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ROUND TABLE

How do new ventures in MNC ecosystems proactively overcome interfirm asymmetries?

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Abstract Several contemporary large multinational corporations (MNCs) have developed interfirm ecosystems that are likely to attract a heterogeneous set of actors, including new ventures. New ventures are *asymmetric* vis-à-vis the focal MNC in terms of organisational size, structure and power which could be an impediment to the development of social capital between these sets of firms. And yet MNCs are potentially a source of novel information, opportunities and ideas. An interesting question to consider therefore is how new ventures overcome interfirm asymmetries to develop and leverage social capital with large MNCs. Our synthesis of the academic literature suggests that some new ventures are more adept than others at partnering with MNCs because they are more *proactive* in forming and leveraging interfirm ties with large MNCs. Insightful observations of four panellists shed light on how start-ups' proactive behaviours can be vitally important in forming, consolidating and extending relationships with large MNCs.

Academic perspective

Several contemporary large multinational corporations (MNCs) have developed interfirm ecosystems as a basis for engagement among business units and external firms (Dhanaraj & Parkhe, 2006; Katila, Rosenberger, & Eisenhardt, 2008). Such networks are likely to attract a heterogeneous set of actors, several of which are *asymmetric* vis-à-vis the focal MNC in terms of organisational size, structure and power (Cao, 2006). A case in point is entrepreneurial new ventures that enter these networks. Particularly in technology-intensive sectors, such interfirm networks attract new ventures as participants. They are attractive to MNCs chiefly on account of their innovativeness. On their part, the new ventures often seek access to valuable resources (Prashantham & Birkinshaw, 2008). Little is known, however, from the perspective of new ventures as to purposive actions that could enable them to develop and leverage social capital with MNCs.

Given that similarly sized firms are generally more likely to forge ties with each other (Cao, 2006), the sheer *asymmetry* between new ventures and MNCs in size, organisational structure and power could be an impediment to the

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potential for social capital that could be developed and leveraged between these sets of firms. There are seldom clear-cut role counterparts across these dissimilar organisations (Doz, 1988). Also, new ventures tend to have a greater need for large established firms than vice versa and there is a consequent imbalance in mutual dependence (Katila et al., 2008). Interfirm asymmetry reduces the odds of the paths of these different firms crossing naturally, and increases the odds of stringent, unfavourable terms and conditions being imposed on new ventures which dissuade them from engaging (Alvarez & Barney, 2001). Subsequently, interfirm asymmetry reduces the odds of interfirm routines and absorptive capacity being developed owing to each actor's distinct templates for organisational activity (Lane & Lubatkin, 1998). Thus, asymmetric interfirm ties seem unlikely to form and — if they do form — to be effective (Cao, 2006).

And yet MNCs are potentially a source of bridging social capital to new ventures in that they can be a source of novel information, opportunities and ideas; furthermore, they are less likely to suffer from the information redundancy of bonding social capital (Prashantham, 2008). New ventures are more likely to seek out and utilise such social capital when they are oriented towards innovation and internationalisation. But of course such an orientation does not guarantee that fruitful relationships will ensue. Preliminary research suggests that the manner in which new ventures and MNCs interact, for instance, in everyday settings over a period of time has a bearing on how effectively social capital is developed amongst them (Prashantham & McNaughton, 2006).

An interesting question to consider therefore is how new ventures overcome interfirm asymmetries to develop and leverage social capital with large MNCs. Some new ventures are more adept than others at partnering with MNCs because of their relational capabilities i.e. their capacity to form and nurture interfirm ties (Prashantham & Birkinshaw, 2008). More specifically, we build on Sarkar, Echambadi, and Harrison (2001: 702) premise that 'firms that are proactive in forming alliances are likely to enjoy higher performance'. Our interest is therefore in exploring the role of proactiveness over time. We encapsulate in Table 1 our conceptualisation of this dimension of relational capability.

We adopt the premise that given technological distinctiveness, a new venture's ability to successfully cultivate and leverage a relationship with a large MNC stems from its relational capabilities and entrepreneurial proclivity, which jointly indicate *proactiveness* in relationship-building. To elaborate, we expect that some new ventures are more adept than others in proactively forging relationships with MNCs.

Furthermore, consistent with Prashantham and Birkinshaw's (2008) notion of 'dancing with gorillas', we take this relationship-building and — leveraging process to be a process over time rather than a one-shot affair. Proactiveness in forging ties with MNCs may enable new ventures to forge ties with MNCs in the first place and subsequently to span boundaries within the MNC to extend the scope of the relationship over time. However there is still scope to explore proactiveness more fully, and other relational capabilities, that enable new ventures to overcome asymmetry whilst partnering with MNCs.

Finally, it is worth highlighting the growing relevance of these issues in the Indian context where MNC subsidiaries play a prominent role in economic development (Kumar, 2009). Relationships between new ventures and large MNCs are particularly salient for both sets of actors when the former develop distinctive intellectual property (IP). Even though power asymmetries may to some extent be assuaged by a new venture's technological distinctiveness, there remain organisational asymmetries and concerns

Table 1 Proactiveness of new ventures in forming alliances over time.

	Forming	Consolidating	Extending
Nature of proactiveness in relationship-building	Identifying and availing of formalised network entry points into the MNC ecosystem	Using ecosystem events to cultivate informal everyday interaction with key individuals to begin joint activity	Arbitraging goodwill across boundaries to increase MNC unit/partner nodes
Underlying knowledge-base to enact this dimension of proactiveness	Understanding the management innovation(s) of the MNC vis-à-vis partnering (e.g. partner programmes)	Identifying key individuals who can act as 'interpreters' of the MNC's culture, systems and rituals	Comprehending the roles and priorities of units and partners in the differentiated MNC network
How it overcomes asymmetry	Provides institutionalised mechanisms to address the lack of role counterparts (Ring & Van de Ven, 1994)	Enables joint activity despite divergent traditions of organisational routines (Doz, 1988)	Helps in navigating the organisational complexity of large MNCs (Dhanaraj & Parkhe, 2006)
How this is distinct from symmetric ties	Not the same as proactive frontal initiation of ties	Not the same as proactive bonding and coordination	Not the same as linear increase in relationship scope
Consequences for interfirm ties between new ventures and the MNC	Fosters structural embeddedness (interactions) Initially likely to begin as a many → one relationship as the MNC has multiple simultaneous ties through a partner programme	Fosters relational and cognitive embeddedness (trust and shared narratives/goals) Relationship evolves into more of a one → one relationship as traction develops with the MNC	Fresh cycles of structural, relational and cognitive embeddedness. Relationship later incorporates ties to multiple MNC units for a one → many relationship.

about value appropriation to contend with (Cao, 2006; Prashantham & Birkinshaw, 2008). Historically, IP creation by innovative new ventures is a well-established phenomenon, albeit one primarily associated with advanced economies. However the growing potential for new ventures in emerging economies such as India indicates both the scope for and the ambition of (Kumar, 2009; Kumar & Krishnan, 2003a) new ventures to ascend what Kumar and Krishnan (2003b) refer to as the *value curve*.

Research questions

As part of our exploratory research activity, we seek to explore our broad research question of how new ventures in MNC ecosystems proactively overcome interfirm asymmetries, by exploring the following specific issues:

- What proactive measures may be required to initiate an MNC relationship?
  - How does 'getting a foot in the door' differ from more symmetric ties?
  - Is proactiveness becoming less of an issue because of the growth of network entry points into an MNC ecosystem, such as partner programmes?
- What proactive measures enable a new venture to solidify the MNC relationship?
  - For instance, how are opportunities for multiple interactions created?
  - How might the MNC's perceptions and impressions be managed?
- What proactive measures help to extend an MNC relationship?
  - How might the scope of the relationship be increased in terms of activity?
  - How might the scope of the relationship be increased in terms of geography?

The round table discussion that follows intends to shed light on the issues identified above.

How do new ventures in MNC ecosystems proactively overcome interfirm asymmetries? Discussion

Anchors
Shameen Prashantham and K Kumar.

Panellists
Sunil Maheshwari, Co-founder, Mango Technologies; sunil@mangotechno.com
Srini Rajam, Chairman and CEO, Ittiam Systems; srini.rajam@ittiam.com
Sanjay Shah, MD, Invensys Skelta; sanjay.shah@invensys.com; sanjay18007@gmail.com
T.K. Srikanth, VP, Sasken Communication Technologies Ltd; tk.srikanth@sasken.com

Faculty and doctoral students from IIMB, and invited observers were part of the audience, and participated in the discussion.

K Kumar

I have great pleasure in introducing the panellists for today. Our first panellist is Mr Sunil Maheshwari who is a co-founder of Mango Technologies, which was incubated at NSRCEL at IIMB and has been one of NSRCEL's significant success stories. Mango Technologies was very innovative in bringing the features of high end mobile telephones to low cost mobile handsets and this technology was so well recognised by the industry that it was adopted by Qualcomm. Next is Mr Srini Rajam, Chairman of Ittiam Systems. Ittiam was swimming against the tide way back in 2000 when service companies were the flavour of the season. Srini decided back then that his business was going to centre around IPs and after 10 years he has a very interesting story to tell. Given the very nature of the business which he chose to engage in, I think dancing with gorillas is an everyday affair for him. The next panellist is Mr Sanjay Shah, MD of Skelta, a very consistent contributor to this dialogue, and the Skelta story is very similar to Mango's, both having danced successfully with gorillas. We also have in the panel Mr TK Srikanth, a VP of Sasken Technologies. Sasken is probably one of the trend setters in this area, who even in the 90s were focusing more on the technology rather than the service end of the business, and on R&D. They have had significant relationships with Intel and many other global majors. Also present in this discussion is Mr Kishore Mandyam, CEO, PK4 Software, who is very active in the National Association of Software and Services Companies (NASSCOM).

Sunil Maheshwari

Mango Technologies started in 2006 and we were one of the early few to value the potential of emerging markets, particularly for mobile phone devices. The entry level and low end devices to these markets were coming largely from China or Korea. A small segment of very high end smart phones was primarily coming from either Microsoft or Nokia.

Not much innovation was evident on the software of the low end phones to make them user friendly. So we set out to bring flexibility, usability and value to such phones, while reducing the engineering costs and time to market. Unlike the trend at other engineering establishments at that time, we hired graphic artists in the team on priority rather than software engineers, not withstanding the limited resources at our disposal.

Being first time entrepreneurs, we had limited cash, limited space and no experience of running an organisation. We were on the lookout for funds for expansion and were fortunate to be selected by NSRCEL at IIM Bangalore, for incubation. In addition to being a learning experience, we also earned significant credibility through that association.

A product development company in India claiming a high value mobile technology offering for the mass market arouses considerable interest. We found ourselves in the finals of the NASSCOM top 100 IT innovators. We were judged the most innovative startup in 2007 by an elite panel; GSMA chose Mango as the top innovator nominee from Asia-Pacific in 2008 and Businessworld included Mango in the top 5 promising entrepreneurs in India in 2009.

With high focus on inventing methods for a rich product with a very low memory footprint, we went through multiple iterations of evaluation with semiconductor vendors like Qualcomm, NXP, Texas Instruments and Intel, as also OEMs like Samsung, Kyocera Wireless and others, including some Chinese companies. We had a symbiotic relationship with our customers and almost all evaluations were paid for.

Qualcomm acquired our product — the Application and UI framework — and that was to be shipped with millions of chipsets as the default Middleware and UI. We were one of the few Indian companies coming up with products in the consumer technology domain, which was dominated by China, Korea, Taiwan, with Europe and the US being the centre of design.

Mango continued innovating on mobility solutions and expanded it to multiple mobile platforms. We also created a lot of mobile Internet services to be accessed from smart devices in the verticals of enterprise utilities, healthcare and education. We acquired a learning management solution from another company and brought it to mobile platforms. We remodel and extend a lot of mobile Internet services so that they are accessible and convenient on mobile devices.

Devices are becoming cheaper and smart phones are now costing what mobile phones did just a couple of years back. One more interesting development is the convergence between different kinds of devices. You have devices such as the television, tablets, smart phones and several industrial devices and these devices are able to talk to each other. To talk to each other, they need to have something on the cloud which is common for all these devices. To enable this, Mango offers 'complete device software ownership' which includes deploying applications on connected devices of different form factors and focusing on UI and UX orientation and 'user centric' rich functionality.

As we are based out of India we understand the technology and this market better than any other market and better than anybody else, which is where our advantage lies.

Srini Rajam

Ten years ago, I was working in a large corporation, but I didn't realise that I was part of a 'gorilla' then. Since then, in the last ten years, we have started and grown this small company, Ittiam. The difference now is that over the course of these ten years, even the gorillas have changed.

There are several ways in which the two can collaborate. I want to highlight three ideas that have worked for Ittiam.

The first is technology performance, which is a differentiating factor; the second is the business model — because large companies have certain ways of doing things and they like certain types of partners; and the third is market selection which in itself goes a long way in bringing the right type of partners.

Let us look at a few illustrations of these three ideas.

Technology performance: We started with this as our core competency. Our strength was in signal processing - in the areas of audio, video and communications signal processing. We decided to try and build world class technologies in these areas with very high performance which would touch people with different products. We were pleasantly surprised by the results which far exceeded our expectations. We discovered that if you have a great performing technology, you will attract more markets than the few you had in mind when you started out; a compelling performance differentiation will attract many more applications.

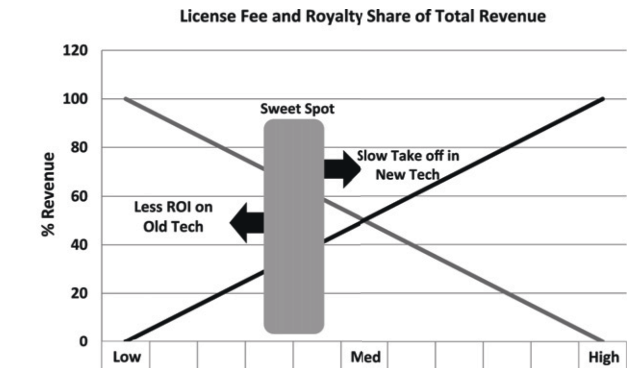
We have had significant success in audio-video communication signal processing, in different types of communication systems and consumer entertainment devices. We have come to be known as the providers of one of the widest range of technologies for embedded systems development. The end equipment for our technology includes smart phones and tablets, video conferencing and video surveillance, IP media broadcast and in car/flight entertainment. We cater to a lot of industrial applications. Our offerings include head mounted display for industrial use, DVR units for surveillance recording, IPTV Encode for broadcast head end — this involves one of the highest levels of problem solving and it brought us a range of market knowledge, and Wireless LAN SOC for automotive application.

We are known for our offerings through IP and system design, and chip design (IP). In the semiconductor chip (platform) we foresee several pockets of opportunity.

The business model: Coming from India, the business model that is well understood continues to be the one based on services but it does not suit all types of companies. We discovered that there were companies that needed not just resource access but also technology access. So we kind of pioneered this model in India where we tried to realise the total value of the intellectual property through license fee and royalty which was linked to how many end products the customers would produce. We wanted to retain the IP rights and at the same time, share the risks with the customers. We wanted to retain the IP because we were an IP company, investing in R&D, making all the road map decisions and taking on the risks. At the same time we wanted to offer a risk sharing model to the customers on the terms that in case their product maps did not work out as well as they planned they need not pay the price we had asked for. This appealed a lot to our customers, even to the very big companies.

We also looked at royalty, which is like pricing a cricket bat on the basis of the runs scored. You need to have really good players here, because it is the star players who drive your success. We have also assessed the 'sweet spot' for this business model, by assessing the license fee and royalty shares of the total revenue, and arrived at a range of 30—40% revenue share of the whole company coming from royalty. That is the kind of range at which you know you are getting good returns on your old investments and at the same time your new products are also coming along. A 100% royalty model would mean that your new IPs may not be taking off in the market. We are striving for this sweet spot. (See Fig. 1).

Market selection: Just as you are trying to choose the right partner to work with, others too would be scrutinising your intent, your priority, the focus of your R&D and management bandwidth, elements which go a long way in striking a partnership. We have been working in this field for the past 10—15 years and we could see that in the 1990s—2000, devices that were already available in the desktop were breaking up into numerous individual products, such as the gaming device or the portable music player or a navigation device or a VoIP phone. There was



	Low					Med					High
Lic Fee %	100	90	80	70	60	50	40	30	20	10	0
Royalty %	0	10	20	30	40	50	60	70	80	90	100

Fig. 1 Ittiam: license fee and royalty share of total revenue.

a divergence then and now we are seeing a reconvergence except that Smart Phone is the new PC. Our statement of intent over the last few years has been to give the industry a host of market proven and industry proven signal processing technologies and applications, within a short timeframe, which has led several noteworthy players or 'gorillas' to work with us. This year, for example, we expect that about 6 million high end smart phones and tablets would be carrying Ittiam's high-definition video technology for various functions. When a small company like ours demonstrates a technology performance which perhaps a large company had just visualised, it gets their attention; the big entity feels that it has to have it and work with it immediately because suddenly their devices are being characterised very differently. We are letting our imagination fly and we aim to produce the best in class multimedia and communication for smart phones and tablets.

Sanjay Shah

After completing my studies here in India, I went to the US, where after my Masters, I got together with a few others to fulfil our dream of starting a software company. However, we did not have the money for that and eventually we started Accel Computers with the intent to assemble or build computers. This coincided with the recession in the early 90s when there was a demand for inexpensive unbranded computers, and we leveraged the opportunity and did very well, though a downturn soon followed. What started off as pure retail business where we were making margins of perhaps 100—150% and getting upfront payments for goods yet to be delivered, slowly turned into becoming predominantly government and corporate business where our gross margins were less than 10%. So the going became very tough. The model was really not right because it was all about volumes and about how quickly you can turn your inventory. Eventually we sold Accel.

My partners and I then started an ERP company called Everest Software, after which I moved on to my next venture. The dot com bust and the downturn in the early 2000s resulted in several companies seeking help to improve their business processing and that gave birth to Skelta BPM. Skelta was started in 2003 when members of the NetGalactic Internet Solutions, an IT services company decided to venture into the product development arena. Though the move from an IT services oriented company to product development was criticised by the market leaders, Skelta proved critics wrong by becoming the leader in the embeddable business process management and workflow product space. Skelta BPM — an enterprise class business process management platform that eliminates the risk of process initiatives, enables communication amongst all process stakeholders and drives innovation by fostering business ownership, which can be formatted and deployed with a variety of software — has been extremely successful. With a steady growth of 35% year on year, Skelta adopts a unique sales model of selling licenses remotely from Bangalore to more than 600 customers around the world. Skelta is also represented by 100 plus partners worldwide — a network of VARs, SIs, and OEMs. Skelta currently has 150 employees with aggressive plans of scaling up to 200 by 2012. We have a strong leadership team.

Skelta BPM over the years has also won many accolades for the innovation. Recently Invensys Skelta was chosen as the Winner of the Red Herring Global Award, and was a finalist for the coveted Partner of the Year Award by Microsoft. Skelta BPM was recognised by Gartner, in their report titled 'Cool Vendors in Business Process Management, 2009' as one of the vendors to look out for in the BPM market.

Because of the capabilities of Skelta BPM, Invensys Operations Management, a division of Invensys acquired the company to fill in the gaps that existed in the manufacturing vertical. The strategic acquisition by Invensys Operations Management in April 2010 has opened up new opportunities and Skelta is all set to bring about a radical change in the manufacturing vertical.

T K Srikanth

Sasken is about 21 years old and began as a startup in the Silicon Valley in the US. We moved to India in 1990—91 and have been fully operational for over 20 years in India and have been growing steadily. We started with design automation and since the 1990s we have been focused on the telecom space.

We have always been a technology focused company. We have taken a hybrid approach, providing both R&D services as well as IP. The mix has varied — sometimes being large on IP and small on services, and vice versa, but the DNA, the intent has been to do both. We have not consciously thought of the nature of our business as 'dancing with the gorillas' but the telecom space is dominated by a few large players and we work with most of the large, established telecom companies across the value chain.

Our customer list consists of big companies, MNCs, and probably 75—80% of our revenue comes from a handful of leading MNCs. On a day to day basis we have to live and breathe in this ecosystem and we are constantly engaged with how to work and how to grow successfully. The challenges are huge and so are the opportunities. We are working in the space of R&D services. Some of it is direct outsourcing of services and some is in the nature of IP licensing; some could be in the nature of support services broadly tapping into the R&D chain or the R&D spend in these large companies.

While there is a lot in common to all MNCs, when we interact with them, we are very conscious that there are different modes of engagement with MNCs depending on the terms of engagement. When R&D services are directly outsourced, the MNC is our customer who is buying our services and products, so we have to be able to provide differentiated solutions/services to the MNC. We try to engage with them proactively so as to get a larger share of their wallet, of the business they outsource.

We also began to look for other approaches to engaging with the MNCs. A good example here is the juncture, in 1998—2000, when wireless technologies such as GSM, GPRS and 3G were evolving. We recognised this as a potential area of growth and we invested in developing the communication protocol stacks in these areas and our target was to license it to the big handset manufacturers — such as Motorola, Ericsson, Nokia, and Siemens (MENS).

The way to get into these companies we realised was through the semiconductor companies, those who were servicing them. That was the stage when the companies were breaking up their vertical integration. So we decided to work with the semiconductor companies, get our protocol stacks embedded with their software and get our licensing fee and royalties when they sold their products. Thus, we bundled our products/solutions with those of the MNC.

So the MNC became a channel or a reseller depending on the kind of business we did. That was how companies such as Intel became our customers. Next, we leveraged the MNC's customer reach to expand our market. While this helps you reduce your sales and marketing costs significantly, it brings with it different challenges.

A third mode of collaboration is with the MNC as your partner. This provides you with the opportunity to service the customers/suppliers of the partner MNC and reach other MNCs in the network. An MNC partner may not be in a position to provide the right kind of support to their customers — it could be customer support, field trials or integration. If you can take over some of the work and activities of the MNC partner, such as being the integration partner for their customers, it would enable you to reach a larger set of customers — who could also be MNCs. In effect, you could be dancing with two gorillas! You could also build a brand, or build equity with an MNC, by leveraging their supply chain. For instance, your MNC partner may recommend that a supplier work directly with you and solve a specific problem before bringing a product to them. The mobile space is very complicated; you require a web of interactions and you have to constantly look for opportunities to play in one part of this space so that you can generate business in another part of the space.

However, not all MNCs outsource in the same way; the maturity of the outsourcing strategy would be different for different MNCs. Hence, companies have to understand the dynamics of the outsourcing MNC and temper their activities appropriately. (Table 2 outlines the differences in the outsourcing strategies of MNCs depending on the level of development or evolution of these strategies.) You have to be differently proactive while dealing with the two kinds of MNCs. With an MNC with a more mature outsourcing strategy, you both may understand what needs to be done and how, you may anticipate what the MNC wants to do, and be able to project your own plans over the next six months or one year, and, you can entrench yourself by showing your commitment, values and ethics. However, while working with an MNC whose strategy is still evolving you may have to help bring structure into the relationship, and be more execution oriented; you need to start thinking about the larger strategies, where the market is going, how this company will get to its market share and so on.

Table 2 Evolution level of MNC's outsourcing strategy.

Evolved
Clarity of outsourcing strategy and global partner management
Supplier as a strategic partner
Medium/long term views
Internal alignment on objectives and execution plans
Non-threatening — to supplier and internal groups
Integration with MNC's process and systems
Joint investments
Evolving
Changing partnership strategy
Tentativeness of engagements
Internal alignment not sufficiently built
Ongoing competition with internal groups and other suppliers
Investment expectations without commitment on returns

While the level of evolution of outsourcing of an MNC is an important parameter in determining how you work with them, the size of the MNC (or the division of the MNC you are engaged with) is another important factor. Based on my experiences, I would like to reflect on the differences between the engagement patterns of small/medium and large companies.

The size of the MNC has a bearing on how we work with these companies. (Table 3 outlines some salient points in the engagement patterns with small/medium and large companies). The larger the company, the less visibility you may have on the real objectives of the project. You know what your interface group is telling you, and what they want to achieve, but whether and how that fits into the larger scheme of the large company is not very visible. If it is a small company (in the range of $100—200 million) you know exactly why they want to take a course of action, what their next step is and where they want to go. You will probably have access to everybody in the company and get a contract completed in less than six months. Whereas, with a large company the coordination between its functions is often a mystery and it might take years to land the contract. However, this complexity also provides opportunities. We have been in situations where we have brought additional value to the relationship by being the 'bridge' in an organisation helping different groups connect. For example, there have been cases where we have worked with the product development group and the product support group and have been able to proactively point out improvements. That is the kind of relationship you need to build.

Discussion

Kishore Mandyam: My question comes from a small and medium enterprises (SME) perspective. You can dance with

Table 3 Engagement patterns with small/medium and large companies.

Visibility into project objectives and status
Level of commitment/investments expected
Access to senior management and business functions
Speed of due diligence
Contract process — speed and transparency
Coordination between functions in customer organisation
Flexibility in jointly managing project scope — willingness to engage with 'incomplete' solutions

the gorillas if you have a differentiated offering. But how do you make the engagement happen, how did you access the right people? Did you set aside a sum of money for the purpose?

Sunil Maheshwari: The SME would have to consider three points:

What is the SME offering? With the evolving ecosystem and companies becoming efficient at innovation and business and people management, addressing a small pain point does not warrant much attention. The proposal should have clear indicators as to the business impact on the customer, it should also subtly convey why building a similar solution inhouse or doing without such solution would not be as rewarding.

Who is the SME talking to, in the big organisation? Big organisations usually have clearly defined roles and responsibilities for associates and it's essential that the SME taps the right people — people who can understand the business impact of the SME offering and can take a call on purchase/licensing/spending R&D money.

Thirdly, selection or prioritising of the target company itself demands diligence. It is obviously difficult for an SME to reach the right people in a big organisation.

We had a limited amount of money to set aside for the usual methods of business development as these could be very expensive and long drawn. Earlier experience and contacts are certainly helpful if you are in the same domain. We also lapped up all opportunities of getting face time at conferences, events, roadshows, or when a relevant person was travelling from US/Europe. But we were very selective with these as well. We avoided all expensive travel for business development activities.

We were always ready with a convincing demo and a loud message to potential customers/partners that Mango was offering world class product and they would not want to lose out on an opportunity to be thought leaders.

But the message has to be hyped up. Right from setting an impossible target, to investing more than you have, to putting in huge efforts, to hyping up the commitments that you intend to deliver.

Srini Rajam: Before we start any major development, we have a desired list of target companies we would like to work with and as development happens we try to access all those companies. It is an investment a company has to make. It also helps to make an investment in travel, conferences and trade shows and in creating access because it helps to communicate that you are a serious player.

Sanjay Shah: Normally our customers are gorillas but in the case of our product, even our competitors were huge gorillas. So we knew that we had to have something that can make a difference, and our product was an embeddable technology. We specifically targeted Microsoft and moulded our solution for the Microsoft technology. We also knew that if we went to the next level, we would have to have a whole bunch of investments to have offices all over the world and that was not our intention. We were hoping to be acquired by Microsoft, but suddenly our prime target disappeared because they decided to put some of the same technology into their own products. So we revised our strategy, approached other customers who had embedded our technology into their products and that's when Invensys came along and they decided to use our technology to revolutionise the manufacturing automation industry. So you have to have the agility to quickly adapt to a different target if your preferred one does not work out.

Since we were a small player without a prominent onsite presence we had to appear big. So we focused on the marketing, on our website which looked fairly global — the Internet had levelled the playing field — we acted like we were an MNC ourselves. The customer did not realise that we were a small company in Bangalore, because of the way we projected ourselves and were proactive in terms of response to the customers and queries from prospects. We gave the impression of being very strong in the BMP space. While we were not in Gartner's magic quadrant, the recognition we got from our qualifications and our awards gave us confidence and we used our marketing savvy to actually grow.

S Prashantham: Are there situations where being proactive can be counterproductive to your interests? Is there any such thing as being too proactive?

T K Srikanth: Proactiveness is probably always needed, just to ensure you are always looking ahead and finding avenues to move forward in the engagement. However, the proactive actions need to be carefully planned and executed to ensure no negative impact on the existing engagement.

This would be particularly important when the MNC has a clear plan of engagement — and this has been mutually agreed upon. In such cases, it is important to focus on jointly making the engagement successful, and then work with the MNC partner to enhance the relationship.

Proactiveness could also be dangerous when the smaller firm is working along with the MNC with the MNC's customer, especially if that customer is also a large MNC. Often, the smaller firm would not have a view into the intents and objectives of the MNC's and a wrong step could alienate both MNCs.

Sunil Maheshwari: There are a few aspects that a startup must consider carefully. A startup company is usually keen to follow up on the results after every meeting and may set about contacting or trying to tap people in the organisation

— sometimes that may become problematic. Secondly, there are cultural issues, such as in India there are set ways in which we deal with things, that one should know beforehand. You should also understand the dynamics of the company you are dealing with and not be taken by surprise.

Srini Rajam: In general, it pays to be proactive in any business relationship.

However, there are a few areas where we may like to exercise some thought and caution. Basically, we are trying to build trust, it is a people relationship and trust should not be compromised even on a perception basis. You want to be very solid with the first person you are working within a very large company since they are your referrals and often, given the small size of the industry, you may meet the same person in another company that you work within the future, so the trust you build initially goes a long way. So it is important not being too proactive or fast about it.

In certain situations the business cycles and timings of the venture and the large corporations may not be aligned. In that scenario, there may be nil or no return for the proactive efforts made. In many cases a company may not decide on a technology because it is not the priority of the company that year, and no amount of effort on your part will change that. So you have to put yourself in the shoes of the other company and see what their priorities are. The lesson from this would be to understand the MNC and their business characteristics better to be able to reopen the dialogue at the right times in future.

Sanjay Shah: Proactiveness might not be the best method if it is just one party in the relationship that wants to leverage on the available resources. Further lack of access of the MNC's resources makes it difficult for the new ventures to continue with the relationship and this situation might lead to friction. Further, the long term vision of the MNC could be completely different from that of the new venture's. New ventures usually have goals set in terms of months instead of years as in the case of MNCs.

It is ideal to have a team dedicated to manage this relationship at both ends and to have all matters routed through this team to avoid conflicts. It is also important for the team to be aware of the objectives of both the MNC and the new venture. This structured process will help in building the relationship.

To take up the thread put out by Srini, when we were working with Microsoft, we wanted to synergise with the company and its objectives, and we also created a group in our organisation that was totally focused on understanding Microsoft. Since we were bootstrapped we focused on how we could be useful and in return get Microsoft to support our marketing mission. Being in India was a huge advantage since the ecosystem is smaller and you can get several things done from the local offices. I met a very senior person in Microsoft when he was visiting India and asked what they were doing for their smaller partners. This resulted in Microsoft setting up programme called the Open Border programme or a programme for International ISVs (independent software vendors). This was a programme designed for smaller ISVs and we had access to a whole new pipeline and ecosystem.

We realised that for Microsoft it was very important to keep renewing the Enterprise Licenses of their software every two years. Every renewal required them to ensure that their customers continue to use their products — for this they needed to use products like ours to ensure customers could solve tangible problems. So we decided to piggy back on this and ride by creating a complete bundling model for them for enterprise renewal. In fact, our CTO was invited to be part of the advisory board of one of the Microsoft foundations where he still continues today and we are abreast of their technology, which helps us to map our course.

Srini Rajam: From our experience we find that the old advice of 'under commit and over perform' still holds good. Promises that cannot be delivered create a lot of damage in the long run.

Audience: My conception about an MNC is that it has financial muscle and good bargaining power. So as a small company do you find yourself pushed into a corner? If it happens how do you handle that?

Srini Rajam: Regardless of size, you tend to push and get pushed. The biggest lever that an innovative small company can use is time-to-market. It is the counter-lever to all other forces.

Sunil Maheshwari: Everybody in the market is trying to do that. It is a mind game and you need to be mentally strong and ready for those challenges. It really depends upon your situation and whether you would be ready to take a decision at whatever cost or not.

Sanjay Shah: I think it is almost the opposite. We as a small company were more nit picking and aggressive about the negotiations than the large MNCs. Large MNCs are generally bureaucratic in nature and what they love about smaller companies is that we can make decisions very quickly and in the hour of need we can come out with demos and proof-of-concept very quickly and create something for them, which in turn makes them look good. Small companies have to derive their advantage through their passion and their agility which is typically missing in large companies.

Srini Rajam: Small companies must be sure of the non-negotiable terms on their side. For instance, we would never license anything exclusively to any company and we would not compromise on that.

T K Srikanth: I think the structured, bureaucratic manner of functioning in MNCs has certain advantages for small companies. By and large they recognise that you are trying to bring in some value, and that you do have other options. They are also fair and not always trying to beat you down. There are exceptions but those could be more tactical.

Kishore Mandyam: You have made several suggestions. One, that you design with your target partner in mind — unfortunately many emerging companies don't have the luxury. They may not be technology players but more product players — Sanjay spoke of an embeddable product — what if your product is not embedded? In India telecom players are very large and have a piece of everything — the consumer space and the SME space. How do emerging companies deal with them? There is a huge market and everybody sees that, but while dealing with MNCs, emerging companies may find themselves dealing not so much with the technology aspects but with the sales side of the company and the sales personnel — such as their VP Sales, their channel manager and so on. So, what would an emerging company do in that respect?

Sunil Maheshwari: We need to be very clear why we are building the product. We need to have a strong product and visualise how it will be used. If not, we will find that there are no takers for the product since people do not find value in it.

T K Srikanth: I would say partner with a large operator to get the market but there should be no exclusivity. You must make sure that there is an ongoing revenue stream maintained. You cannot cede your future market.

Srini Rajam: For startups, there is a lot of anxiety to get the first thing out, you want to have the first customer, the first project, the first revenue and your whole organisation gets to feel how to win the first customer and deliver. However, as you go along the journey and grow, you have to identify the 'crown jewels', make additional investments in time and effort, and bring the maximum of marketing and strategy. Unlike a service model, this is risky but as a product company you have to take that risk.

K Kumar: Srini, you stated that the MNCs have also changed over a period of time; they are not the same as they were ten years ago. How have they changed? In what way is it easier now for the small companies to initiate this dance with the gorillas?

Srini Rajam: Large companies are now sensitive to the viability and the financial feasibility of the small company they work with. For example, let's say you are working with a ten billion dollar MNC and you are working on a programme which is targeting $50 million for that company and your revenue potential out of that programme is $1 million. One million dollars may be a lot for a small company but those 50 million dollars may not even be 0.5% for a big company. If they kill that $50 million programme the big company doesn't even have to mention it in its quarterly report but the small company will close down. This level of sensitivity was not there ten years ago. I see a lot more tangible, real care shown, to make sure that the partner will not be hurt in the process of dancing with gorillas and this is having a positive spillover effect in many ways.

T K Srikanth: I think the other change is that now working with small companies is accepted. Large companies believe that they cannot do it all by themselves, they have to partner in some way to reach the market. Again, they are much more involved in the partnering process, there is more deliberation on how they manage the partnership, how they manage their supplier base and the ecosystem. Things are a lot more structured with long term views being taken. It is not just about getting the deal and solving an immediate problem. They now feel the need to understand the full equation — the cost structures of all companies they work with and other aspects of structure. There is much more transparency and overall the environment is easier to work in.

Sunil Maheshwari: I see a large MNC as multiple small companies. There are groups that understand the complexity of your offering and value the investments you have made. If they see a product and the business impact it would have, they would extend decent support by providing market reach, if not through direct investments. However, we have had our share of doubting Thomases; certain segments which are used to the services model of engineering tend to take that perspective. But groups that are focused on business and excellence certainly value an innovative offering.

From my own experience, Qualcomm made sure that Mango survived in the market, supporting and encouraging it at different levels.

Audience: In the context of bigger companies and MNCs being sensitive to the needs and aspirations of the smaller companies, do you see a budget for smaller vendors or partners in the ecosystem?

Srini Rajam: In our own way we have a budget of how much we develop internally and how much do we develop through our partners.

Sunil Maheshwari: Yes, we are formally engaging ourselves through an initiative of organised support to budding entrepreneurs. Mango has invested in technology startups and continues to explore more. We are engaging more in initiatives of enriching the ecosystem for startups and advisory partnering to even acquiring products/companies. Many initiatives need critical feedback and a reality check which is of higher value than a generic go-ahead-and-do-it response. Many entrepreneurs are young, inexperienced and sometimes overenthusiastic.

The product impact that Mango is targeting cannot be achieved by just one company; we work with partners at all levels with great commitment and enthusiasm and need more of them.

S Prashantham: How has dancing with these gorillas facilitated your international expansion?

Srini Rajam: Ittiam's international expansion has been through collaboration. To give a few key examples, today we have a subsidiary in Europe, we have had one in the US from the day we started and we have branches in Japan and South East Asia. The reason we started the US subsidiary is that we knew from day one that they would represent a huge market for Ittiam. The other centres were set up because the large customer companies are located in Japan, Korea and now China and of course Western Europe. These centres were set up to provide a global link to our customers and many a time our customers are entering orders into those entities without even knowing where Ittiam is head quartered.

Another aspect in building the relationship is being able to work with the right global locations of MNCs where key decisions are made.

T K Srikanth: Given that our customers are international and our business has been coming predominantly from larger companies, often through their India centres, we have done two or three different things. As part of our sales and business development strategy we have subsidiaries and offices in Europe, the US, Japan, Korea and China. This is where the business is and where the customer is. We have also gone a little further and started by opening development centres in certain places. We have also acquired a company in Finland that was working with one of our large customers, as we saw this as a way to take a quantum leap with the kind of work we can do with this customer. Then the next step we took was opening development centres where these MNCs were moving their R&D. For example, we were working with companies in Europe and these companies have now moved part of their R&D to China. So we now have a hardware and a software lab in Beijing, working with the same customers. Our strategy, especially the services part of it, is to go where our customers are and provide proximity centres and ease of access. A significant part of the business would be done back in India.

K Kumar and S Prashantham

Contribution and concluding remarks

We noted at the outset that the academic literature has documented the rise of large MNC ecosystems and that new ventures are often attracted to these networks but suffer from the consequences of their asymmetry with the focal actor. The premise of the present research activity is that this inherent challenge can be mitigated through the use of proactive behaviours by startups. To explore this notion further, four eminent panelists provided insightful observations as seen above. An important point to be made in conclusion is that while proactiveness is undoubtedly crucial, the role it plays at different stages of the relationship with an MNC may be subtly different. The research questions posed at the outset have sought to tease out these nuances. Drawing upon their extensive experience and knowledge the panelists have shared their wisdom on these questions, as encapsulated in the table that follows (Table 4).

We are grateful for the excellent insights and rich discussion they have provided. We believe that this research activity makes some useful contributions.

We see the following contributions of our exploratory research and the discussion on the research questions:

Table 4 Responses on proactiveness of firms in forming alliances over time.

	Forming	Consolidating	Extending
Sunil Maheshwari (Mango Technologies)	There is perceived trust when small companies deal with larger MNCs and MNCs are as sensitive to information sharing as small companies. Yet, small companies need to show at par relationship mindset while dealing on business to maximise their goals.	While creating new business for your organisation, you could show broad global vision, which is critical for the MNC's growth ladder. Create multiple contacts across hierarchy and geography. Have good broad level understanding about their business. Work on communicating to decision makers in MNCs that they can depend on you, and you have the added advantage of agility. SMEs need to convey this every time they meet, communicate electronically, send their engineers to meet teams within MNCs etc.	If you understand the MNC need for dependable help and their business need, you could grow your own business. You should be able to observe from the outside what they can't see from the inside and address that with your offerings. Local MNC managers can influence the business deals and you need to work with them to win larger deals.
Srini Rajam (Ittiam Systems)	Bring a clear differentiation to the partnership with an MNC. Gain a good understanding of the MNC's business and articulate how the venture will add value. The differentiation needs to be continuously sustained as well.	The new venture needs to align with the well-established working models of MNCs. The venture needs to be able to respond to such models with competent people (there could be multiple roles played by the same person given the size difference in organisations). The people need to gain and build trust with their counterparts. The new venture should be able to work with the right global locations of MNCs where key decisions are made.	The actual performance and success of the first few engagements go a long way in extending the MNC relationship. Large corporations would look for their partners to offer a win—win business model and be capable of making investments/taking risks needed to address future markets. A clear strategic market intent shown by the venture plays a strong role in working with MNCs who have matching priorities.

Table 4 (*continued*)

	Forming	Consolidating	Extending
Sanjay Shah (Invensys Skelta)	Innovation at every step is the key to initiating an MNC relationship, and also to building the relationship. The MNC needs to be assured of how the innovation is going to prove indispensible going by the market trend and how this will help them in not only creating a competitive advantage, but also to revolutionise the market and place them as true leaders. The venture could dedicate a strategic team to focus on activities so as to foster and nurture the relationship. MNCs have various partner programmes to nurture the ventures, so that eventually a relationship is forged. They also have various metrics to gauge the performance of the ventures on a continuous basis. New ventures must exhibit the proactiveness to gain access to various levels of assistance such as sales, technical and legal support.	New ventures should regularly report on their performance and on areas that require mediation by the MNC. This behaviour builds the credibility of the new venture and leads to a better relationship. Involving the MNC in various opportunities will also have a positive outcome.	New ventures with multiple touch-points in the MNC ecosystem will successfully extend the MNC relationship. Collaborating with the MNC for joint product development, aggressive go-to-market strategies, joint marketing activities result in the new ventures getting more from the relationship. A new venture also has the privilege to collaborate with various subsidiaries of the MNC. Multiple touch-points within the MNC ecosystem will provide the new venture with opportunities that would be missed otherwise.
TK Srikanth (Sasken Communication Technologies)	Demonstrating investments and commitment over a period of time, in areas of relevance to the MNC through an independent assessment of market trends and requirements. In a more 'equal' setting, getting a foot in the door usually leads to quick penetration into and visibility within the partner organisation. (However, an initial engagement with a much larger MNC may not lead beyond the group one is interacting with, to a follow-on engagement.) Ventures should find adopters/sponsors in the MNC outside of the partner programme groups.	Ventures must 'invest' in the engagement, ensuring that delivery is beyond the expectations of the partner, and helping the partner meet or exceed their objectives of the initial relationship. Careful understanding of the 'problem that is being solved' helps identify similar opportunities where the venture can leverage its capabilities towards repeatable interactions. Find other contact points in the MNC organisation and present the outcomes of the first engagement to these groups, and push towards multiple engagements.	Identify the relevant stakeholders and communicate progress to this group. Demonstrate the ability to understand the key objectives and concerns of the MNC and show flexibility in adapting to the changing requirements. Show that you can add more value directly to the MNC, but also to their ecosystem. Go beyond the initial point of engagement, especially if the interaction is with the local entity of the MNC. Engagement with HQ is critical to elevate the nature of engagement as well as to get a more global reach. Specifically, identify and engage with other MNC centres that could benefit from the solutions being worked on. This would require investments in branch offices and could also be achieved through acquisition of an appropriate 'local supplier' in the region of interest.

- Strategy research on interorganisational relationships has made progress in understanding the effects of network structure but less at understanding network *content* (Katila et al., 2008). In particular, our research focus promises to shed light on the effects of partner characteristics on the relationship-building process in terms of relational capability antecedents when highly asymmetric actors are involved (Doz, 1988; Prashantham & Birkinshaw, 2008).
- In similar vein, entrepreneurial networks research, with a specific focus on the ties that new ventures forge, alludes to the prospect of the liability of newness being countered by partnering with high-status partners, and yet research on this topic is at best nascent (Cao, 2006). Our research efforts potentially add impetus to this stream of work by drawing upon and extending Sarkar et al.'s (2001) insight that entrepreneurial proclivity in relationship-building represents an important relational capability.
- There is growing research interest at the intersection of strategy, international business and entrepreneurship in 'born globals' — new ventures that internationalise virtually from inception. While a burgeoning literature on such firms highlights the role of capabilities and networks in fostering accelerated internationalisation, little is known about the interface between these firms and large MNCs (Prashantham, 2008; Prashantham & McNaughton, 2006). Our research sheds useful light here.

From the perspective of a practitioner audience, we see at least three inter-related virtues in terms of potential managerial implications of our proposed research activity:

- Most of the research on interorganisational relationships and alliances assumes that a frontal approach can be taken between the parties concerned. This reflects the assumption that alliance activity is most befitting of actors of similar standing. There is a relative dearth of advice, generally speaking, on how to manage asymmetric inter-firm ties which are becoming a growing reality, in particular within MNC ecosystems (Dhanaraj & Parkhe, 2006).
- Furthermore, and related to this, there is typically greater difficulty — of obtaining access and attention, and of ensuring value appropriation —faced by the less powerful party in an asymmetric tie between an MNC and a new venture (Alvarez & Barney, 2001; Katila et al., 2008). Our specific interest is on the new venture as focal actor, and this research activity is thus of particular relevance to entrepreneurs and top managers in young firms trying to make sense of the challenge of partnering with an MNC.
- Finally, the topic is potentially timely in the Indian context where there is a surge of interest in generating IP (Kumar, 2007) and thereby ascending the global value chain in, for instance, the software industry (Kumar and Krishnan, 2003a, 2003b). Potentially, the capacity to build and leverage meaningful MNC relationships will be a key catalyst to achieving these aspirations.

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