PICCOLA IMPRESA
SMALL BUSINESS

Rivista Piccola Impresa/Small Business

n. 3, anno 2023

Codice ISSN 0394-7947 - ISSNe 2421-5724

BEYOND SIZE: TRACING THE DEVELOPMENT OF A STARTUP AND MEDIUM SIZED COMPANY RELATIONSHIP AND THE INFLUENCE ON THE BUSINESS NETWORK

Matteo Dominidiato
Università Cattolica del Sacro Cuore
matteo.dominidiato@unicatt.it

Article info

Date of receipt: 24/07/2023
Acceptance date: 28/11/2023

Keywords: *Start-ups, Medium-sized company, Relationship development, Partnership, Size disparity, Business network*

doi: *10.14596/pisb.3967*

Abstract

Purpose. *This research attempts to examine the development of a relationship between a startup and a medium-sized company, as concentrating on how it progresses from a basic buyer-seller interaction to a strategic partnership. The key goal is to understand the details of this relationship and its effect on the companies' business network.*

Design/methodology/approach. *This study employed a longitudinal case study methodology, integrating in-depth interviews with key stakeholders from both a startup and a medium-sized company. A thorough knowledge of the relationship growth is achieved by examining the contacts, exchanges, and collaboration that have occurred throughout time.*

Findings. *The results of this study show that partnering a startup and a medium-sized business is possible when his possible to find a match in terms of strategic direction. The relationship develops and deepens despite the inherent size differences as both sides see the possibility of mutual advantages and make use of their unique capabilities. In order to build a successful cooperation between firms of different sizes, the research underlines the need of a common vision, complementary business strategies.*

Practical and Social implications. *Despite their inherent disparities in size, this research reveals the practical implications of the interaction between a startup and a medium-sized business. Both sides need to understand the characteristics of these interactions in order to take use of their individual strengths and overcome any possible obstacles. Additionally, this research looks at the social consequences, emphasizing how cooperation and partnership between organizations of different sizes may promote innovation.*

Originality of the study. *This study is distinctive since it examines the dynamics of resource interaction between two businesses of different sizes. This study adds to the body of knowledge by shedding light on the elements that help a relationship change from a buyer-seller relationship to one that is more like a partnership. It also looks at how this relationship progression affects the connected network of businesses where both companies are active, providing fresh viewpoints on network dynamics in the context of different firm sizes.*

1. Introduction

The business network landscape undergoes constant changes, propelled by the dynamics of business relationships. Discussing relationships between businesses, especially those of varying sizes, provides an intriguing avenue for development, innovation, and market expansion. This study contributes to a broader research theme, examining the integration of supply-chain concerns with entrepreneurial challenges, particularly in business interactions (Baraldi, La Rocca, Perna, & Snehota, 2020). Startups and medium-sized businesses, with their unique traits and complementary qualities, form a promising relationship (La Rocca, Ford, & Snehota, 2013).

This research aims to explore the evolution of such interactions, focusing on the progression from a simple buyer-seller relationship to a partnership, irrespective of size differences. Additionally, it examines the impact of this relationship development on the larger business network in which the two companies engage, with a specific focus on the evolving process between a startup and a medium-sized enterprise. This relationship, despite the inherent dimensional differences between the two business realities, provides insights into fostering a collaboration that goes beyond a simple dyadic buyer-seller relationship.

Startups, defined by their entrepreneurial attitude and dynamic capabilities based on digital processes, collaborate with medium-sized businesses possessing established resources, knowledge, and a robust market presence (Aaboen & Aarikka-Stenroos, 2017; Halberstadt et al., 2021; Ribeiro-Soriano & Piñeiro-Chousa, 2021). However, the small size of startups often means they lack a strong distinctive capability in their market context, especially in rigid and concentrated competitive industries like textiles. Accessing key relationships crucial to their success may be challenging due to their nature as startups.

While many studies have explored how startups can interact with larger players, addressing issues such as trust and relationship development, less attention has been given to how startups can evolve to benefit both themselves and their partners. Bridging the gap between startups and medium-sized businesses presents challenges, including size differences, divergent corporate cultures, and competing strategic objectives (La Rocca, Perna, Snehota, & Ciabuschi, 2019).

Understanding how two organizations with different business models, sizes, and competitive positions can pursue parallel growth paths is complex. Therefore, this study employs a longitudinal study method (Pettigrew, 1990) and in-depth interviews to comprehensively explore the evolution of a relationship between a startup and a medium-sized business. By tracking this relationship over time, the study aims to uncover the nuanced nature of the interaction, identify crucial elements influencing its growth, and investigate how resource interaction mechanisms function between businesses of varying sizes.

Moreover, the research delves into the effects of this relationship's growth on the broader business network. As the bond between the startup and the midsize business deepens, the dynamics and exchanges within their operating network are likely to undergo transformations. Understanding these network-level implications provides valuable insights into organizational relationships and the potential downstream effects of creating strategic partnerships.

2. Literature review

This paper contributes to the ongoing discourse between network-related and entrepreneurship-related studies, focusing particularly on the development and progression of startup businesses. Existing studies recognize the evolutionary process of new businesses as a social rather than individualistic phenomenon, involving intricate business network relationships (Gerli, Tognazzo, & Giubitta, 2012; La Rocca & Snehota, 2014; Pettigrew, 1990).

Across various literature domains such as supply-chain management, strategic management, and industrial marketing, there is a unanimous agreement that businesses can enhance their operations through collaboration with other actors. This collaboration, especially with external actors, is deemed essential for acquiring the resources necessary for startup development (Baraldi et al., 2020).

The objective of this paper underscores the importance of studying how the relationship between structured businesses and startups serves as a critical success factor for the startup itself. This significance arises from the continuous exchange of resources inherent in small business activities. Resource exchange emerges as a pivotal consideration in understanding the relationship between a structured business and a new venture. It manifests in various ways throughout the lifespan of the relationship, evolving from a simple exchange of resources to a more profound connection where both tangible and intangible resources, including skills and capabilities previously absent in either party, are exchanged (Dyer & Singh, 1998; Handfield, 2019; Li, Li, & Cui, 2021).

The literature highlights diverse categories of resources potentially involved in these interactions, encompassing financial, human, technological, and intellectual resources. Over time, the content and manner of interaction change due to factors like trust, investments, and mutual adaptation, influencing cooperation between enterprises. In a buyer-seller relationship, there is a continuous and progressive exchange of resources, leading to the gradual consolidation of trust. This trust manifests in concrete forms such as the exchange of industry information, joint innovation processes, and the reliability of supply and payments (Bocconcelli et al., 2020; Prenkert et al., 2022).

Businesses in networks can achieve competitive advantage and mutual benefits through the sharing of resources and expertise (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Håkansson & Snehota, 1989). Despite differences in size, the two firms can collaborate and become partners, progressively strengthening their relationship. However, the literature on resource interaction underscores the pivotal role of networks in enhancing resource interaction and creating opportunities for innovation and growth (Cantù, Corsaro, & Snehota, 2012; Lambe, Spekman, & Hunt, 2002).

Moreover, when considering the dynamics of resource interaction, the literature often employs the relationship as the dyadic unit in which this exchange inherently transpires. As emphasized by Håkansson and Snehota (2017), firms do not operate in isolation. Particularly, newly established firms must look to relationships as a source of competitive advantage contributing to their development. Baraldi et al. (2020) assert that firms must engage with other relevant entities to foster business development, acknowledging the necessity of interactions that contribute to success alongside distinctive entrepreneurial traits (Aaboen & Aarikka-Stenroos, 2017; Aaboen, Dubois, & Lind, 2013).

Companies, especially those new to the market, need to establish business relationships with suppliers and customers. This task becomes complex for startups, starting from scratch and having to initiate new relationships amidst imbalances of power, capabilities, and resources to manage these relationships.

The Industrial Marketing and Purchasing (IMP) literature has long recognized the significance of leveraging business networks for the economically sustainable development of new entrepreneurial ventures. The entrepreneurial process is considered a phenomenon embedded in social relationships specific to a network (Aaboen et al., 2013; La Rocca et al., 2019; Parry, 2020; Uzzi, 1997).

However, establishing relationships for a newly opened venture is not a straightforward process. The IMP literature highlights the delicate nature of relationship access for new ventures. Entering a network and managing relationships over time pose challenges for small businesses due to size differences and the difficulty of managing relationships that are not well-established and, therefore, very fragile (Bocconcelli et al., 2020).

To be part of a network, firms not only need to invest heavily in relationship strength but also in developing an identity for their business model and value proposition, making it attractive to more established players in the network (Håkansson & Waluszewski, 2007).

Besides relationship access, the strength of relationships is a crucial element supporting venture development. Baraldi et al. (2020) demonstrate how scientific "discoveries" can lead to entrepreneurial opportunities through combining socio-technical elements into a coherent network of actors. Enterprises, by enforcing one or more relationships, can solidify their ideas by garnering network commitment for realization (Rondi, Sciascia, & De Massis, 2020). However, Perna, Baraldi, and Waluszewski (2015) note that when the relationship between more structured firms and startups becomes so strong that larger firms become part of the innovation process, the former tend to modify them to fit their programs, potentially causing a fundamental change in the startup's development path.

The IMP literature reflects on how individual actors' autonomy is limited and constantly mediated by a process of interaction among network businesses, manifested in resource combination and acquiring a position in the network. Joining a pre-existing network requires the new firm to be accepted as a partner in various relationships and acquire an identity among other firms in the relevant business network (La Rocca & Perna, 2014).

Several studies analyzing technology-driven startups originating in science reveal that the enterprise development process is a social phenomenon based on interactions with actors in the business environment of the new enterprise (Pencarelli, 2022). The evolution of the business idea is observed as a non-linear phenomenon representative of continuous interactions among actors influencing its advances and characteristics.

Reflecting on the role of a dyadic relationship between buyer and supplier, due to strong and non-sporadic interactions, becomes essential in understanding the entrepreneurial process's development. While literature has explored the interaction between network actors, both suppliers and customers, fewer studies have examined the buyer-seller relationship from a dimensional difference perspective. Additionally, the effects of a new relationship with a startup and its impact on the network of ties with other actors require more careful consideration (Tunisini & Bocconcelli, 2013). A relationship between a small and a large firm, for instance, may offer opportunities for suppliers and other network actors but could also pose risks and obstacles for firms not directly participating in the collaboration (Ribeiro-Soriano & Piñeiro-Chousa, 2021).

In light of these considerations, this study aims to reflect on two research questions:

RQ1: How does the dynamic between a medium-sized company and a startup evolve within the context of a buyer-seller relationship?

RQ2: How does the development of the relationship impact on the two companies' business network?

3. Methodology

3.1 Research Methodology

This study adopts an exploratory research approach, utilizing a longitudinal case study involving two companies: a well-structured medium-to-large business and a startup. The literature section highlights that the development of entrepreneurial ideas involves continuous interactions among multiple actors rather than a linear and immediate process (Easton, 2010; Stake, 1995). Therefore, the longitudinal approach is deemed valuable to understand the evolving interaction between these two enterprises and how this relationship develops over time, influencing the network in which they operate (Aarikka-Stenroos, Jaakkola, Harrison, & Mäkitalo-Keinonen, 2017).

A longitudinal study involves observing the development of a phenomenon at several points in time, providing detailed insights into the dynamics and processes of progress. This methodology proves useful for understanding the behavioral aspects of firms over time and the dynamics involving relevant actors and networks (Aarikka-Stenroos et al., 2017; Pettigrew, 1990).

The case study approach is particularly advantageous for studying the interaction of resources within business connections embedded in networks, where different actors control diverse resources, each with their objectives and incentives (Eisenhardt, 1989; Halinen & Tömroos, 2005). This method has been employed in various studies involving this type of relationship (Baxter & Jack, 2008; Yin, 1994).

In industrial marketing and purchasing literature, the single-case study methodology has been widely used to explore the importance of business relationships in entrepreneurship. For instance, La Rocca, Perna, Snehota, and Ciabuschi (2019) examined the role of supplier connections in creating new entrepreneurial ventures. Coviello and Joseph (2012) investigated the impact of business networks on the internationalization of a small software company and Axelsson and Easton (2016) used a single-case study to analyze collaboration practices between a small and a large firm in the context of interorganizational connections in business networks.

These studies demonstrate the advantages of the single-case study methodology in investigating the function of business links in entrepreneurship. It allows for an in-depth analysis of the mechanisms underlying successful collaborations and identifies the influence of relationships on larger business networks.

3.2 Empirical Case Selection

This research focuses on the relational dynamics within a buyer-seller relationship, examining the case of two companies: a medium-sized supplier and a startup customer. Since the startup's foundation, these companies have collaborated, benefiting the startup's development due to the well-established nature of the larger company. Over time, the relationship between these two companies has deepened, evolving into a partnership. This provides insight into how the relationship is maintained and invigorated by specific factors. Importantly, the relationship is optimal for the case study because, in a final stage, the larger company decides to acquire the smaller one, showcasing how the relationship can evolve into a strong bond, consolidating into an acquisition.

For the second part of the study, this case is emblematic for examining network dynamics. The startup, operating as a B2C business, interacts with a multitude of actors both upstream and downstream, distinct from the larger company. The evolution of the relationship has led to changes in the network dynamics within which the two companies operate.

3.3 Data collection and analysis

When delving into business cases, it becomes imperative to consider evolving data sources (Yin, 1994). The primary data source for this study comprised 8 in-depth interviews with representatives of the two companies involved in the relationship, spanning a period of 3 years.

Initially, the interview questions centered on comprehending the business model of both companies, offering detailed insights into their respective business environments. Subsequently, the focus shifted to different stages of the relationship, aiming to extract the developmental dynamics by examining the activities and resources employed within the collaboration. The interviews also sought to discern changes in roles and responsibilities over time. Commencing with inquiries about the companies' needs and how these influenced the decision to engage in the partnership, the interviews aimed to grasp the incentives and goals driving the collaboration. The interviews then transitioned to the genesis of the cooperation, exploring how the partnership originated and evolved since its inception. This provided valuable insights into the foundational elements of the collaboration, challenges encountered, and the strategies employed by the organizations to overcome them. Interviewees were also prompted to articulate how the partnership influenced their company's operations, pinpointing the resources needed for specific activities and identifying necessary changes to these resources.

Ultimately, the interviews turned their attention to the potential inclusion of new actors in the partnership. Following Pettigrew's (1990) perspective, it is crucial for researchers to acknowledge each actor's limited access to knowledge, influencing their interpretation of specific processes. Hence, establishing follow-up contacts was deemed important to continually understand evolving perspectives and maintain a nuanced understanding of the ongoing dynamics.

Date	Company	Respondent's Role	Duration
Oct. 2020	REDA	CEO	70 min
Nov. 2020	LANIERI	CEO	65 min
Jun. 2021	REDA	CEO	30 min
Sep. 2021	REDA	CEO	48 min
Mar. 2022	REDA	CEO	39 min
Mar. 2022	LANIERI	Director	72 min
Apr. 2023	REDA	CEO	52 min
May. 2023	LANIERI	CEO	83 min
Tolal Amount			459 min (7h 35min)

Table 1: set of interviews with both companies.

The interviews conducted varied in duration, ranging from approximately thirty to eighty minutes, with an average time of 55 minutes, as indicated in the table. Questions posed during these interviews encompassed discussions on the business model, motivations for the partnership, and resources utilized throughout the collaboration, aligning with the goals of the paper. Key points and themes agreed upon by the respondents during the discussions were compiled into a briefing document created after each meeting. Clean copies, following Eisenhardt (1989) recommendation, facilitated the review of previous conversations in light of more recent ones.

In addition to interviews, documents such as internal corporate reports were employed to gather information. The ARA model, focusing on resources, served as a primary tool for structuring and comprehending data (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009). This framework directed the search for empirical data, guiding the exploration of additional concepts that allowed theoretical lenses to capture the fundamental features of the phenomena under study. The simultaneous overlap of data analysis and collection facilitated the evaluation of data and refinement of the tool for structuring and interpreting the data, showcasing the flexibility of data collection. This approach, referred to as "systematic combining" (Dubois & Gadde, 2014), was employed throughout the case study.

Following data collection, the research adopted a subjective interpretation approach to analyze transcripts, involving the written synthesis and systematic categorization of recurring themes. Each discussion report was meticulously compared to ensure consistency with respondents' statements without distortion.

The study amalgamated information from respondents' reports to examine the evolving relationship between the startup and the medium-sized business. The primary goal was to identify variables impacting the development of their partnership, emphasizing the fundamental causes of this development, challenges encountered during integration, and the resulting advantages experienced by both parties.

Additionally, the analysis delved into investigating new dynamics at the network level, focusing on any new actors included in the existing network and exploring changes or strengthening of dynamics among current members. By exploring these facets, the study aimed to provide a comprehensive understanding of how the network changed over time and the dynamics impacting the relationship between the startup and the medium-sized business.

4. Case Study

4.1 Companies' presentation

To address the research questions, this study centers on a single case study examining the interaction between two textile companies: Reda and Lanieri. Reda, a medium-sized company, specializes in high-quality fabrics and textiles for the fashion and clothing industries. Conversely, Lanieri focuses on custom-made men's clothes, renowned for their quality and excellent customer service, operating as an online store with physical showrooms in major European cities. Both companies navigate challenges in a highly competitive market marked by intricate business relationships and a focus on innovation, driven by their distinct business models.

Reda, an established player in high-end textile manufacturing, specializes in creating top-tier fabrics for the fashion and garment industries. Its product range includes fabrics made from wool, silk, cashmere, and natural fiber blends, catering to domestic and international customers. Operating in a competitive market, Reda prioritizes innovation and sustainability, with a history of excellence fostering strong relationships with clients and suppliers globally. With over 500 employees and annual sales ranging between 100 and 150 million euros, Reda's headquarters are located in the Biella textile district in Italy. The company's commitment to quality and innovation is reflected in its research and development efforts, aimed at creating new products and processes. Customer relationships are a focal point, with close collaboration to tailor solutions to individual requirements, ensuring lasting partnerships. Reda's emphasis on sustainability is evident in its participation in environmental programs, including the use of renewable energy sources, recycling, and waste reduction.

Lanieri, founded in 2012, specializes in custom-made men's suits, quickly gaining a reputation for high-quality products and exceptional customer service. The company's suits are personalized to each customer's unique dimensions and preferences, using the finest fabrics from renowned textile manufacturers. Emphasizing sustainability and ethical business practices, Lanieri employs eco-friendly textiles, recycling programs, and waste reduction methods. The company operates as an online retailer, offering customization options through its website and physical showrooms across Europe. Lanieri's innovative business strategy and focus on quality and customization contribute to its success in the competitive men's apparel sector. With a lean organizational structure, Lanieri employs around 50 employees, primarily in Italy, across various roles in design, production, and marketing.

This comprehensive case study explores the distinctive characteristics, challenges, and strategies of both Reda and Lanieri, shedding light on the dynamics of their interaction in the competitive textile industry.

4.2. Case study presentation

Lanieri originated from the vision of two engineers who conceptualized an online platform for crafting bespoke suits using a sophisticated algorithm capable of processing measurements obtained from the comfort of one's home. This initiative took shape within a university incubator at the Polytechnic University of Turin, with funding from Reda and collaboration with another significant textile manufacturer based in Biella. The collaborative journey began with a strong buyer-seller relationship, as Reda and the partnering company supplied fabrics for clothing production.

The relationship deepened as Lanieri gained credibility and access to the competitive textile and clothing context through the support of Reda and the other company. In 2018, the collaboration reached a milestone when Reda decided to acquire Lanieri, envisioning a mutually beneficial path. Bringing Lanieri into Reda's Vallemosso premises aimed not only to enhance internal development but also to integrate digital strategies, a key focus for Reda. However, the onboarding process faced challenges due to the rigid corporate approach, typical of a century-old family business. Despite efforts to adapt, the process proved complex for both the startup and Reda, leading Lanieri to relocate from Reda's premises to co-working spaces in Biella and later to dedicated offices in Milan.

The collaborative journey facilitated the exchange of resources, including financial support, knowledge, and sector-specific skills initially lacking in the startup. In 2020, witnessing the growth of Lanieri's business volume, Reda decided to initiate a spinoff, creating the company Tailoor. Tailoor focused on refining Lanieri's customization algorithm, involving teams of engineers and experts from the digital and made-to-measure sectors. Additionally, Tailoor aimed to offer its customization software as a service to third-party companies in the luxury sector, extending beyond clothing. The CEO of Tailoor emphasized the platform's versatility, comparing its impact on customization in other businesses to variables like the wheel of a vehicle, the lace of a shoe, or the color of a skateboard. This strategic move showcased the adaptability and innovative spirit born from the collaborative evolution of Lanieri within the broader business network.

5. Findings and discussion

5.1 Relationship development

This study delves into the continuous development and fine-tuning of the relationship between Reda and Lanieri, which initially started as a supplier relationship and eventually progressed to a partnership. The collaboration between Reda and Lanieri stands as an illustrative example of a buyer-seller relationship that has proven mutually advantageous for both companies. The developmental trajectory is outlined below, as depicted in the accompanying image, delineating three stages that signify key milestones in the evolution of their partnership relationship.

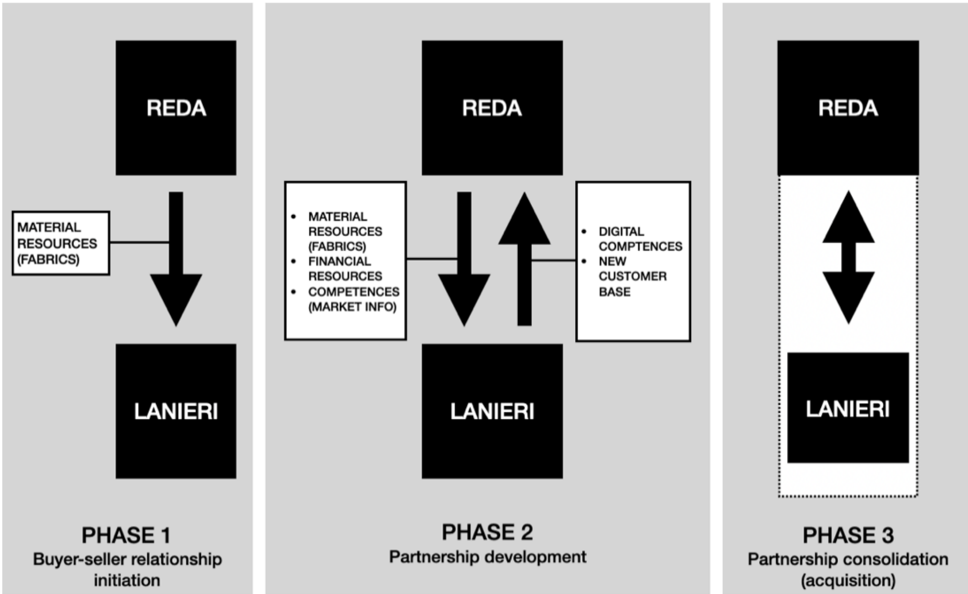
5.1.1 Buyer-supplier relationship initiation

In the initial phase, as highlighted in the case history presentation, Reda functioned as a supplier for Lanieri, providing fabrics for the production of its tailor-made garments. This phase of the relationship, typical in the early stages and characterized by a size difference, revolves around a straightforward customer-supplier dynamic involving the exchange of material resources.

During this period, the startup, according to Reda's CEO, faced limitations in core competencies necessary for venturing into the textile-clothing market. The founders, while having a clear goal of creating custom-made clothing, lacked essential expertise, particularly in the complex textile market. The professional background of the founders as engineers, though valuable, was insufficient for the intricacies of the clothing industry.

This assessment aligns with the perspective of Reda's CEO, who emphasizes that Lanieri lacked the necessary dimensional characteristics to effectively collaborate with other fabric producers and garment manufacturers.

Figure 1: Three phase development of the relationship



Despite the challenges stemming from these limitations, the relationship in its early stages began to strengthen due to the heightened exchange of expertise between the two companies. This period marked the initial steps toward a more collaborative and mutually beneficial interaction.

As a supplier, Reda played a pivotal role in providing the foundational materials for Lanieri's garments, while Lanieri, despite its initial limitations, started to benefit from the expertise shared by Reda. This exchange of knowledge and resources laid the groundwork for the evolution of their relationship beyond a simple customer-supplier dynamic.

5.1.2 Buyer-supplier partnership development

The exchange of expertise between Reda and Lanieri evolved beyond the knowledge sharing, encompassing an exchange of financial resources that aimed at supporting Lanieri's innovative ventures, including specific projects such as a unique collection exclusively designed for Reda. This progression in their relationship moved beyond a conventional customer-supplier dynamic, fostering an environment characterized by mutual trust and cooperation, eventually verging on a more partnership-oriented model.

The intensification of this relationship, irrespective of their size differences, was made possible by incorporating strategic interests of both organizations beyond the traditional customer-supplier framework. Reda, on one hand, sought to acquire digital skills integral to Lanieri's business model, recognizing the significance of digitalization in today's market landscape. Simultaneously, Reda contributed industry-specific skills and well-structured organizational expertise to Lanieri.

As depicted in Figure 1, Reda strategically leveraged its extensive resources as a well-established player in the textile industry, aiming to gain access to digital expertise, expand its customer base, and enhance brand recognition. The accumulated expertise over many years empowered Reda with substantial financial resources, organizational capabilities, and comprehensive knowledge and skills in the textile industry. These resources enabled Reda to invest in innovative technologies, research and development, and sustainable business practices, further enhancing its competitiveness.

Reda's organizational capabilities, including experienced staff and efficient supply chain management, played a crucial role in ensuring smooth operations and delivering high-quality products and services to consumers. In contrast, Lanieri, being a digital company, brought distinctive resources to the relationship, particularly superior digital skills. These skills facilitated the establishment of a robust online presence, innovative marketing methods, and outreach to new customers.

Lanieri's specialization in made-to-measure clothing not only attracted customers but also contributed to Reda's reach by bringing in new clientele. Lanieri's digital expertise played a positive role in modernizing Reda's operations and increasing competitiveness. The Internet platform developed by Lanieri served as a valuable asset, providing access to customers in Europe. The platform, coupled with technology and digital infrastructure investments, streamlined operations, and enabled efficient, personalized services.

Moreover, Lanieri's digital focus allowed for the collection of crucial customer data on preferences and behavior, facilitating continuous improvement in products and services. This digital emphasis proved to be a significant asset for Lanieri, allowing it to quickly establish itself in the highly competitive men's fashion industry and cultivate a loyal customer base. The collaborative exchange of resources and expertise thus created a symbiotic relationship, benefiting both companies in navigating the challenges and opportunities of the evolving business landscape.

5.1.3 Partnership consolidation phase

The relationship between Reda and Lanieri experienced a gradual and reciprocal intensification, marked by an exchange of resources that positioned both companies on a more equal footing over time, transcending their size differences. Reda's CEO, in multiple interviews, emphasized how Lanieri, with its distinctive digital business model and uncommon value proposition in Italy, had evolved into an established partner.

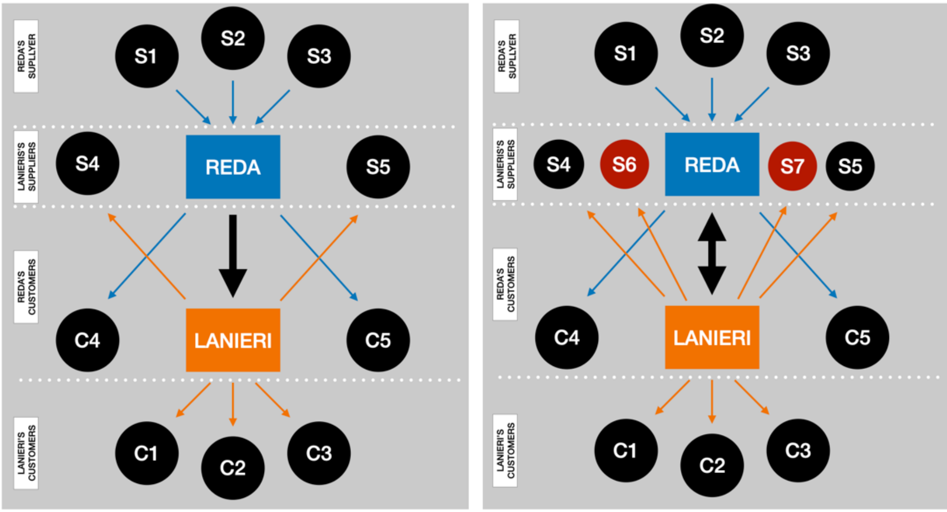
This deepening relationship, coupled with Reda's strategic investment in Lanieri, played a pivotal role in sparking Reda's contemplation of acquiring Lanieri in 2018. According to Lanieri's CEO, the relationship had evolved beyond a mere exchange of resources and expertise. Through the acquisition, Lanieri seamlessly integrated into the Reda Group, aligning itself with an entrepreneurial legacy spanning over a century and contributing to the realization of Reda's strategic goals, uniting textile tradition with digitization.

The acquisition not only served to formalize the existing state-of-the-art collaboration since 2016 but also propelled Lanieri's development. Reda acted not only as a financial supporter but also as a guarantor in the market for Lanieri's endeavors. Simultaneously, Lanieri played a crucial role in advancing Reda's ambition to digitize the company and access a broader customer base through an alternative channel, creating awareness about the brand and the quality of Reda's fabrics. This collaborative synergy solidified their partnership, transcending a transactional relationship and inaugurating a shared journey towards achieving common goals and digital transformation.

5.2 Network implications

This section delves into the repercussions of the evolution and alterations in the relationship between Reda and Lanieri on the network of companies to which these firms are connected. The amalgamation of these two companies has exerted significant and extensive effects on the network within which they function. The collaboration between Reda and Lanieri represents a form of inter-organizational engagement that has given rise to novel perspectives for value generation and innovation, particularly for two organizations operating within distinct industries and with different organizational dimensions.

Figure 2: Network effects of the relationship development



In the initial phase illustrated on the left in Figure 2, it is evident that during the first two stages of relationship consolidation, as discussed in the preceding section, there were no discernible dynamics within the network of the two firms. Reda and Lanieri maintained their separate business networks, and what transpired was the consolidation of their specific relationship. The true impact on the network materialized in the subsequent phase (phase 3, as indicated in the preceding paragraph) when the development of Lanieri prompted Reda to bring not only financial resources but also industry expertise and credibility inherent in a company of Reda's magnitude, which Lanieri lacked. The strategic acquisition of Lanieri by Reda was not only geared toward Reda's digitization goals but also instrumental for Lanieri, as it became associated with the Reda group, gaining access to a range of relationships previously beyond its reach. The credibility input from Reda's acquisition was crucial for Lanieri, as establishing trust is paramount in the textile industry, particularly for apparel manufacturers.

As depicted in Figure 2 on the right side, Lanieri, on the supply side, engaged with two new actors (depicted in the red circles: S6 and S7) following the acquisition, a result of the enhanced level of trust. The evolution of the relationship through acquisition significantly influenced the expansion of both companies' business networks. Lanieri gained entry into Reda's network of textile industry suppliers, unlocking new avenues for growth. Concurrently, Reda leveraged Lanieri's digital expertise and online platform, gaining access to a new customer base (depicted as "Lanieri's customers" in Figure 2). Through this acquisition, Reda expanded its market share, particularly in the B2C sector, where it had limited exposure previously.

This collaboration not only allowed Reda to diversify its product offerings and reach new customers but also contributed to breaking down the traditional buyer-seller relationship, fostering a more collaborative approach to value creation. The partnership facilitated the expansion of both organizations' networks, fostering more collaborative relationships and creating new opportunities for innovation and learning by leveraging each other's resources and competencies.

Furthermore, since 2021, Reda, emphasizing its investment in the backend running the Lanieri platform, initiated a spinoff called Tailoor. This venture aims to extend the personalization software to other companies, showcasing the software's versatility to cater to a broader customer base outside Reda's existing network. In line with a servitization-oriented business model, Reda intends to offer the platform as a service to third-party companies, enhancing its presence and influence beyond its traditional boundaries.

6. Conclusions

This study delves into the evolution of a relationship between a startup and a mid-sized business, transitioning from a basic buyer-seller configuration to a partnership, and assesses its impact on the overall business network. The findings underscore the dynamics and effects of such collaborations, highlighting the importance of aligning business objectives and leveraging reciprocal resources and networks. The development of the relationship between Reda and Lanieri exemplifies the growth and mutual advantages achievable through collaboration between startups and midsize businesses.

Reda, with a strategic focus on digitalization and a quest for a new consumer base, recognized the value in working with Lanieri. Simultaneously, Reda provided structured management, access to business ties, and market position to Lanieri. This confluence of company goals facilitated the formation of a robust and evolving collaboration. Lanieri, lacking distinctive capabilities in comparison to Reda, benefited significantly from Reda's established business in the industrial context, allowing Lanieri to establish itself in the market. This collaboration accelerated the trust-building process with other companies, crucial for Lanieri's business continuity.

Reda acted as a catalyst, guaranteeing reliability toward other actors in the network by serving as both a supplier and a funder for the startup. This collaboration also had notable consequences for the business network. Both companies gained access to each other's networks, opening up new opportunities. Lanieri's access to Reda's network was pivotal for its business success, emphasizing the value of strategic alliances in accessing new markets, consumers, and resources.

The influence on the network was twofold. Lanieri, supported by Reda's standing, consolidated relationships, diversified its offerings, and improved reliability. In contrast, Reda extended its network downstream, gaining closer contact with the final demand of the market.

From a managerial perspective, the study underscores the value of mid-sized firms focusing on the potential for startups to access existing business relationships, which may have been previously inaccessible. For startups, leveraging their dynamic and innovative capabilities, often not possessed by larger firms, is crucial for developing strong and mutually beneficial partnerships.

While the study provides valuable insights, its limitations, such as the relatively short three-year time frame, should be acknowledged. Future research could extend the study for a more comprehensive understanding of the relationship's long-term impacts and incorporate perspectives from other members of the business network. Exploring the implications of partnership development on the business models of the involved companies and the story of Reda's spinoff could offer additional valuable insights. Overall, the study contributes practical insights into fostering successful collaborations, showcasing their potential to drive innovation, growth, and market expansion for both individual companies and the broader business network

References

Aaboen, L., & Aarikka-Stenroos, L. (2017). Start-ups initiating business relationships: process and asymmetry. *Imp Journal, 11*(2), 230-250. doi:https://doi.org/10.1108/IMP-06-2015-0027

Aaboen, L., Dubois, A., & Lind, F. (2013). Strategizing as networking for new ventures. *Industrial Marketing Management, 42*(7),1033-1041. doi:https://doi.org/10.1016/j.indmarman.2013.07.003

Aarikka-Stenroos, L., Jaakkola, E., Harrison, D., & Mäkitalo-Keinonen, T. (2017). How to manage innovation processes in extensive networks: A longitudinal study. *Industrial Marketing Management, 67*, 88-105. doi:http://dx.doi.org/10.1016/j.indmarman.2017.09.014

Axelsson, B., & Easton, G. (2016). *Industrial networks (routledge revivals): A new view of reality*: Routledge.

Baraldi, E., La Rocca, A., Perna, A., & Snehota, I. (2020). Connecting IMP and entrepreneurship research: Directions for future research. *Industrial Marketing Management, 91*, 495-509. doi:https://doi.org/10.1016/j.indmarman.2020.04.019

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The qualitative report, 13*(4), 544-559. doi:https://doi.org/10.46743/2160-3715/2008.1573

Bocconcelli, R., Carlborg, P., Harrison, D., Hasche, N., Hedvall, K., & Huang, L. (2020). Resource interaction and resource integration: Similarities, differences, reflections. *Industrial Marketing Management, 91*, 385-396. doi:https://doi.org/10.1016/j.indmarman.2020.09.016

Cantù, C., Corsaro, D., & Snehota, I. (2012). Roles of actors in combining resources into complex solutions. *Journal of Business Research, 65*(2), 139-150. doi:http://dx.doi.org/10.1016/j.jbusres.2011.05.013

Coviello, N. E., & Joseph, R. M. (2012). Creating Major Innovations with Customers: Insights from Small and Young Technology Firms. *Journal of marketing, 76*(6), 87-104. doi:https://doi.org/10.1509/jm.10.0418

Dubois, A., & Gadde, L. E. (2014). "Systematic combining"-A decade later. *Journal of Business Research, 67*(6), 1277-1284. doi:https://doi.org/10.1016/j.jbusres.2013.03.036

Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of management review, 23*(4), 660-679. doi:https://doi.org/10.2307/259056

Easton, G. (2010). Critical realism in case study research. *Industrial Marketing Management, 39*(1), 118-128. doi:https://doi.org/10.1016/j.indmarman.2008.06.004

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of management review, 14*(4), 532-550. doi:http://dx.doi.org/10.2307/258557

Gerli, F., Tognazzo, A., & Giubitta, P. (2012). What makes Italian sme entrepreneurs successful. *The leverage effect of relational competencies. Piccola Impre-sa/Small Business,(3), 7197*. doi:https://doi.org/10.14596/pisb.33

Håkansson, H., Ford, D., Gadde, L.-E., Snehota, I., & Waluszewski, A. (2009). *Business in networks*: John Wiley & Sons.

Håkansson, H., & Snehota, I. (1989). No business is an island: The network concept of business strategy. *Scandinavian journal of management, 5*(3), 187-200. doi:https://doi.org/10.1016/0956-5221(89)90026-2

Håkansson, H., & Snehota, I. (2017). *No business is an island: Making sense of the interactive business world*. Bingley: Emerald Group Publishing.

Håkansson, H., & Waluszewski, A. (2007). *Knowledge and innovation in business and industry: The importance of using others* (Vol. 5): Routledge.

Halberstadt, J., Niemand, T., Kraus, S., Rexhepi, G., Jones, P., & Kailer, N. (2021). Social entrepreneurship orientation: Drivers of success for start-ups and established industrial firms. *Industrial Marketing Management, 94*, 137-149. doi:https://doi.org/10.1016/j.indmarman.2020.06.012

Halinen, A., & Tömroos, J. Å. (2005). Using case methods in the study of contemporary business networks. *Journal of Business Research, 58*(9), 1285-1297. doi:https://doi.org/10.1016/j.jbusres.2004.02.001

Handfield, R. (2019). Shifts in buyer-seller relationships: A retrospective on Handfield and Bechtel (2002). *Industrial Marketing Management, 83*, 194-206. doi:https://doi.org/10.1016/j.indmarman.2019.08.012

La Rocca, A., Ford, D., & Snehota, I. (2013). Initial relationship development in new business ventures. *Industrial Marketing Management, 42*(7), 1025-1032. doi:https://doi.org/10.1016/j.indmarman.2013.07.001

La Rocca, A., & Perna, A. (2014). New Venture Acquiring Position in an Existing Network. *Imp Journal, 8*(3). doi:https://doi.org/10.1108/IMP-02-2015-0008

La Rocca, A., Perna, A., Snehota, I., & Ciabuschi, F. (2019). The role of supplier relationships in the development of new business ventures. *Industrial Marketing Management, 80*, 149-159. doi:https://doi.org/10.1016/j.indmarman.2017.12.008

La Rocca, A., & Snehota, I. (2014). Relating in business networks: Innovation in practice. *Industrial Marketing Management, 43*(3), 441-447. doi:https://doi.org/10.1016/j.indmarman.2013.12.012

Lambe, C. J., Spekman, R. E., & Hunt, S. D. (2002). Alliance competence, resources, and alliance success: Conceptualization, measurement, and initial test. *Journal of the Academy of Marketing Science, 30*(2), 141-158. doi:https://doi.org/10.1177/03079459994399

Li, Y. Z., Li, S. C., & Cui, H. C. (2021). Effect of supplier supply network resources on buyer-supplier collaborative product innovation: a contingency perspective. *Journal of Business & Industrial Marketing, 36*(10), 1846-1863. doi:https://doi.org/10.1108/JBIM-06-2020-0288

Parry, M. E. (2020). Research opportunities in the study of B2B new ventures: Perspectives from the entrepreneurship literature. *Industrial Marketing Management, 90*, 466-480. doi:https://doi.org/10.1016/j.indmarman.2020.07.018

Pencarelli, T. (2022). Digital Transition: what are the challeges facing Small and Medium-sized Enterprises?. *Piccola Impresa/Small Business*(3), doi:https://doi.org/10.14596/pisb.3640

Perna, A., Baraldi, E., & Waluszewski, A. (2015). Is the value created necessarily associated with money? On the connections between an innovation process and its monetary dimension: The case of Solibro's thin-film solar cells. *Industrial Marketing Management, 46*, 108-121. doi:https://doi.org/10.1016/j.indmarman.2015.01.011

Pettigrew, A. M. (1990). Longitudinal Field Research on Change: Theory and Practice. *Organization science, 1*(3), 267-292. doi:https://www.jstor.org/stable/2635006

Prenkert, F., Hedvall, K., Hasche, N., Frick, J. E., Abrahamsen, M. H., Aramo-Immonen, H., . . . Huang, L. (2022). Resource interaction: Key concepts, relations and representations. *Industrial Marketing Management, 105*, 48-59. doi:https://doi.org/10.1016/j.indmarman.2022.05.008

Ribeiro-Soriano, D., & Piñeiro-Chousa, J. (2021). Innovative strategic relationships among sustainable start-ups. *Industrial Marketing Management, 94*, 106-114. doi:https://doi.org/10.1016/j.indmarman.2021.01.008

Rondi, E., Sciascia, S., & De Massis, A. (2020). Innovation in small family firms. *Piccola Impresa/Small Business*(1), 10-19. doi:https://doi.org/10.14596/pisb.380

Stake, R. E. (1995). *The art of case study research*. Sage.

Tunisini, A., & Bocconcelli, R. (2013). Medie imprese in sviluppo: gli assetti relazionali nei processi di integrazione post-acquisitiva. *Piccola Impresa/Small Business*(1), doi:https://doi.org/10.14596/pisb.130

Uzzi, B. (1997). Social structure and competition in interfirm networks. *Administrative science quarterly, 42*(1), 37-69. doi:https://doi.org/10.2307/2393808

Yin, R. K. (1994). Discovering the future of the case study. Method in evaluation research. *Evaluation practice, 15*(3), 283-290. doi:https://doi.org/10.1016/0886-1633(94)90023-X