BUYER - SUPPLIER RELATIONSHIPS IN STARTUPS

AN ANALYSIS OF FACTORS THAT DRIVE STARTUP ATTRACTIVENESS TO SUPPLIERS

JULIANO TESSARO

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PREFACE

It is with great excitement and satisfaction that I present my PhD dissertation. This research project has been a long-term dream of mine, stemming from my passion for technology that began in my youth and led me to pursue a mechanical engineering degree.

As a bachelor student, I had the opportunity to conduct research under the guidance of Professor Dr. Arno Dallmeyer, and this experience solidified my ambition to pursue a doctorate degree in the future. Also, growing up, the value of knowledge and education was instilled in me by my parents, both of whom were schoolteachers. After completing my undergraduate studies, I began my career as a product engineer at a large multinational company in Brazil. However, my passion for purchasing soon led me to transition into that field, and for the past 18 years, I have dedicated my career to purchasing, primarily within the automotive industry.

In 2017, working as a Procurement Director for a big4 consulting firm invigorated my curiosity about startups. After attending multiple events related to entrepreneurship and innovation and meeting Professor Dr. Holger Schiele, who introduced me to the concept of customer attractiveness and preferred customership, I became increasingly curious about this topics. In 2018, when I moved from Brazil to the Netherlands, I was eager to learn more about entrepreneurship and innovation. I visited various startup ecosystems such as Impact Hub Amsterdam, Startup Village in the Amsterdam Science Park, and the tech hub TQ (now rebranded to TNW). Furthermore, I even accepted a position as Head of Procurement for a startup with the mandate to build a procurement department that was missing. These experiences reinforced my interest in startups and the customer attractiveness concept and motivated me to pursue a PhD focused on this topic.

While writing a research proposal for the University of Twente, I was also working for a startup. During my first few weeks working for the startup, I quickly realized the challenges of managing suppliers. Having built my procurement career at large multinational organizations, I had never encountered difficulty finding suppliers, scheduling meetings, or receiving price proposals. However, in my new role at a startup, I struggled even to schedule meetings with the suppliers. Nevertheless, the real challenge came when searching for large global suppliers to scale up the startup production. My previous customer attractiveness knowledge gave me insights that startups may not be attractive to large suppliers, which made me realize the significance of examining startups' customer attractiveness in my PhD research over the next four years.

Despite initial challenges, my research was well received by other researchers and my first conference paper was cited. I am grateful for the guidance and support of my thesis advisors, Professor Dr. Holger Schiele and Dr. Rainer Harms, and the

encouragement of my family, colleagues, and friends throughout this journey. This dissertation is intended for scholars and practitioners, and I hope it will provide valuable insights and contribute to the ongoing discourse in the field of buyer-supplier relationships in startups. I invite you to join me on this journey of exploration and discovery.

Amsterdam, October 2023.
Juliano Tessaro.

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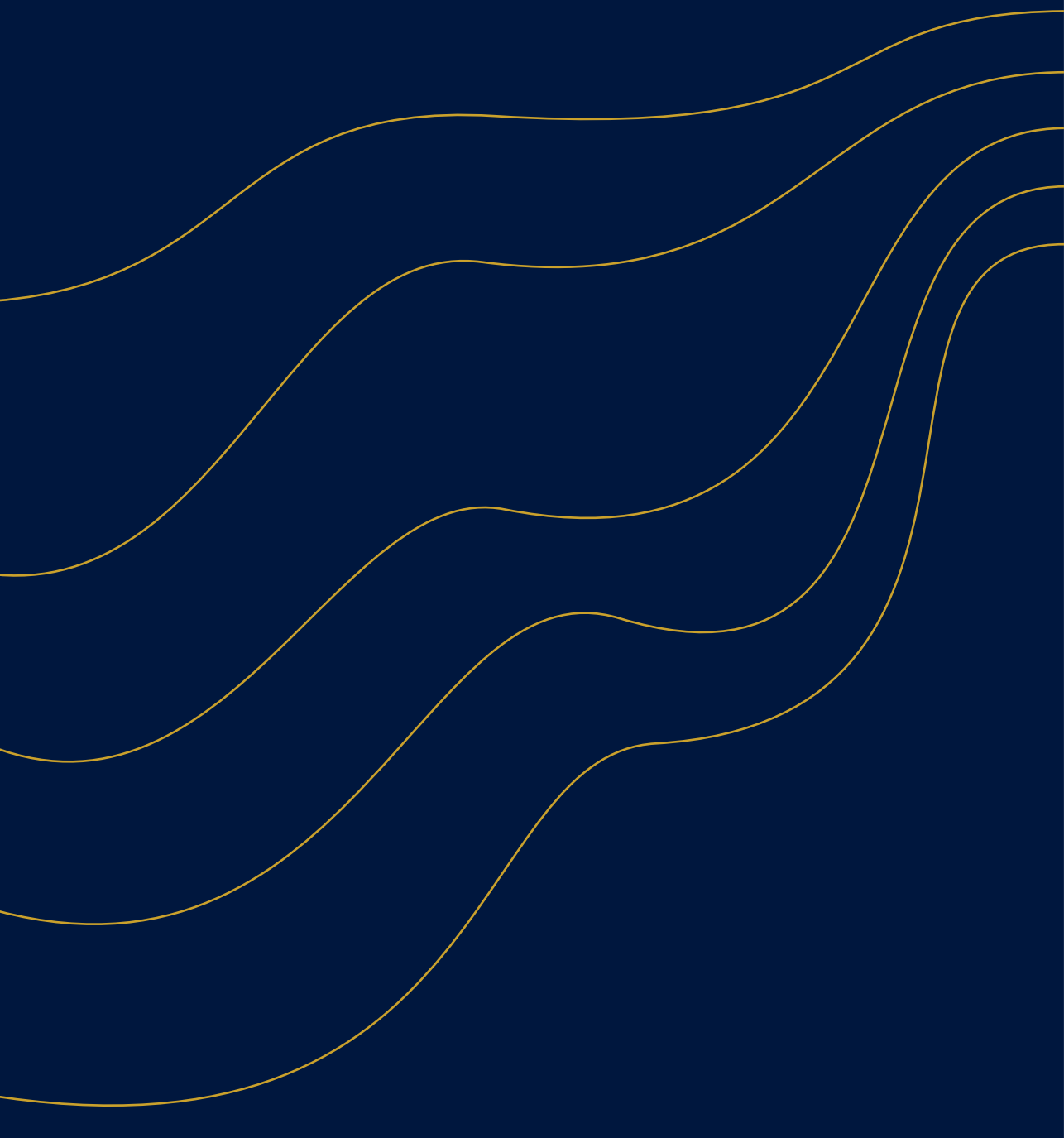
LIST OF ABBREVIATIONS

AI	Artificial Intelligence
CA	Customer Attractiveness
DCE	Discrete Choice Experiment
EBSCO	Elton B. Stephens Company (Publishing Information Services)
EV	Electric Vehicle
ERP	Enterprise Resource Planning
GMC	General Motors Corporation
ISPOR	International Society for Pharmacoeconomics and Outcomes Research
IPSERA	International Purchasing and Supply Education and Research Association
IT	Information Technology
IMM	Industrial Marketing Management
IMP	Industrial Marketing and Purchasing
NPD	New Product Development
OEM	Original Equipment Manufacturer
PO	Purchase Order
PSM	Purchasing and Supply Chain Management
PSO	Purchasing and Supply Organization
PRISMA	Preferred Reporting Items for Systematic Reviews and Meta-Analyses
PC	Preferred Customers
RUT	Random Utility Theory
SAS	Statistical Analysis System Software
SME	Small Medium Entrerprise
SS	Supplier Satisfaction
SCM	Supply Chain Management
SSP	Startup-Supplier Program
SRM	Supplier Relationship Management
STATA	Statistics and Data Software
VC	Venture Captital



CHAPTER 1

Introduction

1.1. General introduction

The number of startups has grown rapidly in recent years, with global funding increasing exponentially (Genome, 2022). Startups are essential to economic development (Audretsch and Keilbach, 2008). Moreover, they play a critical role in knowledge spillovers and new technological opportunities leading to economic development (Audretsch and Keilbach, 2008). Startups are known for their innovative and disruptive nature, which can bring new products, services, and business models to the market (Carland et al., 1984; Davidsson, 2004).

However, startups face unique challenges, particularly when they need to secure the necessary resources to grow and innovate (Das and He, 2006). Startups are disadvantaged in areas where the availability of external finance is limited (Criscuolo et al., 2012). As new and often resource-constrained companies (Das and He, 2006), startups must be strategic in their purchasing decisions to secure the suppliers they need for innovation (Marcon and Ribeiro, 2021; Song and Di Benedetto, 2008) and success (Song et al., 2008).

One of the biggest challenges facing startups is establishing buyer–supplier relationships with larger, established companies. The liability of newness (Cafferata et al., 2009; Freeman et al., 1983), which refers to the increased risk of failure associated with young age (Abatecola et al., 2012; Stinchcombe, 1965), can make suppliers hesitant to work with startups (Jenkins and Holcomb, 2021). Additionally, hardware startups (DiResta et al., 2015) often require specialized suppliers for high-quality prototypes and components to bring their products to market (Berg et al., 2020), and it can be challenging to find suitable suppliers (Ghosh et al., 2019). For example, the bankruptcy of Jawbone, once a Silicon Valley unicorn startup (Haggin, 2017), illustrates the challenge of establishing buyer–supplier relationships for startups. Jawbone, a consumer electronics startup that was valued at over $3 billion, faced issues with suppliers including late supplier payments (Lashinsky, 2015), costly legal disputes with its suppliers (Cohan, 2018), and credit restrictions imposed by suppliers (Johnson, 2018), which further complicate these relationships.

Given the growing importance of startups in the economy and the unique challenges they face in purchasing, it is crucial to understand the dynamics of startup–supplier relationships. This dissertation focuses on buyer–supplier relationships in startups, with a special examination of startups as buyers and how they can become attractive to large suppliers.

1.1.1. Startups as buying firms

This study primarily focuses on startups engaged in buying activities in the context of supplier relationships. In particular, we examine entrepreneurial ventures that rely on external suppliers to operate and grow their businesses. These startups are young companies that have received venture capital during the last ten years. Startups can be defined in various ways, exhibiting a significant degree of variation. They range from high-tech startups in the biotech sector to newly established neighborhood restaurants (Harms et al., 2007). Typically, startups, which are also known as new ventures, are young organizations in their initial years of operation, while established businesses are well-known companies that have been in existence for some time (La Rocca and Snehota, 2021). Startups as young firms (Song et al., 2008) are also referred to as nascent, being less than ten years old (Jenkins and Holcomb, 2021). The literature suggests a significant shift in their survival probability after the ten-year mark, indicating a transition towards operational maturity and stability (Jenkins and Holcomb, 2021).

Additionally, because of their characteristics, entrepreneurial ventures are characterized by seeking profitability and growth and innovative strategic practices (Carland et al., 1984). Startups are new and small and are founded by individuals or a company (Wagner and Zanger, 2023). Moreover, startups are involved in the introduction of a new product or production method or entry to a new market (Carland et al., 1984; Davidsson, 2004). They are fast growing (Begley, 1995) and innovative (Carland et al., 1984).

Moreover, the literature uses terms such as "new venture", "entrepreneurial venture", "new business", and "nascent firms" when referring to startups. To maintain consistency, we have adopted the term "startup" in our research, where we conceptualize startups as buying firms – young firms that have received venture capital in the last ten years. We used the ten-year-age criterion for nascent firms with emerging supply chains (Jenkins and Holcomb, 2021). Moreover, startups as buying firms have business-to-business sourcing relationships and suppliers with annual expenditure greater than EUR 10,000.

Furthermore, this research does not focus on any particular industry, whether software, service, or hardware. Nevertheless, the emergence of new technologies, such as cyber-physical systems, digital twins, blockchain technology, three-dimensional (3D) printing, and artificial intelligence (AI) (Schiele et al., 2022a), can create new opportunities and challenges for startups and suppliers. For example, hardware startups (DiResta et al., 2015) developing products and services based on these technologies may require specialized suppliers. Moreover, startups may need suppliers for high-quality prototypes and components to bring their products

to market (Berg et al., 2020). Equally, suppliers will need to adapt to the new technologies and startups' fast-paced and dynamic nature (Tessaro et al., 2022).

Startup–supplier relationships are critical when startups need key suppliers to function and grow. The success of startups often depends on their ability to establish and maintain relationships with key suppliers. The following examples of startups illustrate the supplier relationship challenges they face. Elroy Air and Sky Squirrel Technologies illustrate how startups collaborate with strategic suppliers to develop and commercialize their innovative products. For instance, the aerial cargo platform of Elroy Air focuses on novel multi-modal transport, which targets global environmental challenges (Portapas et al., 2021). The aircraft made by Elroy Air will need suppliers for batteries, drone motors, propellers, GPS modules, sensors, cameras, and control boards.

A second example is the Sky Squirrel Technologies startup, illustrating AI-powered smart farming that collects data using connected sensors to improve crop yield (Kakani et al., 2020). The AgTech startup monitors crop health by tracking crop behavior in terms of water and nutrients, using smart irrigation and smart sensors for weed detection (Kakani et al., 2020). These examples of startups share a common need: the need to collaborate with strategic suppliers to advance their hardware solutions, including research and development, prototyping, and industrialization. Hardware startups reported that they could manufacture low-resolution prototypes themselves. However, they need suppliers to manufacture high-quality prototypes and to produce prototypes faster (Berg et al., 2020). In summary, hardware startups – unlike software startups – need suppliers for prototyping, components for serial production, and sometimes product assembly (Wei, 2017).

While startups need strategic suppliers to function and grow, they must compete with established buyers to procure supplier resources. In many industrial markets, suppliers are in a position to choose their customers, and buyers may have to compete for their resources (Schiele et al., 2012). Thus, when suitable suppliers are scarce (Steinle and Schiele, 2008), startups often face an uphill struggle because they have to compete with well-established firms for the same resources. One example is the electric pickup truck market, where startups, such as Rivian and Canoo, compete against industry giants, such as Ford and GMC (Ulrich, 2021).

Startups can be disadvantaged when competing for supplier resources due to their lack of stability and unproven track record (Das and He, 2006). Startups are typically young (Song et al., 2008), and they may not survive in the long term (Freeman et al., 1983). Clearly, they lack the resources of established companies (Das and He, 2006). Given these shortcomings, startups may be perceived as unattractive by suppliers (Bjørgum et al., 2021), who may, in consequence, decide

not to do business with them (Bolumole et al., 2015). All in all, startups can be faced with a range of obstacles when dealing with suppliers – difficulty sourcing from high-quality suppliers (Ghosh et al., 2019), encountering opportunistic supplier behavior (Rottenburger and Kaufmann, 2020), facing power asymmetries (Perez and Fierro, 2018), and being subjected to undesirable exclusivity agreements (Garnsey and Wilkinson, 1994). To overcome these challenges, startups need to enhance their attractiveness to suppliers and achieve preferred customer status if they are to mobilize the supplier resources they need for success.

1.1.2. Customer attractiveness and preferred customer status: Applying social exchange theory as a conceptual basis

Social exchange theory (SET) is a widely used framework in business-to-business relational exchanges (Nollet et al., 2012) and serves as a fitting theoretical basis for understanding the concept of customer attractiveness (La Rocca et al., 2012) because SET provides insights into the dynamics of relationship initiation and continuation (Schiele et al., 2012) that is a core element of customer attractiveness in startups. SET proposes that interactions in an exchange are associated with either social or economic results and, as the relationship progresses, the involved parties evaluate the outcomes of these interactions against possible alternatives (Nollet et al., 2012). Consequently, the relevance of SET in this thesis lies in its focus on relationship initiation and continuation. Moreover, SET is a helpful theoretical setting for understanding this process, and it has been widely used in the context at hand (Schiele et al., 2012). Therefore, SET is the basis for understanding how startups can address the challenges of customer attractiveness and preferred customer status.

Understanding customer attractiveness (Christiansen and Maltz, 2002; Ellegaard and Ritter, 2006; Ellegaard and Ritter, 2007) is crucial for startups because it allows them to mobilize supplier resources (La Rocca and Snehota, 2021) and secure supplier collaboration (Jenkins and Holcomb, 2021). The task for struggling startups is to shed their debilitating unattractiveness to suppliers (Bjørgum et al., 2021; Song et al., 2010) and achieve preferred customer status.

A preferred customer is "a purchaser (buying organization) who receives better treatment than other customers from a supplier, in terms of product quality and availability, support in the sourcing process, delivery or/and prices." (Nollet et al., 2012; p. 1187). Obtaining preferred customer status with suppliers is crucial to secure advantageous resource allocation (Schiele et al., 2012) and gain access to exclusive products, services, supplier innovations, and favorable pricing (Bew, 2007; Nollet et al., 2012). Companies can achieve preferred customer status through factors relating to growth opportunity (Hüttinger et al., 2014; Vos et al., 2016), profitability (Vos et

al., 2016), relational behavior (Hüttinger et al., 2014; Vos et al., 2016), and operative excellence (Vos et al., 2016).

1.2. Research gap

Given the strategic relevance of supplier relations for startups, the lack of research on this topic is surprising and needs further investigation. Suppliers' resources play a significant role in a startup's development and success, including the improvement of the startup's new product development and innovation. However, to secure supplier commitment, startups must overcome their perceived risk by increasing their customer attractiveness. Despite the critical role of supplier resources and capabilities in the success of startups, there is a significant research gap addressing how startups can effectively attract and collaborate with suppliers. Startups need to access supplier resources and compensate for their liabilities. Here, there is a lack of research exploring this intersection of purchasing and supply chain management (PSM) and entrepreneurship.

There are several factors that underscore the importance of this research. First, startups face unique challenges related to sourcing, which may be both crucial to their success and difficult to manage (Bjørgum et al., 2021). Second, access to supplier resources and capabilities is a key factor in developing new ventures (La Rocca et al., 2019b; La Rocca and Snehota, 2021). Thirdly, suppliers for startups can improve new product development (Mota et al., 2021), innovation (Song and Di Benedetto, 2008), and success (Song et al., 2008). Finally, to obtain strategic supplier commitment and collaboration, nascent firms must overcome perceived collaborative risk by increasing their customer attractiveness (Jenkins and Holcomb, 2021). In summary, despite the importance of buyer–supplier attractiveness in startups, there is limited research identifying factors to increase customer attractiveness in startups and to secure supplier commitment and collaboration.

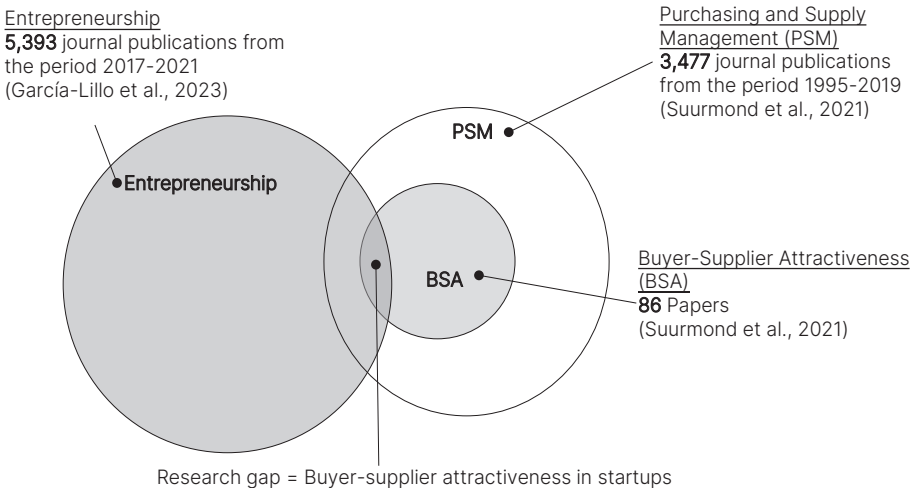


Figure 1: Research gap

Although there is a significant body of literature on both entrepreneurship and purchasing and supply chain management (PSM), there is limited research on their intersection. Figure 1 illustrates the research gap and provides statistics on the existing research as demonstrated by the literature reviews conducted by García-Lillo et al. (2023) on entrepreneurship research and Suurmond et al. (2021) on purchasing and supply management (PSM). The literature review on entrepreneurship research by García-Lillo et al. (2023) analyzed 5,393 peer-reviewed journal articles from the period 2017 to 2021, identifying 16 active research areas. The key topics mentioned are related to various aspects of entrepreneurship, including family firms, social entrepreneurship, global firms, university spin-offs, women entrepreneurs' firm performance, ecosystems research, and green startups. While the review covered various aspects of entrepreneurship, we found no reference to buyer–supplier relationships or topics related to purchasing or suppliers. The literature review on purchasing and supply management (PSM) by Suurmond et al. (2021) analyzed 3,477 journal publications from the period 1995 to 2019. The authors identified key themes, including supply chain governance, forecasting, global sourcing, supplier selection, buyer–supplier relationships, buyer–supplier attractiveness, collaborative innovation, PSM strategy and skills, socially responsible purchasing, public procurement, ethics, inventory management, innovation capabilities, and electronic data interchange. However, the combined themes of startups and entrepreneurship were not included as topics. In summary, there seems to be little to no research on the intersection between entrepreneurship and purchasing. This is consistent with the results of three literature review papers (Baraldi et al., 2019; Baraldi et al., 2020; Wagner, 2021)

linking entrepreneurship and purchasing, which found very few entrepreneurship-oriented papers covering purchasing and supply management.

In addition to the limited research on the intersection between entrepreneurship and PSM, the literature on buyer–supplier attractiveness is limited to 86 articles (Suurmond et al., 2021). The most recent empirically tested attractiveness research from Hüttinger et al. (2014) measures the customer attractiveness of an automotive OEM. However, startups may face different challenges than large buying firms, such as automotive OEMs. Therefore, the existing model may not be generalizable to all industries (Hüttinger et al., 2014). There is a distinct absence of buyer–supplier attractiveness literature in the context of startups. Very few exploratory papers exist, such as the works of La Rocca and Snehota (2021) on startups, Jenkins and Holcomb (2021) on nascent firms, and Kragh et al. (2022) on low-leverage buyers. However, the literature in the context of startups lacks methodological diversity, and different research methods are needed to validate the preliminary findings.

In summary, while the role of suppliers in startups' success is well recognized in the literature, the specific strategies that enhance a startup's attractiveness to suppliers remain almost underexplored. Given this research gap, there is an urgent need for empirical studies to specifically address the strategies and practices that increase a startup's attractiveness to suppliers. Specifically, there is a call to investigate how startups can effectively mobilize supplier resources (La Rocca et al., 2019b), the strategies that startups can employ to involve suppliers in new product development (Bolumole et al., 2015), and the methods they can use to find and attract suppliers (Wagner, 2021). Consequently, this research, which is not yet represented in the literature, relies on a systematic mixed-methods approach contributing to entrepreneurship and purchasing and supply chain management (PSM) research by shedding light on how startups can become attractive customers to large suppliers. This is especially significant given startups' unique challenges and opportunities, which are often overlooked in customer attractiveness research primarily focused on larger buying firms.

1.3. Research motivation and main research questions

The previous section has established that only very few exploratory studies have investigated customer attractiveness in startups as buyers. In consequence, much uncertainty remains about the mechanism and factors that make a startup attractive. Furthermore, no quantitative studies have identified customer attractiveness factors in startups. This topic has been seriously under-researched, with the primary research stream that exists focusing on large buyers, such as automotive

OEMs or large chemical companies. In addressing this research gap, we posit this overarching research question:

How can startups become attractive customers to large suppliers?

To support our research process and answer our main question, we developed sub-questions:

Sub-question 1: What do we know about the startup in the buyer–supplier relationship?

Sub-question 2: Which factors influence the cycle of preferred customership in the context of startups as buyers?

Sub-question 3a: What is the impact of company type (startup versus incumbents) on customer attractiveness?

Sub-question 3b: What factors influence startups' attractiveness to suppliers?

Sub-question 4a: How do startups organize their purchasing activities?

Sub-question 4b: What is the impact of purchasing organization on operative excellence?

The sub-questions are interrelated and help to answer the overarching research question. First, sub-question 1 provides a foundational understanding of the buyer–supplier relationship in the context of startups. This question will allow us to reveal knowledge gaps and identify key themes in the literature, establishing a baseline for our exploration. The results from a systematic literature review report on four themes emerged: customer attractiveness and relationship initiation; network; strategic compatibility; and innovation. The customer attractiveness and relationship initiation theme revealed a lack of research on startup attractiveness in buyer–supplier relationships. This knowledge gap prompted us to explore startup attractiveness at a higher level, focusing on the cycle of preferred customership. Moreover, the remaining three themes of network, strategic compatibility, and innovation help to substantiate the customer attractiveness framework used in the research process linked to sub-questions 3a and 3b.

Second, sub-question 2 explores the factors that influence the cycle of preferred customership. The cycle of preferred customership is crucial in identifying factors that influence how startups can become attractive customers. This is the first stage of the cycle of preferred customership. Building on and complementing the first sub-question, we will delve into the customer attractiveness factors specific to startups. This question directly supports the main research question by identifying factors that make startups attractive to suppliers. Through our exploration of customer attractiveness in a world café, we extracted key factors contributing to startups becoming attractive customers. We identified seven factors that play a role in the

cycle of preferred customership for startups. Nevertheless, we found that five factors play a role in the customer attractiveness phase: (1) credible growth opportunity; (2) startup network; (3) strategic compatibility; (4) innovation potential; and (5) purchaser sellership. Together with the three themes that answered sub-question 1, these five attractiveness factors served as the foundation to develop the customer attractiveness framework for startups derived from Hüttinger et al. (2014), which was a necessary step for quantitative research.

Third, sub-questions 3a and 3b focus on customer attractiveness by examining the impact of company type and the factors that influence a startup's attractiveness to suppliers. These questions build on and further expand our examination from sub-question 2, focusing on validating the startup attractiveness factor. Moreover, they provide comparative insights by investigating startups versus incumbents, thus directly contributing to our overarching question. Consequently, to validate and prioritize the identified factors in the customer attractiveness framework, we conducted testing. The results from a discrete choice experiment allowed us to identify the three most significant factors that play a crucial role in startup attractiveness: (1) strategic compatibility; (2) operative excellence; and (3) innovation. Among the three key factors identified, we selected operative excellence, an under-researched factor, to develop a practical application addressed in the following sub-question. While our initial literature review on startups as buyers primarily revealed themes such as networks, innovation, and strategic compatibility, the theme of operative excellence remained largely unexplored. However, Hüttinger et al. (2014) found that operative excellence significantly and positively influenced customer attractiveness in the context of larger buyers. This discrepancy indicates a gap in the literature concerning startups, overlooking the impact of operative excellence on their attractiveness to suppliers. By focusing on operative excellence as a key factor, the next sub-question aims to fill this gap.

Finally, sub-questions 4a and 4b address the organizational aspect of purchasing activities and their impact on operative excellence, a key startup-specific factor driving customer attractiveness. The results from interviews and a world café revealed that startups organize the purchasing function in four ways: transactional-oriented; strategic only; outsourced purchasing; and full department. Moreover, we conceptualized a fifth option, partial outsourcing. Each of the five organizational types has advantages and disadvantages regarding operative excellence. Sub-questions 4a and 4b tackle the operational purchasing aspect of startups, scrutinizing how their purchasing activities may affect their operative excellence and overall attractiveness to suppliers. They both refine our understanding of

the previous sub-questions and add another layer to our comprehension of how startups can make themselves attractive customers. We refine the operative excellence concept by providing a detailed description of its antecedents in the case of startups. Additionally, we add another layer to our comprehension of operative excellence by establishing the purchasing organization as a framework to drive change in operative excellence. By addressing these sub-questions in the round, we can arrive at a comprehensive understanding of how startups can become attractive customers to large suppliers.

1.4. Research methodology

This research utilized several research methods, both qualitative and quantitative. Figure 2 shows the various methods applied to explore how startups can become attractive customers to large suppliers. Startup purchasing research is an emerging field. Therefore, the research design begins with a generic review of startups as buyers and then progresses to the identification of the specific factors that improve startups' attractiveness. The research concludes by identifying the purchasing organization as a way to improve operational excellence, which is an essential attractiveness factor for startups. In summary, this research is designed like a funnel, starting with exploring startups in the buyer–supplier relationship and narrowing the research to studying one of the attractiveness factors in detail.

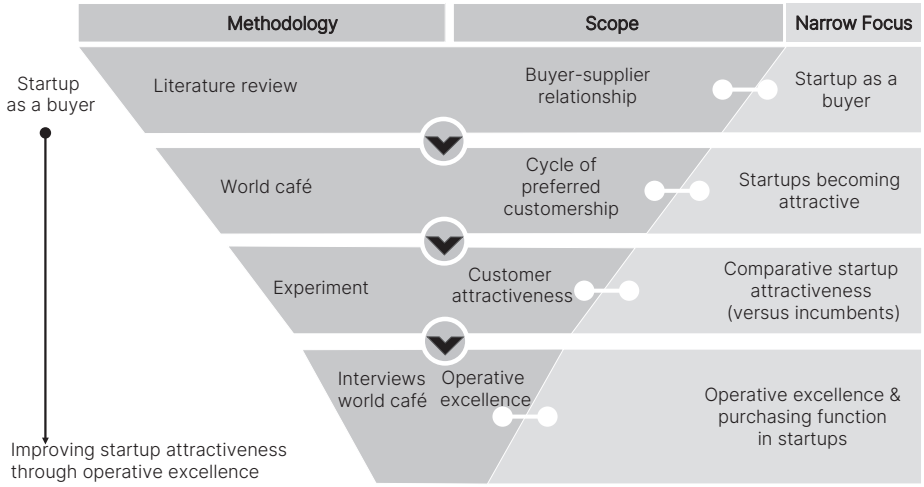


Figure 2: Research methodology

1.4.1. Systematic literature review

The first study aimed to answer the research question: What do we know about the startup in the buyer–supplier relationship? To answer this question, we chose a systematic literature review as the method. The systematic literature review approach is suitable because it allows us to systematically search and critically evaluate the published literature on buyer–supplier relationships in startups. We used a systematic approach (Tranfield et al., 2003) to identify and synthesize the most relevant findings from the existing literature, providing an overview of the current state of knowledge on buyer–supplier relationships in startups. We performed a full search on title, abstract, and keywords in three databases (EBSCO Business Source, Web of Science core collection, and Scopus) regarding articles published between 1980 and 2021. Accordingly, we identified 3,173 records. Next, we excluded non-peer-reviewed journal articles, not written in English. Furthermore, we excluded duplicated records and non-relevant articles, which resulted in 51 papers. We performed a thematic analysis, reporting the key topics present in the literature.

1.4.2. World café

The second study aimed to answer the research question: Which factors influence the cycle of preferred customership in the context of startups as buyers? To answer this question, we chose a qualitative approach based on a research world café (Schiele et al., 2022b). Since the research question is exploratory, a qualitative approach was the most appropriate means (Antwi and Hamza, 2015) to gain a deeper understanding of the factors influencing the cycle of preferred customership in the context of startups as buyers. We used non-probabilistic sampling to purposively select participants from different industries to ensure a diverse and representative sample. All participants were startup experts, procurement professionals who worked for startups, and suppliers with sales experience doing business with startups. We invited 85 participants, and 15 participated. The participants were from six countries (The Netherlands, Brazil, Germany, Hungary, the UK, and the US), representing 14 companies in nine industries. Two topics were discussed: (1) What strategies do startups use to attract large suppliers to initiate a business relationship? and (2) What strategies do startups use to improve supplier satisfaction and obtain preferential treatment from existing suppliers? The world café was online (see Gyllenpalm (2002)) and lasted 2.5 hours. It included three discussion rounds and a voting procedure in which participants rated relevant topics. We also recorded and transcribed the world café. Finally, we analyzed the data based on the topics discussed, the whiteboard notes, and the transcripts.

1.4.3. Discrete Choice Experiment

The third study aimed to answer two research questions: What is the impact of company type (startup versus incumbent) on customer attractiveness? What factors influence startups' attractiveness to suppliers? To answer these questions, we chose a quantitative approach. However, conducting a classical perceptual survey to collect reliable data on salespeople's preferences is challenging due to their lack of experience selling to startups. Therefore, experimental research using a stated preference method, such as the discrete choice experiment (DCE), is a more suitable approach. DCE allows the comparison of choices and provides data that better replicate real conditions when suppliers must choose between customers. DCE is an appropriate method to consider startups competing against an established buyer and to evaluate the factors that influence supplier choices regarding customer attractiveness. Moreover, we used a DCE to evaluate nine hypotheses on factors that impact startup attractiveness. We used a DCE (Louviere et al., 2010) with 129 salespeople from the United States in the CloudResearch platform. The DCE was a fractional factorial design and derived 10 choices from an orthogonal plan. Each choice set had nine attributes, with two levels each. We used an online questionnaire from Qualtrics software. In the choice experiment, we forced the salesperson to choose which customer was more attractive – a startup or a well-established company. The independent variables are the nine attributes in the choice cards. We collected information regarding gender, age, and working experience. Moreover, we asked whether the participant had previous startup experience, and we posed questions related to the propensity for risk taking. Finally, we analyzed the choice data collected from the DCE by fitting two conditional logit models (McFadden, 1974) to evaluate the probability that a salesperson selects a startup or a well-established company, given the alternative attributes and their levels.

1.4.4. Semi-structured interviews and a world café

The fourth study aimed to answer two research questions: How do startups organize their purchasing activities? What is the impact of purchasing organization on operative excellence? To answer these questions, we chose a qualitative method because, to the best of our knowledge, there is no previous study on how startups organize their purchasing functions. Qualitative methods are well suited to exploratory research questions of this type. We utilized 2-step data collection methods combining (1) semi-structured interviews and (2) a world café. In particular, we used semi-structured interviews to understand how startups organize their purchasing activities and how different organizational structures impact operative excellence. The qualitative approach allowed a more nuanced and contextualized

understanding of the topic, which may be difficult to capture using quantitative methods. The fourth study is qualitative and practically oriented. It analyzes how startups organize their purchasing activities to improve operative excellence and become attractive customers. For this purpose, we used non-probability purposive sampling (Silverman, 2020). We employed the maximum variation sampling technique for the semi-structured interviews and an expert sampling technique to select individuals with startup–supplier-relationship experience participating in the world café. Our sample included 20 startup purchasers and suppliers from eight countries (Belgium, Brazil, France, Germany, Hungary, Netherlands, UK, and USA).

We collected data in two steps. First, we conducted semi-structured interviews with startup purchasers concerning purchasing in the startup. We used an interview guide to ask questions regarding (1) purchasing organization and structure and (2) purchasing operational processes. The author conducted the interviews, which took place virtually and lasted 45 to 60 minutes. All were recorded and transcribed. Second, we collected the world café data, which was organized in the context of the second study (Chapter 3). The previous paper by the authors discussed startup attractiveness and preferred treatment. As a result, both studies share the same data collection and the same participants in the world café. However, in this study, unlike the study in Chapter 3, we held interviews as a complement to data collection, and the research question is distinct in the two studies. Furthermore, this study generated an exclusive table with no overlap in the data. Yet, both studies are similar in their focus on startups.

The world café data collected in the previous study contained three tables. Each table had its research questions and independent datasets of recordings, transcripts, and ranked voted factors. Two tables belong to the previous study, and one belongs to this study. Recruiting startup purchasing professionals was difficult and time consuming, and the world café preparation was labor intensive. Therefore, there were advantages to combining the data collection to advance knowledge in two distinct research fields: purchasing organizations in startups and startup–supplier attractiveness. In short, the studies overlap in using the same data collection procedure and the same sample. However, the research questions, focus, findings, and qualitative data (e.g., transcripts and voted factors) are distinct. Furthermore, we analyzed data in two steps. First, we performed a thematic analysis, coding the interview data. We followed an inductive approach, manually coding the transcripts using ATLAS.ti software and comparing the codes with the PSO literature. The analysis resulted in an initial purchasing organizational framework that we used as input for the world café. Secondly, we used the world café data to

refine the concepts from the interviews. Moreover, world café data helped to identify the advantages, disadvantages, and when each organization type is recommended.

1.5. Dissertation outline

This dissertation is structured into six chapters: this introduction, four core chapters as illustrated in Figure 3, and a final chapter dedicated to discussion. The core chapters of our research project consist of four independent articles connected to the same topic of buyer–supplier relationships in startups. Each paper builds on the other in four research steps: 1) discover attractiveness factors, 2) explore attractiveness factors, 3) test important attractiveness factors, and 4) implement attractiveness factors in practice. These four research steps are organized in a framework for a systematic progression of this research. The "identify–understand–improve" framework depicted in Figure 3 encompasses three stages. Each stage builds on the previous one, focusing on answering the main research question, "How can startups become attractive customers to large suppliers?"

The first stage, "identify", involves two qualitative research steps. The initial research step is a systematic literature review to discover attractiveness factors specific to startups. An initial literature review revealed that only a few articles target startups as buyers. Therefore, we shifted the focus to startups in the buyer–supplier relationship and took a step back from the customer attractiveness literature. Given the limited research on startup attractiveness, the second research step aims to bridge this gap. Here, we conduct a world café and narrow our focus to startups as buyers in the cycle of preferred customership to further explore attractiveness factors.

The second stage is "understand", which involves a quantitative method to test important attractiveness factors identified in the previous stage. This step is accomplished through an experiment. The final stage is "improve", where the attractiveness factors are implemented in practice. This stage focuses on providing practical recommendations and strategies for startups to improve their operative excellence and overall attractiveness to suppliers. We explore operative excellence as one of the influencing factors and offer strategies to improve operative excellence connected with how startups organize purchasing. This step is accomplished through interviews and a world café.

Chapter 2: Due to the lack of research focused on startups as buyers, the structure of this thesis begins with a literature review of startups in the buyer–supplier relationship. The literature on buyer–supplier relationships in startups is fragmented. Applying a systematic literature review of 51 papers, chapter 2 structures the buyer–supplier literature into four themes: relationship initiation and

customer attractiveness; network; strategic compatibility; and innovation. Moreover, the literature review identifies a framework with four pathways for future startup purchasing research: i) better defining the startup network construct in the context of buyer–supplier relationships; ii) connecting the startup network with relationship initiation and customer attractiveness; iii) connecting strategic compatibility with relationship initiation and customer attractiveness; and iv) connecting innovation with relationship initiation and customer attractiveness. Furthermore, this thesis is cumulative, and the 51 papers we have reviewed have helped to: i) strengthen the literature review of the following chapters: ii) articulate better propositions for chapter 3, iii) formulate hypotheses in chapter 4, and iv) understand and better explain the findings of the subsequent papers. Without summarizing the existing knowledge of startups in the buyer–supplier relationship, it would be much more challenging to conduct the original research presented in chapters 3, 4, and 5.

Chapter 3: Chapter 3 delves deeper into the topic of startups as buyers, explicitly focusing on the cycle of preferred customership. Building on the framework for future startup purchasing research proposed in chapter 2 moves us along the first pathway to further exploring startups in the cycle of preferred customer relationships. It investigates startup strategies to attract large suppliers, improve business relationships with them, and receive preferential treatment from suppliers. Based on the preferred customership literature and the world café data from 15 startup buyers and suppliers, we identified seven factors that explain how startups attract suppliers, maintain the relationships, and achieve preferred customer status – strategic compatibility, innovation potential, startup network, credible growth opportunity, profitability, memorable experiences, and purchaser salespersonship. Moreover, we found three new factors that have never been reported as part of the cycle of preferred customership antecedents, and we confirmed four existing factors from previous studies. Moreover, when analyzing the link between the factors and the different phases in the cycle of preferred customership, we found that five factors are relevant in the customer attractiveness phase: startup network, innovation potential, credible growth opportunity, strategic compatibility, and purchaser sellership. Finally, this qualitative paper provides detailed descriptions that help us to understand each factor's meaning and uses, the quotations from participants, and the whiteboard annotation that illustrates specific situations. Moreover, the five customer attractiveness factors relevant to the phase identified in chapter 3 build a foundation for the quantitative study on customer attractiveness in startups.

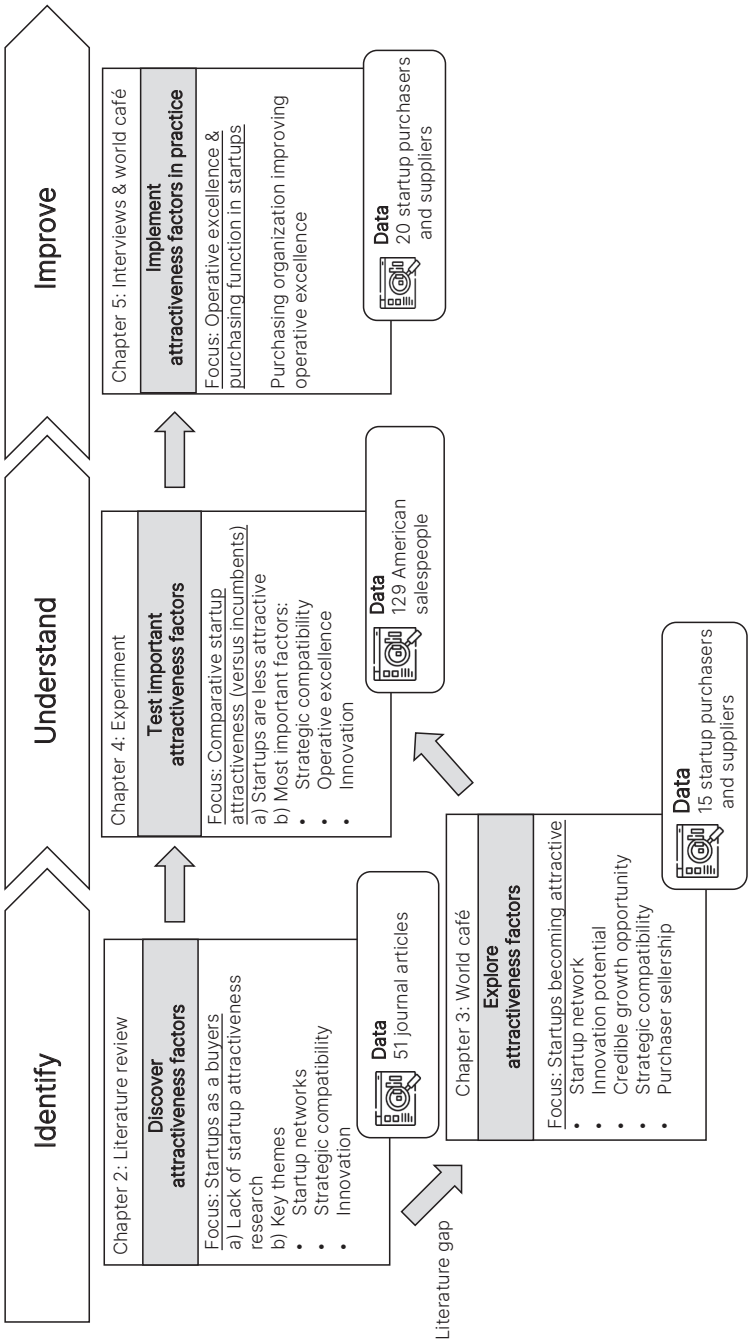


Figure 3: Dissertation outline

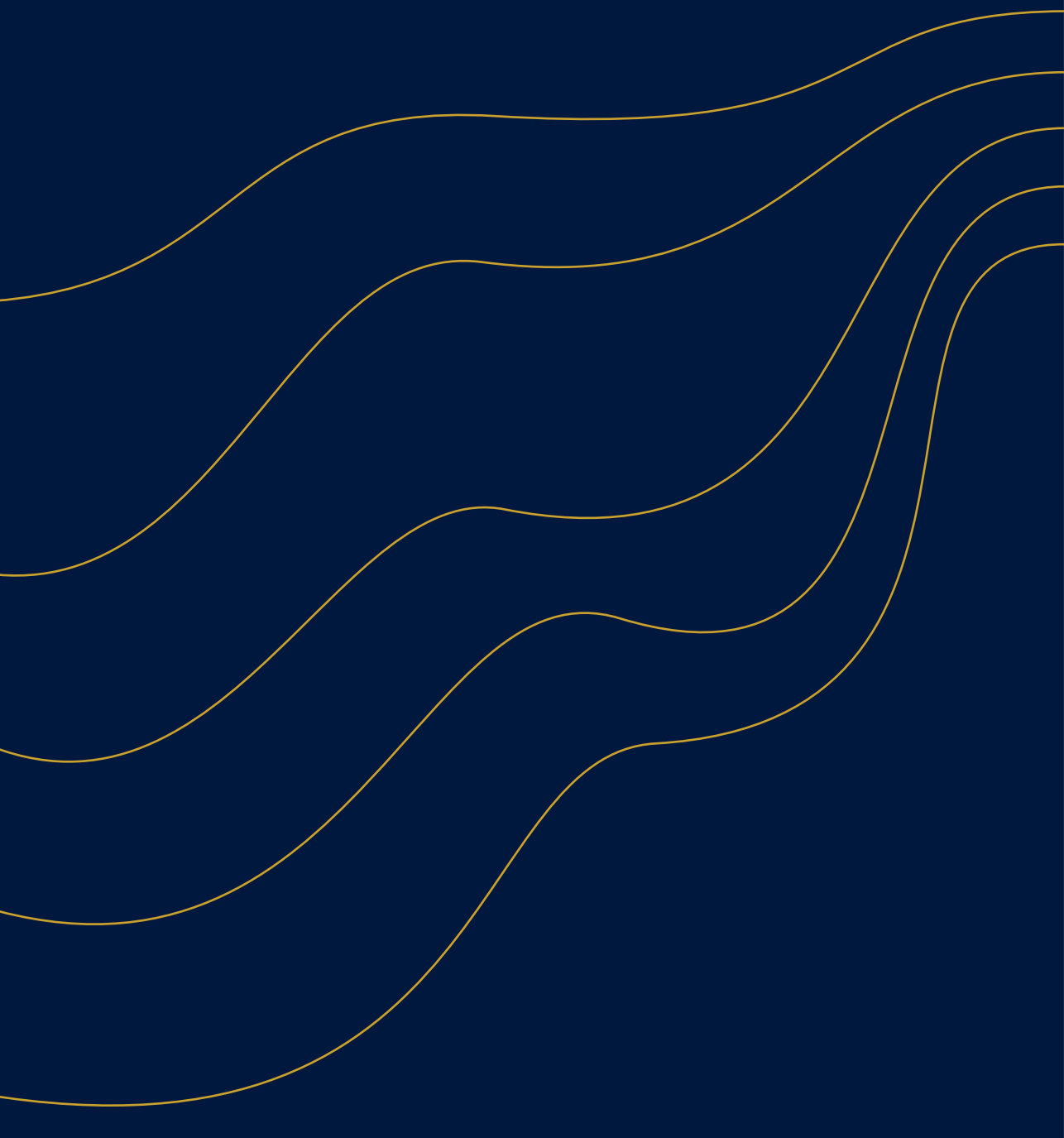
Chapter 4: Once more, chapter 4 takes another step in narrowing the research focus, transitioning from startups as buyers in the cycle of preferred customership to customer attractiveness in startups. Using a discrete choice experiment, we validated the findings from the world café with empirical data. Moreover, we provided a ranking of the factors, from the more important to the less important. We empirically tested startup attractiveness for the first time and found that startups are less attractive to suppliers than incumbent buyers. We also tested the relative importance of the factors. Some are more important for startups, and some are more important for incumbents. We end this chapter with the conclusion that strategic compatibility, operative excellence, and innovation are more important for startups than for incumbents.

Chapter 5: This is a practically oriented paper. From the literature review, we found that operative excellence literature was not abundant, and operative excellence in startups was non-existent, to the best of our knowledge. Therefore, the last chapter offers an in-depth investigation of one of the topics: operative excellence. Using interviews and a world café, we found a relationship between purchasing organization and operative excellence. Furthermore, we develop an organizational model for startups to organize the purchasing function. In addition, we provide detailed descriptions of operative excellence factors in startups using quotations to illustrate operative excellence in startups.

Chapter 6: The last chapter summarizes the findings and proposes future research avenues.

1.6. Reference

References can be found on page 189.



CHAPTER 2

Buyer–supplier relationships in startups: A Review of the Literature and an Agenda for Future Research

The main part of this chapter has been published as a conference paper:

Tessaro, J., Harms, R. and Schiele, H. (2020). Startups in the buyer–supplier relationship, limitations to be an attractive customer: definitions and theoretical framework. IPSERA 2020 Conference Proceedings. Knoxville, Tennessee, USA: International

ABSTRACT

When startups want to engage in buyer–supplier relationships with large companies, they may find it challenging to establish a business relationship because startups are new, are small, possess limited resources, and have almost no track record. The literature on buyer–supplier relationships in startups is fragmented. Therefore, we offer a systematic literature review of 51 papers. This paper structures the buyer–supplier literature into four themes: relationship initiation, network, strategic compatibility, and innovation. This literature review also identifies a framework with four pathways for future startup purchasing research.

2.1. Introduction

Startup companies are a vital element of economic development; however, they can be innovative but risky business partners. Startups are usually associated with fast growth (Begley, 1995) and innovation (Carland et al., 1984). In industrial markets, startups can be suppliers to large companies, generating innovation and external knowledge (Simon et al., 2021). Startups can also be buyers where suppliers to startups can improve new product development (Mota et al., 2021) and innovation performance (Song and Di Benedetto, 2008). Suppliers, startups, and customers are interconnected (Santos and Mota, 2020). Therefore, buyer–supplier relationships are an essential element in the innovation value stream.

However, the buyer–supplier relationship can be challenging because of the liability of newness. Younger firms have a higher mortality rate (Stinchcombe, 1965). Their short existence creates uncertainty for suppliers (Das and He, 2006) and, compared to established firms, startups have limited legitimacy, insufficient track record, and commitment consistency is subject to change (Das and He, 2006). Due to these issues, large buyers and suppliers may find it challenging to work with startups. Corporations that may not have an adequate startup selection process (Kurpjuweit et al., 2021) often treat startups as large suppliers. However, startups deliver poor innovation execution compared to large suppliers (Simon et al., 2021). Large suppliers may find startups unattractive and risky partners (Jenkins and Holcomb, 2021). For example, Jawbone, which was once a $3 billion startup, had to be liquidated (Haggin, 2017). Problems faced by Jawbone included delays in product launches, an inability to retain a stable executive team, stiff competition and costly lawsuits with its suppliers and one competitor (Cohan, 2018), and a failure to pay suppliers on time (Lashinsky, 2015).

Startups are at a disadvantage when competing against large companies. For example, in the battle for supremacy in the field of electric pickup trucks, there is a race to command the battery supplier market. R1T trucks from Rivian and Canoo pickup startups are in competition with giants such as Ford F-150 and GMC Hummer EVs (Ulrich, 2021). However, startups can allow large companies to enter new markets. For example, Auto supplier, Magna, signed a deal with Fisker, an electric-car startup, to build Fisker's first vehicle (DeBord, 2020).

There is a growing body of literature focusing on startups and purchasing. Most follow the network perspective (Bhalla and Terjesen, 2013; Partanen et al., 2014). Others take the perspective of supply chain management as a broader area from supplier to customer and the effects on startup performance (Amedofu et al., 2019). Some studies explore a stakeholder theory perspective on buyer and

supplier groups and the mitigating effects on new venture growth (Cavazos et al., 2012). Very few recent papers consider the buyer–supplier dyad view. La Rocca and Snehota (2021) investigate customer attractiveness by taking the startup's buyer perspective. Kurpjuweit and Wagner (2020) take the large firm perspective, exploring startup–supplier programs. La Rocca et al. (2013) look at the startup from a supplier perspective and investigate how startups initiate a customer relationship.

In summary, the purchasing and supply chain management (PSM) literature on startups is fragmented. Integration of the field remains an issue because startups in the buyer–supplier relationship have only been studied in isolation. There has been no attempt to integrate knowledge about startups into the buyer–supplier relationship. Such integration is necessary to guide future research in the buyer–supplier relationship for startups. There are only three attempts (Baraldi et al., 2019; Baraldi et al., 2020; Wagner, 2021) to integrate the purchasing literature and the entrepreneurship literature. The special issue by Baraldi et al. (2019) offers a review of 12 papers published by the journal of Industrial Marketing Management regarding startups and networks. It is centered more on networks than buyer–supplier relationships. Baraldi et al. (2020) review 30 papers to find connections between industrial marketing and purchasing (IMP) and entrepreneurship. Moreover, it navigates between startups in networks, industrial marketing, and purchasing. Wagner (2021) is more closely aligned with the buyer–supplier relationship topic. The author summarizes the literature of startups in supply chain management and identifies opportunities for research, including startups as customers, startups as suppliers, and the startup supply chain.

However, there is a lack of systematic reviews studying startup–supplier relationships. Previous reviews were limited to a few journals and a shorter period, and some reviews were not even systematic. This paper addresses these research gaps. Therefore, the present paper structures the startup in the buyer–supplier relationship in the business-to-business context and points the way forward for further research on startups using a PSM theoretical lens. Furthermore, several studies have called for more startup research, including systematic literature reviews with an expanded journal coverage (Baraldi et al., 2020), supplier resource mobilization (La Rocca et al., 2019b), methodological variety (Baraldi et al., 2020), the startup–large-supplier view (Wagner, 2021), and startup attractiveness (Bjørgum et al., 2021).

This research consolidates and connects several research areas under one framework, which is essential to develop buyer–supplier relationships in startups as an area of research. This work is the first systematic literature review using a full search in three databases scanning 40 years of research. We offer a rigorous

systematic literature review of 51 papers identifying four main themes in the buyer–supplier relationship linked to entrepreneurship: relationship initiation, networks of buyers and suppliers, strategic compatibility, and innovation. The overall structure of this paper is based on five sections. The following section presents the systematic literature review methodology we used in this study. The third section reports the four themes we found in the thematic analysis. Next, we present a framework for future research and the concluding section. We offer a research framework paving the way for future PSM research in startups.

2.2. Methodology: Systematic literature review

This review followed Tranfield et al. (2003), a widely adopted guideline for an evidence-based literature review in business management, and was reported in the form of a Moher et al. (2009) flow diagram. We used the following research question to guide this review: What do we know about the startup in the buyer–supplier relationship? Figure 4 provides an overview of the literature review process. The first step was to perform a full search on the title, abstract, and keywords (Table 1). Since startups are the unit of analysis, we used the search words "startup" and alternative terms "new firm" and "new venture." We used the words "supplier" or "buyer" to find papers related to startups in the buyer–supplier relationship. We extracted the data in March 2020 and incorporated recent publications in October 2021.

Table 1: Search criteria

Databases	EBSCO Business Source, Web of Science core collection, and Scopus
Date range	1980-2021
Document type	Peer-reviewed journal articles
Language	English
Extraction date	March 2020, complemented in October 2021
Search string	(startup* OR start-up* OR "new firm" OR "new venture") AND (buyer or supplier)

We used the symbol (*) to capture different word variations.

In the second phase, the screening process applied inclusion and exclusion criteria (Table 1). We evaluated the theme and the setting by reading all titles, keywords,and abstracts to ensure the papers were relevant to the research question. We excluded papers that were clearly distant from purchasing and supply management. For example, papers concerning business angels were typically excluded. Moreover, papers on how to build incubators and business accelerators, on entrepreneurship education and learning, and on entrepreneurial motivations to start a new business (e.g., job loss, retirement) were excluded. The review resulted in 51 papers.

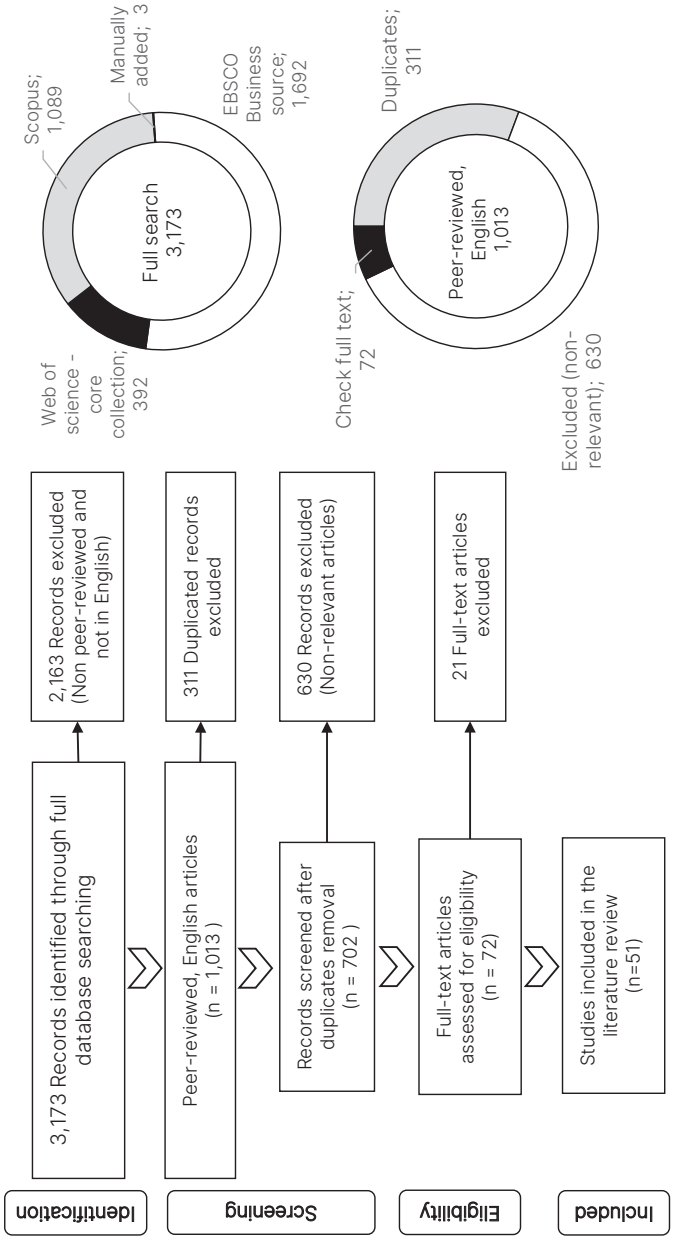


Figure 4: Screening process

Source: Adapted from the PRISMA flow diagram (Moher et al., 2009)

2.3. Results: Overall key emerging concepts and buyer–supplier relationship analysis

The descriptive bibliographic results from 51 selected papers highlight that several disciplines investigated startups in the buyer–supplier relationship. Those disciplines are marketing (33%); operations research (27%); entrepreneurship (12%); innovation (10%); economics (8%); general and strategy (8%); and international business (2%). The heterogeneity of disciplinary angles suggests that no specific discipline prevails. The publication sources are fragmented as well. The literature has been published in 37 journals (Appendix 2). The Journal of Industrial Marketing Management (IMM) had eight papers, and it was by far the journal with the largest number of papers. We anticipated that most of the papers would come from purchasing and supply management (PSM), which focuses on buyer–supplier relationships, and journals of entrepreneurship that focus on startups. Surprisingly, however, they were less represented. One possible explanation is that buyer–supplier relationships are not yet a core research topic in entrepreneurship and PSM research. More research on buyer–supplier relationship literature for startups is needed using the PSM theoretical approach. For example, future startup-focused research could use the PSM research areas, such as the cycle of preferred customership, purchasing skills, purchasing and supply organization, and purchasing maturity models.

The article age profile analysis showed that research into startups in the buyer–supplier relationship is recent. Early papers published between 1988 and 1998 represent 8% of the total. Then, for almost a decade, no one covered this topic. Papers published from 2007 to 2021 represented 92% of the total. In addition, only a few individual researchers were the key authors and co-authors on startups in the buyer–supplier relationship. One possible explanation for this is that only a small group of researchers show consistent interest in startups in the buyer–supplier relationship, whereas a larger group of researchers address the topic occasionally with perhaps only one publication.

Startups can have multiple functions in their relationships with multiple actors (Figure 6). The results showed that a startup is a buyer in 24% of the papers and a supplier in 26% of the papers. Much of the research up to now has not taken a specific startup function perspective. These findings suggest a lack of depth of analysis on startups as the buyer or the supplier. The results suggest that narrow research on the startup taking a single role as the buyer or the supplier is limited. Therefore, this study recommends future purchasing studies with a narrow focus on startups as either buyers or suppliers.

The literature investigates the buyer–supplier relationship in different research streams. For example, studies can investigate the startup as the buyer, the supplier, and in a broader set of relationships as networks (Figure 6). Figure 3 shows the

methodological approach for each startup-role perspective. When startups are the buyers, 67% of the studies are qualitative. When startups are the suppliers, 50% of the studies are qualitative. Therefore, we suggest more quantitative research to improve the generalizability of the results.

It is worth noting that the papers included in this review sometimes referred to startups using similar words, such as "new venture", "new business", "new venture technology", or "nascent firms". We standardize the terminology using "startup" throughout this article. Therefore, we no longer use the original term referred to in the original papers.

2.4. Thematic analysis and key emerging concepts

We iteratively developed a thematic analysis and identified key emerging themes (Figure 5) (Tranfield et al., 2003). Firstly, we searched for themes by looking for patterns in the research questions, theoretical backgrounds, keywords, titles, and full texts. Secondly, we reviewed the themes. For example, we used the framework for inter-organizational network research (Zaheer et al., 2010) to group network papers, the largest part of this review. Thirdly, we defined the names for each theme.

The following final overarching category resulted in four major themes that emerged from this thematic analysis (Figure 5). We divided every major theme into sub-categories (Figure 5). We divided relationship initiation (1) into initiation process (1a) and customer attractiveness (1b). In the network (2) theme, we classified papers according to the theoretical mechanisms involved: resource access (2a), trust (2b), power/control (2c), and signaling (2d). We divided strategic compatibility (3) into the large company perspective (3a) and the startup perspective (3b). Innovation (4) papers were divided into two perspectives, startups as the buyers (4a) and startups as the suppliers (4b). We used this framework to suggest a number of research questions for future research. There were also three existing literature review papers with a different approach to this review.

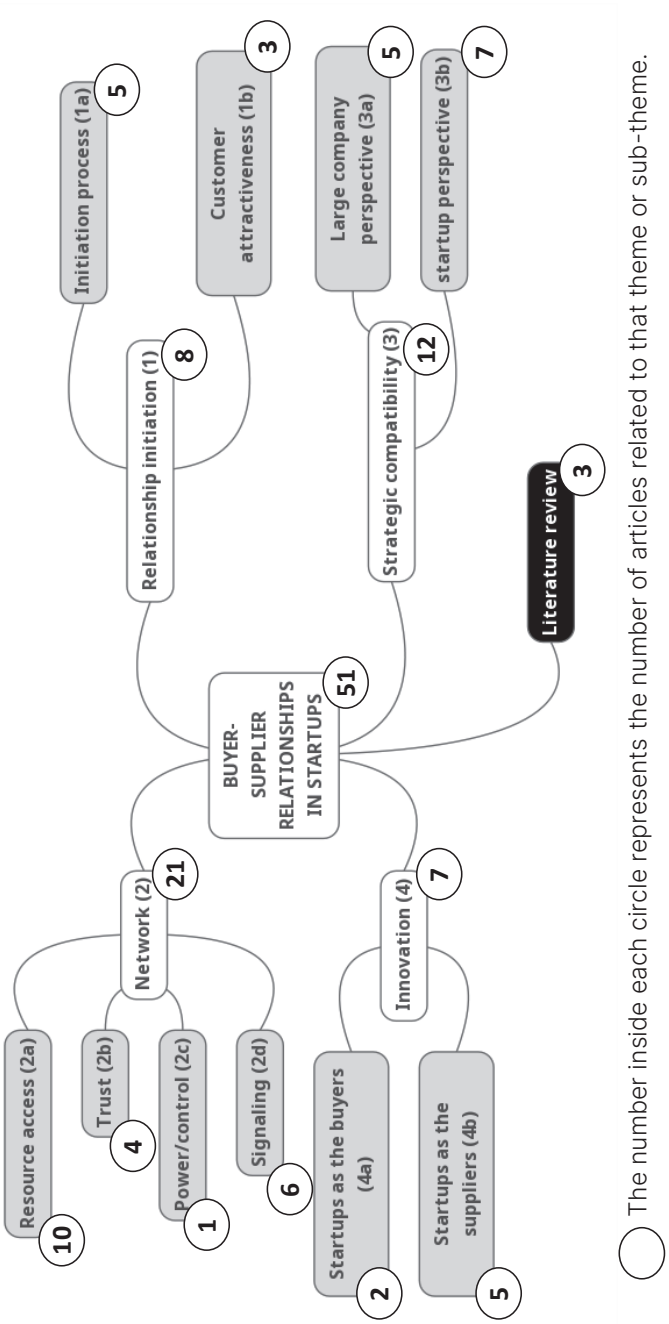
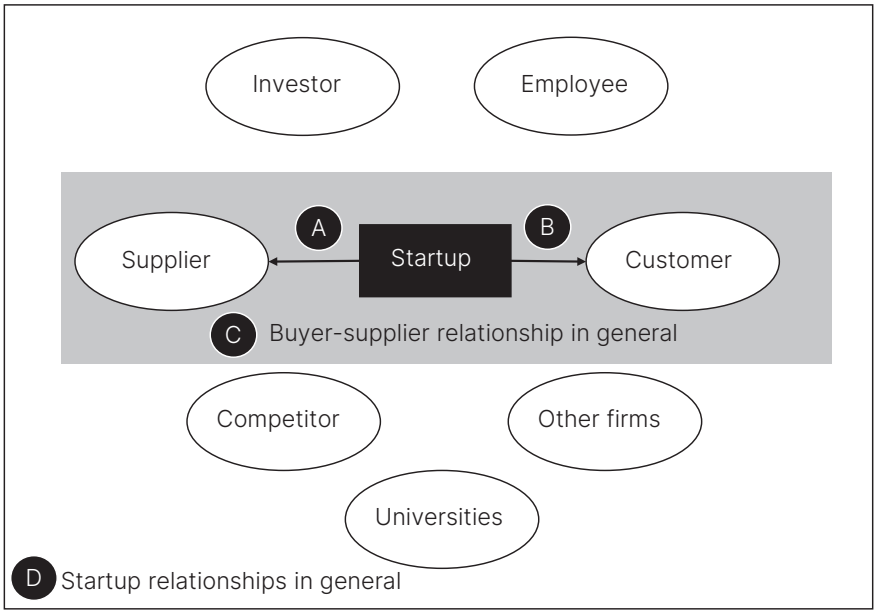


Figure 5: Emerging themes



Function (% of papers)	Main thematic (% of thematic)	Methodological approach
A Dyad buyer-supplier: Startup is the buyer (24%)	Rel. Initiation (33%) Network (33%) Innovation (25%)	Qualitative (67%) Quantitative(25%) Conceptual(8%)
B Dyad supplier-customer: Startup is the supplier (26%)	Strat. Comp. (43%) Rel. Initiation (21%) Network (21%)	Qualitative (50%) Quantitative (36%) Conceptual (14%)
C Startup has a dual role: Buyer and supplier (26%)	Strat. Comp. (36%) Network (36%) Innovation (18%)	Qualitative (31%) Quantitative (46%) Conceptual (23%)
D Startup has multiple roles: Buyer, supplier, investee, employer, competitor (24%)	Network (91%)	Qualitative (25%) Quantitative (50%) Conceptual (25%)

Figure 6: Illustration of startup relationships and perspectives

Furthermore, we found three literature review papers (Baraldi et al., 2019; Baraldi et al., 2020; Wagner, 2021) linking entrepreneurship and purchasing. Table 2 compares three previous reviews with this research. Our primary focus is the startup buyer–supplier relationship. Therefore, we provide a more comprehensive time search (1980-2021) than previous studies, performing a full search in three

databases. Contrary to previous reviews that provide a review of industrial marketing and purchasing, and supply chain networks, we narrow down the focus to the buyer–supplier relationship. Despite this narrower focus, we have reviewed more papers than the other reviews mentioned.

Table 2: Selected literature reviews linking entrepreneurship and purchasing

Author	Database	Period	Systematic literature review	Research stream	Reviews
Baraldi et al. (2019)	IMM special issue	Not known	No	Industrial marketing, startups, and networks	12 papers
Baraldi et al. (2020)	Eight selected journals*	2003-2017	No	IMP and entrepreneurship	30 papers
Wagner (2021)	Five Selected journals**	Not known	No	SCM – Supply Chain Management. Startups in the supply chain	Not available
This research	EBSCO, WoS, and Scopus	1980-2021	Yes	Startup in the buyer–supplier relationship	51 papers

EBSCO = EBSCO Business Source, WoS = Web of Science core collection
* Journal of Business Venturing, Entrepreneurship Theory and Practice, International Small Business Journal, Family Business Review, Strategic Entrepreneurship Journal, Journal of Small Business Management, Small Business Economics, and Entrepreneurship and Regional Development.
** Journal of Supply Chain Management, International Journal of Physical Distribution and Logistics Management, Supply Chain Management: An International Journal, Journal of Business Logistics, Journal of Purchasing and Supply Management.

The special issue by Baraldi et al. (2019) offers a review of 12 papers in Industrial Marketing Management on startups and networks. The authors organized the papers according to three development periods: establishment, consolidation, and stabilization. They suggest future network-focused research, including the embedding process, how connections impact the startup, negative impacts on startups, longitudinal case studies, and the effect of policies. The literature review of 30 papers by Baraldi et al. (2020) found four themes linking industrial marketing and purchasing (IMP) and entrepreneurship. Startup themes include contextual factors, interaction with the context, startup development issues, and methodology issues. Moreover, the authors propose future research directions, such as contextual variety, the multiplicity of networks, connecting startups to the context, and startup learning (Baraldi et al., 2020 ;p. 504). The review by Wagner (2021) summarizes the literature on startups in supply chain management and identifies six opportunities for research: (1) startups as customers, (2) startups as suppliers, (3) supply chain of

startups, (4) SCM startups as service providers, (5) incubation and acceleration of SCM startups, and (6) financing of SCM startups.

Taken together, these reviews are complementary and point to three key topics: (1) purchasing and supply management exploring startups as buyers, suppliers, and in the supply chain; (2) networks, exploring connections, and the positive and negative effects of networks; and (3) general topics concerning policy, financing, learning, contextual factors, incubation, and acceleration. In the following section, we describe the four themes in detail.

2.4.1. Relationship initiation (1)

During the startup's development, at a certain point, it will need to initiate relationships with suppliers and customers. The relationship initiation process will involve stages (La Rocca et al., 2013), from identifying the business partners to building trust (Aaboen and Aarikka-Stenroos, 2017). Moreover, when startups have to access suppliers (Bjørgum et al., 2021), they must be attractive (Jenkins and Holcomb, 2021). This section, summarized in Table 3, will discuss the initiation process and the development of customer attractiveness in startups (La Rocca and Snehota, 2021).

2.4.1.1. Initiation process (1a)

A startup has several reasons to initiate a buyer–supplier relationship with large companies. Startups lack product development competence, so they need to initiate relationships with suppliers to access resources (Santos and Mota, 2020). Technology startups wish to initiate a relationship to gain insights on customer value propositions in order to gain pilot customers (Kirchberger et al., 2020). However, when a startup wants to initiate a buyer–supplier relationship with large companies, it has to take the initiative and convince the target company that it is attractive (Aaboen and Aarikka-Stenroos, 2017). Startups need to make successful approaches to large companies (Aaboen and Aarikka-Stenroos, 2017). Large companies can be hard to access and, therefore, attractiveness is just one factor.

Relationship initiation with large companies is a process involving several stages. The relationship initiation literature proposes several initiation stages including: relating, combining, adapting, interaction, value formation, and experimentation (La Rocca et al., 2013). Additionally, the stages of: the trigger/initiator and need identification, matching/attraction, accessing, defining exchange, building conditions and trust, and forming the future are proposed (Aaboen and Aarikka-Stenroos, 2017). In relationship initiation with suppliers in a global sourcing context, attractiveness is critical in three stages: defining, matching, and accessing (Bjørgum et al., 2021).

Initial relationships with key suppliers are based on future benefit expectations and are a continuous and iterative process (La Rocca et al., 2019b). Buyer–supplier interdependence can be a development enabler and a limiting factor for a startup as the buyer and the supplier (La Rocca et al., 2019b). Startup's supplier and customer relationships are interconnected (Santos and Mota, 2020). Startups can learn how to adapt their products from customer feedback, and close collaboration with suppliers by startups can assist in implementing such product changes (Santos and Mota, 2020). In short, the startup relationship with large companies begins with relating and attracting, and is followed by interacting and accessing. Further research should investigate the relating, attracting, interacting, and accessing processes in greater detail.

Table 3: Startup relationship with large companies

Sub-category	Authors	Startup as the buyer	Startup as the supplier
Relationship initiation process and stages	Aaboen and Aarikka-Stenroos, 2017; La Rocca et al., 2013; Kirchberger et al., 2020; Bjørgum et al., 2021	✓	✓
Customer attractiveness	Bjørgum et al., 2021; La Rocca and Snehota, 2021; Jenkins and Holcomb, 2021	✓	

2.4.1.2. Customer attractiveness (1b)

Initiating a relationship is essential for a startup to become attractive to its target suppliers. Becoming attractive to suppliers, known as customer attractiveness (Christiansen and Maltz, 2002), is important for startups to mobilize resources (La Rocca and Snehota, 2021) and gain supplier collaboration (Jenkins and Holcomb, 2021). The issue is that suppliers are at a relational risk and may not commit to joint efforts (Jenkins and Holcomb, 2021). However, previous research on customer-attractiveness drivers in the context of established companies does not apply to startups (La Rocca and Snehota, 2021), and profits from sales are not central to startup customer attractiveness (La Rocca and Snehota, 2021).

Startups have low attractiveness among suppliers (Bjørgum et al., 2021) and, therefore, need strategies that will attract suppliers. Startups can become attractive to suppliers by (1) responding to stimuli to innovate and develop new competencies, (2) reputational benefits and prestige, and (3) personal satisfaction (La Rocca and Snehota, 2021). Moreover, nascent firms can improve attractiveness by (1) selling

growth potential, (2) showing commitment to innovation, (3) cooperating with suppliers on solutions, (4) being proactive and (5) including suppliers in internal teams (Jenkins and Holcomb, 2021). Alternatively, startups can source from small suppliers to mitigate their lack of attractiveness (Bjørgum et al., 2021).

Essentially, it seems that social factors and innovation potential (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021), as well as selling-on growth potential (Jenkins and Holcomb, 2021) are essential factors in defining startup customer attractiveness. Furthermore, selling-on growth could become a required skill for startup purchasers. Thus, future research could investigate the impact of purchasing skills on startup attractiveness.

2.4.1.3. Relationship initiation theme conclusions

The relationship with large companies can be complex. Startups need to be attractive partners and play an active role in engaging with the large companies (Aaboen and Aarikka-Stenroos, 2017). Therefore, startups should manage the buyer–supplier relationship professionally. When they are the buyers, startups may have an immature purchasing function and, as a result, purchasers employed by startups will be vulnerable to salespeople's opportunistic behavior (Rottenburger and Kaufmann, 2020). When they are the suppliers, startups should build a marketing function to help with the first customer relationship initiation (La Rocca et al., 2013). Furthermore, the process of accessing contacts in large companies remains unknown. Research questions on this sub-category of the first theme that could profitably be asked include:

RQ: What strategies do startup purchasers use to access a large company purchasing contact?

RQ: What strategies do startups use to access sales contacts from larger suppliers?

Since the current literature has a primary focus on customer attractiveness, future research could extend its reach beyond customer attractiveness and study the entire cycle of preferred customership, including supplier satisfaction and preferred customer status. Another angle for future research is purchasing skills and the role of purchasers in improving attractiveness. Consequently, we suggest the following research questions to investigate this sub-category of the theme of startups initiating relationships with large companies:

RQ: How can startups improve supplier satisfaction and become preferred customers?

RQ: What skills are required for startup purchasers to improve startup attractiveness and mobilize supplier resources?

2.4.2. Network (2)

The following section will discuss startups in the network (Aaboen et al., 2013; Wagner, 2021) theme. In highly generalized terms, a network is a group of interconnected nodes. In social networks, the nodes are actors (e.g., person, firm), and links are ties established between firms to access capabilities and resources that can constrain or enable a firm's outcomes, usually performance (Zaheer et al., 2010). Startup networks are relationships and transactions in business-to-business (Landqvist and Lind, 2019) and are interactions with suppliers, customers, and competitors (Huang et al., 2012). Table 4 shows the network section organized into four theoretical mechanisms: resource access, trust, power/control, and signaling (Zaheer et al., 2010).

2.4.2.1. Resource access (2a)

Resource access through suppliers and customer networks is essential to startup success. Startups are frequently unknown actors in the network, lacking credibility and reputation (Partanen et al., 2014). In particular, technology-based startups have high knowledge limitations (Tumelero et al., 2018). Supplier networks, in general, can be beneficial in accessing resources because of the startup's liability of newness (Bhalla and Terjesen, 2013). Furthermore, technological networks (e.g., suppliers, universities, and technical consulting) could help performance (Tumelero et al., 2018), innovation (Partanen et al., 2014), and building technological capability (Tumelero et al., 2018).

However, at the founding stage, startups do not have an established business network (Baraldi et al., 2019) and must rely on the funder's ties and human capital to build initial connections (Huang et al., 2012). Furthermore, networks of high-performance startups have primary ties with current major suppliers, current major customers, and close relatives (Carlos Pinho and de Sá, 2013). Indeed, radical innovation is more likely to require strong customer ties (Partanen et al., 2014). Generally, there is evidence to suggest that ties with suppliers and customers are essential resources for startup success, innovation, and overcoming liabilities.

Table 4: Startup and networks

	Levels of Analysis		
Theoretical Mechanism	**Dyad**	**Ego**	**Network**
Resource access	**Startups less attractive to suppliers at the center of the network** Bhalla and Terjesen, 2013 **Strong supplier ties → innovation** Partanen et al., 2014 **Challenges with suppliers: finding high-quality suppliers, negotiation , issues to import materials** Ghosh et al., 2019 **Technology suppliers → strong ties** **Regular suppliers → weak ties** Landqvist and Lind, 2019	**funder's ties → build the network** Huang et al., 2012 **Supplier → Performance** Carlos Pinho and de Sá, 2013	**Geographical proximity to suppliers and customers** Dornberger and Zeng, 2009, Solano et al. 2020, Mukim, 2015 **Technological networks → technological capability** Tumelero et al., 2018
Trust	**Lack of trust → Higher prices** Bhide and Stevenson, 1992 **Trust → f(x) time** Obal, 2013 **Trust → f(x) time and relationship frequency** Cherry, 2015	**Trust → network size → Resource access** Yin and Jahanshahi, 2018	
Power/Control	**Reward power and weak ties with suppliers → shield suppliers' opportunistic behavior** Usui et al., 2017		

Signaling	**Strong brand → access to suppliers** Merrilees, 2007 **Winning a large customer or early customer** La Rocca et al., 2019a), Wang et al., 2014 **Ties with Universities** Guercini and Milanesi, 2016 **High signaling costs** Chod et al., 2019 **Startup-government ties** Luo et al., 2019

Source: Structure adapted from (Zaheer et al., 2010), content our own.

Startups located in regional clusters can access resources from suppliers and customers in the same cluster (Rothaermel, 2002). Geographical agglomeration (Mukim, 2015) is a network mechanism (Zaheer et al., 2010), defined as industrial parks and clusters characterized by startup proximity to suppliers and customers (Dornberger and Zeng, 2009). Startups can source knowledge from universities and trade associations in the regional cluster, and use customers and suppliers in proximity to transform the knowledge into commercial opportunities (Solano et al., 2020). Furthermore, in a case study in China, half of the suppliers were concentrated in the same geographical area, which meant that startups did not have difficulties finding local suppliers in 73% of the cases (Dornberger and Zeng, 2009). In summary, startups can choose to locate in a regional cluster to increase their likelihood of finding customers and suppliers.

2.4.2.2. Trust (2b)

Networks can be a source of trust (Zaheer et al., 2010). Under high levels of trust, social network size positively impacts a startup's ability to access knowledge-based resources (Yin and Jahanshahi, 2018). Trust is one partner's willingness to be vulnerable to the other partner (Mayer et al., 1995). Stakeholder trust (e.g., customers, suppliers) is the frequency of interaction and relationship duration (Cherry, 2015). Trust is required in the presence of risk taking (Bhide and Stevenson, 1992). A new business enterprise is a source of uncertainty by itself, and this uncertainty represents a risk for the parties doing business with startups (Bhide and Stevenson, 1992). Furthermore, startups need to source materials and equipment. However, the entrepreneur has no track record (Cherry, 2015). In summary, the short existence of a startup can drive a lack of trust in buyer–supplier relationships.

As a result, a lack of trust can harm a startup's buyer–supplier relationships. Startups can pay higher prices than trusted buyers. Suppliers for a startup will reduce their risk by suppling products and services at a much higher profit than they can obtain from a well-established, large customer (Bhide and Stevenson, 1992). Therefore, there is a risk–reward mechanism in place where suppliers for startups make higher profits because they have prices adjusted to the risk incurred. When startups are suppliers, they are at a disadvantage compared to incumbent suppliers. The reason is that building trust takes time. Therefore, incumbent suppliers will have higher levels of trust toward the customer than new entrants (Obal, 2013). Usually, startups are new to the network, lack trust, and are at a competitive disadvantage compared to incumbents. The following section describes the theoretical mechanism of power/control.

2.4.2.3. Power/control (2c)

Networks can be a source of power and control (Zaheer et al., 2010). Power can affect buyer–supplier relationships and supplier satisfaction (Benton and Maloni, 2005). Buyers can exert their power to either apply pressure or refrain from doing so. (Pulles et al., 2014). We looked at startup strategies to prevent the opportunistic behavior of suppliers. When startups grow the supply chain network, they can concentrate business on a few suppliers or spread the contracts to several suppliers. For instance, to better understand how a new venture can build a global supply chain network during the internationalization process, Usui et al. (2017) studied Uniqlo in order to explore dynamic economic power. One of the strategies was to impose non-exclusivity agreements with suppliers in order to gain flexibility. It seems that a multisource strategy can prevent the opportunistic behavior of suppliers, increase competition among suppliers, enhance supplier performance, and retain strategic options for the future.

2.4.2.4. Signaling (2d)

Networks can function as a signaling mechanism (Zaheer et al., 2010). The benefits of doing business with a high-status organization can include signaling creditworthiness. The signaling effect from a high-status organization can be a source of legitimacy (Moser et al., 2017) and limit external counterparts' perception of the liability (Guercini and Milanesi, 2016). The signal effect from early customers and legitimacy can moderate startup performance (Wang et al., 2014). The signal effect from winning a large customer could build trust for the next large customer, exerting a cumulative effect and supporting growth over time (La Rocca et al., 2019a). Furthermore, political relationships can signal credibility because suppliers will assume that startups with government support have a higher ability to pay (Luo et al., 2020). Moreover, branding and the entrepreneur's reputation are signaling mechanisms to access suppliers (Merrilees, 2007). In short, startups can signal creditworthiness by winning a customer (La Rocca et al., 2019a; Wang et al., 2014) through government support (Luo et al., 2020) and using branding (Merrilees, 2007).

Nevertheless, signaling creditworthiness to suppliers can come at a high cost to startups (Chod et al., 2019). Furthermore, suppliers may be at risk of buyer's default, demanding high-cost actions from the startup to demonstrate credibility. Suppliers to a startup are worried about the startup's ability to pay on time (Luo et al., 2020). To mitigate startup risk with suppliers, startups can diversify the supply base using a multisource strategy to reduce signaling costs (Chod et al., 2019). To summarize, business partners may demand high-cost actions from startups

to signal creditworthiness. However, the signaling effect from winning customers, governments, or branding can mitigate startups' liabilities.

2.4.2.5. Network theme conclusions

Regarding our defined network theme, the literature identifies the startup both as a buyer and as a supplier. Several studies reported the ties with suppliers and customers in the startup network. The most used theoretical mechanism is resource access at the dyad level of analysis. To summarize, we present the startup network theme divided into four theoretical mechanisms: resource access, trust, power/control, and signaling (Zaheer et al., 2010).

(1) In general, the studies reviewed in the resource access section indicated that ties with suppliers and customers are essential resources for startup success (Carlos Pinho and de Sá, 2013). Suppliers are vital to access resources and overcome liabilities (Partanen et al., 2014). Technology startups can benefit from technology networks to access resources and innovate (Tumelero et al., 2018). In addition, regional clusters can improve the startup's chances of finding suppliers and customers. (Dornberger and Zeng, 2009).

(2) The review of the trust literature revealed that trust is required where there is risk taking (Bhide and Stevenson, 1992). Consequently, a lack of trust can harm startup buyer–supplier relationships. Suppliers will demand higher prices for startups (Bhide and Stevenson, 1992). Moreover, buyers will favor confer greater trust on incumbent suppliers than startups who are new suppliers (Obal, 2013). In contrast, trust positively impacts the buyer–supplier relationship (Yin and Jahanshahi, 2018).

(3) We found only one paper that fell under the power/control theoretical mechanism. The conclusion is that reward power and weak ties with suppliers can shield startups from supplier's opportunistic behavior (Usui et al., 2017).

(4) Looking at the evidence from the signaling literature, business partners may demand high-cost actions (Chod et al., 2019) from startups to signal creditworthiness. However, the signaling effect from winning a customer (La Rocca et al., 2019a; Wang et al., 2014), government support (Luo et al., 2020) or through branding (Merrilees, 2007) can mitigate a startup's liabilities. Future research could include the PSM theoretical lens connected to the network and entrepreneurship literature. Therefore, we suggest the following research questions to investigate this sub-category for the startup network theme:

RQ; What is the impact of regional clusters on startup attractiveness?

RQ: What are the impacts of trust and signaling on startup attractiveness?

We found conflicting results regarding the strength of supplier ties. Some authors suggest that startups should develop strong ties with suppliers (Landqvist and Lind, 2019; Partanen et al., 2014), whereas other authors suggest weak ties and a multi-supplier strategy (Chod et al., 2019; Usui et al., 2017). Further investigation on the strength of ties would be a fruitful area for further work, as exemplified in the following research question:

RQ: What are the startup's advantages and disadvantages considering strong and weak ties with suppliers?

The evidence from the network literature suggests that suppliers and customers are crucial for startups to secure access to resources. However, startups may lack the trust of suppliers and pay higher prices than established buying firms. Moreover, signaling creditworthiness will come at a high cost to startups. In summary, the literature provides essential insights into the competitive position of startups compared to established companies. It is now clear that startups encounter a competitive disadvantage in attracting suppliers and customers.

2.4.3. Strategic compatibility (3)

In the buyer–supplier literature, strategic compatibility refers to the alignment of future goals and direction between the buyer and the supplier (Hüttinger et al., 2012). Strategic compatibility encompasses elements such as shared future, geographical proximity, cluster membership, and strategic fit (Hüttinger et al., 2012). Strategic compatibility and strategic fit are often used interchangeably. Buyers should consider strategic fit when selecting startups as suppliers and evaluate the fit between startup technology and buying firms' strategic innovation roadmap (Kurpjuweit et al., 2021). Moreover, buyers should consider strategic fit when developing suppliers as well as their motives and priorities (Mortensen and Arlbjørn, 2012). The central topic in the strategic compatibility theme is linked to supplier management from two perspectives: (1) large company and (2) startup.

Large companies can source innovation from startups (Simon et al., 2021). However, they should opt for strategic compatibility between the large company and the startup when searching, selecting, and developing startups as suppliers. The aim could be to explore suppliers' motives and priorities (Mortensen and Arlbjørn, 2012) and evaluate how compatible the startup technology strategy is (Kurpjuweit et al., 2021).

Startups could evaluate the strategic fit between the startup and the large firm when finding suppliers for startups. Startups are smaller and have fewer resources than large companies (Perez and Fierro, 2018). Therefore, startups need to consider

the implications of power dynamics in the startup–supplier relationships to address the potential challenges that may arise, such as power asymmetries (Perez and Fierro, 2018) and potential opportunistic supplier behavior (Rottenburger and Kaufmann, 2020). These potential challenges can result from selecting suppliers for startups who do not share future goals and the direction planned.

2.4.3.1. Large company perspective (3a)

As a sub-category of strategic compatibility, we look at searching, selecting, and developing startups as suppliers. Startups as suppliers can be a source of external knowledge in an open innovation process collaborating with corporations (large, established companies). Several authors have studied the process of managing and selecting startups as suppliers (Kurpjuweit and Wagner, 2020; Simon et al., 2021; Zaremba et al., 2017).

In a collaboration between corporations as buyers and startups as suppliers (Zaremba et al., 2016) corporations: i) need to find startup suppliers through effective search strategies (Simon et al., 2021); ii) need to establish a process to select (Kurpjuweit et al., 2021) and work with (Zaremba et al., 2016) startup firms as suppliers. Kurpjuweit et al. (2021) argue that buyers can be "skeptical buyers" that engage startups by accident or because of the unavailability of an established supplier, "opportunistic adapters" that look to close technological gaps, or "systematic selectors" that look for radical benefits from startup suppliers; and iii) may wish to develop startups using startup–supplier programs (Kurpjuweit and Wagner, 2020).

When searching for a startup as a supplier, buying firms should use various searching approaches (e.g., desk research, self-organized pitch events, and networking with universities) to increase the search success rate (Simon et al., 2021). Broader and more intensive searching approaches lead to a higher search success rate (Simon et al., 2021). When selecting startups as suppliers, if established buying firms have an innovation orientation, the startup will secure more business, and the buying firm will have more realized innovation (Zaremba et al., 2016).

Furthermore, the framework for selecting startups as suppliers (Kurpjuweit et al., 2021) involves vital themes in the selection process, such as the strategic focus (what are the reasons to source from a startup), new venture type (startup development stage: early, mid, or later state), organization (purchasing department organization to source from startups), and identification (startup searching and selection criteria). When building a program to develop startups as suppliers, corporations might use corporate accelerators or a startup–supplier program (SSP) (Kurpjuweit and Wagner, 2020).

In an SSP, the startup can become an official supplier. Corporate accelerators could assist startups with funding, mentoring. Corporate accelerators can benefit from obtaining early access to buy startup technology (Kurpjuweit and Wagner, 2020). An SSP can serve as a fast-track option compared to the traditional supplier selection and development process that only works for large, established suppliers (Kurpjuweit and Wagner, 2020). In short, to successfully work with startups, corporations need effective search strategies and a suitable selection and development process. However, corporations must learn how to work with startups. Corporations need to develop the capacity to effectively partner with startups as suppliers (Zaremba et al., 2017).

2.4.3.2. Startup perspective (3b)

Startups can collaborate with large companies to develop capabilities, reduce risk, enhance market power, and improve competitive advantage (Zeng and Chen, 2003). Buyer–supplier alliances can improve innovation performance (Neyens et al., 2010). However, startups should choose a suitable governance model when they collaborate with large companies. This is because there are asymmetries (resources, long-term objectives, organization and structure, power, and communication) between startups and large companies that can create problems (Garnsey and Wilkinson, 1994; Perez and Fierro, 2018). Consequently, a startup could end up with a smaller and disproportionate share of the value created by the alliance (Perez and Fierro, 2018) or large suppliers could force startups into an exclusivity agreement, limiting supplier options and harming startup competitiveness (Garnsey and Wilkinson, 1994).

Startups are vulnerable to opportunistic supplier behavior (Rottenburger and Kaufmann, 2020). Salespeople are inclined to intentionally mislead startup purchasers because they presume that startups have inexperienced purchasers (Rottenburger and Kaufmann, 2020). However, startups can overcome asymmetries when both firms target joint value creation in a symbiotic alliance and when the value created is captured by both parties (Perez and Fierro, 2018). Another possibility is to search for the right partners willing to adapt processes, take risks, and accept the new venture's limitations (Zaremba et al., 2017). Alternatively, startups can search for customers with startup–supplier programs, fast tracking the traditional process, which only works for large, established suppliers (Kurpjuweit and Wagner, 2020).

Furthermore, startups can collaborate with large companies to mitigate the impact of changes in the business environment (Cavazos et al., 2012). In addition to liabilities of newness and smallness, environmental changes can disrupt startup partnerships (Venkataraman and Van de Ven, 1998). Dynamic environments are

unpredictable and rapidly changing. Complex environments involve the variety and fragmentation of external issues that are hard to understand (Cavazos et al., 2012). Changes in business environment conditions, such as COVID-19, can affect a startup's sourcing network (Sreenivasan and Suresh, 2021).

COVID-19 impacts can lead to insufficient funds, delaying supplier payments and leading to discontinued relationships (Sreenivasan and Suresh, 2021). Insufficient funds can delay employee salary payments, resulting in high personnel turnover (Sreenivasan and Suresh, 2021). In short, change in a dynamic and complex environment, as with COVID-19 (Sreenivasan and Suresh, 2021), can harm a startup's ability to retain existing partners (Venkataraman and Van de Ven, 1998). However, buyer integration will mitigate the negative impact of the dynamic environment on new venture growth, while supplier integration will mitigate a complex environment's negative impact on new venture growth (Cavazos et al., 2012).

Table 5: Strategic compatibility

Sub-category		Authors	Startup as the buyer	Startup as the supplier
Large company perspective	Searching strategies for startups as supplier	Simon et al., 2021		✓
	Selecting and developing startups as supplier	Zaremba et al., 2016; Zaremba et al., 2017; Kurpjuweit and Wagner, 2020; Kurpjuweit et al., 2021		✓
Startup perspective	Supplier opportunistic behavior	Rottenburger and Kaufmann, 2020	✓	✓
	Power asymmetries in the supplier relationship	Garnsey and Wilkinson, 1994; Pérez and Fierro, 2018	✓	✓
	Impact of environmental changes	Venkataraman and Van de Ven, 1998; Cavazos et al., 2012; Sreenivasan and Suresh, 2021	✓	✓

2.4.3.3. Strategic compatibility conclusions

In buyer–supplier relationships, strategic compatibility is an important aspect that refers to the alignment of future goals and direction between the buyer and supplier (Hüttinger et al., 2012). The compatibility of the startup technology and

the buying firm's strategic innovation roadmap should be considered by buyers when selecting startups as suppliers (Kurpjuweit et al., 2021). Moreover, suppliers' motives and priorities should be taken into account (Mortensen and Arlbjørn, 2012). Table 5 summarizes essential concepts from the studies discussed in the strategic compatibility literature. Strategic compatibility encompasses both a large company perspective and a startup perspective.

From a large company perspective, firms can source innovation from startups. However, they need to consider strategic compatibility when searching, selecting, and developing startups as suppliers. Moreover, corporations need effective search strategies (Simon et al., 2021) to work with startups successfully. Furthermore, large companies need a process to select and develop startups as suppliers (Kurpjuweit et al., 2021; Zaremba et al., 2016).

From a startup perspective, they need to consider strategic compatibility when finding suppliers and be aware of the power dynamics in the startup–supplier relationship to address potential challenges, such as power asymmetries (Perez and Fierro, 2018) and opportunistic supplier behavior (Rottenburger and Kaufmann, 2020). Finally, buyer integration will mitigate the negative impact of the dynamic environment (Cavazos et al., 2012) on new venture growth (Cavazos et al., 2012), while supplier integration will mitigate the negative impact of complex environments on new venture growth (Cavazos et al., 2012).

In summary, considering startups are buyers, the literature explores the challenges that can arise from utilizing suppliers that may not have strategic compatibility with the startups. However, future research could explore strategic compatibility as an antecedent of relationship initiation, defining its role in attracting the right partners. For example, startups could become attractive to suppliers with the same technology roadmap strategy. As a result, startups could benefit from initiating relationships with these suppliers.

RQ: How can startups utilize strategic compatibility as a strategy to attract suppliers?

RQ: How can startups utilize strategic compatibility to mitigate the negative impacts of power dynamics in startup–supplier relationships?

2.4.4. Innovation (4)

Studies on entrepreneurship have explored supplier involvement in innovation processes and new product development (NPD). Some focus on the startup as the buyer (Song et al., 2011; Song et al., 2019; Song and Di Benedetto, 2008), while

others focus on the startup as the supplier (Bruce, 1988; Homfeldt et al., 2019). Regardless of role, innovation is central. A seminal article by Song et al. (2008) highlights supply chain integration as a key success factor in startup performance. This section will cover two sub-categories of innovation in relation to startups.

2.4.4.1. Startup as a supplier (4a)

Startups can function as a supplier of innovation to large companies. When startups are the suppliers, they can help their customers to develop new products (Bruce, 1988; Homfeldt et al., 2019) and take responsibility for initiating the innovation (Bruce, 1988). Startups do not have an existing customer base and, as the manufacturer, they have to initiate the innovation, taking responsibility for designing the product concept and then looking for customers (Bruce, 1988). Homfeldt et al. (2019) compared the innovation potential of ideas from startups and existing suppliers of AUDI AG. The research found that ideas from startup suppliers has a higher degree of novelty than ideas from existing AUDI suppliers. However, startups' innovation ideas are less likely to be implemented.

2.4.4.2. Startups as buyers (4b)

Startups need suppliers to innovate and improve NPD. There are several aspects that startups should consider when involving suppliers in new product development and innovation. For instance, involving suppliers of startups has a significant and positive effect on new venture radical innovation performance (Song and Di Benedetto, 2008). Supplier integration is a crucial startup capability to reduce time to market in new product development (Mota et al., 2021). Moreover, supplier involvement in production positively affects first product performance, and supplier-specific investment positively affects product innovativeness (Song et al., 2011).

Contradicting earlier findings, (Song et al., 2011; Song and Di Benedetto, 2008)), and Bolumole et al. (2015) did not support the positive impact of supplier involvement on new product financial performance. They argued that previous research did not consider that suppliers may be unwilling to work with startups. Moreover, startup uncertainties and financial instability can pose risks to suppliers' investments, causing them to reconsider working with startups (Bolumole et al., 2015). We recommend further research to determine the impact of supplier involvement on NPD performance in order to resolve these conflicts in the literature.

In summary, involving suppliers can enhance innovation, new product development, and performance (Song et al., 2011; Song et al., 2019; Song and Di Benedetto, 2008) when suppliers are willing to work with startups. Two mechanisms

can help the supplier involvement process. The financial mechanisms are suppliers' specific investment (Song et al., 2011; Song and Di Benedetto, 2008) and supplier's equity share (Song et al., 2019). The trust-building mechanism requires a long-term approach to establish a trustworthy relationship and increase the supplier's willingness to take risks (Song et al., 2019).

Table 6: Innovation

Sub-category		Authors	Startup as the buyer	Startup as the supplier
Startups as suppliers of innovation		Bruce, 1988; Homfeldt et al., 2019		✓
Startups involving their suppliers to improve innovation		Song and Di Benedetto, 2008; Song et al., 2011; Bolumole et al., 2015; Song et al., 2019; Mota et al., 2021	✓	
Mechanisms to improve supplier involvement	Specific investment from suppliers for startups	Song and Di Benedetto, 2008; Song et al., 2011; Song et al., 2019	✓	
	Qualifying the abilities of suppliers for startups	Song and Di Benedetto, 2008	✓	
	Equity share offering to suppliers for startups	Song et al., 2019	✓	
	Supplier's trust in the startup	Song et al., 2019	✓	

2.4.4.3. Innovation conclusions

To conclude this section, the literature highlights the importance of startups as a supplier of innovation to large companies and the importance of suppliers for startup innovation and NPD. Furthermore, it identifies two mechanisms to engage suppliers. The main topics that emerge from the innovation thematic, found in Table 6, are:

When startups are the suppliers, NPD can be initiated by the customer or the manufacturer (Bruce, 1988). Compared with existing suppliers' ideas, the ideas from

startup suppliers will have a higher degree of novelty. However, they will be less likely to be implemented (Homfeldt et al., 2019).

When startups are the buyers, supplier involvement positively impacts innovation, NPD, and performance (Song et al., 2011; Song et al., 2019; Song and Di Benedetto, 2008).

Some mechanisms can help in the supplier involvement process when startups are the buyers. The financial mechanisms are the supplier's specific investment (Song et al., 2011; Song and Di Benedetto, 2008) and the supplier's equity share (Song et al., 2019). In the supplier's trust mechanism, building trust is a long-term exercise. Hence, once the supplier builds trust in the startup's relationship, it will be more willing to take risks. Startups can achieve trust through appropriate behavior in the relationship with the supplier (Song et al., 2019).

The existing literature recognizes the advantages of engaging startups, which can result in innovation. Nevertheless, it addresses innovation as an outcome of the buyer–supplier relationship. A less explored perspective is how startups can leverage their innovative characteristics to attract partners into a relationship. Future research could explore the role of startup innovation as a driver to attract partners. Such a study could examine how startups leverage their innovative characteristics to attract suppliers or customers. Another research avenue could be a comparative study of startups and established firms. To determine whether startups have a competitive advantage over established firms due to their innovation potential, researchers could compare the innovation output of both types of company and assess their attractiveness impact. These areas can provide valuable insights into how startups can leverage innovation to their advantage.

RQ: How can startups leverage innovation potential to attract customers?

RQ: How can startups leverage innovation potential to attract suppliers?

RQ: Can innovative startup characteristics provide a competitive advantage to startups when they compete against established firms for supplier resources?

2.5. Future research agenda

A recurring topic connecting the 51 papers in this review is the vulnerable startup position in the buyer–supplier relationship with large companies. It seems that startups are in disadvantageous positions when competing against established firms for customers and suppliers. A key startup topic is to improve attractiveness

to suppliers and buyers. Improving startup attractiveness could facilitate the relationship initiation process with large companies, enhance supplier management, and improve NPD and innovation. To attract large companies, startups could use network mechanisms, such as regional clusters, signaling, and trust.

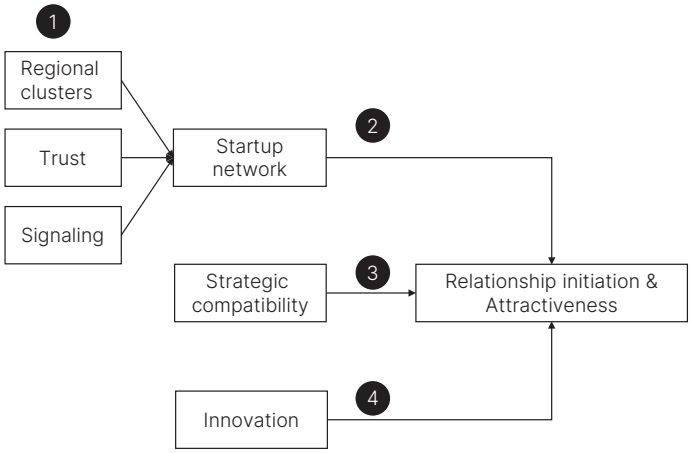


Figure 7: Framework for startups' purchasing research

Future research could connect and integrate the four themes identified in this literature review. Figure 7 illustrates four pathways linking the existing buyer–supplier literature themes (relationship initiation, networks, strategic compatibility, and innovation). In the following segment, we describe the four pathways for future research (Figure 7).

2.5.1. Explore the startup network antecedents in the context of the buyer–supplier relationship.

One promising avenue for future research is to examine the factors that contribute to the formation and maintenance of startup networks in the context of buyer–supplier relationships. For example, future research could explore the use of signaling and trust network mechanisms to improve startup attractiveness and, hence, expand and connect the works of La Rocca and Snehota (2021), Wang et al. (2014), and Merrilees (2007). Another possibility for future research is to examine the role of startup networks in relationship initiation and startup attractiveness within regional clusters connecting the work of Dornberger and Zeng (2009) and Jenkins and Holcomb (2021). By exploring the antecedents of startup networks in the context of buyer–supplier relationships, researchers can gain a better understanding of how these networks can be leveraged to improve startup attractiveness and

facilitate relationship initiation, ultimately contributing to a more comprehensive understanding of buyer–supplier relationships in the startup context.

2.5.2. Connecting startup networks with relationship initiation and customer attractiveness

Another promising pathway for future research is to explore the role of startup networks as an antecedent of relationship initiation and customer attractiveness. By leveraging insights from network theory, researchers can better understand how startups could use their networks to enhance their attractiveness to suppliers, and how these networks can facilitate the initiation of new relationships. Future research in this area could expand on and integrate the works of La Rocca and Snehota (2021) and Jenkins and Holcomb (2021), exploring topics such as the role of network size and composition in determining customer attractiveness, the impact of network centrality on relationship initiation, and the potential for network-based signaling and trust mechanisms to enhance startup attractiveness.

2.5.3. Connecting strategic compatibility with relationship initiation and customer attractiveness

A third promising pathway is to investigate strategic compatibility as an antecedent of relationship initiation and customer attractiveness. Researchers could find inspiration in the literature on large firms collaborating with startups to propose solutions for startups as buyers. For example, searching, selecting, and developing startups as suppliers (Kurpjuweit and Wagner, 2020; Simon et al., 2021; Zaremba et al., 2017) and collaboration between corporations as buyers and startups as suppliers (Zaremba et al., 2016) could inspire researchers to develop strategies for startups to select suppliers so that strategic compatibility is improved. By investigating the relationship between strategic compatibility and customer attractiveness, this pathway could enhance our understanding of how startups can enhance their attractiveness to suppliers and sustain successful buyer–supplier relationships.

2.5.4. Connecting innovation with relationship initiation and customer attractiveness

Researchers could improve the generalizability of customer attractiveness research by including innovation as an antecedent of customer attractiveness for startups. A fourth promising pathway for future research is to explore the role of innovation in relationship initiation and customer attractiveness. While the importance of innovation for customer attractiveness has been recognized in the literature on large firms (Hüttinger et al., 2014), its implications for startup attractiveness have

yet to be fully explored. Therefore, researchers could build on the work of Hüttinger et al. (2014), extending it to the context of startups in order to investigate the impact of innovation on customer attractiveness. This complements the work of La Rocca and Snehota (2021) who proposed that suppliers are keen to establish relationships with innovative startups so that they can learn about emerging technologies.

In addition, this pathway could explore the role of innovation in relationship initiation. For example, researchers could investigate how startups may use their innovative capabilities to initiate relationships with large companies. Moreover, they could examine how large companies perceive innovation as a factor in the decision to establish a business relationship with startups.

Generally, these four pathways offer promising opportunities for future research on buyer–supplier relationships in startups. By exploring the antecedents of startup networks, strategic compatibility, innovation, and their connections to relationship initiation and customer attractiveness, researchers can provide valuable insights into how startups can effectively engage in business relationships with large companies.

2.6. Conclusion and limitations

This paper expands the emerging purchasing startup literature (Baraldi et al., 2020; Wagner, 2021) by exploring the startup buyer–supplier relationships. The systematic literature review resulted in 51 papers explored under four themes: relationship initiation, network, strategic compatibility, and innovation.

Startups are new and small; they have no track record of consequence, and they possess limited resources. However, startups can use suppliers to access resources and enhance new product development and innovation. Building strong relationships with large suppliers can help startups overcome liabilities and mitigate environmental dynamism. Another finding is that startup relationships with larger suppliers can be asymmetrical, posing a challenge for both parties. Furthermore, large companies may want to relate to startups. However, they must adapt to startup-specific characteristics in order to partner with startups.

Some mechanisms can be helpful in enhancing startup attractiveness so that a business relationship with large companies can be initiated. The signal effect from reputable partners and branding can enhance legitimacy, relationship trust can be increased over time with more frequent contacts, and startups can leverage their innovative characteristics to be attractive partners. One of the challenges is tie formation with suppliers and dealing with opportunistic behavior in suppliers. For example, under the strategic compatibility theme, a long-term supplier alliance positively impacts radical innovation, and a short-term supplier alliance positively impacts incremental innovation (Neyens et al., 2010). In another example, supplier

integration positively affects new venture growth and mitigates the negative impact of a complex environment on new venture growth (Cavazos et al., 2012).

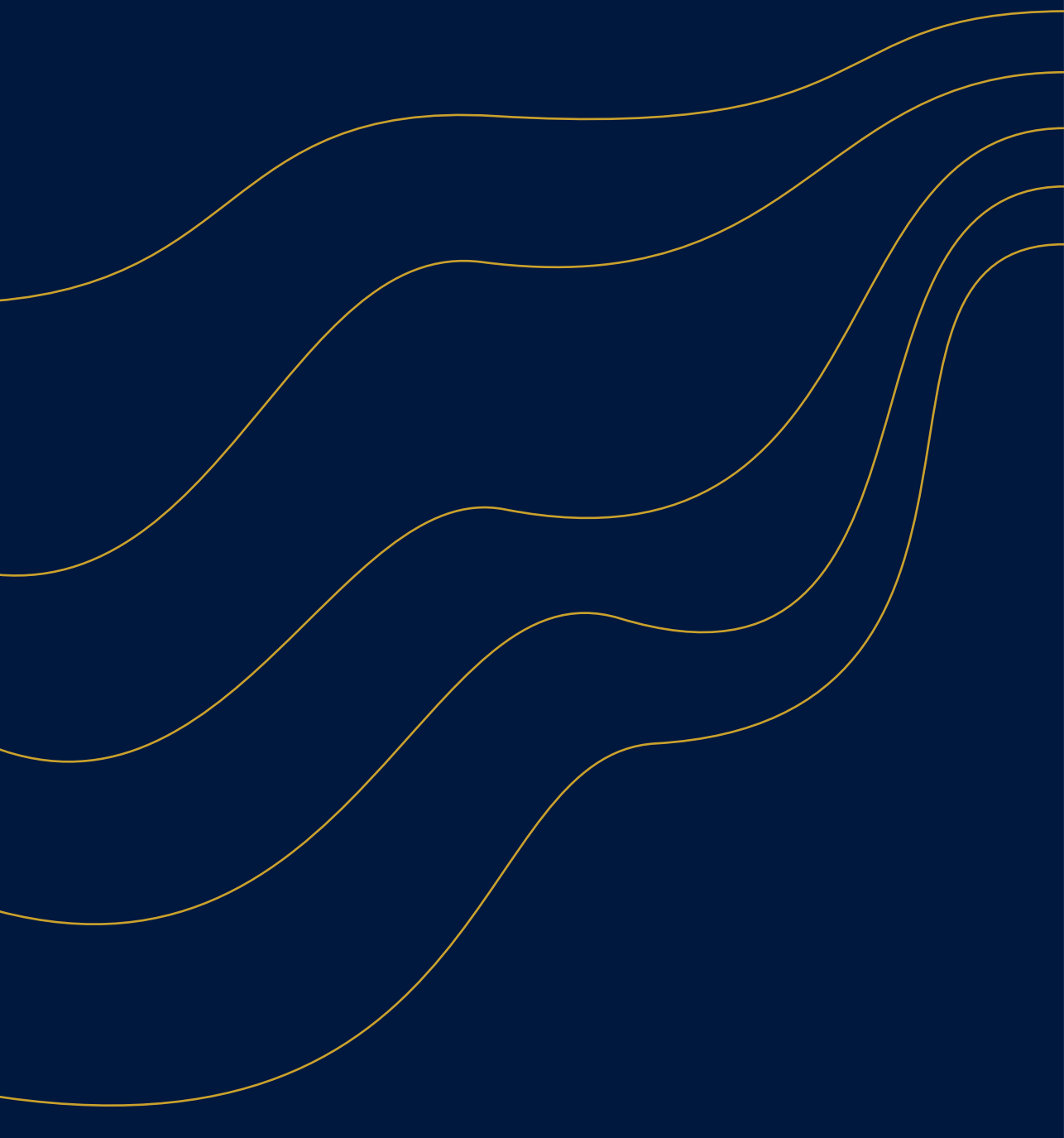
Under the innovation theme, supplier involvement positively impacts new product performance (Song and Di Benedetto, 2008). Supplier involvement in production positively impacts first product performance, and supplier-specific investment has a positive impact on product innovativeness (Song et al., 2011). The supplier's equity share positively moderates the relationship between the supplier's specific investments and the supplier's involvement in the startup's innovation process (Song et al., 2019). High-status suppliers and customers can enhance the startup's external legitimacy. Bhalla and Terjesen (2013) propose that reputable suppliers can send quality signals to customers and markets, mitigating the startup's liability of newness. Partanen et al. (2014) propose that ties with reputable customers can help to overcome the liability of newness. La Rocca et al. (2019a) contend that acquiring a larger customer can signal that the startup is trustworthy. Having a well-known and attractive customer can help build the startup's reputation and act as a reference to potential startup customers (Landqvist and Lind, 2019).

However, this review is not without limitations – for example, evidence selection bias (Drucker et al., 2016). Moreover, limitations can arise from the search strategy and from the fact that this review was limited to peer-reviewed journals written in English and that the full search was performed only in the EBSCO Business Source, Web of Science core collection, and Scopus databases. Nevertheless, the use of the PRISMA guidelines (Moher et al., 2009) helped mitigate this risk.

In summary, this study contributes to an understanding of what is known and what is unknown about startups in the buyer–supplier relationship. Prior to this study, the literature on startups in the buyer-supplier relationship was fragmented. Hence, the findings from this systematic review of the evidence have laid the groundwork for future purchasing research at the startup level.

2.7. Reference

References can be found on page 189.



CHAPTER 3

How startups become attractive to suppliers and achieve preferred customer status: Factors influencing the positioning of young firms

The main part of this chapter has been published as:

Tessaro, J. A., Harms, R. and Schiele, H. (2023). How startups become attractive to suppliers and achieve preferred customer status: Factors influencing the positioning of young firms. Industrial Marketing Management.

The chapter contains minor textual changes from the original.

ABSTRACT

Achieving preferred customer status with suppliers helps startups to mobilize suppliers' resources. However, in purchasing, startups also compete against large buyers for suppliers' resources. Furthermore, their newness is a liability that suppliers find unattractive. Consequently, attracting and maintaining relationships is a challenge for startups' procurement. This paper investigates the strategies that startups use to attract large suppliers, improve mutual business relationships, and receive preferential supplier treatment. Based on the preferred customership literature and world café data from 15 startup buyers and suppliers, we identified seven factors that explain how startups attract suppliers, maintain relationships with them, and achieve preferred customer status. These factors are strategic compatibility, innovation potential, startup network, credible growth opportunity, profitability, memorable experiences, and purchaser sellership.

3.1. Introduction: Startup-supplier relationship through the lens of preferred customership

In many industrial markets, suppliers can simply choose their customers (Schiele et al., 2012), and buyers might have to compete for suppliers' resources. In this paper, we take the perspective of startups as buyers (Wagner, 2021). Startups depend on their suppliers to pursue innovation (Song and Di Benedetto, 2008) and success (Song et al., 2008). However, when suitable suppliers are scarce (Steinle and Schiele, 2008), startups compete with mature buying firms for the same suppliers. For example, a startup developing an innovative electric vehicle might have to compete against large traditional OEMs (Ulrich, 2021) for the same suppliers.

When competing for supplier resources, startups can be disadvantaged compared to mature buyers. While mature firms are well-established, older, more stable, and have a good credit history (Bulan and Yan, 2010), startups are young (Song et al., 2008), have a high mortality rate (Freeman et al., 1983), have no track record, and suffer from limited resources (Das and He, 2006). As a result, suppliers could perceive startups as unattractive (Bjørgum et al., 2021) and decide not to do business with them (Bolumole et al., 2015). Consequently, startups might experience several obstacles when dealing with suppliers. These obstacles include sourcing from high-quality suppliers (Ghosh et al., 2019), opportunistic supplier behavior (Rottenburger and Kaufmann, 2020), power asymmetries (Perez and Fierro, 2018), and detrimental exclusivity agreements (Garnsey and Wilkinson, 1994). Startups must therefore convince suppliers that they are attractive (Jenkins and Holcomb, 2021).

The mechanisms with which to attract suppliers and obtain a preferred resource allocation status are well documented in the context of mature firms. Advances in preferred customer research (Brokaw and Davisson, 1978; Hüttinger et al., 2014; Schiele et al., 2012; Vos et al., 2016) have allowed buyers to unveil suppliers' preferences. Buyers can now identify critical levers in the buyer–supplier relationship. This helps buyers to become preferred customers. For example, mature firms could become preferred customers by providing a growth opportunity (Hüttinger et al., 2014; Vos et al., 2016), profitability (Vos et al., 2016), relational behavior (Hüttinger et al., 2014; Vos et al., 2016), and operative excellence (Vos et al., 2016). However, the preferred customership literature focuses on the large buying firm context (Adams et al., 2016; Jenkins and Holcomb, 2021). Its findings may not be generalizable to startups because purchasing and supply management research does not address

young, small, and innovative firms' distinct features (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021).

Research on startups as buying firms is limited (La Rocca et al., 2019b). Some studies (Hietschold and Fottner, 2018) only focus on procurement logistics, while other studies (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021) focus solely on customer attractiveness in the relationship initiation phase. There is a gap regarding insights into the startup–supplier relationship process, which includes supplier satisfaction and preferred customer status. Several authors have therefore called for more startup–supplier research. This call includes research into how startups could mobilize supplier resources (La Rocca et al., 2019b), which startup strategies to employ to involve suppliers in new product development (Bolumole et al., 2015), and how they could find and attract suppliers (Wagner, 2021).

We pose the following research question to fill this research gap: Which factors influence the cycle of preferred customership in the context of startups as buyers? Our analysis is theoretically grounded in the "cycle of preferred customership" literature (Schiele, 2022; Schiele et al., 2012), which describes a multi-stage approach with which to comprehend customer attractiveness (Christiansen and Maltz, 2002), supplier satisfaction (Essig and Amann, 2009), and the preferred customer (Steinle and Schiele, 2008) perspective.

In a first step, the buying firm must attract suppliers to establish a relationship. Once the buying firm has ongoing business with the supplier, it must satisfy the supplier's expectations to maintain the relationship. Finally, once the buying firm fulfills the supplier's satisfaction to a greater degree than its competing buying firms, it will become a preferred customer (Schiele et al., 2012). We adopted the cycle of preferred customership multi-stage approach because it includes the perspective of competing for suppliers' resources. This approach addresses the issue of startups being disadvantaged when competing against large buying firms.

3.2. Literature background: Startup–supplier relationships and the cycle of preferred customership

3.2.1. Startups facing challenges in attracting suppliers

Suppliers may perceive startups as small, risky, and unreliable business partners. Startups are young (Song et al., 2008), have a high mortality rate (Freeman et al., 1983; Stinchcombe, 1965), have low legitimacy, have no track record, and are associated with inconsistent commitments (Das and He, 2006). Startups are young

and, consequently, unknown to suppliers, lack credibility and reputation (Partanen et al., 2014), and are also a risk for business partners (Bhide and Stevenson, 1992). Moreover, suppliers are unsure whether startups can make on-time payments (Luo et al., 2020). In short, suppliers may demand higher prices or avoid doing business with startups altogether. Evidence indicates that suppliers mostly find startups unattractive (Bjørgum et al., 2021).

Startups may therefore find attracting and mobilizing suppliers' resources challenging. Not only do salespeople behave opportunistically (Rottenburger and Kaufmann, 2020), but finding high-quality suppliers is also challenging (Ghosh et al., 2019). Furthermore, startups' relationships with large companies might be power asymmetric (Perez and Fierro, 2018), which could potentially harm the startups (Garnsey and Wilkinson, 1994; Perez and Fierro, 2018).

Nevertheless, attracting suppliers to build relationships is essential for a startup's success (Song et al., 2008). Supplier networks could improve startups' performance (Tumelero et al., 2018) because they need suppliers to access financial and manufacturing resources (Das and He, 2006) and the established business networks that they lack (Baraldi et al., 2019), as well as to supplement their knowledge limitations (Tumelero et al., 2018). In addition, startups need suppliers' financial support (Song and Di Benedetto, 2008). In short, a startup needs to become a preferred customer to access suppliers' resources.

Despite their distinct liabilities (Freeman et al., 1983), startups also have specific favorable characteristics. They can grow fast (Begley, 1995) and innovate (Carland et al., 1984). Startups should therefore use these favorable characteristics to become preferred customers. In summary, startups must mobilize suppliers' resources (La Rocca and Snehota, 2021). Startups profit from becoming attractive customers (customer attractiveness) (Christiansen and Maltz, 2002), which allows them to initiate working relationships and interact with suppliers to lead to supplier satisfaction (Essig and Amann, 2009) and maintains these relationships. Moreover, suppose a supplier is more satisfied with the startup than with an alternative customer. In that case, this allows the startup to achieve preferred customer status (Steinle and Schiele, 2008), thereby gaining preferential treatment from the supplier (Vos et al., 2016).

3.2.2. Preferred customer status as key to accessing supplier resources

A preferred customer is "a purchaser (buying organization) who receives better treatment than other customers from a supplier, in terms of product quality and

availability, support in the sourcing process, delivery or/and prices" (Nollet et al., 2012; p. 1187). Preferred customer status is essential to ensure that suppliers provide privileged resource allocation (Schiele et al., 2012), to receive special products/services, to gain preferential access to supplier innovations, and to obtain better prices (Bew, 2007; Nollet et al., 2012). Reviewing the preferred customer literature, we identified three main literature streams: i) independent studies focusing on the preferred customer as a stand-alone construct aimed at identifying its antecedents; ii) research focusing on the preferred customer as part of a multi-stage process; and iii) research focused on contextualizing the multi-stage approach, which includes customer attractiveness, supplier satisfaction, and preferred customer. Many of these studies were conducted in specific contexts (industry settings).

First, the stream of independent studies identifies the antecedents of the preferred customer as a stand-alone construct. The list of preferred customer antecedents includes: business opportunities and satisfaction (Brokaw and Davisson, 1978), loyalty (Brokaw and Davisson, 1978; Williamson, 1991), purchasing volumes (Brokaw and Davisson, 1978; Steinle and Schiele, 2008; Williamson, 1991), and, more recently, geographical proximity, and cluster membership (Steinle and Schiele, 2008). The literature review by Hüttinger et al. (2012) grouped the scattered literature on preferred customer antecedents under five factors: market growth, risk, technological, economic, and social factors.

Second, a research stream conceptualizes the preferred customer as part of a multi-stage process. For example, Nollet et al. (2012) conceptualized the preferred customer construct as a stage process. Schiele et al. (2012) regarded the preferred customer as a circular process with multiple stages, each with its own set of antecedents. Finally, Pulles et al. (2016) established the relationship between each stage of the preferred customer circular process.

The third research stream contextualizes the multi-stage approach, which included customer attractiveness, supplier satisfaction, and preferred customer. These studies were conducted in specific contexts and in terms of focal buying firms. Different contexts include US automotive original equipment manufacturers (OEMs) (Ellis et al., 2012), such as manufacturers in New Zealand (Baxter, 2012), a large European automotive OEM (Hüttinger et al., 2014), and two German companies (one chemical company and one automotive OEM) (Vos et al., 2016). Moreover, in some studies (Hüttinger et al., 2014; Vos et al., 2016), the focal firms had a relationship of more than 20 years with their suppliers. Ultimately, these studies converge to

four antecedents of preferred customer: growth opportunity (Hüttinger et al., 2014; Vos et al., 2016), profitability (Vos et al., 2016), relational behavior (Hüttinger et al., 2014; Vos et al., 2016), and operative excellence factors (Vos et al., 2016). In the next section, we describe the preferred customer's multi-stage approach.

3.2.3. The cycle of preferred customership: A multi-stage approach

In the circle of preferred customership's (Figure 8) multi-stage approach, a startup must be attractive as a buyer to initiate a relationship with suppliers. Next, a startup needs to satisfy the supplier more than it does other customers in order to become a preferred customer. Consequently, the three core concepts are customer attractiveness, supplier satisfaction, and preferred customer status.

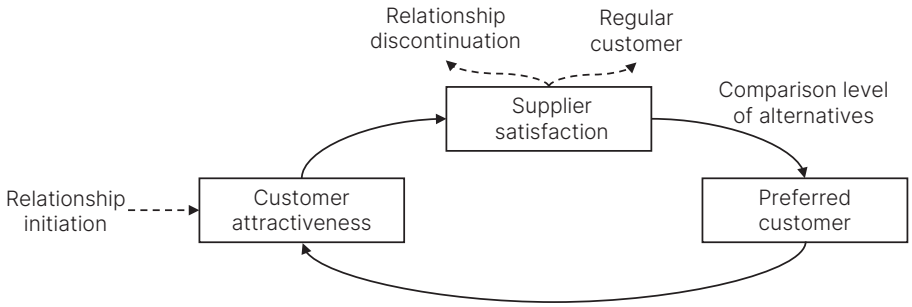


Figure 8: The cycle of preferred customership (Schiele et al., 2012).

Customer attractiveness refers to the supplier's expectations regarding its relationship with a potential customer (the buying firm). For Schiele et al. (2012; p.1180), "a customer is perceived as attractive by a supplier if the supplier in question has a positive expectation towards the relationship with this customer." Furthermore, customer attractiveness is essential because startups have limited resources (Das and He, 2006) and must be attractive to mobilize supplier resources (La Rocca and Snehota, 2021). In this context, customer attractiveness is the only phase with some startup-focused research. Several studies have identified factors that make a startup attractive to suppliers. The study by La Rocca and Snehota (2021) focuses on new ventures. Similarly, Jenkins and Holcomb (2021) focus on nascent firms. Kragh et al. (2022) also focus on low-leverage buyers, all of which share similarities with the startup context, such as newness or smallness. Overall these studies identify attractiveness factors, such as innovation and technical competence (Jenkins and

Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021), proactiveness and communication (Jenkins and Holcomb, 2021; Kragh et al., 2022), market access and growth (Jenkins and Holcomb, 2021; Kragh et al., 2022), reputational benefits, prestige, and personal satisfaction (La Rocca and Snehota, 2021), cooperating with suppliers on solutions, and including suppliers in internal teams (Jenkins and Holcomb, 2021), and relationship maintenance (Kragh et al., 2022). Overall, startups differ from mature firms, while innovation (Jenkins and Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021) and a proactive approach to suppliers (Jenkins and Holcomb, 2021; Kragh et al., 2022) are crucial elements to enhance attractiveness. Once customer attractiveness is achieved, the buyer–supplier relationship commences. Thereafter, it becomes crucial that startups focus on achieving supplier satisfaction and overcoming the challenges associated with becoming a preferred customer.

Supplier satisfaction is "a condition that is achieved if the quality of outcomes from a buyer–supplier relationship meets or exceeds the supplier's expectations" (Schiele et al., 2012; p. 1181). In the supplier satisfaction stage of the cycle of preferred customership (Figure 8), suppliers will determine three possible outcomes of the buyer–supplier relationship. First, suppliers might discontinue the relationship if the customer fails to achieve the supplier's minimum expectations. Second, if the customer exceeds the supplier's minimum expectations, the latter will assess its panel of customers and compare them with one another. The availability of alternative customers also affects this supplier decision-making process and is defined as the comparison level of alternatives (Schiele et al., 2012). Suppliers might compare alternative customers. If the customer fails to exceed the supplier satisfaction level with an alternative customer, the customer will become a regular customer (Schiele et al., 2012). Finally, if the customer exceeds the supplier satisfaction level with an alternative customer, the customer will become a preferred customer (Schiele et al., 2012). In summary, supplier satisfaction could lead to a preferred customer status (Pulles et al., 2016; Vos et al., 2016).

Having a preferred customer status might lead to exclusive resource allocation by suppliers. The preferred customer status is awarded "if this customer is perceived as attractive and if the supplier is currently more satisfied with this customer than with alternative customers" (Schiele et al., 2012; p. 1181). The preferred customer status thereby motivates the "supplier [to react] by providing privileged resource allocation to this preferred customer" (Schiele et al., 2012; p. 1181).

3.2.4. Need for startup preferred customer research

The factors and the processes of becoming a preferred customer in the context of large buying firms are copious. However, we do not yet know which factors influence preferred customership in startups. This study therefore uses the third research stream and is built on the preferred customership concept as a multi-stage process in the context of startups. We chose this approach because it considers competition between buyers, which suits our problem well, with startups competing against large buyers. In summary, according to the cycle of preferred customership, if a supplier finds a startup attractive, the former might initiate a business relationship. Thereafter, the supplier will evaluate the relationship in the supplier satisfaction stage. The supplier might also compare startups as customers to large mature firms. If the supplier is more satisfied with the startup customer than with another customer, the supplier could award the startup a preferred customer status.

3.3. Method: World café with startup purchasers and suppliers

3.3.1. Introduction to the world café method and the comparison with focus group

We use a qualitative approach because our research is exploratory. We use a novel mix of focus groups (Silverman, 2020), using a world café (Brown and Isaacs, 2005; Schiele et al., 2022b) in a virtual setting. As a research method (Schiele et al., 2022b), the world café differs from focus groups. The overall objective of the world café is to explore new research topics and "test" emerging findings in an integrative way, its participants are co-researchers and can vote on the findings' relevance (Schiele et al., 2022b). The world café has an interactive character. Its method includes multiple rounds of discussion, with the findings being refined based on feedback from subsequent rounds, which helps to increase the results robustness, because the method encourages participants to confirm, refine, or reject the previous rounds' findings (Pulles et al., 2016). The participants move from one table to the next, which creates a "cross-pollination of ideas" (Hüttinger et al., 2014; p. 701).

A world café's participants play a different role than the one they play in focus groups. Their participants are co-researchers and not just interviewees. Together with scholars, they create knowledge (Pulles et al., 2016). Moreover, the world café method offers several advantages over traditional focus groups. One such

advantage is the extensive documentation it provides. In addition to the recordings and the transcripts that the focus group method uses, it also creates notes on the discussion, which it captures on flipcharts or electronic whiteboards, provides the voting procedure's results, which contain all the concepts captured and summarized on the flipchart, as well as the votes assigned to each concept (Schiele et al., 2022b).

Finally, unlike focus groups, the world café method includes a validation procedure achieved through a voting process (Goldberg and Schiele, 2018; Pulles et al., 2016), in which each participant is allowed to review the findings of each table and assigns points to the discussion topic they find the most relevant. This process produces a ranking (Goldberg and Schiele, 2018). In summary, the voting procedure helps analyze and validate the knowledge captured in the world café.

3.3.2. Participant selection and sample: multi-national, multi-industry sales and purchasing professionals sample

We invited purchasing professionals, who worked for startups and suppliers with sales experience doing business with startups, to participate in the world café. We conceptualized startups as young buying companies that had received venture capital during the last ten years (Appendix 3). We used the ten-year age criteria for nascent firms with emerging supply chains (Jenkins and Holcomb, 2021), thereby excluding startups with no revenue and suppliers. In addition, we used venture capital funding as a criterion to identify startups that likely have emerging supply chains (Jenkins and Holcomb, 2021). We used the event website, LinkedIn search, and our personal researcher network to invite 85 people to participate in the world café. We also used the snowballing procedure, asking buyers for referrals to suppliers and other buyers.

In addition, we used non-probabilistic sampling. Since startups from different industries (software, manufacturing, and high-tech) might face different supplier challenges, we purposively selected participants from different industries to obtain a high degree of variation. Of the 85 invitees, 26 agreed to participate, with 15 actually participating (Appendix 4). Reasons given for their non-participation included COVID-19, urgent meetings at work, and previously made appointments.

Our sample included ten purchasing professionals representing buyers, eight from startups with manufacturing or industrial processes, and two from software startups. The remaining five participants were salespeople representing suppliers to startups. We chose this combination to secure both perspectives of the buyer–supplier dyad. Our sample consisted of four females and 11 males with 18 years of

experience on average. Eight had a bachelor's degree, and seven had a master's degree or MBA. The participants were drawn from six countries (Netherlands, Brazil, Germany, Hungary, UK, and the US) and from 14 companies in nine industries, including manufacturing and services (Appendix 5). Altogether, the diverse sample of gender, industry, and country combinations with many years of relevant experience enhanced the workshop's outcome by improving the external validity and, to some extent, strengthening the results' generalizability. Furthermore, before the meeting, all the participants received a document explaining the research topic and the researchers' motivation.

The world café consisted of three virtual rooms. We used the following guiding question in room A: What strategies do startups use to attract large suppliers to initiate a business relationship? In room B, the question posed was: What strategies do startups use to improve supplier satisfaction and receive preferential treatment from existing suppliers? Finally, room C hosted a general discussion, connected to this research, on purchasing organizations within startups. In sum, we used the output of the two virtual rooms (A and B) for this paper.

3.3.3. Data collection: The world café

The online world café took place in July 2021 and lasted 2.5 hours. It started by involving all the participants in a plenary. First, we introduced the research topic to the participants. Although all the participants were familiar with startups, we described their characteristics briefly and compared them with large, established buyers. The introduction gave the participants a common language and reduced the information imbalance regarding the differences between startups and large companies as buyers. As a second step, we presented the concepts of customer attractiveness and preferred customership. Further, we presented two scenarios as a starting point for the discussion in each virtual room. Finally, we described the world café method (Figure 9). Each virtual room included startup purchasing professionals, suppliers for startups, and a professional moderator. Moderator 1 was one of the authors, a male with a PhD, while moderator 2 was also a male with a PhD. Both are experienced researchers.

After the introduction in the plenary, we allocated the participants to the two virtual rooms. The participants rotated between rooms over three rounds. The moderators remained in place. Round 1 was 25 minutes long, round 2 took 20 minutes, and round 3 lasted 15 minutes. A PhD student assigned participants randomly to the rooms and was also the timekeeper. Within each virtual room,

the moderator presented the question for Virtual Room A (What strategies do startups use to attract large suppliers to initiate a business relationship?) and Virtual Room B (What strategies do startups use to improve supplier satisfaction and receive preferential treatment from existing suppliers?). The moderator stimulated the discussion without providing examples from the literature. Consequently, the participants initially developed the concepts without sourcing them from the literature. After each round, the moderator summarized the discussions from the previous rounds to allow the experts to build on the concepts explored by the others. The participants could always see an electronic whiteboard (Padlet), on which the moderator noted the comments while the experts engaged in a discussion.

After the third round, the participants attended a plenary debriefing session. Thereafter, they were asked to vote twice (once for room A and once for room B) by assigning ten points per voting round to relevant discussion topics according to their judgment (a maximum of five points for a single discussion topic). This voting process helped prioritize the word café findings and allowed the researchers to focus on the essential topics determined by the experts' opinion (Schiele et al., 2022b). In addition, we recorded the discussion in all the rooms, the summary sessions, and the voting procedure. Subsequently, we transcribed the recordings, pseudonymized the participants' names, and edited the participants' quotations that were presented in this report to enhance their readability.

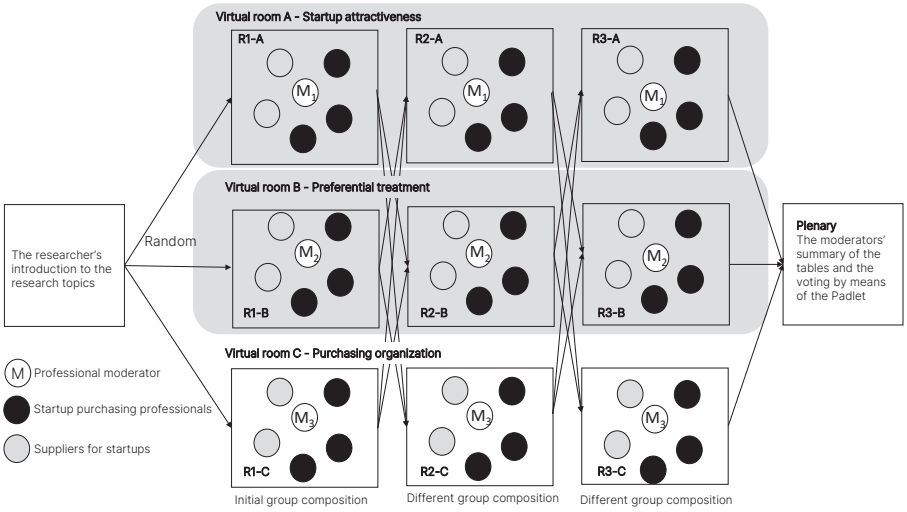


Figure 9: Overview of the research world café configuration.

3.3.4. Data analysis: Voting results and transcripts

First, we analyzed the discussion topics in each room independently (reported in section 4). Thereafter we familiarized ourselves with the data by reading the transcripts and watching the recordings. We used the discussion topics as the basis for the analysis, complementing the data with notes from the electronic whiteboards and the transcripts' text. The transcripts supported and enriched each discussion topic's meaning, ensuring that the interpretation that the moderators initially captured was indeed correct. In addition, we carefully evaluated each discussion topic, compared it with the research question, and deleted three low-voting topics from room A (shown in Appendix 6) that were unrelated to startup attractiveness.

Second, we followed Pulles et al. (2016) to create influencing factors based on the discussion topics. To create the final list of factors, we compared the discussion topics from room A with those from room B (Table 8), identifying commonalities between the rooms. We combined the discussion topics with similar meanings phrased differently under one factor. We also merged the points that the experts assigned when combining the discussion topics. For example, in Virtual Room A (Appendix 6), we merged the discussion topics on innovative business models (4 points), disruptive innovation (6 points), and technology transfer (6 points) into a single factor called innovation (making a total of 16 points). Finally, we compared the concepts and discussion topic with the preferred customer literature and adjusted the factor names to match the literature. This data reduction process simplified the 24 world café discussion topics to seven factors (reported in section 5).

3.3.5. Methodological rigor and good practice: Preparation, moderation and transcription

We applied the most recent good practice recommendations and world café improvements for academic research (Goldberg and Schiele, 2018; Hüttinger et al., 2014; Pulles et al., 2016; Schiele et al., 2022b). Table 7 presents the five criteria for good practice and the procedure adopted to address each criterion.

Table 7: The five criteria for good practice

Good practice (Schiele et al., 2022b)	How we performed this study
1) Selecting the participants to ensure generalizability	Purposeful sampling of purchasers and suppliers from several countries and different industries
2) Keeping each trained moderator at the same table throughout	Moderators were experienced academic purchasing and entrepreneurship professors.
3) Using flip charts/electronic boards instead of tablecloths for the moderator to capture the findings	We used an electronic board, Padlet, to capture the findings
4) Recording and transcribing the discussion sessions	We recorded the online event via Zoom and transcribed it using Amberscript software.
5) Presenting the results in a plenary and asking participants to rate the findings by assigning points	Participants voted electronically using the Padlet software to allocate ten stars (a maximum of five to any given item)

3.4. Results: Merging 24 discussion topics into seven factors

The project's objective was to investigate the factors influencing the cycle of preferred customership in the context of startups. The world café resulted in a ranking of 24 discussion topics (Appendix 6). We calculated the total scores by adding the points assigned to each discussion topic. Using a data reduction procedure, we compared the discussion topics from two rooms, identified commonalities, and combined discussion topics with similar meanings. This procedure reduced the 24 four world café discussion topics to seven factors, because most of the discussion topics were similar in both rooms.

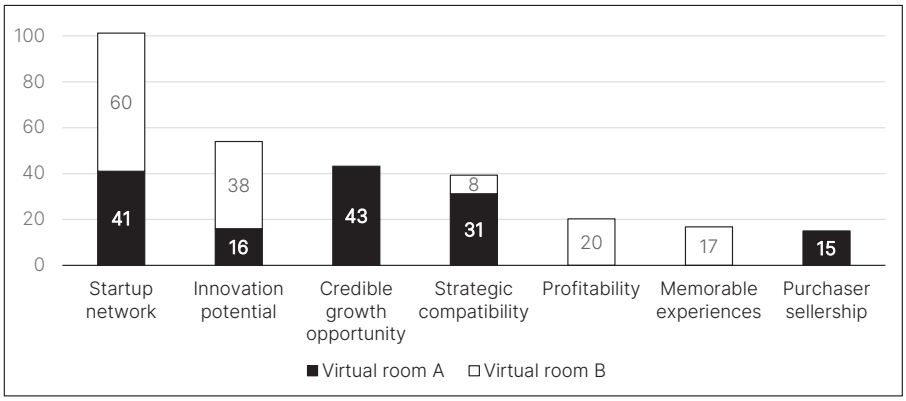


Figure 10: Summary of the cycle of preferred customership influencing factors.

Furthermore, each room discussed different stages of the cycle of preferred customership. Room A discussed attractiveness, while Room B discussed supplier satisfaction and preferred customership together. Finally, the participants arrived independently at similar ideas, leading us to merge all discussion topics under a common framework. This process resulted in seven factors that do not directly influence the CA, SS or PC stages, but are influencing factors in the cycle of preferred customership. Consequently, Figure 10 shows the ranking of the seven factors of the world café results and the aggregated total score per factor that the participants allocated during the voting procedure. This study is not quantitative by nature. However, the scores give an indication of each factor's relevance in the view of the participating experts. Figure 10 shows the seven factors from the highest to the lowest score: i) startup network, ii) innovation potential, iii) credible growth opportunity, iv) strategic compatibility, v) profitability, vi) memorable experiences, and vii) purchaser sellership.

We then used qualitative data to examine the seven factors in detail. First, we analyzed the data from the virtual whiteboards (Padlet) used in the rooms. Second, we reviewed the transcripts and captured additional text by using the discussion topics as a guide (see Table 8).

Table 8: Cross table of the seven factors

Factor	Room A whiteboard (Attractiveness)	Room B whiteboard (Supplier satisfaction and preferred customer)	Transcripts
Startup network	Networks as signaling mechanisms: ▪ Reputable founder ▪ Reputable investor ▪ Founder as shareholder ▪ Startup customer networks ▪ Exploring supplier networks ▪ LinkedIn, media ▪ Receiving new funding rounds Networks as a source of trust: ▪ Transparency compensates for the lack of financial records	Networks as signaling mechanisms: ▪ Partner with a prestigious supplier Networks as a source of trust: ▪ Trust in the startup's future ▪ Overcome suppliers' risk management	Networks as signaling mechanisms: ▪ Founder network ▪ Network of reputable investors ▪ Network of reputable customers ▪ Purchaser network ▪ New funding round Networks as a source of trust: ▪ Overcoming a financial credit check
Memorable experiences	▪ Not discussed	▪ It is nice to visit a startup and be amazed ▪ Seeing the process of growth and development ▪ Salespeople: enjoy making new products ▪ Brings diversity to salespersons/engineers	▪ Fun to see startup development and growth ▪ Fun to be treated like a partner ▪ Experience startup atmosphere ▪ Enjoy participating in startups' NPD ▪ It is fancy to visit a startup ▪ Not old school
Purchaser sellership	▪ The purchaser has to be a salesperson too	▪ Not discussed	▪ Act as a salesperson ▪ Pitch the startup business case to suppliers ▪ Treat suppliers as investors, encourage them to buy the startup ▪ Pitch the startup advantages

Innovation	▪ Innovative business models ▪ Innovative manufacturing process ▪ Suppliers learning from the startup	▪ Startup innovates the supplier ▪ It is beneficial for suppliers in the long run ▪ Showing that innovation lives up to expectations ▪ Innovation depends on product or service	▪ Early exposure to novel startup business models ▪ Learning from the startup innovation
Credible growth opportunity	▪ Showing proof of concept ▪ Suppliers also want to enjoy a successful business ▪ Building history with a supplier matter	▪ Not discussed	▪ Exposure to high-growth markets ▪ High-growth ambitions
Strategic compatibility	▪ Buyer–supplier alignment with strategy ▪ Market potential, technology, competencies	▪ Small-size suppliers can grow with startups ▪ Larger-size suppliers can learn from startups ▪ Larger-size suppliers can teach startups to organize	▪ Supplier–startup strategy alignment ▪ Similar competencies ▪ Technology alignments ▪ Salesperson–purchaser compatibility
Profitability	▪ Not discussed	▪ Startups are not cost-driven but value-focused – it is okay to pay more ▪ Startups pay more – they are more dedicated to developing products ▪ Startup efficiency thinking starts later in the process	▪ Lack of control ▪ Lack of procurement department ▪ Lack of professional negotiators ▪ No time to negotiate ▪ Focus on NPD, not cost ▪ Startups sell high-margin products ▪ Pay a higher price to secure production

3.5. Discussion: Seven factors influencing the cycle of preferred customership in the startup context

This research identified factors that influence the cycle of preferred customership in the startup as buyer context. We found seven factors that explain how startups attract suppliers, maintain relationships, and achieve preferred customer status (Figure 11). In the discussion, we divided our findings into two categories: i) new factors that emerged from this research and ii) factors similar to the existing literature. The three new factors – startup network, memorable experiences, and purchaser sellership – are reported here for the first time as antecedents of the cycle of preferred customership. Furthermore, we designed the world café in such a way that it does not use concepts from the literature to influence the participants. As expected, some of the concepts that the participants suggested are similar to those in the literature. Consequently, similar to replication studies, we validate existing research by extending their boundaries to the startup case. This study therefore confirms that factors in the literature also apply to startups, namely their innovation potential, credible growth ambitions, strategic compatibility, and profitability. The section below describes the two categories in detail.

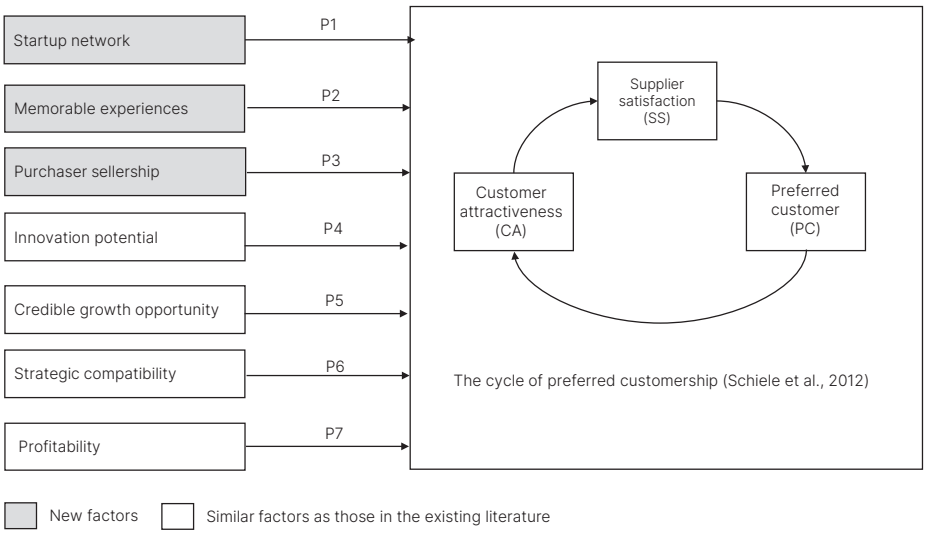


Figure 11: Framework for startup preferred customership.

3.5.1. This study identified new factors: Startup network, memorable experiences, and purchaser sellership

3.5.1.1. Startup network: Leveraging networks to improve trust and signal creditworthiness to suppliers

We conceptualize the startup network as the startup's ability to leverage its customer networks, investors, and purchasing teams to improve trust in them and signal its creditworthiness to suppliers. Furthermore, startups can leverage their networks to attract suppliers and achieve preferred customer status. We also found that signaling could help improve supplier satisfaction and entice suppliers to initiate a relationship. Finally, participants mentioned credit checks' importance. Owing to startups' poor credit scores, most suppliers will run credit checks and, given the resulting evidence, may not be inclined to approve the startups as customers. Nevertheless, the participants indicated that signaling mechanism strategies could overcome the potential credit check issue. Reputable customers and reputable investors could signal creditworthiness and help startups obtain approval through the suppliers' credit check process.

> "If you have a credibility check by the supplier, they will immediately have a red cross there, as we are not credible for these amounts. But I always used to direct them [the suppliers] to the website of the big partners that we work with that are really enthusiastic about this [startup]. And this really breaks boundaries." Startup buyer #5.

Furthermore, participants suggested that when startups receive sizeable new rounds of investment, this can attract media attention and signal to suppliers that the startup is well-funded.

> "Whenever you get a new [funding] round, if you had a big [funding round], a lot of new suppliers reach out to start a relationship." Startup buyer #6

Moreover, startups could hire purchasing managers with their own supplier network that they can exploit. A possible explanation for this is that startups do not have a track record with their suppliers. However, the startup purchasing manager might have a personal track record with certain suppliers. Consequently, this track record remains with the purchasing professional who carries the history forward to the next company, as which the startup leverage on the transferability of this reputation on a personal level.

> "I was hired because of my network, because prior to BETA [current startup employer], I used to work at ALFA [famous automaker] doing the same, buying the same products, dealing with the same suppliers. So, I have a network, and the suppliers know what I do already and how I work." Startup buyer #2

Startups can benefit from networks that function as a signaling and trust mechanism (Zaheer et al., 2010). The signal occurs when a network actor's quality can be deduced from this actor's relationship with other actors (Zaheer et al., 2010). For example, the signal from winning a large customer (La Rocca et al., 2019a), the signal effect from early customers (Wang et al., 2014), the use of branding (Merrilees, 2007), and government support (Luo et al., 2020) could all signal startup quality. We therefore expect an unknown startup associated with a reputable investor or well-known customer to use this relationship to signal quality. Furthermore, signaling from a high-status organization can improve a startup's legitimacy and reduce its liabilities (Guercini and Milanesi, 2016). In addition, high buyer status can improve supplier satisfaction, serving as a signaling mechanism (Vos et al., 2021).

Networks could enhance trust through their strong ties between partners who are more likely to know and trust one another (Zaheer et al., 2010). In addition, La Rocca and Snehota (2021) emphasize trust and personal relationships in business partnerships. They highlight how supplier commitment to startups can be increased if there is trust between the partners. Finally, startup attractiveness could be based on reputational benefits and prestige (La Rocca and Snehota, 2021).

Overall, these results reflect those of La Rocca and Snehota (2021). This study and the latter highlight the importance of social networks, trust, and prestige in the relationship between startups and their suppliers. Personal factors, such as social networks and previous experience, have been cited as reasons for committing their organization to a new venture (La Rocca and Snehota, 2021). Additionally, this study and that of La Rocca and Snehota (2021) emphasize trust's importance in the supplier-startup relationship. On the whole, both studies demonstrate that social networks, reputational benefits, prestige, and trust are significant factors in improving customer attractiveness in startups. We therefore offer the following proposition:

> **Proposition 1:** Customers', investors', and employees' reputation could be transferred to the startup. This signals its creditworthiness to suppliers and influences the cycle of preferred customership positively.

When analyzing the link between the startup network and the different phases in the cycle of preferred customership, we found this factor in all three phases. Our findings suggest that the startup network is an essential factor to enhance a startup's attractiveness (see also La Rocca and Snehota (2021)). This study also shows that the startup network continues to play a role in supplier satisfaction and in the preferred customer status's phases. Suppliers are attracted to a startup's network to initiate a relationship and recognize its enduring value as the relationship progresses. Consequently, startups with a strong network of partners might be more likely to achieve preferred customer status with their suppliers. However, the links between the startup network and the different stages of the cycle of preferred customership are not yet fully understood and need further research.

3.5.1.2. Memorable experiences: Leveraging startup features to provide memorable experiences for supplier's salespersons

We conceptualize memorable experiences as a startup's ability to provide memorable experiences for its supplier's salespersons, thereby leveraging a startup's prominent features, such as the relaxed and informal business environment, flat organization, and growth.

> "[It is] fun to do business with [the startup] a lot of suppliers are just sharing. Well, it's interesting to see how you guys [the startup] are evolving." Startup buyer #8

Furthermore, participants argued that the suppliers' experience is memorable given the new product development process. The innovative and fast-paced startup conditions also create diversity in the daily lives of suppliers' employees, who interact with a startup, such as its salespersons, engineers, and manufacturing-related employees.

> "One of their fun parts is that the salespeople often also say that they are the people that are actually machining the machines [and they] really enjoy making new products so that you bring more diversity to their standard [life]." Startup buyer #5

Moreover, participants stated that the fun part relates to personally experiencing the startup growth. Fast-paced startups provide suppliers with opportunities to experience growth changes within their buyer–supplier relationship timespan. In a slow-paced environment, it takes time to notice changes, and suppliers do not experience growth in the same way. One participant used a human biology analogy,

stating that it is fun to see children grow. Another participant used analogies referring to consumer experiences, such as a visit to a fancy store.

> "Sometimes [it is] fancy to visit us and to see how the startup feeling is. So, what is the atmosphere? How it all goes, etc.? It's also a sort of the feeling. Yes, we [the supplier] are providing some equipment to you, we delivered you something, but we see how you grow." Startup buyer #8

Furthermore, participants suggested that startups, because of their company culture, could have a competitive advantage compared to well-established buyers. For example, participants compared the supplier experience of engaging a startup in business with doing business with a mature company, which one of the supplier participants classified as an "old school" type of buyer–supplier relationship. Suppliers mentioned that a startup's company culture makes doing business fun. The fun factor could open doors for startups, helping them attract suppliers and initiate a business relationship.

> "I believe to do business with startups in a particular operational level it's really a big fun. This is part of their company culture, [we learn] how lean their organization [is], how flexible the organizations are. So, I believe that this set of values is, by default, creating the right level of treatment because it's more [aimed] toward a partnership or [is a] joint venture type of behavior than the old-school supplier–customer fashioned relationship. So, I see this, that this is really a door opener." Supplier startups #1

Drawing on the experience economy literature (Pine and Gilmore, 1998), salespeople are also consumers and desire experiences. The experience economy shifts from selling goods and services to creating and delivering memorable customer experiences (Pine and Gilmore, 1998). Startups can therefore create enjoyable and memorable experiences for suppliers, similar to how a stage in performing arts provides a positive and memorable experience for its audience. Consequently, startups can create positive emotional experiences for salespeople, increasing their personal satisfaction. Following Pine and Gilmore (1998) analogy of a stage in performing arts, the startup could be seen as a stage where the purchasers are performers, salespeople are the guests, and buyer–supplier business meetings are memorable experiences. Startups have an intangible essence connected with the employee experience (Gulati, 2019). Similarly, suppliers might consider business meetings in a startup environment as memorable experiences. Suppliers could experience the stereotype of t-shirts, pizza and free soda (Gulati, 2019). We expect suppliers to experience some of this startup culture. It can also

refresh experiences (Pine and Gilmore, 1998). Given the nature of a startup and its growth rate, it is possible that every time salespeople visit a startup, they will find something new, such as new people, products, prototypes, and services, thereby revitalizing their experience. When comparing the results of our study to previous research, we did not find mentions of fun and interactive experiences. However, customer attractiveness research on startups has highlighted personal motivations as a vital factor. La Rocca and Snehota (2021) discuss the personal satisfaction and bonds suppliers have developed with startup founders. These authors point out that personal satisfaction from interaction with a startup is crucial for improving its attractiveness to suppliers. Our results corroborate the findings of La Rocca and Snehota (2021), highlighting the importance of understanding the social interactions and personal factors that motivate individuals' engagement with startups. We therefore posit the following proposition:

> **Proposition 2:** Startups could improve supplier satisfaction by providing memorable experiences that increase salespeople's personal satisfaction, thereby positively influencing the cycle of preferred customership.

Nevertheless, when startups develop (Greiner, 1998), they might lose their ability to provide their suppliers with memorable experiences in the long term. Consequently, further research should explore whether startups could sustain this ability. However, startups that maintain their culture (Gulati, 2019) may still succeed in providing memorable experiences. If not, startups may replace these experiences with large purchasing volumes as they assume a large company's characteristics.

When analyzing the link between the memorable experiences factor and the different phases within the cycle of preferred customership, we found that this factor only appears relevant in the supplier satisfaction and preferred customer phases. The memorable experiences factor shares similarities with the personal satisfaction concept of La Rocca and Snehota (2021). However, in contrast to the latter authors, who found personal satisfaction in the customer attractiveness phase, we only found memorable experiences in the supplier satisfaction and preferred customer phases. We therefore posit the following proposition:

> **Proposition 2.a:** The memorable experiences factor might only be relevant in the supplier satisfaction and preferred customer phases. However, personal satisfaction might be essential in all of the cycle of preferred customership phases.

This finding suggests that while personal satisfaction and memorable experiences might be related concepts, they might manifest differently at different

stages of the cycle of preferred customership. Further research can explore memorable experiences' precise nature in the supplier satisfaction and preferred customer phases and how such memorable experiences contribute to the overall cycle of preferred customership.

3.5.1.3. Purchaser sellership: Acting as a salesperson to persuade suppliers

We conceptualize purchaser sellership as the startup purchaser's ability to persuade suppliers by acting as a salesperson and "selling" the startup to suppliers. Participants in a startup purchasing position maintained that they apply similar techniques to those that startups use to attract investors.

> "The procurement person needs to be a salesperson too, has to really engage the sellers to buy our company like they were investors. (...). We do [present] the pitch. I do [present] the pitch for investors." Startup buyer #1

Furthermore, the startup purchaser should be creative. Purchasers should uncover what motivates and dissuades suppliers and should provide credible arguments. One participant commented that he highlighted the opportunity for suppliers to learn from the startup how to become more agile.

> "And that is the pitch. I went to them. I said: 'Guys (...) you [suppliers] need to understand that you are too slow in what you do. And if you join ZETA [the startup], if you join us, you will learn how to be quicker.' So, I'm not just a buyer anymore. I'm a salesman because I'm selling my company, really. But I guess that's the approach." Startup buyer #2

The finding that startup purchasers should act as a salesperson to persuade suppliers is consistent with Jenkins and Holcomb (2021), whose participants revealed that nascent firms sell their potential to strategic suppliers. It also aligns with La Rocca and Snehota (2021), who suggests that startups should proactively engage with suppliers to increase their attractiveness, particularly when the latter have limited information. Accordingly, startups should communicate their solution's value, clarify their business idea, and provide suppliers with tangible elements with which to assess their attractiveness (La Rocca and Snehota, 2021). Additionally, our results reflect those of Kragh et al. (2022), who report on canvassing and communicating as attractiveness elements for low-leverage buyers. Their research highlights active engagement and communication with suppliers' importance for establishing relationships. They also emphasize the need to be proactive and persistent when reaching out to suppliers.

Furthermore, buyers should employ preferential treatment factors to apply reverse marketing to improve the relationship (Hüttinger et al., 2014), while startups should persuade large companies to initiate a relationship (Aaboen and Aarikka-Stenroos, 2017). In a reverse-marketing approach (Leenders and Blenkhorn, 1988), the buyer needs to persuade the supplier instead of vice versa (Blenkhorn and Banting, 1991). Purchasers with sellership skills could therefore promote their company (Stek and Schiele, 2021). Moreover, the purchaser should be creative, have a cooperative partnership approach to suppliers, maintain a long-term orientation, and adopt an assertive negotiating approach (Blenkhorn and Banting, 1991). The literature (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021) supports our findings and suggests that purchaser sellership impacts the cycle of preferred customership positively. We therefore posit the following proposition:

Proposition 3: Purchaser sellership impacts the cycle of preferred customership positively.

When analysing the link between purchaser sellership and the different phases in the cycle of preferred customership, we found that this factor is only relevant in the customer attractiveness phase. This finding aligns with the research by La Rocca and Snehota (2021) and that of Jenkins and Holcomb (2021), who also suggest that purchaser sellership is a customer attractiveness factor. Moreover, our study's participants did not mention the purchaser sellership factor in the supplier satisfaction and preferred customer status discussion. This suggests that while purchaser sellership might be required to attract suppliers, other factors could become crucial to maintain long-term relationships with suppliers. We therefore posit the following proposition:

Proposition 3.a: Purchaser sellership is only relevant in the customer attractiveness phase.

Nonetheless, purchaser sellership's importance in the cycle of preferred customership initial stages cannot be overlooked and could require further investigation.

3.5.2. This study confirms that the following existing factors in the literature also apply to startups: Innovation potential, credible growth ambitions, strategic compatibility, and profitability

3.5.2.1. Innovation potential: Startups helping suppliers to innovate

We conceptualize innovation potential as the opportunity that a startup offers to improve suppliers' innovation prospects. Thereby, suppliers are able to enhance their own innovative capabilities and signal their innovativeness to their customers and the public. Startups can help suppliers to innovate by sharing modern technologies and provide suppliers with insights into novel business models. The study participants suggested that suppliers could be interested in adjusting their business models and manufacturing processes to benefit from startup innovations and gain a competitive advantage. The supplier's competitive advantage originates from a readiness to offer products and services to other customers. In this case, suppliers will use the startup as a pilot customer.

> "We don't learn the technology, but we learn how to adjust our business model and service solutions for that type of technology. So, I don't want to mislead. We are not spying or things like that. But we need to develop [this type of technology], because a similar set of customers should come from the market, and that would be a competitive advantage." Supplier for startups #1

These findings are consistent with La Rocca and Snehota (2021) who highlights startup-supplier relationship collaborative nature, focused on creating mutually beneficial outcomes through innovation and technological advancement. Consequently, suppliers are attracted to innovation and new capabilities' development, which have the potential to be leveraged within the supplier's existing business (La Rocca and Snehota, 2021). Furthermore, Kragh et al. (2022) report similar findings, emphasizing that supplier learning is an equally significant attractiveness element for low-leverage buyers, which indicates the importance of knowledge transfer and technical discussions that create value for suppliers. Moreover, proactive technological competence is important, since buyers with strong R&D and engineering competencies often bring innovative products to market and build a reputation as a valued partner for suppliers in technical discussions and in innovations (Kragh et al., 2022). Also, low-leverage buyers find innovation a crucially attractiveness element (Kragh et al., 2022). Furthermore, suppliers could engage with startups and become better acquainted with new technologies, thereby finding value in attracting future customers (Jenkins and Holcomb, 2021).

In addition, technology excellence might drive supplier satisfaction (Hüttinger et al., 2012). Innovation potential might indeed drive supplier satisfaction indirectly, leading to preferential treatment (Vos et al., 2016). Likewise, startups could benefit from doing business with companies with an innovation orientation (Zaremba et al., 2016). Nevertheless, while research by Hüttinger et al. (2014) showed weak support for innovation potential's influence on the cycle of preferred customership, the prior research concerned the context of mature buying firms, and was not specifically focused on startups. In contrast, startup-focused customer attractiveness research (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021) broadly supports innovation potential's importance with regard to driving customer attractiveness. Moreover, innovation is a prominent startup characteristic (Carland et al., 1984). We therefore expect innovation potential to not only influence customer attractiveness strongly, but also supplier satisfaction, as well as startups' preferred customer status. Consequently, we posit the following proposition:

Proposition 4: Startup innovation potential might influence the cycle of preferred customership positively.

When analyzing the link between innovation potential and the different phases within the cycle of preferred customership, we found that this factor impacts all three phases. We found that innovation is a critical factor for startup attractiveness (see also La Rocca and Snehota (2021) and Jenkins and Holcomb (2021)). Additionally, we show that innovation continues to play a role in supplier satisfaction and in the preferred customer status phases. This may be because startups' perceived innovation potential might attract suppliers. As the startup-supplier relationship progresses, innovation continues to play a role in maintaining the relationship, because suppliers could benefit from an ongoing collaboration with innovative startups. In short, our study highlights the importance of innovation as a key driver of the cycle of preferred customership. Nevertheless, further research is necessary to explore the links between innovation and the cycle of preferred customership in different stages in the context of startups.

3.5.2.2. Credible growth opportunity: Convincing suppliers of growth potential despite liability of newness

We conceptualize credible growth opportunity as a startup's ability to persuade suppliers that the growth opportunity has merit, despite the startup's liability of newness. The startup buyers should therefore support their claim that the startup is growing with credible evidence. For example, showing a solid growth history is not possible for startups. Then, the participants suggested utilizing the startup's future

growth, supported by market growth data. Following this suggestion would provide evidence for the growth claim and demonstrate credible growth opportunities, thereby attracting suppliers. Furthermore, when discussing startup attractiveness, the participants awarded credible growth the highest score during the voting procedure in the Virtual Room A. In the following transcript, one participant explained how he leverages a startup growth opportunity:

> "Yes, we are trying to be quick at trying to grow right, with our growth ambitions very high. But, also, I recognize that some companies [suppliers] are very interested to have a certain reference in the marketplace. So, they would like to have us [the startup] as a reference because as demand is a growing segment in the marketplace. So, this is where I can hook my suppliers, growth ambitions." Startup buyer #8

Startups can provide tangible growth opportunity evidence by showing suppliers product prototypes or by exposing them to important customers. The participants noted that a startup must demonstrate that the evidence of growth is more than just a sales pitch. This finding is consistent with Jenkins and Holcomb (2021), who propose that nascent firms can attract suppliers by actually selling a growth potential. Kragh et al. (2022) also highlight market access as a significant attractiveness element for low-leverage buyers who create a larger market for a supplier's product by becoming a market leader. Furthermore, our results validate the value proposition (Kirchberger et al., 2020), according to which startups could provide credible evidence.

A growth opportunity is the buying firm's ability to create new business opportunities to increase their suppliers' sales volumes by building joint growth paths for the duration of the relationship (Hüttinger et al., 2014; Walter et al., 2001). Growth opportunity drives customer attractiveness, supplier satisfaction, and preferred customer status (Hüttinger et al., 2014; Vos et al., 2016). Nevertheless, startups are young and do not usually have a track record (Das and He, 2006). Unlike mature companies that rely on a historical growth record, startups can only demonstrate their growth path by offering credible reasoning and supporting documentation. Consequently, we offer the following proposition:

> **Proposition 5:** Startups that demonstrate credible growth opportunities could influence the cycle of preferred customership positively.

When analyzing the link between the credible growth opportunity factor and the different phases within the cycle of preferred customership, we found that this factor is most relevant in the customer attractiveness phase. This finding is consistent

with that of Jenkins and Holcomb (2021), who propose selling growth potential as a customer attractiveness driver. In contrast, La Rocca and Snehota (2021) suggest that growth and profit may arise later in the relationship or cannot materialize when the startup becomes a good regular customer. However, in our study, participants did not discuss growth in supplier satisfaction or in the preferred customer status phases. These findings suggest that startups may need to focus on communicating their growth potential early in the relationship in order to attract suppliers. We therefore posit the following proposition:

> **Proposition 5.a:** The credible growth opportunities factor might only be relevant in the customer attractiveness phase.

Nevertheless, further research is necessary to fully understand the relationship between the credible growth opportunity factor and the cycle of preferred customership.

3.5.2.3. Strategic compatibility: Leveraging shared values and development goals with suppliers.

A standard participant view was that the startup–supplier strategic compatibility is an essential criterion that suppliers use to decide if they want to do business with a startup. Participants mentioned three strategic compatibility criteria: market potential, technology, and competencies. Startups could target suppliers with an innovation roadmap that fits the startup technology. For example, a traditional automotive supplier might want to develop a core capability of supplying components for electric cars and learn how to deal with startups that manufacture electric cars because this is a recent technology that is central to the automotive industry's growth.

> "To select a partner, we need to be aligned in terms of strategy. Mainly, this is about market potential or technology and competencies. So, more or less, those are the areas where it is driving the discussion." Supplier for startups #1

For example, when looking at the technology criteria, a supplier may want exposure to customers in the telecom industry with 5G technology. Then, startups in the 5G industry might want to attract such suppliers. We observed several similarities when comparing our research findings with similar studies on startup customer attractiveness. Notably, our study and La Rocca and Snehota (2021) highlight the importance of suppliers' interest in developing new technology and know-how through partnerships with startups to develop new technologies. Both

studies further suggest that suppliers might be motivated to collaborate with startups for reasons beyond immediate financial returns, such as learning and staying up to date on emerging and future technologies. Moreover, our findings are consistent with La Rocca and Snehota (2021), who emphasize that suppliers might want to work with startups as a means to acquire new knowledge and open doors to other opportunities.

Our study confirms that strategic compatibility is associated with the cycle of preferred customership. Further, our finding supports that strategic fit is part of an established firm's selection criteria (Kurpjuweit et al., 2021) Also, we support that suppliers use strategic fit factors in customer scorecards (Bew, 2007). In addition, Hüttinger et al. (2012) conceptualized strategic compatibility as an antecedent of preferred customer status. However, contrary to Hüttinger et al. (2012), who found strategic compatibility only in the last phase of the preferred customership cycle, our results indicate that strategic compatibility can influence the entire preferred customership cycle.

Furthermore, strategic compatibility (Hüttinger et al., 2012) – also described as strategic fit (Bew, 2007; Kurpjuweit et al., 2021) – reflects the startup's technology fit with an established firm's innovation roadmap (Kurpjuweit et al., 2021). Strategic compatibility is distinct from the innovation potential factor that refers to startup technology novelty itself. The customer–supplier fit is "how the features of the customer's business fit with those of the business of the suppliers" (La Rocca et al., 2012; p.1242). Moreover, established firms are inclined to engage with startups when the startup technology becomes part of their core capabilities (Kurpjuweit et al., 2021), and suppliers could prioritize startups to stay updated and potentially gain new know-how from their relationships with these startups (La Rocca and Snehota, 2021). Consequently, startups could benefit from selecting suppliers with strategic compatibility (Hüttinger et al., 2012). We therefore posit the following proposition:

> **Proposition 6:** It is easier to attract and become a preferred customer of suppliers with a strategic compatibility with a startup.

Nevertheless, strategic compatibility can extend beyond companies and also occur between individuals within organizations, which is referred to as social compatibility (Harris et al., 2003). For example, startup purchasers and supplier salespeople might have compatible styles or working situations. Both could be early career professionals.

> "If you are a startup, and you are going to be speaking with the supplier, they are generally going to start off with their entry-level salespeople as well

> because (...) you are not a large customer. So it could be that as an entry-level salesperson, they want to have a success story, too. They want to show that they've made a sale. So actually, it works very well. (...) You want to get together and make that situation work to be able to buy what you need to [buy]. They sell what they need to, and you start to create that relationship." Startup buyer #7

When analyzing the link between the strategic compatibility factor and the different phases within the cycle of preferred customership, we found this factor in all three phases. Our findings are consistent with La Rocca and Snehota (2021), who also identified the importance of suppliers' interest in developing new technology and know-how through partnerships with startups as a potential factor in the customer attractiveness phase. However, our study is the first to identify strategic compatibility's continued importance in supplier satisfaction and preferred customer status phases. Our data suggest that suppliers might be attracted to collaborating with startups to learn and remain up to date regarding emerging and future technologies. Suppliers might even gain further value by learning from a startup when they maintain a relationship. Also, they might elevate the relationship to the preferred customer status. Nevertheless, future research could explore how strategic compatibility evolves throughout the different phases of the cycle of preferred customership.

3.5.2.4. Profitability: Suppliers gaining high margins due to startups' willingness to pay higher prices.

We conceptualize profitability as startups allowing suppliers to gain high margins from sales to startups. The participants suggested that startups might not focus on costs and might be willing to pay higher prices than large companies would. Consequently, suppliers might yield higher profitability when selling to startups rather than to large buyers. Participants further explained that startups focus less on costs, because their urgent needs mean they only have limited negotiation time.

> "Also, [the startup] pays sometimes more without really negotiating for a long time, just because we need it quickly." Startup buyer #8

Startups may not have purchasing processes and systems in place, lacking control over their purchases. Additionally, startups may prioritize securing production capacity from suppliers over price negotiation. Participants also reported that startups sometimes have high margins, meaning that the product availability is more important than the price.

> "[Startups] don't have the control exactly of what they are buying, and they are usually more dedicated to developing the product and to find their position in the market. (...) They [startup] developed a product that is very differentiated from the rest of the market. So, they had a big margin and could pay more just to guarantee production and support to take the biggest part of the market [share]." Startup buyer #10

Many startups may not yet have a discrete purchasing function. Such a lack of a purchasing department could lead to higher prices.

> "I used to pay more when I didn't have a procurement department in the company, of course, because most of their relationship was based on a personal relationship." Startup buyer #4

Furthermore, La Rocca and Snehota (2021) speculate that profits form sales might not be critical for startups' customer attractiveness. Nevertheless, earlier observations showed that profitability reflects the supplier's view that its relationship with a customer will be profitable (Hald et al., 2009; Vos et al., 2016; Walter et al., 2001). In addition, studies in the context of mature companies confirm the association between supplier profitability, supplier satisfaction, preferential treatment (Vos et al., 2016), and best customer status (Moody, 1992). Consequently, we posit the following proposition:

> **Proposition 7:** Startups pay higher prices than mature firms do, thereby increasing suppliers' profitability and influencing the cycle of preferred customer relationships positively.

When analyzing the link between the profitability factor and the different phases within the cycle of preferred customership, we found that this factor is only relevant in the supplier satisfaction and preferred customer phases. Specifically, profitability might play a role once a relationship has been established. La Rocca and Snehota (2021), who suggest that profit is not a key supplier interest in the customer attractiveness phase, also support the latter notion. Instead, suppliers might prioritize other factors, such as a startup network, the innovation potential, a credible growth opportunity, strategic compatibility, and purchaser sellership. However, as the startup-supplier relationship becomes more established, profitability might become increasingly important for suppliers when they want to maintain the partnership over the long term. We therefore posit the following proposition:

> **Proposition 7.a:** The profitability factor might only be relevant in the supplier satisfaction and preferred customer phases.

3.6. Conclusion: The unique factors of startup network, memorable experiences, and purchaser sellership can help startups become preferred customers.

3.6.1. Contributions to theory: The cycle of the preferred customership framework for startups

The current study answers the research question regarding the factors that influence the cycle of preferred customership in the context of startups as buyers. Seven factors influence the startup cycle of preferred customership positively: strategic compatibility, innovation potential, startup network, credible growth opportunity, profitability, memorable experiences, and purchaser sellership. The results of this investigation enhance our knowledge of how startups could attract and satisfy suppliers to obtain preferential treatment. The results complement the emerging research field of startup-supplier relationships. We conclude that our work makes the following three significant contributions to theory:

First, three new factors emerged from the data: startup networks, memorable experiences, and purchaser sellership. These new factors have never before been reported as part of the cycle of preferred customership. The findings make a significant theoretical contribution to defining a framework for studying the cycle of preferred customership in the startup context. Moreover, this knowledge is essential to understand the mechanisms that could enhance a startup's ability to allocate supplier resources when competing against large and well-established buyers who share a supply base with startups.

Second, four factors that emerged from the data can also be found in the preferred customership literature in the context of large buyers. Interestingly, we established that a part of the cycle of preferred customership factors for large companies might also be generalized regarding startups. This work therefore complements earlier studies' conclusions (Hüttinger et al., 2014, Schiele et al., 2012, Vos et al., 2016) by specifically enhancing the generalization of strategic compatibility, innovation potential, credible growth opportunity, and profitability to startups. Accordingly, we imported these factors from the literature and incorporated them into the preferred customership framework for startups.

Altogether, the seven factors were incorporated into a framework (Figure 11) that explains the observations from the word café. Consequently, our study makes a novel contribution to theory by providing a cycle of the preferred customership framework in the startup context, which can be applied to guide future research, such as quantitative studies. We therefore created a different version of the cycle

of the preferred customership construct by relaxing its boundary conditions. This framework did not exist in the literature, because the studies were limited to large companies, while our study broadened the existing cycle of preferred customership construct to include the startup context. Moreover, this report introduces an overlooked phenomenon regarding supplier satisfaction and preferred customer status in the particular case of startups. While there is some emerging research on customer attractiveness in startups (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021) and on low-leverage customers (Kragh et al., 2022), there is no literature on supplier satisfaction and preferred customer status in startups.

Third, we provide additional support for early findings and extend the emerging research field of customer attractiveness in startups and young firms (Bjørgum et al., 2021; Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021), and that of low-leverage buyers (Kragh et al., 2022). We support the literature empirically by highlighting the importance of the following factors: (1) innovation by strengthening the literature that links innovation and technical competence to customer attractiveness (Jenkins and Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021). (2) Purchaser sellership by corroborating active engagement and communication's importance for suppliers to establish relationships and the need for proactivity (Jenkins and Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021). (3) Startup network by supporting reputation, prestige, and networks' positive effects (La Rocca and Snehota, 2021). (4) Strategic compatibility by supporting the concept of learning and remaining up-to-date with emerging and future technologies (La Rocca and Snehota, 2021). (5) Memorable experiences that substantiate findings on personal satisfaction's importance (La Rocca and Snehota, 2021). (6) Credible growth opportunity by endorsing growth and market access's importance (Jenkins and Holcomb, 2021; Kragh et al., 2022). Overall, our findings provide empirical support for the literature on customer attractiveness in startups. We argue that extending and replicating research is essential to improve the validity of management research (Makadok et al., 2018).

3.6.2. Implications for management: Startup purchasing manager toolkit to attract suppliers and become preferred customers

The findings have implications for startup purchasing managers. They might lack tools and management practices to improve the startup-supplier relationships to become preferred customers, which is essential if startups wish to mobilize their suppliers' resources. Startup purchasing managers could therefore benefit from this study if they work in an industry where suppliers are critical, and startups compete against large companies for scarce suppliers. In this situation, improving supplier

satisfaction to become a preferred customer could improve startups' competitive position. Accordingly, purchasing managers could use our findings to implement management practices leading to a preferred customer status. Consequently, several implications emerged from this study.

First, the participants scored the startup network highly. Therefore, we proposed that the effective use of a startup network could be a valuable strategy to attract suppliers and eventually become preferred customers. Suggestions for startups include designing marketing campaigns that target suppliers to improve their legitimacy. For example, such campaigns could showcase a startup network of reputable investors and customers.

Second, the concept of memorable experiences that emerged from the findings indicates that startups could leverage their unique characteristics as a strategy to attract suppliers. These characteristics include their informal business environment and their startup culture. Using a comparison level, startups could offer suppliers' salespeople memorable experiences in a way that mature firms cannot. To increase their suppliers' satisfaction, startups could aim to craft richer experiences for their suppliers, such as i) taking them to visit product showrooms, innovation, or experience centers; ii) introducing them to the startup's key executives and founders, thereby revealing its informal organization; and iii) offering suppliers the opportunity to watch a product or service demonstration if possible.

Third, the purchaser sellership factor is vital because the startup purchaser must be proactive and vigorously advertise the startup's positive characteristics to attract suppliers. Similarly, startup purchasers' marketing skills can contribute significantly to achieving preferred customer status. This is explained by startups not having a track record. Consequently, startup purchasers need to persuade suppliers and use reverse-marketing techniques. Indeed, close collaboration between the purchasing and marketing departments could mobilize the purchasers through helpful information to promote the startup and convince suppliers of the startup's positive characteristics, such as its innovation ability, and by addressing suppliers with invigorating startup pitches. Moreover, startups could include the purchaser sellership as a desirable skill when writing job ads to hire purchasers.

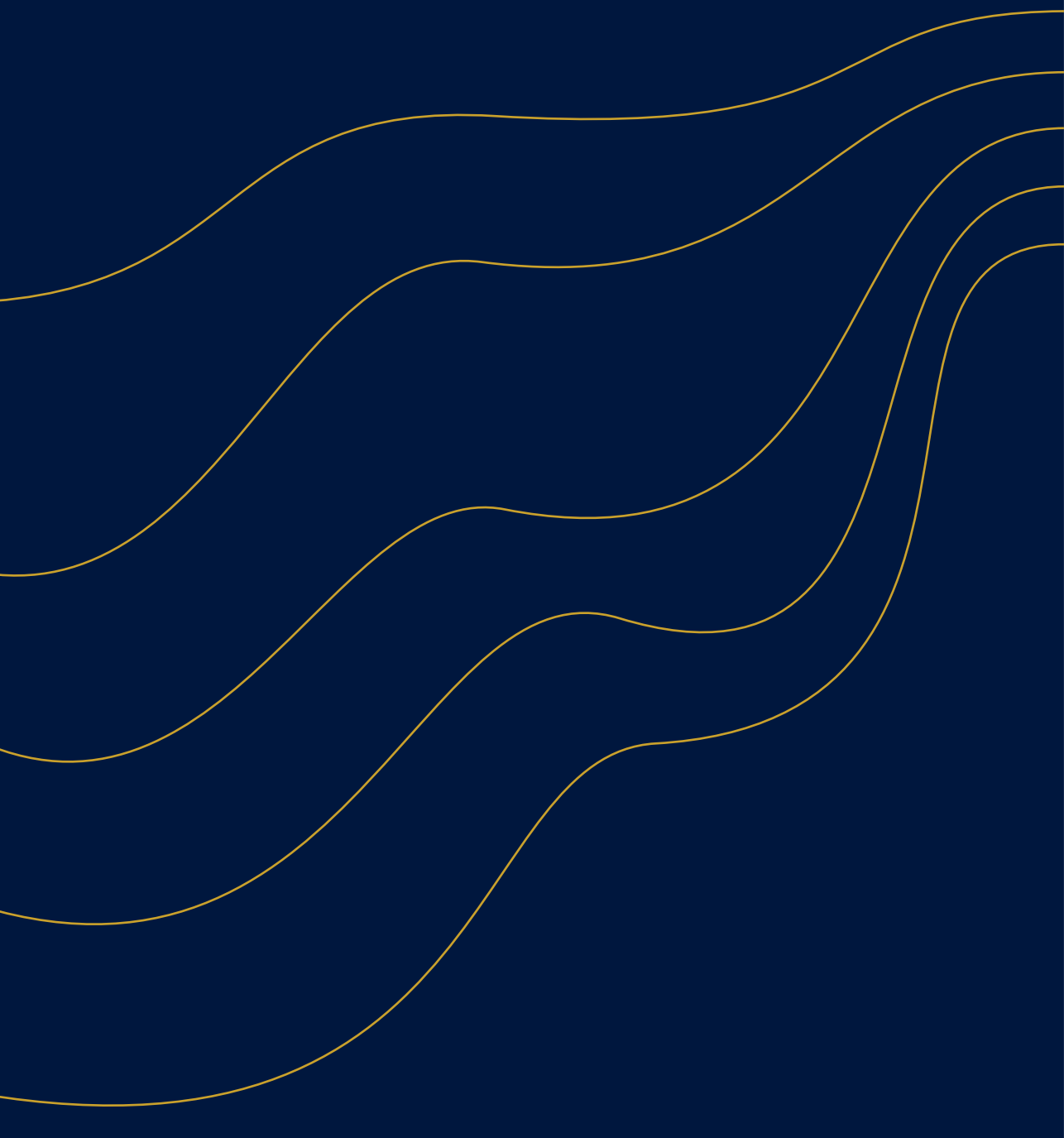
3.6.3. Limitations and further research: A quantitative approach to testing influencing factors

Despite its exploratory nature and limitations, this study offers insights into the route for startups to become preferred customers. A natural progression of this work would therefore be to conduct quantitative research to determine the relevance of the CA, SS, and PC factors for startups. In addition, as this study focuses on the

cycle of preferred customership, further research could focus on specific stages, for example, on undertaking qualitative studies focusing on customer attractiveness, supplier satisfaction, and preferred customer concepts. Moreover, researchers could explore the role of the comparison level of alternatives in supplier decision-making, which could affect supplier satisfaction. Finally, researchers could use this study's framework and propositions to formulate hypotheses and use surveys or experiments to test the relationships between factors and the stages of the cycle of preferred customership.

3.7. Reference

References can be found on page 189.



CHAPTER 4

Customer attractiveness of young firms: A comparative analysis of startups versus incumbents in supplier choice

The main part of this chapter is currently under review in the Journal of Purchasing and Supply Management. A previous version of this chapter has been presented at a conference as:

Tessaro, J., Harms, R. and Schiele, H. (2023). Startups vs. well-established companies. What factors influence suppliers' choices for an attractive customer? IPSERA 2023 Conference Proceedings.

The chapter contains minor textual changes from the original

ABSTRACT

Startups compete against incumbents for supplier resources. In this competition, startups suffer from the liability of newness and lack a track record and positive reputation. Startups that want to mobilize supplier resources need to become attractive to suppliers. This research analyzes the factors impacting startup attractiveness as buyers. Our findings from a discrete choice experiment with 129 salespeople show that startups are less attractive as customers than incumbents. We found eight factors that impact customer attractiveness. We compared the relative importance of customer attractiveness factors. We discovered that strategic compatibility, operative excellence, and innovation positively impact startups more than incumbents' attractiveness.

4.1. Introduction: Suppliers may favor some customers over others, and startups may be at a competitive disadvantage

Startups compete against mature companies for supplier resources. In this respect, startups may be at a competitive disadvantage compared to incumbent buying firms. Startups, often associated with higher failure rates due to their young age (Freeman et al., 1983; Stinchcombe, 1965), suffer from the liability of newness (Freeman et al., 1983), lacking a track record, a positive reputation and are susceptible to opportunistic supplier behavior (Rottenburger and Kaufmann, 2020). Startups may pay higher prices because of a lack of supplier trust in the startup (Bhide and Stevenson, 1992). Moreover, startups lack financial and manufacturing resources (Das and He, 2006), and high-quality suppliers may be beyond reach (Chod et al., 2019).

However, despite their inherent liabilities, startups have strong arguments for being attractive customers. Startups have positive characteristics, such as innovation (Carland et al., 1984) and high growth (Begley, 1995). These positive characteristics could play to startup advantages in overcoming liabilities. In addition, startups can actively advertise their growth potential (Jenkins and Holcomb, 2021) and prestige (La Rocca and Snehota, 2021), and low-leverage buyers can leverage supplier learning (Kragh et al., 2022). While startups might be interesting due to their innovation and growth potential, their liabilities could make them unattractive to suppliers.

Nevertheless, the empirical evidence regarding customer attractiveness in startups is limited. Whereas quantitative research on customer attractiveness exists, such as the study conducted by Hüttinger et al. (2014) for large automotive OEMs, there is a noticeable lack of similar research specifically for startups. Current investigations into startup customer attractiveness are qualitative. It also diverges in the unit of analysis – startups (La Rocca and Snehota, 2021), nascent firms (Jenkins and Holcomb, 2021), or low-leverage buyers (Kragh et al., 2022). Therefore, there is a need for quantitative research because the existing customer attractiveness model may not be generalizable beyond a large automotive OEM (Hüttinger et al., 2014).

Additionally, as young buying firms, startups face distinct challenges compared to large firms such as automotive OEMs. For instance, startups often lack a track record and positive reputation (Das and He, 2006; Rottenburger and Kaufmann, 2020) and have a high mortality rate (Freeman et al., 1983). In contrast, incumbents are older, have a stable business and benefit from a favorable credit record (Bulan and Yan, 2010). Therefore, there is a gap in quantitative customer attractiveness research for startups. To address this gap while acknowledging the calls for further

research into startups as buyers (Wagner, 2021; Wong, 2021), we aim to evaluate the direct effects of company type on customer attractiveness. Therefore, to discover whether startups are at a disadvantage compared to incumbents, we have formulated the following research question: RQ1: What is the impact of company type (startup versus incumbent) on customer attractiveness? In our study, we also aim to uncover what factors influence startup attractiveness and how these factors compare with those that influence incumbent companies. Therefore, we framed the following research question: RQ2: What factors influence startup attractiveness with suppliers? Based on the findings, purchasers in startups may modify their strategy to suppliers. The approach to empirical research adopted in this study is based on a discrete choice experiment.

This study has theoretical and managerial implications for customer attractiveness in the context of startups. Our study provides three significant theoretical contributions. Firstly, we introduce company type as a novel causal mechanism, evaluating the influence of startups and incumbents on customer attractiveness. Secondly, we identify company type as a moderator that influences the strength of factors impacting customer attractiveness. Lastly, we integrate prior qualitative and quantitative research, expanding existing models to consider the implications of company type. The managerial implications highlight the importance of strategic alignment, professionalizing purchasing, and leveraging innovation to enhance startup attractiveness. Overall, this research provides valuable insights into the theory and practical guidance for purchasing managers in improving startup attractiveness.

4.2. Literature review: The interplay between customer attractiveness and liability of newness

Customer attractiveness has been studied mainly in the context of incumbents. However, startups differ from incumbents in many ways. Most differences result from the liability of newness associated with young age. In the following segment, we summarize the liability of newness and customer attractiveness literature, complemented by a world café of 15 experts, and present the study's hypotheses.

4.2.1. Liability of newness

The liability of newness (Stinchcombe, 1965) describes that younger companies have higher failure rates than older companies (Freeman et al., 1983). Startups are young companies up to eight years old (Song et al., 2008). The liability of newness is associated with many problems for young firms in general. Startups do not possess a track record, and their legitimacy is low (Das and He, 2006).

Startups' young age translates into uncertainty for suppliers (Das and He, 2006). Suppliers may perceive startups as risky partners (Bolumole et al., 2015). Without established networks, early-stage startups rely on funders' connections (Huang et al., 2012), often reaching only suppliers in the network periphery and exposing them to supplier opportunism (Bhalla and Terjesen, 2013).

Furthermore, the opportunistic behavior of suppliers (Rottenburger and Kaufmann, 2020) can arise from the relationship with large suppliers that is power asymmetric (Perez and Fierro, 2018). However, some startups can use reward power and weak ties with suppliers to prevent opportunistic behavior (Usui et al., 2017). In summary, startups face many challenges in the startup–supplier relationship due to their liability of newness, making them less attractive to suppliers compared to incumbents. Thus, we develop the following hypothesis:

Hypothesis 1: Startups are less attractive as customers (of suppliers) than incumbents.

4.2.2. Customer Attractiveness (CA)

Customer attractiveness is the supplier's positive expectation concerning the buyer–supplier relationship (Schiele et al., 2012). Buying firms can benefit from CA to maintain the relationship with strategic suppliers. Low customer attractiveness can lead to the discontinuation of relationships because, in industrial markets, suppliers review their portfolio of customers constantly, and a customer with low attractiveness is often discontinued (Fiocca, 1982). CA is also important in mobilizing supplier resources (La Rocca and Snehota, 2021).

This research adopts a comprehensive approach to understanding customer attractiveness in startups by combining a literature review and findings from a world café conducted in a previous study by the same authors (authors will be revealed upon acceptance). The research world café is a previous study that used a qualitative approach to explore the factors influencing customer attractiveness in the context of startups as buyers. The world café involved 15 participants who were startup experts, procurement professionals who worked for startups, and suppliers with sales experience doing business with startups. The event included three discussion rounds and a voting procedure in which participants rated relevant topics. The world café was recorded and transcribed, and the data were analyzed based on the topics discussed, the whiteboard notes, and the transcripts.

Drawing from the world café findings and the literature review, we identified several factors influencing customer attractiveness. For example, Hüttinger et al. (2012) identified five clusters of antecedents to customer attractiveness: market

growth, risk, technological, economic, and social factors. A follow-up study using empirical data confirmed three antecedents: growth opportunity, operative excellence, and relational behavior (Hüttinger et al., 2014). However, most CA research is in the context of incumbent buyers. In the startup context, researchers found that startups can improve CA through reputational benefits and prestige (La Rocca and Snehota, 2021). A study by Jenkins and Holcomb (2021) found that nascent firms can "sell" growth potential and innovation to improve CA. Lastly, Kragh et al. (2022) explored how low-leverage buyers can improve CA through proactive technological competence, canvassing, continuous communication, supplier learning, market access, and relationship maintenance.

Table 9 summarizes the nine factors that drive customer attractiveness derived from the world café and the literature review. We have included papers that explicitly support these factors as drivers of customer attractiveness and those that indirectly support them. We have incorporated the literature that discusses the factors as antecedents of supplier satisfaction or preferred customership because these concepts are often interrelated with customer attractiveness and influence each other. For example, in the cycle of preferred customership (Schiele, 2022), a factor that drives customer attractiveness may also lead to supplier satisfaction. A satisfied supplier may be more likely to consider a buyer as a preferred customer. Including papers that discuss these interrelationships helps provide a more comprehensive list of the factors that impact customer attractiveness.

Table 9: List of factors from the literature

Factor	Definition	Reference
Company type	Company type refers to the kind of buying firm, categorized as either a startup or incumbent.	Rottenburger and Kaufmann, 2020
Profitability	Profitability refers to the ability of a customer to provide high margins and good profits for their suppliers, which can assure the supplier's survival in the long term.	Fiocca, 1982; Hald et al., 2009; Ramsay and Wagner, 2009; Hüttinger et al., 2012; **La Rocca et al., 2012***; Vos et al., 2016
Growth	Growth refers to the supplier's opportunity to increase sales volumes during the buyer–supplier relationship due to new business opportunities created by the buying firm.	Fiocca, 1982; Hald et al., 2009; Walter et al., 2001; Bew, 2007; Steinle and Schiele, 2008; **Hüttinger et al., 2014*; La Rocca et al., 2012***; Vos et al., 2016; Jenkins and Holcomb, 2021; Kragh et al., 2022
Innovation	Innovation is the buying firm's innovation potential and technological factors that can lead to supplier innovation opportunities.	Fiocca, 1982; Hald et al., 2009; Christiansen and Maltz, 2002; Hüttinger et al., 2014; Vos et al., 2016; Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021; Kragh et al., 2022
Operative excellence	Operative excellence is the supplier's perception of the operational efficiency of their customers, which can impact the convenience of doing business with the buying firm.	Essig and Amann, 2009; **Hüttinger et al., 2014***; Vos et al., 2016
Strategic compatibility	Strategic compatibility is the shared future and strategic direction of the buyer and the supplier, including components such as shared future, geographical proximity, cluster membership, and strategic fit.	Bew, 2007; Steinle and Schiele, 2008; Blonska, 2010; Hüttinger et al., 2012; La Rocca and Snehota, 2021
Relational behavior	Relational behavior refers to the buying firm's behavior toward suppliers, including acting in good faith and being trustworthy and reliable.	Griffith et al., 2006; Palmatier et al., 2007; **Hüttinger et al., 2014***; Vos et al., 2016
Purchaser salespersonship	Purchaser salespersonship refers to the soft skill of purchasers to sell ideas and have acquisition strength, thus acting as salespersons promoting their own companies.	Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021; Stek and Schiele, 2021; Kragh et al., 2022
Customer network	Customer network refers to the reputation of the buying firm's network of partners, serving as a signaling mechanism of quality and status.	La Rocca and Snehota, 2021

Source: Adapted from Hüttinger et al. (2012) and Hüttinger et al. (2014)**,** with added factors from a more recent literature review.

Note: The literature in this table includes primary sources that directly support the conceptual model and secondary sources that discuss the factors in general or in the context of supplier satisfaction and preferred customership. Primary sources are denoted with an asterisk (*)

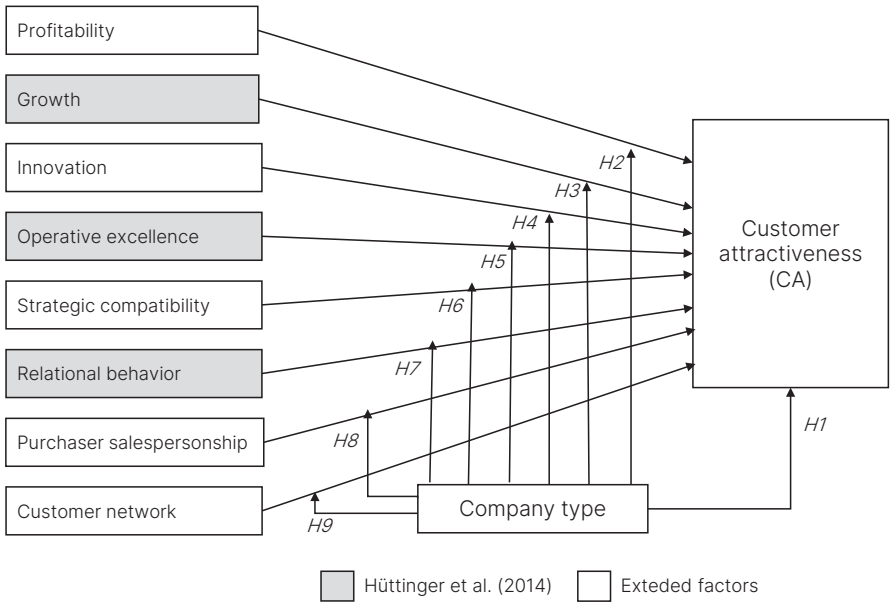


Figure 12: Customer attractiveness model.

Source: Own elaboration, extended from Hüttinger et al. (2014)

In summary, to create the proposed research model shown in Figure 12, we based it on Hüttinger et al. (2014), which includes three factors: growth (Hüttinger et al., 2014; Walter et al., 2001), relational behavior (Hüttinger et al., 2014; La Rocca et al., 2012), and operative excellence (Hüttinger et al., 2014). In addition, we combined the factors identified in the world café and in the literature review presented in Table 9 to substantiate our conceptual framework further. Our examination of the customer attractiveness literature and the world café allowed us to identify five additional factors: profitability (Hald et al., 2009; La Rocca et al., 2012), innovation (Fiocca, 1982; Hald et al., 2009; Hüttinger et al., 2014), strategic compatibility (Hüttinger et al., 2012; La Rocca et al., 2012), purchaser salespersonship (Jenkins and Holcomb, 2021), and customer network (La Rocca and Snehota, 2021). Overall, integrating the results from the world café with the literature review allowed us to identify the most important factors influencing customer attractiveness in the context of startups. In the following paragraphs, we will describe each factor in detail.

Profitability is the customer's ability to provide high margins and good profit for their suppliers (La Rocca et al., 2012; Vos et al., 2016). Suppliers are attracted to customers that can provide profit (Hald et al., 2009) because profitability will assure the supplier's survival in the long term (Walter et al., 2001). In short, this relationship

between profitability and customer attractiveness has been supported by previous studies (Hald et al., 2009; La Rocca et al., 2012).

However, when considering startups, the impact of profitability on customer attractiveness may be stronger for several reasons. Startups suffer from the liability of newness and lack internal routines, systems, knowledge, and memory (Morse et al., 2007). Consequently, startup purchasers are less knowledgeable about historical prices because they lack reference points from previous negotiations. Thus, startup purchasers are more vulnerable to suppliers' opportunistic behavior (Rottenburger and Kaufmann, 2020) due to the lack of comparable purchasing experience, and ultimately they may pay higher prices for products and services than established buyers. In contrast, suppliers may reduce their prices in exchange for selling large volumes to improve manufacturing capacity utilization (Walter et al., 2001). Nevertheless, startups are often small and unable to order large quantities of products from their suppliers. Consequently, suppliers may not reduce their prices to startups. Accordingly, this study expects those previous findings linking profitability to customer attractiveness (Hald et al., 2009) to be the same in the new context of startups. However, even if suppliers charge higher prices, the smaller quantities ordered by startups may not compensate for the increased cost, and they may negatively impact the supplier's overall profitability. As a result, suppliers may consider profitability a more critical factor when evaluating the attractiveness of startups compared to incumbents. Hence, we have developed the following hypothesis:

Hypothesis 2: The expected profitability of the relationship positively impacts startup attractiveness (more than it impacts incumbents' attractiveness).

Growth is the supplier's opportunity to increase sales volumes during the buyer–supplier relationship due to new business opportunities created by the buying firm (Hüttinger et al., 2014; Walter et al., 2001). Customers with high growth rates per year can attract suppliers (Fiocca, 1982; La Rocca et al., 2012). Sales growth can impact supplier satisfaction in the buyer–supplier relationship (Vos et al., 2016). Previous empirical research found that growth positively improves the attractiveness of a sizeable automotive customer (Hüttinger et al., 2014). Salespersons with growing customers in their portfolio automatically reach their sales targets if they stay in the relationship. In short, growth can improve customer attractiveness.

However, in the context of startups, the impact of growth on customer attractiveness may be stronger due to several reasons. Growth-oriented startups (Begley, 1995) can present significant growth opportunities for suppliers (Jenkins and Holcomb, 2021). Moreover, low-leverage buyers can create market access

opportunities for their suppliers, improving attractiveness (Kragh et al., 2022). Growth can, therefore, be a more significant factor in driving the customer attractiveness of startups to suppliers compared to incumbents. Growth is one of the major assets a startup can offer. Thus, we will use the hypothesis from previous research (Hüttinger et al., 2014), which we have adapted to the context of startups:

Hypothesis 3: Growth opportunities for suppliers positively impact startup attractiveness (more than incumbents' attractiveness).

Innovation is the buying firm's innovation potential and technological factors that can lead to supplier opportunities for innovation (Hüttinger et al., 2014). Suppliers are attracted to customers with enhanced technological capabilities, including technical expertise, patents, and copyrights (Fiocca, 1982), as it enhances the suppliers' desirability among their clientele and improves their reputation (Hald et al., 2009; Hüttinger et al., 2014). In short, the buying firm's innovation can attract suppliers (Fiocca, 1982; Hald et al., 2009; Kragh et al., 2022).

However, in the context of startups, the impact of innovation on customer attractiveness may be stronger due to several reasons. Although previous research by Hüttinger et al. (2014) did not find a significant relationship between innovation and customer attractiveness, startups are widely recognized for their innovative nature, such as introducing new products or entering new markets (Carland et al., 1984; Davidsson, 2004). Therefore, innovation is particularly relevant here and could lead suppliers to seek relationships with innovative startups to learn about emerging technologies (Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021). Additionally, suppliers may aim to diversify their customer portfolios by prioritizing innovative startups to gain market exposure to new business models. Moreover, innovative ideas from startups have a higher degree of novelty than those from established companies (Homfeldt et al., 2019). Thus, this study hypothesizes that suppliers will be more attracted to startup innovations than incumbents' innovations. Based on previous research by Hüttinger et al. (2014), our hypothesis has been adapted for startups:

Hypothesis 4: For suppliers, innovation potential positively impacts startup attractiveness (more than incumbents' attractiveness).

Operative excellence is the supplier's perception of its customers' operational efficiency, which can impact the convenience of doing business with the buying firm (Essig and Amann, 2009; Hüttinger et al., 2014). Customers who provide good forecasts and have efficient processes are more attractive to suppliers (Hüttinger et al., 2014). Suppliers appreciate the ease of doing business with companies with

efficient processes because this creates internal efficiencies for the suppliers (Hüttinger et al., 2014; Vos et al., 2016). In short, this relationship between operative excellence and customer attractiveness has been supported by previous studies (Hüttinger et al., 2014).

However, when considering startups, the impact of operative excellence on customer attractiveness may be stronger for several reasons. In contrast to incumbents, startups may have a less efficient internal process. The startup's informal organization (Aldrich and Auster, 1986) may result in lower operative excellence. This factor is more critical for startups as buyers because suppliers may expect more disorganized processes and, hence, see this as a disadvantage in working with startups. Therefore, suppliers may value the startup's operative excellence more than incumbent customers. In summary, we will adapt the hypothesis from previous research (Hüttinger et al., 2014) to fit the context of startups:

Hypothesis 5: Startups' visible operative excellence positively impacts startup attractiveness (more than incumbents' attractiveness).

Strategic compatibility is the shared future (Blonska, 2010) and shared strategic direction of the buyer and the supplier (Hüttinger et al., 2012). Strategic compatibility can have several components, such as shared future, strategic fit (Hüttinger et al., 2012), geographical proximity, and cluster membership (Hüttinger et al., 2012; Steinle and Schiele, 2008). Suppliers may use strategic factors, such as strategic fit, when evaluating their customers using scorecards (Bew, 2007). The attractiveness of a customer can also be measured in terms of how the customer business fits the supplier business (La Rocca et al., 2012). Consequently, we expect that strategic compatibility will impact customer attractiveness positively.

However, in the context of startups, the impact of strategic compatibility on customer attractiveness may be stronger due to several reasons. Startups are often associated with emerging technologies, and suppliers might want to learn from the startup acquiring know-how (La Rocca and Snehota, 2021). Established firms lean towards doing business with a startup whenever a startup's technology suits their key technological competencies (Kurpjuweit et al., 2021) and may help them to develop further (La Rocca and Snehota, 2021). Therefore, the startup's technological nature could enhance strategic compatibility in the startup–supplier relationship, improving its attractiveness. As a result, suppliers may consider strategic compatibility more important for startups than incumbent customers because of startups' emerging technologies and innovative business models that can provide suppliers with significant strategic value. Accordingly, we propose the following hypothesis:

Hypothesis 6: Customers' strategic compatibility positively impacts startup attractiveness (more than incumbents' attractiveness).

Relational behavior (Griffith et al., 2006) is the behavior of the buying firm toward suppliers – for example, acting in good faith and being trustful and reliable (Hüttinger et al., 2014; Hüttinger et al., 2012). Suppliers evaluate customers as excellent when they are trustful, loyal, and respectful (Moody, 1992). Suppliers find customers attractive when there is a relational fit. The relationship is easy to manage, and customers work in partnership with suppliers to find a solution in the event of a problem (La Rocca et al., 2012). Relational behavior is crucial for building strong, long-lasting relationships between buyers and suppliers (Palmatier et al., 2007). In short, this relationship between relational behavior and customer attractiveness has been supported by previous studies (Hüttinger et al., 2014).

Nevertheless, there is no evidence that the impact of relational behavior on customer attractiveness is different for startups than for incumbents. The existing research on relational behavior and customer attractiveness (Hüttinger et al., 2014) does not indicate any significant differences in the impact of relational behavior on startups compared to incumbents. Additionally, relational behavior, such as trust, loyalty, and respect, may generally be applicable regardless of the company type or age, suggesting that the impact of relational behavior may be similar for both startups and incumbents. Hence, this study expects relational behavior to impact startups and incumbents equally. Consequently, we will use the hypothesis from previous research (Hüttinger et al., 2014):

Hypothesis 7: Customers' relational behavior toward suppliers positively impacts startup attractiveness (and it is equally important for startups and incumbents.)

Purchaser salespersonship is a soft skill related to the purchaser's ability to sell ideas and to have acquisition strength (Stek and Schiele, 2021). Purchasers act as salespersons (Jenkins and Holcomb, 2021) and promote their companies (Giunipero, 2000). Suppliers expect purchasers to listen to suppliers' demands and negotiate internally on behalf of the suppliers. The same purchaser salespersonship is necessary to persuade suppliers in a reverse-marketing approach (Leenders and Blenkhorn, 1988). The purchaser is proactive, motivated, and cooperative (Blenkhorn and Banting, 1991). Hence, we expect that purchaser salespersonship will impact customer attractiveness positively.

However, in the context of startups, the impact of purchaser salespersonship on customer attractiveness may be stronger due to several reasons. Since startups

are largely unknown and have limited resources (Das and He, 2006), purchasers may need to proactively reach out to potential suppliers (Aaboen and Aarikka-Stenroos, 2017; La Rocca and Snehota, 2021) to build relationships, establish their credibility, and gain access to suppliers' resources (Kragh et al., 2022). By initiating contact and demonstrating effective purchaser salespersonship, startup purchasers can create a positive first impression with suppliers and attract their attention. Suppose we assume an a priori disadvantage in attractiveness for their purchases (Bolumole et al., 2015). In that case, the startup's ability to present the company positively to the supplier is even more important (Jenkins and Holcomb, 2021). Moreover, working with suppliers on solutions and relationship-building practices can improve the customer attractiveness of nascent firms (Jenkins and Holcomb, 2021). Hence, this study expects purchaser salespersonship to positively influence customer attractiveness to a greater degree in the case of startups. Thus, we offer the following hypothesis:

> **Hypothesis 8:** Startup purchaser's salespersonship characteristic positively impacts startup attractiveness (more than it impacts incumbents' attractiveness).

Customer networks: In networks, the quality and status of an actor can be deduced from the quality and status of their relationships (Zaheer et al., 2010). Therefore, networks can be a signaling mechanism (Zaheer et al., 2010). We conceptualize the customer network as the reputation of the buying firm's network of partners (e.g., customers and investors), which can signal the quality and status needed to attract suppliers. The buying firm's prestige can improve customer attractiveness because the supplier may expect a spillover effect to enhance its public image (La Rocca and Snehota, 2021). Of course, suppliers can be entirely satisfied with the relationship with a high-status buyer (Vos et al., 2021). As a result, we expect that customer networks will impact customer attractiveness positively.

Nevertheless, when considering startups, the impact of customer networks on customer attractiveness may be weaker for several reasons. Startups may have a smaller network size than incumbents; particularly, early-stage startups may not possess an established business network (Baraldi et al., 2019). Consequently, suppliers would not expect startups to have a wide network of reputable business partners. Furthermore, startups may not have an established reputation because of their young age (Das and He, 2006), while incumbents have been operating in the industry for a longer time (Bulan and Yan, 2010) and have had the opportunity to build a solid positive reputation. As a result, suppliers may be more attracted to the customer network of incumbents, which has a greater network size and a stronger

positive reputation. Hence, suppliers can be more attracted to an incumbent network, leading to the following hypothesis:

Hypothesis 9: Customer networks positively impact startup attractiveness (less than it impacts incumbents' attractiveness).

4.3. Method: Using a discrete choice experiment to investigate salesperson preferences when choosing attractive customers

4.3.1. Research design: A discrete choice experiment to test alternatives

Our study unveils the factors influencing attractiveness by analyzing how suppliers choose which customer is more attractive. We seek to understand suppliers' preferences when choosing between customers, considering the strength, relative importance, and trade-offs suppliers are willing to make between factors. However, conducting a classical perceptual survey asking salespeople to compare their startup customers versus incumbents may yield unreliable results because few salespeople may have startup customers in their portfolio. Instead, an experiment could reveal their preferences in a controlled environment and collect real empirical data. In experimental research, the stated preferences method is suitable for discovering preferences (Louviere et al., 2010). Two widely used stated preference methods are the discrete choice experiment (DCE) and conjoint analysis (Louviere et al., 2010; Louviere and Lancsar, 2009). The discrete choice experiment (Louviere and Woodworth, 1983) is a well-established method used in marketing research to evaluate customer choices regarding product attractiveness in the face of alternatives (Street et al., 2005). It is used in entrepreneurship research (Franke et al., 2008; van Rijnsoever and Eveleens, 2021) and purchasing research (Bode et al., 2022) as well.

We adopt this method to evaluate supplier choices regarding customer attractiveness based on the reverse-marketing concept (Leenders and Blenkhorn, 1988). DCE is a suitable method because it can consider the competitor or the comparison level, assuming that the supplier has the choice to offer its products to a startup or, at the same time, to an incumbent (Schiele et al., 2012). When critical suppliers are scarce, suppliers treat customers differently, and competition arises between buyers for suitable suppliers (Schiele et al., 2012). The conjoint analysis does not allow comparison between choices (Louviere et al., 2010). Conversely, DCE involves a choice that better replicates real conditions when suppliers must choose between customers. Therefore, we opted for DCE.

4.3.2. Sample and data collection: American salespersons

We targeted salespersons in our study, recruited from the online recruitment platform Amazon Mechanical Turk (MTurk). As an online panel data, MTurk has seen growing popularity in management research due to its benefits– namely, a large and diverse participant pool, reasonable cost, and flexibility regarding research design choice (Aguinis et al., 2020; Porter et al., 2019). These advantages have led to research using MTurk data being published in highly-ranked journals (Aguinis et al., 2020). Between 2005 and 2020, fifteen highly-ranked journals had 510 MTurk-based empirical articles (Aguinis et al., 2020). However, researchers are encouraged to use best practices to mitigate validity threats (Aguinis et al., 2020; Porter et al., 2019).

To mitigate validity threats, we used CloudResearch's MTurk toolkit platform to apply features to improve data quality (duplicate IP and suspicious geocode block, verify worker country location, CloudResearch approved participants, HITs approved: 50+, approval rate: 95+). In addition, inconsistent English language fluency can threaten validity (Aguinis et al., 2020). Therefore, we mitigated this threat by limiting our sample to salespeople from the United States using the demographic filters in the CloudResearch platform. Finally, perceived researcher unfairness can threaten external validity (Aguinis et al., 2020). Therefore, we mitigated this threat by paying MTurk participants 1.0 USD to make payments fair relative to the typical hourly rate on the platforms and in line with the US minimum wage. Moreover, fast data collection in the MTurk platform can threaten validity by creating a bias (Litman et al., 2017). For instance, if all data are quickly collected on Wednesday afternoon during working hours, the results will be biased toward unemployed people who have free time when most are working (Litman et al., 2017). To reduce this potential source of validity threat, we used the micro-batch function (nine responses per time), which prevented the study from being completed quickly, increasing sample representativeness (Litman et al., 2017).

We estimated the sample size based on previous studies. It is challenging to estimate sample size without prior knowledge of the model parameter estimates (Lancsar and Louviere, 2008). A literature review of DCEs revealed that 32% of the published research has less than 100 respondents (de Bekker-Grob et al., 2015). Therefore, we determined our sample size based on previous DCE research in purchasing and supply management. For example, the study by Bode et al. (2022) targeted 80 respondents. We collected data in September and October 2022, targeting 140 respondents and yielded 137 responses. We discarded eight participants that failed the attention checks, obtaining 129 usable responses. The participants' demographics were: female = 52.7%, mean age = 39.2 years, mean experience = 19.4 years. Full details can be found in Appendix 9.

4.3.3. Choice set design, attributes, and levels

We opted for discrete choice experiments with a fractional factorial design (Louviere et al., 2010) to reduce the number of choices. Fractional factorial design can improve the data quality because respondents had fewer choices than in a full factorial design. Moreover, too many options can be complex or confusing, leading to cognitive fatigue and negatively impacting the responses' quality (Bridges et al., 2011).

We created the choice sets following the procedure for a branded study outlined by Kuhfeld (2005). In a branded study, the choices have a meaning (Kuhfeld, 2005). In marketing, choices are usually labels such as product brands. In our design, the brands are company types. The choice set for this study was generated using SAS software (SAS, 2018). We create an orthogonal plan to estimate uncorrelated effects (Street et al., 2005) and to determine the minimum size of choice sets for the experiment (Kuhfeld, 2005). Following a minimum requirement of 20 runs per alternative, 40 choices were generated and subsequently paired into 20 choice sets. Calculating the minimum number of runs is necessary to create a design large enough to estimate all parameters (Kuhfeld, 2005). We also evaluated the goodness of the design. Designing more efficient choice sets is essential because it requires fewer participants to achieve a similar level of estimation accuracy compared to less efficient designs (Traets et al., 2020). The linear arrangement is orthogonal, and D-efficiency = 100%. The choice sets have a D-efficiency of 2.70 on a scale of zero to unknown. All parameters are estimable because we followed the minimum design size of 20 runs. Moreover, we checked for multicollinearity, and the parameters were uncorrelated.

We used nine attributes, with two levels each. Table 10 shows the attributes derived from the customer attractiveness model in Figure 12. Complex DCE with too many attributes and levels confuses respondents. However, it decreases the estimation error (Reed Johnson et al., 2013). Conversely, simple designs lead to higher estimation errors (Reed Johnson et al., 2013). A literature review of DCEs showed that 29% of the studies had more than seven attributes (de Bekker-Grob et al., 2015). Therefore, we opted for nine attributes with two levels, balancing complexity and statistical power.

Table 10: Summary of attributes and levels

Group/ordering	Attribute Factor	Levels & coding
	Company type	0 – Well-established /1 – Startup
Economic value	Profitability	0 – Low / 1 – High
Economic value	Growth	0 – Low / 1 – High
Economic value	Innovation	0 – Low / 1 – High
Economic value	Operative excellence	0 – Low / 1 – High
Economic value	Strategic compatibility	0 – Low / 1 – High
Social factors	Relational behavior	0 – Low / 1 – High
Social factors	Purchaser salespersonship	0 – Low / 1 – High
Social factors	Customer network	0 – Low / 1 – High

Note: The description of a well-established company was used as a synonymous to incumbents to facilitate understanding among participants.

4.3.4. Questionnaire design, choice design layout, and attention checks

We developed the questionnaire in three parts following Weber (2019) approach. These parts include i) introduction and background information, ii) the DCE consisting of choice sets (Appendix 8), and iii) information about the respondents. As an introduction, we presented all participants with the same decision-making context: "You are a salesperson in business-to-business. You work for a company that sells essential goods and services to business customers. This is a study in decision making. You face a situation where you have to choose between 2 business customers (companies).". This procedure ensured participants understood that this was a business-to-business situation regarding supplying essential goods and services. Moreover, we adopted the procedure by Rottenburger and Kaufmann (2020) to not induce bias. Consistent with their approach, we simply characterized the companies as a startup or a well-established company (used synonymously with incumbents to facilitate understanding among participants), focusing only on the age difference. We did not mention the size or other positive or negative customer characteristics (e.g., well-known, affluent, or short on financial resources).

The choice set design (Appendix 7) was translated into a by-alternative layout (Grover and Vriens, 2006), transposing the choice set from row-wise so that each alternative was presented column-wise for easier comparing options. Next, we discussed the questionnaire with academics and pretested it. The online questionnaire for this paper was generated using Qualtrics software (Qualtrics, 2023). To improve response efficiency by reducing cognitive fatigue (Reed Johnson et al., 2013), we blocked the 20 choice set into two groups of 10 choice sets per participant. Our design aligns with previous studies because 68% of the DCE in

Healthcare had 9–16 choices per respondent (de Bekker-Grob et al., 2015). We also inverted the factors' order and choices to reduce ordering effect bias (Weber, 2019). Consequently, blocks 1 and 2 had different orders for the factors and choices (see Appendix 7 for the complete ordering specification).

MTurker inattention can be a validity thread (Aguinis et al., 2020). Therefore, we mitigated this validity thread by including two attention checks. First, at the beginning of the questionnaire, we asked for the participant's age, and at the end, we asked for their birth year. We calculated the age based on birth year and compared it with the age they provided at the beginning of the questionnaire. Second, we included a choice set with a dominant choice, where all attributes are low for choice 1 and high for choice 2. Therefore, participants paying attention would always select choice 2, which is dominant; hence we used this procedure to check for attention. This approach was implemented per the procedure described by Bode et al. (2022). As a result, eight participants out of 137 failed the attention checks (5,84%).

4.3.5. Measurements and control variables

The dependent variable in our study is choice. We forced the salesperson to choose which customer was more attractive, a startup or an incumbent. They would be presented with two customers with specific attributes but would only sell to one of the two, hence making a choice. The independent variables are the nine attributes in the choice cards (Table 10).

We collected individual-specific (Appendix 9) characteristics, including participants' startup experience. Additionally, considering that salespeople with higher risk tolerance could favor startups known as risky partners (Bolumole et al., 2015), we assessed risk tolerance using Burch et al. (2022) measures.

4.3.6. Discrete choice analysis: Likelihood estimation using conditional logit

We followed statistical methods to analyze discrete choice experiments from Hauber et al. (2016), who recommend conditional logit (McFadden, 1974). We fitted two conditional logit models using the RStudio software (RStudio, 2021) to evaluate the probability that a salesperson selects a startup or an incumbent, given the nine alternative attributes and their levels (Table 10). The Conditional logit model is a likelihood function. Therefore, the estimation is related to the likelihood of a salesperson choosing a startup customer versus an incumbent as a customer. The attributes that are parameters in the regression model reveal the impact of each attribute on the salesperson's likelihood of choosing a customer. We used two models to analyze the results. Model 1 is a baseline model that consists of the main effects only. Model 2 is an extended model including main effects and 2-way interactions of company type and the eight factors. Following Bode et al. (2022)

and Kuhfeld (2005), we computed the goodness-of-fit, the regression coefficients (β), the odds ratio, and the p-values.

Table 11 shows the conditional logit regression results. The model contains nine attributes (Table 10). Following Kuhfeld (2005) and van Rijnsoever and Eveleens (2021), we checked for model fitting using the likelihood ratio chi-square test that compares the full model (including all the factors) against a null model (including the intercept-only). Models 1 and 2 significantly improve the fit compared to the null model. Log-likelihood ratio tests support Model 1 (LR chi2(9) = 646.13, $p < .001$) and Model 2 (LR chi2(17) = 757.25, $p < .001$), statistical significance. The higher the log-likelihood value, the better a model fits a dataset. Therefore, Model 2 fits better than Model 1.

We also tested the influence of individual-specific characteristics (gender, age, working experience, education, previous startup experience, and propensity for risk-taking). Because individual-specific characteristics are only used as control variables and not to test hypotheses, we computed a third model adding individual-specific characteristics as covariates. We fitted a multinomial logit that allows the inclusion of the control variables as covariates. The model 3 specification, including coefficients, is reported in Appendix 10.

The survey results show a mean of 3.02 (Std. Dev. = 0.98) for the propensity for risk-taking on a 5-point Likert scale. These results mirror those of Burch et al. (2022) in terms of risk propensity, suggesting a comparable participant risk profile. Nevertheless, the propensity for risk-taking had large p-values indicating no significant impact. Furthermore, gender, age, education, working experience, and previous startup experience were insignificant.

4.4. Results: Eight factors significantly impact the likelihood of being attractive

Table 11 contains the statistical analysis results and the regression coefficients (β). The dependent variable is choice. Participants had two choices, a startup or an incumbent. When a participant chooses a startup, the startup is coded 1 (chosen), and the incumbent (well-established company) is coded 0 (not chosen). Each attribute is an independent variable. For example, we presented two choices to the participants, one choice was a startup where profitability is high, and the other choice is an incumbent where profitability is low. Therefore, when a participant chooses a startup where profitability is high, then high profitability increases the likelihood of choosing a startup. Accordingly, the interpretation of the coefficients (β) in Table 11 is not the same as in linear regression. In a logit model, the coefficient (β) is the natural logarithm (ln) of the odds ratio (Peng et al., 2002). To illustrate the odds ratio, the variable profitability in table 11 has a coefficient (β) of 1.057. Therefore, we

can compute the odds ratio for profitability by exponentiating coefficient (β), which is 2.878 (= $e^{1.057}$). The odds ratio of 2.878 indicates that for every one unit increase in profitability, the odds of a person choosing a customer increase by a factor of 2.878.

Table 11: Conditional logit model of salesperson decision whether to choose a startup or an incumbent

Variable		Model 1		Model 2	
	Hyp.	β	odds ratio (e^{β})	β	odds ratio (e^{β})
Company Type	H1	-0.391***	0.676	-0.612	0.543
Profitability		1.057***	2.878	1.963***	7.120
Growth		0.989***	2.689	1.036***	2.819
Innovation		0.711***	2.036	0.722***	2.058
Operative excellence		0.539***	1.714	-0.012	0.988
Strategic compatibility		0.695***	2.004	0.280*	1.323
Relational behavior		1.273***	3.572	1.585***	4.881
Purchaser salespersonship		0.874***	2.396	1.250***	3.492
Customer network		0.226*	1.254	0.409**	1.505
Company Type x Profitability	H2			-1.339***	0.262
Company Type x Growth	H3			0.168	1.182
Company Type x Innovation	H4			0.485*	1.624
Company Type x Operative excellence	H5			1.128***	3.091
Company Type x Strategic compatibility	H6			1.367***	3.922
Company Type x Relational behavior	H7			-0.187	0.829
Company Type x Purchaser salespersonship	H8			-0.523**	0.593
Company Type x Customer network	H9			-0.796***	0.451
Likelihood Ratio chi-square test		646.14***		757.25***	
Pseudo R2		0.2065		0.2420	
Number of respondents		129		129	
Number of observations		2580		2580	

Note: *** $p < 0.001$. ** $p < 0.01$. * $p < 0.05$. For the main effects, positive values of β imply a positive association between the variable and choice. Negative values of β imply a negative association between the variable and choice. 2580 observations = 129 participants x 10 choice sets x 2 choices

4.4.1. Model 1 – Baseline model

Model 1 reveals a significant negative effect of company type ($\beta = -0.391$, $p < 0.001$) on a salesperson's choice. The company-type = incumbent is the reference category (coded = 0). Therefore, the negative coefficient represents a negative impact of startup company type (coded = 1) on attractiveness represented by salespersons' choices in the DCE. In other words, the resulting odds ratio of 0.676 ($= e^{-0.391}$) means that salespeople were less likely to choose startups (about two-thirds as likely) compared to incumbents. This result is expected and implies that startups are less attractive customers than incumbents. This leads us to support Hypothesis 1. We also observed a significant and positive effect of profitability ($\beta = 1.057$, $p < 0.001$), growth ($\beta = 0.989$, $p < 0.001$), innovation ($\beta = 0.711$, $p < 0.001$), operative excellence ($\beta = 0.539$, $p < 0.001$), strategic compatibility ($\beta = 0.695$, $p < 0.001$), relational behavior ($\beta = 1.273$, $p < 0.001$), purchaser salespersonship ($\beta = 0.874$, $p < 0.001$), and customer network ($\beta = 0.226$, $p < 0.05$) on salesperson choice of which customer they found more attractive.

4.4.2. Model 2 - Extended model including main effects and 2-way interactions of company type and the eight factors

We planned the DCE as a branded study (Kuhfeld, 2005). Therefore, our dataset is suitable for estimating the interactions between company type and the remaining eight factors. Model 2 reveals that company type and operative excellence are no longer significant and only affect the interaction effects. The main effects of profitability, growth, innovation, strategic compatibility, relational behavior, purchaser salespersonship, and customer network remained significant, positively affecting choice. Model 2 also reveals the interaction effects.

Table 11 shows the interaction coefficients. For example, suppose the interaction coefficient between company type (ctype) and a factor is positive. In that case, it means that the effect of the factor on the dependent variable (choice) is stronger for startups (ctype = 1) compared to incumbents (ctype = 0). Suppose the interaction coefficient between company-type (ctype) and a factor is negative. In that case, it means that the effect of the factor on the dependent variable (choice) is weaker for startups compared to incumbents. We tested our hypotheses (Table 12) based on the interaction coefficients' significance and the direction of the effect. We can categorize the results into three groups of interactions: i) significant interactions positively impacted by startups, ii) significant interactions negatively impacted by startups, and iii) that are not significant.

The significant interactions positively impacted by startups are innovation, operative excellence, and strategic compatibility. Innovation (ctype x innovation

$\beta = 0.485$, $p < 0.05$) is significant and positively impacted by startups. Therefore, it has a stronger effect on the dependent variable (choice) for startups (ctype = 1) compared to incumbents (ctype = 0), leading to accepting Hypothesis 4. Furthermore, operative excellence (ctype x operative excellence $\beta = 1.128$, $p < 0.001$) is also significant and positively impacted by startups. As a result, it has a stronger effect on the dependent variable (choice) for startups (ctype = 1) compared to incumbents (ctype = 0), supporting Hypothesis 5. Finally, strategic compatibility (ctype x strategic compatibility $\beta = 1.367$, $p < 0.001$) is significant and positively impacted by startups. It has a stronger effect on the dependent variable (choice) for startups (ctype = 1) compared to incumbents (ctype = 0), supporting Hypothesis 6.

The significant interactions negatively impacted by startups are profitability, purchaser salespersonship, and customer network. Profitability (ctype x profitability $\beta = -1.339$, $p < 0.001$) is significant and negatively impacted by startups. Consequently, it has a weaker effect on choice for startups than incumbents. This leads us to reject Hypothesis 2. Moreover, startups significantly and negatively impact purchaser salespersonship (ctype x purchaser salespersonship $\beta = -0.523$, $p < 0.01$). It has a weaker effect on choice for startups compared to incumbents, leading us to reject Hypothesis 8. Finally, customer network (ctype x customer network $\beta = -0.796$, $p < 0.001$) is significant and negatively impacted by startups. It has a weaker effect on choice for startups than incumbents, leading us to accept Hypothesis 9.

The interactions that are not significant are growth and relational behavior. Both interaction coefficients had a p-value greater than 0.05 and were not significant. We expected growth to be significantly more relevant for startups than incumbents. Therefore, the effect of growth and relational behavior on the dependent variable choice is the same for startups and incumbents, leading us to reject Hypothesis 3. Company type also did not show a statistically significant effect on relational behavior, which implies that relational behavior remains equally essential for both company types. This leads us to accept Hypothesis 7.

Table 12: Hypotheses summary

Factor	Hypotheses	Coefficient (β)	Significance level	Result
Company Type	H1: Startups are less attractive as customers than incumbents.	Negative	($p < 0.001$) Significant	Accepted
Profitability	H2: The effect of profitability on choice is greater for startups compared to incumbents.	Negative	($p < 0.001$) Significant	Rejected
Growth	H3: The effect of growth on choice is greater for startups compared to incumbents.	Positive	($p > 0.05$) Not significant	Rejected
Innovation	H4: The effect of innovation on choice is greater for startups compared to incumbents.	Positive	($p < 0.05$) Significant	Accepted
Operative excellence	H5: The effect of operative excellence on choice is greater for startups compared to incumbents.	Positive	($p < 0.001$) Significant	Accepted
Strategic compatibility	H6: The effect of strategic compatibility on choice is greater for startups compared to incumbents.	Positive	($p < 0.001$) Significant	Accepted
Relational behavior	H7: The effect of relational behavior on choice is the same for startups and incumbents.	Negative	($p > 0.05$) Not significant	Accepted
Purchaser salespersonship	H8: The effect of purchasing salespersonship on choice is greater for startups compared to incumbents.	Negative	($p < 0.01$) Significant	Rejected
Customer network	H9: The effect of purchasing customer network on choice is less for startups compared to incumbents.	Negative	($p < 0.001$) Significant	Accepted

Note: p-value for H1 refers to model 1, and p-values for H2-H9 refer to the interactions of company type and a given factor in model 2. P-value significant, $p < 0.05$.

4.5. Discussion: Company type influences the strength and relative importance of the customer attractiveness factors

All nine factors (Figure 12) significantly impact customer attractiveness when analyzing model 1 (see table 11). The data indicates liability of newness, showing some discrimination towards startups because figure 13 shows that being a startup company decreases the likelihood of being chosen over the alternative incumbent customer. Startups were about two-thirds as likely to be chosen (odds ratio = 0.676).

Rottenburger and Kaufmann (2020) found a more prominent effect where startup companies suffer from opportunistic supplier behavior. One possible explanation is that the liability of newness is partially mediated by the factors: profitability, growth, innovation, operative excellence, strategic compatibility, relational behavior, purchaser salespersonship, and customer network. In the choice experiment, we present hypothetical customer profiles (e.g., high growth, innovation, and operative excellence). However, in real conditions, startups will only have a few attributes at a high level. Therefore, it is vital to understand the relative importance and trade-offs between attributes.

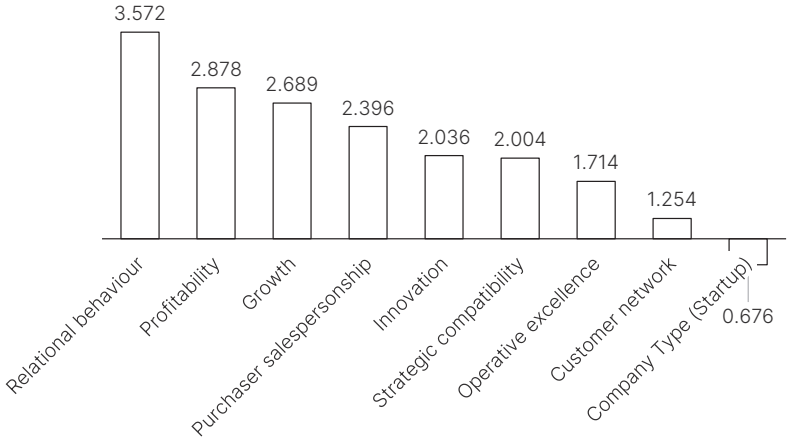


Figure 13: Ranking of main effects in Model 1 (absolute importance) based on the odds ratio

We found differences when comparing the factors' likelihoods that make a startup attractive versus an incumbent. These findings support previous research that argues that factors defining startup attractiveness differ from those defining an ongoing business attractiveness (La Rocca and Snehota, 2021). Our study, however, did not find different factors as they are all significant in both cases, except for operative excellence. Nevertheless, figure 14 shows that the relative importance is different for startups compared to incumbents. Strategic compatibility, operative excellence, and innovation appear more relevant for startups because the interactions are significant and positively impacted by startups. Relational behavior and growth are equally important because the interactions are not significant. Profitability, purchaser salespersonship, and customer network appear less relevant for startups because the interactions are significant and negatively impacted by startups (Figure 14).

The first and most important startup-specific factor is strategic compatibility which positively impacts customer attractiveness. This finding is consistent with

Hüttinger et al. (2012), Bew (2007), and La Rocca et al. (2012), who linked strategic compatibility and strategic fit with customer attractiveness. Nevertheless, we also found that strategic compatibility is more important for startups than incumbents. This finding implies that suppliers are attracted to startups who share a future and strategic direction with them. Hence, purchasers can assess their portfolio of available suppliers and check strategic alignment. When multiple suppliers are available, purchasers can recognize that high strategic alignment will result in improved attractiveness.

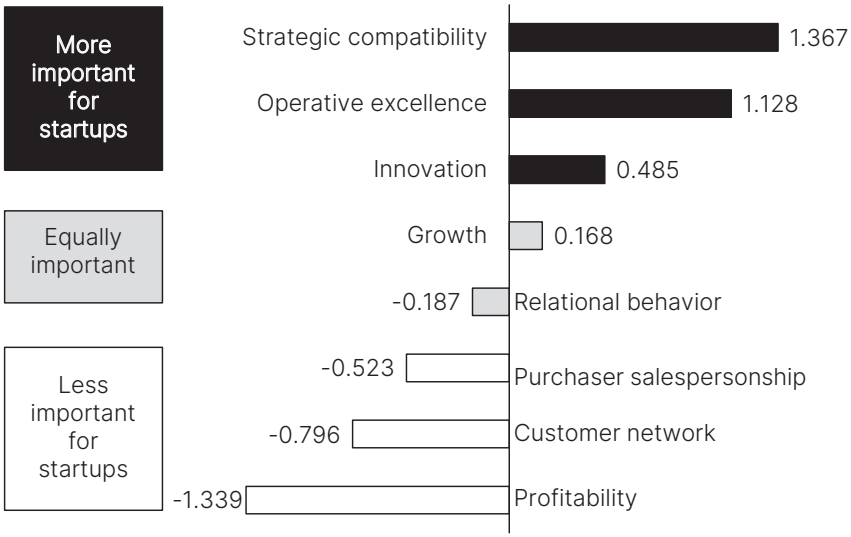


Figure 14: Importance of interaction effects in Model 2 based on regression coefficients (relative importance)

The second most important startup-specific factor is operative excellence, which is essential to improve startup attractiveness. Several studies have outlined the importance of operative excellence, and these studies support our findings. Our findings are supported by Hüttinger et al. (2014), who propose that operative excellence is more important for small firms, and suppliers are less concerned about large firms' efficient processes because suppliers take them for granted. Moreover, because of the liability of newness, startups lack resources (Das and He, 2006), which can lead to an informal organization (Aldrich and Auster, 1986), resulting in lower operational efficiency.

Our research found that salespeople seem concerned with the easiness of doing business with startups and are willing to trade other factors for high operative excellence. This indicates that startups need to overcome the liability of newness and demonstrate their operational proficiency. Startup buyers, therefore, have

to ensure their commitment that their firm manages its operations in an already professional way.

The third most important startup-specific factor is the innovation which positively impacts customer attractiveness. This finding is consistent with Fiocca (1982) and Hald et al. (2009). However, our findings have not previously been supported by Hüttinger et al. (2014), who found no significant impact of innovation on customer attractiveness. This difference may result from our study's different methods and samples compared to Hüttinger et al. (2014). Replication studies could strengthen the analysis of innovation's impact. In particular, for startups being innovative is important.

Regardless of the company type, relational behavior appears to be the most important factor that increases the likelihood of being the customer of choice (Figure 13). This study supports evidence from previous observations (e.g., Hüttinger et al., 2014; La Rocca et al., 2012). Furthermore, these results support the idea that salespeople value relational factors more than financial factors. Relational factors may impact the day-to-day interaction between salespersons and purchasers. In contrast, economic factors (e.g., profit, growth) impact the company-wide relationship. If we included CEOs and Finance Directors from suppliers, we could find different, more financially oriented results.

Growth is an equally important factor for startups and incumbents. The results of this study indicate that high growth positively impacts customer attractiveness. These results reflect those of Hüttinger et al. (2014), La Rocca et al. (2012), and Fiocca (1982), who confirms that growth is associated with customer attractiveness. Surprisingly, no differences were found between company type and growth interaction, implying that high growth is equally essential for startups and incumbents. A possible explanation is that although startups are often associated with high growth potential (Begley, 1995), there is also a high degree of uncertainty about their survival due to the liability of newness (Freeman et al., 1983). While many startups experience rapid growth, many fail to deliver on their growth promises and ultimately do not survive. This uncertainty may make salespeople hesitate to consider a startup's high growth potential to drive customer attractiveness higher than incumbents. Nevertheless, high growth is vital to improve customer attractiveness regardless of company type. Startup purchasers cannot change the startup growth rate. However, they can better sell the startups' growth story to suppliers. For example, Jenkins and Holcomb (2021) proposed that nascent firms can sell growth potential to their suppliers to improve attractiveness.

The profitability factor is significant. However, it is less important for startups. This study confirms that buying firms allowing suppliers to have profitable sales

positively impacts customer attractiveness and broadly supports the work of other studies (La Rocca et al., 2012). Nevertheless, we also found that allowing suppliers to have profitable sales is less important for startups than for incumbents. One possible explanation is the liability of newness (Stinchcombe, 1965). Young startups lack financial and manufacturing resources (Das and He, 2006). Also, younger companies have higher failure rates than older ones (Freeman et al., 1983), making startups perceived as risky partners by suppliers (Bolumole et al., 2015), leading to power-asymmetric relationships (Perez and Fierro, 2018) and higher prices charged by suppliers (Bhide and Stevenson, 1992) to compensate for the perceived risk and adjust risk returns (Bolumole et al., 2015). Salespeople in our sample may have assumed that startups allow them to charge higher prices and make profitable sales. They may assume that this is almost always the case and that startups will pay higher prices, which is beyond their negotiating power. Hence, these results might indicate that startups suffer from *the cost of newness*, with young firms paying higher prices to suppliers compared to established buyers. It could also be that the supplier's future business expectation with the startup seduces the supplier in exchange for profit.

Purchaser salespersonship is significant, positively impacting customer attractiveness; however, it is less important for startups. This finding is consistent with La Rocca et al. (2012), who found that intimacy positively influences attractiveness when the customer is willing to listen and acknowledge the supplier's situation. These results also reflect those of Jenkins and Holcomb (2021), who propose that being proactive increases a nascent firm's customer attractiveness. Nevertheless, as opposed to the hypothesis, purchaser salespersonship is less important for startups than for incumbents.

A possible explanation might be that because incumbents are more stable (Bulan and Yan, 2010), suppliers place a higher value on the purchaser's ability to sell and promote the supplier internally. Moreover, incumbents might have more bureaucratic decision-making processes, while startups might be more agile. This could lead to suppliers valuing purchaser salespersonship more for incumbents, as purchasers need to navigate multiple stakeholders in a large organization and gain support from various departments. Additionally, incumbents may have more suppliers and be less likely to prioritize the relationship with a single supplier. At the same time, startup purchasers may realize they need to compete with other buying companies for suppliers, making them more sensitive to the supplier situation. Furthermore, salespeople in the study may perceive startup purchasers as being proactive and willing to listen, thus giving them a perceived advantage over incumbents. These factors could all contribute to the result that purchaser salespersonship is

more important for incumbents than startups. These results indicate that startups' informal organization (Aldrich and Auster, 1986) is advantageous. Nevertheless, we still argue that purchaser salespersonship is essential to present startups positively to the supplier.

The customer network is less important for startups. We still argue that suppliers would not expect startups to have a wide network of reputable business partners. However, not all startups experience the liability of newness similarly. Some startups grow faster than others, becoming a unicorn (reaching a valuation of over $1 billion). Furthermore, startups may have reputable early customers (Wang et al., 2014), such as startups in the automotive industry emerging from BMW Startup Garage (Kurpjuweit and Wagner, 2020). In short, it appears that suppliers do not associate startups with a strong network of reputable partners. However, further research could investigate customer networks within different startups.

4.6. Conclusion: Startups are less attractive than incumbents; however, they positively moderate strategic compatibility, operative excellence, and innovation

4.6.1. Theory implications: Filling the quantitative gap in startup attractiveness research

Essential theoretical contributions have emerged from this first quantitative study on customer attractiveness in startups. First, we introduce company type as a new causal mechanism in the customer attractiveness construct. We have empirically tested the customer attractiveness difference between startups and incumbents and found statistically significant differences. We found a negative relationship between startups and customer attractiveness. This addition to the theory enhances our understanding of customer attractiveness by accounting for the different characteristics associated with different types of companies.

Second, we introduce company type as a moderator variable that affects the strength of customer attractiveness influencing factors. This study ranks the factors based on their relative importance for startups. By analyzing and ranking these factors in terms of their relative importance for startups, we provide a more nuanced understanding of customer attractiveness. This allows the theory to better account for the differences between startups and incumbents.

Third, we broaden the understanding of customer attractiveness and extend existing models to startups through the integration of qualitative and quantitative research. We initially questioned the validity of customer attractiveness factors when applied to startups, given the possibility that existing models, such as Hüttinger

et al. (2014) focused on a large automotive OEM, may not be generalizable. To address this, we incorporated factors identified in the qualitative works of Kragh et al. (2022), Jenkins and Holcomb (2021) and La Rocca and Snehota (2021) and created an extended model for startups. Our study found that both the factors from Hüttinger et al. (2014) and those derived from qualitative research are significant for startups. Therefore, our work complements the existing research and extends the understanding of customer attractiveness by providing a comprehensive model applicable to incumbents and startups.

4.6.2. Managerial implications: Selecting suppliers strategically, professionalizing purchasing, and leveraging innovation

This study also has implications for practice, guiding purchasing managers to implement actions to improve startup attractiveness. First, strategic compatibility is the most relevant startup-specific attractiveness factor. Accordingly, purchasing managers should be strategic in selecting suppliers, attempting to understand the strategic focus of their suppliers and demonstrate how the startup's strategic direction may be complementary.

Second, operative excellence is also an essential driver of startup attractiveness. Therefore, startup management could organize purchasing better by professionalizing the purchasing function, implementing purchasing processes, and sharing sales forecasts with suppliers. Moreover, purchasing managers should convince suppliers that they are dealing with a professional organization, explaining clearly, and providing evidence of the startup's operative excellence.

Third, innovation is more relevant for startups than for incumbents. Therefore, startup purchasing managers need to become fluent in startup innovation because this is an excellent opportunity to pitch innovation to suppliers and attract their attention to the startup. Finally, growth can be misleading. Indeed, our research found that growth can improve attractiveness. Interestingly, this study failed to demonstrate that growth is more crucial to defining startup attractiveness than incumbents. This result contradicts the common belief that "selling" startup growth potential is one of purchasing managers' most required courses of action. Therefore, startup purchasing managers should be careful about overstating the startup growth potential, presenting unrealistic growth projections to impress suppliers that later could be disappointed with growth that does not materialize.

4.6.3. Limitations and future research

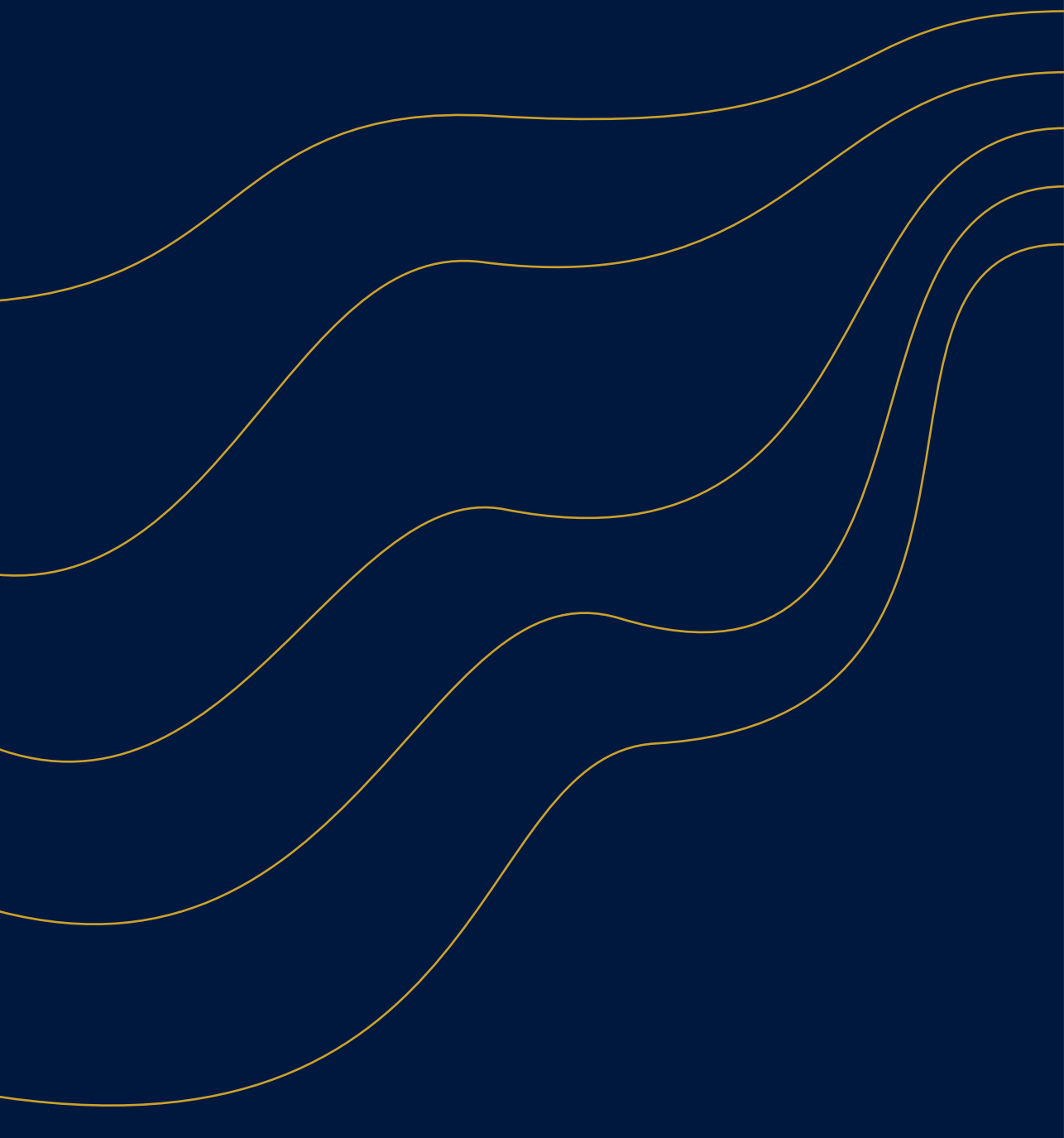
One of the limitations is that we only sampled American salespeople. We employed several strategies to improve sample representativeness, achieving a good mix

of age and working experience. However, our results may only generalize to this population. A follow-up study could replicate this experiment using different pools of salespeople. Another avenue for future research is to conduct a similar study in other countries and test for cultural differences.

Furthermore, we consciously chose to utilize only two attribute levels (low and high), which was necessary to keep the study complexity as low as possible for participants. However, this highly hypothetical low and high level of the attributes may not replicate real conditions. Future research could utilize more attribute levels by limiting the number of attributes, consequently lowering the choice experiment complexity. Finally, operative excellence and company type are the only not significant main effect in model 2. However, the interaction of operative excellence and startups is statistically significant, revealing the critical importance of this factor for startups. Therefore, exploring how startups can enhance their operative excellence to become more attractive customers is academically interesting and holds significant practical implications. Operative excellence research in startups can further contribute to the emerging field of customer attractiveness by examining the specific challenges and opportunities that startups face in enhancing their operational procurement processes. Additionally, future research in this area has the potential to provide valuable insights and actionable recommendations for purchasing managers in startups seeking to enhance their attractiveness to suppliers.

4.7. Reference

References can be found on page 189.



CHAPTER 5

Improving startup's attractiveness as industrial customers by organizing their purchasing activities

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The chapter contains minor textual changes from the original.

ABSTRACT

We analyze how startups organize their purchasing activities to improve operative excellence and become attractive customers. We use a two-phase exploratory approach with (1) semi-structured interviews and (2) a world café. In total, 20 startup purchasers and suppliers participated. It is an international study with participants from eight countries (Belgium, Brazil, France, Germany, Hungary, The Netherlands, The United Kingdom, and The United States). We find that startups organize the purchasing function in five ways: Partial outsourcing, Transactional-oriented, Strategic only, Outsourced purchasing, and Full department. Each type has advantages and disadvantages regarding operative excellence. We identify type-specific antecedents to operative excellence: (1) Forecasting, (2) Payment habits, (3) Ordering process, (4) Contact accessibility, and (5) Quick decision-making. The value of this paper is that it offers entrepreneurs a framework to organize startup purchasing activities, including outsourcing options. Furthermore, it provides theoretical contributions that expand the topic of Purchasing and Supply Organization and Operative excellence to the startup context.

5.1. Introduction: How does purchasing organization impact operative excellence

Purchasing is crucial to startups' success, as they require suppliers for various materials, components, and services to develop and produce their products or services. In many cases, startups are active in new technology markets (e.g., cyber-physical systems, digital twins, blockchain technology, three-dimensional printing, and artificial intelligence (Schiele et al., 2022a)), where sourcing specialized components can be critical for success. For example, Elroy Air, a startup focusing on AI-powered cargo drones (Portapas et al., 2021), requires suppliers for batteries, drone motors, sensors, cameras, and control boards that are critical for developing and commercialization of their drones. Moreover, startups must partner with strategic suppliers for prototyping and serial production (DiResta et al., 2015). Partnering can be challenging due to their limited resources (Das and He, 2006) and perceived risk by suppliers (Bolumole et al., 2015). Therefore, organizing purchasing activities and improving operative excellence is essential for startups to attract suppliers and become successful.

Despite the strategic importance of suppliers for startups, startups may be unattractive customers (Bjørgum et al., 2021). First, startups may poorly manage suppliers because startup management provides little attention to suppliers (La Rocca and Snehota 2021). Second, startups may lack a formal purchasing process because of the startup's low level of organizational formalization (Aldrich and Auster, 1986). Third, small firms may lack a formal purchasing organization because purchasing seems unimportant (Quayle 2002). As a result, purchasing operational processes to manage purchase orders, order material, and approve and pay supplier invoices (Rozemeijer, 2008; van Raaij, 2016) may be rudimentary in startups. Hence, suppliers may avoid selling to startups, perceiving startups as unattractive (Bjørgum et al., 2021). In short, suppliers may see startups as risky (Bolumole et al., 2015) and inconvenient customers. As a result, startups may have difficulties finding high-quality suppliers (Chod et al., 2019).

Startups can attract suppliers, however, by improving their operational excellence (Hüttinger et al., 2014). Operative excellence refers to how suppliers perceive efficiency in operational activities, which impacts the suppliers' convenience of doing business with the buyer (Hüttinger et al., 2014). Thus, startups can improve operative excellence to become attractive customers by organizing purchasing better. For example, startups can be inspired by how large, well-established companies organize a purchasing department. Large companies typically have several design choices for organizing a purchasing department. They can structure

a purchasing department by category, activity, geography, or business unit (Bals et al., 2018). Also, purchasing processes can be organized by the level of involvement, formalization, and standardization (Bals et al., 2018; Glock and Hochrein, 2011). In short, startups can improve their attractiveness as customers by organizing their purchasing processes better.

However, the Purchasing and Supply Management (PSM) literature does not consider purchasing organization and operative excellence within startups. Moreover, PSM literature at large often overlooks the importance of operational purchasing (Ramsay and Croom, 2008). Even though there are more than 200 papers on purchasing organization (Schneider and Wallenburg, 2013), and some of this literature analyzes small and medium-sized enterprises (SMEs) (Morrissey and Pittaway, 2006; Quayle, 2002), there is little research regarding startups. This matters because research on large buyers may not suit smaller firms (Morrissey and Pittaway, 2006) due to differences in size (Bals et al., 2018). This is because size significantly determines how companies organize purchasing (Bals et al., 2018; Trent, 2004). Hence, there is a gap in 50 years of purchasing organization and operative excellence research.

Startup companies face unique challenges when it comes to organizing their purchasing activities. Unlike mature organizations with established purchasing processes and a large pool of suppliers, startups often lack formal processes and may be constrained by limited resources. As a result, startups might approach purchasing differently. While ample research exists on purchasing organization and operative excellence in mature organizations, there is a lack of startups' purchasing organization and operative excellence research.

Consequently, there is a call for purchasing research that addresses startups (Baraldi et al., 2020; Bjørgum et al., 2021; Wagner, 2021). This paper aims to fill this gap by asking two research questions: (1) How do startups organize their purchasing activities? (2) What is the impact of purchasing organization on operative excellence? This paper addresses the two questions using a two-phase exploratory study using semi-structured interviews and a world café.

This study makes several contributions to the literature and practice. Firstly, this research lays a framework for scholars that study purchasing organization and operative excellence in the startup-incumbent context, which extends models on purchasing organization. Secondly, it advances the emerging research stream of customer attractiveness in startups by introducing the purchasing organization as a mechanism to increase operative excellence. Finally, the study offers practical implications guiding startup managers in selecting the appropriate purchasing organization type to achieve the desired operative excellence level. We provide

a framework for organizing purchasing containing five configurations: Partial outsourcing, Transactional-oriented, Strategic only, Outsourced purchasing, and Full department. We also find that operative excellence in startups is an outcome of purchasing organization, concluding that operative excellence may be low in startups.

5.2. Conceptual background: Purchasing and supply organization and operative excellence

This section provides a conceptual background of purchasing and supply organization (PSO) and operative excellence in startups. Firstly, we examine key PSO concepts, including purchasing structure, purchasing organization characteristics, and purchasing operational process. Secondly, we examine operative excellence and its antecedents. The literature review provides the theoretical framework for analyzing the data collected from the interviews and a world café.

5.2.1. Purchasing and Supply Organization (PSO)

Purchasing and supply organizations (PSOs) (Bals et al., 2018) are critical in helping startups manage purchasing activities professionally. However, despite the importance of PSOs, the literature lacks a framework to study a startup's purchasing organization. To date, the intersection of Purchasing Organization research and startups has only been discussed from the large firm's point of view. For example, Kurpjuweit et al. (2021) discuss how large firms can organize the purchasing department to better source from startups. From the startup point of view, organizational structure and processes are essential to study how to organize the purchasing function (Schneider and Wallenburg, 2013). The organizational structure and processes are vital to understanding labor division and task efficiency. The organizational structure allocates tasks among employees, including division of labor, communication flow, responsibilities, and authority (Trent, 2004). The purchasing process allocates purchasing tasks in steps (Bäckstrand et al., 2019). The structure is a precondition to performing tasks efficiently (Glock and Hochrein, 2011). An efficient operational purchasing process improves operative excellence (Essig and Amann, 2009). Therefore, we use organizational structure and processes as research focus when analyzing the PSO literature considering correlations with operative excellence.

Because organizational structure and processes are essential for purchasing effectiveness, this research focuses on three elements (i) macro-level purchasing structure (Bals et al., 2018; Schneider and Wallenburg, 2013), (ii) micro-level purchasing organization characteristics (Bals et al., 2018; Glock and Hochrein,

2011), and (iii) a process-level purchasing operational perspective (Rozemeijer, 2008; van Raaij, 2016). Therefore, this study uses the three main building blocks as a research focus to analyze how startups organize the purchasing function and the link between purchasing organization and operative excellence.

5.2.2. Macro-level purchasing structure

Purchasing structure is a macro-level design choice for a purchasing department configuration (Bals et al., 2018). Purchasing department design choices are relevant for companies where purchasing is a dedicated function (Schneider and Wallenburg, 2013). One option is when the startup may not need a full-time purchaser to manage only a few suppliers (Baraldi et al., 2019). In this case, there is no purchasing function in the startup. Instead, purchasing responsibilities may be assigned part-time to someone in the finance department. This can lead to a lack of separation between purchasing and finance functions, for example, when one person performs purchasing and finance tasks. Consequently, purchasing happens, but not as a dedicated function. This case is similar to small and mid-sized companies (Morrissey and Pittaway, 2006; Quayle, 2002). A second design option is purchasing outsourcing (Bhalla and Terjesen, 2013), where a third party will manage the suppliers externally. Finally, a startup may have a dedicated purchasing function, with dedicated full-time purchasers grouped as a purchasing department, including a purchasing manager.

The PSO literature uses three design principles to describe organizational structure: (1) level of centralization, (2) category teams, and (3) split into strategic versus transactional activities (Bals et al., 2018). First, one of the most studied PSO topics is centralization: how many purchasing departments control purchasing within an organization (Bals et al., 2018; Dubois and Wynstra, 2005). However, for startups that may not have multiple business units in different countries, the level of centralization may not be a critical PSO design principle. Second, category teams are another common design principle (Bals et al., 2018; Cavinato, 1992; Glock and Hochrein, 2011). In a category team, purchasers are grouped by the similarity of products or services they buy (Bals et al., 2018). However, category teams are discussed in the context of large companies with enough purchasers to group them. Category teams may not be effective in small purchasing departments that only have a few buyers that cover many categories. Third, the organization by activity design principle (Bals et al., 2018) involves clustering the purchasers based on their activities. A popular organization design splits the purchasing department (Bals et al., 2018) into strategic and transactional activities. This is also an option for startups.

In summary, startups may not yet have many purchasers, purchasing categories, multiple geographies, and business units. As a result, structural purchasing options are limited to splitting activities into strategic and operational purchasers. After considering the design options for the purchasing structure (2.1.1), startups have further design options related to micro-level purchasing organization characteristics (2.1.2) and operational processes (2.1.3).

5.2.3. Micro-level purchasing organization characteristics

Purchasing organization characteristics are micro-level design options (Bals et al., 2018; Glock and Hochrein, 2011) related to purchasing process (Bals et al., 2018), responsibilities, and allocation of activities (Glock and Hochrein, 2011). This research focuses on three micro-level characteristics: involvement, formalization, and standardization extracted from Glock and Hochrein (2011) and Bals et al. (2018).

Involvement is the extent to which purchasing personnel is involved in the purchasing decision-making (Glock and Hochrein, 2011). A high level of involvement means that purchasers influence the decision-making process. Still, top-level management may make decisions (Glock and Hochrein, 2011). Consequently, founder involvement reduces the influence of purchasers in the decision process. For example, the founder may be a decision authority that selects and negotiates with suppliers. The operational purchaser may only be involved later in creating a purchase order.

Formalization is the extent to which explicit purchasing policies (purchasing administrative procedures including rules and regulations) exist (Glock and Hochrein, 2011). A high level of formalization means that purchasers must adhere to formal processes to perform purchasing activities (Glock and Hochrein, 2011). Formalization is sometimes the opposite in startups, where employees are encouraged to be entrepreneurs and have the freedom to perform daily activities. Furthermore, purchasing policies exist in a highly formalized environment and are communicated to the company (Glock and Hochrein, 2011). Nevertheless, startups may lack a formal communication process. As a result, purchasing policies may exist. However, not all employees know of their existence.

Standardization is the extent to which explicit purchasing policies are accurately defined (Glock and Hochrein, 2011). A high level of standardization means that several purchasers can perform purchasing processes in the same manner. This reduces variability in the purchasing process (Glock and Hochrein, 2011). Startups, however, may have loosely defined purchasing policies increasing variability and uncertainty in purchasing processes. As a result, suppliers may perceive startups as less operationally efficient. The combination of formalization and standardization

can increase the efficiency of the purchasing process. Increased efficiency then improves the supplier's satisfaction in the relationship.

Within later parts of the paper, we will use the micro-level purchasing organization characteristics to specify our organizational purchasing models for startups (Figure 15). The purchasing organization characteristics are essential elements for the purchasing organization model. Consequently, purchasing organization characteristics can help to analyze purchasing process connected to operative excellence.

5.2.4. Process-level purchasing operational perspective

The purchasing process is a sequence of activities divided into steps (Bäckstrand et al., 2019), from sourcing to payment of the supplier's invoice (van Raaij, 2016). The purchasing process has an operational and strategic part (Bäckstrand et al., 2019). The strategic purchasing process involves, for example, sourcing strategy, supplier selection, and contracting (van Raaij, 2016). The operational purchasing process involves identifying buying needs, creating and managing purchase orders, ordering material, processing and approving invoices, and paying supplier invoices (Rozemeijer, 2008; van Raaij, 2016). Purchasing operational processes are closely related to operative excellence, which we will describe further in the next section.

5.2.5. Operative excellence in startups

Operative excellence is how suppliers experience buyers' efficiency in operational activities, which impacts the suppliers' convenience of doing business with the buyer. (Hüttinger et al., 2014). When buyers improve operative excellence (Hüttinger et al., 2014; Vos et al., 2016), they can increase customer attractiveness (Hüttinger et al., 2014), supplier satisfaction (Maunu, 2003) and mobilize supplier resources (Pulles et al., 2019).

To improve operative excellence, startups can focus on several antecedents (Ilkay, 2019). Some operative excellence antecedents originate from the operational level dimension (Essig and Amann, 2009). One antecedent is the order process, composed of the ordering procedure, adherence to arrangements, adherence to long-term contracts, bargaining position, and schedule (Essig and Amann, 2009). Another antecedent is billing/delivery, composed of payment habits, payment procedures, delivery deadlines, the required effort needed for delivery, receiving procedure, and support during preparations for first-time delivery (Essig and Amann, 2009). Operative excellence antecedents also comprise reliable forecasts, quick decision-making (Hüttinger et al., 2014), and contact accessibility (Vos et al., 2016).

Some operative excellence-related antecedents exist in supplier satisfaction (Maunu, 2003; Essig and Amann, 2009) and customer attractiveness constructs (Hüttinger et al., 2014). For example, some authors argue that forecasting is part of the supplier satisfaction construct (Maunu, 2003). For others, forecasting is linked to an operational level and does not directly impact supplier satisfaction (Essig and Amann, 2009). In summary, combining the operative excellence antecedents suggested in the customer attractiveness (CA), supplier satisfaction (SS), and preferred customer (PC) literature; we found five operative excellence antecedents (Table I): (i) forecasting, (ii) payment habits, (iii) ordering process, (iv) contact accessibility, and (v) quick decision making.

Table 13: Antecedents of operative excellence

Factor	Definition of factor in CA, SS, and PC literature	Exemplary reference
Forecasting	Systematically communicate reliable forecasts of short- and long-term purchasing volumes/demands to suppliers	Maunu, 2003
Payment habits	Paying supplier invoices within agreed payment terms	Rozemeijer, 2008
Ordering process	The process of placing orders for goods like raw material	Essig and Amann, 2009
Contact accessibility	The degree to which the supplier can access the buyer's contacts	Vos et al., 2016
Quick decision-making	The buyer has simple and transparent internal processes and supports short decision-making processes	Hüttinger et al., 2014

Furthermore, high operative excellence results from an efficient operational purchasing process (Essig and Amann, 2009; Rozemeijer, 2008). For instance, buyers with high operative excellence have an efficient operational purchasing process with adequate demand planning systems (Hüttinger et al., 2014; Ramsay and Wagner, 2009). Thus buyers can share reliable forecasts about their future demands, allowing suppliers to plan better their production capacity (Hüttinger et al., 2014) and reduce suppliers' risk of stock obsolescence (Ramsay and Wagner, 2009). Moreover, the operational process of paying suppliers' invoices (van Raaij, 2016) can be more or less efficient. In an inefficient process, the startup may not have a formalized purchasing policy regulating how to pay supplier invoices. Process standardization may be low due to high staff turnover in startups. As a result, different people will pay suppliers' invoices, which increases process variation.

Furthermore, because of low purchasing involvement in the purchasing decision, purchasers are often unaware of the payment obligation. This can lead to suppliers experiencing high variation regarding on-time payment. Suppliers will perceive the startup as poorly organized and find it difficult to do business with it. Suppliers will be concerned about startups' ability to pay (Luo et al., 2020) due to high uncertainty regarding startup payment habits (Rozemeijer, 2008). They will become less satisfied with the relationship.

To address supplier dissatisfaction, companies can organize purchasing better (Stek and Schiele, 2021), thus improving operative excellence. Hence, operative excellence can be an outcome of purchasing organization.

5.3. Research methodology: Exploration of the startup purchasing function using semi-structured interviews and a world café

We choose qualitative methods (Silverman, 2020) because there is very little research on startups as buyers (Wagner, 2021). We use a 2-step qualitative data collection method to obtain in-depth information on how startups organize purchasing. The first step is semi-structured interviews with purchasers to build an initial framework for purchasing organizations in startups. The second step uses the framework from the first step as input for a world café (Brown and Isaacs, 2005; Schiele et al., 2022b). The world café discussed the organizational framework with practitioners as co-researchers (Schiele et al., 2022b) to refine the initial framework. World café discussions included the advantages and disadvantages of each purchasing organization type and links with operative excellence.

5.3.1. Participant selection and sample

We used non-probability purposive sampling (Silverman, 2020). We used the maximum variation sampling technique for the semi-structured interviews to capture various perspectives regarding how startups organize purchasing. For the world café, we used the expert sampling technique to select individuals with startup-supplier relationship experience.

We used a heterogeneous sample for the semi-structured interviews. Given our research questions, we focused on startups involved in purchasing (startups with annual spend volumes with suppliers greater than EUR 10,000). We used information from CrunchBase (Global startup database (Genome, 2020)), LinkedIn, and the researchers' network to identify startups based on two characteristics i) age group and ii) purchasing organization. To maximize variation, we included startups from three age groups (0 to 36 months, 37 to 72 months, and beyond 72 months of

age) (Venkataraman and Van de Ven, 1998). To ensure a heterogeneous sampling regarding purchasing organization, we purposively chose startups with at least one full-time purchaser (group A) and without a full-time purchaser (group B). Appendix 11 describes the startup informants who were interviewed.

We focused on experts for the world café. Participants were eligible if they had experience with startup-supplier relationships. Experts should be procurement professionals with startup working experience or suppliers with sales experience doing business with startups. We recruited participants from LinkedIn, the personal researcher network, and those who previously participated in the interviews.

The sample included 20 startup purchasers and suppliers that participated in our study. It is an international study with participants from eight countries (Belgium, Brazil, France, Germany, Hungary, The Netherlands, The United Kingdom, and The United States). We conducted ten semi-structured interviews with the informants. The informants in group A were full-time purchasing professionals who worked for the selected startups. The informants in group B were part-time in the purchasing function, such as the Supply Chain Manager, Finance Director, and Co-Founder. In short, the participants were experienced, qualified professionals. The world café had 15, including purchasers and salespeople. We recruited five participants from the interviews and ten new participants (Appendix 11).

5.3.2. Data collection

We collected data in two steps. In the first step, we conducted semi-structured interviews. Participants were contacted by e-mail. They were told the general purpose of the study (to understand the purchasing organization in startups). We developed an interview guide, discussed it with experienced PSM researchers, and pilot tested. Interviews started with general questions about purchasing in the startup, followed by deep dives into (1) purchasing organization and structure and (2) purchasing operational process. Interviews were conducted from December 2020 to June 2021. They took place virtually and were 45 to 60 min long. The author conducted the interviews. All were recorded using Microsoft Teams and transcribed, producing more than 110 single-spaced pages of data. We shared the transcripts with the participants for comment and correction.

In the second step, after the initial data collection, we conducted an online focus group in the format of a world café. The goal was to substantiate the interview findings. Therefore, we presented the participants with the early version of startup purchasing organizational types (Figure 15). We asked participants for feedback using the following leading questions (1) What are the success factors for each type? (2) When is each type used or recommended? (advantages and disadvantages)

(3) From a seller's perspective, which type is more attractive? The world café happened in July 2021. It was 2.5 hours long, including three rounds (25 min, 20 min, and 15 min). We fixed the moderator, and the participants rotated among three virtual rooms. We recorded the event using Zoom online conference software and transcribed it for further analysis.

5.3.3. Data analysis

We performed the data analysis in two phases. First, we performed a thematic analysis of the interview data. Secondly, we refined the concepts using world café data. In the first phase, we started data analysis when transcripts from the first few interviews were available. We coded the data, first by manually coding the transcripts using ATLAS.ti software without a pre-established coding scheme. Next, we used an inductive approach to compare the codes with the PSO literature. We compared the codes from the interview guide question: How the purchasing department is structured/organized?

Thereafter, we structured the coded data on a per-company basis, which aligns with the principles of maximum variation sampling that we adopted. The diverse nature of our sample included companies across manufacturing and service sectors and those within the two groups we interviewed (group A: startups with dedicated purchasing employees, and group B: startups with no established purchasing function). Subsequently, through pattern recognition and identifying differences, we grouped companies based on their similar approach to how they organized their purchasing activities. As a result of our inductive approach and subsequently clustering, we identified an initial purchasing organizational framework. We used this framework as input for the world café.

Furthermore, we coded the data regarding interview guide questions such as: "Can you shortly describe your operational purchasing process that interfaces with suppliers?". We then compared the codes with the micro-level PSO literature (Glock and Hochrein, 2011, Bals et al., 2018). Finally, we used the purchasing organization's micro-level characteristics: involvement, formalization, and standardization, as a coding scheme for the operational purchasing process. In short, we aligned the primary codes, aggregated them into sub-themes, and compared them with factors in the PSO micro-level and operative excellence literature. The categories from the literature became the overarching category scheme. Finally, the themes and early findings were discussed with several informants to improve validity.

In the second phase, we analyzed the world café data. We used the data to refine the concepts and the five design options (Figure 15). We did not code the transcript as the world café method already provides a list of the most relevant topics. We first

created a cross table in Microsoft Excel, using the five design options (Figure 15) as an overarching scheme. Then, we organized the world café topics according to three categories: advantages, disadvantages, and when each organization type is recommended. We also used the transcripts to enhance the meaning of the world café themes, extracting quotes from the transcript as examples to illustrate specific situations. Transcripts also help with documentation, capturing world café results and the entire process (Schiele et al., 2022b). Also, we share early versions of the world café analysis with participants for feedback.

5.3.4. Methodological rigor

Research quality criteria such as validity and reliability for a naturalistic inquiry paradigm can be evaluated through the trustworthiness criteria of credibility, transferability, dependability, and confirmability (Guba, 1981). We used method triangulation (semi-structured interviews and world café) to satisfy the credibility criteria. Moreover, triangulation by using different data collection methods enhances the reliability of the results (Fusch and Ness, 2015). Regarding transferability, we collected and developed thick descriptions through semi-structured interviews. We also used purposive sampling, including startups in different development stages, industries, and countries. We also maximized variation, including startups with and without a purchasing organization. We left an audit trail to ensure dependability and confirmability. We developed an interview guide and pre-tested it. We recorded and transcribed the interviews. We performed a thematic analysis, coding the transcripts using ATLAS.ti software. We can trace the codes and themes using software, and link with the text fragment within each interview transcript.

5.4. Findings: Five types of purchasing organizational possibilities

In this section, we present the findings. We organize the findings into two main sections: purchasing organization typology in startups and implications for operative excellence. The first section identifies five purchasing organization types based on external versus internal organization and partial versus full purchasing process coverage. We discuss the procurement focus, the micro-level purchasing organization characteristics, and the disadvantages and advantages of each type. We also offer propositions for each purchasing organization type. The second section explains operative excellence and how the five organizational models impact operative excellence. We also describe five operative excellence antecedents in detail. The findings suggest that specific organizational models substantially impact operative excellence more than others. Overall, our research sheds light on the

importance of the purchasing organization in enhancing operative excellence in startups.

5.4.1. Purchasing organization typology in startups

This study's first question asks about how startups organize their purchasing activities. Figure 15 depicts five options based on the external versus internal organization (y-axis) and partial versus full purchasing process coverage (x-axis). On the y-axis, internal means that the startup employees will perform the purchasing process internally. On the contrary, external means that the startup will perform the purchasing process externally using a third party. On the x-axis, full purchasing process coverage means that the startup purchasing organization has responsibility for all processes (van Raaij, 2016) that regulates purchasing, from strategic (e.g., sourcing strategy, contracting) to operational process (e.g., purchase orders, approving invoices). On the contrary, partial purchasing process coverage means that the startup purchasing organization will not be responsible for all processes regulating purchasing.

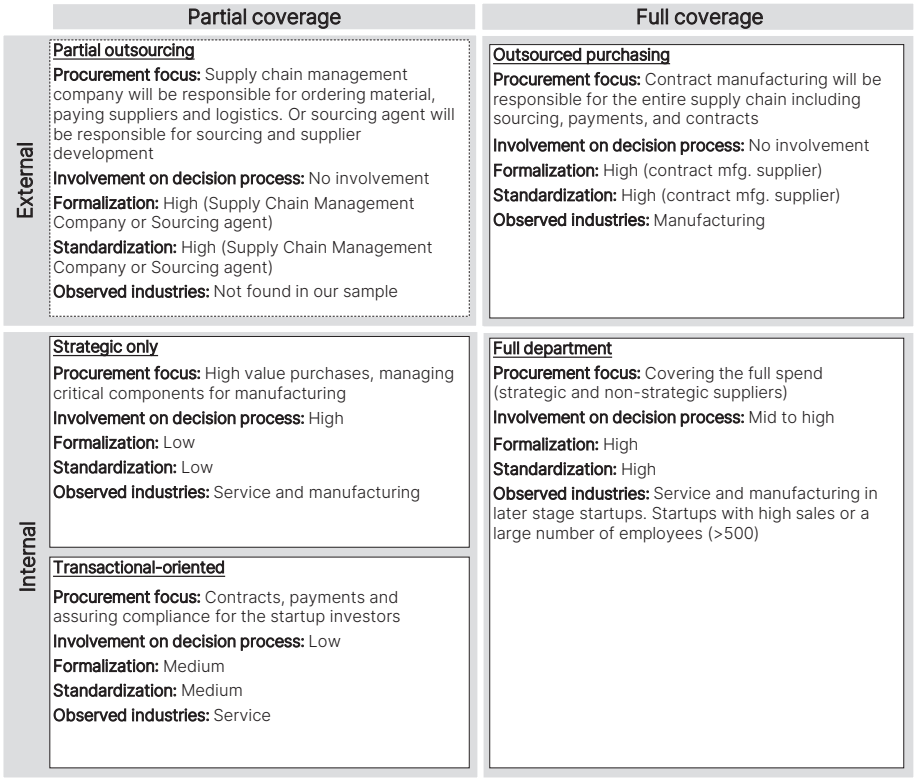


Figure 15: The five organizational models.

As a result, this research presents five purchasing organization types for startups. Four types are based on the research findings: *Transactional-oriented, Strategic only, Full department,* and *Outsourced purchasing.* Additionally, from the world cafe, we also conceptualize *Partial outsourcing* as a theoretically feasible option. However, we have not found this option among the respondents. Further insights from experts in the world café helped identify the advantages and disadvantages of each organizational type. The five organizational models (Figure 15) provide type-specific descriptions for procurement focus related to the critical purchasing organization responsibilities. Figure 15 also offers type-specific descriptions for micro-level purchasing organization characteristics (Bals et al., 2018; Glock and Hochrein, 2011).

5.4.1.1. Partial outsourcing

The *Partial outsourcing* organization focuses on outsourcing part of the purchasing processes. For example, the startup can outsource the strategic process (e.g., sourcing strategy, supplier selection, and contracting) or operational process (e.g., managing purchase orders, ordering material, approving invoices). This option is possible because small companies might be interested in purchasing consultancy (Quayle, 2002), which can be a form of partial outsourcing. Another possibility is to outsource all operational processes. Outsourcing could also be a service provided by startup incubators and accelerators. For example, some hardware startup accelerators in San Francisco, USA, offer mentorship from experts in manufacturing, giving space for prototyping and introducing suppliers (DiResta et al., 2015).

In addition to incubators and accelerators, startups can use consultancy companies specialized in sourcing and supply management. Some companies, also called Supply Chain Management (SCM) companies (DiResta et al., 2015), offer purchasing services for startups, ranging from procuring suppliers for a single part to suppliers for complete assemblies and managing packaging and logistics, saving time for the startup (Ohr, 2017). Nevertheless, *Partial outsourcing* has disadvantages and advantages. The disadvantages include higher costs because the startup will pay an upfront fee. Another disadvantage is purchasing-agent opportunism (Braun and Guston, 2003).

Advantages of *Partial outsourcing* include economies of scale, simplified ordering management, and flexibility. First, startups can outsource the strategic process to a sourcing agent, such as searching for supplies and supplier selection. Sourcing agents can bundle the volume from several clients and improve the negotiation power when sourcing suppliers for a startup. Second, startups can outsource operational processes such as creating purchaser orders, ordering materials, and

paying supplier invoices to a Supply Chain Management company. The Supply Chain Management company allows the startup to have only one supplier to manage, simplifying the ordering process. Third, the Supply Chain Management company will be an intermediary and handle all suppliers' transactions, adding flexibility to the startup to manage more suppliers without needing more purchasers. Nevertheless, further research is needed to investigate the advantages and disadvantages of a *Partial outsourcing* organization. In short, based on the literature, we expect those small and early-stage startups would benefit from a *Partial outsourcing* organization. Therefore, we offer the following proposition:

> **Proposition 1:** Early-stage startups can use sourcing agents to procure suppliers, simplify the ordering process and benefit from economies of scale by leveraging sourcing agents' existing network of suppliers.

5.4.1.2. Transactional-oriented

The *Transactional-oriented* organization focuses on purchasing operational routines. The purchasing department will create and manage orders, process payments, sign contracts, and ensure suppliers perform the service or deliver the product. As a result, purchasers will improve the formalization and standardization of the startup's operational purchasing routines. However, the purchasing department does not focus on strategic items (Kraljic, 1983). Instead, the founder, owner, or management team usually purchases the strategic items. As a result, purchasers have low involvement in the decision process. Furthermore, strategic souring processes such as key supplier selection may be less formalized and standardized. We observed the *Transactional-oriented* organization in service startups.

Findings suggest that startups should choose the *Transactional-oriented* model when (1) startups need to ensure adherence to the purchasing policies and process, (2) managing supplier payments is critical, and (3) the startup management team needs time to focus on strategic items and need help with time-consuming operational purchasing routines.

The *Transactional-oriented* type is vital to ensure adherence to the purchasing policies and process. The purchasers are not involved in high-value sourcing and negotiation processes. However, they will assist with contracts and documentation to ensure adherence to contracting best practices. One of the interviewees revealed they are implementing a purchasing department in a startup in the service sector to improve formalization, addressing compliance issues with the startup investor. The startup needed control and proper documentation for its purchases. The investors

infuse millions in capital into the startups, expecting startups to justify how they spend the investor's money.

Transactional-oriented purchasing also sometimes works similarly to an accounts payable department. For example, supplier payments are critical when the startup is short on cash or regularly receives many supplier invoices.

> "I think operative [Transactional-oriented] most startups I saw, it is the payables department." Participant#1, Procurement Lead from a startup located in Brazil

Transactional-oriented is beneficial for managing time-consuming purchasing activities such as managing many non-critical suppliers. As a result, the startup management team can work more efficiently by focusing on high-value and strategic purchases. In short, Transactional-oriented has disadvantages and advantages. The disadvantages are that the *Transactional-oriented* type is less flexible because it must deal with many transactions (e.g., contracts, purchase orders), and the startup needs to add more people to scale up the purchasing department. In short, evidence suggests that managing cost and strategic supplier management are not a high priority in a *Transactional-oriented* organization. Again, our findings and Quayle's (2002) have similarities, who found low purchasing priority at small firms.

The advantages are that these organizations tend to have fewer purchasers than a Full department. As a result, they are not expensive. It also can help to ensure adherence to the purchasing policies and processes to improve the startup's reputation in the eyes of its investors and suppliers. It has some level of operative excellence to ensure payments, for example. Thus, we offer the following proposition:

> **Proposition 2:** Startups can improve adherence to the purchasing policies and process (e.g., supplier payments, supplier contracts) by implementing a Transactional-oriented Purchasing Organization.

5.4.1.3. Strategic only

The *Strategic only* organization focuses on strategic items (Kraljic, 1983) (e.g., high-value components) critical for the startup. Also, this type of organization has a small group of dedicated purchasers with high involvement in the decision process. We observed the *Strategic only* configuration in manufacturing and service startups. Small size characterizes this organization's design, and the company decides not to focus on non-critical items (Kraljic, 1983). Furthermore, all purchases classified as non-strategic are decentralized and managed by several departments, including

writing contracts, issuing purchase orders, and managing suppliers' payments. As a result, the startup will have a low level of standardization because multiple departments will execute purchasing routines. Furthermore, evidence suggests a low formalization of purchasing processes, routines, and policies.

Findings suggest that startups should choose the *Strategic only* model when startups need flexibility, and it is acceptable that purchasing should focus only on high-value purchases. One of the interviewees from a service startup described their strategy to maintain flexibility. Purchasing will manage purchases above USD 50,000. Below the threshold, the purchasing department does not have to be involved. Regardless of the strategy to build flexibility in the purchasing organization, purchasers continuously decide how to re-prioritize high-value purchases to reduce the overall complexity. Some participants argued that procurement should focus only on high-value purchases because they have limited time and choose how they allocate their time.

> "I cannot be involved with everything within my company (...). The most important suppliers to us are the suppliers that provide materials directly related to this machine because we have suppliers that actually help us create value." Participant#2, Procurement Manger from a startup located in The Netherlands

In short, *Strategic only* has disadvantages and advantages. Disadvantages are that S*trategic only* organizations are less process-oriented, have lower operative excellence, and focus less on ensuring adherence to the purchasing policies and process. As a result, purchasers constantly make trade-offs between areas they can focus on and those left behind. Overall, our findings for the *strategic-only* organizations are consistent with Christiansen and Maltz (2002). They propose that purchasing should manage key suppliers.

The advantages are that strategic organizations tend to be small and inexpensive, flexible, and scalable. Thus, we offer the following proposition:

> **Proposition 3:** Startups can improve the scalability and flexibility of the Purchasing Organization by implementing a Strategic only organization.

5.4.1.4. Outsourced purchasing

The *Outsourced purchasing* organization focuses on outsourcing the manufacturing process, including purchasing and supply chain activities. The contract

manufacturing supplier will be responsible for sourcing, supplier selection and development, issuing purchase orders, and making payments.

> "Some of the parts that were specified by the startup because the startup had an engineering background, we are able to do the concept of the product and a couple of the key components, but then the whole sourcing job of getting these components and finding the specs of the rest of the components around that was done by the contract manufacturer" Participant#7, Head of Supply Chain from a French supplier

However, we cannot discuss the startups' purchasing process formalization and standardization because they outsourced them. We observed the *Outsourced purchasing* type in two manufacturing startups in the consumer electronics we interviewed. Manufacturing startups are also hardware startups (Bjørgum et al., 2021). Similarly, in the research by Bjørgum et al. (2021), all six hardware startup cases operated under contract manufacturing.

Results from the workshop support the idea that startups should choose *Outsourced purchasing* when (1) they need the flexibility to allow the startup to scale up and (2) they lack expertise and supplier networks. Furthermore, *Outsourced purchasing* has disadvantages and advantages. The disadvantage is that outsourced purchasing organizations can lead to higher costs because the startup will pay an upfront fee or a percentage on top of every purchased component (DiResta et al., 2015). Moreover, contract manufacturing suppliers will act similarly to purchasing agents (Zhang et al., 2011), and startups could lack control and visibility of the entire supply chain. Also, tier 2 suppliers are usually unknown; consequently, the startup may be unable to develop an alternative contract manufacturing supplier.

> "So, it's like every time, most of the contract manufacturers, they give you some of the layouts, but not all of it. And when you get the layout and go to another supplier, you probably run into issues." Participant#7, Head of Supply Chain from a French supplier

Furthermore, the cost of components is not transparent to the startup. As a result, contract manufacturing suppliers can act opportunistically, maximizing their profits by further reducing prices with tier 2 suppliers. However, there is little pricing transparency, and startups will not benefit from the reduced prices. These findings are consistent with the agency theory used in purchasing (Fayezi et al., 2012) to address outsourcing relationships (Logan, 2000). In the agency theory, principal-agent problems can arise, such as agent opportunism and agent pursuit to maximize self-interest (Braun and Guston, 2003). Startups can mitigate the principal-agent

problem by introducing monitoring mechanisms (Braun and Guston, 2003), such as auditing the contract manufacturing supplier invoices to tier 2 suppliers.

These findings regarding the disadvantages of the *Outsourced purchasing* organization are consistent with Garnsey and Wilkinson (1994). They found that suppliers may force startups into exclusivity agreements, limiting their ability to change suppliers, limiting competition, and hurting startup competitiveness. In addition, the results reflect those of Rottenburger and Kaufmann (2020), who found that startups can suffer from opportunistic supplier behavior. Furthermore, it seems that contract manufacturing suppliers seek to maximize their self-interest. This creates a principal-agent problem that arises from the outsourcing model (Logan, 2000). However, despite the disadvantages of higher prices, startups with high margins favor outsourcing.

The advantages are that outsourced purchasing organizations do not need a full-time purchaser. As a result, they are not expensive organizations. They are also flexible, allowing the startup to scale up. Outsourcing purchasing through the contract manufacturing supplier is a workable solution for startups that lack expertise because they can indirectly access the contract manufacturing supplier network.

> "You do not need to build the expertise. You do not need to build networks. You can buy this out somehow." Participant#11, Business Unit Manager from a Hungarian supplier.

As a result, we offer the following proposition:

Proposition 4: Hardware startups can quickly build a network of suppliers by outsourcing purchasing to contract manufacturing suppliers.

5.4.1.5. Full department

The *Full Department* focuses on strategic and non-strategic purchases, managing most suppliers. Purchasing has medium to high involvement in the decision process. Startups, in this case, have written purchasing processes, leading to high formalization. Furthermore, the same department executes most purchasing routines leading to a high level of standardization.

We identified manufacturing and service startups with a *Full department* in the data. The manufacturing startup was involved in new product development and had an in-house manufacturing facility and many suppliers. Two service startups had many suppliers, and the spending was high. One of the cases had purchasers

divided into direct and indirect purchasing structures described by Bals et al. (2018). The second case had a category structure, as described in the literature. In the Greiner Growth Model (Greiner, 1998), size determines companies' organizational structure. Also, the growth rate will impact size. Therefore, one possible explanation is that the first young startup operates at a higher growth rate than the second example of an older startup.

Data suggests that the purchasing structure in a *Full department* in startups can be similar to established companies. No significant difference was evident from our data. This finding contradicts the initial assumption that current models in the PSO literature may not fit startups. In short, evidence suggests that the literature for established companies may still apply to startups that use the *Full department.*

A *Full department* is recommended (1) to manufacturing startups to secure supply chain stability. Startups in the manufacturing sector may have a complex and interlinked supply chain with many suppliers. In addition, manufacturing startups may also be involved in new product development. (2) It is recommended for startups with a consistent product or service that can provide accurate forecasts and control spending.

> "I think a full department is necessary when you're dealing with planning budget, and you have a constant supply that cannot fail." Participant#1, Procurement Lead from a startup located in Brazil

To sum it up, the *Full department* has disadvantages and advantages. Disadvantages are that *Full department* organizations may not be scalable and can slow the startup. In addition, a *Full department* is expensive because this organizational design requires more people to control all purchases than the other three choices.

> "But I agree that having a full department is costly, and so you need to pay attention and the if the deliverables will guarantee the cost." Participant#17, Head of Innovation and Partnerships from a Brazilian supplier

Furthermore, due to a high level of purchasing process formalization and standardization, a *Full department* can become bureaucratic, which slows down the startup. In one participant's view, startups should avoid rigid administrative procedures that oppose startups' agile concept. These results match those overserved in the crisis of autonomy that requires more delegation during the development of a company (Greiner, 1998).

> "We are in the moment where it's getting bureaucratic. Having a full department is not efficient where we are going to, and that goes really in the other direction of the whole discussion of a startup. But the department as it is, it is slowing us down." Participant#13, Global Commodity Lead from a startup located in The United Kingdom

On the other hand, the advantages are that *Full department* organizations can provide the highest performance compared to the other three organizational alternatives in managing cost, operative excellence, and adherence to the purchasing policies and process. Moreover, participants agree that a *Full department* is the dream of startup purchasers. A possible explanation is that most purchasers had previous experience working for large organizations in a *Full department* setting. Therefore, we offer the following proposition:

> **Proposition 5:** Later-stage startups maintaining consistent sales can implement a Full department and improve purchasing performance regarding cost, operative excellence, and-ensuring adherence to the purchasing policies and process.

The following section details the operative excellence in startups and the connection with the five purchasing organizational types.

5.4.2. Implication for operative excellence

The second question in this research was: What is the impact of purchasing organization on operative excellence? The section below describes operative excellence in startups. It also explains how the five organizational models impact the five operative excellence antecedents: (1) forecasting, (2) payment habits, (3) ordering process, (4) quick decision-making, and (5) contact accessibility. Moreover, purchasing has increased its attention to information technology (Kumar Kar and K. Pani, 2014). Emerging technologies such as Artificial Intelligence (AI) could improve purchasing processes (Schulze-Horn et al., 2020). Consequently, it could potentially improve startups' operative excellence. Therefore, we also discuss the implications of emerging technologies such as artificial intelligence and blockchain to operative excellence antecedents.

5.4.2.1. Forecasting (1)

Buyers and suppliers must comply with the delivery schedule (Kumar Kar and K. Pani, 2014). Therefore, the supplier selection literature often focuses on how buyers evaluate suppliers' compliance regarding the delivery schedule. However,

suppliers also assess the quality and reliability of buyers' adherence to schedules and forecasts. Forecasting of purchasing volumes/demands was discussed at length in the interviews. Sharing reliable forecasting with suppliers positively affects operative excellence (Vos et al., 2016). Although, startups struggle to share forecasting with suppliers. For example, one of the startups illustrated that they usually share a non-binding forecast based on historical startup sales. However, suppliers started to demand binding purchase orders (commitment) over time. Nevertheless, interviewees largely agreed that startups could not provide reliable forecasts to suppliers. One explanation for the startup's inability to provide reliable volume/demand forecasts to suppliers is that startups can have high but uncertain growth.

> "With such a high level of growth is not possible to forecast." Participant#4, Senior Purchaser from a startup located in The Netherlands

Furthermore, startups lack planning because it is difficult to get volume forecasts from the startup sales department. Moreover, startups also sometimes lack a realistic market view, limiting the startup's ability to provide reliable and systematic forecasts to suppliers.

Considering the specifics of the organizational models, all five seem to have the same limitation: the inability to provide volume/demand forecast to suppliers. However, *Outsourced purchasing* can be better at providing forecasts systematically because the contract manufacturing supplier performs this routine. Usually, they are a well-established company with a mature forecasting process. Nevertheless, forecast reliability can be as low as in the other three cases. One explanation is that the forecast/planning of volume/demands depends not on the organizational purchasing type but on startups' sales and marketing capabilities.

Turning to emerging technologies, artificial intelligence could help startups improve their forecasting capabilities. AI can enhance business operations (Schulze-Horn et al., 2020), and startups could use AI to predict future volumes/demands and provide better forecasts to suppliers.

5.4.2.2. Payments (2)

Paying supplier invoices within the agreed-upon terms between the buying company and the supplier is critical in purchasing operations (Essig and Amann, 2009; Hüttinger et al., 2012). However, many informants reported that late supplier payments are the norm in startups, attributing overdue payments to a lack of process and IT systems and not a lack of cash. For example, one participant revealed that

they pay only 30% of the suppliers on time. In another example, the startup needs to pay the supplier in advance.

> "With some suppliers, it was like 50 percent with the PO [Purchase Order] and then 50 percent upon shipping." Participant#10, Co-Founder & COO from a startup located in Belgium

These findings are consistent with the literature suggesting that suppliers are concerned about the startup's ability to pay (Luo et al., 2020). Also, startups suffered from COVID-19 financial impacts. As a result, startups lacked funds, delaying supplier payments and causing supplier relationship discontinuation (Sreenivasan and Suresh, 2021). However, late supplier payments are not a consensus among participants.

Considering specifics of the organizational models, suppliers are usually paid on time in *Outsourced purchasing* because the contract manufacturing supplier is responsible for tier 2 supplier payments. However, late supplier payments may be the norm in the remaining organizational models.

Considering emerging technologies, blockchain can increase transaction transparency (Schiele et al., 2022a). Consequently, blockchain could be a viable technology to increase transparency in the invoice payment process.

5.4.2.3. The ordering process (3)

Ordering refers to placing orders to purchase goods and services from suppliers (Essig and Amann, 2009). A purchase order can be a manual process or automated by IT systems. Additionally, in recent years, electronic transaction capability (Kumar Kar and K. Pani, 2014; Pani and Kar, 2011) is a critical capability referred to as electronic catalog management, electronic order management, and electronic financial settlements (Pani and Kar, 2011). Moreover, RFID technology in supply chain management can also optimize the ordering process. RFID-generated data can improve accuracy and generate insights for demand planning (Unhelkar et al., 2022).

Most interviewees reported having deficient ordering processes due to a lack of ERP systems, working with Microsoft Excel-based planning, and lacking Electronic transaction capability (Pani and Kar, 2011). Most startups also issued purchase orders manually or with a semi-automated Excel-based process.

> "We have a certain workflow system, but we do not have an ERP or other specific software to manage procurement activities." Participant#3, Procurement Manager from a startup located in Germany

Consequently, startups may often face challenges in managing their inventory due to deficiencies in their ordering processes, such as a lack of electronic transaction capabilities and ERP systems. These deficiencies can lead to stockouts, excess inventory, and increased costs. Implementing an effective inventory control system can help startups optimize the ordering process. For example, Döngül et al. (2022) propose using sophisticated algorithms to solve an integrated location-allocation model with inventory control decisions improving planning and resulting in a better information flow from suppliers to customers.

However, one Transactional-oriented type of organization revealed they are trying to implement an ERP system because the biggest purchasing team challenge is managing supplier invoices. Another Transactional-oriented type of organization used "Slack," a business communication platform, to write purchasing requests. We also had one case implementing SAP software.

Considering the specifics of the organizational models, the ordering process is weaker in Transactional-oriented and Strategic only due to the lack of ERP systems. Full-department startups tend to have an ERP because they are usually bigger or engage in manufacturing. As a result, they have a better ordering process. Outsourced purchasing is the best because the contract manufacturing supplier will manage the ordering process using their ERP.

Turning to emerging technologies, blockchain can improve transparency in the entire supply chain (Delke et al., 2022). Consequently, if startups become part of a supply chain that uses blockchain technology, it could increase transparency in the ordering process. Nevertheless, startups still lack ERP systems, and blockchain could be out of reach.

5.4.2.4. Contact accessibility (4)

Contact accessibility is the supplier's ability to access the buyer's contacts (Vos et al., 2016). Suppliers and buyers exchange information frequently. To exchange information, suppliers must have a contact person in the startup. Nevertheless, suppliers may not be able to access startup contacts easily (1) if the supplier point of contact at startup changes frequently, (2) if suppliers do not have a single point of contact, and (3) if there is an intermediary between the supplier and the startup.

First, high turnover among purchasing personnel is a challenge for suppliers working with startups. The supplier's contact at the startup frequently changes because of the turnover among purchasers. For instance, in less than 12 months, one informant reported a 50% loss of purchasers, while two interviewees had already changed jobs since the interviews. More research is needed to understand why purchasing professionals may leave a startup company. Finally, interviewees

diverged on purchasing personnel turnover. It was high, leading to problems according to some interviewees, while it was not a critical problem for others. More research is needed to determine if purchasing personnel turnover is high in startups and the impacts on contact accessibility.

Second, suppliers may not have a single point of contact with the startup. Considering the specifics of the organizational models, a point of contact may exist for payments in *Transactional-oriented*. However, the sourcing is managed by many people in a decentralized process, making it difficult for the supplier to find the correct contact. In *Strategic only*, the very few strategic suppliers managed by the strategic purchasing team will have a single point of contact. The remaining majority of suppliers will not easily access startup contacts. A *Full department* tends to have better contact accessibility than the other three purchasing organizational types because it has some level of organization (e.g., by category). As a result, suppliers will have reasonable access to startup contacts. Thirdly, in *Outsourced purchasing,* there is an intermediary between the supplier and the startup. Hence, tier 2 suppliers will not directly contact the startup, making communication less efficient.

Considering emerging technologies, AI could power interactive communication bots in purchasing (Delke et al., 2022). Accordingly, startups could utilize emerging technologies to improve contact accessibility by using bots to enhance supplier communication.

5.4.2.5. Quick decision-making (5)

Quick decision-making is a transparent and simple internal process (Hüttinger et al., 2014) that enables buyers to provide immediate feedback to supplier requests. Startups have agile sourcing and contracting processes, which suppliers appreciate. Processes are simple because startups lack formality (Ghosh et al., 2019). However, quick decision-making results from a lack of planning and growth-related uncertainties. This situation leads to startups having many urgent demands. As a result, startups tend to react fast internally.

Nevertheless, some interviewees reported becoming more formal as part of startup development, slowing the decision-making process. However, startups can quickly speed up the process if the demand is urgent and business critical.

> "If it is business-critical, we can be quick, and I did hear from some suppliers, oh, that was quick. I mean, we didn't expect that the decision-making would be done so quickly." Participant#3, Procurement Manager from a startup located in Germany

Even with some formality, startups find ways to stay agile. For example, one interviewee mentioned using simplified contracts with suppliers, a one-page non-disclosure agreement, and three-page supply agreements.

While quick decision-making can benefit startups regarding agile sourcing and contracting processes, it has potential risks. Startups must balance the urgent demands for supplier selection and best practices in supplier selection. For instance, incorporating risk and sustainability factors in their supplier selection process can benefit companies, as Alikhani et al. (2019) highlighted. Therefore, startups need to be aware of the potential risks, ensure that their supplier selection processes are comprehensive, and consider sustainability and risk management.

Considering the specifics of the organizational models, we concluded that in the *Transactional-oriented* type, purchasers do not have much authority; however, they have easy access to the decision-makers, usually the founder/CEO. In *Strategic only*, startup management empowers the purchasers to make quick decisions. In *Outsourced purchasing*, Tier 2 suppliers will not have direct contact with the startup, so they must deal with an intermediary party, making the decision process slower. Finally, participants reported that a *Full department* is slow due to rigid purchasing processes and policies.

Considering emerging technologies, AI-based decision-making (Schulze-Horn et al., 2020) can facilitate supplier selection (Delke et al., 2022). Therefore, startups can leverage AI to improve decision-making through a faster supplier selection process.

Table 14: Operative excellence strengths and weaknesses of the five organizational types.

Factor	Lower operative excellence		Higher operative excellence		
	Transactional-oriented	Strategic only	Outsourced purchasing	Full department	Partial outsourcing
(1) Forecasting	(- -)	(- -)	(-)	(- -)	NE
(2) Payment habits	(+)	(- -)	(++)	(+)	NE
(3) Ordering process	(-)	(- -)	(++)	(+)	NE
(4) Contact accessibility	(-)	(+)	(- -)	(++)	NE
(5) Quick decision-making	(+)	(++)	(- -)	(-)	NE

Note: The operative excellence comparison between each type ranges from high strength (++) to high weakness (- -). NE = Not evaluated

5.5. Discussion: How to improve startup operative excellence

This study explored purchasing organization and operative excellence in startups. This analysis demonstrates how startups organize their purchasing activities to improve operative excellence and become attractive customers. This paper found that startups organize the purchasing function in four ways: *Transactional-oriented*, *Strategic only*, *Outsourced purchasing*, and *Full department*. Moreover, we conceptualized a fifth option, *Partial outsourcing.* Each of the five organizational types has advantages and disadvantages regarding operative excellence. Nevertheless, data suggest that *Outsourced purchasing* and the *Full department* may have higher operative excellence than *Transactional-oriented* and *Strategic-only* (Table II). As a result of purchasing organization advantages and disadvantages, startups should select the appropriate design to achieve the desired level of operative excellence while balancing the department size, process formalization, and standardization.

We also unveiled operative excellence in startups providing rich detail regarding (1) Forecasting, (2) Payment habits, (3) Ordering process, (4) Contact accessibility, and (5) Quick decision-making. We found that startups may have low operative excellence facing many challenges, such as sharing volume/demand forecasts, paying suppliers on time, and lacking ERP systems leading to manual purchase orders.

5.5.1. Contributions to literature

This work makes four contributions to literature. (1) We introduce startups as a new, previously overlooked unit of analysis that contributes to existing knowledge of Purchasing and Supply Organization (Bals et al., 2018) by providing a framework that extends organizational models for the particular case of startups to organize purchasing activities. (2) We contribute to the attractiveness theory (Hüttinger et al., 2014) by introducing purchasing organization as a mechanism to increase operative excellence. This research also advances the emerging research stream of customer attractiveness in startups (La Rocca and Snehota, 2021). (3) This work introduces a new causal mechanism. This work is the first to connect the purchasing organization with the operative excellence literature. Before this work, the two research streams had been studied in isolation. This paper joined them by proposing operative excellence as an outcome of purchasing organization, and (4) we contribute to entrepreneurship literature by explaining how to organize purchasing activities in startups.

5.5.2. Practical Implications

The findings have practical implications. (1) We offer entrepreneurs a framework to organize startup purchasing activities. Startups can now use the purchasing organization framework to choose what type best fits their needs. We also offer guidance on selecting each organizational model based on advantages and disadvantages. (2) Startups' purchasing managers can now know the advantages of each purchasing organization model. They can work to mitigate the disadvantages of each purchasing organization model. For example, startups choosing to outsource should be aware of principal-agent problems and implement mechanisms to prevent suppliers' opportunism. (3) Entrepreneurs should be aware of supplier attraction factors and supplier perception of the easiness of doing business with startups. Also, some practices can send the wrong message to the supplier network. For example, delayed supplier payments can signal startup financial instability. Therefore, startups should pay attention to operational processes like paying suppliers on time and signaling credibility to the suppliers' network. (4) Startups could satisfy suppliers by improving the forecasting process of purchasing volumes, promoting the communication between purchasing and marketing departments, and promoting the interaction between startup marketing departments and suppliers coordinated by purchasing. (5) Startups could improve supplier satisfaction by improving contact accessibility. Startups may face personnel turnover issues; therefore, startups could build a list of multiple internal contacts and share it with suppliers. As a result, the supplier can have the means to contact the startup if they lose contact with the supplier's usual counterpart at the startup.

5.5.3. Limitations and further research

Despite the sample size limitations of a qualitative study, such as our world café and interviews, we built variation into our research design to maximize the generalizability of the results. A natural progression of this work is to conduct quantitative research to improve generalizability. For example, a large-scale startup survey could determine the relationship strength between organizational models and operative excellence.

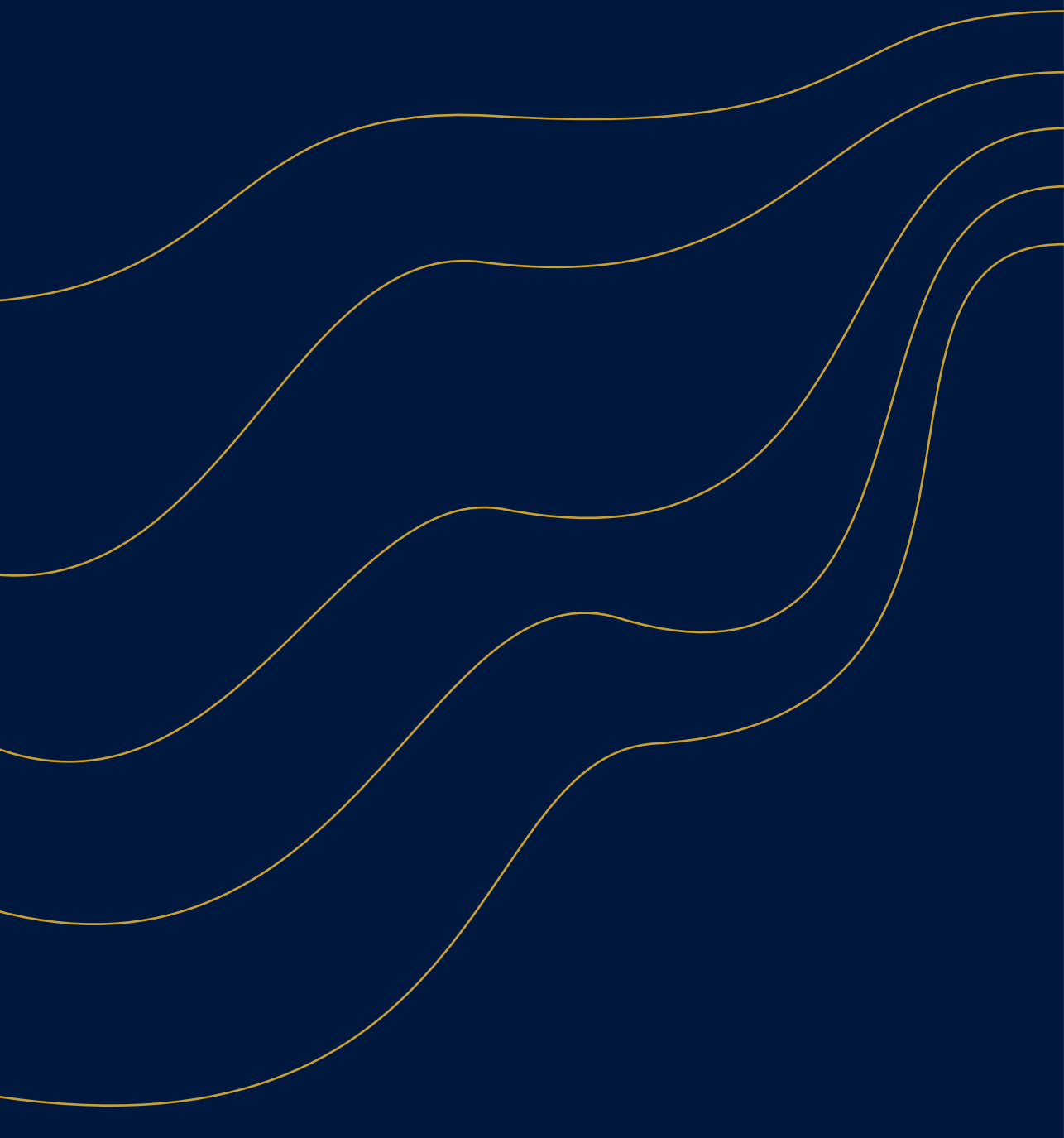
We also limited our study to purchasing structure, purchasing organization characteristics, and purchasing operational process. We did not include purchasing skills, for example. A further study could assess the purchasing skills required to work for a startup. In addition, we did not extensively explore the startup reasons for implementing a purchasing department. Additional work could explore what

type of startups want to implement or expand a purchasing department. Finally, our research linked purchasing organizations indirectly to the cycle of preferred customership through operative excellence. Further research could explore the direct impacts of purchasing organizations on customer attractiveness, supplier satisfaction, and preferred customer status.

Also, a further study could determine the causes of employee turnover in the startup's purchasing function. Moreover, additional work could be undertaken to explore the purchaser's motivation to work for startups and employee retention. Furthermore, researchers could explore further startup growth in different development stages and how the organizational purchasing design may change to address evolving needs regarding operative excellence and flexibility. A final direction is to explore the impact of emerging technologies, such as artificial intelligence and blockchain, on startup purchasing processes. We did not ask informants about startups' current stage of adoption of such technologies. Therefore, researchers could address the same research problem of improving the startup operative excellence by adopting the technology angle instead of purchasing organization. For instance, how AI-driven procurement systems will reshape purchasing process and improve operative excellence?

5.6. Reference

References can be found on page 189.



CHAPTER 6

Discussion – Findings and implications

6.1. Discussion

This chapter summarizes and discusses the research findings of chapters 2 to 5. Furthermore, it explains the connection between the research questions and the findings. Subsequently, we address the theoretical contributions and recommendations for startup managers and purchasers. Finally, we suggest future research directions.

6.1.1. Summary of key findings and contributions

The main objective of this thesis was to provide insights into:

How startups can become attractive customers to large suppliers.

We achieve this objective through a cumulative approach where each chapter is built upon the previous one. First, we explored buyer–supplier relationships in startups through a systematic literature review in chapter 2, identifying gaps for future research and key themes in the buyer–supplier relationship. Chapter 3 explores in greater detail those themes identified in chapter 2. These themes evolved into influencing factors in the cycle of preferred customership. In summary, the focus of chapter 3 is exploring the cycle of preferred customership to understand how startups can become attractive to suppliers and achieve preferred customer status. Chapter 4 combines and tests the factors identified in chapters 2 and 3. This chapter empirically tests and validates the factors identified in the previous chapters as important drivers of startups' attractiveness to large suppliers. Chapter 4 is based on an experiment that aims to test the significance, strength, and relative importance of the identified attractiveness factors, comparing the attractiveness of startups with those of incumbents. Finally, chapter 5 focuses on how to implement the findings from previous chapters. Primarily, it focuses on how to implement the research findings to improve startup attractiveness, specifically focusing on one of the factors identified in chapter 4 – namely, operative excellence, which has received less attention in the literature. Chapter 5 provides suggestions for startups to improve their attractiveness as industrial customers by organizing their purchasing activities so that operative excellence is enhanced. In this summary of key findings and contributions, we provide a brief overview of the main contributions of each chapter's research, highlighting the important factors that can improve startups' attractiveness to suppliers.

6.1.2. Chapter 2 – Buyer–supplier relationships in startups: A review of the literature and an agenda for future research

This chapter uses a systematic literature review to examine the current knowledge of startups in buyer–supplier relationships. Of the 51 papers reviewed, a limited number focus specifically on startups as buyers. Nevertheless, four themes emerged: customer attractiveness and relationship initiation; network; strategic compatibility; and innovation.

The main findings from relationship initiation and customer attractiveness are that startups must seek to become attractive partners and actively engage with large companies to manage the relationship professionally. However, startups may have an immature purchasing function, making them vulnerable to opportunistic behavior from salespeople when they are buyers. When startups are suppliers, they should build a marketing function to help initiate first customer relationships. Finally, the process of accessing contacts in large companies remains unknown.

This study identified startups as buyers and suppliers in the network theme. Resource access is a critical mechanism for startup success, and ties with suppliers and customers are essential resources. Geographic proximity can also play a role in the startup network because being located near suppliers and customers can facilitate access to resources and foster relationships. Trust is required where risk taking is present, and a lack of trust can harm startup buyer–supplier relationships. Under the power/control mechanism, reward power and weak ties with suppliers can protect startups from supplier opportunism. The signaling effect of winning a customer or government support can mitigate startup liabilities.

Furthermore, the literature highlights the importance of strategic compatibility in buyer–supplier relationships, which refers to the alignment of future goals and direction between buyer and supplier. Strategic compatibility is essential from the perspective of large companies seeking to source innovation from startups and startups that need to find compatible suppliers. From a large company perspective, effective search strategies and processes to select and develop startups as suppliers are essential. In contrast, from a startup perspective, power dynamics in the startup–supplier relationship need to be addressed, and buyer and supplier integration can mitigate the negative impact of the dynamic environment on new venture growth.

The innovation theme highlights the importance of startups as suppliers of innovation to large companies and the role of suppliers in startup innovation and new product development (NPD). The literature indicates that startups can be valuable suppliers of innovative ideas, although these ideas are less likely to be implemented than established ones. When startups are buyers, supplier involvement

can positively impact innovation, NPD, and performance, and financial and trust mechanisms can help in the supplier involvement process.

In short, the literature covers various aspects of buyer–supplier relationships in the context of startups. The main findings suggest that startups must be attractive partners, and they must proactively manage buyer–supplier relationships. A startup network is critical for success; ties with suppliers and customers are essential resources. Strategic compatibility is key in buyer–supplier relationships, and startups need to find compatible suppliers. Finally, startups are suppliers of innovation to large companies, and suppliers are crucial for startup innovation and new product development**.**

However, our findings have revealed a lack of research on customer attractiveness in the context of startups. Only three exploratory qualitative studies were identified, and no quantitative studies addressed the topics of customer attractiveness, supplier satisfaction, and preferred customer status in startups. This knowledge gap highlights the need for more startup-focused purchasing research. Overall, this chapter provides a theoretical foundation for understanding the potential influencing factors on startups in the cycle of preferred customership. These influencing factors are explored in greater detail in chapter 3.

6.1.3. Chapter 3 – How startups become attractive to suppliers and achieve preferred customer status: An analysis of preferred customership

In this chapter, we report on a world café event where we invited participants to discuss factors that influence the cycle of preferred customership for startups as buyers. We intentionally did not use the themes identified in chapter 2 as a starting point for the world café to avoid biasing participants. Rather, we let the concepts emerge from the participants themselves. We identified seven factors that play a role in the cycle of preferred customership for startups: (1) strategic compatibility; (2) innovation potential; (3) startup network; (4) credible growth opportunity; (5) profitability; (6) memorable experiences; and (7) purchaser sellership. Using data analysis, we compared the factors identified in the world café with the themes identified in the literature review in chapter 2. We found that network, strategic compatibility, and innovation factors identified in the world café were consistent with the themes in the buyer–supplier relationship literature in the context of startups. This allowed us to enrich the theoretical framework provided in chapter 2 with new insights from the world café.

Moreover, we compared the world café findings with customer attractiveness, supplier satisfaction, and preferred literature in the context of large buyers. From this comparison, we found that three factors (startup network, memorable experiences,

and purchaser sellership) were new and not previously reported in previous studies as antecedents of preferred customership. At the same time, the remaining four (innovation potential, credible growth ambitions, strategic compatibility, and profitability) were confirmed as existing factors previously identified in prior research, suggesting that these factors may also apply to startups.

This study provides a novel contribution to theory by providing a cycle of preferred customership framework in the context of startups. Furthermore, it introduces a previously overlooked phenomenon regarding supplier satisfaction and preferred customer status in the particular case of startups. The study supports early findings and extends the emerging research field of customer attractiveness in startups and young firms (Bjørgum et al., 2021; Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021).

This study carries implications for startup purchasing managers who may lack the tools and management practices to improve startup–supplier relationships to become preferred customers. The effective use of the startup network can be a valuable strategy to attract suppliers and eventually become preferred customers. Startups can leverage their unique characteristics, such as an informal business environment and startup culture, as a strategy to attract suppliers. Purchaser sellership can attract suppliers. Here, the startup purchaser must be proactive and advertise the startup's positive characteristics. Close collaboration between the purchasing and marketing departments could furnish purchasers with helpful information to promote the startup and convince suppliers of the startup's positive characteristics. Finally, startups could include the purchaser sellership as a desirable skill when writing job advertisements to hire purchasers.

The outputs from this chapter, such as the framework containing the factors influencing startups in the cycle of preferred customership, paved the way for quantitative research (Figure 16). Due to the lack of quantitative research in all three elements of the cycle of preferred customership, we made a conscious decision to select the research focus based on the order of the factors. The first element is customer attractiveness. Accordingly, we dedicated chapter 4 to this customership stage. The other two stages – supplier satisfaction and preferred customer – remained as opportunities for future research and were no longer addressed in the subsequent chapters.

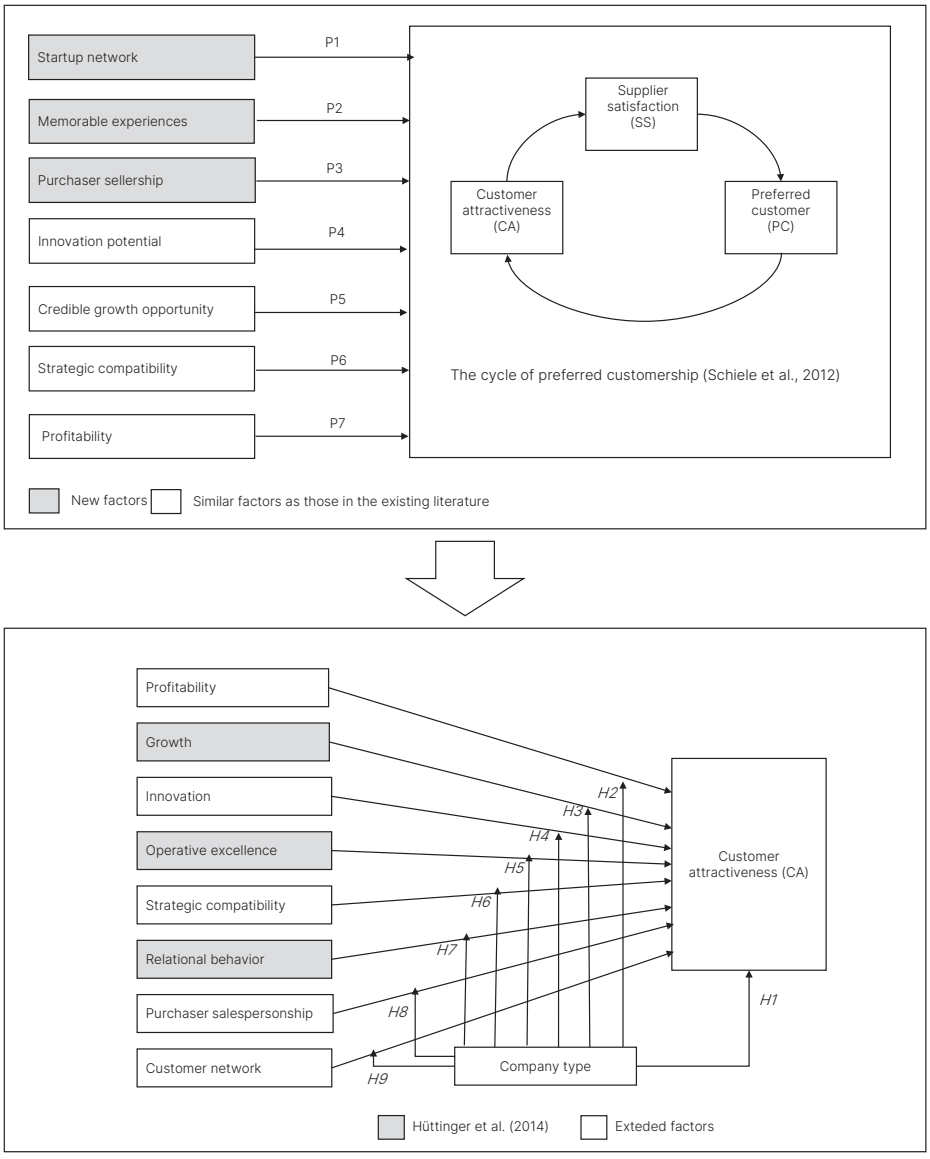


Figure 16: Chapter 3 as an input for chapter 4

6.1.4. Chapter 4 – Customer attractiveness of young firms: A comparative analysis of startups versus incumbents in supplier choice

In this chapter, we compared startups with incumbent buyers and their impact on customer attractiveness. This study observed a direct effect of company type on customer attractiveness and found that startups are less attractive than incumbents when accounting for all other attributes except company type. The results demonstrated that salespeople were less likely to choose startups (about two-thirds as likely) compared to incumbents. Moreover, we found a moderator effect of company type. Eight factors significantly impact the likelihood of being the attractive customer of choice. However, some factors are moderated by company type (startup or incumbent). Relational behavior and growth are not moderated by company type. Therefore, these factors seem equally important for both company types.

Moreover, when the company type is a startup, we found a negative moderation effect on profitability, purchaser salespersonship, and customer network. Therefore, these factors appear less relevant for startups compared to incumbents. Finally, when the company type is a startup, the results showed a positive moderation effect on strategic compatibility, operative excellence, and innovation, which appears to be more relevant for startups. In the following paragraphs, we describe the startup-specific factor in detail.

Innovation: The results of this study confirmed the hypothesis that innovation potential for suppliers positively impacts startup attractiveness more than incumbents' attractiveness. In this research context, innovation is the buying firm's innovation and technological factors leading to supplier innovation opportunities (Hüttinger et al., 2014). There were some contradictory positions in the literature. Some research studies contend that buying-firm innovation can attract suppliers (Fiocca, 1982; Hald et al., 2009), whereas others, such as Hüttinger et al. (2014), found no significant relationship between innovation and customer attractiveness. Nevertheless, it seems that a startup's innovative nature (Carland et al., 1984; Davidsson, 2004) is essential to improve attractiveness.

The review presented in chapter 2 revealed that the literature had already addressed innovation in startups. For example, when startups are the buyers, supplier involvement positively impacts new product development, performance, and innovation in startups (Song et al., 2011; Song et al., 2019; Song and Di Benedetto, 2008). Startups can function as a supplier of innovation to large companies. When startups are the suppliers, they can help their customers develop new products (Bruce, 1988; Homfeldt et al., 2019). Moreover, Homfeldt et al. (2019) found that ideas

from startup suppliers will have a higher degree of novelty than ideas from existing suppliers. Drawing on examples from previous work on startups innovating their customers, startups can innovate their suppliers using the innovation potential as a mechanism to attract suppliers.

Strategic compatibility is the shared future and strategic direction between the buyer and the supplier (Hüttinger et al., 2012). The study found a significant positive impact of strategic compatibility, consistent with previous research (Bew, 2007; Hüttinger et al., 2012; La Rocca et al., 2012). Moreover, the DCE results indicate that strategic compatibility is the most significant startup-specific factor, where it is more important for startups than for incumbents. This suggests that suppliers are attracted to startups who share a future and strategic direction with them. Therefore, purchasers should assess their portfolio of available suppliers and check for strategic alignment because this will result in improved attractiveness when multiple suppliers are available.

Moreover, the world café findings from chapter 3 showed that strategic compatibility was found to be an antecedent of the cycle of preferred customership. The literature review presented in chapter 2 uncovered the literature that addressed the large company–startup dyad. However, most studies focus on the large-firm perspective, where the startup is the supplier. Nevertheless, startups can draw on this study's findings to reveal what is needed to improve strategic compatibility when startups are buyers. Whether large companies are managing startups as suppliers or startups are managing large companies as suppliers, power asymmetry is a central topic in both cases.

Drawing on previous work concerning searching, selecting, and developing startups as suppliers (Kurpjuweit and Wagner, 2020; Simon et al., 2021; Zaremba et al., 2017) and the collaboration between corporations as buyers and startups as suppliers (Zaremba et al., 2016), startups can design strategies to select suppliers to improve strategic compatibility. Moreover, Kurpjuweit et al. (2021) argue that buyers can be: i) "skeptical buyers" who engage startups by accident or through the unavailability of an established supplier; ii) "opportunistic adapters" who look to close technological gaps; or iii) "systematic selectors" who look for radical benefits from startup suppliers. In the same vein, startups could categorize large suppliers as "skeptical suppliers" who engage with startups by accident and not by strategic choice, "opportunistic adapters" who will look for startup customers based on the innovation and technological learning effect, and "systematic selectors" who make selling to startup customers a strategic priority.

Operative excellence: This study hypothesis suggests that operative excellence can positively influence customer attractiveness. Operative excellence is the perceived operational efficiency of a customer, which can impact the convenience of doing business with the buying firm (Essig and Amann, 2009; Hüttinger et al., 2014) and can positively influence customer attractiveness (Hüttinger et al., 2014). This study expanded the operative excellence literature to include the context of startups, where suppliers may expect less efficient internal processes due to the startup's informal organization. We hypothesized that the visible operative excellence of startups positively impacts attractiveness more than is the case with incumbents. The DCE results confirmed the hypothesis suggesting that operative excellence is the second most important startup-specific factor in improving startup attractiveness. The findings are supported by previous research, which contends that operative excellence is more important for small firms, and suppliers are less concerned about the efficient processes of large firms (Hüttinger et al., 2014). The study found that salespeople are concerned with the ease of doing business with startups and are willing to trade other factors for high operative excellence. Startup buyers need to ensure that their firm professionally manages its operations to improve its attractiveness to suppliers.

However, we did not identify studies that focused on operative excellence in startups during the literature review. Accordingly, a research gap exists regarding operative excellence in startups, which we aim to address in chapter 5. Therefore, we have dedicated chapter 5 to examining operative excellence specifically, rather than innovation or strategic compatibility, which have already been covered by the literature (Figure 17).

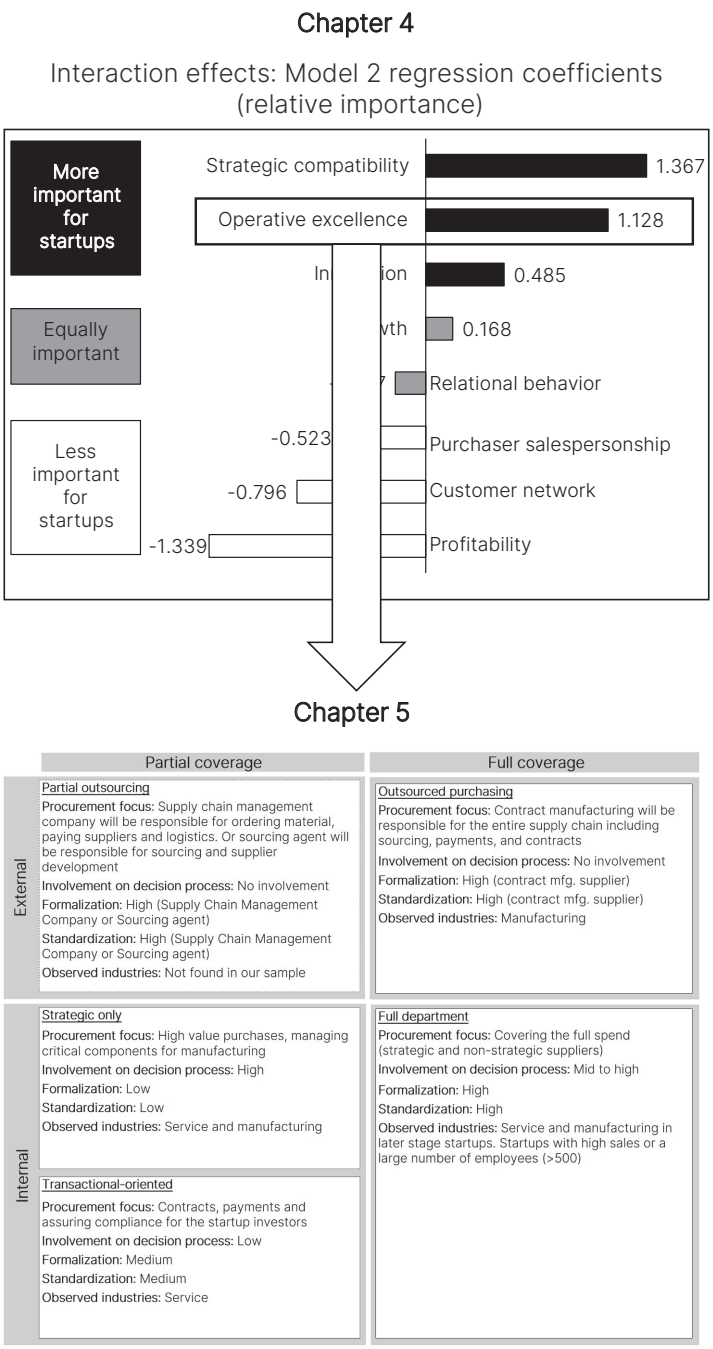


Figure 17: Chapter 4 as an input for Chapter 5

6.1.5. Chapter 5 – Improving startups' attractiveness as industrial customers by organizing their purchasing activities

As a final step in this research project, we offer an in-depth investigation of one of the three main startup-specific attractiveness factors. We have investigated the purchasing organization as a way to improve operative excellence. Through interviews with startups, we offer detailed descriptions regarding the operative excellence construct.

Addressing the first sub-question – "How do startups organize their purchasing activities?" – chapter 5 demonstrates how startups organize their purchasing activities to improve operative excellence and become attractive customers. This study found that startups organize the purchasing function in four ways: transactional-oriented; strategic only; outsourced purchasing; and full department. Moreover, we conceptualized a fifth option, partial outsourcing. Each of the five organizational types has advantages and disadvantages regarding operative excellence.

Nevertheless, data suggest that outsourced purchasing and the full department may have higher operative excellence than transactional-oriented and strategic only. Outsourcing purchasing is a strategy consistent with the work of Bustamante (2019), who suggested that startups can save organizational resources by outsourcing. Moreover, Steinbruch et al. (2022) suggested that early-stage startups can use outsourcing to address their limited experience and knowledge. However, as a result of purchasing organization advantages and disadvantages, startups should select which design is appropriate to achieve the desired level of operative excellence while balancing department size, process formalization, and standardization. Furthermore, we developed five propositions to be used as a guide to select the appropriate purchasing organization type given the startup development stage, type of startup, flexibility needs, and process formalization needs.

Proposition 1: Early-stage startups can use sourcing agents to procure suppliers, simplify the ordering process, and benefit from economies of scale by leveraging sourcing agents' existing network of suppliers.

Proposition 2: Startups can improve adherence to the purchasing policies and processes (e.g., supplier payments, supplier contracts) by implementing a transactional-oriented purchasing organization.

Proposition 3: Startups can improve the scalability and flexibility of the purchasing organization by implementing a strategic-only organization.

Proposition 4: Hardware startups can quickly build a network of suppliers by outsourcing purchasing to contract manufacturing suppliers.

Proposition 5: Later-stage startups maintaining consistent sales can implement a full department and improve purchasing performance in terms of cost, operative excellence, and ensuring adherence to the purchasing policies and processes.

To address the second sub-question – "What is the impact of purchasing organization on operative excellence?" – we have established a relationship between each purchasing organization type and operative excellence. Accordingly, we can offer practical guidance to select the appropriate purchasing organization.

Figure 18 provides a guide to selecting the appropriate purchasing organization based on inputs (startup development stage, type of startup, flexibility needs, and process formalization needs). Each purchasing organization has advantages and disadvantages. Startups should consider which purchasing organization type is appropriate to achieve the desired level of operative excellence while balancing department size, process formalization, and standardization. As a result, the purchasing organization type implemented at the startup will impact operative excellence antecedents, such as forecasting, payment habits, ordering process, contact accessibility, and quick decision making.

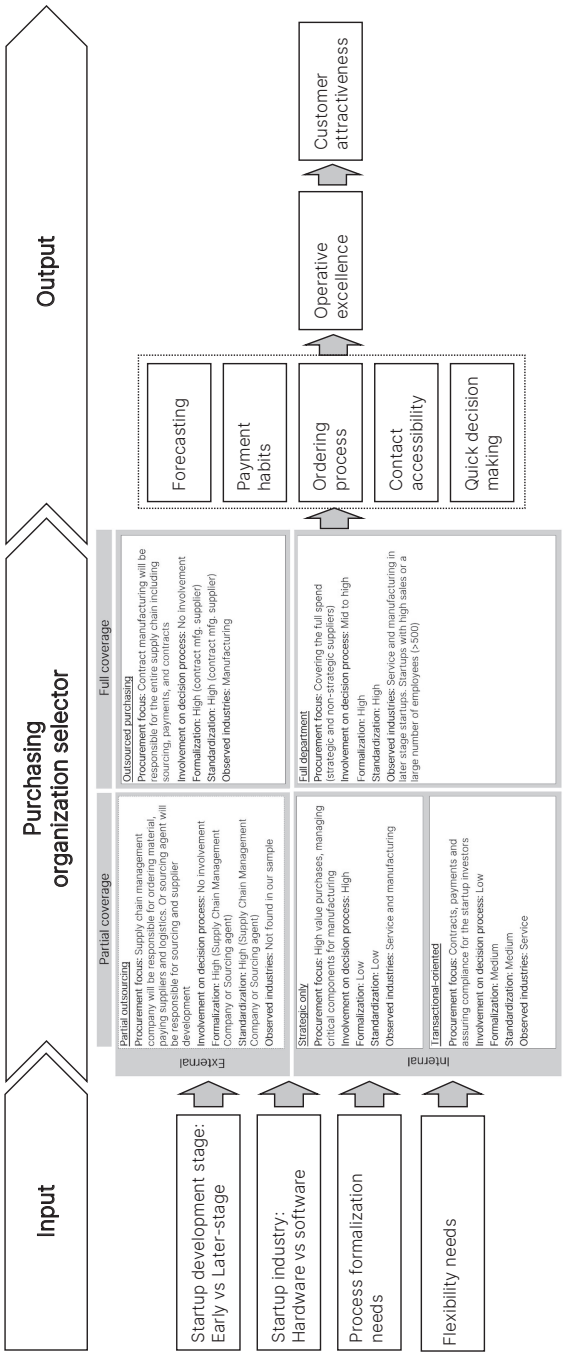


Figure 18: Purchasing organization selector

6.1.6. Comparative analysis and summary of the factors from chapters 2 to 5

This section presents a comparative analysis and summary of the key factors influencing startup attractiveness, as identified in chapters 2 to 5. We made a thorough comparison of key factors influencing startup attractiveness as identified in each chapter. This approach serves two primary objectives.

Firstly, we aimed to verify the consistency of findings across the chapters and to highlight any contradictions. Our analysis concludes that the factors identified in each chapter align with and confirm each other. For instance, factors such as the startup network, innovation, and strategic compatibility consistently emerge across multiple chapters. Nevertheless, new factors initially surfaced in the exploratory study presented in chapter 3, which were subsequently confirmed in a quantitative study in chapter 4.

Secondly, our goal was to highlight any notable differences in findings between chapters. While there are no major contradictions, subtle nuances emerge when comparing the findings of each chapter. The two most significant differences observed are: i) purchasers and salespersons may have different perspectives regarding the importance of certain customer attractiveness factors, and ii) salespersons attach higher importance to operative excellence than purchasers may realize.

6.1.6.1. Purchasers and salespersons have different views regarding the importance of customer attractiveness factors.

One notable finding is the discrepancy between the views of purchasers and salespersons regarding the importance of relational and economic customer attractiveness factors. This difference is observed in the findings from the world café study presented in chapter 3, which involved 10 purchasers and 5 suppliers. The study ranked factors based on consensus among the participants, with certain factors receiving higher scores. Subsequent empirical testing in chapter 4, focusing on the supplier perspective, confirmed these factors but revealed a different ranking order. Surprisingly, chapter 4 shows that salespeople may value relational factors (such as relationship behavior and purchaser sellership) more than economic ones (such as growth and profit). The world café, composed of 66% of purchasers, produced a ranking showing a stronger preference for economic factors.

Furthermore, the results suggest that purchasers and salespeople have differing views on the factor strength driving customer attractiveness. Moreover, purchasers may believe that profits matter more than relationships when dealing with salespeople. Purchasers may overlook the value of relational factors. In fact, focusing

on these factors can be a cost-effective strategy to improve customer attractiveness. A possible explanation for salespeople's preference for relational factors is that salespeople are not business owners and, whilst profits benefit their companies, relational factors make sales easier in business-to-business relationships. This conclusion is similar to Vos et al. (2016) who stated that relational factors, such as relational behavior, have a similar or more significant impact on supplier satisfaction than economic factors, such as profitability and growth. According to the authors, buyers can still receive preferential treatment from suppliers by building good relationships and being reliable, even if they cannot offer considerable economic value.

6.1.6.2. Salespersons attach higher importance to operative excellence than purchasers may realize.

The second notable finding is the high importance salespersons attach to operative excellence, a value that purchasers may not fully recognize. This insight emerged when comparing the list of customer attractiveness factors between chapters 3 and 4. In the world café study in chapter 3, operative excellence did not emerge as a significant factor from the perspective of a mixed group of 10 purchasers and five salespeople. This finding suggests that the participants may not have fully acknowledged its importance. However, a shift to the salespeople's perspective in chapter 4 revealed a different picture. Using a discrete choice experiment (DCE), we found that operational excellence is in fact fundamental from a salespeople's perspective. This surprising finding suggests that purchasers may be unaware of operational excellence's significance. To address this, in chapter 5, we propose that the purchasing organization is a means to improve operational excellence. However, in the first instance, there needs to be increased awareness of its importance. By raising awareness of the importance of operative excellence, startups and purchasers can prioritize and allocate resources to improve purchasing processes and systems, leading to higher operational excellence and, ultimately, to preferred customer status.

6.1.6.3. Summary of key findings

In summary, Figure 19 shows a summary of the findings across all four papers, while Table 15 shows the research questions, key findings and theoretical contributions. This research project started with chapter 2, where we conducted a systematic

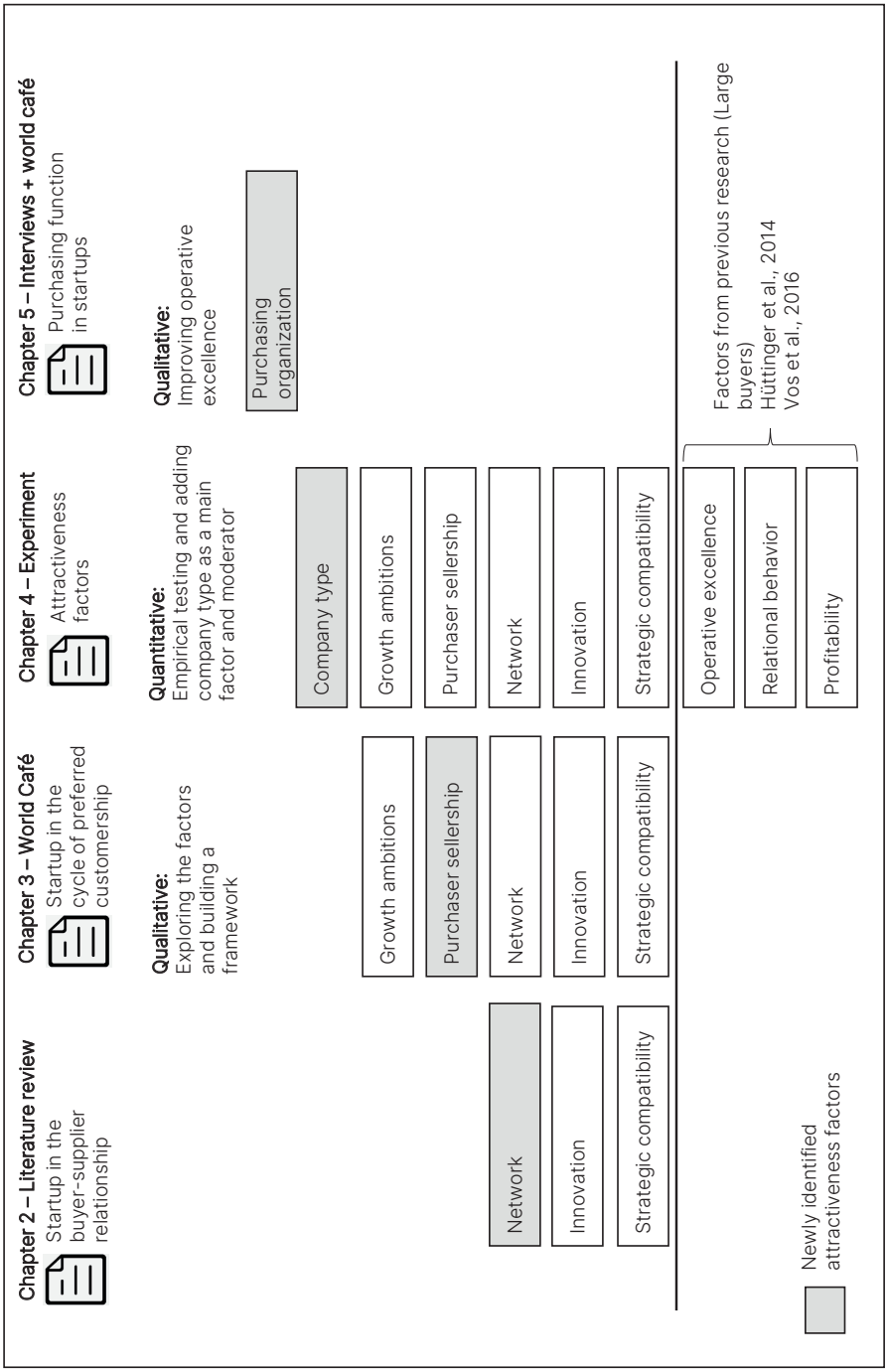


Figure 19: Findings summary

literature review of startups in the buyer–supplier relationship due to the lack of existing literature on startup attractiveness. We identified themes that enriched our understanding of potential startup attractiveness factors. In chapter 3, we conducted a world café and proposed a framework for empirical testing. In chapter 4, we conducted a discrete choice experiment to test a research model that combined the results from the world café, the factors from Hüttinger et al. (2014), and recent customer attractiveness literature. Our study aimed to identify the most important factors influencing customer attractiveness in startups. In addition, we investigated the impact of company type as a main effect and moderator. Finally, in chapter 5, we analyzed more deeply the process of improving operative excellence through purchasing organization.

Overall, this research aimed to answer the question of how startups can become attractive customers to large suppliers. The findings indicate that startups can attract suppliers by:

- **Leveraging** their innovative nature
- **Improving** operative excellence through better organizing of purchasing
- **Searching** for suppliers strategically compatible with the startup

These insights offer practical implications for startups seeking to improve their supplier relationships, attract suppliers, and become preferred customers.

Table 15: Overview of research questions, key findings and theoretical contributions

	RQ	Key findings	Theoretical contributions
Chapter 2	**Sub-question 1**: What do we know about the startup in the buyer–supplier relationship?	This paper structures the buyer–supplier relationship literature into four themes: relationship initiation, network, strategic compatibility, and innovation. It also identifies four pathways for future startup purchasing research. (1) Explore the startup network antecedents in the context of the buyer–supplier relationship. (2) Connecting startup networks with relationship initiation and customer attractiveness. (3) Connecting strategic compatibility with relationship initiation and customer attractiveness. (4) Connecting innovation with relationship initiation and customer attractiveness.	(1) It synthesizes existing knowledge, addressing literature fragmentation of the buyer-supplier relationship in startups. Systematically reviewing and categorizing studies under four different themes provides a comprehensive overview of the current state of knowledge and reveals the lack of customer attractiveness research in the context of startups. (2) It provides guidelines for future research. The findings from this systematic review of the evidence have laid the groundwork for future purchasing research in the startup context.

Table 15 (Continued)

	RQ	Key findings	Theoretical contributions
Chapter 3	**Sub-question 2:** Which factors influence the cycle of preferred customership in the context of startups as buyers?	We identified seven factors that influence the cycle of preferred customership for startups: (1) strategic compatibility; (2) innovation potential; (3) startup network; (4) credible growth opportunity; (5) profitability; (6) memorable experiences; and (7) purchaser sellership. We also found that memorable experiences and profitability might be less relevant in the customer attractiveness phase.	(1) It provides a novel contribution to theory by providing a cycle of preferred customership framework in the context of startups. (2) It introduces a previously overlooked phenomenon regarding supplier satisfaction and preferred customer status in the particular case of startups. (3) Supports early findings and extends the emerging research field of customer attractiveness in startups and young firms (Bjørgum et al., 2021; Jenkins and Holcomb, 2021; La Rocca and Snehota, 2021).
Chapter 4	**Sub-question 3a:** What is the impact of company type (startup versus incumbents) on customer attractiveness? **Sub-question 3b:** What factors influence startups' attractiveness to suppliers?	(a) This study observed a direct effect of company type on customer attractiveness and found that startups are less attractive than incumbents when accounting for all other attributes except company type. (b) We found a positive moderation effect of startup as company type on strategic compatibility, operative excellence, and innovation, which appear to be more relevant factors for startups. Also, relational behavior and growth are not moderated by company type. Therefore, these factors seem equally important for both company types.	(1) It introduces company type as a new causal mechanism for customer attractiveness, revealing significant differences between startup and established company attractiveness. (2) Introduce company type as a moderator variable that affects the strength of customer attractiveness influencing factors. (3) It extends the customer attractiveness understanding by integrating qualitative and quantitative research, yielding a comprehensive model for both startups' and incumbents' attractiveness.

Table 15 (Continued)

	RQ	Key findings	Theoretical contributions
Chapter 5	**Sub-question 4a:** How do startups organize their purchasing activities? **Sub-question 4b:** What is the impact of purchasing organization on operative excellence?	(a) We found that startups organize the purchasing function in four ways: transactional-oriented; strategic only; outsourced purchasing; and full department. Moreover, we conceptualized a fifth option, partial outsourcing. (b) We have established relationships between each purchasing organization type and operative excellence. Moreover, each purchasing organization type implemented at the startup will have advantages and disadvantages regarding operative excellence antecedents, such as forecasting, payment habits, ordering process, contact accessibility, and quick decision making.	(1) It introduces startups as a new, previously overlooked unit of analysis that contributes to existing knowledge of Purchasing and Supply Organization (Bals et al., 2018) by providing a framework that extends organizational models for the particular case of startups. (2) It contributes to the customer attractiveness literature (Hüttinger et al., 2014) by introducing purchasing organization to increase operative excellence. (3) It introduces a new causal mechanism, connecting the purchasing organization with the operative excellence literature that had been studied in isolation. This paper joined them by proposing operative excellence as an outcome of purchasing organization. (4) It contributes to entrepreneurship literature by explaining how to organize purchasing activities in startups.

6.2. Managerial implications: A guide to improve startup attractiveness

The findings of this dissertation carry implications for practice. The following section will discuss the findings' implications for startup purchasing managers. The results from the experiment in chapter 4 demonstrated that startups are statistically significantly less attractive to suppliers than incumbent ones. The findings of this study have significant implications for startups seeking to attract and access supplier resources. Specifically, our experiment in chapter 4 revealed that startups may face challenges when competing against incumbent buyers because suppliers perceive them as less attractive.

The first implication of our findings is for purchasing managers. They need to be aware of startups' low attractiveness, particularly if they have previous experience working for large companies that are highly attractive to suppliers. In such cases, purchasing managers may lack experience working with startups and may not realize that startups are less attractive to suppliers. This could lead to difficulty in accessing suppliers because the purchasing managers may assume that startups have a long list of suppliers waiting to do business with them, given their high media attention and reputation for innovation and growth. To address this issue, purchasing managers should take steps to familiarize themselves with the unique challenges faced by startups in accessing supplier resources. In addition, the results of our experiment in chapter 4 identified several factors that affect startup attractiveness – namely, profitability, growth, innovation, operative excellence, strategic compatibility, relational behavior, purchaser salespersonship, and customer network. Purchasing managers can develop strategies to improve startup attractiveness by focusing on these factors.

In addition, the startup ecosystem, such as startup incubators and accelerators, could play a critical role in promoting greater collaboration between startups and suppliers. This could include helping startups to find suppliers, better navigating the supplier selection process, and incentivizing suppliers to work with startups. For example, startup incubators could maintain a list of supplier contacts per product or service type, similar to a catalog. Finally, governments and policymakers could develop programs offering incentives to encourage suppliers to work with startups and help address the startup attractiveness issue.

When managing startup–supplier relationships, startup purchasing managers may lack the necessary tools and practices to become preferred customers. However, this study highlights strategies that can aid these managers in industries where suppliers are critical, and competition for them is fierce. By enhancing customer

attractiveness, startups can improve their competitive positioning. The results of this research have identified several factors to improve startup attractiveness. In the following paragraphs, we will discuss their practical implications.

6.2.1. Strategic compatibility

Strategic compatibility refers to the shared future and strategic direction between the buyer and the supplier (Hüttinger et al., 2012). The experiment in chapter 4 demonstrated that strategic compatibility is the most significant startup-specific factor in improving startup attractiveness to suppliers. Purchasing managers should concentrate on understanding the strategic focus of potential suppliers and how their startup's direction aligns with them. In doing so, they can identify suppliers that share the same vision. This requires open communication between the startup and the supplier, allowing both parties to disclose their strategic plans. In addition, purchasing managers should actively seek out clues for strategic compatibility. For instance, they could search online for suppliers' websites, annual reports, and other publicly available information to identify potential fits for their startup. One good indication of strategic compatibility can be found with suppliers who already have startup customers. Therefore, this could be the first question that purchasing managers should ask potential suppliers. By paying attention to strategic compatibility, purchasing managers can identify suppliers who share the same future and strategic direction as their startups, which can improve attractiveness. In addition to strategic compatibility, operative excellence is an important factor in improving startup attractiveness to suppliers.

6.2.2. Operative excellence

Operative excellence is the supplier's perceived operational efficiency of their customers, which can impact the convenience of doing business with the buying firm (Essig and Amann, 2009; Hüttinger et al., 2014). The experiment in chapter 4 demonstrated that operative excellence is the second most significant startup-specific factor in improving startup attractiveness to suppliers. Purchasing managers should prioritize professionalizing the purchasing function by implementing standardized processes, sharing accurate sales forecasts, and paying suppliers on time to improve operative excellence. By demonstrating strong operative excellence, purchasing managers need to convince suppliers that they are dealing with a professional organization. Moreover, purchasing managers should seek feedback on how suppliers perceive their startup's operative excellence. This supplier feedback could help improve the purchasing processes of startups and address any concerns. Finally, it may be beneficial for purchasing managers to implement KPIs to monitor

their startup's operative excellence metrics, such as forecast accuracy and on-time payment. In addition to operative excellence, innovation is another important factor in improving startup attractiveness to suppliers.

6.2.3. Innovation

Innovation concerns the buying firm's innovation potential and the technological factors that can lead to supplier opportunities for innovation (Hüttinger et al., 2014). The experiment in chapter 4 demonstrated that innovation is the third most significant startup-specific factor in improving startup attractiveness to suppliers. Therefore, purchasing managers need to be well versed in their startup's innovation capabilities to present suppliers with unique opportunities for collaboration and co-innovation. This requires constant communication with the startup technical department, staying up to date with the latest developments, and attending relevant conferences and events. Additionally, purchasing managers should involve suppliers in the innovation process early, seeking their input and feedback on new products and service development. Purchasing managers can improve startup attractiveness by leveraging their startup's innovation potential and working closely with suppliers.

6.2.4. Growth

Growth is the supplier's opportunity to increase sales volumes during the buyer–supplier relationship due to new business opportunities created by the buying firm (Hüttinger et al., 2014; Walter et al., 2001). The experiment in chapter 4 demonstrated that growth is equally important for startups and incumbents. Therefore, growth is not a startup-specific factor. However, it can improve the attractiveness of startups and incumbents. Additionally, it is essential to note that growth may not be as crucial in defining startup attractiveness as commonly assumed, and managers should avoid overstating the startup's growth potential or providing unrealistic projections.

While factors such as relational behavior, purchaser salespersonship, customer network, and profitability may be less relevant to startups, they can still contribute to improving their attractiveness to suppliers. In addition to the factors previously discussed, startups can utilize their networks effectively to attract suppliers. This can involve developing targeted marketing campaigns and highlighting the startup's network of reputable investors and customers. Furthermore, by actively promoting the startup's positive attributes and "selling" themselves, purchasing managers can increase the startup's attractiveness to suppliers. To achieve this, startups should include skills such as purchaser sellership when advertising purchasing positions.

6.3. Future research

This research project makes several theoretical contributions to what has, thus far, been a limited field of startup-focused purchasing research. However, there is ample room for further progress in purchasing research in the context of startups. Every new chapter sets up opportunities for future startup research (Figure 20). Some opportunities are addressed in the subsequent chapters and others are beyond the scope of this dissertation. At the end of each study, in chapters 2, 3, 4, and 5, we present the limitations and future research directions. In addition to the future research directions illustrated in each study, the following paragraphs offer future research possibilities to advance further purchasing research in startups.

6.3.1. Moving toward a narrower unit of analysis and exploring startup development stages

Future investigations could target specific industries to enhance understanding of industry-specific needs regarding startup attractiveness. Additionally, conducting analysis across different startup development stages can help to understand how attractiveness factors may vary at each stage. A general limitation of this study is the unit of analysis. Our study primarily targeted venture-capital-funded entrepreneurial startups without limiting the study to a particular industry. That was a conscious decision because this research moves from the general to the specific. Accordingly, a future research possibility is to move one step further in the unit of analysis and focus on specific industries – for example, explore the differences between startups based on their primary offering, comparing hardware and software startups. Research questions that could be explored include: which startup can benefit the most from attracting suppliers – hardware or software startups? By conducting industry-specific research, we anticipate gaining insights into the unique requirements of different industries regarding startup attractiveness. For instance, hardware startups, which may be involved in new product development, might place greater emphasis on supplier relationships and supplier collaboration to access supplier resources in order to develop their innovative products.

Moreover, we made no distinction between the startup development phases. Hence, future studies could explore attractiveness in different development stages – for example, studies comparing the attractiveness of startups in the early stage, development stage, and later stage. Such future research could complement the works of Hietschold and Fottner (2018), who propose distinct procurement processes for startups in procurement logistics given each startup development stage (seed, startup, expansion, later stage). Hence, future research questions could

include: What is the relationship between attractiveness and startup development stages?

We anticipate that, in the early stages, startups may primarily need suppliers to support prototyping and small-scale production during new product development, with attractiveness factors, such as innovation and knowledge sharing, being more prominent. In contrast, in the later stages, when startups aim to scale up their production, attractiveness factors, such as volume growth, may become more important factors for suppliers. By further exploring these distinct stages and how customer attractiveness factors differ, we can better understand how to improve startup attractiveness, given the evolving needs as startups grow and develop. Exploring startup attractiveness in different development stages could connect customer attractiveness with the work of Greiner (1998) and provide insights into how startups can attract suppliers effectively at every development stage.

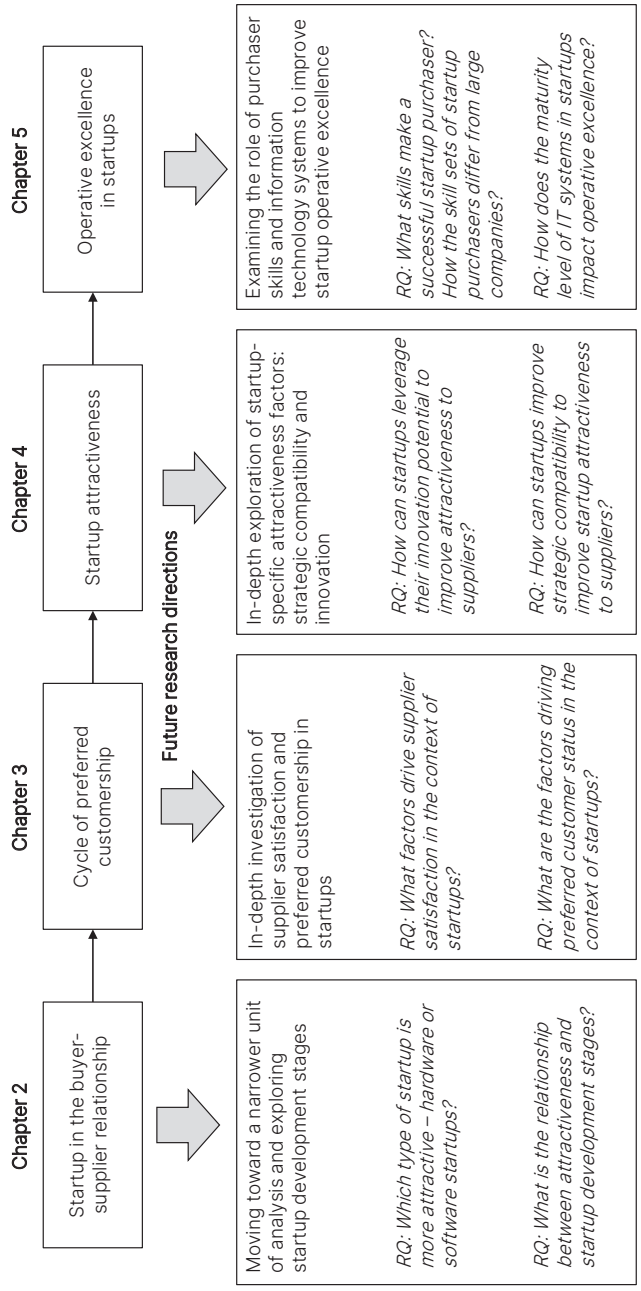


Figure 20: Future research

6.3.2. In-depth investigation of supplier satisfaction and preferred customership in startups

Future investigations could conduct in-depth investigations into supplier satisfaction and preferred customership in the context of startups. While existing research has provided insights into these areas for large companies, there remains ample opportunity for further exploration in the context of startups. In chapter 3, we conducted an exploratory study of startups in the cycle of preferred customership. In chapter 4, we presented a quantitative investigation of customer attractiveness in startups. However, to the best of our knowledge, there are no quantitative studies of supplier satisfaction and preferred customership in startups. Therefore, the preferred customership literature (Hüttinger et al., 2014; Schiele, 2022; Vos et al., 2016) and the customer attractiveness literature for startups (La Rocca and Snehota, 2021) present a less than complete picture, where the aforementioned issues have yet to be empirically tested and where all the factors influencing each stage of the cycle of preferred customership have not been fully examined in the startup context. This is necessary to fully understand how startups can mobilize supplier resources in the face of startup liabilities. Startup customer attractiveness (La Rocca and Snehota, 2021) is the first step to supplier resource mobilization (Schiele et al., 2012). However, startups will need to satisfy supplier needs to achieve a preferred customer status that might lead to exclusive resource allocation by suppliers. Hence, future research could investigate supplier satisfaction and preferred customership in startups. Examples of research questions include: What factors drive supplier satisfaction in the context of startups? What are the factors driving preferred customer status in the context of startups?

We anticipate, similar to the findings on customer attractiveness, that we will discover startup-specific factors influencing supplier satisfaction and preferred customership. Furthermore, we expect that some factors will remain critical but with a shift in their relative importance as the relationship progresses in the different stages of the cycle of preferred customership. For instance, while certain factors may be more important in the first stages of the relationship, such as purchaser sellership, factors such as profitability may gain prominence as the relationship develops. Finally, new factors, such as providing memorable experiences that increase salespeople's personal satisfaction, can be considered as the relationship progresses. Exploring these dynamics will provide valuable insights into the evolving nature of the startup–supplier relationship, advancing research from customer attractiveness to satisfaction and preferred customership in startups.

6.3.3. In-depth examination of startup-specific attractiveness factors: strategic compatibility and innovation

Future research could undertake a comprehensive examination of startup-specific attractiveness factors, with a particular focus on strategic compatibility and innovation. In previous chapters, we identified three startup-specific attractiveness factors: strategic compatibility, operative excellence, and innovation. While chapter 5 provided an in-depth examination of operative excellence, our findings in chapter 4 revealed two additional areas that require further investigation: strategic compatibility and innovation.

Innovation is a prominent startup characteristic (Carland et al., 1984). Several studies (Jenkins and Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021) highlight the importance of innovation and technological advancement in the relationship between startups and suppliers. Suppliers are attracted to startups who demonstrate innovation potential and proactive technological competence (Kragh et al., 2022). Additionally, suppliers could engage with startups to become better acquainted with new technologies and potentially attract future customers (Jenkins and Holcomb, 2021). The importance of innovation potential for startup attractiveness is broadly supported in startup-focused customer attractiveness research (Jenkins and Holcomb, 2021; Kragh et al., 2022; La Rocca and Snehota, 2021). However, it is still unclear how startups can leverage their innovation potential to attract suppliers. To better understand the role of the innovation factor in driving startup attractiveness, future research could explore questions such as: How can startups leverage their innovation potential to improve attractiveness to suppliers? We anticipate that startup purchasers will need to prioritize and highlight startup innovation in supplier discussions to increase supplier awareness regarding startup innovation. By placing startup innovation at the center of the conversation with suppliers, purchasers can effectively communicate the unique value proposition and potential benefits that startups offer to suppliers. This approach can help suppliers recognize and appreciate the innovation potential of startups, leading to improved attractiveness.

Furthermore, there is less startup-focused research regarding strategic compatibility. Nevertheless, La Rocca and Snehota (2021) highlight the significance of suppliers partnering with startups to develop new technologies and learn about emerging technologies beyond immediate financial gains. Moreover, they suggest that suppliers may want to work with startups to acquire new knowledge and access other opportunities. Thus, strategic compatibility remains an area that has received relatively little research attention in the context of customer attractiveness for startups. Questions that could be explored in future research to understand

better how the strategic compatibility factor drives startup attractiveness include: How can startups improve strategic compatibility to improve startup attractiveness to suppliers? We expect improvements in the supplier selection process to impact strategic compatibility positively. By carefully evaluating and selecting suppliers that align with their strategic goals, startups can increase the likelihood of establishing strategic compatibility.

Overall, with an in-depth examination of these startup-specific attractiveness factors, we can better understand their antecedents and the mechanisms that startups can use to leverage strategic compatibility and innovation factors and develop more targeted strategies to enhance startup attractiveness.

6.3.4. Examining the role of purchaser skills and information technology systems to improve startup operative excellence.

Future investigations could propose alternative strategies to improve operative excellence. For example, purchasing skills and information technology systems are currently underexplored in the customer attractiveness literature. While chapter 5 presents five purchasing organizations' options for startups to improve operative excellence, there are still opportunities for further investigation.

For instance, we did not delve into the specific skills that startup purchasers require to enhance operative excellence. Exploring these specific skills holds considerable importance. Startup purchasers often face unique challenges that require adaptability and flexibility to accommodate startup uncertainties and urgent demands. Compared to incumbents, startups have fewer formal processes and unstable operations in their growth phase. Moreover, technological developments are changing the procurement skills required (Delke et al., 2022). Training supply managers is critical, and different purchasing objectives require different skill sets (Stek and Schiele, 2021). For example, Stek and Schiele (2021) identified different skill sets to achieve specific objectives, such as supplier satisfaction. Nonetheless, the link between purchasing skills and operative excellence is still missing. Consequently, there are still opportunities for further investigation. Future research could examine the skills required by startup purchasers to improve operative excellence because this is still absent in the literature. Hence, a more general question related to purchaser skills is: What skills make a successful startup purchaser? In addition, how do the skill sets of startup purchasers differ from large companies? By uncovering the essential skills and competencies necessary for successful startup purchasers, researchers can contribute to the development of training programs specific to startups. This research could shed light on the factors contributing to the effectiveness of startup purchasing teams and their ability to drive operational

excellence. The expected results suggest that specific skills tailored to the startup environment may be crucial for successful purchasing in these settings.

Finally, evidence from the interviews in chapter 5 supported the idea that information technology systems are deficient in startups. Indeed, e-purchasing and e-procurement software (Delke et al., 2022) might be absent in startups. Hence, future studies could explore the effects of startup information technology (IT) systems on operative excellence – for example, studies comparing different maturity levels of IT systems and their relationship with operative excellence. Studies on startup IT maturity could extend purchasing maturity models (Andreasen and Gammelgaard, 2018; Schiele, 2007) to the startup case. This can provide valuable insights into how startups can effectively leverage IT to improve their procurement processes and, thus, convince suppliers that they are dealing with startups who are professional buyers. Therefore, a possible research question could be: "How does the maturity level of information technology systems in startups impact operative excellence?" Improved systems are anticipated to enhance purchasing, particularly in demand planning, order management, and supplier invoice payment. As a result, these advances are expected to offer notable improvements for suppliers, enhancing their experience with startups.

ACADEMIC OUTPUT OF THE DISSERTATION

Publications included in the dissertation

Chapter 2: Buyer–supplier relationships in startups: A Review of the Literature and Agenda for Future Research.
The main part of this chapter has been published as a conference paper.
Tessaro, J., Harms, R. and Schiele, H. (2020). Startups in the buyer–supplier relationship, limitations to be an attractive customer: definitions and theoretical framework. IPSERA 2020 Conference Proceedings. Knoxville, Tennessee, USA: International. pp. 27

Chapter 3 – How startups become attractive to suppliers and achieve preferred customer status: Factors influencing the positioning of young firms.
This paper has been published as:
Tessaro, J. A., Harms, R. and Schiele, H. (2023). How startups become attractive to suppliers and achieve preferred customer status: Factors influencing the positioning of young firms. Industrial Marketing Management, Vol. 113, pp. 100-115. doi:10.1016/j.indmarman.2023.05.024

A previous version of this chapter was published as a conference paper:
Tessaro, J., Harms, R. and Schiele, H. (2022). Startup–supplier relationships. How startups attract large suppliers and compete for preferential treatment. IPSERA 2022 Conference Proceedings. Jönköping, April April 10th-13th, pp. 14.

Chapter 4 – Customer attractiveness of young firms: A comparative analysis of startups versus incumbents in supplier choice
This paper is currently under review in the Journal of Purchasing and Supply Management.

A previous version of this chapter was published as a conference paper:
Tessaro, J., Harms, R. and Schiele, H. (2023). Startups vs. well-established companies. What factors influence suppliers' choices for an attractive customer? IPSERA 2023 Conference Proceedings. Barcelona, Spain. April 2nd-5th, pp. 56.

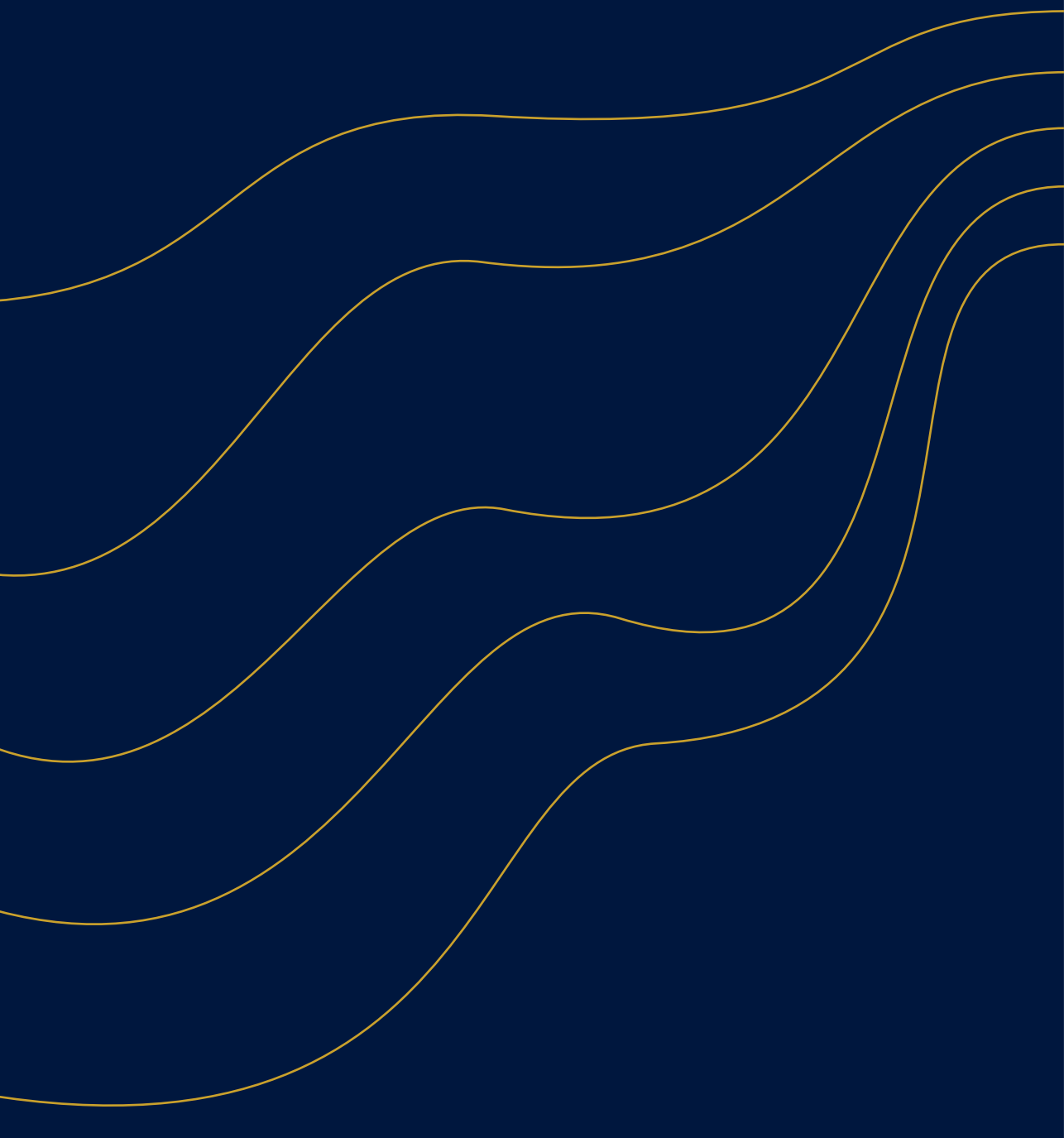
Chapter 5 – Improving startup's attractiveness as industrial customers by organizing their purchasing activities.

This paper has been published as:

Tessaro, J. A., Harms, R. and Schiele, H. (2023). Improving startup's attractiveness as industrial customers by organizing their purchasing activities. Journal of Global Operations and Strategic Sourcing, Vol. ahead-of-print, No ahead-of-print. doi:10.1108/JGOSS-07-2022-0083

A previous version of this chapter was presented at a conference as:

Tessaro, J. A., Harms, R. and Schiele, H. (2021). Exploring how startups organize the purchasing function. Apr 2021, IPSERA Online Conference Abstracts. pp. 23-24.



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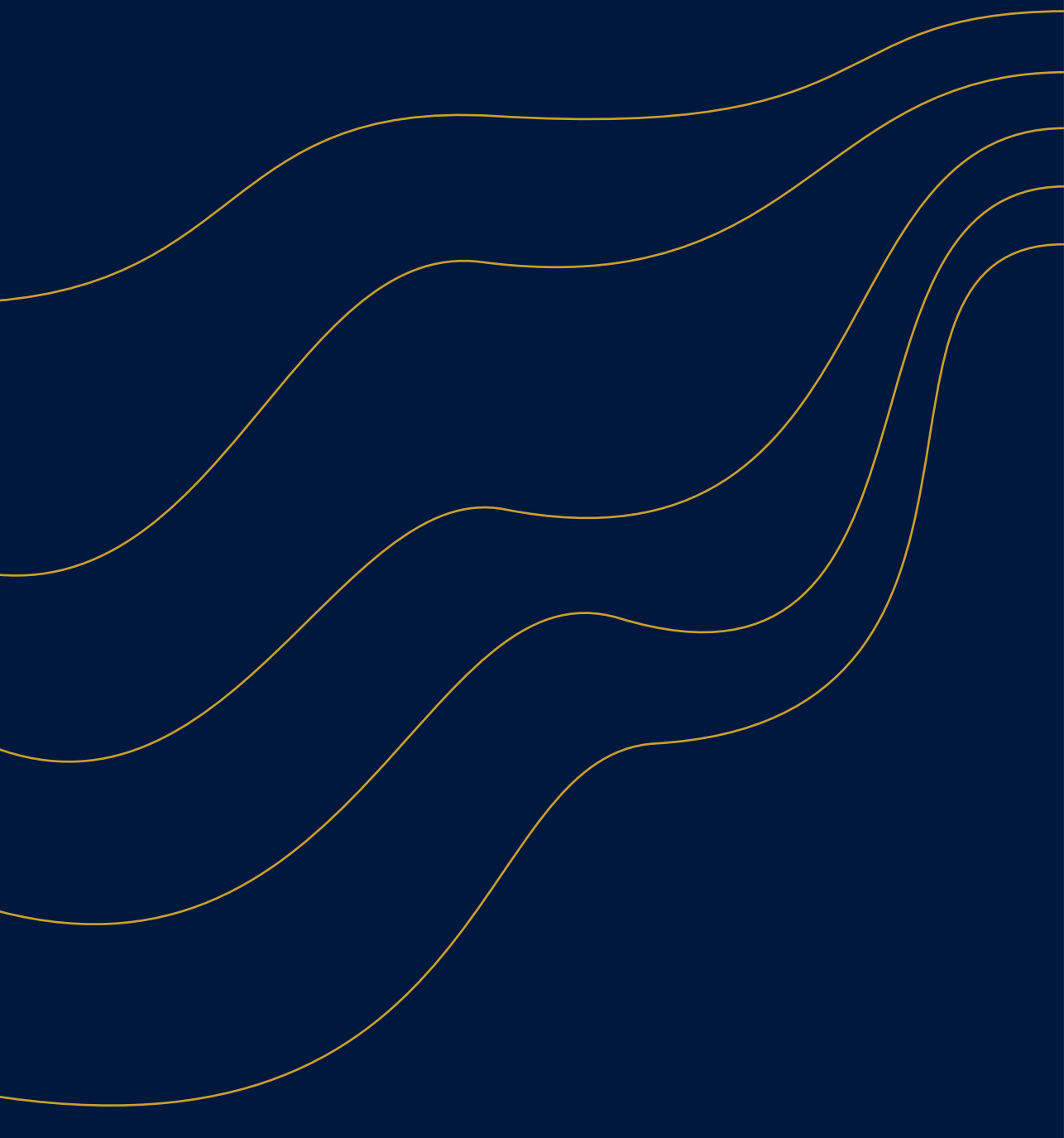


APPENDICES

APPENDICES

Appendix 1: Literature review summary

Relationship initiation	**Initiation process** ▪ Startup relationship with large companies starts with relating and attraction, followed by interacting and accessing
	Customer attractiveness ▪ Essential factors in defining startup customer attractiveness: o Social factors and innovation potential (La Rocca and Snehota, 2021, Jenkins and Holcomb, 2021) o Selling-on growth potential (Jenkins and Holcomb, 2021)
Network	**Resource access** ▪ Ties with suppliers and customers are essential resources for startup success (Carlos Pinho and de Sá, 2013) ▪ Suppliers are critical to access resources and overcome liabilities (Partanen et al., 2014) ▪ Technology startups can benefit from technology networks to access resources and innovate (Tumelero et al., 2018) ▪ It is easier to find suppliers for startups when they are located in the same geographical clusters (Dornberger and Zeng, 2009)
	Trust ▪ Trust is required in the presence of risk-taking (Bhide and Stevenson, 1992) ▪ Lack of trust can harm startups buyer-supplier relationships (Bhide and Stevenson, 1992) ▪ Buyers will favor incumbent suppliers with higher trust over startups as new suppliers (Obal, 2013) ▪ Trust positively impacts the buyer-supplier relationship (Yin and Jahanshahi, 2018)
	Power/control ▪ Reward power and weak ties with suppliers can shield startups from supplier's opportunistic behavior (Usui et al., 2017)
	Signaling ▪ Business partners may demand high-cost actions (Chod et al., 2019) from startups to signal creditworthiness ▪ Signaling effect can mitigate startups liabilities: o Winning a customer (La Rocca et al., 2019a; Wang et al., 2014) o Government support (Luo et al., 2020) o Branding (Merrilees, 2007)

Strategic compatibility	**Large company perspective** ▪ Corporations need effective searching strategies (Simon et al., 2021) to work with startups successfully ▪ Large companies need a process to select and develop startups as suppliers (Kurpjuweit et al., 2021; Zaremba et al., 2016)
	Startup perspective ▪ The collaboration with large companies can be asymmetric (Perez and Fierro, 2018) and can create problems (Garnsey and Wilkinson, 1994; Perez and Fierro, 2018) ▪ Startups can suffer from opportunistic behavior (Rottenburger and Kaufmann, 2020) ▪ Buyer integration will mitigate the negative impact of the dynamic environment (Cavazos et al., 2012) on new venture growth (Cavazos et al., 2012) ▪ Supplier integration will mitigate a complex environment's negative impact on new venture growth (Cavazos et al., 2012)
Innovation	**Startups as suppliers** ▪ New product development can be initiated by the customer or the manufacturer (Bruce, 1988) ▪ Ideas from startup suppliers compared with existing suppliers' ideas will have a higher degree of novelty; however, they will be less likely to be implemented (Homfeldt et al., 2019)
	Startups as buyers ▪ Supplier involvement positively impacts startup new product development, performance, and innovation (Song et al., 2011; Song et al., 2019; Song and Di Benedetto, 2008). ▪ Supplier involvement mechanisms: o Supplier's specific investment (Song et al., 2011; Song and Di Benedetto, 2008) o Supplier's equity share (Song et al., 2019) o Supplier builds trust in the startup, they will be more willing to take risks (Song et al., 2019)

Appendix 2: Analysis of literature review: Methods, journals, and publications trends

2.1. Methodological approaches

Research and data collection method	Number of articles
Survey	19
Case study	15
Interviews	6
Conceptual paper	3
Literature review	3
Experiment	1
Other methods	4
Total	**51**

2.2. Research field of journals in the reviewed literature

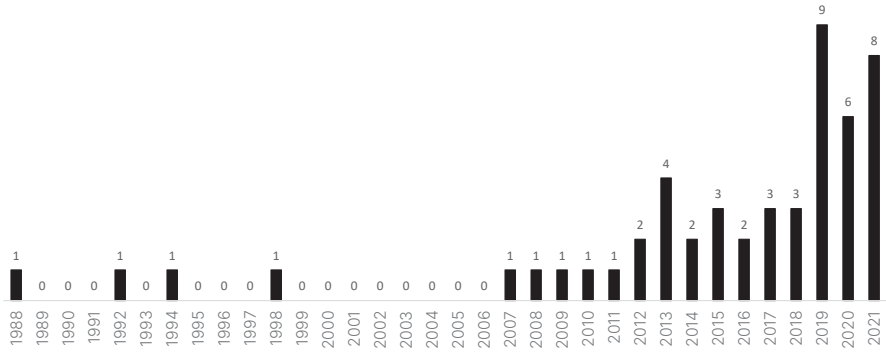
Research field	Number of articles	Percent %
Marketing	17	33%
Operations Research, Management Science, Production & Operations	14	27%
Entrepreneurship	6	12%
Innovation	5	10%
Economics	4	8%
General & Strategy	4	8%
International Business	1	2%
Total	**51**	**100%**

2.3. Journals with multiple publications

Journal	Number of articles	Subject area
Industrial Marketing Management	8	Marketing
Entrepreneurship: Theory and Practice	2	Entrepreneurship
International Journal of Innovation Management	2	Innovation
Journal of Business & Industrial Marketing	2	Marketing
Journal of Business-to-Business Marketing	2	Marketing
Journal of operations management	2	OR, MS, POM*
Journal of Purchasing and Supply Management	2	OR, MS, POM*
Journal of Supply Chain Management	2	OR, MS, POM*

*Operations Research, Management Science, Production & Operations

2.4. Number of publications per year



Appendix 3: Startup overview

Company	Last funding round	Funding range	Years since funding	Funding year	Founded
BC-1	Series F	>$500M	8	2013	2013
BC-2	Post-IPO	>$500M	1	2020	2015
BC-3	IPO	>$500M	6	2015	2010
BC-4	Grant	<$10M	2	2019	2017
BC-5	Series A	$10M-$50M	1	2020	2019
BC-6	Series B	$10M-$50M	4	2017	2015
BC-7	Series A	$10M-$50M*	3	2018	2016
BC-8	PE	$10M-$50M	5	2016	2010
BC-9	Series E	$100M-$500M	9	2012	2010
BC-10	Series D	$100M-$500M	9	2012	2000

Source: Crunchbase, BC = Buying company, PE = Private Equity,
Years since funding = Years since first funding round
Funding year = Year of first funding round
Founded = Founding year

*The funding range for Buying Company 7 was not available in public databases. However, since the last funding round was Series B, we estimated a funding range of $10M-$50M.

Appendix 4: World café participants' overview

ID	Pseudonym	Gender	Role	Industry	Years	Education	Country
1	Supplier for startup #1	M	S	Automotive	11	MBA	HUN
2	Startup Buyer #1	F	B	E-commerce	12	BSc	BRA
3	Supplier for startup #2	M	S	Telecom	21	BSc	DEU
4	Startup Buyer #2	M	B	Automotive	7	MSc	GBR
5	Startup Buyer #3	F	B	Automotive	16	MSc	NLD
6	Supplier for startup #3	M	S	CE	33	BSc	NLD
7	Startup Buyer #4	M	B	Software	10	MBA	BRA
8	Startup Buyer #5	M	B	Semicond.	6	BSc	NLD
9	Supplier for startup #4	F	S	Software	23	MBA	BRA
10	Startup Buyer #6	F	B	Real estate	8	B.Eng.	BRA
11	Startup Buyer #7	M	B	Software	33	BSc	USA
12	Startup Buyer #8	M	B	Telecom	29	BSc	DEU
13	Startup Buyer #9	M	B	3D printing	15	Master*	NLD
14	Startup Buyer #10	M	B	Health	31	MBA	DEU
15	Supplier for startup #5	M	S	Automotive	26	BSc	NLD

Gender: Male (M), Female (F). Role: Buyer (B). Supplier (S). Country: Hungary (HUN), Brazil (BRA), Germany (DEU), United Kingdom (GBR), Netherlands (NLD), United States (USA). Years: years of experience.
Industry: Semiconductors (Semicond.), Consumer electronics (CE).
Education: Master ongoing (Master*)

Appendix 5: Participant gender, industry, and country summary

5.1. Summary of participants' gender

Gender	Count	Role	Count
Female	4	Buyer	10
Male	11	Supplier	5
Grand Total	**15**	**Grand Total**	**15**

5.2. Summary of participants' industry

Industry	Type	Count
Automotive	Manufacturing	4
Software	Service	3
Telecom	Service	2
3D printing	Manufacturing	1
Consumer electronics	Manufacturing	1
E-commerce	Service	1
Real estate	Service	1
Semiconductors	Manufacturing	1
Health	Service	1
Grand Total		**15**

5.3. Summary of participants' country

Country	Count
Netherlands	5
Brazil	4
Germany	3
Hungary	1
UK	1
USA	1
Grand Total	**15**

Appendix 6: Voting results

6.1. Virtual room A (Attractiveness): Discussion results and voting scores

Aggregated factor	Discussion topics	Points assigned by the experts	Total points
Credible growth ambitions	Growth ambitions	37	43
	Salesperson interested in growing together	6	
Strategic compatibility	Alignment with strategy	31	31
Startup network (signaling)	Founder network	13	31
	Startup network beyond transaction	12	
	Overcoming the financial credit check	6	
Innovation	Innovative business models	4	16
	Disruptive innovation	6	
	Technology transfer	6	
Purchaser sellership	Purchaser must be a salesperson	12	15
	Purchaser selling startup clock speed as a solution to suppliers	3	
Startup network (trust)	Show that contract exit cost is low for suppliers	2	10
	Show that IT risk is low	4	
	Show that startups are not risky and have low exit costs for suppliers	4	
Not used	Suppliers are slower than startups and need to speed up to cooperate	12	12
	Suppliers are concerned about startups' uncertain future	5	5
	Suppliers not ready to collaborate with startups	4	4

6.2. Virtual room B (Supplier satisfaction and Preferred customer): Discussion results and voting scores

Aggregated factor	Discussion topics	Points assigned by the experts	Total points
Startup network	Trust in the startup future	49	60
	Overcome the risk management of suppliers	9	
	Partner with a prestigious supplier	2	
Innovation	Startup innovates the supplier	38	38
Profitability	Startups pay higher prices	20	20
Memorable experiences	Fun	17	17
Strategic compatibility	Choose right partner	8	8

Appendix 7: Choice sets: fractional factorial design matrix

We first checked the minimum number of runs required for the design. We do this procedure using %Mkruns function in SAS software. The minimum number of runs is 20. Next, we created an orthogonal plan from a linear arrangement (16 factors, two levels). We see nine parameters in total: 1 parameter for company type (2 alternatives Old and Startup -1), one parameter for profitability (2 alternatives -1), one parameter for growth (2-1), one parameter for innovation (2-1), one parameter for operative excellence (2-1), one parameter for strategic compatibility (2-1), one parameter for relational behavior (2-1), one parameter for purchaser salespersonship (2-1), and one parameter for the customer network (2-1). All are estimable, and all have reasonable standard errors. With 20 choice sets and two alternatives, we can estimate at most $20 \times (2 - 1) = 20$ parameters.

The choice set presented here is the original set. We modified the choice set order for the questionnaire. The two blocks are included in Qualtrics with a randomizer, and respondents will have a 50% chance of receiving a questionnaire containing block 1 or block 2. At block 1, the startup is the first choice, and well-established is the second. Block 2 is inverted, well-established is the first choice, and the startup is the second one. In block 1, the attribute order is 1. profitability, 2. growth, 3. innovation, 4. operative excellence, 5. strategic compatibility, 6. relational behavior, 7. purchaser salespersonship, and 8. customer network. In block 2, we presented first the social factors and later the economic value. The order reads as follows: relational behavior, 2. purchaser salespersonship, 3. customer network, 4. profitability, 5. growth, 6. innovation, 7. operative excellence, 8. strategic compatibility.

Set	ctype	profit	grow	innova	opex	strat	rel	sale	net	block
1	1	0	0	1	1	0	0	0	1	1
1	0	0	1	1	0	0	0	1	1	1
2	1	1	0	1	0	0	1	1	0	1
2	0	0	1	1	1	0	1	1	0	1
3	1	0	1	1	0	0	0	1	1	1
3	0	0	0	0	1	1	1	1	0	1
4	1	0	1	0	0	1	1	0	1	1
4	0	0	0	1	1	0	1	0	1	1
5	1	1	1	0	1	0	1	1	1	1
5	0	0	0	1	0	1	0	1	1	1
6	1	1	0	1	1	0	1	0	1	1
6	0	1	0	0	1	1	0	0	0	1
7	1	0	0	0	0	1	1	1	1	1
7	0	0	1	0	0	1	0	0	0	1
8	1	1	1	0	1	1	0	0	0	1
8	0	0	0	0	1	0	0	1	0	1
9	1	1	1	0	0	0	0	1	0	1
9	0	1	1	1	1	1	0	0	1	1
10	1	0	0	0	1	0	0	0	0	1
10	0	0	1	0	1	1	1	0	1	1
11	1	1	1	1	0	1	0	0	1	2
11	0	1	1	0	0	1	1	1	1	2
12	1	0	1	1	1	1	0	1	1	2
12	0	1	1	1	1	0	0	0	0	2
13	1	1	0	0	0	0	0	0	1	2
13	0	1	0	1	0	0	1	0	0	2
14	1	1	1	1	1	1	1	0	0	2
14	0	0	1	1	0	1	1	0	0	2
15	1	0	0	1	0	1	1	0	0	2
15	0	1	0	1	1	1	0	1	1	2
16	1	0	1	0	0	0	1	0	0	2
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18	1	1	0	0	1	1	1	1	1	2
18	0	1	1	0	1	0	1	1	1	2
19	1	0	1	1	1	0	1	1	0	2
19	0	1	0	0	0	0	1	0	1	2
20	1	0	0	0	1	1	0	1	0	2
20	0	1	0	1	0	1	1	1	0	2

Appendix 1: Choice card attribute levels: 0 = "low", 1 = "high" for all attributes except for company type: 0 = "well-established", 1 = "startup". Ctype = company type; profit = profitability; grow = growth; innova = innovation; opex = operative excellence; strat = strategic compatibility; rel = relational behavior; sale = purchaser salespersonship; and net = network.

Appendix 8: Example of a choice set

Pair 1			
Customer attributes	**Explanation**	**Choice 1 Startup**	**Choice 2 Well-established**
	Company type	Startup, new venture, younger than 8 years	Well-established, old mature company
Profitability	This customer allows us to gain high margins	Low	Low
Growth	Customer growth potential	Low	High
Innovation	Customer Innovation potential	High	High
Operative excellence	Provide good forecasts and has efficient processes	High	Low
Strategic compatibility	The customer has same strategic direction as ours	Low	Low
Relational behavior	Trustful and reliable persons acting in good faith	Low	Low
Purchaser salesmanship	Customer purchaser listen and accommodate our demands	Low	High
Customer network	The customer has a network of reputable partners	High	High

Which customer seems most attractive to work with?	Choice 1 ☐	Choice 2 ☐

Note: well-established company was used as synonymous to incumbents to facilitate understanding among participants.

Appendix 9: Participants' demographics

	Frequency	Percent %
Gender		
Male	61	47.3
Female	68	52.7
Age		
18-29	31	24.0
30-49	76	58.9
50-64	18	14.0
65+	4	3.1
Education		
High school	60	46.5
Bachelor's degree	62	48.1
Master/MBA	7	5.4
Work experience (years)		
0-10	35	27.1
11-20	48	37.2
21-34	33	25.6
35+	13	10.1

N= 129

Appendix 10: Model 3 – control variables

Variable	Model 3 β
Constant	-2.96***
Company Type	-0.406***
Profitability	0.953***
Growth	1.001***
Innovation	0.646***
Operative excellence	0.64***
Strategic compatibility	0.66***
Relational behavior	1.276***
Purchaser salespersonship	0.907***
Customer network	0.324***
Working experience	0.002
propensity for risk-taking	0.016
Gender	-0.001
Previous startup experience	-0.028
Education	-0.026
Age	-0.003
Likelihood Ratio chi-square test	655.59***
Pseudo R2	0.1833
Number of respondents	129
Number of observations	2580

Appendix 11: Informants

ID	Data collection method	Company	Country	Industry type	Job title	Role	Gender	Years of experience	Education
#1	Interview & World Café	Startup 1	Brazil	Service	Procurement Lead	Buyer	Female	12	BSc
#2	Interview & World Café	Startup 2	Netherlands	Manufacturing	Procurement Manager	Buyer	Male	6	BSc
#3	Interview & World Café	Startup 3	Germany	Service	Procurement Manager	Buyer	Male	29	BSc
#4	Interview & World Café	Startup 4	Netherlands	Manufacturing	Senior Purchaser	Buyer	Male	15	Master
#5	Interview & World Café	Startup 5	Brazil	Service	Procurement & Construction Manager	Buyer	Female	8	BEng
#6	Interview	Startup 6	Brazil	Service	Strategic Sourcing Head	Buyer	Female	15	MBA
#7	Interview	Startup 7	France	Manufacturing	Head of Supply Chain	Buyer	Male	16	Master
#8	Interview	Startup 8	Brazil	Service	Procurement Lead	Buyer	Male	9	BSc
#9	Interview	Startup 9	Brazil	Service	Finance Director	Buyer	Female	18	MBA
#10	Interview	Startup 10	Belgium	Manufacturing	Co-Founder & COO	Buyer	Male	36	MSc
#11	World Café	Supplier 1	Hungary	Manufacturing	Business Unit Manager	Supplier	Male	11	MBA
#12	World Café	Supplier 2	Germany	Service	Account Executive	Supplier	Male	21	BSc
#13	World Café	Startup 11	UK	Manufacturing	Global Commodity Lead	Buyer	Male	7	MSc
#14	World Café	Startup 12	Netherlands	Manufacturing	Sourcing Specialist	Buyer	Female	16	MSc
#15	World Café	Supplier 3	Netherlands	Manufacturing	Sales Manager	Supplier	Male	33	BSc
#16	World Café	Startup 13	Brazil	Service	Head of Procurement	Buyer	Male	10	MBA
#17	World Café	Supplier 4	Brazil	Service	Head of Innovation and Partnerships	Supplier	Female	23	MBA
#18	World Café	Startup 14	USA	Service	Head of Procurement	Buyer	Male	33	BSc
#19	World Café	Startup 15	Germany	Service	Supply Chain Management Director	Buyer	Male	31	MBA
#20	World Café	Supplier 5	Netherlands	Manufacturing	Sales Manager	Supplier	Male	26	BSc

Source: Author's own creation

SUMMARY

Startups, a significant economic growth driver, has seen rapid expansion in recent years. Startups are known for their innovativeness and high growth potential, often introducing novel products, services, and business models. However, startups are usually resource constrained and need suppliers' resources to innovate and grow their businesses. Despite the strategic importance of suppliers, startups may find it challenging to establish buyer–supplier relationships with large companies because of startup newness, smallness, and lack of a track record. Moreover, when startups are buyers, they compete against incumbents for suppliers' resources. Therefore, startups need to become attractive if they are to secure suppliers' resources.

The role of suppliers in a startup's success is well recognized in the literature. However, the specific factors that influence a startup's attractiveness to suppliers remain largely under-explored because there is a research gap at the intersection of purchasing and supply chain management (PSM) and entrepreneurship. At this intersection, customer attractiveness research is limited, and quantitative studies are non-existent, leaving startups under-represented. In consequence, there is a need for empirical studies to focus on factors that influence a startup's attractiveness to suppliers. This research, which is not yet represented in the literature, uses a mixed-methods approach to explore how startups can become attractive to large suppliers, thereby addressing an overlooked aspect of the PSM and entrepreneurship literature.

The findings from a world café of fifteen startup experts, procurement professionals, and suppliers from six countries and nine different industries identified seven factors that play a role in the cycle of preferred customership for startups. Additionally, we found that five factors play a role in the customer attractiveness phase of the cycle of preferred customership: (1) credible growth opportunity; (2) startup network; (3) strategic compatibility; (4) innovation potential; and (5) purchaser sellership. Moreover, we combined the results from the literature review and the world café with existing customer attractiveness frameworks for larger buyers in order to test the factors using a quantitative study. This study employed a discrete choice experiment with 129 salespeople from the United States to compare the attractiveness of startups versus incumbents. The experiment identified the three most significant startup-specific factors that play a crucial role in startup attractiveness: (1) strategic compatibility, (2) innovation, and (3) operative excellence.

In addition, a comparative analysis of studies undertaken in this thesis revealed a notable discrepancy between the views of purchasers and salespersons on the importance of operative excellence impacting customer attractiveness. Specifically, salespersons attach great importance to operative excellence, a value

that purchasers may not fully recognize. This finding suggests that purchasers may be unaware of operative excellence's significance. By raising awareness of the importance of operative excellence, we anticipate that startup purchasers will be able to improve their purchasing processes and systems, leading to greater operative excellence and, ultimately, to preferred customer status. Therefore, the last chapter is a practically oriented study to assist purchasing professionals with strategies to improve operative excellence.

We combined semi-structured interviews and a world café to analyze how startups organize their purchasing activities and to assess the impact of purchasing organization on operative excellence. This study is based on 20 startup purchasers and suppliers from eight countries. The results revealed that startups organize the purchasing function in four ways: transactional-oriented; strategic only; outsourced purchasing; and full department. Moreover, we conceptualized a fifth option, partial outsourcing. Each of the five organizational types has advantages and disadvantages regarding operative excellence. Therefore, we offer various propositions for startups from which they can select the appropriate purchasing organization based on the startup development stage, startup industry, flexibility needs, and process formalization needs. Startups should consider what purchasing organization type is most appropriate to achieve their desired level of operative excellence whilst weighing into the balance department size, process formalization, and standardization. Consequently, the purchasing organization type implemented by the startup will impact the antecedents of operative excellence, such as forecasting, payment habits, ordering process, contact accessibility, and quick decision making. Nevertheless, data suggest that *outsourced purchasing* and *full department* may have greater operative excellence than *transactional-oriented* and *strategic only*.

In general, this dissertation offers insights into startup–supplier relationships, addressing a previously underexplored area. Suppliers provide the resources that startups need to innovate and grow. This study has revealed that a startup is more likely to attract suppliers if those suppliers believe that the startup shares similar goals, is innovative, and has a professional purchasing process. The finding that purchasers may underestimate the impact of operative excellence on customer attractiveness points to avenues for startups to enhance their purchasing organization, thus making it easy for the supplier to do business with the startup. This dissertation not only enriches the customer attractiveness literature on startups but also serves as a guide for practitioners in the startup ecosystem. The insights revealed here are actionable strategies that startups can use to work effectively with suppliers, to mobilize their resources, and to achieve preferred customer status as buyers.

SAMENVATTING (DUTCH SUMMARY)

Startups, een belangrijke motor voor economische groei, heeft de afgelopen jaren een snelle expansie doorgemaakt. Startups staan in het algemeen bekend om hun innovatie- en groeipotentieel bij de introductie van nieuwe producten, diensten en bedrijfsmodellen. Startups hebben echter meestal beperkte middelen en om te innoveren en hun bedrijf te laten groeien hebben ze steun van leveranciers nodig. Het hebben van goede leveranciersrelaties is van strategische belang. Het kan voor startups echter een uitdaging zijn om stabiele inkooprelaties met grote leveranciers op te bouwen vanwege hun relatieve kleine schaal, korte bestaan en bijgevolg het ontbreken van een *trackrecord* voor startups. Bovendien moeten inkopers van startups concurreren met gevestigde bedrijven om de *resources* van leveranciers. Daarom moeten startups aan hun aantrekkelijkheid werken om de *resources* van leveranciers veilig te stellen.

De literatuur erkent de rol van leveranciers in het succes van een startup. De specifieke factoren die van invloed zijn op de aantrekkelijkheid van een startup voor leveranciers blijven echter grotendeels onderbelicht. Er is een onderzoekskloof op het snijvlak van inkoop- en leveranciersmanagement en ondernemerschap. Onderzoek naar klantaantrekkelijkheid op dit snijvlak is beperkt en kwantitatieve studies gericht op startups ontbreken. Er is daarom behoefte aan empirisch onderzoek gefocust op factoren die de aantrekkelijkheid van startups voor leveranciers beïnvloeden. Dit onderzoek draagt bij aan de literatuur door de onderzoekskloof in de inkoop- en leveranciersmanagement en ondernemerschapsliteratuur te adresseren met een *mixed-methods* benadering om de startup-aantrekkelijkheid te vergroten voor grote leveranciers.

Zeven factoren spelen een rol voor startups in de cyclus om voorkeursklantstatus te bereiken. Deze zeven zijn geïdentificeerd met een World Café studie met vijftien startup-experts, inkoopprofessionals en leveranciers uit zes landen en negen verschillende industrieën. Vijf factoren spelen een rol in de klantaantrekkelijkheidsfase van de cyclus van voorkeursklanten: (1) geloofwaardige groeimogelijkheden; (2) opstartnetwerk; (3) strategische compatibiliteit; (4) innovatiepotentieel; en (5) inkoper-verkoperschap. Bovendien we hebben de resultaten van het literatuuronderzoek en het World Café gecombineerd met bestaande klantaantrekkelijkheidskaders voor grotere kopers om de factoren te testen met behulp van een kwantitatief onderzoek. Deze studie gebruikte een *discrete choice*-experiment met 129 verkopers uit de Verenigde Staten om de aantrekkelijkheid van startups versus gevestigde bedrijven te vergelijken. Het experiment identificeerde de drie belangrijkste startup-specifieke factoren

die een cruciale rol spelen in de aantrekkelijkheid van startups: (1) strategische compatibiliteit, (2) innovatie en (3) *operative excellence*.

Bovendien, maakt dit proefschrift met een vergelijkende analyse van studies een opmerkelijke discrepantie duidelijk tussen de opvattingen van kopers en verkopers over het belang van *operative excellence* die van invloed is op de aantrekkelijkheid van de klant. Met name verkopers hechten veel belang aan *operative excellence*. Dit is een waarde die kopers mogelijk volledig moeten herkennen. Deze bevinding suggereert dat inkopers zich mogelijk niet bewust zijn van het belang van *operative excellence*. Door het bewustzijn van het belang van *operative excellence* te vergroten, is de verwachting dat inkopers van startups in staat zullen zijn om hun inkoopprocessen en -systemen te verbeteren, wat leidt tot meer *operative excellence* en uiteindelijk tot de status van voorkeursklant. Daarom is het laatste hoofdstuk een praktisch georiënteerde studie om inkoopprofessionals te helpen met strategieën om *operative excellence* te verbeteren.

Semigestructureerde interviews en een World Café zijn combineerd om te analyseren hoe startups hun inkoopactiviteiten organiseren en om de impact van inkooporganisatie op *operative excellence* te beoordelen. Dit onderzoek is gebaseerd op twintig startup inkopers en leveranciers uit acht landen. Uit de resultaten blijkt dat startups hun inkoopfunctie op vier manieren organiseren: *transactioneel georiënteerd*; *alleen strategisch*; *uitbestede inkoop*; en *full department*. Bovendien hebben we een vijfde optie geconceptualiseerd, *gedeeltelijke outsourcing*. Elk van de vijf typen inkoopfuncties heeft voor- en nadelen met betrekking tot *operative excellence*. Daarom worden verschillende proposities voor startups geboden om de juiste inkooporganisatie te selecteren op basis van de ontwikkelingsfase van de startup, de startup-industrie, flexibiliteit en procesformaliseringsbehoeften. Startups moeten het type inkooporganisatie overwegen dat het meest geschikt is om hun gewenste operationele uitmuntendheidsniveau te bereiken, terwijl ze wegen in de *balance department size*, procesformalisering en standaardisatie. Bijgevolg zal het type inkooporganisatie dat door de startup wordt geïmplementeerd, van invloed zijn op de antecedenten van *operative excellence*, zoals prognoses, betalingsgewoonten, bestelproces, toegankelijkheid van contacten en snelle besluitvorming. Niettemin suggereren gegevens dat *uitbestede inkoop* en *full department* een grotere *operative excellence* kunnen hebben dan alleen transactioneel georiënteerd en strategisch.

Dit proefschrift heeft een onderbelicht onderwerp opgepakt en biedt inzicht in de relaties tussen startup en leveranciers. Deze studie toont aan dat leveranciers, die startups de nodige middelen bieden om te innoveren en te groeien, erop vertrouwen dat de startup vergelijkbare doelen heeft, innovatief is en een professioneel inkoopproces heeft. De bevinding dat inkopers de impact van *operative excellence*

op de aantrekkelijkheid van klanten kunnen onderschatten, wijst op mogelijkheden voor startups om hun inkooporganisatie te verbeteren, waardoor het voor de leverancier gemakkelijk wordt om zaken te doen met de startup. Dit proefschrift verrijkt niet alleen de literatuur over de klantaantrekkelijkheid van startups, maar dient ook als een leidraad voor professionals in het startup-ecosysteem. De inzichten uit dit proefschrift, zijn bruikbare strategieën die startups kunnen gebruiken om effectief met leveranciers samen te werken, hun middelen te mobiliseren en de voorkeursstatus van klant als kopers te bereiken.

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BUYER - SUPPLIER RELATIONSHIPS IN STARTUPS

This dissertation examines startups in buyer-supplier relationships. The literature review shows that startups may find it challenging to establish buyer-supplier relationships with large companies due to their newness, smallness, limited resources, and lack of track record. However, this study also highlights that startups are not only suppliers but also buyers.

When startups are buyers, they compete against incumbent buyers for suppliers' resources. Through a world café, interviews, and experiments, this study identifies key factors that explain how startups can attract and maintain relationships with suppliers and achieve preferred customer status. These factors include strategic compatibility, innovation potential, startup network, credible growth opportunity, profitability, memorable experiences, and purchaser salespersonship.

The research also compares the relative importance of customer attractiveness factors for startups and incumbent buyers, finding that strategic compatibility, operative excellence, and innovation are more important for startups. Additionally, the dissertation offers a practice-oriented finding on how startups can organize their purchasing activities to improve operative excellence and become more attractive customers. Five types of purchasing organization are identified, each with its advantages and disadvantages.

Overall, this dissertation provides valuable insights into startup-supplier relationships and the strategies that startups could utilize to work effectively with suppliers to mobilize their resources and achieve preferred customer status as buyers.

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