

# **Strategic Partnership: Facilitating Value for Start-ups**

MSc in Innovation and Entrepreneurship

Manduba Annka Bari



Master Thesis  
Centre for Entrepreneurship  
Faculty of Mathematics & Natural Sciences  
UNIVERSITETET I OSLO

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Manduba Annka Bari

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Universitetet i Oslo

# Abstract

Strategic partnership between incumbents (corporation) and start-ups are receiving increased attention from several prospects. Incumbents possess resources that start-ups aspire for, while start-ups have agility and novel ideas that incumbent's value. Collaboration between two brings immense opportunities for each other when it is harnessed properly. Start-ups benefit incumbents with innovation of emerging technologies whereas partnership with corporations offer start-ups a good opportunity with exploring options for developing their business. Start-ups are considered as full of risk appetite for the prospect of changing industry by creating something new but oftentimes have roadblocks due to lack of resources. Therefore, the aim of this paper is to investigate how strategic partnership with incumbent enhances value for start-ups.

This paper demonstrates extensive explanation from previous research and theories to base the foundation of research objective. For theoretical framework, resource-based view is used to understand the motivation of start-ups for alliancing with incumbent and knowledge-based view is utilized for further demonstration of value enhancement through knowledge creation theory. Propositions are made to guide the research question and to analyse the findings.

The study employs single case study with embedded with a multiple unit of analysis of deductive approach. The nature of this case study is to explain cornerstone of start-up's alliance with incumbent with necessary connections. It is a qualitative case study conducted on six start-ups in Norway for collecting primary data. Perspectives of incumbents and experts associated with partnership management also are taken from interviews to understand the base of strategic partnership between start-ups and corporation.

The analysis shows that start-ups are motivated to form competency-oriented partnership with large firms both for learning and gaining complementary resources. Most of the start-ups entered partnership at their early stage to grow faster in the market. Competency of start-up's in learning and combining complementary resources is enhanced when it is harnessed by the sharing and creating knowledge between both partners.

Lastly, the study also points out some limitations and important aspects for future research that need to be verified for further clarifications of findings.

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## 1. Introduction

In the era of digitalization, the inevitable rising levels of innovation would mean that organizations must find ways to be competent in the technological world by modernizing their core business activities. In order to create ideas for external or internal rules and to get access to new ideas from outside as well as inside the organization, start-up and large firms are trying to be more open and taking fast paced global initiatives in operating and sustaining their business.

Firms are now evolving with an open innovation paradigm for the availability and quality of external resources and ideas that enables them to leverage and share distributed knowledge. It is important for both start-ups and large organizations to adopt an open innovation paradigm and become strategically agile and aligned by sharing ideas and intellectual property (IP), by leveraging multiple paths to market their in-house technologies, and by accessing and integrating external knowledge through strategic alliances and collaborative partnerships (Culpan, R., 2014). Strategic partnerships have the potential to address challenges and opportunities that could have not been handled in the same way outside of a partnership. It enables businesses to gain competitive advantage through access to a partner's resources, including markets, technologies, capital and people. It helps companies to combine their respective resources, capabilities and core competencies to generate mutual interest in designing, manufacturing, distributing goods and services.

However, large corporations and start-ups are decidedly two different entities in the business world. Corporations which is also known as incumbents are full of money, power and resources while start-ups only have promising ideas, organizational agility and aspirations for rapid growth. While start-ups constantly disrupt, invent new technology and develop new business models whereas incumbents are more likely to move slowly with innovation to protect their financial security and reputation. It is understandable that start-ups and corporations speak different language and serve different purposes in the economy.

Despite of generalising view of these two firms, prior researches and articles have shown plenty of reasons for start-ups to make partnership with incumbent firms which would enhance the opportunity to grow and improve their business. Start-ups benefit most when both partners (corporate and start-up) understand each other's vision and help each other by sharing information, knowledge and resources. Cultivating a corporate partnership is a great way for



start-ups which not only facilitates value of their business but also a strong relationship to sustain in the industry.

## 1.1. Research Question

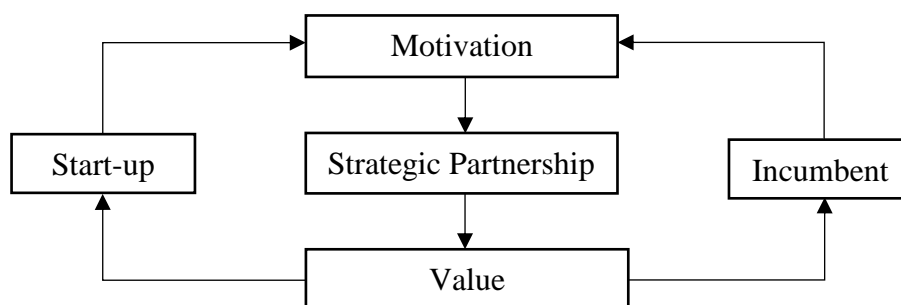
Aim of this study is to inspect when start-ups form strategic alliance with incumbents, how the partnership facilitates value for start-ups and helps them to grow and mature in the industry as well as with organizational development by sharing knowledge and resource. The study focuses on start-up's side for understanding how strategic partnership with incumbent facilitates value and helps start-ups.

Therefore, this thesis will investigate the following research question;

***“How does strategic partnership between incumbents and start-ups enhance value for start-ups?”***

## 1.2. Objective of Research

There are two objectives of this study; first it explores the motivation of start-ups for strategic alliance with incumbent firm by looking at resource-based view (RVB) and second, it examines the value enhancement by looking at knowledge-based view (KVB) which is a recent extension of resource-based view. While resource-based view addresses that firms' competitive advantage relies on firm-specific resources whereas knowledge-based view answers the ability to create value that generates, integrates and distributes knowledge in the organization to maintain that competitive advantage. (Theriou, N. G., Aggelidis, V., & Theriou, G. N., 2009). Although, main objective of this study is to investigate the phenomenon of start-up's side, but it also observes the perspective of incumbent's alliancing with start-ups, in order to have solid understanding on the topic. The phenomenon of the objective of this study can be introduced in following figure 1;



*Figure 1: Phenomenon Studied*

### **1.3. Thesis Structure**

This thesis begins with an introduction on the topic. Chapter 2 discusses about theoretical framework and reviews literatures needed for this research question. The rationale of resource-based view and knowledge-based view for the use of framework is explained in this chapter. Additionally, necessary definitions are described to assist readers for understanding relevant terms. Chapter 3 describes the methodology and process used to gather data and also explains analysis strategy along with overall research design. Chapter 4 is the data representation section which provides overview of companies participated in this case study and key findings from primary data. Chapter 5 is the analysis and discussion section which narrates findings and additional insights that are discovered throughout the study. Chapter 6 provides limitations of this case study and further future research. Chapter 7 provides concluding remark of this case study based early theories and evidence found in this research.

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## 2. Theoretical Framework and Literature Review

There are various theories that deal with different aspects of partnership of incumbents and start-ups that facilitate value for both organizations. To evaluate the research question stated earlier, this thesis utilizes two perspectives; one is resource-based view, and another is knowledge-based view. The base of resource-based view shows that successful firms find their future competitiveness by developing distinctive and unique resources and capabilities, which may be tangible and intangible in nature (Theriou et al., 2009; Teece D.J. Pisano G. and Shuen A. 1991). Furthermore, in order to establish and sustain a strong market position, a firm's capacity critically depends on its underlying resources and capabilities (Conner, K. R., 1991; Theriou et al. 2009). So, for this study, resource-based perspective will help to explore start-up's motivation on forming strategic alliance with incumbent firm.

However, according to Nonaka and Takeuchi, (1995), resource-based view lacks to give a framework on how various parts of organizations interact with each other over time to create something new and unique or to facilitate and enhance existing resources and capabilities. A firm needs more than its bundle of resources and capabilities and requires collective tacit knowledge embedded with explicit knowledge for the competency to integrate, coordinate and mobilize those resources that actually generate value to a firm (Grant, R. M., 1991). For this reason, a recent emergent view has grown from resource-based view, which is known as knowledge-based view. This view illustrates that the ability to create value is not only based on physical, financial or intangible resources but also in knowing more accurately about the relative productive performance of those resources and capabilities. (Theriou et al. 2009)

Therefore, for this case study knowledge-based view will mainly investigate the research question by giving an answer on how value is enhanced in start-ups through incumbent partnership when knowledge is shared and created between both entities that facilitates start-up's motivation with incumbent partnership. Additionally, this report reviews relevant literature of strategic partnership relevant to the research questions based on two perspectives and provides propositions to guide the research question. Therefore, the theoretical framework goes as follows to answer the research question focussing on start-ups which is on the left side of figure 1.

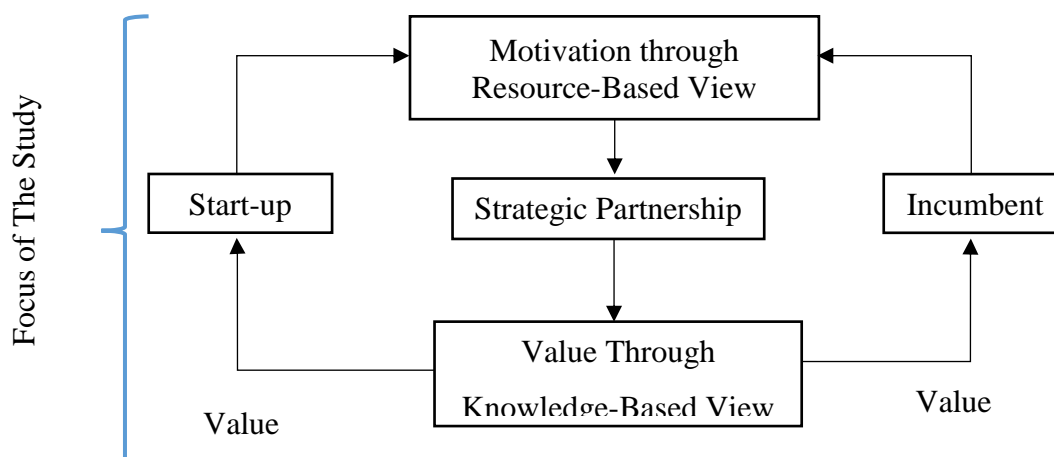


Figure 2: Theoretical Framework  
(A Developed Version of Phenomenon Studied)

## 2.1. Definition of Start-up and Incumbent

**Start-up:** According to the definition given by Eric Ries, (2010) start-up is “A human institution designed to deliver a new product or service under conditions of extreme uncertainty”.

Start-ups are entrepreneurial venture firms which consist of individuals who thrive for opportunities to establish and manage a business towards a significant purpose through innovative strategic practices (Carland, J. W., Hoy, F., Boulton, W. R., & Carland, J. A. C., 2007). These individuals, who are called entrepreneurs, discover previously unexplored opportunities with a burning desire to solve problems by bringing novel ideas (Peng, M. W., 2009) and their purpose is to grow fast with profitability (Graham, P. 2012; Carland et al., 2007). A start-up and its founders are embodied with full of discoveries with passion to bring relative opportunities through new product or services and doing something like start-ups becomes hard for other big companies (Graham et al. 2012).

According to Peng (2009), start-ups are characterized by five different strategies which are growth, innovation, network, governance and harvest/exit. But Paul Graham, (2012) stated in his study that everything else associated with start-ups follows from growth even if it involves high risks. The most important factor for entrepreneurs to grow fast, is the commitment of exploring a rare idea unexploited by other people. The best way to measure growth is the revenue which comes after active user base of the provided service or products (Graham, P. et al. 2012). Start-ups generally begin with market validation by testing a problem which can be

soluble and then make minimum viable product to develop and validate their business model. (Peng, 2009).

Furthermore, start-ups are considered as the ground of knowledge economy on the core value system where everybody learns through the path of experience by sharing knowledge inside and outside their work environment (A. R., Pillai.; 2018, October 08). Even though these venture firms lack resources such as finance, network and people, entrepreneurs in these organizations thrive on learning even in chaotic environment and transfer the knowledge gain throughout the team, which allows them to quickly understand the need of customers to build a sustainable solution (K., Craft.; 2018, April 2). Researchers working with biotech start-ups in Vienna, Austria described that venture firms those work on high tech solutions are the most knowledge production space and this space is beneficial both for academia and large corporations to gain knowledge for innovative solution (Fochler, M.; 2016). In a nutshell, strategy of start-up firms is to focus and find a single innovative solution where team members are ten times good at solving that complex problem with new knowledge than any other big company.

**Incumbent firm:** From Oxford Reference Outline (2013), incumbent is “A firm which is already in position in a market. In a fully contestable market, where the goods produced by different firms are homogeneous and there are no sunk costs, there is a complete symmetry between an incumbent and would be entrants. If good can vary in quality, so that reputation matters, and if there are any sunk costs, the incumbent is in a stronger competitive position than potential entrants: the incumbents have established market contacts and has already incurred in the sunk costs. An incumbent will have further competitive advantage if cost savings come from learning by doing; an existing firm has start on any new entrant in the experience from which cost reductions are derived.”

So, it is an organization where the legal entity is created by individuals, stakeholders or shareholders with the purpose for operating profit. These organisations maintain legal process by documenting primary purpose of the business, name, locations, large number of market shares and stocks. (CFI, 2015). An incumbent firm consists of individuals such as directors and officers who have obligation to the position s/he holds. These large firms have physical and human resources such as capital, people, experience to grow business in the industry supported by an administrative team (Penrose, E. T. 2009). But size of the organization and strategic importance of holding market share are two important characteristics to grow business (Robinson, 1988). For example; during the fourth quarter of 2014, iPhone producer Apple is

considered as an incumbent firm based on its worldwide sales during fourth quarter of 2014. (Chen, J.; 2019, March 12).

Incumbent firm consists of hierarchy where employee engagement, bureaucracy, formal routines, supervision is controlled through administrative level and policy makers (Weber, 1922) and due to less flexibility and strict regulations from administration, there is limited possibility for the employees or corporate entrepreneurs to exploit opportunities for a productive outcome from existing resources (Penrose, E. T. 2009). Management team of incumbent firms often need to leave away new ideas due to uncertainty, asymmetries, transactions costs which limits them to gain understanding innovative solution in a new market and divergence valuation of knowledge. (Santarelli, E., & Tran, H. T.; 2012). Limitation of gaining diversity of knowledge on market share, customers need could be a challenge and to overcome the market risks, many incumbents are aware of not only about the survival but also potential opportunities and benefits that could achieve through cooperation with young firm.

## 2.2. Definition of Strategic Partnership

According to Peng, M. W. (2009), strategic partnerships are wilful agreements involving legal collaboration, co-development of services or products affiliated with strong relationship between multiple firms to compete against each other. It is generally based on contractual and equity-based agreements taking a firm in pure market transaction or to merger and acquisition (M&As). However, decision making engagement in alliances and networks are based upon strategic tripod model (see. Appendix D). The model speculates that strong partnership with competitors in foreign land reduces competition as well as gives scope to understand the institutional constraints. Contractual based alliances include co-marketing, research and development (R&D), turnkey projects, strategic suppliers, strategic distributor and licence/franchising. Equity based alliances include strategic investment (one partner invests on another), cross shareholding (both partners invest on each other) and joint venture (JV).

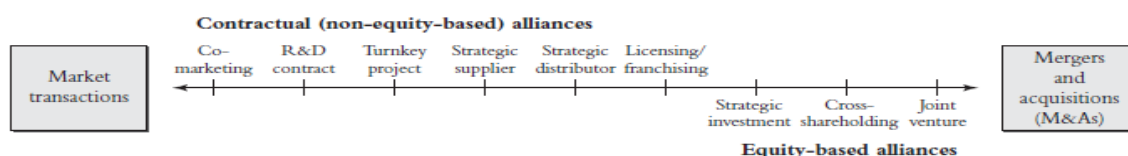


Figure 3: The Variety of Strategic Alliances (source: Global Strategic Management by Mike W. Peng)

Formation, evaluation and performance of alliances are based on different aspects. Formation of alliances occurs understanding three different stages. Stage1-Corporate or not to corporate:

Whether to grow by pure market transaction or acquisition. Stage2-Contract or equity: Formal institutional influence and potential real option is higher both in contract and equity alliance network. Shared capabilities and direct controlling over organization is low in non-equity-based alliance. Stage3-Positioning the relationship. However, there are three aspects of alliance evaluation which are; 1) combating opportunism-walling off and swapping critical capabilities through credible commitments. 2) evolving from strong to weak ties 3) going through a termination. On the other hand, performances alliance is based on two aspects which are; 1) performance of strategic alliance and network-While the objective measures stability and longevity, financial and product market performance whereas the subjective measures top managerial satisfaction. 2) performance of parent firm-while the objective measures financial, product market, stock market reaction whereas the subjective measures assessment of goal attainment. (Peng, M. W., 2009). Strategic partnership enables firm to access new markets, provides a wider range of products/services, enables economies, provides access to knowledge beyond the firm's boundaries, minimize risk through sharing of risks and provide access to complementary skills (Powell, 1987).

## **2.3. Resource Based View**

One of the ways of understanding the motivation of strategic partnership is through the lens of resource-based theory (RVB). It is a highly related organizational theory which describes how organization can obtain competitive advantage looking deeply at resources and competencies (Boué, K., & Kjær, K., 2010; Barney, J.,1991). Furthermore, firm's competitive position is defined by stack of unique resources and relationship (Das, T. K., & Teng, B. S., 2000). On the other hand, prior research shows how this perspective provides much additional insight of various resources possessed by a firm over traditional understandings that can be gained through strategic partnership (Peteraf, M. A., 1993; Das, T. K., & Teng, B. S., 2000). Therefore, resource-based view seems particularly appropriate exploring the motivation of strategic alliances because firms essentially use alliances to gain access to other firm's valuable resources.

### **2.3.1 Resource Definition and Classification**

Resources are combination of assets and capabilities available to a firm, determine market opportunities or threats and respond accordingly (Wade, M., & Hulland, J. (2004). Resources are controlled by a firm that enable to conceive of and implement strategies to improve efficiency and effectiveness (Barney, J. B.; 2001). Asset is defined as a valuable thing owned

by a company or person while capabilities define skills, integration of process, managerial abilities of person in the use of assets to produce something valuable. Assets and capabilities can be characterized by two categories; tangible and intangible resources. Tangible resources and capabilities are assets which can easily be observed and measured. They can be branched out in four categories: financial resource and capabilities, physical resources and capabilities, technological resources and capabilities and organizational resources and capabilities. Intangible resources and capabilities are very hard to evaluate and more difficult measure. Example of this resources could be reputation, innovation of technologies, capabilities of human resources. (Barney, J. B., 2001; Peng, 2009; Das, T. K., et. al., 2000).

Furthermore, looking at the characteristics of resources, typologies of resources more precisely described by Millar and Shamsie (1996), and divided into two categories; which are property-based resources and knowledge-based resource. Property-based resources are also considered as well-defined tangible assets own by a company which are protected by property rights control from rivals. This resource obtains superior return when utilizing in the appropriate market. Variables for property-based resources include such as brand, distribution networks, financial resources, human resources, contents, promotional networks and technological resources (Liu, F., & Chan-Olmsted, S. M., 2003). Knowledge-based resource refers to as intangible assets, protected not by property rights but by knowledge barriers such as technical expertise, creativity and collaboration, which allows organizations to achieve success. For example; some firms may have technical and creative expertise to develop a unique product, but other firms may have collaborative environment to help expert completing execution of that product by working and learning together. Examples of this resources are skills such as channel skills, integration skills, managerial skills, segmentation skills and technological skills (Liu, F., & Chan-Olmsted, S. M., 2003). Even though these resources are not protected by law such as patents but can be very expensive to imitate as well as most useful in unpredictable environment. (Miller, D., & Shamsie, J., 1996). In contrast, organizational resources such as culture and learning capability, are deeply embedded in a firm, which also falls in this category (Das, T. K., et. al., 2000).

### **2.3.2 Motivation for Partnership**

Lin, H., & Darnall, N. (2015) in their research referred resource-based motivations for strategic alliances as competency-oriented alliance which is induced by knowledge creation. According to Lin et al, (2015), there are two important resource-based motivations for firms to engage in



strategic partnership. The first motivation is to combine complementary idiosyncratic resource and the second motivation is the ability to increase the organizational learning.

The first motivation pools resources to develop organizational competencies. In this case each strategic partner shares technology and try to defuse knowledge in each other to achieve complementary resources. Primary reasons to inclined to this resource-based motivation is to lead the industry (Lin, H. et. al., 2015). This type of strategic alliance motivation also reduces risk and cost if uncertain events occur when there is no probability of distribution. (Hagedoorn, J.,1993). For example; In early 2018, three giant companies Amazon, Berkshire Hatchway and JPMorgan Chase formed a strategic partnership to pool resources and idiosyncratic knowledge to research and development for improving patient service targeting waste in the current healthcare system. The goal was to gain competitive leadership in the industry related to waste reduction option in the changing technological disruption that help reducing environmental pollutions. (Saada, B., & Gomes-Casseres, B., 2018, December 03). Additionally, it is found that pooling of resources from strategic partners are political in nature which sometimes influence policy making process. Political resources may include financials, understanding of non-market environment and access to decision makers. Firms cannot achieve all resources independently, therefore interdependencies during strategic partnership help firms to claims-making towards a legislative decision-making body. (Lin, H. et. al., 2015; Jdubrow2000., 2008, June 04). For example; Any political bargaining arising from funding issues might limit the content of partnership (Brandstetter et. al., 2006).

The second motivation which is to increase organizational learning which can be acquired through partnership by obtaining distinctive knowledge of developing ideas and ways of doing business. It benefits firms not only to gain insights and associations of past actions and effectiveness but also facilitates knowledge-based capabilities to achieve success. (Lin, H. et. al., 2015). Individuals from strategic partners contribute with knowledge, experience, resource, connections where the flow of valuable information among participating firms, enhance abilities to create, acquire, and utilize their knowledge-based capabilities an effective way. (Serrat, O., 2014, August 25; Lin, H. et. al., 2015). Furthermore, testing emerging technologies created by young firms can increase learning of innovation and radical changes which could offer remarkable business opportunities (Lin, H. et. al., 2015; Kemp, R., 1994). Besides, Das, T. K., et. al., (2000), in their study explained that strategic partners can also increase organizational development by obtaining resources and combining own resources with others.

Evaluating the above forgoing discussion on resource-based motivation, the following two propositions are made to explore start-up's motivation for strategic partnership.

***Proposition 1: Start-ups are motivated to strategic partnership with incumbent to combine complementary idiosyncratic resources.***

***Proposition 2: Start-ups are motivated to strategic partnership with incumbent to increase organizational learning.***

## **2.4. Knowledge-Based View**

Knowledge-based view (KVB) addresses that for a firm, the ability to create and enhance value of resources mainly depends in knowing more accurately about the productive performance of those resources and idiosyncratic knowledge (Theriou et al., 2009). According to this view knowledge is considered as a primary resource for creating and enhancing value needed for developing competencies and other complementary resources. A firm can achieve competitive success in generating, integrating, distributing knowledge of resources which create core competencies. (Theriou et al., 2009; Kirsimarja, B., & Aino, K., 2015). This perspective supports knowledge as an intangible resource but define its nature in a more dynamic form in enhancing organization's success, which is not described in resource-based view.

Furthermore, this view focusses of knowledge integration and creation of organizational (new) knowledge (Spender, 1989; Nonaka, 1991, 1994) which can be achieved through individual's activity, integrating specialized knowledge and application to the production of goods and services by assimilating human, social and organizational resources. (Theriou et al., 2009). Prior research on knowledge-based view shows that there are different approaches for evaluating this perspective. The most accepted way of building distinctive capabilities and core competencies is through experience accumulation, knowledge articulation and codification of tacit and explicit knowledge, which is same as knowledge management process for creating, acquiring, storing and deploying knowledge. (Theriou et al., 2009; Macher and Mowery, 2009; Zollo and Winter, 2002; Nonaka, 1994; Zander and Kogut, 1995; Pemberton and Stonehouse, 2000)

### **2.4.1 Definition of knowledge**

Knowledge refers to an observer's distinction of objects through which it brings forth from the background of experience a coherent and self-consistent set of coordinated action (Zeleny, M. (1987). It is rooted with purposeful coordination of individuals' actions, behaviours,

experiences and therefore embedded with the process that is being coordinated. The process of knowledge is coordinated with the symbolic description of action gathered by information. Any action of past, present future which can be described and captured through rules, plans, framework and systematic networks are information. But knowledge is more than information. There can be too much of information but there is no such term as knowledge overload. (Zeleny, M., 2006). When a person reads, understand, interpret and apply information, which is organized into meaningful patterns, to a specific work function than that information can be transferred into knowledge. Furthermore, one person's knowledge can be another person's information. Knowledge incorporates the concept of beliefs based on information which also depends on individual's commitment and understanding to the belief and affected by people's interaction. (Chyi Lee, C., & Yang, J., 2000). To generate knowledge, interaction of critical and creative thinking of individual's is necessary which may include language, emotions, perceptions and reasoning (Essays, UK., November 2018). In simple term knowledge is something that gives us familiarity, awareness, understanding of facts, information, description, skills which is acquired through experience and education by perceiving, discovering and learning.

Drucker write in his paper that "knowledge has become the key economic resource and the dominant perhaps even the only source of comparative advantage" (Drucker, P. F., 2009). Further explanation given by Esterhuizen, D., Schutte, C. S., & Du Toit, A. S. A., (2012) is that knowledge management activities such as knowledge sharing, creation, acquisition etc. adding value to an enterprise by encouraging new ideas to grow, diffuse and harvest to enhance innovation and innovativeness. To increase organizational development and capability knowledge is considered as the most important resource. Moreover, knowledge in a human is highly personalized asset and represents the pooled expertise, effort of network and alliances.

### **2.4.2 Types of knowledge**

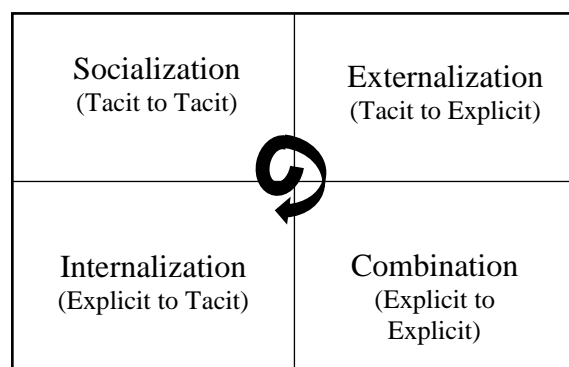
Numerous authors introduce distinctions between types of knowledge considering the process of different types of tasks understanding the cognitive demands and performance (De Jong, T., & Ferguson-Hessler, M. G., 1996). Prior research has emphasized on two distinctive types of knowledge; tacit and explicit knowledge.

Tacit knowledge is considered as a highly personal knowledge e.g. embedded with human brain which is hard to formalize, difficult to communicate and deeply rooted with actions of individuals commitment to a technology or product market or the activities of a group or a team. It lies under the experience as well as ideal, values, emotions of an individual or group.

(Nonaka, I., & Konno, N., 1998). This type of knowledge consists of kind of skills such technical skills or specialized knowledge, mental model, perceptions which is captured through know-how and difficult to transfer from person to person, group to group and organization to organization and takes a long process of apprenticeship. (Nonaka, I., 2008). In contrast, explicit knowledge is a type of knowledge which can be expressed in words, codified in numbers, shared in scientific data, formulas, stored, easy to access and communicate and implement. This type of knowledge can easily be captured through manuals and standard of operations. (Chyi Lee et. al., 2000). For example; information contained in textbooks are examples of explicit knowledge however the ability to write and process that information in that textbook is considered as tacit knowledge.

### 2.4.3 SECI for Understanding Value

As mentioned in knowledge-based perspective, one of the most accepted theory for creating and sharing knowledge is through experience accumulation, knowledge articulation and codification of tacit and explicit knowledge. The most important contributor to this subject is demonstrated by Nonaka (1994). According to Nonaka's (1994) theory there are four ways to convert tacit and explicit knowledge. These are **S**ocialization, **E**xternalization, **C**ombination and **I**nternalization which is also known as S-E-C-I model. Creating and sharing knowledge is a spiral process. This model not only provides a compelling behaviour of knowledge and knowledge creation but also knowledge management for organizational development.



*Figure 4: Process of SECI Model*  
(Source: A dynamic theory of organizational knowledge creation by Nonaka (1994))

### **Socialization (Tacit to Tacit)**

This dimension involves tacit to tacit knowledge is shared between individuals by social interactions through face-to-face communication between partners, customers, suppliers for specific information to process. Tacit knowledge conversion requires joint activities such as being together, spending time, living in the same environment rather than through written or verbal instructions. Process of socialization helps building mental model and trust among individuals through shared experience beyond the boundaries of an organizations. (Nonaka, I., Toyama, R., & Konno, N., 2000; Nonaka, I., & Konno, N., 1998; Nonaka, I., 2008). In addition to that Akhgar, A., & Gholipour, A., (2011) found in their study that openness, sharing, learning and trust culture for socialization is significantly important for an organization. Socialization captures knowledge where distinctive ideas and information can be shared to individuals or groups directly. Furthermore, transfer of tacit knowledge through direct interaction and communication among partners is highly associated in exploring competency-oriented motivation, which builds trust and renders learning and organizational development demonstrated by (Lin, H et al, 2015).

Therefore, this study proposes;

***Proposition 3: Socialization with incumbent partner enhance value on start-ups in combining complementary resources.***

***Proposition 4: Socialization with incumbent partner enhance value on start-ups in organizational learning.***

### **Externalization (Tacit to Explicit)**

Externalization is the process of articulating tacit knowledge into a comprehensible form of explicit knowledge which can be understood by others. The transfer process depends on sequential use of metaphor, analogy and model. During the externalization stage of knowledge process an individual is committed to a group and that person's idea integrated with the group which can create new concept within the group and then document it later. Externalization helps employees make improvement in process needed for product development. (Nonaka, I., Toyama, R., & Konno, N., 2000; Nonaka, I., & Konno, N., 1998; Nonaka, I., 2008). Additionally, the setting of transferring tacit knowledge encourages partners to develop competencies and explore opportunities needed for business. (Lin, H et al, 2015).

Therefore, this study posits following propositions;

***Proposition 5: Externalization with incumbent partner enhance value on start-ups in combining complementary resources.***

***Proposition 6: Externalization with incumbent partner enhance value on start-ups in organizational learning.***

### **Combination (Explicit to Explicit)**

Combination involves converting an explicit knowledge to a more complex and systematic sets of explicit knowledge. The creative use of computerized communication network and large-scale database facilitates this mode of knowledge conversion. For example, when the combination of public data collected from inside or outside of an organization transferred through meetings and presentation creates a new information such as financial report, that new information becomes a new explicit knowledge. Combination of knowledge can also include breaking down of concept such as corporate visions into operationalised business concept which creates systematic explicit knowledge. Transferring explicit to explicit knowledge is easier than transferring tacit knowledge, but it requires secured systematic procedures in organisation as information passes to many people (Nonaka, I., Toyama, R., & Konno, N., 2000; Nonaka, I., & Konno, N., 1998; Nonaka, I., 2008). Furthermore, combination involves issues like pure communication and systematic diffusion process to collect (new) information inside and outside the organizations which is utilized for meeting specific goal in an organization (Smith, E. A., 2001).

Therefore, this study proposes;

***Proposition 7: Combination with incumbent partner enhance value on start-ups in combining complementary resources.***

***Proposition 8: Combination with incumbent partner enhance value on start-ups in organizational learning.***

### **Internalization (Explicit to Tacit)**

Internalization is accomplished by individuals with learning by doing in receiving and application of information and knowledge. Through the internalization process, explicit knowledge created is shared by an organization and converted into tacit knowledge into the organization and becomes an asset. This tacit knowledge grows in the individual's level can then set off as a new concept of knowledge and then it is shared through others with intercommunication. Individuals can gain this type of knowledge by reading documents,

procedure or manuals. (Nonaka, I., Toyama, R., & Konno, N., 2000; Nonaka, I., & Konno, N., 1998; Nonaka, I., 2008). Gaining tacit knowledge through reciprocal arrangements for helps firm to explore new opportunities. It facilitates intensity of knowledge sharing and organizational learning by strengthening strong tie between partners. (Lin, H et al, 2015).

Therefore, the study makes following propositions;

***Proposition 9: Internalization with incumbent partner enhance value on start-ups in combining complementary resources.***

***Proposition 10: Internalization with incumbent partner enhance value on start-ups in organizational learning.***

## **3. Methodology**

### **3.1. Design**

#### **3.1.1 Research Design**

In order to study the research question and to find interpretation of propositions, an explanatory case study approach is chosen for this paper. An explanatory design for this study connects the different phenomenon of strategic partnership of start-ups with incumbent and identifies potential insights that start-ups can utilize for enhancing the partnership. The purpose of this dissertation paper is to answer ‘how’ question that aims to find out how value is enhanced (by sharing knowledge) in start-ups when they are in strategic partnership with incumbent. Because of the inherent complexity of knowledge sharing phenomenon (Nonaka 1994), this study does not seek to conclude definitively on what start-ups should do rather identifies areas for further research.

Since this study has only used qualitative data from interviews from start-ups in Norway, a single case study with multiple unit of analysis is necessary. Single case is partnership and multiple cases are start-ups. A case study design is selected since this study is conducting an analysis on phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2014). The study consists of one case for analysing the research question. It focuses on start-up’ strategic partnership with incumbent in Norway. The unit of analysis is start-ups. Individuals from start-ups are chosen to better understand how and why organization works. The event being studied are motivation of start-ups to make partnership with incumbents and value enhancement in that partnership.

#### **3.1.2 Reliability and Validity**

To maintain the reliability of this study, multiple sources of evidence is used. The primary sources of evidence are found from individuals from start-ups. In total six interviews have been conducted from start-ups. Interviews from incumbents and interviews from experts also have been conducted to increase the reliability of this case study. Reliability of this case study is achieved using protocols including semi structured interviews with pre-determined questions, use of interview guide as well as common filing system for the interview. These various sources of interviews are used as a means of data source triangulations. Both resource-based view and knowledge-based view are used to analyse the data for theory triangulations. However, the purpose of triangulation is not cross-validate data but rather to capture different dimensions of the phenomenon of strategic partnership. Internal validity is achieved through pattern matching



technique from interviewees answers of each questions. External validity is achieved through interviews with cross-industry start-ups.

### **3.1.3 Ethics**

Prior to the interview, permissions have been secured from interviewees for recording the interview. Entire transcripts of the interviews are not included which contained sensitive information of the companies to maintain the confidentiality. Interviewees were informed about the transcription and quotation of some of their conversation. Interviewees had the freedom not to answer question when they felt sensitive about confidentiality.

## **3.2. Data Collection**

### **3.2.1 Timelines**

The idea of the thesis has been formulated in spring 2019. The study has used both start-up and incumbent companies. But the study is only performed at start-ups companies while incumbents are used to gain perspective on the topic. An expert interview is also conducted before starting the main work for thesis in order to see scope of the research question. The work began in January 2019. The data collection process has started from mid of March to 1<sup>st</sup> week of April in Oslo region, Norway.

The first face to face interview was conducted from an expert associated with partnership management between start-ups and corporations in Start-up Lab of Oslo Science Park in March. The interviewee confirmed that there is indeed a lot of interest between start-ups and incumbent for strategic partnership that facilitates value of alliance motivation to both firms by sharing and combining both knowledge and resources. All interviews lasted for 30 to 40 minutes. Further the literature reviews and theoretical framework are carried out until mid of April. The secondary data was collected from google scholar, university library and other sources in internet through the whole period of writing. The interviews have been audio recorded, with permission from the interviewee. It is then transcribed in April to better code the data and to find illustrative examples needed for investigation while certain section of the thesis was written in parallel to the data gathering activities. The report has been solidified in last weeks of April and mid-May of 2019.

### **3.2.2 Data Collection Process**

For collecting primary data, a focused interview ia carried out in this thesis. Interview guide is served as one of the major techniques for conducting interviews and data collection. The study has used three interview guides. One is for start-ups to investigate the research question

(Appendix A) and to collect primary data, second is for incumbents to see their perspective on the topic (Appendix B) and last one is for an expert review to understand the research scope (Appendix C). This technique is prepared by setting up a situation (interviews) which allowed respondents the time and scope to talk about their opinion on the research topic. The main objective of this focused interview was to explore respondents' point of view rather than making generalization about behaviour.

All interviews are conducted face-to-face in English. In order to prepare interview-guide few concepts have been chosen based on the theories and related articles that explained theoretical framework. This has been done, to make sure the interview questions are aligned with the research question. A semi structured interview questions is prepared for conducting the interview. The goal was to keep the interview open-ended but ask questions based on the protocol. Interviewer had the freedom to ask additional question beyond the interview guide. Additional questions were asked when the interviewer felt appropriate to ask and tried to build a rapport with the respondent in a conversational way. Wording of the of questions were not same for all respondent. Interviewees first approached by email, and they were explained the nature of the research. Interviews are conducted at organization's location. A total nine interviews have been conducted which includes six start-ups, two incumbents and one expert associated with partnership management. Primary data is collected from start-ups. Data collected from incumbents and expert are not used in analysis as these are too small to provide evidence but showed very interesting insights on this research. Name and information about the companies are kept anonymous as per agreement with start-ups and incumbents. As this case study focuses on start-up's side so, interviews from start-ups are utilized and considered as primary data.

Table 3 shows the information about the company, industry, duration in the business and interview length. In span of one month, a total of 4.5 hours of audio recordings have been collected consisting 60 pages of transcription.

<b>No</b>	<b>Interview Date</b>	<b>Company Name</b>	<b>Industry</b>	<b>Duration in the business</b>	<b>Interview Length</b>	<b>Role of Interviewee</b>
1	19.3.10	Start-up A	Fintech	1.5 years	32min	CEO
2	21.3.19	Start-up B	Energy	3.5 years	40 min	CEO
3	22.3.19	Start-up C	Mobility	3.5 years	30 min	Partnership & Growth
4	22.3.19	Start-up D	Construction	6.5 years	30 min	CEO
5	26.3.19	Start-up E	IT	3.5 years	30 min	Co-founder
6	28.3.19	Start-up F	Fintech	2.5 years	40 min	CEO

7	27.3.19	Incumbent A	Bank	13 years	37 min	Product Manager
8	29.3.19	Incumbent B	Financial Service	More than 100 years	30 min	Business Developer
9	19.3.19	Expert Interview	-	-	20 min	Director of Corporate Partnership

**Table 1: Basic Information of Interviews**

However, the thesis work has begun by doing a literature review investigating secondary data available about strategic partnership and knowledge management. Relevant literatures are found first by doing broad search on google scholar using different combination of search items. Additionally, Oria database is also used for several search items aligned with the research topic. Furthermore, reference lists of different articles are also utilized in order to locate other articles and cited works valuable for this thesis. Finding out knowledge creation theory and applied on start-ups was bit more challenging. Different knowledge exchange intermediaries that motivate to strategic partnership are discovered through the reference list as well as different social media channels such as LinkedIn, focussing on organizational learning

### 3.3. Data Presentation

#### 3.3.1 Company Overview

A brief overview of the companies participated in the case study is presented below without disclosing names and confidential information as per agreement. Maturity of the company can be understood by looking at the revenue of each company provided in Appendix E.

##### **Start-up A**

Start-up A was founded in 2017 in Norway. It is a fintech start-up with an idea of reinventing traditional piggybank with IoT enabled system connected to child's bank account. They are providing an intuitive platform for kids to learn about the value of money through gamification and interaction design. Currently, the start-up consists of 2-10 employees. The company engaged in partnership in its early stage with one of the largest banks in Norway.

##### **Start-up B**

Start-up B was founded in 2015 in Norway. It is a renewable energy service provider to different international organization. Their main objective is to provide solar solution for humanitarian aid and development for organizations operating in developing countries where

electricity is expensive, unreliable and unsustainable. Currently, the start-up consists of 2-10 employees. The company engaged in partnership in its very early stage with one of the largest energy tech companies in Norway.

### **Start-up C**

Start-up C was founded in 2015 outside of Norway but it has a small office in Oslo. It is a data driven mobility platform with vision to help accelerate the global shift to efficient and autonomous mobility by a smart transportation network. The start-up consists of 2-10 employees. They started partnership with one of the renowned organizations in Asia during its operational stage.

### **Start-up D**

Start-up D was founded in 2012 in Norway. Their aim is to revolutionize the way of heavy manual works done today by developing mobile robotic system for construction industry. The start-up consists of 11-50 employees. They started partnership in its early stage with one of the industrial tech companies renowned globally.

### **Start-up E**

Start-up E was founded in 2015 outside of Norway but it has a small office in Oslo. It is data management platform with an aim of helping companies for taking smart decision for building better product by understanding accurate human activity in the physical world through their innovative solution. The start-up has been awarded multiple awards for its platform, campaigns and company growth and culture. It currently consists of 11-50 employees. They started partnership with one of the renowned telecommunication companies in Norway during its operational stage.

### **Start-up F**

Start-up F was founded in 2016 in Norway. It is a platform that allows small and medium size companies to borrow money directly from lender in exchange of 5-20% interest. The start-up consists of 2-10 employees. They started partnership with one of the renowned banks in Norway in early stage of their business.

### **Incumbent A**

Incumbent A established its current business in 1990. It is a bank which aims to offer traditional banking products adapted for electronic distribution. Distribution takes place through the corporate portal on the internet, the group's financial centres and other distribution equipment.

In addition, the bank has a separate customer centre that sells the bank's products. Their unique trademark was first established in 2012 when they took over consumer business for another renowned bank in Norway. Currently the is a part of an eminent bank in Norway after entering into an agreement.

### **Incumbent B**

Incumbent B was founded more than 100 years ago in financial services business in Norway. It has a major division working in investment and banking. It is a public company listed in Oslo Stock exchange. It is leading player in Nordic market for long term savings and the company manages more than 700 billion NOK for asset management.

### **3.3.2 Data Analysis Process**

Analysing qualitative data for this case study was a bit challenging as there is no numbers to run statistical analysis. The study has followed an analysis process described by Yin (2014). Audio content for this case study is directly collected from interviews while media content is collected from literature review, publications and from websites. Qualitative data set consisted of 4.5 hours of audio recordings are shown in table 1. The transcripts are thoroughly read several times and key points are noted down on similar answers. Relevant activities, opinion and differences are then labelled. Findings that matches with theories are also documented. Finding from interviews are categorized based on the concept of interview guides, it is then documented for analysing the research question and propositions and most relevant data are used for analysis.

Data analysis process is started relying on propositions in order to thoroughly explain the focus of this study. Relying to propositions are appropriate for this case study because it contains ten propositions linking with theories. In order to analysis these propositions simpler pattern matching technique is used for sampling data that are common in nature. In order to answer the research question and to find interpretation of propositions presented in theoretical section, evidence for this case study is identified looking at the interview questions presented in Appendix A. Interview questions are used for sampling. Evidence are sorted out by looking at common answers given by each interviewee on each topic. Concepts of interview-guide have helped in finding evidence for propositions to meet research objective of this study. The study has two research objectives one is exploring start-up's motivation for partnership and another is value enhancement that facilitates start-up's alliance motivation.

First, in order to find out evidence for alliance motivation of start-ups, questions presented in motivation (see appendix A) is used for sorting out common answers. Questions are created based on the theories and literature review relevant to start-up context. Common answers are found from interviews by examining similar phenomenon of each answer. This case study posits two propositions for exploring motivation of start-up's for alliancing with incumbent. *Proposition 1* is to examine if start-ups are motivated to strategic partnership with incumbent to combine complementary resources and *proposition 2* is to examine is start-ups are motivated to learn from partnership for organizational development. To find evidence of *proposition 1*, questions for example “what kind of challenges do you face in the organizations?” are asked. This question has helped to understand about the resources start-ups lack and the reason to partner with an incumbent to gain and share their resources and knowledge.

On the other hand, in order to find evidence of *proposition 2*, questions such as “How does this partnership help you?” are asked. This question has helped to understand whether start-ups have gained any knowledges for example managerial abilities, product insights, how to handle larger projects etc. to better scale their growth. Furthermore, follow-up questions like when they entered in partnership, what resources they look for etc. are asked for probing to more information. Common answers and important findings are utilized for analysis. Key findings of start-up's motivation for strategic alliance with incumbent is given below in Table 2:

<b>Start-up</b>	<b>Lack of resources</b>	<b>Stage to enter alliance</b>	<b>Motivated to combine complementary resources (P1)</b>	<b>Motivated to learn for organizational development (P2)</b>
<b>A</b>	Users, Money, Distribution Channel, Commercial Ability	Early	✓	✓
<b>B</b>	Users, Money, Distribution Channel, Commercial Ability	Early (share core technology)	✓	✓
<b>C</b>	New market, money	Operational	✓	✓
<b>D</b>	Users, Money, Distribution Channel, Commercial Ability	Early (share core technology)	✓	✓
<b>E</b>	New data type, Money	Operational (share core technology)	✓	✓
<b>F</b>	Users, Money, Distribution Channel, Commercial Ability	Early	✓	✓

**Table 2: Key Findings from Motivation**

Second objective of this study, which is value enhancement through strategic partnership, is also achieved by following same procedure above. This case study has used knowledge creation theory to examine value enhancement. Knowledge creation theory consists of four dimensions to examine the value enhancement of start-up's motivation with incumbent partnership. These are socialization, externalization, combination and internalization. Each dimension posits two propositions. Each proposition connects with each motivation. For example, socialization posits *proposition 1*; socialization with incumbent partner enhance value on start-ups in combining complementary resources and *proposition 2*; socialization with incumbent partner enhance value on start-ups in organizational learning. Same propositions are made for externalization, combination, internalization.

To find evidence of each propositions and for sorting common answers from interviews, questions are prepared based on theories that link motivation with knowledge creation theory. For example; socialization, which transfers tacit to tacit knowledge, questions such as “how do you socialize and communicate?” are asked. Answers are sorted out from each interviewee by looking at common phenomenon such as socialization refers to joint activities as described in theories. Same technique is followed for finding evidence of other three dimensions. For example; to find evidence of externalization, combination, internalization, common answers such as describing technical analogies, use of data base and what do they do when they need help are asked. In addition to that follow up questions are also asked to probe more information and possible assumptions are made to support finding that was hard to proof. Key findings of start-up's value enhancement are given below in Table 3:

<b>Name</b>	<b>Socialization</b>	<b>Externalization</b>	<b>Combination</b>	<b>Internalization</b>
<b>Start-up A</b>	-Shared experience -Face to face - Trust -Culture	-Formal meeting, Presentation, paperwork - Opinion & feedback -Implement	-Use own system to store information - Slack	-Reciprocal social process -Compliance
<b>Start-up B</b>	-Shared experience -Face to face - Trust -Culture	- Formal meeting, Presentation, paperwork - Opinion & feedback -Implement	-Use own system to store information -Email	-Reciprocal social process -Procurement
<b>Start-up C</b>	-Shared experience -Video conference - Trust -Cultural difficulty	-Presentation via video conference -Formal meeting -Opinion & feedback	Use own system to store information -Email	Reciprocal social process

<b>Start-up D</b>	-Shared experience -Face to face - Trust -Culture	- Formal meeting, Presentation, paperwork - Opinion & feedback -Implement	-Use own system to store information -Email	-Reciprocal social process -Compliance
<b>Start-up E</b>	-Shared experience -Face to face - Trust -Culture	- Formal meeting, Presentation, paperwork - Opinion & feedback -Implement	-Use own system to store information -Cadence	Reciprocal social process
<b>Start-up F</b>	-Shared experience -Face to face - Trust -Culture	- Formal meeting, Presentation, paperwork - Opinion & feedback -Implement	-Use own system to store information -Email	-Reciprocal social process -Compliance

**Table 3: Key Findings from SECI (Knowledge Creation Theory)**



## 4. Analysis and Discussion

This chapter explains findings and analysis from primary data. The findings are related accordingly to how they facilitate value for start-ups through strategic partnership with incumbent.

### 4.1. Start-up's Motivation for Partnership

It was perceived from expert and incumbent interviews that there is growing interest to form strategic partnership between start-ups and incumbents, where start-ups want to accelerate growth while corporates look for innovation and want to learn from these young firms. This is also suggested by Paul Graham (2012) and Culpan, R.; (2014). Early stage partnership involvement benefits start-ups to gain customers as well as financial support, while corporates get the scope to see how new technology works if it is scalable to commercialize with good value of money. It is also demonstrated by Altendorf, M Ruhl, G., & Brack, A. (2018) in their publications. While start-ups look for distribution channel whereas corporates look for innovation process in their organization. It was found from the interviews of start-ups that they all are motivated to make strategic partnership with incumbent where they can combine each other's resources and increase organizational learning.

#### **Motivation for combining complementary resource**

It is seen from table 2 that all the start-ups are motivated in combining complementary resources with their respective incumbent partner. In terms of gaining complementary resources, most start-ups interviewee informed that their firm lacked customers, distribution channel, financial capital and managerial abilities to commercialize their product and services before they entered in a partnership with incumbent. Four of the start-ups joined alliance with a large corporation at their early stage. One of the interviewees from these start-ups stated that *"We needed bank account to integrate our package. Our piggybank cannot be used without connecting to bank account. So, we needed to choose a bank to connect our product and get users as early as possible. They (incumbent) are giving us the bank accounts"* (Start-up A).

Interviewees from early stage start-ups expressed how lack of customers, distribution channel and money were affecting their business to grow. They began working with incumbent partner after two or three months when they started their firm. It was found that during the time of partnership, these start-ups only had minimum viable product (MVP) or prototypes or even just ideas for a unique solution. The partnership helped them with money, customers, distribution channel and with procedures to get license to operate in initial stage. It is also supported by a

study conducted by Altendorf, M., Rühl, G., & Brack, A. (2018) who described early stage start-ups can be benefitted by corporate alliance with investment.

It is also seen from table 2 that other two start-ups (C & E) began to work with incumbent partner during operational stage. Interviewees from these start-ups also looked for investment and distribution channel in addition with other external resources needed for their firm. It was understood from all interviewees that supports from large corporations helped them to purchase additional resources from suppliers and customers as well as increased human capital. Distribution channel from incumbent not only helped them with customers but also to grow faster in existing and new market.

On the other hand, the study discovered that only three start-ups (B, E & D) participated in the case study, share core technology with their incumbent partner, but it did not find evidence that whether there is a motive to lead the industry as described in theories, so this is arguable with theoretical findings. Additionally, there is no evidence found that combining of complementary resources are political in nature as mentioned in theories because none of the start-ups influenced any policy making decisions. Rather it is found that transparency and precise definition of intellectual property (IP) ownership helped the start-up E to reduce the risk and sharing knowledge with their incumbent partner.

After analysing first motivation for strategic alliance, this study supports proposition 1.

### **Motivation for learning and organizational development**

It is seen from table 2 that all start-ups are motivated to learn from alliance partnership. It was perceived from early stage start-up interviews that organizational development and learning came in the form of knowing procedures to operate, knowing about customer base and customers insights, implementing larger projects, feedback from users and expert opinion from incumbent partner and knowing strategies of marketing and sales. It was stated by the CEO of start-up B that “*Partnership greatly improved our ability to implement larger project which would have never possible without the incumbent partnership.*” (Start-up B). On the other hand, for start-up (C & E) did not expressed about organizational learning like early stage start-ups because they wanted to achieve new data type and a new market respectively. But for that they looked for a big organization who could help with new insight of new product and market. All of the interviewee said that ability of learning from alliance began working and solving together with incumbent partner. It was perceived from interviews that they learn a lot about things while the combine and gain resources through the path. This finding is also supported

by Das, T. K., et. al., (2000) in a research that organizational learning and development comes through obtaining and combining critical tangible and intangible resources and knowledge. Furthermore, all of the start-ups emphasized on understanding both culture and visions of each partners is also important to develop successful corporate-start-up relationship. This is also suggested by Das, T. K., et. al., (2000) in their study that culture and learning capabilities are deeply embedded with organizational resources.

After analysing proposition 2 and finding evidence, it can be said that this case study supports proposition 2.

Therefore, the study revealed that start-ups are motivated in competency-oriented alliance which is a combination to combine complementary idiosyncratic resources as well as to increase organizational supports both propositions (1 & 2).

## **4.2. SECI for Value Enhancement**

### **4.2.1 Socialization**

The impact socialization has on start-ups for enhancing value on competency-oriented alliance is undeniable. All start-ups interviewee believed that socialization enhances not only combining complementary resources but also with organizational learning. It is seen from table 3 that all start-up shared experience for transferring tacit to tacit knowledge. It was recognized by all interviewees from start-ups that shared experience of individuals from both organizations enhanced competency of individuals of their firm as well as with understanding about the competencies of incumbent's colleagues. It helped them combining resources along with their incumbent partner. For example; it was described by CEO Start-up F that once their incumbent partner provided start-up F with a person who was very much skilled on a particular task. That person worked in the same environment with Start-up F for few months. When s/he person shared his/her knowledge, it helped start-up F with re-designing their service.

In addition to that all interviewees from start-up firm mentioned about the importance of trust more than anything else for creating a healthy relationship between both partners, which is also pointed out is table 3. Socialization helped these start-ups on building trust on their strategic partner and this finding is also suggested by this study. High level of trust and transparency from incumbent partners helped start-ups to share resources, knowledge and information about technology with each other without any fear. Flexibility and openness of sharing resources and knowledge helped them to combine resources together with incumbent firm. Trust and direct communication are important for competency-oriented alliance described by Lin et al, (2015).

Author also described that trust enhances flow of information among partners for creating ideas which importance for resource-based alliance motivation. It was found from interviewees that three of the start-ups (B, d & F) had no written agreement but based on high level of trust they agreed on partnership. However, this case study also suggests that socialization can help with early negotiations on agreements to leave mistrust as this activity also helped Start-up E.

It is found that socialization and interaction between partners mainly happened through face-to-face communication. Joint activities such as spending time together inside the organization, discussions, formal and informal regular and weekly meetings between partners are found very important for transferring tacit knowledge in each other's organization. It helped start-ups not only to brainstorm together with incumbent partners for new ideas but also to convince incumbents to make investment decisions on them. According to Start-up F "*We discuss because to inform them (incumbent) why they should invest on us when they are making their investment decisions*" (Start-up F).

However, it can be seen from table 3 that only start-up C communicate via video conferencing because their incumbent partner is in a different geographical location. It was found from interviewee from Start-up C that due to long distance communication they face difficulty in culture of a new market. In that case frequent travelling became very important for them as they do not have any office space or people of their own in that location. It as mentioned by all interviewee that it is difficult to work together without understanding culture both organizations and competencies of colleagues from incumbent and socialization helped start-ups with cultural understanding of two workplaces which can also be found in table 3. Socialization with incumbent partner also happened with Start-up D outside the organization by going to trips which helped them to develop good understanding between colleagues. Culture is an organizational resource which helps partner to understand the environment of two workplaces.

After analysing the impact of socialization on combining complementary idiosyncratic resources and organizational learning, this case study supports propositions (3 & 4)

#### **4.2.2 Externalization**

The case study is conclusive regarding the impact of externalization on start-ups on enhancing competency-oriented alliance. It is can be seen from table 3 and it was also found from interviews that during externalization (transferring tacit to explicit knowledge), all start-ups articulated (new) knowledge and information by expert opinion and user feedback from

incumbents and customers and then implemented that in their product and services. It was understood from previous analysis that on motivation that main reason of strategic partnership for start-ups is to gain complementary resources and increase organizational learning. So, this study assumes that during transferring tacit information for example technical knowledge into an understandable form, they get user feedback and expert opinion from partners and customers. It helps them with new learning to improve product efficiency which they implement later. It is also suggested by Lin et al, (2015) in their study that transferring tacit knowledge shapes new ideas for improving products that facilitates competency-oriented alliance.

However, this case study did not construct any metaphor or analogy for externalization suggested in theories, because it did not find evidence on that. But it was perceived from all interviewees and table 3 that they explain their technical information mainly through dialogues in meeting, sketching analogies through presentation and paperwork. According to Start-up F *“We try our best to explain it through some paperwork or just slides and meetings, talking to them, ask questions, lots of questions and we try to answer it. They get some confidence that we build something, and we get feedback”* (Start-up F.

On the other hand, it was found from interviews that to get access to different explicit information such as documents, agreement, channel to integrate with alliance, start-ups must communicate to different hierarchies of incumbents where they also need to share information. All interviewees from start-ups mentioned that transferring tacit to explicit knowledge to different hierarchies of incumbent partner is hard if individuals of incumbent's do not have the same competencies to understand that knowledge. Start-ups D mediates this situation by investing time on long discussions, but they also mentioned that it hampers their speed.

So, perceiving the facts of externalization, this study found evidence on proposition (5 & 6). It claims that externalization enhances value of start-up on combining complementary resources and increase organizational learning.

### **4.2.3 Combination**

The case study is inconclusive achieving the impact of combination on enhancing value for start-ups on competency-oriented alliance. It did not find evidence that whether transferring explicit to explicit knowledge enhance organizational learning and help start-up's in combining resources. According to theories, combination process involves processing information to information in a very systematic sets in complex environment within and outside the

organization. Sharing information and knowledge is easy but this process needs database to combine and share data, data mining, information management or other combination (Zeleny, M.; 2006).

It was found from interviews that none of the start-ups use any database or other repository to combine and share data with incumbent partner. However, it was found that start-ups use their own separate storage to store information such as user profiles, information of their user's data. Old and new data information remains within boundaries but shared through meetings and platforms like slack, cadence, emails among start-ups and incumbents. These information is showed in table 3.

This study assumes that to understand the complexity of combination process, issues such as communication, diffusion process and systemization of knowledge management need to be measured more clearly, which was not done in this study.

Nonetheless, this study does not support proposition (7 & 8) as there is no evidence found from primary data.

#### **4.2.4 Internalization**

The study found from interviews that start-ups integrate explicit to tacit knowledge through some reciprocal actions by doing mutually with their partner. They try to manoeuvre new information from incumbent firm through actions. Reciprocal actions mean doing something that benefits on both sides.

It was understood from interviewees that during the time of partnership, they gradually get introduced to different procedures, new documents and legal frameworks to work and operate in the industry. Four of the respondents from start-ups (A, B, D & F) said that information of certain procedures helped them to understand compliance and procurement rules when they started working with incumbent partner. It can be said that reflecting upon these documents and procedure, start-ups internalized explicit knowledge to develop tacit knowledge. By acquiring this type of knowledge helped start-ups with operational and supply chain knowledge which are essential for commercialization. And it increased their ability to organizational learning. Additionally, they exchanged vision of each other's organization by reading and signing documents.

Furthermore, it was found from interviews that sometimes incumbents helped start-ups by providing instructions of different procedures and framework. By reading those procedures and instructions it helped start-ups to by enhancing the competency of combining resources. It was

stated by the CEO of start-up A that *“We had some problems with back integration and needed understanding how to integrate and solve. Whenever we needed resources like expert opinion and how to do the things, they (incumbent) always have put us directly to the department, provided documents and then we tried to solve the problem” (Start-up A).*

The study assumes that back integration is a process had to solve by mutual interaction of individuals and understanding procedures. When start-up A mutually integrated with incumbent partner it helped them to solve the problem and improve their competency.

Therefore, the study acknowledges about internalization on enhancing competency-oriented resources and thus supports both proposition (9&10)

### **4.3. Summary of Analysis**

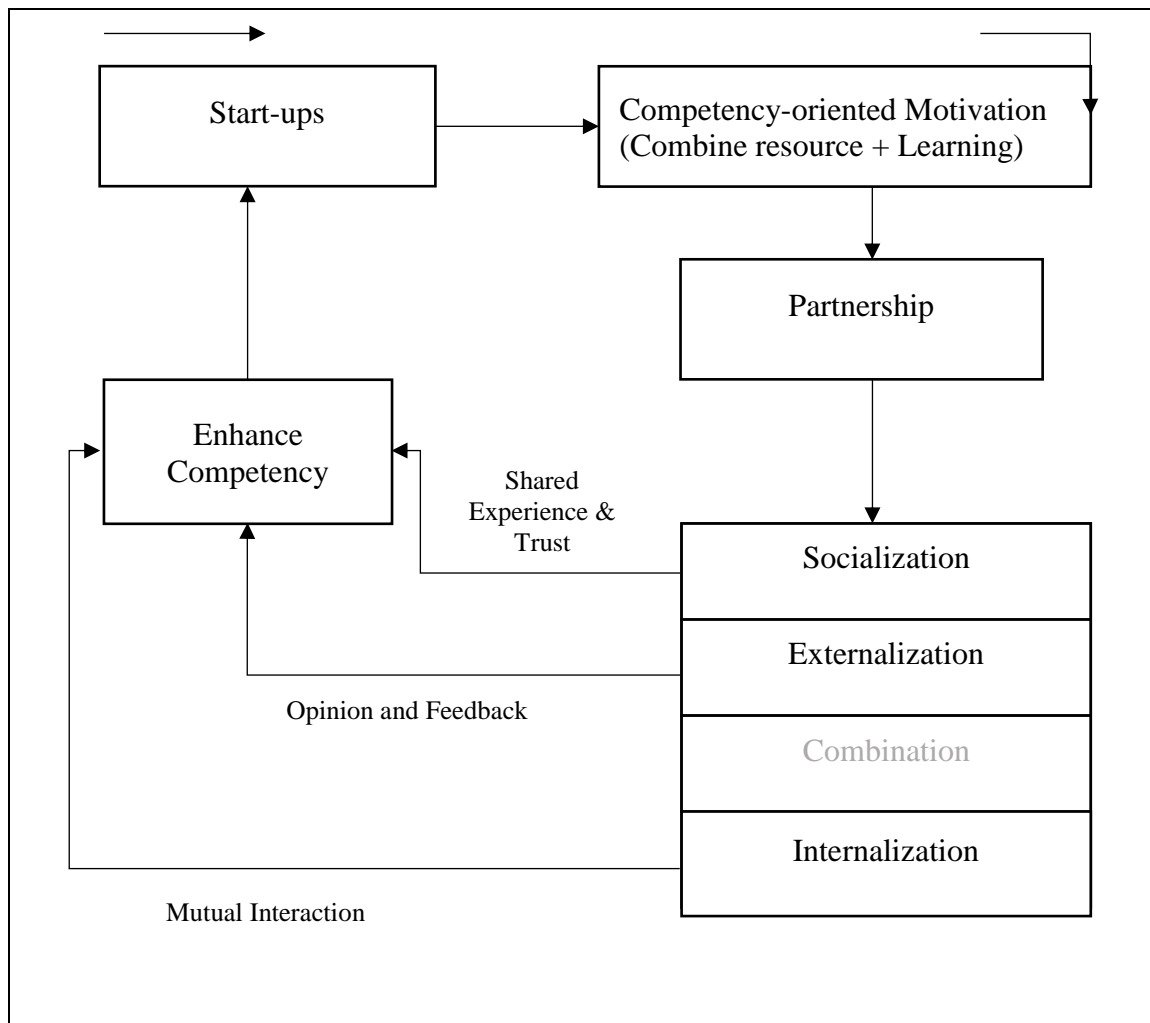
In brief it is found from the findings and analysis that start-ups are motivated to competency-oriented partnership with their incumbent partner. Competency-oriented motivations are of two types; first is combining distinctive complementary resources and the second is to increase organizational learning. Start-ups are interested in both motivation to form alliance with incumbent. Combining complementary resources motivation helps them with internal, external resource such customers, distribution channel, money while organizational learning helps them with process and procedures of commercial knowledge for their firm.

When start-ups are alliance with incumbent, value of competency-oriented motivation enhance by shared activities rendered by different individuals among two partners through transferring tacit and explicit knowledge. It also helps start-up's enhancing competency of combining resources and knowledge. These activities are socialization, externalization, combination and internalization. Tacit knowledge is transferred in socialization and internalization process. Explicit knowledge is transferred in combination and internalization process. Tacit to tacit knowledge is transferred in socialization while tacit to explicit knowledge is transferred in externalization. Explicit to explicit knowledge is transferred in combination while explicit to tacit knowledge is transferred in internalization.

It is found from the findings and analysis that when start-ups are alliance with competency-based partnership with incumbent, socialization, externalization and internalization enhance competency of start-up firm in combining complementary resources and organizational learning. Shared experience, opinion-feedback, and mutual interaction are found very important for enhancing competency. So, competency as means of value is enhanced socialization, externalization and internalization.

But the study was unable to find evidence whether combination has any impact on enhancing competency-oriented strategic alliance for start-ups. The case study assumes that as combination is rooted with information processing, maybe it does not have any impact on enhancing value for competency-oriented alliance for start-ups.

Summary of findings from analysis are shown in following figure 4:



*Figure 4: Summary of Analysis*

Brief summary of figure 4 five is given below:

Start-ups are motivated in competency-oriented partnership with incumbent partners. Competency-oriented motivation consists of combining complementary resources and organizational learning. When start-ups entered in partnership competency of combining resources enhanced by socialization, externalization and internalization.



Socialization enhance competency by shared experience with individuals with partners. Shared experience builds trust among partners. Externalization with incumbent partner helps start-ups getting opinion and feedback from incumbent partner. User feedback and expert opinion enhance competency of learning and combining complementary resources. Internalization enhance competency of start-ups by mutual interactions with incumbent partner. On the other hand, study did not find evidence whether combination has an impact on enhancing competency of combining resources and organizational learning. So, it assumes combination has no enhancing value of competency of start-ups.

## **5. Limitations and Future Work**

### **5.1. Limitation**

Although this research has reached to explore different aspects of strategic partnership between start-ups and incumbent that enhance value for start-ups, but the study consists of some inevitable limitations. First, the study was conducted on a smaller sample size of start-ups. The results obtained from the study might not be enough to generalize for larger group.

This study focused on in-depth analysis on start-ups side to understand the value enhancement process of strategic partnership between incumbent and start-up. So, it was unable to formulate overall understanding why incumbents make partnership with start-ups and how it generates value in their organization. The sample size of incumbent firm for this case study was relatively smaller than start-up' sample size so, the study could not validate the information obtained from incumbents.

In some interviews, it was difficult to gather information for the study because interviewee did not want to explain everything to the interviewer. The ability to achieve answers to some topic relied on my explanation to illustrate understanding. Ensuring confidentiality of information to the interviewer could have provided a better overview of different topic of the study.

### **5.2. Future Work**

This case study provides a generic perspective of start-ups' motivation of start-up on gaining complementary resources through competency-oriented alliance with incumbent. The study it did not identify specific resources and distinctive knowledge needed for this motivation and what procedure start-ups follow to gain that resource. For example; how they raise fund to get a complementary resource or how they meet their incumbent partners, if they follow any procedures to meet their incumbent partner and how long they wait to meet their goal their goal. Future research could close this gap.

Furthermore, the study was bounded by knowledge sharing and creation process to understand the value enhancement process of start-ups on competency-based alliance with incumbent partner. However, there are other important factors that have significant effect on value creation and enhancement process to benefits start-ups from incumbent partnership. Studying topics such as role of engagement, agreement, negotiation and decision-making process among partners could be beneficial to understand how start-ups can connect with their incumbent partner for long term performance and business.

A major limitation of this case study is that it could not draw a conclusion on combination (transfer explicit to explicit knowledge) process due to lack of evidence. Although the study gives some assumptions and shows reasoning for that, but it also suggests further verification to understand the nature of this dimension on competency-oriented alliance and how it impacts partnership. Additionally, the study shows start-ups build trust through socialization, but it did not articulate how trust is built among partners and what other factors are associated with it. So, future research is needed on this aspect. It is perceived from the case study analysis that during articulation of knowledge and combining resources between partners, role of each individuals starting from top management to executives of incumbent firms and start-ups are important. Future research is needed to understand the role of executives among partners and how communication process is within them. Contrarily, how start-ups deal with corporate rules and regulation and how it hinders their value enhancement process would be interesting to research.

In addition to that phenomenon of this study did not focus on incumbent. It was perceived that start-ups and incumbents serves different motivation in the industry. Studying the overall phenomenon and comparing both sides would give clearer understanding of different aspect of strategic partnership between these two firms

## 6. Conclusion

This dissertation paper was started by presenting a research question “*How strategic partnership between incumbent and start-ups enhance value for start-ups?*”.

To investigate the research question, theoretical framework was first established along with reviewing literature and secondary data from blogs and articles. Two theories are utilized to explain the phenomenon of strategic partnership between start-ups and incumbents focussing on the side of start-ups. One is resource-based view and second is knowledge-based view. Resource-based view explained about the motivation of start-ups for alliancing with incumbent firm. There are two types of resource-based motivation; combining complementary idiosyncratic resources and organizational learning. Resource-based partnership is referred as a competency-oriented alliance induced with knowledge creation and sharing. On the other hand, knowledge-based view explained how strategic partnership with incumbent enhance value for start-ups. To see the enhancement process knowledge creation theory is used which is the most accepted theory under knowledge-based view. There are four dimensions of knowledge creation theory; socialization, externalization, combination and internalization. In this case study; these four dimensions showed how transferring of tacit and explicit knowledge with incumbent partner enhance value on start-ups with combining complementary resources and organizational learning. After that propositions were made aligning start-ups' motivation with four dimensions of knowledge creation theory, to examine and explore value enhancement process.

Primary data for this case study was collected from six start-ups in Norway conducting interviews. Interviews from two incumbents were also carried out to have perspective on strategic partnership. Additionally, an expert interview was also conducted to understand the scenario of two entities. Names of organizations and interviewees are kept anonymous due to confidentiality and the study did not use data from incumbent and expert interviews for analysis.

After analysis data, this paper found evidence that when knowledge is shared and created with incumbent partner, it helps start-ups with both with combining complementary resources and organisational learning, which helps enhancing value of their competency. Knowledge especially, tacit knowledge related activities such as socialization, externalization and internalization have valuable impact on gaining competency and organizational learning. However, this study did not achieve attaining value through combination process which is

deeply rooted with information processing only with explicit knowledge. But it was found that start-ups use own systems to store information, therefore it claims further verification on this dimension. Additionally, the study draws some constraints that could help to get finding in a more solid way. And that is why it emphasises on future research on some aspects related to this topic.

In conclusion it can be said that strategic partnership with incumbent partner enhance competency on start-ups when it is rendered especially with tacit knowledge sharing activities in both organizations. Sharing knowledge and experience among individuals, understanding culture, building trust and transparency helps start-ups in achieving complementary resources, gaining competency and organizational learning for growing and maturing in the industry.

## 7. Appendix

### Instruction for interview guide

#### **Introduction**

Thanks for your participation.

The research question for my master thesis is “How strategic partnership between incumbents and start-ups generates value for start-ups by knowledge sharing?”. The thesis will investigate start-up side due to limitation of time. To answer the research question, this thesis first investigates the motivation of strategic partnership of start-ups. Gaining tacit knowledge is one of the most important aspect of strategic partnership to obtain competitive advantage. So, this project mainly aims to investigate the approaches of knowledge sharing and how it helps start-ups to grow and get value in the business.

#### **Privacy**

It is important to know that the participants can withdraw from the interview at any time and free not to answer questions, if they have any confusion. Participants can communicate with author of this dissertation paper if they want to see the result of the research question only after it is published. It is important to record interviews for data reliability. Therefore, participants will be requested for permission for recording the interview. Recordings will be deleted as soon as the transcription is completed.

#### **Data Information**

When and Where was the interview conducted?

How long was the interview?

#### **Background info**

- Age group?
- Position (name, how long)?
- Brief about company

### **7.1. Appendix A-Start-up Interview Guide**

#### Motivation

1. What challenges do you face in the start-up?
2. Why did you think of partnership with an incumbent firm?
3. When did you think of large partnership?
4. What type of resources do you look from your incumbent partner?

5. How did incumbent partnership help you with learning?

### Value Through Knowledge Creation

#### Socialization

1. How do you share your knowledge and vision of your company?
2. How do you socialize and communicate?
3. How often is the interaction with top level (e.g. board members, stake holders)?
5. Can you tell me an example that you face difficulties?
6. What is important factor when you socialize and why?
7. What benefits do you get from socialization?
8. What do you learn while you socialize?

#### Externalization

1. How do you share your technical analogies with your partner?
2. What kind of problem do you face?
3. Can you give me an example that you learn something different?
4. How did it benefit you?

#### Combination

1. Do you use any kind of repository or database to store your data?
2. How do you test your product?
3. How do you utilize the opportunity you get from incumbent partner?
4. What kind of benefit do you get?

#### Internalization

1. How do you share the information after testing your product?
2. How does your incumbent partner help you when you need to change something after the feedback and test result?
3. What kind of challenges while taking decision?
4. How does it impact your organization?

5. How much time do you spend getting incumbent help and why?
6. How does this help you achieve growth?
7. How much dialogue opportunity do you get?
8. What is the worst part of partnership that impact you getting benefited?

## **7.2 Appendix B-Incumbent Interview Guide**

### Motivation

1. Why do start-ups make partnership with incumbent?
2. What type of resources do they look from incumbent partner?
3. How does your organization help them?
4. Why incumbents are interested in start-up partnership?
5. How does the partnership help your organization?

### Value Through Knowledge Creation

#### Knowledge

1. What is the most important asset between start-ups and incumbents?
2. What type of knowledge/information do you share?
3. How does it benefit start-ups?

#### Socialization

1. How frequent do you and start-up communicate and socialize?
2. Why it is important for start-ups and you?

#### Externalization

1. How do they share technical analogies with you?
2. How do you help them?

#### Combination

1. How start-ups utilize the opportunity they get from incumbent partner?
2. How do they get benefited while they test product?

#### Internalization



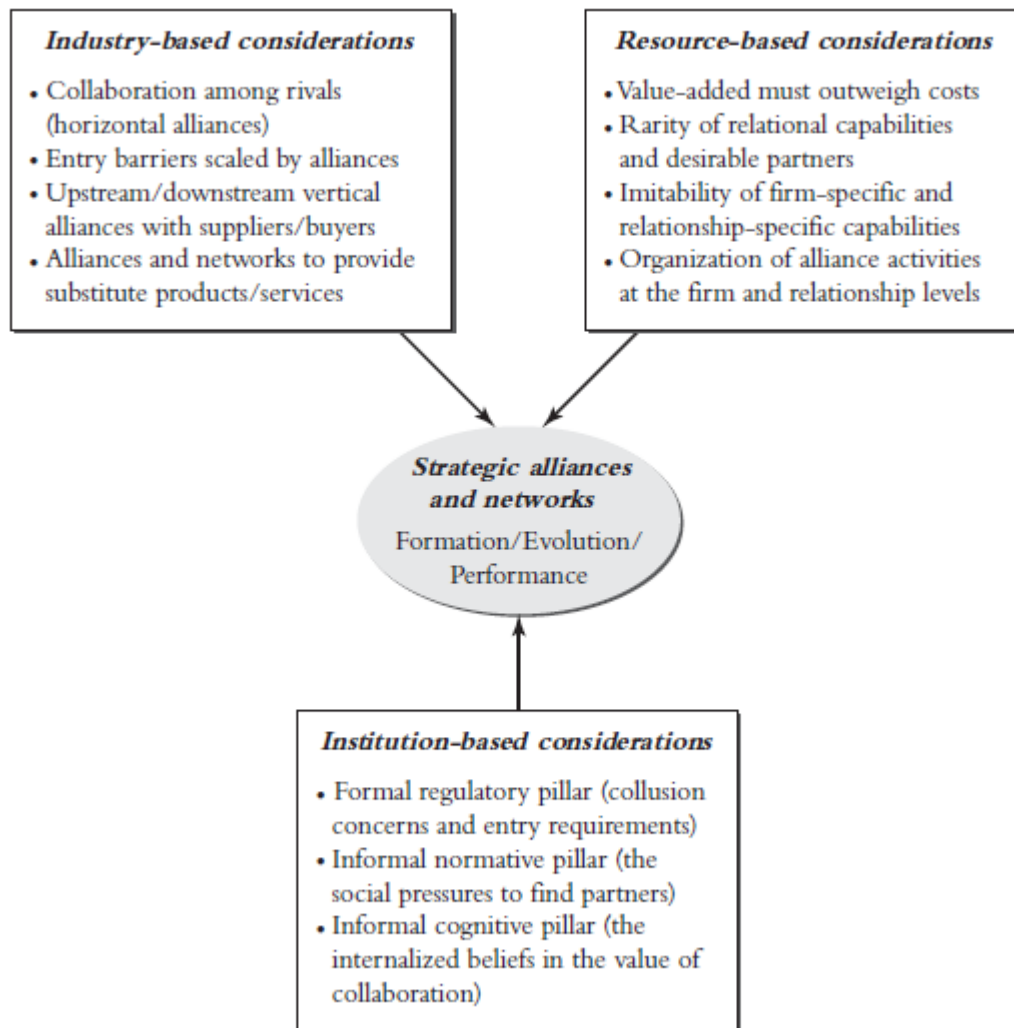
1. How does the information is shared after testing?
2. How do you help start-ups achieving growth?
3. What challenges do they face while working with incumbent?

### **7.3. Appendix C-Expert Interview Guide**

1. Why do start-ups are motivated to engage in partnership with incumbent?
2. What challenges do they generally face?
3. What type of resources do they look from incumbents?
4. What kind of knowledge do they get from incumbent partner?
5. How does this partnership help start-ups?
6. Why do incumbents need start-up partnership?
7. What is the most important factor to maintain incumbent and start-up partnership?
8. How does sharing knowledge with incumbent partners help start-ups in their business?

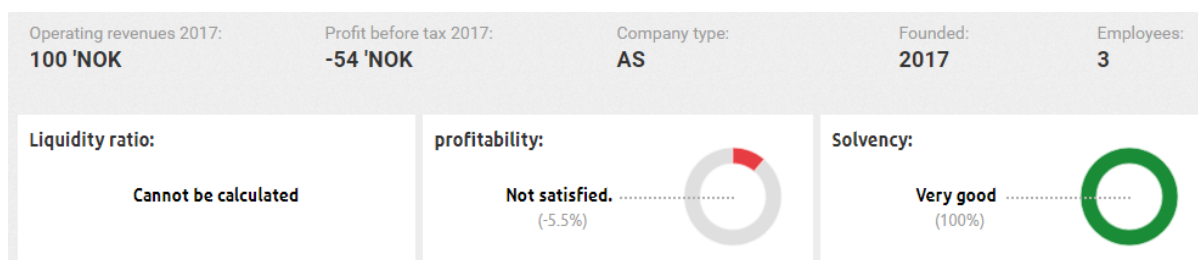
### **7.4. Appendix D – Model of Alliance Network**

Comprehensive model of alliances and network



## 7.5. Appendix E – Revenue of Participated Companies

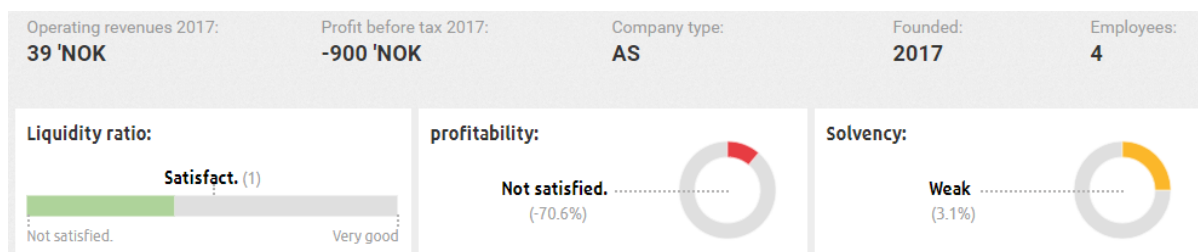
### Start-up A



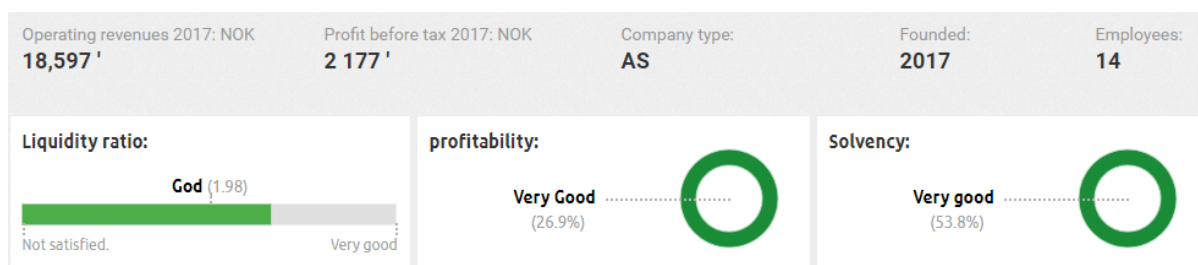
### Start-up B



### Start-up C



### Start-up D



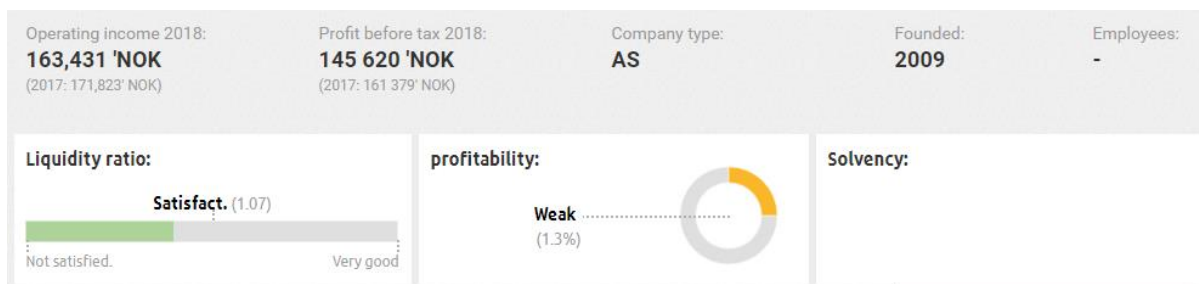
### Start-up E



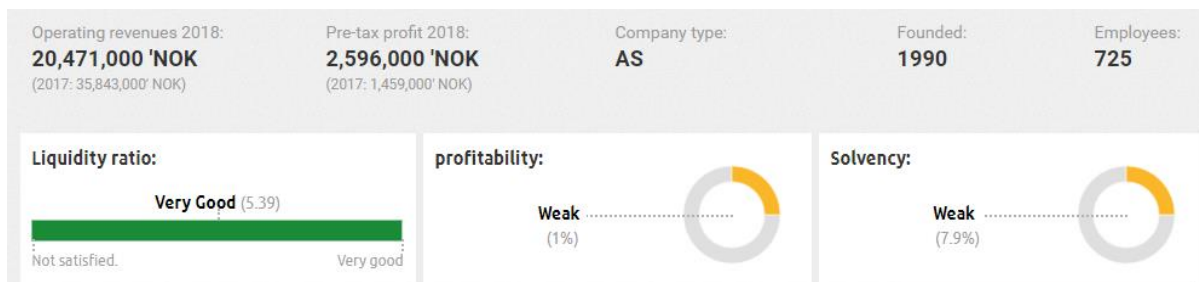
### Start-up F



### Incumbent A



### Incumbent B



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