LOOKING FOR COMPANY

SMALL IT-FIRMS AND PARTNERSHIP FORMATION

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INTRODUCTION

Ever since the 1960's academics and other authors have addressed the need for companies to engage in inter-organisational relationships (see e.g. Evan 1966, Warren 1967). According to several authors (e.g. Hamel et al. 1989, Contractor & Lorange 1988), the first line of inter-firm co-operation was generally undertaken in order to gain access to foreign markets or to bypass government regulations. In the late 1970's, however, firms gradually started to become aware of the advantages related to alliances and partnerships. The growth levelled of at the end of the 1980s when companies realised the risks and dangers associated with the inherently unstable character of alliances while this period was also characterised by a worldwide recession, which led to a more inward-directed orientation triggered by restructuring activities (Duysters et al. 1999).

The number of inter-firm co-operation agreements has rapidly increased again during the past decade (Brown 1999, Harbison & Prekar 1998, Duysters et al. 1999). In addition to a growing number of alliances, inter-firm co-operation has also deepened. Today, co-operation includes not only operational functions like manufacturing and logistics, but also activities that are more strategic in nature such as research and development (R&D) (e.g. Davenport et al. 1999, Ingham & Mothe 1998, Kotabe & Swan 1995, Quelin 2000). When properly utilized, these strategic alliances can provide numerous advantages beyond operational efficiencies and effectiveness like faster market penetration (Gomes-Casseres 1989), sharing of financial risks (Jorde & Teece 1989), technology transfer opportunities (Lei & Slocum 1992) and increased production efficiencies (Datta 1988).

Companies have been pushed to operate in networks and alliances especially in time-based, high technology industries, partly due to rapid technology changes, short product life cycles, delivery times and product variety (e.g. Duysters et al. 1999). These industries are characterised by a difficulty to forecast demand and future developments (e.g. Mohr 2001). Therefore, alliances are part of competitive strategy when coping with frequently and rapidly changing environmental conditions.

Coping with environmental conditions is particularly hard for small and medium sized enterprises that are operating in technology intensive industries. These companies may have innovative ideas and products as well as technological expertise but they lack substantial resources and experience (e.g. Miles et al. 1999). They are also important in national level in many ways like in creating and transferring knowledge through their networks (e.g. Fontes & Coombs 2001, Autio & Parhankangas 1998, Autio 1997).

Researchers have noted that the real challenge of strategic alliance management is to transform cooperation to productive, effective and successful relationships (e.g. Child & Faulkner 1998, Spekman et al. 1996, Yoshino & Rangan 1995). Particularly initial stages of alliance and partnership formation have been found to play a critical role in the success of the relationships (e.g. Doz & Hamel 1998, Anderson & Weitz 1989, Büchel et al. 1998). Groundwork for the whole relationship and its future is carried out in the early stages of partnership formation.

Even though several researchers (e.g. Murray & Mahon 1993, Lorange & Roos 1993, Mockler 1999, Ring & Van de Ven 1994) have studied strategic partnerships' development and generated numerous models to describe the development process. These models are mainly generic and as such not applicable to all circumstances. Small, technology-based companies (STBCs) enclose certain characteristics that might also reflect to their partnership behaviour. There is still a lack of knowledge concerning many issues related to the co-operation activities of STBCs. Therefore; this study attempts to respond to this concern by exploring the early development stages of inter-firm partnerships of STBCs.

The aim of the paper is to construct a realistic STBC behaviour model for early development phases of their strategic inter-firm partnerships. We start by analysing the existing literature and continue by examining six STBC cases facing the partnership issue. Finally, we will revise the original model to better match the reality of STBC firms.

CONCEPTUAL FOUNDATIONS

STBCs and their motives for partnerships

According to EU standard a small firm is defined as employing less than 50 employees, a medium-sized one as 50–249 employees and a large one by employing more than 250. Furthermore, the annual turnover of the company has to be less than € 7 million or the balance sheet total less than € 5 million (http://www.dti.gov.uk/SME4/define.htm).

The definition of an STBC for the current study is drawn from the thoughts of Autio and Kähkönen (1994) combined with EU standards and the definition of technology by Dussauge et al. (1994). Autio and Kähkönen argue that pure technological intensity alone is not enough to determine a firm technology-based. For example, many technical repair shops utilize high technology in their operations. However, this usage consists of applying existing technology to solve known problems in the existing way. Thus, when accompanying creativity with technology intensity the distinction of an STBC becomes evident, as depicted in Figure 1.

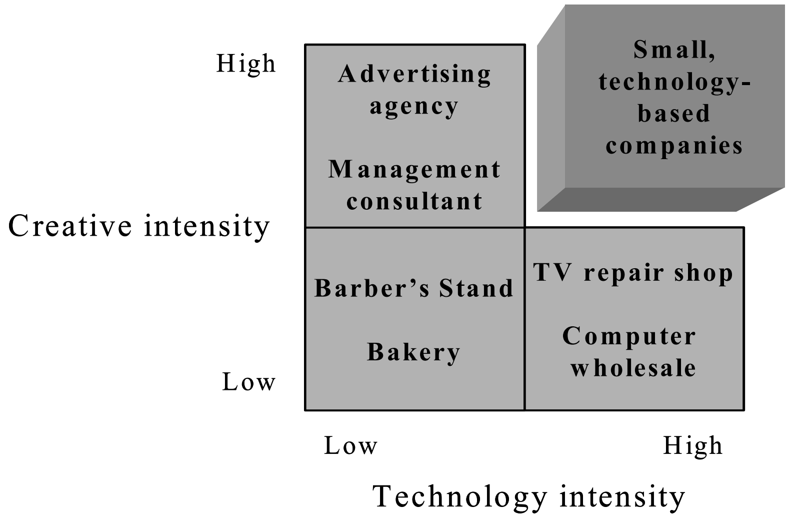

Figure 1. Creative intensity – technology intensity matrix

Source: Autio and Kähkönen (1994)

Hence, for the study a STBC can be defined as a company developing, applying and exploiting scientific or engineering knowledge to solve existing or emerging problems or to pursue business opportunities in a new and creative way while employing less than 50 people and generating less than € 7 million annual turnover or having a balance sheet total less than € 5 million.

STBCs have been under extensive research during the past decade. Several authors have investigated the characteristics of STBC's and unanimously concluded that they indeed differ from other companies with respect to certain company attributes. Their organization structure is usually simple, lean and underdeveloped (Landau 1987). In addition, their unhierarchical and flexible organization (Segers 1992) is typically centred on the technically educated owner-manager (Hoffman et. al. 1998). Landau (1987) further argues that the entrepreneurial culture ascends from a small group of strong individuals, typically the founders of the company. Whilst this situation has several strengths, Venkatraman et. al. (1990) have found it to cause organisational egocentricity, which later might prevent the use of external functional expertise.

Organisational attributes of STBCs lead the analysis of the type of innovations and products these companies create. According to Hoffman et al. (1998), radical innovations are seen as the lifeblood of the firm even by the entrepreneurs themselves. They seem to pursue disruptive technologies, as presented by Christensen (1997), with which new, fast-growing niche markets can be formed. Their focus may be strong and well defined (Landau 1987) and targeted mainly on the product itself, not on the process by which the product is developed, as argued by Hoffman et al. (1998). The number of different products is kept low (Segers 1992) and, according to Brady (1991), some STBCs do not develop their own products at all but rather focus on R&D contracts for other companies.

Due to the lean and flexible organizational structures, team-like set-up of personnel as well as fast decision-making capabilities of STBCs seem to have a competitive edge for making innovations (Casson 1995). Throughout the literature, organisational flexibility is seen as the fundamental competitive strength of STBCs (see e.g. Venkatraman et al. 1990, Landau 1987, Doz 1988).

The often-overlooked fact is that, due to the undeveloped organisation, less developed management skills and poor delegation of most commonly technically educated entrepreneur, STBCs have great difficulties to manage the desired growth (Venkatraman et al. 1990). Oakey (1993) sees a negative side of “entrepreneurialism” causing extreme individualism, which in turn may result in adaptation problems whilst trying to co-operate with large and established organisations.

Resources, both financial and human, are normally very limited for a STBC. According to Brady (1991), these shortcomings typically cause short-sighted managerial planning, and therefore, problems in the long-term competitiveness may come true. It might also be due to this short-sightedness and lack of funds that many STBCs have not developed their own products but focus on R&D contracts or subcontracting only.

As a consequence of their weak resource-base, STBCs are often dependent on external expert resources. Hoffman et al. (1998) suggest that there seems to be many close linkages between STBCs and universities and research centres, for example, STBCs established as university spin-offs or residing in nearby technology village. Small firms are capable of starting the innovation process but, according to Teece (1995), very often large, more powerful firms with appropriate resources in product launching, full-scale production and marketing gather the fruits of the innovation.

There are some distinctive reasons why these types of companies in particular pursue co-operation with other companies. Most of them can, naturally, be derived from the scarcity of resources and the turbulence of business environment that STBCs experience. Forrest and Martin (1993) argue that the most important reason for STBCs to engage in partnerships is the potential increase in market-based competitiveness. Linking to partners’ established marketing or distribution network could give the firm an instant access to substantially larger market.

Further, Forrest and Martin (1993) add pursuit of time-based competitiveness to the motives of cooperation. In a partnership with another, complementary firm, a company can exploit its technology base more rapidly. That may contribute advantage in reduced time-to-market and therefore increases the competitive position in the fast-moving, turbulent environment.

Green et al. (1991) suggest that for a STBC, it is possible to increase its visibility and credibility trough partnerships. Using this logic, it would be valuable for the small company to partner with a large and respected industry forerunner. Having the reference value of the partnership with a well-known player in the market also increases the attractiveness of the STBC as a partner.

In addition to specific reasons derived from special characteristics of STBCs, some general partnership motives are applicable for these companies, too. Co-operation may offer advantages in comparison to relying on markets or hierarchies alone, as co-operative partners aspire for goals outside their internal resources and benefit by learning and inter-firm adaptation. Nohria and Eccles (1993) characterise this as “a network of lateral and horizontal linkages within and among firms”.

Enterprise networks are created because they provide a forum for participants to utilize shared, direct business activities (Human & Provan 1997). The forum also provides some indirect member services. These indirect services may include activities like lobbying, promotion, or co-ordination of activities. Human and Provan (1997) also state that networks among SMEs promote complex interdependencies since shared business activities result in situation where members provide inputs and outputs for one another.

As a conclusion we draw three propositions. First; the new world order in business context seems to demand also reperception of the ideas of competition and co-operation – adding new focus on the latter one. Second; in the case of STBCs, this feature may often be materialized in modern forms of networks – such as strategic alliances and partnerships. Third; several authors seem to highlight conceptual and empirical relevance of alliance and partnership research in this context. We now turn more thoroughly to clarify our key concepts in this area and prepare for our case analyses.

Partnerships and strategic alliances in network thinking

Child and Faulkner (1998) provide a useful model for typing different forms of co-operative behaviour in the continuum between free markets and structural hierarchies. Markets exhibit the lowest degree of interdependence, indeed no interdependence at all in their pure form, with each transaction implying no specific probability of a repeat transaction. First level of interdependence is called equal-partner networks in which firms engage in reciprocal, preferential and mutually supportive actions. Pfeffer and Salancik (1978) suggest that such networks are created in order to reduce the level of uncertainty in a firm’s perceived environment. Next, we reach the unilateral co-operative agreements, which enable firms to provide services on a fairly intimate basis in exchange for money. Consultancy projects and relational subcontracting are examples of such agreements. Dominated networks are characterised by a core company, which controls the network and communication inside the network. Virtual corporations, on the other hand, are loosely coupled enterprises in which the parts are held together through the medium of sophisticated information-technology packages. The highest level of interdependence in non-equity co-operation modes is found in strategic alliances.

Spekman (1995) provides a following definition for strategic alliance: a strategic alliance is mutually beneficial agreement between two or more partners in which resources, knowledge, and capabilities are shared with the objective of enhancing the competitive position of each partner (modified from Spekman et al. 1995). Ståhle and Laento (2000) argue that a strategic partnership is formed between two companies as strategic alliances are multilateral coalitions in which every partner has connection to all the others. This is also our selection for our definition.

Porter (1986) and Garrette and Dussage (1995) classify partnerships as either vertical or horizontal coalitions. Vertical coalitions are ones that are formed between companies carrying out different activities in the same value chain whereas partners in horizontal coalitions perform the same activity in the value chain. In addition, Bronder and Pritzl (1992) present a third variety of partnership type within this basic concept of market positioning. They refer it to as the diagonal alliance, which applies to the co-operative activity between companies in different industries.

These definitions of strategic alliances, strategic partnerships and their vertical and horizontal versions form our key set of concepts. It is now time to turn to the dynamic side of our concepts, namely the formation process.

General process models of partnership formation

How can we outline successful alliance formations? There is no lack of answers to this question. Namely, a number of studies have come up with numerous different process models representing the "correct" way of carrying out the task (e.g. Doz & Shuen 1988, Murray and Mahon 1993, Lorange & Roos 1993, Mockler 1999, Ring & Van de Ven 1994). It seems to be the process-based view of developing partnerships that helps to clarify and evaluate the overall complexity of strategic partnerships, and is useful to separate these overlapping stages for analytical purposes. Moreover, the framework outlines how and in which order the planning should, in an ideal case, proceed (Doz & Shuen 1988).

Murray and Mahon (1993) present an illustrative model of the partnership evolution. Their partnership development begins with a courtship stage. If this goes well, detailed negotiations follow to develop an agreement. Only then follows the stage number three, the start-up stage, in which joint activity begins, and substantial resources are committed. Murray and Mahon call the next stage as the maintenance phase, which involves the routinisation of operations and reporting relationships, as the organizations continue to work together on an operational basis. This is, of course, the phase when the ultimate success of the partnership will be tested, as it gains responsibilities, continues in steady mode, or declines in importance and becomes marginalized by the partners. The fifth stage of the life cycle is described as the ending, which can take a number of forms: the end of a specific relationship with extensions into other areas of mutual interest, an amicable separation with no immediate further joint activity or a hostile parting, inhibiting the likelihood of any future joint activity. The time line for the fourth stage, maintenance, can be short or extended to an infinite length, depending on circumstances.

Lorange and Roos (1993) argue that the development process has two phases, which are linked to each other: an initial phase and an intensive phase. However, the boundary line between these phases is not unambiguous: rather, in reality, it is not possible to distinguish them because the phases are often overlapping each other. In Figure 2, a synthetic framework for the evolution of strategic partnership is presented. The model leans on thoughts presented by Lorange and Roos (1993), Mockler (1999) and Ring and Van de Ven (1994), who have studied the development of co-operative inter-organisational relationships in general.

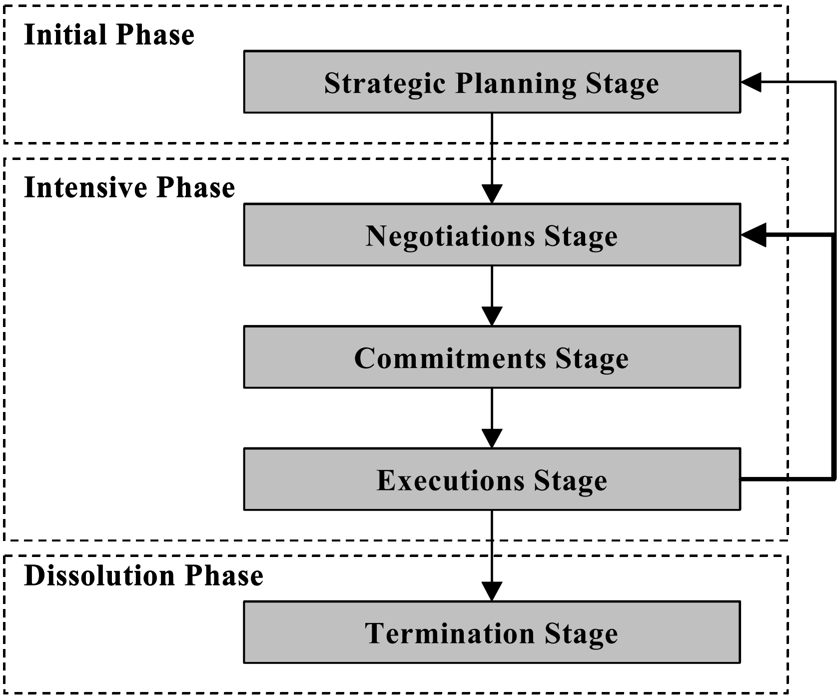

Figure 2. General process framework for partnership development.

In the initial phase (strategic planning stage), the strategic decision about the partnership is made and a set of basic partner selection criteria formed, although, these criteria may be further developed in the negotiations process. Usually, a prerequisite for the formation of selection criteria is that a comprehensive context analysis on both external as well as internal and company factors is conducted. (Mockler 1999)

Basically, the intensive partnership development can be viewed as a continuous process. Ring and Van de Ven (1994) have studied this development process and they have entered into a conclusion that the process consists of a repetitive sequence of negotiation, commitment, and execution stages, each of which is assessed in terms of efficiency by the partners involved. In the negotiations stage, the parties develop joint expectations about their motivations, possible investments, and risks they are exploring to undertake together. Through formal bargaining and informal sense making the partners try to assess the uncertainty associated with the partnership, the nature of each other's role, the other's trustworthiness, their rights and duties in the partnership being considered, and the possible efficiency of the transaction.

In principle, in the negotiations process partners (or partner candidates) try to find out as much as they can about each other. This information is then used to determine the strategic fit between the companies (Geringer 1991). In other words, negotiations phase concentrates on strategic fit, core business competencies, business and competitive gaps that need to be filled, and other business needs. After the negotiations are concluded, partners make a commitment to the decision being made and the partnership moves to the execution stage. Then, the cycle begins as new projects, business opportunities or operational needs emerge and depending on the significance of the project the strategic planning phase may be required. Finally, the partnership moves into the termination stage, in which co-operation activities end and partners depart from each other.

According to Bronder and Pritzl's (1992) framework, four critical phases can be distinguished in the early stages of the partnership formation, namely strategic decision for partnership, partnership configuration, partner selection and partnership management. Bronder and Pritzl (1992) emphasize that the order does not represent a strict sequence of logical decisions. On the contrary, it is possible that during the partnership formation process, several iterative or overlapping steps take place. Additionally, Sørensen and Reve (1998) argue that the process of partner selection is closely linked to the earlier steps in the formation of the partnership, i.e., the strategic decision phase and the value creation logic attributes.

During the recognition stage, a company recognises the need for a potential alliance. Such recognition can take place at any level of hierarchy or at any point of the value chain of the company. Recognition is usually followed by the search stage, in which the company engages in research into the prospects of the potential partnership. According to George and Farris (1999), this could include analysis to ensure technological and market appropriateness, as well as early planning for resource allocation.

The relationship set-up stage follows next. During this stage partners negotiate and arrive at a plan for implementing the collaboration. The final formative stage in the George and Farris' (1999) model is the ramp-up stage during which the implementation of the set-up plan takes place. The post-formative stage is labelled as ongoing management, which is characterised by the relatively smaller vulnerability of the relationship compared to the formative stages. With these notions we are ready to re-outline the process model for the needs of our specific research setting.

Resulting theoretical framework

The preliminary frame of reference for examining the different stages of the early partnership development is now presented in Figure 3. This framework is based on current strategic partnership literature examining the stages related to inter-firm non-equity cooperative agreements. By nature, it, however, is our three-person "team's" synthesis on this literature doctrine.

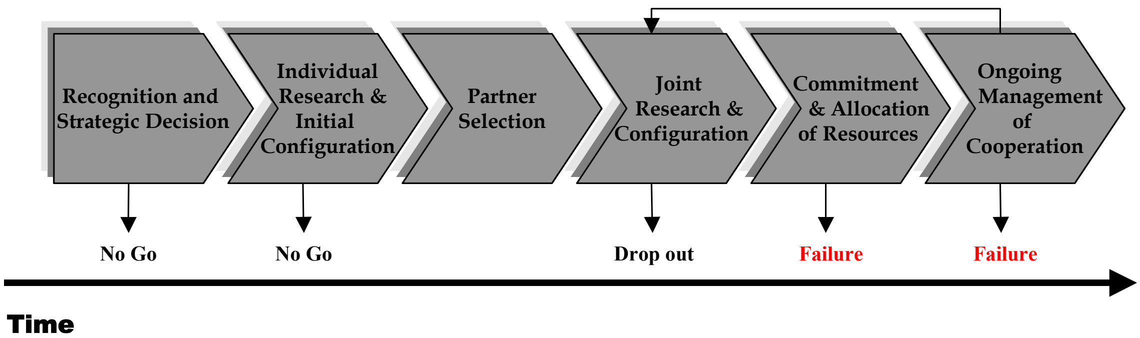

Figure 3. Preliminary theoretical framework for the study.

The stages model used in the framework is derived from various models in literature by combining and disaggregating some phases of the development. It is assumed that after the recognition of partnership as a potential business opportunity the company starts to explore the possibilities from its own perspective, particularly the form of the partnership, which best serves the objectives of the co-operation. Then the candidates of potential partners are screened and the best possible partner chosen. Joint research with the selected partner follows and if the parties come to mutual understanding about the form of the partnership the venture goes on by allocation of required resources to it. From this point onwards, the partnership can be viewed as a repetitive sequence of negotiation, commitment and execution activities as argued by Ring and Van de Ven (1994).

With these additional comments, Figure 3 will operate as a conceptual framework in the empirical section of our paper.

RESEARCH SETTING

Objectives

In this study, we follow the basic ideology of case research (Bonoma 1985, Eisenhardt 1989, Yin 1994). In broader terms, our approach is qualitative (see Tesch 1990) concentrating on description and analysis of processes that take place in case companies.

Research method and design

Case studies are normally preferred when the researcher has little control over events within a real-life context. Additionally, in a case study it is useful to pose explorative questions such as “why” and “how”. The purpose of typical case studies is to expand and generalise theories by a process of inference (analytical generalisations), not to develop frequencies in values (statistical generalisations) (Yin 1994). Moreover, according to Gummesson (1991), case study research is useful when studying the processes in actual companies. As we later will see, our research setting fits well with these prerequisites.

The regular research purpose of a case study can vary between exploratory, descriptive, and explanatory tasks (Yin 1994). Our paper can be characterised as exploratory and descriptive in nature, as the idea of the empirical part of the study is, first, to explore what kinds of phases can be identified in the development process of a strategic partnership and, thereafter, describe the characteristics of each phase.

Yin (1994) suggests that researchers first choose an appropriate theory and then select their cases, i.e. the case study method benefits from the prior development of theoretical propositions, which then guide case selection, data collection, and analysis. Each case is a separate unit and a base for generalisations across cases. In our paper, the setting could be titled by this requirement and, thus, could be called multiple case study approach. Yin (1994) suggests that multiple case design should follow a replication logic and that the researcher must choose each case carefully so that the case either “predicts similar results (a literal replication) or produces contrasting results but for predictable reasons (a theoretical replication)”. As the aim of the research is to study the partnership development process for small, technology-based companies in Finland, our approach, a multiple case study and replication approach is appropriate.

Data collection

The Finnish ICT (Information and Communications Technology) sector was selected as a research field. This field has been the main engine of growth in the Finnish economy in the past decade and most likely continues to increase its importance in the future. Further, the focus was on firms developing mobile services. This sub-industry is also very innovative by nature and forms one of the base foundations in the whole "new economy" in general. The following Table 1 describes the criteria attribute used when selecting the case companies. It also highlights the attribute values for each case company.

Table 1. Case company selection criteria.

	Number of employees	Business idea based on technological innovation	2000 turnover	2000 balance sheet total	**Pass / Fail**
Case Company A	25	Cross-media mobile entertainment	Below 2 M Euro	Below 3 M Euro	**Pass**
Case Company B	40	Mobile media services and products	0,75 M Euro	2,2 M Euro	**Pass**
Case Company C	36	Mobile marketing	Below 1 M Euro	Below 3 M Euro	**Pass**
Case Company D	37	B-to-B mobile enterprise software	1,2 M Euro	About 1 M euro	**Pass**
Case Company E	24	Wireless multimedia delivery platform	0,5 M Euro	0,4 M Euro	**Pass**

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In order to achieve the goal of this study, multiple sources of data are used. In case studies, potential data sources can include, for example, archives, interviews, questionnaires, direct or participant observation and documentation. In this study, the data have been collected from interviews and documentation. Personal interviews have been the primary source of empirical data in this study and they have been conducted with the CEOs of the case companies. The interviews were informal and semi-structured in nature. The questions were generally open-ended allowing the respondents the opportunity to address issues that might not have been raised explicitly by the researcher. A list of questions and themes was prepared and sent to all respondents beforehand.

The questions and themes discussed in these interviews were derived from the preliminary frame of reference. The interviews covered following areas: company background, motivation and objectives of the partnership, the form of the partnership, the evolution of the partnership and the success factors of the partnership. Additionally, future of the partnership was also discussed, along with the competitive situation in the industry in general. The above-mentioned themes were not necessarily discussed according to the pre-established order. Moreover, other questions and issues related to the topics were discussed if the interviewee mentioned such.

Data analysis

Typically, the analysis of qualitative data contains a number of explicit phases. It may contain stages like comparing, classifying, condensing, summarizing, grouping, finding negative evidence, and argumentation. During the analysis procedure important themes are detected by coding. This happens by organizing themes into groups for further interpretation (Tesch 1990).

In this study, the analysis began simply by typing the taped interviews. The interview material package was classified in a planned and systematic way. First, the various arguments and statements of an interview were coded in categories that corresponded with the components and themes in our setting. All components and themes that were similar were grouped together into a category that referred to a particular element, for example motives, stages, etc. Finally, preliminary case reports were written. The reports created the basis for individual case analyses and cross-case analyses.

REVISING THE BASIC MODEL

Partnership development

All of the interviewees explained how they experienced the partnership development. Mostly, the development process seems to begin with an awareness stage, in which the company becomes aware of the potential partner or the need for one. This awareness can originate internally or come from a third party, for example a venture capitalist. After the awareness, negotiations proceed at two levels. First, companies go through a short courtship period during which initial technological and strategic issues are discussed. After the preliminary strategic check is passed, companies begin the commercial negotiations, which hopefully lead to an agreement and signing the deal. Subsequent to that, the relationship is characterised by redefining the business logic of the partnership after specific milestones have been achieved.

The key proposition now says that one preliminary framework does not work. As can be easily noted, already the above process exhibits some major inconsistencies with the preliminary development framework created by the researchers. This was discussed intensively with the interviewees. The main problem as to a conscious framework is that small firms typically lack the resources and sometimes even the knowledge to proceed according to any stages model. Furthermore, the initiation of the partnership often originates outside the company from various stakeholders, at industry events or through previous customer relationships – very often on an ad hoc basis. Initiation and the very beginning of the partnership is normally also characterised by the negligible importance given to the first two stages in the Likert scale by all respondents. Now, the described anomalies between the conceptual framework and evidence gained from the cases cannot be overlooked. The stages framework simply needs to be redesigned to better reflect the actual birth and early development of strategic partnership of an STBC.

An additional remark pointed out by most interviewees, is the importance of the actual agreement. In the framework, it is referred to as the commitment stage, which essentially follows the signing of the agreement. However, the respondents argued that the official agreement of co-operation should be on top of everyone's mind already during the early development negotiations. When focusing on making a mutually accepted and thorough contract both partners can avoid misunderstandings and identify their responsibilities as well as potential rewards.

When discussing the hindrances of the stages framework, interviewees definitely agreed that it represents the rational, formal and perhaps 'correct' way of developing the relationship. Notwithstanding, it is not applicable for small firms due to above-mentioned reasons. Logically, respondents argued that it might very well symbolize the evolution of large companies' partnership development.

A central finding of the current study is related to the evolution of strategic partnership for a STBC. Now – not anymore surprisingly – the development path does not follow the thoughts and evidence presented by academics concerning generic inter-firm partnerships. Due to this anomaly, along with the notion of two-level negotiations and emphasis on the importance of the formal partnership agreement, there was an evident need to redefine the original conceptual framework. Figure 4 captures a revised stages model that fits better with STBCs typical co-operative behaviour.

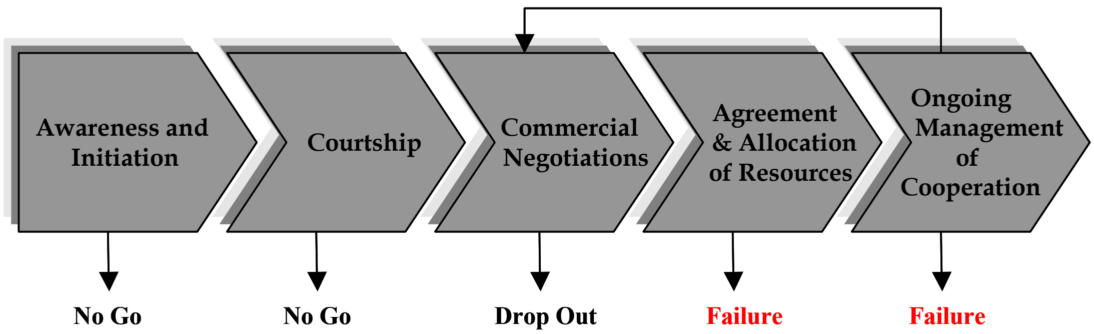

Figure 4. Revised stages framework for STBC's partnership evolution.

In the awareness and initiation stage, companies (or only one of them) become(s) aware of the possibility of partnering. This awareness can initiate internally or, as in several cases, originate from the external environment. This external environment includes, for example, industry events and forums, current customer/supplier relationships, and venture capital companies. Later, as the STBC gains partnership experience over time, a greater part of the awareness and initiation becomes from inside the company. Then, the partner selection stage is removed from the preliminary stages model completely since evidence showed that STBC's lack the attractiveness to be able to single-handedly decide with whom to co-operate.

In the second stage, called "courtship", companies' representatives learn to know each other on a personal level. This is also the phase during which a preliminary feasibility study or "analysis" of the venture is conducted. This task may sometimes be as simple as checking whether the strategies and technologies of the companies match easily. However, courtship stage is still characterised by a rather small allocation of resources by the companies. Therefore commitment to the co-operation is still rather low and a No Go -decision is easy to make whenever necessary.

According to case evidence, the following stage or "commercial negotiations" represents a pitfall for many promising partnerships. Even though the strategic fit and technological complementarity would be perfect, companies might never come to an understanding about the responsibilities and division of revenue created through co-operation. Now; given that the commercial negotiations are conducted successfully, signing the formal agreement about the co-operation follows. The possibility of failure naturally follows along the whole path of formation.

The ongoing management of co-operation is characterised by the repetitive process of commercial negotiations, agreement and execution, which is presented with the arrow to the negotiations stage. As indicated by the case evidence, companies have to conduct regular follow-up evaluations about strategic partnerships during, and especially at the end of specific projects. The evaluation should be carried out by both partners in order to reveal the level of mutual satisfaction to each other.

Apart from the evolution model, some other findings were also discovered. The motivations and types of co-operation seem to interact strongly with each other, resulting in four primary types of strategic partnerships for STBC's. Technology partnerships are formed in order to test or acquire new technologies and they are the only type of partnership without a direct business aspect. Then, there are three levels of business partnerships with respect to learning that usually emerge. Distributor and reseller partnerships are the purest form of business partnership while complementary partnerships are used to bundle partners' products and services to make the combined offering more than the sum of individual ones. They usually require some integration of technologies and therefore demand some organisational learning. Finally, majority of STBC's form partnerships with large industry leaders in order to satisfy multiple objectives. Companies wish to gain access to new technologies and marketing co-operation programs in addition to increasing their credibility and visibility in the industry.

DISCUSSION

The world of average strategy authors handling their small-firm networking activities seems to be very rational and their models often, thus, too idealistic. Detailed multi-stage models, namely, do not work or are not clearly visible in everyday strategic activity of STBCs as looking for partners. As noticed, typical literature-based frameworks receive echo in practice only at a very approximate level.

In our paper we revised a regular generic multi-phase model more realistically to match with the actual partnership behaviour within STBCs in this lively, innovative and changing sub-industry.

Our model may have three purposes regarding company practices. The first has to do with understanding: our framework may help in perceiving the real step-by-step activity of these processes. The second use may be normative: our model could act as a rationale or benchmark frame of how to proceed if one wants to be conscious and systematic. And thirdly, our presentation may deliver just ideas or hints concerning the whole entity of inter-firm partnership problematics among STBCs.

During the course of the research a number of issues appeared that could not be addressed within the present study but which could be worth studying afterwards. The topics for appropriate further research may deal with both theoretical perspectives and empirical issues.

As said above, the original stages models that have been created are mostly too generic, with the objective to be applicable to the majority of strategic partnerships. But the "generic" problem touches also our revised model – it does not take all the multiple faces of reality into account. Thus, both models as such are not perfectly applicable to any specific partnership type. New frameworks should therefore be created to better address the special characteristics of different kinds of companies as well as different types of partnerships within the STBC concept.

A conceptual framework combining the special characteristics of STBCs and the success factors for partnerships could also contribute to the understanding of STBC's real-life cooperative behaviour. This framework and its application could also more deeply enlighten the answer to the question of interdependence in STBC's strategic partnerships.

Another, large field ahead from this stage onwards opens towards empiristic questionnaire-based research strategy. This sort of nomothetic research could, then, cover larger amounts of STBCs and follow both classical hypothetic-deductive or inductive research strategy – both utilizing heavy empirical material. The current paper reveals argumented conceptual foundations for outlining establishing phases for both types of classic research. This way we later could progress to empirically tested and more valid theories in the area of STBC partnership behaviour.

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