional business model is changing, as users can

simultaneously be producers and suppliers to limited local communities. Coping with a context in rapid evolution requires re-designing the grid control system and its administration, to permit frequent metering and adjusting production to balance inputs and outputs, as well as accounting for measuring consumption and production on which various compensations, including the subsidies, are built.

MES management initiated the SGS in 2016, anticipating the impact of trends in production and consumption patterns. The project aims to develop a solution to balance the input and output of the grid (smart grid and meter) and a solution that can support the development of new services for users (smart market). Being early in recognizing the need for a solution and getting positive reactions within the industry, the management is set to produce a “smart grid solution” to be deployed by MES and offered to other utilities. MES management is committed to pursuing this opportunity because, within the industry, there is a clear perception that these trends are accelerating and technologies that support the smart grid are maturing.

4.3.2 Supply side

MES management is fully aware of the need to bring different technologies, resources and competences into the project and to involve selected partners and potential suppliers in the SGS venture. The aim of the project is to have a test version of the smart grid in a year’s time. Management has collaborated closely with the Institute for Artificial Intelligence (IAI), well known for developing optimization algorithms. It has also sought financial support from the national innovation agency to finance the involvement of IAI as a non-profit research institution. MES has approached OPT, a mid-sized general contractor and consultant on software solutions for utilities and energy companies with which MES has worked on a few minor projects in the past. MES has also approached L&G, a multinational producer of measurement instruments, enquiring about meters for the smart grid. L&G has been a supplier to MES, but the latter has never been a major customer of L&G. L&G started developing their meters some years ago in view of the future demand for “intelligent meters”; but when approached by MES they opted to work with MES on the SGS new venture with a whole team dedicated to developing the “smart meters”. Apart from minor direct outlays, both L&G and OPT have committed significant resources to SGS in the project, an equivalent of several men-years. At a later stage, another large utility (LU), which had campaigned for a smart grid

since 2011, approached MES to collaborate on the project and offered some support and testing.

For L&G, participation in the project meant abandoning an earlier in-house project and committing three to four persons part-time to the project, anticipating a budget of a few hundred thousand euros. In all, some 10-15 persons in L&G are familiar with, and involved in, the project, including R&D, sales and marketing. OPT also dedicates several persons to work on the project, with an estimated budget of several hundred thousand euro. The three suppliers agreed to take part in the project and dedicate some resources without raising the question of financial returns.

When interviewed about the rationale for committing significant resources to the SGS venture, the suppliers confirmed that the prospect of direct business (direct sales to MES) was not a major factor. An important reason for the commitment was the “future business potential” of the solution being developed from other customers in their businesses. Quantifying the business potential at the current stage of development was not a concern. The partners link future business potential to the joint development of specific technical competences needed in their business: the meter requirements and solutions for L&G, the grid control system design for OPT, the development of the system for LU and the algorithm for large data analysis for IAI. The suppliers motivated the commitment by referring to “learning” and acquiring the skills and competences necessary to develop products and services (meters, control systems, etc.) to address emergent trends. The expected “learning” motivations emerged as follows:

We need to develop the know-how and to keep updated about what is happening, and what solutions are to come. (Sales and project manager of OPT)

We are investing in this project to hedge our future standing on smart meters. There is a risk that the project will not achieve the aims, but then it is a sign of our limited capability. However, there is more to lose not to be in. (Commercial Director of L&G)

Teaming with competent others was stressed:

It is difficult to predict if the technical solution will be successful... of course, we trust our competences, but you can never be sure of the outcomes of such an innovative project. Therefore, it is good to confront with others struggling with the same problem, even if from different angles. (Commercial Director of L&G)

An important element of legitimation for the suppliers is the reputation and prestige of other actors involved with SGS:

Participating in the project gives you a good reputation. All the participants are respected industrial realities. It feels like being part of a respectable club. (Sales and project manager of OPT)

IAI is a very prestigious partner; it is an important sign that it is at the front of development. (Commercial Director of L&G)

Furthermore, personal factors have been cited as a reason for committing their own organization to the SGS venture of MES. Social networking and previous experience have played a significant role too:

Previous experience from dealing with MES people has been pleasant and interesting. (Commercial Director of L&G)

4.3.3 Mobilizing suppliers and customer attractiveness

The SGS venture originates in a problem experienced in the operations of the mother company (MES). The parameters of the problem to be solved are well defined, and it is clear to management that solving the problem will require a certain set of resources, skills and capabilities that the venture (and its mother company) does not have, but that can be mobilized through relationships with known suppliers. The scope of mobilizing suppliers is well delimited, and the focus is mostly on technical aspects, even if some commercial aspects are present. The presence of the new venture's mother company makes the scope of supplier mobilization and attractiveness more similar to the one that can be found in ongoing businesses, as the suppliers are activated for co-developing solutions on which there is a fair common understanding.

SGS is an attractive customer for suppliers because of its business potential, but this potential does not reside directly in SGS as a customer. Suppliers anticipate promising indirect returns and potential business for their respective companies as a fallout from the project. The SGS project is rooted in the specific context of managing utilities with which suppliers are familiar, which facilitates the commitment of certain suppliers' capabilities and resources. L&G and OPT are motivated primarily by exploiting the technical solutions they are co-developing with MES/SGS with their other customers. Also, LU expects similar business potential related to the commercial and management aspects of the SGS project (developing new retailing services). A major element of attractiveness of the SGS venture is thus the possibility of developing distinctive new capabilities and competencies (technical and commercial) on

which the suppliers can capitalize in their own businesses. The co-development of new solutions is driven by a shared perceptions of trends in the suppliers' markets and the apparent need to innovate their own businesses.

Suppliers also rely on their satisfaction with prior interactions with the mother company as an element of attractiveness of a new venture. Due to the 'spin out' nature of this venture in the first phase of development and the fuzzy boundaries between the new venture (SGS) and the mother company, the judgment of attractiveness is related to both SGS and its mother company.

5. Across-cases analysis

In this section we analyse the differences and similarities in the scope for mobilizing suppliers and customer attractiveness across the three cases and look into the reasons for this variation by examining the link between the scope for mobilization, the elements of attractiveness and features of the new ventures and their contexts. Table 2 provides a summary of this analysis.

[Insert Table 2 about here]

Mobilizing suppliers in the three ventures is clearly different in terms of how broad the actual scope is and in the attempts to mobilize suppliers. The scope for mobilizing suppliers in ALA is rather narrow, limited to the procurement of standard product solutions existing in the market, and to some collaboration with a research institution on software development. The process is largely spontaneous and appears to be unmanaged or receiving scant attention from the venture's management. The scope for mobilizing suppliers is much broader for BEA, where suppliers' resources and competencies are used to address both technical and commercial issues. While approaching the suppliers is largely unplanned, using them to solve various problems is conscious and effectual; all three of BEA's respondents were more or less continuously involved with the suppliers. In SGS, the scope for mobilizing suppliers is solution oriented and focused on technical resources and competences. For managerial competences, the venture's management can draw on the mother company, and approaching suppliers follows the principles of project management rather neatly, with planned steps and organized routines for collaboration.

In sum, the scope for mobilizing suppliers in new ventures has particularities compared to those found in prior research focused on established businesses. In BEA and SGS, the scope for mobilizing suppliers involves some degree of co-development, while efforts to mobilize suppliers in ALA are limited mainly to the acquisition of existing resources. In terms of resources and competences activated, the scope for mobilizing suppliers in BEA stretches beyond technical issues, and comprises various managerial aspects, while in SGS, it is focused on technical issues. The differences in the ways new ventures approach suppliers are remarkable, and range from planned, organized and managed approach in SGS, to an ad hoc but consciously managed approach in BEA, and only episodic in ALA.

The elements of attractiveness of the three new ventures as potential customers for suppliers vary across the three cases and are substantially different from what has emerged in prior research on ongoing businesses. Unlike the case of ongoing businesses, the attractiveness of new ventures as customers is only partly related to the expected volume of direct business, which is a 'natural' limitation for new ventures. Among the three new ventures analysed, suppliers expect some direct returns in the BEA and SGS cases, while significant direct returns are not expected within a reasonable time horizon in the ALA case. In all three cases, suppliers perceive the attractiveness of the new venture mostly due to indirect effects. Suppliers see relating to ALA as an opportunity to keep updated on futuristic technologies, and they place some value on the prestige derived from being part of a respected gathering. The actual economic value of such benefits is evidently limited, but so are the costs of engaging with ALA. Direct returns as an element of attractiveness are not negligible for the suppliers of BEA and SGS, but there is a clear difference between the two. Suppliers expect BEA to become a 'good' customer with average volumes and profitability. They are ready to commit some resources to develop such a relationship because of the business expected in the foreseeable future, the possibility of learning more about going international, and for social and personal motivations. The suppliers of BEA (which suffered an industry-wide downturn in its markets) and SGS, both evaluate the new venture's attractiveness in light of the situation of their own businesses. All three suppliers of SGS are attracted by the prospect of working with the new venture because they anticipate developmental effects (developing a new technology and know-how), which they expect will generate significant returns in their current businesses. SGS is attractive because of the opportunities that the development of know-how could produce in their own markets. Accordingly, they are willing to commit considerable resources and to invest in the relationship with SGS to a greater extent than what

the volume of the future sales to SGS would pay for. Positive prior experience of dealing with the mother company is a facilitating factor on which the attractiveness of the new venture as a customer is based. The involvement of third parties with the venture (its other suppliers and partners) is used as a clue when suppliers assess customer attractiveness, albeit to varying degrees in the three cases.

While there are some commonalities in comparing the three cases, there are also marked differences. The actual scope for mobilizing suppliers is rather different across the three cases, but in all three there appears to be potential to extend the scope beyond the procurement of standard solutions found on the market. Some of this potential exists even in ALA, although it is limited to apparently ‘minor projects’ such as committing the development of the software to an independent research institute. Supplier relationships appear thus to be a potential resource in new ventures, but the three new ventures seem to exploit this potential to a different degree. While the perception of attractiveness is different among the three ventures, a common feature is that the expected direct business returns from sales to the new venture are not the core element of attractiveness; rather the main elements of attractiveness for suppliers are the anticipated developmental effects and opportunities to exploit them in suppliers’ own markets.

In relating the findings on mobilizing suppliers and customer attractiveness in the three new ventures to the features of the new ventures and their context, we identified what we call ‘distance to market’ (i.e. how close/distant the new venture’s solution is to market deployment/commercialization) as a major factor in explaining the variation across cases and the link between the scope for mobilizing suppliers and customer attractiveness. The SGS venture was born and is rooted in an existing market, which makes its ‘distance to market’ short. The opposite is the case with ALA, where there is considerable distance to market, as the solutions are far from market deployment. The actual business prospects for using the technology under development lie several years ahead, and the actual technical and commercial requirements are undefined and open to various conjectures. BEA is an intermediary case in terms of the distance to market; the actual market deployment is ‘within sight’, and the actual arrangements and solutions required are being configured and experimented.

The distance to market seems to affect the ‘intelligibility’ of the new venture’s operations for suppliers, which in turn impacts how suppliers perceive the customer’s attractiveness. When suppliers are approached and mobilized to contribute to the solution to a specific problem in a well-defined market, they appear to find it easier to assess the new venture’s attractiveness. The greater the new venture’s distance to market, the more difficult it is for the suppliers to evaluate its attractiveness. Suppliers’ commitment reflects their own business context in transformation and how the new venture can enter their operations.

Finally, our reading of the empirical clues that the three cases offer points to differences in how the new ventures manage to get suppliers to mobilize their resources. There are differences in the degree of awareness among managers involved in new ventures of the potential of suppliers and the capabilities required to relate to them. We observe that in ALA, whose management has only limited experience of managing a business, the perceived urgency in addressing business-related issues is low. This results in low priority and intensity in interactions between the ALA and suppliers. While management experience in BEA is also limited, the diminishing distance to market emphasises the need to address business-related issues (organizational and commercial). BEA management is consciously attempting to make use of the suppliers, and the suppliers have clear expectations in relation to the new venture. The situation appears to be different in SGS, which has prior management experience, and where there appears to be intense interactions and fair mutual understanding that facilitates constructive management approaches.

6. Conclusions

This section is organized in three parts: first we outline our contribution to theory (Section 6.1); we then discuss the limitations of our study and provide suggestions for further research (Section 6.2), and finally (Section 6.3), we highlight some managerial recommendations for suppliers and customers in similar circumstances.

6.1. Contribution to theory

Our study contributes to the research on new business development in B2B contexts (e.g. Aaboen et al., 2017; Baraldi et al., 2019; 2020; Havensid & La Rocca, 2017; Snehota, 2011) as well as to research on the role of supplier relationships in business (Dyer, 1997; Luzzini et al., 2015; Gadde et al., 2019; Gadde & Wynstra, 2017; Kang et al., 2009). To the former, we

contribute new insights on new ventures' supplier relationships, which are critical for new venture performance (Ciabuschi et al., 2012; La Rocca et al., 2019), and which are in need of further elaboration with regard to their formation. In relation to the latter, we have extended prior research on mobilizing suppliers in ongoing businesses (Ellegard & Koch, 2012; Ellram et al., 2013; Schiele & Vos, 2015) by identifying the particularity of the scope for mobilizing suppliers in new ventures and evidencing the link between the scope for mobilizing and customer attractiveness. The specific theoretical contribution of our study is related to our two research questions.

In relation to our first research question - What is the scope for mobilizing suppliers in new ventures? - earlier studies have suggested supplier relationships can be used for developmental and positioning effects (Gadde & Wynstra, 2019), and that for ongoing businesses the pursuit of cost efficiencies tends to prevail (Gadde et al., 2010). Prior research has suggested that in the case of new ventures, the capacity to create value can be enhanced through supplier relationships (Simon et al., 2007). We contribute to this research by indicating how that can be achieved and showing that for new ventures cost efficiency concerns are secondary compared to mobilizing suppliers' technological and managerial capabilities. Our study complements earlier findings on the importance of technological factors in the initial supplier relationships of new ventures (Laage-Hellman et al., 2017). We thus add to the extant body of theory by positing that the scope for mobilizing suppliers in new ventures – ranging from the limited use of suppliers for the procurement of well-defined existing inputs, to the co-development of various resources and capabilities with suppliers – is significantly different from the scope for using suppliers that prevails in ongoing businesses. We also submit that the scope for mobilization is contingent on the venture's context, and varies across ventures, thereby confirming the importance of considering contextual situations when studying entrepreneurial phenomena (Welter, 2011; Welter & Gartner, 2016).

Another contribution of our study lies in expanding/elaborating the idea that mobilizing suppliers requires the active involvement of management (Ellegaard & Koch, 2012). Our study identifies an important factor in the management effort that conditions the actual scope for mobilizing suppliers in new ventures. Supplier mobilization is an interactive process between the venture and the supplier, in which both the supplier's and new venture's managers play an important part. That makes management an important factor in the scope for mobilizing suppliers in new ventures, and thus, in the actual use of suppliers. Our study suggests that the scope for mobilizing suppliers varies with the new venture's distance to

market and the capacity of the new venture's management to interact with suppliers and to make their business (idea) intelligible to potential suppliers.

The second theoretical contribution of our study is related to our second research question – What makes a new venture an attractive customer in the eyes of the supplier? In acknowledging the interactive nature of supplier relationships, prior research has found that mobilizing a supplier in ongoing businesses depends on the supplier finding the new venture attractive (Ellegaard & Koch, 2012; Schiele et al., 2012). Four elements of customer attractiveness – profitability, growth potential, knowing each other (intimacy) and relational fit – have been identified in earlier studies (La Rocca et al., 2012; Tanskanen & Aminoff, 2015), which also found that economic factors (profitability and growth) have major weight in suppliers' judgements of attractiveness. Our study evidences that this does not apply to the case of new ventures. Also, intimacy and prior experience (satisfaction) are obviously not major factors of new ventures' attractiveness to suppliers.

Our study suggests that a new venture's attractiveness for suppliers stems from co-developing resources and capabilities with the new venture, and the perceived potential to exploit these in doing business with other customers and partners of the supplier. Our conclusion is that the judgment of attractiveness of a new venture as a customer is based on a set of factors different from those found in prior research on established businesses as customers (La Rocca et al., 2012; Tanskanen & Aminoff, 2015). The main elements of attractiveness we identified in new venture contexts can be labelled as *stimuli to innovate and develop new competencies* with the potential to be exploited in the current business of the supplier, and *reputational benefits and prestige, and personal satisfaction from interaction*. Neither of these elements of customer attractiveness has surfaced in prior research that has examined the situation of established businesses as customers or in prior research on new ventures mobilizing suppliers.

Our conclusions on customer attractiveness in new ventures are in line with the consideration that surfaced in earlier research that attractiveness is in the eyes of the supplier (Ellegaard, Johansen & Drejer, 2003). Our study shows that while the attractiveness of a new venture is linked to its features and prospects, it is also, and perhaps primarily, related to the context and features of the supplier and the challenges and opportunities the supplier faces in its own business. This conclusion provides support for the need for a relational (two-sided) perspective when we are to identify factors of supplier mobilization. A related claim is that customer-supplier interaction is a major factor of attractiveness in that it is the terrain on

which the new venture has the potential to become intelligible to the supplier, and thus offers elements of attractiveness judgments that can motivate the preferential allocation of the supplier's resources to the new venture.

6.2 Limitations and suggestions for further research

We selected three cases in our study, not for replication purposes but because we aimed at conduct across-cases comparisons (Yin, 2009). To strengthen the external validity of our findings, future research could opt to include at least two cases representing the same context (e.g. market-driven new ventures, technology-driven ventures and new ventures from established businesses). Furthermore, the cases in this study have been selected based on the availability of the founders to provide access to their (potential) suppliers and partners. Although this appeared to be a feasible shortcut for accessing suppliers needed to conduct a dyadic type of study, future studies could be designed differently. While our study suggests that the scope for supplier mobilization and customer attractiveness change over time, it was limited to the first phases of the suppliers' mobilization process. A follow-up study, extending the time horizon to the subsequent stages of the new venture development, could analyze eventual changes in the perceptions of suppliers who have been approached but have initially discarded the venture, and/or by re-interviewing those who were mobilized in some form. Such a study would contribute to the emergent research on relationship formation between suppliers and new ventures (Laage-Hellman et al., 2017; Landqvist & Lind, 2019; La Rocca et al., 2019; Song & Di Benedetto, 2008), including better understanding how new ventures acquire the interaction capabilities (O'Toole & McGrath, 2018) needed to mobilize suppliers. In our study, we identified a set of elements of attractiveness from interviews with a limited set of suppliers. We are aware this is not an exhaustive list of possible elements of attractiveness for assessing a new venture as a customer, and we envision future research that will investigate this aspect further through exploratory studies and/or by performing studies aimed at constructing a customer attractiveness scale as is done in the context of established businesses (La Rocca et al., 2012). Finally, since we found that social interaction plays a role in mobilizing suppliers, further studies could investigate how suppliers and new ventures interact and communicate (Mason & Leek, 2012) and how customer-supplier interfaces that support the interaction of resources in new ventures are created and adapted over time (Lind & Melander, 2019).

6.3 Implications for management

Our study has implications for management of new ventures and for management of suppliers. Early on in venture development, the management, which in new ventures is often informal and involves the founders, can benefit from reckoning the potential benefits from drawing on suppliers and understanding what is needed to mobilize suppliers. The potential in mobilizing suppliers' competencies and accessing their resources is substantial, but exploiting the potential benefits requires the active engagement of management. Active engagement with suppliers is not without costs in terms of attention and management effort. The managerial resources of a new venture tend to be limited, and allocating some of these to mobilizing suppliers competes for management's attention with other issues, such as internal technical development, often perceived as more urgent. Making effective use of suppliers' resources and capabilities implies interacting with suppliers, a process that cannot easily be delegated, and which requires direct involvement. Being proactive in approaching suppliers can become an element of attractiveness when suppliers have few clues for judging the attractiveness of a new venture. New venture's management can achieve substantial benefits from investing some effort in interacting with suppliers and, in particular, in making some elements of attractiveness tangible for the suppliers. This involves identifying, documenting and communicating the value of the solution in specific applications and periodically reviewing such assessments. It is important that not only the product concept but also the idea of the venture's business are intelligible to the supplier, and that the supplier has elements on which to assess attractiveness. Since direct business returns are not bound to have a central role in the judgment of attractiveness, but soft factors such as personal characteristics and social exchange do have a role to play, new venture's management should pay attention to social interaction with the suppliers they attempt to mobilize.

The managerial implications for suppliers relate to how they react to the ways new ventures attempt to mobilize them. Suppliers can benefit from engaging with the new venture, even though the benefits may not link to the volume of direct business with the new venture. Effects such as stimuli to innovate some aspects of the supplier's business represent a potentially non-negligible benefit for mature businesses. Relationships with new ventures can be approached as an 'experimental playground' and can trigger and fuel some significant innovations in the supplier organizations. Suppliers could benefit from being open (less sceptical/resistant) when approached by new ventures, also because the resources required to handle the relationship with the new venture are generally limited compared to those required by existing mature businesses as customers. Engaging with new ventures can be a way of

monitoring and learning what is happening in customers' businesses. Given the potential benefits of relationships with new ventures in terms of stimuli for innovation and indirect sales, committing some resources to the new venture as a customer can be worth the risk.

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Table 1. Key informants

	Role in the new venture	Role in the partner/supplier organization
ALA Airborne wind energy system	1.CEO 2.Chief financial officer 3.Project officer 4.Marketing consultant	5. CEO of industrial partner AE (utility company) 6. Sales manager of SE (large system integrator) 7. Sales manager of EPC (engineering, procurement and construction Co.)
BEA Beehives and bee managing solutions	8. CEO 9. Chief technology officer 10. Marketing consultant	11. Owner/CEO of DS (designs and production of mould forms) 12. Owner/CEO of IC (mid-sized producer of large plastic objects) 13. Sales manager of BC (producer of Beecounter)
MES/SG Production and distribution of electricity	14. CEO 15. Production manager 16. SGS project coordinator	17. Commercial Director of L&G (multinational producer of measurement instruments) 18. Sales and project manager of OPT (mid-sized general contractor and consultant on software solutions for utilities and energy companies)

Table 2. Context, scope for supplier mobilization and elements of new ventures' attractiveness across three cases

<i>Venture</i>	Context	Suppliers	Elements of attractiveness
	<i>Background</i>	<i>Scope for supplier mobilization</i>	<i>Suppliers assessment of customer attractiveness</i>
ALA <i>Airborne Wind Energy System</i>	<ul style="list-style-type: none"> • technology-based new venture • 'proof of concept' stage • business model yet to be settled <p><i>Search for new sustainable energy solutions</i></p>	<ul style="list-style-type: none"> • local utility for test equipment • industrial supplier for prototyping • research institute for SW development <p><i>scope limited to procurement of existing product/services for prototyping; limited co-development</i></p>	<ul style="list-style-type: none"> • monitoring technology advancement • prestige of 'advanced science' • reputational benefits of association with (prestigious) stakeholders <p><i>difficulties in assessing attractiveness, suppliers use indirect elements</i></p>
BEA <i>Primal Bee-Hive</i>	<ul style="list-style-type: none"> • market-driven new venture • 'proof of market' stage • stabilized business model • planning full-scale production <p><i>- 'honey-bee crisis' - stagnation in suppliers' industry</i></p>	<ul style="list-style-type: none"> • mid-sized component producer initial test production • equipment supplier for design development • assembler of custom-made component <p><i>suppliers used to develop technical, but also, commercial and managerial solutions</i></p>	<ul style="list-style-type: none"> • additional sales to the new venture • social exchange and bonds • reputational benefits from social engagement <p><i>attractiveness assessed on both clear business and social cues</i></p>
SGS <i>Smart Grid Solution</i>	<ul style="list-style-type: none"> • product market driven venture in ongoing business • developing solution for a well-defined problem <p><i>- rapid technology change - industry in transformation</i></p>	<p>various co-development 'partners':</p> <ul style="list-style-type: none"> • equipment manufacturer • system integrator • research institute for algorithm <p><i>suppliers mobilized to access particular assorted technical competences</i></p>	<ul style="list-style-type: none"> • hedging the risk of technological lag • stimuli to innovate drawing on 'complementary' competencies • substantial returns from new solutions in the own business <p><i>attractiveness assessed on business returns in the own industries & prior satisfaction of the mother Co.</i></p>