Seizing the Shadow: How Firms Profit from Non-shared resources

# Introduction

Organizational interdependence is a phenomenon of considerable theoretical and practical importance ([Pfeffer & Salancik, 1978](#_ENREF_37)). By organizational interdependence, we mean the links among firms as a set of power relations based on exchanges of resources ([Ulrich & Barney, 1984](#_ENREF_50)). From a practical perspective, organizational interdependence is widely acknowledged because organizations are inevitably bound up with their environments ([Pfeffer, 1972](#_ENREF_36); [Xia, Ma, Lu, & Yiu, 2014](#_ENREF_56)). From a theoretical perspective, organizational interdependence is a focus of resource dependence theory (RDT) ([Pfeffer & Salancik, 1978](#_ENREF_37)), resourced-based view (RBV) ([Barney, 1991](#_ENREF_3); [Wernerfelt, 1984](#_ENREF_53)), and network perspective ([Uzzi, 1997](#_ENREF_51)). These theories or perspectives suggests several reasons why firms manage organizational interdependence, such as environment uncertainty reduction ([Hallen, Katila, & Rosenberger, in press](#_ENREF_20); [Pfeffer & Salancik, 1978](#_ENREF_37)), and value creation of network resource through interconnected firms ([Dyer & Singh, 1998](#_ENREF_14); [Lavie, 2006](#_ENREF_29)). The latter is our focus.

We define network resources as external resources embedded in the firm’s interorganizational network that provide strategic opportunities ([Gulati, 1999](#_ENREF_19); [Lavie, 2006](#_ENREF_29)). The concept of network resources was introduced by [Gulati (1999)](#_ENREF_19), who argued that such resources available to firms can provide informational advantages that contribute to influence firms’ strategic behavior by leveraging the opportunity set available to them. For example, small firms can benefit from the high returns of exploration alliances with large firms by accessing and absorbing advanced technological know-how from the latter ([Yang, Zheng, & Zhao, 2014](#_ENREF_57)). Likewise, ties with service intermediaries contribute to the new venture’s product innovation by reducing their search cost ([Zhang & Li, 2010](#_ENREF_60)). The importance of network resources has also been observed in the popular press. Examples are prominent, ranging from Apple and Google's collaborations ([Rosmarin, 2007](#_ENREF_40)) to Ford, Daimler, and Nissan’s collaborations ([LaMonica, 2013](#_ENREF_28)). These collaborations allow partners to benefit each other from complementary resource sharing ([Chesbrough, 2003](#_ENREF_9)). Several theories offer insights for value creation of network resource through interconnected firms. The dominant view of RDT is that alliance formation helps firms to acquire network resources to reduce interdependence and uncertainty ([Hillman, Withers, & Collins, 2009](#_ENREF_23); [Pfeffer & Salancik, 1978](#_ENREF_37)). On the other hand, the extended RBV also suggests that relation-specific assets and complementary resources are source of interorganizational competitive advantages ([Dyer & Singh, 1998](#_ENREF_14)).

Although these theoretical views are helpful, some outstanding issues remain. First, existing researches focus on the relational rent extracted from complementary resource sharing among partners ([Dyer & Singh, 1998](#_ENREF_14); [Ireland, Hitt, & Vaidyanath, 2002](#_ENREF_24)) and exclude the view of spillover rent extracted from nonshared network resources. This is because appropriation of spillover rent nonshared resources are always treated as intolerable opportunistic behaviors ([Carson, Madhok, & Wu, 2006](#_ENREF_8); [Hallen et al., in press](#_ENREF_20); [Kale, Singh, & Perlmutter, 2000](#_ENREF_27)). Recently, however, evidences of legitimacy-based value appropriation from nonshared resources have been proposed (see, Saxton,1997; Stuart, Hoang, & Hybels, 1999). Yet though these findings are attractive, there is no empirically grounded, theoretical account of the process that help firms to leverage nonshared network resources in a legitimate way. We address this research gap by asking: *how a focal firm benefits from nonshared resources of its alliance partner?* Given the theoretical and empirical limits of existing theories, we take a theory-building approach ([Eisenhardt & Graebner, 2007](#_ENREF_16)). Using field and archival data, we tracked how two polar sampled firms appreciate value from nonshared resources of their initial partnership in new segment of business.

Our study contributes to resource dependence theory and the study of diversification strategy within large firms. A key insight is the extension of RBV by enriching its core construct, resource. Nonshared network resources can be a source of spillover rent and interorganizational competitive advantage. A second insight is a theoretical process framework of how firms benefit from nonshared network resources that includes three strategies by which firms ensure endorsement and embededness. Third, we also note contributions to resource dependence and network theories, respectively, by highlighting the role of social lock-in wherein initial interdependence can influence firm’s future outcomes..

# Theoretical Background

Our research explores *how a focal firm benefits from* *nonshared resources of its alliance partner.* By “*nonshared resources*”, we mean resources that are not directly dedicated to a partnership by a firm, and are unexpected to be acquired by its partner.

A dominant approach to analyze alliance and partnership is the resource-based view (RBV). The basic argument of resource-based view is that a focal firm can gain competitive advantage over its competitors by processing valuable, rare, imitable, and non-substitutable resources ([Barney, 1991](#_ENREF_3); [Wernerfelt, 1984](#_ENREF_53)). Yet, as key resources, especially knowledge and technological resources, may exist beyond a firm’s boundary, alliances and partnerships are formed. According to [Yasuda (2005)](#_ENREF_58)’s empirical research on the motivation of high-tech strategic alliances, the primary motivation is the access to resources, followed by rapid development or marketing, rather than minimizing costs. In this sense, resource-based view prevails over transaction-cost theory in explaining strategic alliances. In line with this, a firm would not only need to get access to critical resources located in other firms, but also must have certain resource base to cooperate with others ([Eisenhardt & Schoonhoven, 1996](#_ENREF_17)). Thus, the more VRIN resources a firm have, the more likely the firm will be involved in strategic alliances ([Das & Teng, 2000](#_ENREF_12)).

Due to the emergent of various forms of partnerships, scholars notice that the sources of competitive advantage are always located at the interorganizational or relational level. Hence, rather than focusing on a focal firm’s own resource base, RBV is extended to the relational level, emphasizing partner-specific resources’ contribution to firm’s competitive advantage ([Dyer & Singh, 1998](#_ENREF_14); [Lavie, 2006](#_ENREF_29)). The partnering firms need to co-create relational rent, which derives from specific resources and assets that firms jointly dedicated to the alliance and from complementarities between member firms’ resources ([Dyer & Singh, 1998](#_ENREF_14); [Lavie, 2006](#_ENREF_29)).

It is obvious that when it comes to partnerships or alliances, existing literature emphasizes complementary resource sharing, and highlights the importance and legality of profiting from shard relational-specific resources ([Dyer & Singh, 1998](#_ENREF_14); [Ireland et al., 2002](#_ENREF_24)). This leaves the nonshared resources as a shadow area. Nonshared resources are important because it can be a source of inbound spillover rent ([Lavie, 2006](#_ENREF_29)). However, appropriation of spillover rent and benefiting from nonshared resources are always treated as the result of salient opportunistic behaviors, and will then harm the partner ([Carson et al., 2006](#_ENREF_8); [Dyer & Singh, 1998](#_ENREF_14); [Kale et al., 2000](#_ENREF_27); [Lavie, 2006](#_ENREF_29)). Existing researches thus emphasize the protection of nonshared resources ([Kale et al., 2000](#_ENREF_27); [Lavie, 2006](#_ENREF_29)).

We found the above arguments unconvincing. We believe that partnerships can provide alliance firms with opportunities that beyond their current collaboration scope, in which non-shared resource plays an important role. A few researches have touched upon this topic, though still very insufficient. [Stuart (2000)](#_ENREF_47) treated alliances as endogenous, and investigates whether firms that have strategic alliances outperform those outsiders. The study finds out that the competitive advantage of a focal firm depends upon the resource profiles of its alliance partners. For example, the focal firm’s innovation rate is positively related to its partners’ technological capabilities; while its sales growth is positively related to partners’ revenues. [Saxton (1997)](#_ENREF_42) investigated the impact of partner specific characteristics on alliance outcomes, and proves that firms can benefit from alliance participation and partner’s reputation. In the above cases, partners’ technological capabilities, revenues and reputations are nonshared resources, yet will benefit the focal firm. We argue that a focal firm can leverage benefits from its partner’s nonshared resources without harming the partner. Yet, no systematic and process theories on how a focal firm can benefit from nonshared resources of its partner have yet been developed.

# Method

Given limited theory about how firms benefit from nonshared network resource, we relied on inductive theory building using multiple-case study ([Eisenhardt, 1989](#_ENREF_15)). Inductive approach is especially useful for developing theoretical insights for the research areas that existing theory does not address well ([Ozcan & Eisenhardt, 2009](#_ENREF_35)). Multiple cases are likely to yield more accurate and generalizable theory than single case ([Eisenhardt & Graebner, 2007](#_ENREF_16)).

Following the rule of theoretical sampling ([Eisenhardt & Graebner, 2007](#_ENREF_16)), we chose Sunyard and Grundfos to conduct our study.

Sunyard was founded in 1996, and provides software and IT services for banks in China. One of his major clients is Industrial and Commercial Bank of China (ICBC) who is one of the top four state-owned banks in China. As ICBC is a leading bank in China, Sunyard developed a benchmarking strategy and tries to expand the market share in regional banks with extended service experience for ICBC. Currently, Sunyard ranks top one IT service enterprise for banks in China.

Grundfos is the world’s largest manufacturer of pump circulators with the headquarter located in Denmark. Grundfos established its Chinese subsidiary in the year of 1994, and regards China as its second-home market. As early as 2009, Grundfos has set the strategy of entering the Chinese solar industry. In 2010, Grundfos established a strategic technological partnership with Humin Solar Corporation located in Shandong Province, China, aiming at developing a new solar system integrating both Grundfos’ and Himin’s leading technology. Himin is also the world’s largest manufacturer of solar panels and solar heating units. Though this strategic technological partnership, Grundfos’ strategic position in China has been turned upside-down.

Above all, both the sample firms suitable to extend emergent theory ([Eisenhardt, 1989](#_ENREF_15)). Sunyard and Grundfos made a successful entry into new segment of business by alliance participation. What they leveraged is their initial partner’s status that is a sort of nonshared network resource. Moreover, both the sample firms provide examples of polar types ([Eisenhardt, 1989](#_ENREF_15)) that contributes to a comparative study. Sunyard made a market entry by alliance with his supplier, whereas Grundfos entered a new segment of business by allianced with an embeded partner. Thus, Sunyard and Grundfos represent symbiotic interdependence and partner interdependence respectively.

Within each firm, first, we asked the executives to summarize the strategic objectives, importance, complexity and resources when they determined to enter the target new segment of business by alliance particitation. This questioning enabled us to idenify the nonshared network resource in their initial patnership. Second, we asked them to the disadvantages and advantages that they faced and strategic actions they took in order to examine how they leveraged such resource to ensure endorcement by their environment. Table 1 summerizes the characteristcs of focal firms and their initial partners.

Table 1 Overview of the Focal Firms and Their Partners

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Firm | Business Areas | Founding Date | Revenuesa | Number ofInformantsInterviewedb | Informants Interviewedby Type | Initial partner |
| Sunyard | Financial Software | 1996 | ¥ 924 million | 5 | Corporate Executive: 2General Manager: 3 | ICBC |
| Grundfos | Pump | 1945 | ¥ 36.7 billion | 8 | Corporate executive: 3General manager: 5 | Huangming |

a: The data is searched in the firms’ annual report in 2013

b: Several informants were interviewed more than once, with over XXX interviews being conducted among the three cases.

## Data Collection

We used several data sources: interviews and archival data such as internal documents, press releases, and websites. Triangulation of data collected from multiple sources helps to confidence in the accuracy information ([Martin & Eisenhardt, 2010](#_ENREF_32)). The semi-structured interview guide had two sections. First, we began the interviews by asking informants background questions about their industry, business strategy of the firms, and their role in their firm. Second, We asked informants to describe he major events in the formation of their initial partnership in target new segment of business, as well as the sequntial partnership and performance. We used open-ended questioning that gave the informants wide scope to describe the objectives of their initial partnership as well as the process they ensured structure embededness.

Following [Ozcan and Eisenhardt (2009)](#_ENREF_35), we addressed potential informant bias in several ways. First, we gathered interview data in several waves over a long period, 18 months for Sunyard and XX months for Grundfos, respectively. This process enabled a collection of both retrospective longitudinal and real-time data that faored a lot because retrospective data enables efficient collection of more observations and real-time data mitigates retrospective bias ([Ozcan & Eisenhardt, 2009](#_ENREF_35)). Second, we used interview technique “event tracking” that put the informants back at the time of the events and then guided them forward through time to produce a step-by-step chronology of events ([Eisenhardt, 1989](#_ENREF_15); [Ozcan & Eisenhardt, 2009](#_ENREF_35)). This technique yields more accurate information. Third, we interviewed informants at muliple hierarchicallevels and in different functional areas ([Martin & Eisenhardt, 2010](#_ENREF_32); [Ozcan & Eisenhardt, 2009](#_ENREF_35)). Fourth, we made a triangulation of data collected from multiple sources ([Martin & Eisenhardt, 2010](#_ENREF_32); [Ozcan & Eisenhardt, 2009](#_ENREF_35)).

## Data Analysis

Following multiple case theory building apporach ([Eisenhardt, 1989](#_ENREF_15); [Eisenhardt & Graebner, 2007](#_ENREF_16)), we used within-case and cross-case analyses without any priori hypotheses. We build the write-ups about the sample firms with the data that has been triangulated ([Jick, 1979](#_ENREF_26)). We then began within-case analysis by developing preliminary concepts and a rough theoretical explanation for performance. For example, nonshared network resources (i.e., status of initial partners) was a concept that emerged in this analysis phase.

We then conducted a cross-case analysis using replication logic across the sampled firms ([Martin & Eisenhardt, 2010](#_ENREF_32)). That is to say, we developed preliminary theoretical insights from one case and then tested them on the other case to validate and refine the emergent theory. The process model, for example, emerged in this analysis phase. As comparision with prior researh is a good way to refine the theoretical logic of the emerging relationships and creating propositions ([Martin & Eisenhardt, 2010](#_ENREF_32)), we then repeatedly cycled among case data, extant literatures, and our emerging theoretical framework until there is a strong fit between theory and data. The result is the theoretical framework as follows.

# Seizing the shadow: routines for legitimacy-based value appropriation from nonshared resource in initial partnership

Our research asks, how do firms benefit from nonshared resources from legitimacy behavior? In this study, we use competitive advantage, instead of performance, to measure the firm’s economic profits from nonshared resource in partnership. The reasons are as follows. That a firm doesn’t experienced high levels of performance is not necessarily equal to that profits are not being generated ([Coff, 1999](#_ENREF_10)). In fact, relational rent can be appropriated by the focal firm before it can be reflected in the firm's overall profitability ([Ray, Barney, & Muhanna, 2004](#_ENREF_39)). In terms of generating rent from nonshared resources, competitive advantages can be exclusively derived from network resources, while whether inbound spillover rent (focal firm’s economic performance) can be generated depends on the focal firm’s bargaining power and absorptive capacity([Lavie, 2006](#_ENREF_29)). Thus, presenting competitive advantage measure helps us to avoid such difficult appropriation problem.

Before describing our emergent framework, we present our measurement of focal firm’s competitive advantages. We measured focal firm’s competitive advantages as follows:

Firstly, we use qualitative assessments from informants, such as:

*Based on service experience for ICBC, plenty of regional banks considered Sunyard as a perfect technical solution provider who can provide software matched to their technical demands. In the morning, I read news on newspaper on the small and medium sized banks in China. I found that all the banks listed in that news are our clients (interview, Director, R&D Center, Sunyard, April 1, 2014).*

Secondly, we assessed a focal firm’s financial, market, and strategic outcomes. For instance, Grundfos gained a strategic position in Solar industry after cooperating with Himin; Sunyard leveraged his experience of providing centralized operating platform for ICBC to capture the projects from China Merchants Bank and three other regional banks in 2011. Table 2 summarizes our quantitative assessment of the three cases’ competitive advantages and provides representative informant quotes. The descriptions is based on data that we obtained through data triangulations.

 Table 2 Competitive advantages of focal firms

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Firm | First Stage | Second Stage | Financial, Market, & Strategic Outcomes | Representative Informant Quotes |
| Partner | Prior Interactions | Target | Strategic Objective |
| Sunyard | ICBC | Technology and Product Development | Regional Banks | Expansion in Regional Bank Market | In 2011, Sunyard provided operational management solution for ICBC, and later applied it to some regional banks, including China Merchants Bank, China Guangfa Bank, Huishang Bank and Bank of Dalian.Sunyard applied its document management solution to numbers of regional banks, such as Bank of Beijing, Bank of Hangzhou, Wuhan Rural Commercial Bank and Bank of Quanzhou. | “The market share of our product is 80%-90%.” (interview, General Manager, Division of Operational Management Solution, Sunyard, May 19, 2014)“when I read news on bank rate transactions of regional banks in China , I found all the banks listed are our clients.” (interview, Director, R&D Center, Sunyard, April 1, 2014).“From a revenue standpoint, the outcomes are far beyond our initial expectation.” (interview, General Manager, Division of Operational Management Solution, Sunyard, May 19, 2014) |
| Grundfos | Himin Solar Corporation | Discussions  | Product development | Tapping into the Chinese solar industry | Through the technological partnership, Grundfos and Himin jointly developed a new solar heating system, in which Grundfos’ variable pump technology is integrated. The new solar system significantly improves consumer experience and energy efficiency. Besides getting economic rent from sales, Grundfos successfully stepped into the Chinese solar industry. Grundfos is recognized and approached by other Chinese solar companies, and its strategic position has surpassed its main competitors in China.  |  |

## Within-case analysis

### Case 1: Sunyard

#### Background

Sunyard was founded in 1996. His founder, Huaqiang Guo, was an ex information manager in ICBC that is the biggest bank in China. At that time, plenty of companies who provide IT service for banks in China existed, thus, competition is intense. Once Sunyard was founded, considering the ties with ICBC and other big commercial banks in China, Guo made a “top-down” cooperate strategy that Sunyard made a priority to the benchmarking software and service for benchmarking banks in China, then captured the market share in other relational banks.

In 1990s, banks in China maintained archives in the use of paper preservation. Such preservation means is difficult for network search and work in tandem. However, banks in developed countries had already adopted electronic image files (CD microfilm) instead of paper. Digital image technology and equipment, such as cameras, high-speed scanners, not only could help banks make timely access to the electronic image data in various business units and process simultaneously, but also could help for long-term preservation. “We believed it is the market gap that Sunyard should take actions to close.” (interview, VP, Sunyard, April 1, 2014). Then, in August 1996, Sunyard developed the document processing system that was the first electronic document processing system of the banking industry in China, and sold it to Bank of China (BOC, one of the big four commercial banks in China). As a new venture in such industry, Sunyard suffered a financial loss of 8,500 RMB in the end of 1996. However, after the service for BOC, in 1997, Sunyard executed his top-down strategy for market share capture in other small and medium sized banks and made a net profit of 4,521,900 RMB at the end of 1997.

Since the success in top-down strategy, Sunyard made such top-down strategy as a corporate strategy. Since then, Sunyard sticks to regarding ICBC, BOC and other big banks in China as VIP clients, makes priority to benchmarking service for them and leverage such benchmarking service experience to capture market share of small and medium sized banks in China. In 2002, Sunyard became a listed company in Shanghai Stock Exchange. Form the annual reports of Sunyard, since 2002, ICBC seldom listed out of his top five clients in terms of revenue.

In addition, in 1998, Sunyard start to develop a workflow system “SunFlow” aiming at providing a complete solution for the enterprise business process management. In 2005, SunFlow was adopted by ICBC with a contract of approximately 5,000,000 RMB. After that, Sunyard successfully got the contact for SunFlow from Bank of China, China Merchants Bank, Bank of Communications, China Bohai Bank, China Guangfa Bank and other 80 banks. “Until now, it is still a star product and makes a great contribution for the company.” (interview, VP, Sunyard, April 1, 2014).

#### Nonshared resource: reputation of benchmarking clients

Literatures on alliance shows that private benefit can be exclusively derived from nonshared network resources ([Lavie, 2006](#_ENREF_29)), such as partner’s reputation ([Saxton, 1997](#_ENREF_42)). In fact, what Sunyard leveraged is the nonshared resource in prior symbiotic relationship with benchmarking clients, such as ICBC’s reputation in the bank industry in China. Sunyard viewed the reputation of benchmarking clients as a strategic resource with the potential to yield significant and competitive benefits. For example, either document processing system or SunFlow, Sunyard orchestrated his resource in accessing to benchmarking client projects as a priority. The logic behind is that, once Sunyard got contracts from benchmarking clients, he sent a signal to other potential customers that Sunyard was a reliable service provider. On the other hand, as ICBC is the biggest bank in China whose demand for IT service is of great dynamics and complexity, Sunyard proved his technical capacity in such service experience. Thus, when competing for further contracts from other banks, Sunyard always leverages his service experience for ICBC and successfully launched his products in target market.

#### Competitive advantages: market legitimacy

When a firm intends to entering into or continuing its existence in a market, seeking ties with a legitimacy firm in that industry will ensure endorsement and receptiveness by customers ([Dacin, Oliver, & Roy, 2007](#_ENREF_11)). Sunyard made a successful entry into workflow system market, by serving for ICBC. He also got rights and qualifications to continually conduct workflow business in that market. Thus, the initial and key competitive advantages of Sunyard in workflow product industry is the increased market legitimacy by invoking affiliations with ICBC. In Sunyard’s case, market legitimacy serves as an efficient means of extending ties with potential customers.

### Case 2: Grundfos

#### Background

#### Nonshared resource: reputation of benchmarking clients

#### Competitive advantages:

## Cross-case analysis

Now, we turn to our inducted framework, which offers theoretical logic to explain how firms benefit from nonshared resources within legitimacy behavior. Both Sunyard and Grundfos cases indicate that firms can leverage the nonshared resource in initial partnership to build a reputation in the target industry through an legitimate behaviors. This process results in the legitimacy-based competitive advantage in networked environments, reflecting the impact of initial network position on firm’s status in the sequential alliance networks. Although existing research has identified different types of rents extracted from network environments ([Lavie, 2006](#_ENREF_29)), how such process unfolds within organizations is notably absent.

Legitimacy-based value appropriation from nonshared resource entails more than just leveraging the ties of others to facilitate entry to new markets or to increase market power in existing market; it also means change the resource dependence relationship between interconnected firms. For example, Sunyard increased his market power by providing signals of service experience for benchmarking clients, such as ICBC, to other audiences in bank industry in China. What Sunyard leveraged is his benchmarking clients’ high-status in bank industry. That is to say, the fact that a newcomer convinced a high-status firm signals its perceived quality and trustworthiness among other audiences ([Milanov & Shepherd, 2013](#_ENREF_34)). This perspective on routines for legitimacy-based value appropriation from nonshared resource in initial partnership, began to develop when, early in our study, we also noticed that Grundfos …

Our finding support that both Sunyard’s and Grundfos’s routines for legitimacy-based value appropriation from nonshared resource in initial partnership can be understood by considering an sequential legitimacy-based lock-in and retrieval of the organizational nonshared resource in initial network. Figure 1 depicts the process in a three step model. Linkage describes how firms build organizational image and identity by accessing to benchmarking partners. This can be seen as visible signals that convey information about firm’s strategic intent, capabilities market position to external audiences in the target industry ([Basdeo, Smith, Grimm, Rindova, & Derfus, 2006](#_ENREF_4)). However, the impressiveness that external audiences regard the firm as having prominence and prestige depends on how firms leverage the ties with benchmarking partners to build a reputation and legitimacy for the competence and trustworthiness in the target industry ([Milanov & Shepherd, 2013](#_ENREF_34)). The remaining two steps of the model describe the market actions that firms makes self-presentation to convince external audiences ([Highhouse, Brooks, & Gregarus, 2009](#_ENREF_22)). Legitimacy describes how firms ensure legitimacy-based endorsement and impressiveness by the constituent of the target industry. Leverage describes how firms retrieve the technologies or products used in initial partnership that fit the demand of external audiences in the target industry.

Following [Hargadon and Sutton (1997)](#_ENREF_21), we made our cross-case analysis in three step. First, an iterative process was used to develop the inferences about the process that is shown in Figure 1. Second, inferences were abandoned, modified or retained according to the data sources we gathered. Third, if the inference was maintained, we then summarized our interfaces by compiling conceptual argument, additional evidence and citations to pertinent theories.

Linkage

Legitimacy

Leverage

Output

Figure 1 A process model of legitimacy-based value appropriation from nonshared resource in initial partnership

### Linkage: forming foundational ties with benchmarkers

Previous research has talked a lot on the issue of networking ties ([Ahuja, 2000](#_ENREF_1); [Pfeffer & Salancik, 1978](#_ENREF_37)). The dominant view of resource dependence theory is that firms with high organizational interdependence are likely to establish more external links to reduce the uncertainty due to the resource dependence ([Pfeffer & Salancik, 1978](#_ENREF_37)).

The central argument of network research is that properties of network portfolios (i.e., the number and diversity of ties) and central network positions are the positive attributes that can influence firm’s future performance ([Lavie, 2007](#_ENREF_30); [Ozcan & Eisenhardt, 2009](#_ENREF_35); [Rowley, Behrens, & Krackhardt, 2000](#_ENREF_41)). A network evolutionary process indicates that “accumulative advantage” in current affiliations will influence the formation of subsequent affiliations that strengthen focal firm’s advantage over time ([Powell, White, Koput, & Owen‐Smith, 2005](#_ENREF_38)). However, little is known about the attributes of initial network conditions on firm’s future performance ([Milanov & Shepherd, 2013](#_ENREF_34)).

Our data indicates ties with high-status firms in the target industry will attract multiple types of potential partners to build a linkage with them. Following [Washington and Zajac (2005)](#_ENREF_52), we defined status as an intersubjectively agreed-upon and accepted ranking of organizations in a industry system. High-status firms were, then, those among top actors in the industry system. We addressed whether focal firm form ties with high-status firms in the target industry by the evidence of tie formation dates, actions before and after formation, and relational and financial consequences.

A good example is Sunyard. In 1996, when Sunyard was founded, banks in China still used paper to save the archives associated with transaction records, whereas banks in western countries had already adopted the technology of electronic image to make archives automatically saved. Sunyard realized this market niche and aimed at entry into Chinese bank software market by developing the Document Processing System that was radical to bank industry. An executive noted, “At that time, archive management in domestic banks is very backward, thus, we introduced Document Processing System via the technology of electronic image…we are the first company to solve the archive management dilemma that domestic banks encountered.” The product innovation helped Sunyard convince ICBC about the effectiveness of the Document Processing System because it enabled ICBC to improve the efficiency of archive management. After Sunyard formed a foundational tie with ICBC, a direct indication of strategic intent and capabilities for market entry was more visible. So Sunyard built a reputation for product innovation and trustworthiness in the eyes of constituents.

Grundfos …

Table 3 summarized Sunyard’s and Grundfos’s approach to forming foundational ties with benchmarkers. Overall, we observed that both the two sample firms make an new market entry by providing radical innovation products for high-status partners in target industry. These ties provide visible signals to external audiences about their strategic intent and capabilities. Thus, they used an self-presentation strategy proactively to cut into the interdependence among the constituents of target industry.

The self-presentation strategy was effective for several reasons. First, a newcomer entering a highly cohesive network, such as bank and solar energy industry, with forming ties with high-status partners will increase its visibility among the external audiences. It is consistent with the signaling literature that ties with high-status partners will likely be perceived as having access to important information about market trends, technological developments and even privileged top-lier information ([Basdeo et al., 2006](#_ENREF_4); [Milanov & Shepherd, 2013](#_ENREF_34); [Spence & Michael, 1974](#_ENREF_45)). Because audiences are more likely to make first evaluations of newcomers through initial relationship they form ([Milanov & Shepherd, 2013](#_ENREF_34)). For example, as an executive of Sunyard explained the reason why they chose ICBC as benchmarking clients: “In China, ICBC is regarded as the benchmarkers in bank industry. Regional banks want to pursue the routines in ICBC’s operation so as to facilitate their catch up strategy. In addition, they believe that, if our products can fit the needs of ICBC, then our product must also fit their needs.”

Second, …

Overall, ... This summary suggests:

*Proposition 1. Forming ties with high-status firms can* *facilitate entry to new market by increasing its visibility among constituents.*

Table 3 Linkage: forming foundational ties with benchmarkers

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Firm | Product | Target Industry | First Ties | Date of First Ties | Actions | Portfolio Consequences | Financial Consequences | Typical Quotes |
| Sunyard | Document Processing System | Bank industry | ICBC | 1996 | In 1996, launched the Document Processing System which was the first electronic document processing system in the banking industry in China and was adopted by ICBC headquarters. | Visible signals of strategic intent and capabilities for market entry were sent to the potential customers. | Financially successful Document Processing System that rode revenue surge in 1997. | Our initial strategy was market orientation by reinforcing benchmarking customer management. (VP) |
|  |  |  |  |  |  |  |  |  |

### Legitimacy: organizational impression management for the formation of organizational identity

The descriptive account of the mode of entry into new businesses begins with the formation of resource relatedness by combining firm’s own established resource base with the resources and capabilities required in the new business segment ([Speckbacher, Neumann, & Hoffmann, 2014](#_ENREF_44)). The central argument is that firms display resource relatedness because firms act as social actors with self-presentation goals that they intend to acquire an organizational image and identify in the target business segment ([Highhouse et al., 2009](#_ENREF_22)). The focal concept is legitimacy ([Bitektine, 2011](#_ENREF_5); [Dacin et al., 2007](#_ENREF_11); [Suchman, 1995](#_ENREF_49)).

Following [Suchman (1995)](#_ENREF_49), we defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Organization’s legitimacy can be understood as acceptance and endorsement by its environment ([Bitektine, 2011](#_ENREF_5)). Large amount of researches has demonstrated that legitimacy can provide organizational benefits associated with reducing uncertainty ([Dacin et al., 2007](#_ENREF_11); [Wiewel & Hunter, 1985](#_ENREF_54)). However, how such process works is notably absent.

Inspired by [Highhouse et al. (2009)](#_ENREF_22) and [Stern, Dukerich, and Zajac (2014)](#_ENREF_46), we proposed that firms can make an organizational impression management for the formation of organizational identity. We assessed whether the studied firms used a organizational impression management by the evidence that whether firms had signal their attributes to influence the images in the minds of constituents. Thus, we tracked the cues that signal firm attributes, i.e., product development with/for partners, public relationship management, media exposure.

After forming ties with ICBC, Sunyard made a successful entry into bank software industry. Thus, he wanted a continuous existence in the market aiming at acquiring more customers. Sunyard’s strategy was to form an organizational identity of high-quality product supplier by leveraging ICBC’s status and legitimacy in bank industry. Three kinds of actions were used to achieve that goal. First, Sunyard reinforced the linkage with ICBC by providing Call Center Management System for ICBC. This can be considered as strengthening linkage legitimacy as well as technical legitimacy signaling qualifications to external audience ([Bitektine, 2011](#_ENREF_5)). Second, Sunyard marked ICBC as a benchmarking clients and made a regular visit to ICBC to manage the relationship in depth. Just as General Manager of R&D Center noted, “Mr. Guo (CEO of Sunyard) visited ICBC and other VIP clients regularly every year.” It made Sunyard get more contacts from ICBC by finding the problem ICBC faced as well as providing technical solutions for ICBC. Third, Sunyard made his performance more public by enjoying media exposure which made itself more visible to constituents.

Grundfos …

Table 4 summarized Sunyard’s and Grundfos’s approach of organizational impression management for the formation of organizational identity. Overall, both the two sample firms ensured endorsement and legitimacy by forming an organizational identity of reliability and quality in target market. Thus, they made themselves accepted and legitimate by external audiences.

The organizational impression management approach was effective for several reasons. First, a firm is able to lower uncertainty about its quality as a partner by proactively making itself more visible and its performance more public. Because newcomer’s quality is hard to evaluate given the high uncertainty in context ([Stern et al., 2014](#_ENREF_46); [Stuart, Hoang, & Hybels, 1999](#_ENREF_48)), external audiences must rely on observable attributes (i.e. newcomer’s partnering activities) as they represent an important signal of quality and credibility ([Milanov & Shepherd, 2013](#_ENREF_34)). It is consistent with social categorization literatures that individuals depend on reliable attributes to simplify their evaluations of their social surroundings under conditions of information asymmetry and uncertainty ([Jensen & Roy, 2008](#_ENREF_25); [Macrae & Bodenhausen, 2000](#_ENREF_31); [Stern et al., 2014](#_ENREF_46)), because they believed high status firms are unlikely to risk dissipating their reputational capital by engaging in collaborations with undesired partners thus contributing to a positive categorization of the newcomer’s capabilities ([Milanov & Shepherd, 2013](#_ENREF_34)). Therefore, the partner’s high-status facilitates initial categorization by lowering the external audiences’’ uncertainty about newcomer’s competence and quality. For example, Sunyard increased its favorability by introducing his service experience for ICBC when negotiating with regional banks. As General Manager of R&D Center noted, “The product we provided for ICBC would be more easily accpted by other regioanl banks because they considered our products high quaitied due to the accptance by ICBC.”

A second reason why highlighting organizational impression management are effective is that a firm is able to reduce searching costs by proactively making itself trustworthy by the approval of high-status firms in target industry. It is consistent with the transaction cost literature that perceived trustworthiness lowers transaction costs in exchange relationships ([Dyer & Chu, 2003](#_ENREF_13); [Williamson, 1985](#_ENREF_55)) because the affiliation and approval of prestigious firms result in familiarity and trustworthiness among external audiences thus contributing to cost reduction in expanding newcomer’s network portfolios ([Bitektine, 2011](#_ENREF_5)) especially when the costs of information search and processing are high for external audiences. It is consist with [Uzzi (1997)](#_ENREF_51) study of interorganizational trust emphasizing the role of third parties as referrals who contribute to the formulation of trust between two preciously unconnected firms.

Overall, our finding indicates that firm’s organizational impression management apporach faciliates the formation of organizational identity and legitimacy in target industry. This is because organizational impression management help firms signal their quality as well as trustworthiness by forming and reinforcing ties with high-status firms thus contriuting to lowering uncertainty about its quality and reducing searching costs for network expanding. This summary suggests:

*Proposition 2. Firm’s organizational impression management approach facilitates the formation of organizational identity and legitimacy by (1) lowering uncertainty about its quality and (2) reducing searching costs for network expanding.*

Table 5 Legitimacy: organizational impression management for the formation of organizational identity

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Firm | Partner | Target | Legitimacy Source | Actions | Portfolio Consequences | Financial Consequences | Typical Quotes |
| Product Development  | Public Relationship Management | Media Exposure |
| Sunyard | ICBC | Other customers | Partner legitimacy | In 1996, launched the Document Processing System for ICBC headquarters.In 1999, launched Call Center Management System at ICBC Zhejiang branch.. | Regularly visited ICBC and established a business relationship by product supply. | Press coverage of product innovation for ICBC in SINA (big four Portal Web in China)Press coverage of Huaqiang Goo and Sunyard in SINA | Reinforced the relationship with ICBC.Development of additional interorganizational ties. | Gained revenue mainly from providing multiple products for ICBC and also partially from some other regional banks. | Mr. Goo has a very good relationship with ICBC and visits ICBC and other VIP clients regularly every year. (General Manager, R&D Center)We made ICBC as our benchmarking clients for some reason. Because the product we provided for ICBC would be more easily accepted by other regional banks who considered our products high qualified due to the acceptance by ICBC. (General Manager, R&D Center) |
| Grundfos | Huangming | Potential ties | Relationship with partner |  |  |  |  |  |  |

### Leverage: creating and reinforcing a dual network architecture for structural embeddedness

The description of network evolution begins with the formation of foundermental ties between interdependent firms ([Pfeffer & Salancik, 1978](#_ENREF_37)) but then highlighting the increasing importance of tie portfolios ([Ozcan & Eisenhardt, 2009](#_ENREF_35)). The central argument is that initial partnership provides an opportunities to learn about the norms and routines in the target industry ([Milanov & Shepherd, 2013](#_ENREF_34)). Then newcomer need to operate other direct and indirect interorganizational ties ensure endorsement by the environment ([Basdeo et al., 2006](#_ENREF_4); [Capaldo, 2007](#_ENREF_7)). The focal concept is structural embeddedness ([Gnyawali & Madhavan, 2001](#_ENREF_18); [Uzzi, 1997](#_ENREF_51)).

Existing literatures has disingguished ties into two categories: strong and weak ties. Stong ties can encourage reciprocity by offering steady flows of efective routines ([Uzzi, 1997](#_ENREF_51)) whereas weak ties can help firms expand network diversity by connecting unconnected firms ([Burt, 2009](#_ENREF_6)). Moreover, the complemetary roles of strong and weak ties lead to supeior peoformance due to the coexisting oppotuniies for explotation and exploation ([Capaldo, 2007](#_ENREF_7)). However, researches on how to create and reinforce a dual network architecture for structural embeddedness is notably absent expect [Capaldo (2007)](#_ENREF_7). By dual network, we mean a network structure wherein a small core of strong ties is connected with a larger scale of small ties ([Capaldo, 2007](#_ENREF_7)).

The observation of Sunyard and Grundfos network mergence and evlutioin in their target industry provided a good opotunitiy to solve the problem. Since managing interdepedence is demanding ([Pfeffer & Salancik, 1978](#_ENREF_37)), the two firms leveraged the initial relationship with high-status firms to increase tie portfolios by continously technology brokering. They learned rapidly from their initial partners and adopted efective routines. They put away such knowledge in their organizaitional memory until it is needed. And then they retrival those stored knowedge to an organizatiaon’s application by making a new conbination of stored knowedge and organizatiaon’s demand.

We assessed whether firms ensured embeddedness through technology brokering by checking out whether firms provided similar proucts to external audiences. We also assessed the consequences of a dual network architecture by examining the strengh of interorganizational ties.

After getting the legitimacy in bank software industry, Sunyard made a cooperate strategy that leveraging the ties with state-owned banks to establish a top-down market impact thus achieving a sustainable competitive advantages. First, Sunyard gained some weak ties with regional banks by coping the products provided for ICBC, of course, sometimes needed some improvements according to the requirement of clients. For example, Sunyard co-developed a product named SunFlow with Zhejiang University。 However, the product is not ideal for practice. The product was made a intense improvement according to the practical requirement of ICBC and then applied to other regional banks. As a VP who was primarily product manager for SunFlow noted, “we made SunFlow in 2000, but it was not launched into market until a major improvement according to the requirement of ICBC. Based on the fact that ICBC used SunFlow, we applied to plenty of regional banks easily.” Second, Sunyard also find some useful user innovation that is also introduced to ICBC and other state-owned banks. In 2013, Sunyard developed a Enterprise Content Management System via the technology of cloud storage for a regional bank in Chongqing. And Sunyard was considering a “reverse” innovation that applied cloud storage based Enterprise Content Management System to state-owned banks like ICBC.

Grundfos …

Table 6 outlines the sampled firms’ varying approaches to creating and reinforcing a dual network architecture for structural embeddedness. Sunyard leveraged the ties with ICBC to create and strengthen the weak ties with regional banks, foreign-owned banks and joint-stock banks. And Sunyard also reinforce the ties with ICBC by continuously product deliverer. On the other hand, Grundfos … Overall, the sampled firms used a dual network architecture approach by proactively manage the interdependence . This approach proactively defined embeddedness in terms of prospects for tie execution.

Creating and reinforcing a dual network architecture is effective for several reasons. First, a firm is able to lower uncertainty about its capabilities as a partner by proactively defining its own embeddedness, on the basis of the fundamental ties with high-status firms in the market. Second, focal firms can reduce the transaction cost by technology brokering. Because ties with high-status firms help firms learn and adopt effective routines in the industry ([Milanov & Shepherd, 2013](#_ENREF_34)) thus contributing to knowledge search cost reduction. Moreover, repetition and familiarity of performing similar tasks contribute to reduce knowledge transfer costs ([Ahuja & Katila, 2001](#_ENREF_2)). Third, this approach is effective because firms can reinforce pairs of ties by creating positive complementary effects that makes these ties stronger. It is consistent with coordinating strategy researches that coordinating diverse partners can manage the web of partners overtime ([Capaldo, 2007](#_ENREF_7); [Ozcan & Eisenhardt, 2009](#_ENREF_35)).

Overall, our finding indicates that creating and reinforcing a dual network architecture facilitates structural embeddedness in the industry. This is because a dual network architecture help firms reinforce pairs of ties by creating positive complementary effects that makes these ties stronger. This summary suggests:

*Proposition 3. Firms that creating and reinforcing a dual network architecture are likely to ensure structural embedded in the industry.*

Table 6 Leverage: creating and reinforcing a dual network architecture for structural embeddedness

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Firm | Actions | Portfolio Consequences | Financial Consequences | Typical Quotes |
| Sunyard | Applied the Call Center Management System, Document Processing System and other products to regional banks.Integrate the ideas from regional banks into new product development and applied to big banks like ICBC. | Added more and diverse ties (i.e. regional banks, foreign-owned banks, joint-stock banks), strengthened ties (i.e. ICBC and other state-owned banks) selectively.  | Gained revenue with multiple products provided for both state-owned banks and other banks.Ranked No. 1 in bank software market in China. | At the beginning, we just copy the product to regional banks, but sometimes need some improvement according the requirement of regional banks. As our contracts gained, we made a standard version for each product and made customized improvement according to different types of clients. (General Manager, R&D Center) |
| Grundfos |  |  |  |  |

# Discussion

We add to resource-based view and resource dependence theory (RDT) within sample firms by specifying a theoretical framework for how a focal firm benefits from nonshared resources of its alliance partner. Existing research has identified the value of complementary resource sharing ([Dyer & Singh, 1998](#_ENREF_14); [Ireland et al., 2002](#_ENREF_24)) and leaves the nonshared resources as a shadow area. This is because appropriation of spillover rent and benefiting from nonshared resources are always treated as the result of salient opportunistic behaviors ([Carson et al., 2006](#_ENREF_8); [Lavie, 2006](#_ENREF_29)). Recently, A few researches have touched upon this topic ([Saxton, 1997](#_ENREF_42); [Stuart et al., 1999](#_ENREF_48)), though still very insufficient. Moreover, no systematic and process theories on how a focal firm can benefit from nonshared resources of its partner have yet been developed. Addressing this gap, we explored how newcomers ensure endorsement into new segment of market by leveraging the ties. It makes fundamental contributions in the areas of RBV and RDT.

## A process framework for legitimacy-based value appropriation from nonshared resource in initial partnership

We develop a process view of how firms make a successful entry into new segment of business by capturing relational rent from nonshared resource in initial partnership. A key strategy initiating this process is the forecasting approach to access to high-status firms. This strategy is effective for several reason. First, it increases newcomer’s visibility among the external audiences. The linkage with high-status firm provides visible signals to external audiences about their strategic intent and capabilities. Because audiences are more likely to make first evaluations of newcomers through initial relationship they form ([Milanov & Shepherd, 2013](#_ENREF_34)). Second, it provides the opportunities for newcomers to learn the market trends and even privileged top-lier information in the market segment ([Basdeo et al., 2006](#_ENREF_4); [Spence & Michael, 1974](#_ENREF_45)). This is good for newcomers because it s a good pathway to process accumulative advantages ([Powell et al., 2005](#_ENREF_38)) . Over all, initial linkage with high-status firms is not only a legitimacy strategy. It is also a competitive strategy , especially in highly cohesive industry.

A second strategy is organizational impression management for the formation of organizational identity. It is effective for several reasons. First, a firm is able to lower uncertainty about its quality and future prospects as a partner by proactively making itself more visible and its collaborative performance more public (i.e. reinforcing ties with high-status firms, and media exposure). Because the evaluation of newcomer’s competence is likely to be influenced by the general information about whom it is affiliated with ([Stern et al., 2014](#_ENREF_46)). Second, a firm is able to reduce searching costs for potential clients or partners by proactively making itself trustworthy by the approval of high-status firms in target industry. Overall, organizational impression management is not only a legitimacy strategy, but also a portfolio strategy, especially in highly cohesive industry.

A third strategy is the architectural approach to manage the organizational interdependence. Firms categorizes their multiple ties with external audiences into a dual network architecture that define an advantageous interdependence to ensure structural embeddedness. It is effective due to cost reduction. First, firms can reduce the information searching costs due to the knowledge spillover from a small core of strong ties with high-status partners. Second, firms can reduce the transaction costs by technology brokering of similar tasks between pairs of strong-tie and weak-tie praters. thus, the architectural approach to manage the web of partners is effective for structural embeddedness overtime.

Overall, our process framework identifies these strategy for legitimacy-based value appropriation from nonshared resource in initial partnership: (1) proactively access to high-status partner that more focal firms more visible, (2) manage organizational impression for the formulation of organizational identity and legitimacy, and (3) leverage initial ties to create and reinforce a dual network architecture for structural embeddedness over time. Together they comprise a rich repertoire of strategies that relies on holistic understanding on the value of nonshared resource as well as relational rent mechanisms.

## An extension of resource-based view: value appropriation from nonshared resource

Resource-based view is a primary theoretical explanation of source of competitive advantage. We contribute to RBV by enriching its core construct, resource. We expand the concept of resource to include network resource of interconnected firms, especially the nonshared network resource. Existing literatures on traditional RBV still underscore the assumption of ownership and control of the resources that confer competitive advantage ([Barney, 1991](#_ENREF_3); [Wernerfelt, 1984](#_ENREF_53)). The notion of network resource was first introduced by [Gulati (1999)](#_ENREF_19), who presents a dynamic study of the role of network resource in shaping alliance formation decisions. However, the concept of network resource did not attract researchers’ attention until [Lavie (2006)](#_ENREF_29) extended the RBV to incorporate the network resources of interconnected firms. Although [Lavie (2006)](#_ENREF_29) highlighted appropriated relational rent that are extracted from complementary resource sharing, researchers still considered nonshared resources as a shadow area or treat appropriation of spillover rent from nonshared resources as salient opportunistic behaviors ([Carson et al., 2006](#_ENREF_8)). Our study suggests that these arguments are limited in power. Indeed, we find that the partner’s status, as nonshared resource in alliance, can facilitate entry to new segment of business. This is because forming ties with high-status firms in target industry can increase its visibility among constituents. And leveraging the ties with high-status firms is a legitimacy behavior by signaling important information about newcomer’s competence and trustworthiness. Thus, our key contribution is extending the boundary of RBV by highlighting the appropriated relational rent extracted from partner’s non-shared resource.

On related note, prior researches have discussed the incumbents’ worry about the their partners’ opportunistic behavior in disproportionate extraction of rents ([Carson et al., 2006](#_ENREF_8); [Lavie, 2006](#_ENREF_29)). In contrast, we propose that, in a cohesive industry, firms following our process view of value appropriation from nonshared resource are less likely to be perceived as acting opportunistically. The reason is that they have strong incentives to behave honestly, as their information and attributes has spread widely due to their linkage with high-status partners. If they were to behave opportunistically, the visibility of them and the cohesiveness of the industry would accelerate the damage of their reputation as collaborators ([Milanov & Shepherd, 2013](#_ENREF_34)). Thus, compared with [Lavie (2006)](#_ENREF_29), our extension of RBV dispels the suspicion of disproportionate share of rents from opportunistic behavior.

## Implications for resource dependence theory: the role of social lock-in

Our study also contributes to resource dependence theory by highlights the role of social lock-in where initial interdependence can influence firm’s future outcomes. According to [Pfeffer and Salancik (1978)](#_ENREF_37), the logic of RDT is for a firm to lessen dependence on its current exchange partners. However, RDT focuses on adjusting dependencies post-formation ([Hallen et al., in press](#_ENREF_20)), ignoring the fact that forming and reinforcing foundational ties with high-status can help newcomers managing ex post organizational interdependence. Firms can, thus, overturn external dependences by forming foundational ties with high-status firms (Proposition 1), proactively figuring organizational identity and legitimacy (Proposition 2), and leveraging multiple ties to ensure embeddedness (Proposition 3).

## Rethinking network emergence and evolution

Our study also contributes to network literatures by enriching the its core construct, network position. On the one hand, we affirm the central role of network position in predicting organizational performance.([Zaheer & Bell, 2005](#_ENREF_59)). On the other hand, we offer a more detail discussion on network emergence. Prior literatures on network highlights the influence of past and current network structure on future performance ([McEvily, Jaffee, & Tortoriello, 2012](#_ENREF_33); [Soda, Usai, & Zaheer, 2004](#_ENREF_43)), but less is known about the impact of network emergence conditions on future network evolution ([Milanov & Shepherd, 2013](#_ENREF_34); [Ozcan & Eisenhardt, 2009](#_ENREF_35)). We respond to this invitation by observing newcomer’s network entry and evolution. Thus, we contribute to our understanding of path dependence in network evolution by highlighting the impact of network emergence conditions.

## Toward a strategic view of nonshared network resource

Prior research has emphasized the value of shared network resource that generate relational rent . With a few exceptions (see Saxton, 1997; Stuart, 2000; Lavie, 2006), researchers have left nonshared network resource as a shadow area or treat benefiting from nonshared resources as the result of salient opportunistic behaviors. We offer a process view of how firms make a successful entry into new segment of business by capturing relational rent from nonshared resource in initial partnership. This suggests a research agenda that places nonshared network resource in the spotlight.

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