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***Business Relationships and Relationship value:
A case study of value perceptions in a
supplier-customer relationship***

PhD Thesis

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Dedicated to the most valuable persons in my life:

Dicte and Christoffer

**To remind you always,
that if you decide to do it, you can!**

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Dansk resumé

I gennem de seneste år har virksomheders relationer og netværk vakt stor interesse blandt marketingsforskere. Mange forskellige perspektiver på relationer og netværk er blevet undersøgt, heriblandt de forskellige udfordringer og muligheder der opstår, når virksomheder samarbejder. En af de udfordringer, som fremhæves ofte, er aspektet omkring det at skabe, levere og opfange værdi. Værdi er i sig selv ikke et nyt forskningsområde, og værdidiskussioner kan spores langt tilbage i forskning indenfor en række forskellige discipliner, blandt andet organisation, økonomi, finansiering og ledelse. Indenfor de senere år er det dog især området omkring værdi *i* og *af* relationer, som har opnået stor popularitet indenfor business-to-businessmarketing. Dette skyldes især en erkendelse af, at værdi ikke kun kan relateres til transaktionen af et produkt for en given pris, men i høj grad skabes i interaktion mellem virksomheder, der samarbejder. Det er altså ikke nok blot at kunne levere de rette produkter til den rette pris; det at skabe værdi er langt mere komplekst og udfordrende for virksomheder. Denne erkendelse har banet vejen for en stor del af den nuværende forskning i værdi, og har medført at relationel værdi står højt på agendaen. Denne afhandling tager netop sit afsæt her, fordi der på trods af det stigende fokus på relationel værdi stadig er en række problemstillinger, som mangler at blive belyst.

Den første problemstilling omhandler behovet for udvikling, som opstår i takt med, at virksomheder i stadig stigende grad må samarbejde på tværs. Når det sker, oplever mange virksomheder et øget behov for løbende at udvikle og tilpasse værditilbuddet til de krav, forventninger og forandringer, som sker omkring dem. Et af de teoretiske koncepter, som adresserer udvikling, er forretningsmodelkonceptet, hvor man netop ser på, hvordan virksomheder skaber, leverer og opfanger værdi. Forskning omkring udvikling af forretningsmodellen er dog primært

virksomhedsrettet og med fokus på, hvordan virksomheden selvstændigt udvikler på sin forretningsmodel for at skabe værdi. Ser vi på forskning omkring værdi i relationer, er fokus primært rettet mod hvilke parametre og driver, der opfattes som værdi, og ikke på hvordan virksomheders forskellige værdiopfattelser er med til at påvirke behovet for udvikling, ej heller hvilken værdimæssig rolle, som udvikling spiller.

Den anden problemstilling omhandler virksomheders forståelse af deres netværk. Når virksomheder skal samarbejde på tværs i relationer og netværk, står mange virksomheder overfor en forståelsesmæssig udfordring, når de skal identificere og handle på forventninger og krav fra deres omverden af mere eller mindre tætte relationer til kunder og leverandører. Forskningsmæssigt er der ikke fokuseret ret meget på, hvordan virksomheders værdiopfattelser formes, og slet ikke i et netværks perspektiv.

Den tredje problemstilling omhandler aktiviteter. Som en konsekvens af tættere samarbejde oplever mange virksomheder, at grænsen mellem virksomhederne udviskes, og at aktiviteter i højere grad end tidligere bliver fælles. I den kontekst står virksomheder med en udfordring, når de skal omdanne værdiopfattelser til konkrete handlinger, som er værdiskabende. Litteraturen omkring relationel værdi adresserer ikke denne problemstilling, og der findes ikke mange svar på, hvordan virksomheder handler på værdiopfattelser, og hvordan værdiopfattelser påvirker aktiviteter i relationer.

Med udgangspunkt i disse problemstillinger er afhandlingens forskningsspørgsmål:

Hvordan formes værdiopfattelser i dyadiske kunde- og leverandørrelationer, og hvordan påvirker værdiopfattelser aktiviteter i relationen?

Forskningsspørgsmålet besvares gennem en kvalitativ analyse af empirisk data indsamlet gennem et længerevarende casestudie med virksomheden Hydac og dennes samarbejde med en stor og vigtig kunde. Afhandlingen består af tre artikler, som tilsammen svarer på det samlede forskningsspørgsmål.

Den første artikel adresserer problemstillingen omkring udvikling og fokuserer på forholdet mellem værdi i relationer og udvikling af forretningsmodellen. I artiklen undersøges det, hvordan værdiopfattelser i relationen mellem en kunde og leverandør påvirker udviklingen af forretningsmodellen hos leverandøren. Artiklen bidrager med ny viden omkring sammenhængen mellem værdiopfattelser og udvikling og understreger, at udvikling af forretningsmodellen i sig selv er en værdiparameter. Artiklen foreslår yderligere, at virksomheders evne til kontinuerligt at kunne koble forskellige værdiopfattelser sammen via interaktion, refleksion og handlinger har stor betydning for samarbejdet og den endelige værdiskabelse.

Den anden artikel adresserer problemstillingen med at forstå værdi i et bredere perspektiv, hvor også virksomhedens netværksforståelse spiller ind. I artiklen undersøges det, hvordan opfattelser af værdi skabes i et netværks perspektiv, og hvordan forskellige dimensioner set fra et kunde- og et leverandør perspektiv påvirker opfattelser af værdi. Artiklen bidrager med ny viden omkring hvordan værdiopfattelser formes og foreslår, at værdiopfattelser skabes når virksomheder reflekterer over tendenser og forandringer i netværket, når de taler sammen og gør rede for deres værdiopfattelser, samt når de handler enten selv eller i samarbejde med andre.

Den tredje artikel adresserer problemstillingen omkring, hvordan værdiforståelser omsættes til handlinger. I artiklen undersøges det, hvordan virksomheders værdiopfattelser i kunde- og leverandørrelationer er med til at påvirke aktiviteter i relationen. Artiklen bidrager med ny

viden omkring, hvordan værdiopfattelser transformeres til handlinger. Artiklen foreslår dels at værdiopfattelser påvirker, hvorvidt aktiviteter udføres af virksomheden selv eller i samarbejde, men også at forskellige værdiopfattelser leder til forskellige typer af aktiviteter, samt at værdiskabelsen hænger sammen med virksomhedens evne til at strukturere, involvere, evaluere og koordinere aktiviteter på tværs af virksomhederne.

Til sammen bidrager de tre artikler med forskellige perspektiver på det overordnede forskningsspørgsmål.

English Summary

The notion of business-to-business relationships and networks attracts increasing attention among marketing researchers. Various aspects of networks and relationships have been studied, including the challenges and possibilities arising when firms engage in collaborative relationships. One of the main challenges concerns the issue of creating, delivering and capturing value. The concept of value is not new, and value discussions within academia can be traced back years within various research fields, such as organization, finance, economic and management. However, in recent times the concept of relationship value that has attracted most research attention concerns how value is created in and of business relationships. This is due to a realization that value is not only related to the transaction of products for price, but is being created through interaction between firms that work together. Realizing that value creation is far more complex and challenging than ‘just’ products for price, has made the concept of relationship value a popular and important topic. It is against this background that this thesis takes its point of departure. Despite the increasing attention given to relationship value, there are still areas that need to be explored further.

The first problem addressed in this thesis is the need for development that firms face as a result of collaboration in relationships. As collaboration between firms intensifies, many firms experience a need to constantly develop and adjust the value proposition in order to cope with demands, expectations and changes from within their surrounding network. One of the theoretical concepts concerned with development is the business model concept. The central purpose of the business model is to explain how firms create, deliver and capture value. However, research on business models has a primarily inward looking perspective of the firm, and business model development is seen as an internal task. Reviewing the relationship value

literature shows that the dominant focus is on the form and content of value. The matter of how different perceptions of value influence business development, and the role of value in development are left out.

The second problem that this thesis addresses is value understanding in a network context. When firms engage in business relationships many experience a need to increase knowledge and understanding of the network. Many firms find it difficult to identify and act upon expectations and demands from the network, including how value is perceived by partners in their closer relationships. The relationship value literature provides insights into what firms embrace as value, as well as the nature of value perceptions. However, only limited attention is paid to how value perceptions are being formed between firms in a network context.

The third problem addressed in this thesis refers to value perceptions and activities within relationships. As a consequence of closer collaboration, many firms find that the boundaries between them and their counterpart are being erased, and activities are increasingly being shared in the relationship. This means that firms face the challenge of transforming value perceptions into concrete activities that are actually valuable to their counterpart, as well as themselves. The concept of relationship value offers no answers to this problem, since there is only limited attention paid to the link between perceptions of value and how that impacts firms' behavior when working together in relationships.

With these problems forming the background, the following research question has been developed:

How are value perceptions formed in dyadic customer-supplier relationships and how do value perceptions influence relationship activities?

The research question has been answered through a quantitative analysis of empirical data gathered from an in-depth case study of the firm Hydac, and

the relationship between Hydac and one of its largest and most important customers. The thesis consists of three papers that, together, answer the research question.

The first paper addresses the problem of development, and focuses on the relationship between relationship value and business model development. The paper explores how value perceptions in a customer-supplier relationship influence the development of the supplier's business model. The paper contributes with new knowledge on how value perceptions influence the need for business model development, and argues that business model development is *per se* a value driver. Furthermore, the paper suggests that the firm's ability to continuously couple value drivers via interaction, reflection and action is an important part of value creation.

The second paper addresses the problem of understanding value perception, and how the firm's network influences the formation of value perceptions. The paper investigates how perceptions of value are being formed in a network context, and how different network dimensions from both the customer and supplier perspectives form the perception of value. The paper contributes with new knowledge on how value perceptions are formed, and suggests that it is formed when firms reflect upon tendencies and changes in the network, when they interact and articulate their value perceptions, and when they act either individually or together.

The third paper addresses the problem of transforming value perceptions into concrete activities. The paper explores how value perceptions in a customer-supplier relationship influence activities in the relationship, and contributes with new knowledge on how value perceptions lead to activities. The paper suggests, that value perceptions influence decisions about whether or not to perform activities together in the relationship. Furthermore, it argues that different value perceptions lead to different types of activities, and that value creation is related to the firm's ability to

structure, evaluate, involve and coordinate activities between the firms in the relationship.

Together, these three papers contribute, with different perspectives, to answering the overall research question of the thesis.

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Chapter 1: Setting the scene for the thesis

This thesis is about relationships between firms, and the challenges that occur when firms engage in relationships to create, deliver and capture value. The focus in this thesis is on value from a relational perspective, which in the literature is also discussed and defined as ‘relationship value’. Relationship value is interesting, difficult to grasp and extremely complex. This is primarily to do with relationship value being perceived quite differently from one business actor to another, and also because value perceptions are emergent and change over time. In practice, this means that firms have a major challenge when striving to create, deliver and capture value in all the relationships within which they are engaged, whilst at the same time also taking into consideration the broader surrounding network of dyadic relationships. However, this is natural, as the business world changes all the time, and therefore changes the foundation for value perceptions. The thesis takes its point of departure in the value literature, and more specifically the literature on relationship value. The thesis is positioned within the Industrial Network approach, and builds on the premise that value cannot be understood from a single firm’s perspective. Instead value is created in, and as a result of, interaction between firms in relationships.

The purpose of this first chapter is to introduce to the reader the main arguments for this study, including insights into the challenges that firms face, the theoretical scene and arguments for the theoretical foundation and positioning of the thesis. The chapter consists of three sections, which are outlined below.

The first section is: “*Insights into the challenges of creating value in business relationships*”. The purpose of this section is to introduce the reader to some of the challenges encountered by firms, as seen from a relational perspective. The first part of the section is a presentation of part

of the Hydac case, which is the recurring empirical basis of the thesis. This case illustrates some of the challenges that a firm experiences in creating and delivering value in a customer-supplier relationship. The second part of the section, derived from the Hydac case and additional empirical research, is a more thorough presentation of the challenges that firms encounter as part of doing business, when trying to create value in a networked business environment.

The second section is: “*The theoretical scene and positioning of the thesis*”. Following on from the first section, the purpose of this segment is to introduce the reader to possible theoretical approaches that this thesis could take. The first part of the section introduces the reader to theoretical fields of research related to the stated challenges from a marketing perspective, predominantly focusing on the concept of value. The section presents perspectives of value, and provides the reader with a brief introduction to the value literature (this is further elaborated in the theory section of Chapter 2). The second part of this section presents relationship value as being the central theme of the thesis, and argues for positioning the thesis within the Industrial Network approach. Moreover, it points to a number of limitations in the current relationship value literature, and which of these gaps are to be addressed in the thesis. These issues are then followed by the overall research question (RQ) of this thesis, and an argument for dividing this RQ into three sub-questions for guiding the research process.

The third and final section is named: “*The structure of the thesis*”. This section presents the roadmap of the thesis, and explains how the thesis is structured and guided by the overall research question and the three sub-questions.

1.1. Insights into the challenges of creating value in business relationships

The ongoing pressure to create value fosters an atmosphere of excitement, frustration and dedication at the firm Hydac, which designs and produces hydraulic systems for industries in various sectors. Hydac has been in the hydraulic business in Denmark for more than fifteen years, and have experienced an ever-increasing demand for the creation of value that is specifically designed and produced for a broad network of diverse customers with individual needs and demands.

Commonly, days at Hydac are characterized by a high level of concentration on customer demands. This is reflected in the numerous meetings with strategic purchasers from customer firms, in their dialogs with a large network of sub-suppliers, who all strive to meet the demands that Hydac places on their business, and in the internal processes and procedures, which are all designed and developed to secure the optimum value creation process. However, the atmosphere today is rather more tense, since a large and important customer, WindPower, is visiting Hydac. The purpose of the visit is to discuss the ongoing collaboration between Hydac and WindPower, but also for WindPower to make an inspection of the production site, and evaluate how well Hydac manage to organize production, as well as checking that their purchasing activities meet WindPower's specific demands. Hydac has been preparing for this meeting for more than half a year, and all involved parties are naturally both excited and nervous.

WindPower is a dominant player in the global wind industry, which is characterized by a high level of competition, a constant pressure to lower prices and raise quality, and a need for continual technical development and innovation. WindPower has selected Hydac as a preferred supplier, and has placed considerable demands, constant pressure for

improvements and value creation, and continual evaluation on Hydac's business. Hydac has been a supplier to WindPower since Hydac was first established, and the relationship between them has intensified ever since. This intensification has resulted in a larger order volume for Hydac, a broader portfolio of shared projects, and as a result of that, far more interaction between them. Hydac and WindPower communicate on a daily basis, and the purpose of these dialogs is to agree on expectations, provide information about changing forecasts, and frequently concern changes in product specifications. These dialogs often leave Hydac with the need to restructure, reorganize and redevelop. Hydac experience ever changing demands and expectations from WindPower, which are often fast, without any prior notice, and with a short deadline. An example of this is when WindPower's customers make a change in their requirements for the product, for example, due to changes in governmental regulations, or because their customers have introduced new solutions to the market. This often causes major changes in the demands on WindPower, who then change their demands in terms of the final design and production of the system that is to be delivered by Hydac and other suppliers. This results in a completely changed situation at Hydac, whose research and development department needs to redesign, whilst the firm changes purchase orders or even changes supplier, and reorganizes the production line to meet the new design. In such situations Hydac find that it is very difficult to foresee what will happen, and even more difficult to control the next step. This causes frustration across the entire organization and also within Hydac's network, since continual changes from WindPower also have an influence on Hydac's other customers and suppliers. Other customers often find that their orders and requests are being re-prioritized, while the suppliers find that their value offering is no longer sufficient. Hydac wish to discuss some of these challenges with WindPower at today's meeting, but also present a new relationship strategy for their collaboration. This last issue is due to a request from

WindPower, who have asked Hydac to be very specific about their intentions, expectations and willingness within the collaboration, and to be explicit as to how Hydac is planning to support WindPower in their business. The meeting starts out with Hydac's presentation, which has been made collaboratively by several members of the Hydac organization who all play a role in the relationship between Hydac and WindPower. The participants have tried to list all of the demands that they have received from WindPower, and then couple them with specific actions and activities. WindPower acknowledge the work that Hydac has been doing in order to formulate this strategy and state that they find the strategy plan a positive step in the right direction. However, they also find the plan rather unambitious and not in line with the expectations that WindPower earlier conveyed to Hydac. They further explain to Hydac, that managing their other customers and suppliers, in situations where WindPower changes requirements, is entirely Hydac's responsibility. WindPower has their own network to manage, and if Hydac are not capable of doing that on their own, they expect them to build up the competencies and an organization that can master the task. After that, WindPower begin their evaluation of Hydac, and point specifically to a number of areas in which Hydac needs to improve. One of the most important issues relates to price and cost reduction. WindPower has made a business case that shows that these factors can be reduced significantly if production is placed in a low cost country, and WindPower expect Hydac to take that into consideration. Another issue is related to the role of the supplier, who WindPower expect to act as an expert. WindPower explains that they have been undergoing a major change in their strategic approach, towards a more intensified focus on a smaller part of the wind-business, and therefore place far more responsibility and demands on their suppliers, who they expect to deliver the resources and capabilities that are no longer core competencies at WindPower. In continuation of this, WindPower ask Hydac to develop a plan for how Hydac can facilitate technical development in a going

process involving members of the organizations at both Hydac and WindPower. Finally WindPower explains that whilst they see positive progress in the collaboration, they do expect Hydac to be far more proactive, dedicated and taking the lead in the future.

After the meeting participants from Hydac meet to evaluate, and give their comments on WindPower's evaluation. The participants have feelings of frustration, a desire to improve, but also a feeling of hopelessness. They explain that they have put so much effort in to this meeting, and into the presentation, which they expected WindPower to react to in a positive way. Instead they have a feeling of having misinterpreted the demands from WindPower, not being able to actually understand what was considered important and valuable to WindPower, and thus able to translate that into valuable activities. A participant explains that it feels like to step forward, and three steps back, and that it is an impossible task to initiate and organize activities and initiatives as the demands from WindPower change all the time. Another participant takes a more normative approach, and suggests that they now summarize all the input that they have received from WindPower, and start all over again in formulating a strategy and action plan for how Hydac can incorporate these new demands and expectations of value into the existing business, and transform WindPower's value demands into the value offering from Hydac.

This case points to the complexity and challenges related to collaboration in a customer-supplier relationship, and especially to the complex task of continually being able to meet demands for value creation. The case of Hydac and WindPower is in no way unique or extraordinary, and it depicts the daily life in many firms that are striving to handle and manage the challenges that arise within an ever-changing business environment. In this case three particular challenges are being emphasized; first the challenge of handling the dynamic nature of relationships, secondly the challenge of

identifying and understanding different perceptions of what constitutes value and what is important, and finally the challenge of acting in a way that creates value in accordance with the demands and expectations from the network. These three challenges are further discussed in the following section.

A first vital challenge for firms is to deal with dynamics in relationships. The need for firms to collaborate has intensified over the years, as the business landscape has changed (Ford & Hakansson, 2006). Firms experience an increased need to deal with globalization, outsourcing and offshore operations in low-cost countries, and increased competition from competitors locally as well as globally (Håkansson et al., 2009). This change in business context also challenges the aspect of value creation: new collaborative partnerships are being developed and business processes and structures becoming more decentralized, and shared across and between firms in order to increase value creation, value delivery and value capture (Corsaro, Fiocca, & Henneberg, 2013; Flint, Woodruff, & Gardial, 1997; Weyns, 2000; Wiersema, 2013). Whilst some firms maintain a focus on simple transactions involving standardized products and services, other firms experience an increasing need to engage in developing solutions with a high degree of complexity and customization. (Afuah, 2000; Jaakkola & Hakanen, 2013; Ulaga & Eggert, 2006b). Firms often lack the right resources and capabilities internally. This is not as a result of missing competencies or qualifications, but because they are specialized within specific areas. As a result, they experience the need to broaden their network of suppliers, and to enter into closer collaborative relationships with partners that can provide the resources and capabilities that are not a part of their own core competencies. This results in a broader context of value creation, as it is not something that firms do individually and in isolated from others: instead it is a result of collaboration between firms that together, gather and utilize resources and capabilities in a valuable

way (Eggert, Ulaga, & Schultz, 2006; Nenonen & Storbacka, 2010; Payne, Storbacka, & Frow, 2007).

When value creation becomes a joint task, and when firms become related through collaborative activities, a major challenge is dealing with the dynamic and the ever changing nature of relationships (Ford et al, 2002; Freytag & Ritter, 2005; Halinen & Törnroos, 1998). The Managing Director of Hydac explains; “*we experience daily that there are situations in our network that we cannot control, or foresee*”. Firms in relationships becomes directly related to one another and indirectly related to the broader network surrounding the relationship, which means that they become receptive to change and dynamics (Håkansson et al., 2009). Change and dynamics might result in a change in possibilities for collaboration, customer demands and expectations, or the supplier’s ability to deliver according to their agreement. This places demands on firms’ ability to develop and adjust their activities, resources, capabilities and possibly their entire business model; not only internally but also in collaboration with partners (Bankvall, 2014a; Nenonen & Storbacka, 2010a; Zott & Amit, 2010).

A second major challenge relates to actors’ understanding of the differences between partners’ perceptions of value. The collaborative agenda challenges not only firms’ ability to develop and adjust business, it also challenges firms’ understanding of their own business, and how they make sense of their partners’ business, and the relationships and networks of which they are a part (Corsaro et al., 2011; Mouzas, Henneberg, & Naudé, 2008; Ramos & Ford, 2009). Engaging in collaboration for the purpose of creating, delivering and capturing value, firms are often confronted with a reality wherein their perceptions of value are not necessarily mutual, but rather quite different from actor to actor. When customers place high demands on their suppliers for specialization and complexity in terms of solutions, products and services, it can imply that

the customer, as a result of prioritizing other important resources and capabilities, lacks the knowledge and/or expertise to solve the specific problem themselves. The customer then relies on the supplier to be the expert, and relies on the supplier to be able to completely understand the needs and demands coming from the customer. This is also the case within the wind energy industry, where major players in the market outsource the expert-role of technical development to their preferred suppliers. As a global purchase manager from WindPower stated: *‘we can only be experts to a certain degree, for the rest we rely on our suppliers to know best.’* This places a high pressure on the business of the suppliers, and especially on the suppliers’ ability to identify needs and expectations that are not necessarily clear or well defined (Corsaro, 2014; Haas et al., 2012; Ulaga & Eggert, 2006), or even easily obtainable. Empirical studies reveal that perceptions in relationships are often characterized by differences, and what might be considered important or valuable to one party, is not necessarily considered equally important or valuable to the other party. This occurs both internally within organizations and also between firms who have been engaged in mutual business in long-term relationships (Corsaro & Snehota, 2010, 2012). It is however not only a matter of gaining insights into the specific demands of the customer, such as specifications for products or solutions. Firms are also being challenged on their insights into the business of their partners, including their customers, their suppliers and their competitors, and how they collaborate with each other. Such insights are relevant as they can provide an understanding of firms’ strategic decisions to act in the network, their conditions for acting, and their broader expectations towards their relationships. Issues like this are often valuable, as they provide actors with a foundation of knowledge and insights that can be used to develop relationships towards the best possible results (Corsaro et al., 2011).

A third important challenge concerns the ability of firms to turn insights and understanding of the network and relationships into actions and

activities. This is a challenge that many firms face in practice on a daily basis (Håkansson & Snehota, 1995; Håkansson et al., 2009). As the Key Account Manager at Hydac explains; *“It is in no way simple or easy to do. We initiate activities all the time, and sometimes we manage to get it right, and sometimes we totally fail”*. Acting in a dynamic and relational context becomes a challenge for several reasons. First, when the context in which firms do business changes, so do demands, expectations and the perceptions of value from the parties involved (Corsaro et al., 2013; Corsaro & Snehota, 2010, 2012; Håkansson et al., 2009). This means that firms are challenged in following the contextual development, and in organizing and structuring actions that are adjusted to the new demands, in order maintain their value creating position (Corsaro, 2009). A second reason is related to the aspect of coordinating internal activities and activities with external parties (Håkansson & Snehota, 1995). When activities are carried out by external parties, or in collaboration between actors in the relationship, there is a need for more relational management, taking into consideration that there may be different collaborative agendas, firm cultures, expectations and perceptions of what is relevant and important (Anderson et al., 2009; Araujo, Dubois, & Gadde, 1999; Håkansson & Snehota, 1995; Ford & McDowell, 1999). This means that firms face a new level of management, that points to the necessity of managing and coordinating activities that happen between firms, and not only at an internal organizational level. A third reason is, that firms do not act in a closed world of dyads, but within a network of actors that act in parallel (Anderson, Håkansson, & Johanson, 1994; Håkansson et al., 2009). This means that firms must relate to numerous actions taking place in the network, and try to understand how that will eventually affect ongoing or planned activities (Håkansson et al., 2009; Jaakkola & Hakanen, 2013).

Reflecting on these challenges of handling emerging issues and dynamics in relationships; dealing with different perceptions of value in

relationships, and acting to transform the dynamics within perceptions of value into business, reveals that firms are challenged on a daily basis in several ways that when combined create a high degree of complexity and diversity. Business interaction requires a strong focus on building understanding, insights, showing engagement and being capable of acting for the creation, delivery and capturing of value. These challenges can be approached from a number of academic perspectives, which are presented in the following section.

1.2. The theoretical scene, and positioning of the thesis

From an academic perspective, the aforementioned challenges can be dealt with in various ways. First, seen from a supply chain management perspective, the focus could be on the linking and coordination of activities and processes between customers and suppliers. Attention would then be given to the challenges that firms face when managing relationships, upstream and downstream, in order to deliver what the customers demand, at less cost, and for the purpose of achieving more profitable outcomes for all parties (Choon Tan, 2001; Mentzer et al., 2001).

Another approach could be the organizational-strategy perspective, focusing on the fit between organizational capabilities and characteristics of the market, and how that affects business-level strategies (Miles, Snow, Meyer, & Coleman, 1978). Organizational theory could also provide a theoretical foundation for discussing how firms can design, manage and structure organizations in order to work in a cross-organizational context (Miles et al., 2010; Snow, 1992).

A third option, and the one chosen for this thesis, is to approach these challenges from a marketing and value perspective. It is generally held that firms that do not manage to create and deliver value to customers, have no legitimate reason to exist (Alderson, 1957; Anderson, 1982; Drucker, 1999), that value creation is crucial to business success (Flint et al., 1997), and that the reason why some firms manage to survive, while others don't, is due to their ability to translate market needs into value solutions (Anderson et al., 2009). Approaching the challenges, including the issues in the case between Hydac and WindPower, from a marketing and value perspective, focuses on the question of how firms engage in and manage business relationships for the purpose of creating value. Moreover, and in relation to this, how firms understand value from the perspectives of

different actors, and how they manage to translate this knowledge and insights into initiatives for developing the business and activities within relationships. These questions capture the essence of this thesis. The empirical situation in the case between Hydac and WindPower points to an approach that makes it possible to analyze and construct an understanding of the relationship between Hydac and WindPower, and in that respect, the role of value perceptions. From an academic perspective there are also a number of paths that may be followed in discussing the notion of value, which are presented in the following sections.

As with other theoretical disciplines, there are a number of different perspectives within the area of value research. Excerpts from these perspectives, disciplines or schools of thoughts are presented by Collins (1999), Wilson & Jantrania (1994), Payne & Holt (1999) and Tzokas & Saren (1999), who are all affiliated to an international academic group of researchers concerned with ‘relationship marketing,’ and themes such as the creation of value and value of relationships (Lindgreen & Wynstra, 2005). Wilson and Jantrania (1994) have examined the concept of value, and found that it is used across disciplines such as accounting and finance, purchasing and microeconomics, which has been supported by Collins (1999), who adds the perspective of transaction costs and the management perspective to the list of perspectives.

One of the most recurrent perspectives is the financial perspective of value. This perspective focuses on answering questions like; *how firms can increase their market share and raise profitability* (Anderson, Fornell and Lehman, 1994), and describes value in terms of e.g. earnings, profit, liquidation, return on investment and recorded value (Wilson & Jantrania, 1994). Related to the challenges presented in Section 1.1, this perspective of value directs attention to the profitability of the relationship between Hydac and WindPower, and fosters discussion on how Hydac might increase earnings from their business with WindPower and expand their

business to other markets outside of WindPower. At the same time, discussion can be from the reverse point of view, focusing on how WindPower might achieve a positive return on their investment in the relationship with Hydac.

Another perspective identified by Wilson and Jantrania (1994) is the purchasing/material perspective, concerning issues such as functional utility and costs. The focus of this perspective is dedicated to challenges related to minimizing expenses and costs related to production and purchasing, and concentrates on answering questions such as how well materials, or parts under construction, contribute to the end product, the desired performance capabilities, the worth of contributions and the use of materials (Hill et al, 1986 in Wilson & Jantrania, 1994). Compared with the challenges in Section 1.1, this perspective directs attention to the supply chain dimensions of the relationship, and forms the foundation for discussions on issues like optimizing production facilities, increasing purchasing activities to reduce costs, and questioning how well Hydac manage to add value to the end product.

Collins (1999) also points to the transaction perspective in the value literature, building on the premise that every deal is a new business, and that the main driver of transactions is related to price, quality, features of the product and the total value received for the payment (Lindgreen et al, 2012; Zeithaml, 1988). Adopting this perspective of the present challenges in Section 1.1. would mean that the long term dimensions of the relationship between Hydac and WindPower, as well as the relational aspects of the interaction between them would be left out. Discussions would focus on the products and the single transactions, rather than on the relationship between them.

Each of these perspectives approach value differently e.g. value as the sum of labor, material, and overhead costs, value as the economic benefits, value as the accumulated turnover, and value as the return on investment.

There is though, one consistent factor within these perspectives; they all approach value mainly from a single firm perspective, considering value creation as a task undertaken internally by individual firms. However, when related to the challenges in the case study, it becomes clear that these challenges are not firm-oriented. On the contrary they all address challenges related to value creation in the interaction within relationships and networks. The challenges in the case illustrate that value creation is not something that the firms undertake in isolation, nor is value only related to the product or the price, but is instead, an integrated part of several aspects of the relationship and the interaction.

Another perspective of value is presented within the marketing field, stating that value is a key issue (Alderson, 1957; Anderson et al., 2009; Anderson, 1982; Flint et al., 1997), and that firms' marketing activities are important to the creation of value (Tzokas & Saren, 1999). Value from the customer perspective has been an inherent part of the marketing literature since the mid-1950s, when marketing researchers started to call for more research on the concept of value, with a distinct focus on 'what constitutes customer value', and 'how firms can create and deliver value to customers (Lindgreen & Wynstra, 2005). This has resulted in a growing body of literature on value, mainly from a customer point of view, dealing with issues such as product value (Kotler, 2000), the economic value of customers (Gupta, Lehmann, & Stuart, 2004; Reichheld & Teal, 2001), consumer value (Holbrook, 1994; Zeithaml, 1988), and customers' perception of price and quality related to products (Zeithaml, 1988). This literature covers both a business-to-business perspective, as well as a business-to-consumer perspective. What characterizes this stream of value research is the distinct focus on product- and economic-value, and how customers perceive and value factors related to the product (Lindgreen et al., 2012), for instance quality, price and cost (Zeithaml, 1988). Another characteristic is the focus on how suppliers manage to create and deliver value to the customer; it is, so to speak, a one way process, where the

supplier provides the customer with goods and services, whilst the customer is the receiving party (Lindgreen et al., 2012). Value is then measured mostly in monetary terms, but also along economic, strategic and behavioral dimensions (Wilson & Jantrania, 1994). For instance, Woodruff et al. (1997) link customer desired value and customer satisfaction with the received value from the supplier. This idea of value creation as something that one part created for another is in stark contrast to the evolving concept of relationship value (Lindgreen et al., 2012; Lindgreen & Wynstra, 2005), building on the assumption “*that buyer and supplier firms do not only do business with each other because of the value of the good and service being exchanged* (Lindgreen & Wynstra, 2005, p. 737), but indeed also because there is mutuality in value creation where both parties in the relationship create and deliver value to the counterpart (Ulaga & Eggert, 2005).

The concept of relationship value originates from a relational approach to business, where researchers, particularly from within the service-dominant-logic perspective (S-D-L) and the Industrial Network approach (also presented as the IMP-group of researchers), contribute to the literature. The S-D-L perspective is driven by researchers such as Gronroos (2011), Grönroos & Gummesson (1985) and Vargo & Lusch (2004) focusing on value creation from a service perspective, and arguing that value creation is configured in a service system of co-creation (Gronroos, 2011; Vargo, Maglio, & Archpru, 2008), that all exchanges are based on service (Gummesson & Grönroos, 2012), and that goods should be considered as service delivery vehicles (Vargo, Lusch, & Morgan, 2006). The Industrial Network approach takes the relationship value concept further by including the wider network, arguing that value can not only be considered simply from buyer-seller dyads, but should be seen as a mutual interaction process of both focal dyads and wider network structures (Ford, 2011). Researchers from the IMP group have paved the way for the Industrial Network approach, by challenging the existing idea

that the structure of the business world is comprised of firms working and acting independently of each other to create value. Instead this group of researchers support the idea of a world of business that consists of networks of inter-connected relationships between interdependent firms, where interaction takes place within the business relationships and networks (Håkansson & Ford, 2002). Applying this world view to the concept of value, the grounding principle is that interaction shall not be interpreted as simply a means for value creation, but rather as the very process of value in itself, which is produced “between” parties (Håkansson et al, 2010), and that understanding and conceptualizations of value have to reflect the nature and characteristics of the interaction process in which relationship value is created (Haas et al., 2012).

Reflecting on the challenges that firms experience in respect of the dynamics, understanding the differences in value perceptions, and actions based on this understanding as presented in Section 1.1, the concept of relationship value in an Industrial Network approach contributes with an interesting and highly relevant perspective, which is set to handle and investigate these challenges. This is further discussed and argued for in the next section.

1.2.1 The concept of relationship value positioned within the Industrial Network approach

The characteristics of the challenges presented in Section 1.1, provide a general view of collaboration in relationships between customers and suppliers, as well as relevant factors in the surrounding network. The challenges frame a distinct focus on value creation, and especially the notion of how value can be understood, how firms engage in relationships to create value, and how they manage to act in order to turn value insights into activities that are value creating. For the present purpose, the notion of

relationship value is applied. This concept provides the foundation for studying value from a relational point of view, acknowledging that value is not created in isolation by individual firms. On the contrary, value creation takes place in the interaction between firms. Building this study on the premise that value is a shared task and responsibility when firms engage in relationships, it is possible to study in greater depth, the challenges and possibilities that firms face when engaging in relationships to create and capture value. In continuation of choosing the concept of relationship value as a relevant point of departure, there are also qualified reasons for further positioning this thesis within the industrial network approach.

The industrial network approach was one of the first to capture and explicitly address value as an inter-organizational perspective of value (Corsaro & Snehota, 2010; Ford et al, 2009; Håkansson & Snehota, 1995), and is at the forefront of much of the present research on relationship value (Lindgreen, 2012). The Industrial Network approach acknowledges that it is not possible to understand value from a single firm perspective (Corsaro, 2014b), instead it argues that in order to fully understand the complexity of value, including how value is understood, perceived, created, delivered and captured, one must look at it from a relational perspective (Håkansson & Ford, 2002)

The Industrial Network approach challenges the idea that firms are more or less independent of each other, and capable of building and executing individual strategies. Instead the industrial network approach argues that the world of business consists of networks of interdependent relationships between firms. This gives rise to the idea of interaction, and that processes shall not be seen as the outcome of independent work by firms, but instead as the interaction between firms (Ford, 2008). Interaction is the process of business that takes place between firms in business relationships, and the Industrial Network approach advocates that interaction as the point of departure in business research.

The Industrial Network approach further introduces the aspect of subjective interpretation as a part of interaction, arguing that firms have their own interpretations, but that these interpretations are outcomes of the context within which firms exist (Håkansson et al., 2009) . Studying relationship value, the issue of subjective interpretation, points to the significance of acknowledging that perceptions of value differ from actor to actor and that value perceptions are a result of actors' interpretations of counterparts' actions, which are also a result of subjective interpretations (Corsaro & Snehota, 2010). This aspect of value has been discussed in the relationship value literature by e.g. Corsaro and Snehota, (2010) and Corsaro et al., (2013), who state that value perceptions are actor specific. Furthermore, they point to the emergent nature of value perceptions, arguing that perceptions of value change over time. The Industrial Network approach states that time is one of the most important issues when analyzing interaction, and that time constitutes a major challenge for relationships, as it makes it almost impossible to delimit time, and that there is no natural beginning or end of a relationship. This means that when studying relationship value between actors in a relationship, one must realize that actors' perceptions of value are not static; instead they are emergent and change over time.

The Industrial Network approach builds on the premise that firms are closely interdependent, and are forced to understand and act, in relationships and networks where activities are linked together across firm boundaries, where resources are tied together, and where actors create bonds that move beyond the single organizations (Håkansson & Johanson, 1992). From a relationship value perspective, this means that firms do not act independently to create value, instead they must appreciate that there can be strong interest in, and other goals for, value creation that must be taken into consideration (Corsaro, 2014b). This also means that when one firm in the relationship has a goal for value creation and capture, other

firms in the relationship must incorporate these goals into their own business, and understand them in a relational context (Ford et al., 2008).

A final aspect that makes the Industrial Network approach suitable is the notion of business in networks. The Industrial Network approach acknowledges the importance of understanding business from a network perspective, by arguing that all firms are enmeshed in a complex network of relationships, and that the network constitutes the business context. From a relationship value perspective, this means that it is not enough to “just” understand value from a dyadic perspective, one must also consider factors in the network, such as change and dynamics, and how they influence actors in the network; their roles, their positions and their perceptions of value (Abrahamsen, Henneberg, & Naudé, 2012; Corsaro & Snehota, 2012; Ford & Redwood, 2005; Johanson & Wedin, 1992)

Related to the challenges presented in Section 1.1, the Industrial Network approach provides a relevant and present foundation for investigating aspects of interaction related to value in a customer-supplier relationship. The first challenge mentioned is related to how dynamics in relationships influence value creation. As described above, the Industrial Network approach points to the dynamic aspects of relationships, and also to the derived effects on value perceptions, for instance the emergent nature of value perceptions. The interconnectedness between actors in relationships and networks is also a part of the approach, and points to the complexity and mutuality of value creation. This approach also involves the network perspective, forming the foundation for understanding dimensions of value not only in a dyadic relationship, but also in a broader network context.

The second challenge relates to how actors understand differences in value perceptions. The Industrial Network approach acknowledges that actors in relationships have individual perceptions and interpretations of the context of which they are a part, including their individual perceptions of value. The approach further believes that perceptions and interpretations of the

actors are influenced by their surrounding world, and that an important aspect of understanding value perceptions is related to understanding the collaborative context.

The third challenge concerns how value perceptions are formed in both dyadic relationships as well as in a network context, and how value perceptions are transformed into relationship activities. As the concept of networks is inherent in the Industrial Network approach, it is a relevant point of departure when studying how aspects of both networks and dyadic relationships affect value perceptions, for instance aspects of competition, dynamics, time, boundaries and environment. The approach further offers a relevant foundation for creating an understanding of the activity aspects of relationships, and more specifically how value perceptions are transformed into activities within relationships. The Industrial Network approach points to issues such as results, outcomes and activities, which are all different angles on how firms behave in an interacting environment.

Despite an increasing interest in the field of relationship value, researchers still point to various aspects in the literature on relationship value that can be strengthened and further developed. These are mainly related to the scarcity of research moving beyond the aspect of form and content of relationship value (Corsaro & Snehota, 2010; Lindgreen, 2012), and strongly indicates a need for more knowledge on the nature of value in relationships. At first researchers call for more grounded acceptance and conceptualization of relationship value (Ulaga & Eggert, 2005; Walter, Ritter, & Gemünden, 2001), noting that the concept of relationship value is still in its infancy. Moreover, researchers also call for a more solid empirical base of research, arguing that there are still only a few studies that consider the conceptualizations in an empirical context (Corsaro et al., 2013; Ulaga & Eggert, 2005). These calls for research are important and relevant to address, since they can assist in widening our understanding of

the first challenge listed in Section 1.1, concerning how dynamics in relationships influence value creation.

Researchers also point to the large amount of attention paid to the customer-value perspective, calling for more research on value from a supplier perspective (Henneberg, Pardo, & Naudé, 2009; Ulaga & Eggert, 2008; Walter et al., 2001). In addition to this broadening of the perspective to include value from both customer and supplier standpoints, researchers also call for more direct focus on potential gaps in understanding perceptions of value between different parties (Corsaro & Snehota, 2010; Corsaro, 2014b; Ulaga & Eggert, 2006b), and also in that regard, how actors perceive and interpret value differently (Corsaro & Snehota, 2010), how those perceptions impact actors' behavior in relationships (Corsaro & Snehota, 2010), and the need for developing business models (Corsaro, 2014b). These are issues that need to be further investigated to provide insights related to the second challenges listed in Section 1.1, on actors understanding of differences in value perceptions.

Ritter et al. (2001) state that there is a need for more focus on the differences between what managers think they are doing in the relationship, what they say they are doing, and what they actually do. There is also a broad interest in extending our knowledge on relationship value in a network context, including how value perceptions are formed in networks, and the role of interaction and network in that (Corsaro & Snehota, 2010). Corsaro et al. (2012) also point out the need for better understanding of how features in interaction affect things such as value perceptions, and the derived effect on other actors in the network. These relate to the third challenge listed in Section 1.1, and call for more research on how value perceptions are being formed in both a dyadic as well as network context, and how value perceptions are being transformed into relationship activities.

There are thus, despite its popularity, a number of opportunities to improve on, and expand, the existing research in the field of relationship value. Together with the practical challenges presented in the introduction, this gives rise to the field of interest for this study. The purpose is then, to explore and contribute to the current state of the relationship value literature within the industrial network approach, and possibly expand the literature by exposing the concept of relationship value to different relevant theoretical and empirical contexts. To achieve this, this study takes its point of departure from the following main research question:

How are value perceptions formed in dyadic customer-supplier relationships and how do value perceptions influence relationship activities?

To answer this question, the research process is divided into three sub-questions. This is done for the sake of both clarity and simplicity. The three sub-questions are to some degree interconnected, and together they form the answer to the overall research question.

Sub-question 1: How do perceptions of value influence business model development?

Business model development is highlighted as being important for continuous value creation and firm performance in today's business (Cavalcante, Kesting, & Ulhøi, 2011; D. Mitchell & Coles, 2003; Zott & Amit, 2010). When firms engage in a relationship they often find that shifting demands and expectations call for a high degree of development in order for the firm to maintain a position as value creating. Where the earlier focus was on developing high technology products (H. Chesbrough, 2007), today's firms are faced with demands for developing the entire business, and not only single elements or products. The combination of closer relationships with partners holding differentiated and emergent perceptions of value (Corsaro & Snehota, 2010), together with an increased focus on collaboration, comprise a significant challenge when

firms are developing their business model. The aim of Sub-question 1 is therefore to explore the connection between value perceptions and business model development in a close customer-supplier relationship.

Sub-question 2: *How are perceptions of value formed in a network context?*

Understanding business becomes a complicated task when it also includes the surrounding network of actors, as well as the closer relationships of preferred customers and suppliers. An important part of value creation refers to the understanding of value (Corsaro, 2014b; Wilson & Jantrania, 1994), and firms are constantly faced with the need to understand not only themselves, but also their surrounding network (Håkansson et al., 2009). The relationship value literature provides knowledge on how value is perceived by both customers and suppliers, but provides little on how these value perceptions are being formed and changed (Corsaro & Snehota, 2010; Flint et al., 1997). The aim of Sub-question 2 is therefore to apply a network perspective to value perceptions, and use that to explore how dimensions in the surrounding network affect value perceptions.

Sub-question 3: *How do firms' value perceptions influence relationship activities?*

Under constant pressure to create value, firms face the task of transforming value perceptions in relationships into activities that are understood to be valuable to the partner. This includes the issue of how actors in a relationship actually understand and perceive value, not only from their own perspective, but also from the counterpart's perspective, and furthermore, how value perceptions impact firm behavior (Corsaro & Snehota, 2010; Corsaro, 2014b). Analyzing and conceptualizing activities is a complicated matter (Håkansson & Snehota, 1995), but interesting when applied in a relationship value context, because it provides knowledge about how perceptions of value are connected to firm behavior.

The purpose of this third and final sub-question is therefore to explore the connection between firms' perception of value in a close customer-supplier relationship and their activities.

1.3. The structure of the thesis

The overall structure of the thesis comprises four main areas as illustrated in Figure 1.

The first part of the thesis, Chapter 1, is a presentation of the challenges related to business in relationships from both empirical and theoretical perspectives, followed by an introduction to the theoretical scene of the thesis. This is followed by a section positioning the thesis within the relationship value literature and the Industrial Network approach, and presenting the overall research question and the three sub-questions, which are answered in separate papers, presented in Chapters 4, 5 and 6, and finally discussed in the conclusion in Chapter 7.

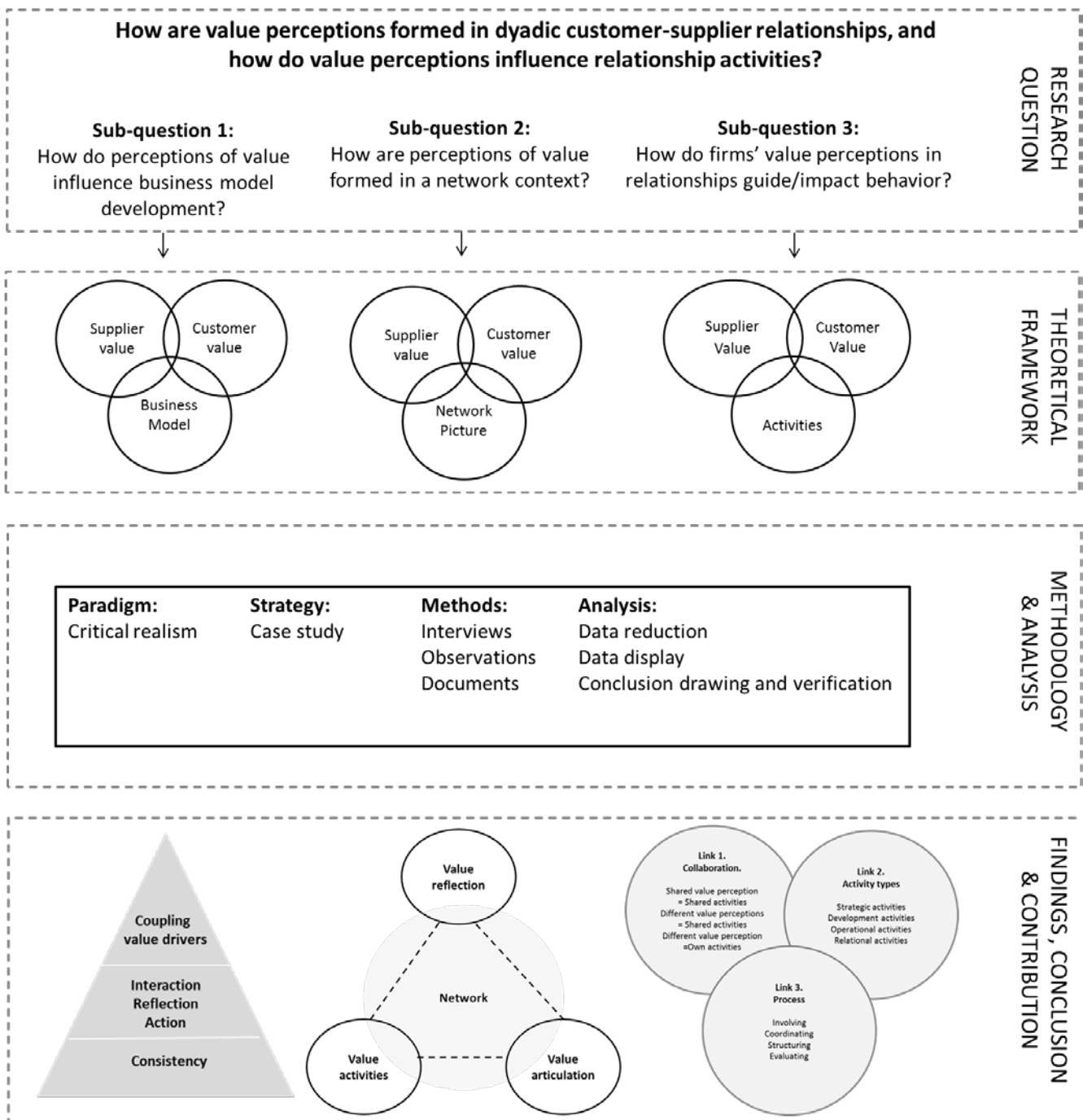
The second part is the *theoretical framework*, presented in Chapter 2. This chapter presents the theoretical framework, setting out the origins of each of the included concepts, and arguing for their relevance and the interrelatedness between each of them. This part is also structured so as to address the research question, and the three sub-questions, which are directly linked in the theoretical discussions.

The third part, Chapter 3, is dedicated to the scientific methodological approach. It includes a section on the philosophy of science and further methodological choices and considerations for the thesis. This chapter explains the choice of a case study strategy, and the related implications for data collections and data analysis.

The fourth part, Chapters 4, 5 and 6, represent each of the papers in the thesis. Chapter 4 answers the first sub-question: *How do perceptions of value influence business model development?* Chapter 5 focuses on the second sub-question: *How are firms' perceptions of value formed in a network context?* Chapter 6 answers the third sub-question: *How do firms' value perceptions influence relationship activities?*

The fourth part of the thesis is Chapter 7, where the findings and conclusions from the overall research question are presented. This chapter also contains an evaluation of the research, as well as a section on managerial implications.

Figure 1. Structure of the thesis



Chapter 2: Theoretical Framework

Purpose of this chapter is to introduce the theoretical framework that constitute the theoretical foundation for this thesis. The chapter is initiated with an introduction to the field of relationship marketing where this thesis is grounded. Hereafter is a presentation of the theoretical framework including discussions on the concepts of value, relationship value, the business model, the network picture and relationship activities. Finally is a brief summary of the framework, including a presentation of the interconnectedness in the theoretical framework.

2.1. Introduction to the field of relationship marketing

Even though Grönroos (2004) states that the phenomenon of relationship marketing is as old as the history of trade and commerce, and Möller and Halinen (2002) acknowledge that relationship marketing has probably existed in one form or another since trading relationships first appeared, it is still a concept that attracts an increasing amount of attention from a broad range of marketing scholars (Grönroos, 1993; Möller, 2013; S. Vargo & Lusch, 2004).

Egan (2008, p. 32) notes that relationship marketing is not a clear-cut concept, but rather “*a general umbrella philosophy with numerous relational variations*”. The term relationship marketing was first introduced in a conference paper by Berry (1983, p. 25), who defined it as the task of “*attracting, maintaining, and enhancing customer relationships*”. Gummesson (1999, p. 1.) later specified that relationship marketing is “*marketing seen as relationships, networks and interactions*”. Today relationship marketing has become one of the most dominant topics within business marketing studies (Möller, 2013), and the number of

published papers focusing on business relationships has increased consistently since 2000 (Yang & Wu, 2007). Möller (2013) points to relationship marketing as a construct of broad and fragmented research traditions, covering intertwined research streams from the marketing literature since the 1970s. These streams include among others the service-dominant logic perspective promoted by the Nordic School of Services Marketing (Grönroos, 1999; Gummesson & Grönroos, 2012; Möller, 2006). . This perspective builds on the basic assumption that services are inherently relational, and that the critical factor is whether or not firms want to make use of these relationships in the way that they manage their customers (Grönroos, 2011). Other research streams include ‘customer relationship management’, ‘sales management’, ‘strategic thinking’, ‘promotion’, ‘branding’, ‘consumer marketing’, ‘business to business marketing’ (Zinkhan, 2002), and ‘customer-supplier relationships’, ‘marketing channels’, ‘data-base marketing’ and ‘direct marketing’ (Möller & Halinen, 2000). These research streams draw on various disciplines and theories within organizational science, political science and social psychology, and Möller (2013) notes that the streams are not only sources of relationship marketing, but also constitute the current relationship marketing approach.

There is thus a series of theoretical directions and fields within the umbrella of relationship marketing. Each of these contributes to the overall field of marketing research, but from different perspectives. Broadly speaking, some perspectives take their point of departure in the firm and are primarily devoted to understanding what happens inside firms, taking into consideration the relationships that firms have with customers, suppliers, competitors and other actors. Many of such studies are characterized by an assumption that the customer or buyer is considered the passive party in the relationship, whereas the supplier or the seller is considered to be the active party (Ford, 2010). Furthermore, relationships are viewed as something developed in isolation by two parties,

independent of the broader context (Håkansson & Snehota, 1995). Other perspectives within the relationship marketing field take an explicit interaction approach to studying business (Ford et al., 2008; Håkansson & Waluszewski, 2005; Håkansson & Ford, 2002). Such an approach is presented as a new paradigm within the marketing literature (Ford, 2002), and the opposite of other perspectives. The point of departure in the interaction approach is what happens between firms, and the network of relationships surrounding each firm. The basic assumption is that relationships are not created in isolation, but in a broader network of interdependent relationships (Håkansson & Snehota, 1995).

Thus, relationship marketing covers a wide field of research ranging from how firms internally organize and develop their marketing activities towards the market, to the question of how relationships between firms can be viewed as part of a broader network. The aspect of value is also a dominant theme in the relationship marketing literature (Flint et al., 1997; Payne & Holt, 1999; Ravald & Grönroos, 1996), and the relationship marketing perspective has provided the theoretical foundation for much of the recent research on relationship value (Biggemann & Buttle, 2005; Tzokas & Saren, 1999; Ulaga & Eggert, 2001; 2008).

In this thesis, the research question, *how are value perceptions formed in dyadic customer-supplier relationships and how do value perceptions influence relationship activities?* focuses on value in interaction and inter-organizational collaboration from a customer-supplier relationship perspective. It also points to the influence of the surrounding network, and how aspects in the network influence value perceptions. With this in mind, it is relevant to build upon a theoretical field of research that captures and frames value from an interaction perspective, and allows for studies of possibilities, as well as challenges, related to how firms collaborate and compete, and in that context perceive and understand value. Since this is inherent in the interaction approach, the theoretical framework of this

thesis will be grounded within this field of research – specifically in research associated with the Industrial Network Approach, which is presented in a later section of this chapter.

The literature related to the interaction approach also offers suggestions on how to view relationships between actors at different analytical levels. Möller & Halinen (1999) study how business networks and relationships can be managed, and they distinguish between four levels; a) industries as networks, b) firms in networks, c) relationship portfolios, and d) exchange relationships. Wilke & Ritter (2006) present a framework of different levels of analysis, distinguishing between the structural level and the actor level. The structural level covers dyads, nets, portfolios and networks. The actor level covers clusters, organizations, groups and individuals. As the purpose of this thesis is to study value perceptions in a customer relationship, a dyadic level of analysis, as suggested by Wilke and Ritter is appropriate. However, the research question also points to the network level, where the matter of how value is perceived when taking into consideration aspects of the network is studied. Notwithstanding this, it is important to mention, that this does not constitute a network analysis, but rather a dyadic analysis in a network context.

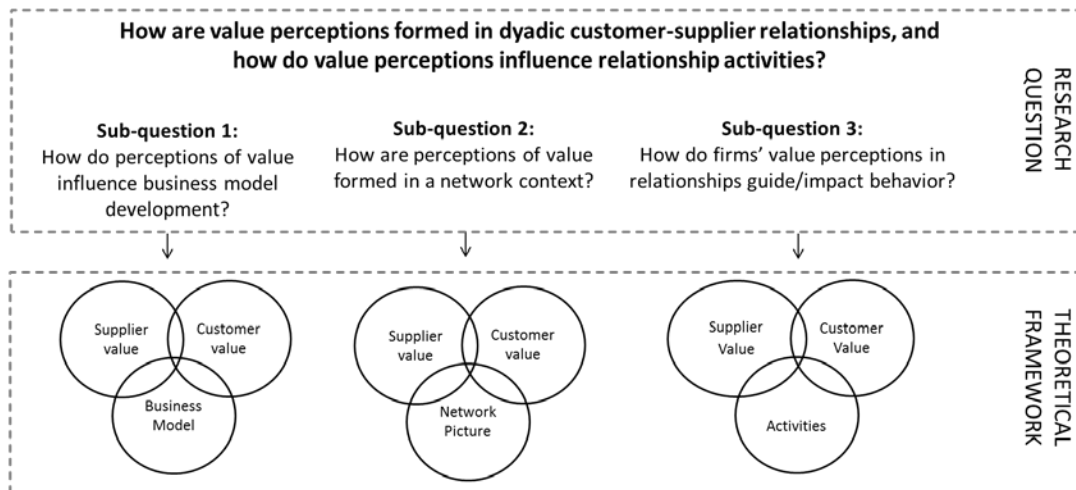
2.2. Presenting the theoretical framework

The theoretical framework provides a basis for discussions that will enable the overall research question, as well as the three sub-questions, to be answered. Relationship value is the centerpiece of the study, and it is in relation to the literature on relationship value that other theoretical elements are discussed. Included in the theoretical framework, as illustrated in Figure 2, is the business model concept, the concept of network pictures, and relationship activities. Each of these concepts is

presented, discussed and evaluated in the following sections, including arguments for why these three concepts are considered especially relevant.

As illustrated in Figure 2, the theoretical framework is developed from the overall research question, and the three sub-questions. At first there is an introduction to literature discussing the notion of value, followed by a section dedicated to the relationship value perspective. After that follows a section around the industrial network approach, and arguments for the appropriateness of this approach in this thesis. Following this, three separate sections present the three theoretical concepts of the framework; the concepts of business models, network picture concept and activities. Each of these sections includes argumentation for the relevance of the concept, followed by a broad presentation of the concept and its origin. The final section is dedicated to a brief presentation of the three theoretical concepts, and how the interconnectedness between them serves as a valuable theoretical point of departure for this thesis.

Figure 2. Structure of the thesis: Theoretical framework



2.3. Value – a theoretical field of research and a shift in paradigm

As outlined in the introductory chapter (Setting the Stage), the concept of value is central to this thesis. More precisely put, value is the lynchpin of the project, and thus a natural place to start presenting and discussing the theoretical framework of the thesis. The value construct has attracted an increased amount of interest among researchers with both business-to-business research and business-to-consumer research, and for the purpose of introducing the theoretical field concerned with value, sources of both academic fields are applied. The interest in value is not new. Payne and Holt (1999) refer back to Churchill (1942), Womer (1944) and Barton (1946) as early pioneers of value, and state in their comprehensive literature review, that the notion of value has been an implicit part of marketing research since the start of the industrial era. Initially the conceptualization of value was inspired by studies from classical and neo-classical economics, arguing that customers spend money to maximize the satisfaction of products (Bowman & Ambrosini, 2000). Even though this “trade off” philosophy, e.g. between benefits and sacrifices, products for payment and benefits and costs has its roots in earlier economic theory, it has provided the basis for much of the later marketing research on value (A. Payne & Holt, 1999), for instance in the work of Ulaga and Eggert (2006), on value-based differentiation in business relationships, in the work of Corsaro and Snehota (2010) on value perceptions, and in the work of Ravald & Grönroos, (1996) on relationship benefits and sacrifices of value in a relationship context.

Wilson and Jantrania (1994, p. 59) cite Miles who popularized the use of value analysis in the U.S industries in the 1940s and 50s and said; “*value means a great many things to great many people because the term value is used in a variety of ways*”. With many different approaches, perspectives and perceptions of the value concept it is not surprising that the literature offers a variety of value definitions and models for understanding value,

pointing at value as utility, price, quality, satisfaction, benefits, assets etc. (Zeithaml, 1988). Payne and Holt (1999) present a distinction between the terms value (singular) and values (plural), suggesting that *value* refers to a preferential judgment of preferences that are the result of a trade-off (e.g. between benefits and sacrifices) and interaction (e.g. between a customer and the product), whilst *values* refer to criteria by which judgments are made. *Values* are explained by Rokeach (1973) as deeply held and enduring beliefs and by Flint, Woodruff and Gardial (1997) as implicit beliefs that guide behavior. They further define *desired value* and *value judgment*. *Desired value* represents what customers want to have happened, whilst value judgment represents the assessment of what has happened. In a business area where firms have projects on value-based pricing, value-based management and value-based organizations at the top of their agenda, it can be difficult, empirically, to differentiate between what the literature refers to as being value and values. As value perceptions in a customer-supplier relationship is key in the research question of this thesis, it is the business-oriented value that is in focus. It means that it is not the internal organizational values (e.g. “we always stand together as a team” from Hydac’s management book) that are the focus. Instead attention is paid to the value that can be directly associated with the business between a customer and a supplier, such as prices, quality, delivery, proactivity etc. This is what Payne and Holt (1999), in the above, refer to as *value*.

Reviewing the value literature confirms not only its popularity as a research topic, but also the existence of considerable interest in explaining different issues regarding value. Value is considered to be among the 10 most important research topics (Corsaro, 2014b), and researchers within many different fields strive to capture the essence of “what value is” and “how we can understand value better”. Amongst others Collins (1999), Tzokas and Saren (1999), Payne and Holt (1999), Biggemann and Buttle (2005), Lindgreen and Wynstra (2005) and Lindgreen et al. (2012) have

presented comprehensive literature reviews on the concept of value, and presented not only different perspectives on value, but also an extensive range of different conceptualizations of value. Table 2. presents an overview of the use of value within different disciplines.

Table 2. The use of value within different academic disciplines

Authors	Disciplines	Themes
Wilson & Jantrania, 1994	Accounting, finance, and real estate	Maximizing value, original cost, market value, economic value, value of property, liquidity, earnings potential, assessed value, appraised value, liquidation value
	Economics	Use value, value in use, exchange value, cost value
	Purchasing/Materials Management	Functionality and cost, use value, esteem value, value analysis
	Marketing	Economic value to the customers, value-in-use, value of consumer products, emotional value, practical value, logical value
	Relationships	Economic value, strategic value, behavioral value
Collins, 1999	Transaction costs	Market conditions, transactions of products, price, transaction costs,
	Management	Designing organizations

		to meet customer needs, defining boundaries of an organization, managing value creation
	Finance	Assets, managing market based assets, allocating resources and activities, profitability

Inspired by these reviews, a brief presentation of some of the perspectives follows.

The *financial perspective* is concerned with how firms increase market share and profitability. How business performance can be measures, such as profits and return on investment (Anderson, Fornell and Lehman, 1994) – and also what can be considered as value as in its original form, as an asset on a balance sheet. Value is described in terms of e.g. earnings, profit, liquidation, return on investment and recorded value (Wilson & Jantrania, 1994)

Value from a *purchasing/material perspective* concerns functional utility and costs. Wilson & Jantrania (1994) cite Miles (1961) who defined value as “the minimum dollars, which must be expended in purchasing or manufacturing a product to create the appropriate use and esteem factors” (p. 60). Analysis of value within this perspective relates issues of how well materials or parts under construction contribute to the end product, the desired performance capabilities, the worth of contributions, as well as the use of materials and how costs can be reduced during production or manufacturing. (Hill et al, 1986 in Wilson & Jantrania, 1994).

The foundation and focal point of attention in the *transaction perspective* is the firm, and the assumption that markets and hierarchies (firms) are alternative mechanisms for coordinating the transaction of goods or

services in the market (Collins, 1999). The transaction perspective builds on the premise that every deal should be considered a new business, that no one benefits from past performance, and that market exchanges are independent and discrete (Lindgreen et al., 2012). Within this perspective, value is often associated with the price that the customer is willing to pay, the features of the product, the quality of the product and the total value received in terms of the payment (Zeithaml, 1988). The transaction perspective has served as a conceptual platform for further developing the value aspect of marketing, and as an approach to discussion in the relationship value literature.

There is common agreement within the literature, that value is interesting and highly relevant to practitioners as well as researchers, but that it is very difficult to completely understand and still has enormous potential for further development. The relational perspective covers a number of different research fields as presented in the introduction to this chapter, however all take a relational approach in order to understand value. The basic assumption is that value should not only be considered in terms of the exchange of products and services, but instead that value is the outcome of entire business relationships (Anderson, Håkansson, & Johanson, 1994; Lindgreen et al., 2012; Lindgreen & Wynstra, 2005). By limiting the focus to the value of the object, researchers following the relational perspective argue, that there is a risk of overlooking the value drivers inherent in business relationships (Ulaga & Eggert, 2006a), for instance the social and interactive benefits of relationships (Anderson, Jain, and Chintagunta, 1993), and also the risk of missing out relevant questions such as;

- how is value is perceived by actors in relationships? (Corsaro & Snehota, 2010),
- how is value created in business relationship and networks? (Eggert et al., 2006; Holm, Eriksson, & Johanson, 1999; Walter et al., 2001) and
- what are the consequences and challenges that must be managed in order to achieve effective value creation in business relationships? (Corsaro, 2014b).

Also within the relational approach, different perspectives of value exist. One of the clearest disparities is whether it is value from a business to business perspective dealing with value in and between firms (e.g. Corsaro & Snehota, 2010; Eggert et al., 2006; Lapierre, 2000), or whether it is value in a consumer context (Bolton & Drew, 1991; Zeithaml, 1988). From the business-to-business perspective of value there are also a number of different ways to go. Some researchers dedicate attention to explaining value from a service perspective (Ravald & Grönroos, 1996; Vargo, Maglio, & Archpru, 2008) discussing what constitutes the value of service and how value can be created in a service system? Other perspectives concern value in business networks (e.g. Corsaro, Ramos, Henneberg, & Naudé, 2012; Corsaro, 2014), value in relationship portfolios (e.g. Corsaro, Fiocca, & Henneberg, 2013), value from a supplier perspective (e.g. Walter et al., 2001), and the most popular topic, value from a customer perspective (e.g. Lapierre, 2000; Möller, 2006; Payne & Holt, 2001; Ulaga, 2001, 2003). Based on the research question, the focus in this thesis is how value is perceived by both the customer and the supplier in a dyadic business relationship. This is presented in the following section on relationship value.

2.3.1. Relationship value

When shifting focus from a firm-centric or product-oriented logic to a relationship-logic, a series of new ideas, possibilities and considerations arise. With this shift in paradigm (Grönroos, 1993; Payne & Holt, 1999; Tzokas & Saren, 1999), the scene is set for introducing the concept of value into discussions on business-to-business interaction (Corsaro, 2009; Håkansson & Ford, 2002), including the interdependences, the interactive nature of relationships, and the dynamics of relationships and networks (Lindgreen, 2012; Ulaga & Eggert, 2005; Vargo & Lusch, 2004). Approaching value from a relationship perspective results in a number of changes.

The first aspect is that of value creation; a topic that attracts much attention among researchers. The notion of value creation becomes broader, as it is no longer limited to the focal firm and its internal activities and processes. Earlier definitions of value creation have been product oriented: value creation is about the benefits of the product (Bowman & Ambrosini, 2000), whereas the relational approach acknowledges that the product is only a limited aspect of value creation. In this approach, value creation is something that happens in the interaction between firms, either in dyadic customer-supplier relationships, or in the entire network. A consequence of this is a showdown with the classical assumption that value is created in the research and development department of the firm (Prahalad & Ramaswamy, 2000), as scholars start to widen the perspectives on value creation so as to also capture the entire context outside the product development department. Examples of this can be seen in the business model literature, where scholars present open-business models (Chesbrough, 2006; Ulhøi, 2013), and discuss how firms can collaborate on co-creating value through open business models (Nenonen & Storbacka, 2010b). Another area is within the Service Dominant Logic (SDL), where the focus is on how the customer and the service provider

can, together, create and optimize value creation (Gronroos, 2011). Additionally from a network perspective there are interesting suggestions as to how value is created in networks, and how different configurations of networks support value creation (Corsaro et al., 2012; Jaakkola & Hakanen, 2013).

Secondly, empirical research reveals that the form and content of value change when applying a relational perspective (Corsaro & Snehota, 2010; Ulaga & Eggert, 2005, 2006b; Walter et al., 2001). This means that the list of value drivers, elements and dimensions expands, and value can be measured by multiple factors, such as trust, flexibility, solidarity, conflicts, time, effort and energy (Lapierre, 2000). One of the most supported proposals for defining relationship value has been made by Ulaga and Eggert (2005), who define relationship value as the relationship between benefits and sacrifices. This conceptualization has been adopted and developed further by several researchers (e.g. Lapierre, 2000; Ravald & Grönroos, 1996; Wilson & Jantrania, 1994), who also suggest a differentiation between benefits and costs. The distinction between benefits and sacrifices/costs is primarily related to customer value, whereas Walter et al. (2001) distinguish between direct- and indirect value functions related to supplier value. An overview of these relationship value drivers is presented in Chapter 5, Table 1.

Thirdly, and in continuation of the above, the shift in perspective from a firm perspective to a relationship perspective also opens up for more insights into value from other actors' perspectives, including the supplier perspective. So far most literature adopts a customer perspective, relating to value from the customer's point of view. However, scholars have also (to a limited degree) begun to acknowledge that customers and suppliers might not necessarily share the same perceptions of value (Corsaro & Snehota, 2010; Ulaga & Eggert, 2005). This is a particularly relevant point of view, as the relational perspective on value builds on a premise

that relationships shall be valuable to all parties (Ford et al, 2009), and that firms search for relationships with mutual benefits. The literature offers only limited results from a supplier perspective, for instance Walter, Ritter and Gemünden (2001) who identify direct functions and indirect functions of business relationships. The direct functions include activities and resources that may create value to the supplier without being dependent upon other (connected) relationships, e.g. profit, volume and safeguard. The indirect functions capture the connected effects in the future, or in other relationships in the wider network, e.g. innovation, market, scout and access.

A fourth aspect is related to the level at which relationship value is being approached, differentiating between the form and content level, and the more general level of how actors in a business relationship perceive and interpret value. When changing the focus from a firm-oriented focus on value to a relationship-oriented focus on value, the context of value perception expands, and there are differentiated perceptions of value that must be taken into account. Corsaro and Snehota (2010) propose that value perceptions in business-to-business relationships are to be considered actor specific, phenomenological and emergent. The aspect of value as actor specific, relates to the finding, that value perceptions tend to be differentiated from actor to actor, even for actors involved in the same relationship. When studying relationship value this means that one must take into account that what might be considered value for one party might not be considered equally valuable to another party to the relationship. This applies both at a firm level, where the supplier and customer might not share the same value drivers, but also at an organizational level where there is the possibility that members of the same organization do not share the same perceptions of what constitutes value. The aspect of value as phenomenological refers to differences in the perceptions of value elements between suppliers and customers in relationships. This means that value is judged by the actor (a firm or an individual) on only a limited

set of elements that the actors use to define, judge and assess value. The third aspect of value as emergent refers to the perceptual basis of value as being fluid and more or less continuously changing. This means that value perceptions in a business relationship always change and are mutually enacted as the parties interact. Corsaro et al (2013) elaborated on this and produced a value pentagon of five critical elements, arguing that the nature of value perceptions are interactive, relative, collectively determined, actor specific and contextual requiring a dynamic management process that takes into consideration changes and development in actors' value perceptions on a dyadic level, a network level and a meta level.

For the purpose of this project the relational perspective of value provides the possibility of undertaking an in-depth study of how firms, that collaborate closely in customer-supplier relationships, perceive value from each of their perspectives, and also how they perceive value from their counterpart's perspective. This makes it possible to study value from both a customer perspective and from a supplier perspective. Furthermore the relational perspective provides the possibility of studying differences in value perceptions from actor to actor, and also how value perceptions are changing and being formed in a relational- as well as in a network context. Finally the relational perspective also provides the foundation for further discussion of how value perceptions are being translated into concrete actions and activities in the interaction between the customer and supplier, and the demands that occur for developing the business when taking into account the different value perceptions.

2.4. The industrial network approach

The industrial network approach is a field of research to which the relationship value perspective is often applied. This is also known as the “interaction approach” (Ford et al., 2009; Hakansson, 1982), or “markets-as-networks” (Johanson & Mattsson, 1987) and is attributed to the IMP

group (Industrial Marketing and Purchasing). This approach has challenged the traditional view of marketing for more than 40 years, and is today widely acknowledged for its contribution to the relationship marketing perspective. The industrial network approach builds on the basic assumption, that the continuous interaction between actors (customers, suppliers and others) constitutes the context for business (Håkansson & Snehota, 1995; Håkansson & Ford, 2002), and focus is on the interrelatedness between firms in a business-to-business setting. Business relationships are the center of research, and the main purpose is to analyze and describe business relationships, their complexity and continuity in the interaction between firms and organizations in networks. Value is an integral part of interaction (Corsaro, 2009), however interaction should not be interpreted as simply a matter of value creation, but rather the very process by of value creation, which is created in the interaction between the parties (Håkansson et al., 2009).

In this thesis, the research question focuses on interaction and inter-organizational collaboration related to perceptions of value. In that context, the research on value in business relationships has to reflect the nature and characteristic of business interactions within which the value is created (Haas et al., 2012). Thus, the industrial network approach is found relevant for a number of reasons.

Firstly, as opposed to more traditional approaches to value, the industrial network approach captures, and explicitly addresses the inter-organizational perspective of value perceptions, and refers to the dimension of relationship value (Corsaro, 2009; Ulaga & Eggert, 2008). It points out, that value cannot be understood from a single firm's perspective in isolation from other relationships. Instead the industrial network approach stresses that in order to fully understand how value is being understood, perceived, created, delivered and captured, one must put on a pair of relational glasses, and direct attention to the greater

significance attached to relationship benefits over relationship costs in the creation of value (Ulaga & Eggert, 2006b), as well as the differences in value perceptions in a relationship value context (Corsaro & Snehota, 2010).

Secondly, the industrial network approach provides a foundation for studying the interconnectedness between actors' perceptions of value and the derived activities performed in order to create, capture and deliver value in the relationship. The industrial network approach acknowledges that the activities/actions of a single actor are based on the actor's interpretations and perceptions of the previous actions of others, as well as expectations of their possible future reactions (Ford & Håkansson, 2005), which makes it suitable for studying how value perceptions in a dyadic customer-supplier relationship affect relationship activities, and how value perceptions in the relationship affect the need for firms to develop their business model.

Thirdly, the industrial network approach emphasizes that value perception is better understood if considered in relation to its network context (Anderson, 1995; Corsaro & Snehota, 2010; Corsaro, 2014). This means that in order to understand how firms, individually and in a dyadic relationship, perceive and understand value, one must take into account the surrounding network of which they are a part (Ford et al., 2002; Håkansson et al., 2009).

For the reasons listed above, the industrial network approach serves as the theoretical standpoint in this thesis, and the foundation of the theoretical framework developed to answer the overall research question. The following sections present the theoretical concepts that constitute the theoretical framework of the thesis, so as to answer the main research question and the three sub-questions.

2.5. Value as considered in the business model concept

Efforts to create, deliver and capture value are often discussed in relationship to the firm's business model, and this is pivotal in the business model literature. In recent years the focus in the business model literature has turned from a grounded firm-oriented perspective of business models seen as static and developed internally in firms, to a more relational and dynamic perspective of business models viewed from a network perspective (Bankvall, 2014b; Nenonen & Storbacka, 2010a; Palo & Tähtinen, 2013). This makes the business model an interesting place to start, as the question in this thesis focuses specifically on how value is perceived in a customer-supplier relationship, and how that affects the relationship and leads to development of the business in order to create value. The following section presents four arguments for applying the business model concept within the theoretical framework of this thesis.

The first argument for applying the business model concept within the framework was strongly influenced by the empirical setting at the case firm Hydac. Hydac had recently introduced the concept of business models into the management group, and had started, briefly, to discuss how the concept was usable for creating a more grounded understanding of the firm. The business model concept is often enhanced for its practical relevance for firms (Mason & Spring, 2011; Morris, Schindehutte, & Allen, 2005; Osterwalder & Pigneur, 2010), which was also the case at Hydac, where the business model concept initiated some of the more in-depth discussions of value. Given the empirical arguments (that the business model concept was already a known concept in the organization), together with the theoretical arguments (elaborated further in this section), along with the overall research question of this thesis, the business model concept seemed to be a sound place to initiate studies of value in Hydac's relationship with WindPower.

Value is a central theme in the business model concept, which gives rise to the second argument. The idea that value is central within the business model concept is not new, and a review of the business model literature shows that, over time, researchers have explained and defined the business model on the foundation of value (Coombes & Nicholson, 2013; Hedman & Kalling, 2003; Zott, Amit, & Massa, 2011). Chesbrough (2007) states that value creation and value capturing is at *the very heart* of a business model. Within the business model literature there is a growing interest in investigating the value aspects of business models from a more dynamic and development oriented perspective (e.g. Cavalcante, et al., 2011; Morris et al., 2005; Zott & Amit, 2010), which has given rise to discussions on how value drivers are important elements in business, and that changes in business models are often a consequence of changes in value drivers (Ng, Ding, & Yip, 2013). Given the central theme of this thesis, namely value perceptions, and how those lead to business development, this approach to value from a business model perspective seems relevant.

The third argument relates to the nature of the business model concept. The business model concept is centered on discussions about value creation, value delivering and value capturing (Osterwalder & Pigneur, 2010). The concept provides answers to one of the more complex questions in the business-to-business literature, “*how do firms create value?*” Osterwalder & Pigneur (2010, p. 14) even define a business model as “*the rationale of how an organization creates, delivers and captures value*”, and suggest nine building blocks that, together, form the foundation of how firms create value. The firm perspective that can be detected in much of the prior research on business models, has been challenged by more recent perspectives on value creation as something taking place among actors in business networks (Clarke & Freytag, 2011; Mason & Leek, 2008; Nenonen & Storbacka, 2010b; Palo & Tähtinen, 2013), and as something involving activities from the relationships within which firms are engaged (Zott & Amit, 2010). As the focus of this study is

to better understand value perceptions from a customer and a supplier perspective, and also how value perceptions are transferred into business model activities and business model development, the business model concept serves as a relevant point of departure for this discussion.

The fourth argument is related to the industrial network approach upon which this thesis is based. The industrial network approach focuses on the interaction among firms in networks (Håkansson, 1982), more than on firms themselves. This means that, as opposed to the business model literature, the center of attention is what happens between firms when they interact. However, the business model concept offers a perspective of what happens inside firms, and provides a framework for understanding some of the possibilities, consequences and challenges that firms face when they are involved in customer-supplier relationships. This should not be seen as an argument for applying only a firm perspective to relationships, but rather to emphasize that a part of understanding relationships is also understanding how firms understand the relationship, and how they manage to act within the relationship. In that context, the business model provides a more normative frame for understanding how firms act and develop within the relationship, which is highly relevant for this study of value perceptions, and how they affect business.

2.5.1. About the business model concept

The business model concept is often associated with the advent of the internet, and for a long time the literature has been dominated by discussions on business models in an e-business context (e.g. Amit & Zott, 2001; Anatomy, 2000; Braccini & Spagnoletti, 2008; Osterwalder, 2002). However, over time the business model concept has been discussed within various fields of research, (see Table 2.1. for an overview), and is now one of the most applied concepts within business-to-business research (Coombes & Nicholson, 2013; Zott, Amit, & Massa, 2011).

Table 2.1 Fields of research in business model literature

Authors	Field of research
Amit & Zott, 2001 Anatomy, 2000 Braccini & Spagnoletti, 2008 D'Atri, De Marco, & Casalino, 2008 Osterwalder, 2002	E-Business models Internet business models
Bucherer, Eisert, & Gassmann, 2012 Chesbrough & Rosenbloom, 2002 Chesbrough, 2007 Chesbrough, 2010 Esslinger, 2011 Gambardella & McGahan, 2010 Koen, Bertels, & Elsum, 2011 Lindgren, 2012 Sako, 2012	Business model innovation
Bucherer et al., 2012 Calia, Guerrini, & Moura, 2007 Cavalcante, Kesting, & Ulhøi, 2011 Mitchell & Coles, 2004 Schneider & Spieth, 2013 Zott & Amit, 2010 Clarke & Freytag, 2011	Business model development
Casadesus-Masanell & Ricart, 2010 Sako, 2012 Teece, 2010 Zott & Amit, 2008	Business models and strategy
Esslinger, 2011 Nenonen & Storbacka, 2010 Osterwalder, 2002 Rajala, 2012	Business model design

Andersen, 1997 Clarke & Freytag, 2011 Mason & Leek, 2008 Mason, 2012 Nenonen & Storbacka, 2010b	Business models in networks
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Despite the many different views and perspectives of business models, marketing researchers do however seem to agree that business models are generally concerned with ‘the firm’s value offering’ (Coombes & Nicholson, 2013; Morris et al., 2005; Ng et al., 2013; Zott et al., 2011). What they do not seem to agree on is a precise definition of a business model. For instance, Shafer et al. (2005, p202) define business models as *“a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network”*, while Zott and Amit (2007, p181) consider it as *“the structure, content, and governance of transactions between the focal firm and its exchange partners, and represents a conceptualization of the pattern of transactional links between the firm and its exchange partners.”* Osterwalder & Pigneur (2010, p. 14) state that *“a business model describes the rationale of how an organization creates, delivers and captures value”*, and Teece (2010, p. 174) finds that *“a good business model yields value propositions that are compelling to customers, achieves advantageous cost and risk structures, and enables significant value capture by the business that generates and delivers products and services”*. A consistent issue appearing in many of the business model definitions in the literature is value creation, and the business model as a means for creating value. For the purposes of this thesis the business model concept is used to conceptualize and discuss value creation in relationships, and also within the context of the firm.

The business model literature offers two general approaches to business models (Casadesus-Masanell & Ricart, 2010); one addressing the business

model in a normative way, and one addressing the business model in a more descriptive way. The business model canvas offered by Osterwalder and Pigneur (2010) represents the normative way, by illustrating the business model as nine basic building blocks. Casadesus-Masanell & Ricart (2010) and Chesbrough (2010) represent the more descriptive way, arguing that every firm has a business model, implicit or explicit, and that the model is a result of the choices and actions taken by the firm, and the consequences thereof. These two approaches also consider the matter of business models as being either dynamic or static. Some scholars accuse the business model literature of drawing a static picture of business models (Schweizer, 2005; Demil & Lecocq, 2010), exemplified as pre-determined core components, building blocks, or simple blueprints, and leaving out the dynamic aspects of how firms progress and evolve. Demil and Lecocq (2010) argue that this static view has both strengths and weaknesses. They cite the strengths as the provision of the opportunity to build business model typologies and compare performance between given business models, whilst also providing practitioners with a picture of the different components and how they are arranged. They see the weaknesses as being that this view is unable to describe the processes that tie the elements of the business model together, and also how the business model evolves over time (Demil & Lecocq, 2010, p. 228).

The criticism put forward by Demil and Lecocq has been supported by a number of researchers who present a number of limitations related to the business model concept. Mason and Palo (2012) point to the main body of the business model literature as a description of the firm at a single point in time, without any consideration of the influence of the business network. Further, Mason and Spring (2011) argue that current literature only briefly touches upon the power of business models in order to bring about change in business networks. Seddon et al., (2004) find that the notion of value, and in particular, what and how value is offered to various stakeholders,

and what system the firm uses to create and deliver value, has been discussed only to a limited extent. Clarke and Freytag (2011) identify two major limitations in the business model literature; first, that organizational re-design of business models is seen only as a minor challenge, where aspects of path dependencies and culture are being overlooked. The second limitation refers to the business model approach as being one-sided, leaving out important issues related to firms' embeddedness in networks where changes occur constantly across firms. Zott and Amit (2007;2010) argue that the understanding of how actors in the environment of the firm influence the business model and its development represents a gap in the existing literature (Zott and Amit 2007, 2010). Freytag and Clarke also point to this gap by highlighting the importance of considering the embedded nature of business models and consequently, that firms cannot change business models in isolation without also bearing in mind the consequences for their business relationships.

This broad criticism and especially the focus on the firm perspective in the business model literature have given rise to a more relational oriented stream of research on business models led by researchers such as Clarke & Freytag, (2011), Mason & Mouzas, (2012), Nenonen & Storbacka, (2010b) Palo & Tähtinen (2013) and Bankvall, (2014b). Despite different subjects, there is thus a basic assumption that characterizes this new stream of research i.e. that it is not possible to understand business models only from the perspective of the firm, and by assuming that firms operate in isolation. Instead, business relationships and networks, and the embedded interdependencies and dynamics should be integrated in the business model context. This means that there is a growing interest in the relational and dynamic perspective of business models (Cavalcante et al., 2011; Schweizer, 2005; Zott & Amit, 2010), focusing on how business models are being designed and developed in collaboration between firms (Bankvall, 2014b; Chesbrough & Schwartz, 2007; Nenonen & Storbacka,

2010b), as a result of changing expectations, demands and value drivers in the network (Ng et al., 2013). The aspects of change and development interest researchers, and there is a growing body of business model literature on this specific topic. It is this part of the business model literature that this thesis mainly builds upon, as the thesis is concerned with the relationship between value perceptions in a relationship context, and how that influences and affects business model development. Cavalcante et al., (2011), Mitchell & Coles (2004) and Zott & Amit (2010) each present different types or approaches to business model development, which are presented further in Chapter 4, which addresses the question *“how do perceptions of value influence business model development?”*

2.6. Value in business networks – the network picture concept

The second theoretical concept that constitutes the theoretical framework of this thesis is the network picture concept. Network pictures are managers' network theories (Johanson & Mattsson, 1987), referring to the views of the network held by participants in that network (Ford et al., 2009). The network picture concept represents a stream of research on business networks, focusing on how actors understand and interpret the form and dynamics of the network within which they operate (Roseira, Brito, & Ford, 2013). Mouzas, Naude and Henneberg (2006) interpret network pictures as “*a sign of what specific managers feel is important about the environment in which their company is operating*” (Henneberg, Mouzas, & Naudé, 2006, p. 413).

The research question in this thesis focuses on interaction and inter-organizational collaboration in a customer-supplier relationship, and in relation to that, how perceptions of value are formed. An important aspect of understanding different issues in a relationship (and for this thesis, value perceptions), is related to understanding the broader network (Håkansson et al., 2009). A relationship can be seen as the small world within which firms act, while the network constitutes the larger world of connected relationships between firms, that are directly or indirectly connected through interaction (Håkansson & Snehota, 1995). What happens in the network affects how managers understand and interpret the world around them, and plays an important role in how firms act in relation to closer relationships, as well as relationships in the network (Ford et al, 2002; Håkansson et al., 2009). In order to understand aspects of the network, including how value perceptions are being formed, the concept of network pictures serves as a relevant framework for capturing the aspect of how managers make sense of their network, and what they subjectively perceive to be important (Abrahamsen, Henneberg, & Naudé, 2012a). For this thesis, the network picture concept has been applied as the theoretical

foundation for building an understanding of how a customer and a supplier in a dyadic relationship understand their network, and how that affects their perceptions of value. The concept of network pictures is specifically relevant for the following reasons:

Firstly, network pictures is a concept that is formed upon the basic principles of the industrial network approach, building on the conviction, that value creation of a single actor depends not only on interaction with close business partners, but indeed also on the connection between the firm and relationships in the wider network context (Ford et al., 2009; Håkansson & Snehota, 1995; Håkansson & Ford, 2002). To analyze and establish an understanding of relationship value, the network plays an important role as the context in which all firms and relationships are embedded (Corsaro et al., 2012; Johanson & Wedin, 1992). Previous research finds that there are multiple dimensions in the firm's environment, both in the close dyadic relationship as well as in the broader network, and these influence managers' understanding of the complexity in their surrounding network (Ramos, Henneberg, & Naudé, 2012), as well as guiding their decision-making and influencing their managerial behaviors and actions (Corsaro et al., 2011; Welch & Wilkinson, 2002). For the present purpose, the network picture concept is useful in building a comprehensive and nuanced understanding of how relationships in networks matter to business firms (Leek & Mason, 2010).

Secondly, the network picture concept includes a number of different descriptive elements on which research can be built, and which managers can utilize in their search for a broader and more in-depth understanding of different aspects of their business network (Corsaro et al., 2011; Henneberg, Mouzas, & Naudé, 2006; Leek & Mason, 2010). Henneberg, Mouzas, & Naudé (2006) present a network picture as an "open concept", which means that there is no complete set of network picture elements that must be applied in any investigation or study. Instead the literature

discussing network pictures suggests a number of different dimensions, elements and constructs which each address relevant aspects of the network, and together these function as a set of parsimonious interrelated dimensions that can be utilized in the development of a network picture (Henneberg, Mouzas, & Naudé, 2006). In terms of answering the research question of this thesis, utilizing this “open” network picture concept makes it possible to select and explore specific network picture dimensions, carefully selected for being specifically relevant to the present customer-supplier relationship, and to conduct more in-depth studies of those.

A third reason is that the construct of network pictures can assist in simplifying something very complex (Geiger & Finch, 2010). The network cannot be delimited to only a set of firms, but is unbounded by interconnected business relationships among a (unlimited) number of firms (Håkansson & Ford, 2002). This implies that there is no clear boundary of a network, and thereby no delimited beginning or ending. The network picture concept offers the possibility of differentiating between levels at which a network picture should be applied (Leek & Mason, 2010). Leek and Mason (2010) inspired by Möller and Halinen, suggest four levels of analysis; Level 1: ‘industries as networks’, Level 2: ‘firms in the network’, Level 3: ‘relationship portfolios in the network’ and Level 4: ‘individual customer-supplier relationship in the network’ (Leek & Mason, 2010, inspired by Möller & Halinen, 1999). In relation to the research question in this thesis, applying the network picture concept then makes it possible to study value perceptions in a network context, with an individual customer-supplier relationship forming the basic unit of analysis. This is consistent with Level four in Leek and Mason’s conceptualization.

2.6.1. About the network picture concept

The concept of network pictures was initially introduced in the business network context at an IMP conference in 2002 by Ford et al. (Ford,

Håkansson, Snehota, & Gadde, 2002). Since then the network picture concept has been defined and interpreted by different researchers in different ways, and has contributed to a string of research projects; A number of research projects focus on managers' understanding of their business in networks and how that is related to their managerial decisions to act (Holmen, Aune, & Pedersen, 2013; Kragh & Andersen, 2009; Leek & Mason, 2010; Laari-Salmela, Mainela, & Puhakka, 2015; Mattsson, Corsaro, & Ramos, 2015; Roseira et al., 2013). Another focus in the literature is on network change and dynamics, and how actors in that sense understand network development (Abrahamsen, Henneberg, & Naudé, 2012b; David Ford & Redwood, 2005), and how dramatic changes in a network might completely change managers' network pictures (Öberg, Henneberg, & Mouzas, 2007).

The increasing interest in the network picture concept relates to an interest in exploring and understanding managerial cognition, and within that context, how managers perceive and understand their surrounding network and interaction with other actors (Ramos, Henneberg, & Naudé, 2012). This has roots in the sense-making perspective, presented by e.g. Weick (1995), as a process in which groups and individuals socially construct meaning of an ongoing flow of experience. Mattsson, Corsaro and Ramos (2015: 1), argue that the process of sense making *“is about how individuals, drawing on their past experiences and access to information, try to structure and give meaning to the unknown by forming individual cognitive structures, or frameworks which will then guide individual behavior”* Frameworks such as network horizon, network dynamics, network context, network identities and network environment (Abrahamsen, Henneberg, & Naudé, 2012b; Anderson, Håkansson, & Johanson, 1994; Henneberg, Mouzas, & Naudé, 2006; Holmen & Pedersen, 2003) have further been suggested as perspectives on which to build when searching for network understanding. Geiger and Finch (2010) propose that pictures and/or maps are useful as seductive metaphors, since

they offer the prospect of simplified representations of complex business settings by selecting and categorizing entities, objects and dimensions, and how they are connected. They further point to pictures and maps as being applicable in opening up representations of dimensions of relationships, rather than closing them down. Cognitive maps have been a part of the strategic management literature as a method of capturing managers' perceptions and understanding of a firms environment (Fiol & Huff, 1992), and most recently inspired the development of the network picture concept within the industrial network approach.

There is a distinction in the literature between two levels or uses of network pictures: a narrow level and a broad level (Henneberg et al., 2006; Henneberg, Naude, & Mouzas, 2010; Kragh & Andersen, 2009; Leek & Mason, 2009; Mattsson et al., 2015). The 'narrow' level covers a stream of literature where network pictures represent the individual actors' frame of mind, and by that provide an understanding of what is believed to be important and relevant to them. In that sense, network pictures can be understood as an organizational actor's subjectively perceived network (Ramos et al., 2012). The 'broad' level is, for example, presented in the work of Ramos & Ford (2011), who consider the network picture as a research device. As such, network pictures are described as "*a representation technique that aims to capture or illustrate views that actors have of the network environment within which they operate*" (Ford et al., 2006, p.2). Network pictures thus become an instrument, or research device, that can be used either by researchers or managers to interpret how actors perceive their surroundings, meaning that the researcher creates their own picture of what an actor's view of the business network is about. Relating to the research question of this thesis, the network picture defined in the broad sense could be useful in tracing the development of value perceptions in longitudinally within network, as inspired by Ford and Redwood (2005) who applied a long term perspective in their study of business dynamics in networks from a single business perspective. In this

thesis however, the network picture will be applied in a narrow sense in order to address the question of how perceptions of value are formed in a network context, and thus how managers explain and then “make sense” of their network, and of value within that context.

In addition to the distinction between levels of network pictures, several researchers have also suggested conceptual developments of the network picture in forms of elements or dimensions that constitute a network picture (Henneberg et al., 2006). A comprehensive review of the network picture literature has been made by Henneberg et al. (2006), who also presented an overview of the treatment of network pictures and network picture aspects in the literature over the last 15 years. As part of the review, Henneberg et al. (2006) developed a framework of eight interrelated dimensions; *boundaries, directionality, power, time/task, environment, focus, actors/activities/resources and centre/periphery*. They further state that not all dimensions need to be presented in a network picture, as it is an “open concept”. These dimensions have been applied latterly (in a modified form) by e.g. Corsaro, Ramos, Henneberg, & Naudé (2011) to explore how specific network characteristics can be associated with different forms of behavioral choices, and by Leek & Mason, (2010) to investigate how network pictures can be used at a dyadic relationship level; examining boundaries of network pictures, lines of communication, atmosphere and environmental factors. The theoretical framework presented in Chapter 5, builds on the eight dimensions suggested by Henneberg et al (2006), in answering the question of “*how are perceptions of value formed in a network context?*”

2.7. Relationship actions – the concept of value activities

Activities are a highly relevant focus of business-to-business relationships, as they provide the foundation for insights and discussions about how firms actually act and behave (Bankvall, 2014a). In this thesis, answering

an overall research question on value perceptions in a customer-supplier relationship, it is a natural step to also study the aspects of activities, as this paves the way for more knowledge about how firms manage to transform knowledge on value perceptions, into concrete activities, performed either by the firm itself, or in collaboration. It also sets the scene for looking more into how firms understand value from the counterpart's perspective, and manage to arrange and organize activities that are considered valuable. Activities are also central to the business model concept, as presented, for instance, by Zott & Amit (2010) who used them to summarize how firms do business. In the interaction model developed by the industrial network approach, activities also play a vital role in understanding business (Håkansson & Johanson, 1992).

2.7.1. Activities in a relationship context

The notion of activities is a focus area within a number of research disciplines/fields. An example is the micro economic theory perspective of activities, where the focus is on production activities, and how they are considered to be primary activities in transforming resources as part of the activity structure in the firm (Mankiw, 2006). This focus has been challenged by researchers within the field of industrial organization, arguing that activities besides those related to production are also important and essential in value creation (e.g. Porter, 1985). Another field is organizational theory, which focuses on how activities are structured among actors within an organization, and how activities are being structured between actors over time, as actors' activities are being modified, adapted and related to those of others (Daft & Weick, 1984). Despite this perspective concentrating mostly on the firm's internal activities, it has been an inspiration to the Industrial Network approach, pointing at activities in relationships and interaction between firms. The assumption within that approach is "*that activities of a firm are performed*

in anticipation of, and in response to activities performed by others”
(Håkansson & Snehota, 1995, p. 54).

In dyadic and changing relationships, where actors change their perceptions of value, firms experience the need to constantly react to new situations, new demands and new expectations (Corsaro & Snehota, 2011; Corsaro, 2009). Activities that were originally performed in a standardized way by the firm now become shared or adapted within the relationship, involving actors and resources from the direct counterpart in a relationship, or several partners in the wider network (Håkansson & Snehota, 1995). Planning and performing activities to create value is not simply a matter for the single firm: instead the activities of others must also be taken into consideration (Corsaro et al., 2011), as well as their perceptions of value (Corsaro & Snehota, 2010). Firms are challenged by their ability to identify the value perceptions of the other, and transfer that knowledge into concrete actions and activities that are valuable within the relationship.

The premise within the Industrial Network approach is that all activities of a firm have to be regarded as being linked to those of other firms (Håkansson & Snehota, 1995). Inter-action is key, and the focus is on the interplay between different actors engaging in relationships in a broader network context (Håkansson & Ford, 2002). In the first IMP Journal, Ford and Håkansson state that interaction is more than conversations, and is not something that takes place alongside “real” business (Ford et al., 2006). Interaction is what happens when firms engage in relationships, and can be characterized and analyzed in the dimensions of activities, resources and actors, conceptualized in the network model (Håkansson, 1987), also referred to as the ARA model. The ARA model stresses that the three dimensions; activities, resources and actors are the basic elements of interaction, and that these dimensions are related to each other in the following way; Actors perform activities and control resources. Actors use

resource when performing activities in order to change resources, and resources are means used by actors when performing activities (Håkansson & Johanson, 1992). For the activity dimension, attention is placed on how activities are linked and coupled together in various ways, and how interdependencies are created. The purpose of this thesis is to study how value perceptions influence relationship activities, and studying activity links and interdependencies would be an interesting way to go. However, the purpose is more concerned with studying the concrete activities, and how value perceptions in a dyadic customer-supplier relationship affect the actions of the parties. There is though, no well-developed framework for analyzing acting, including the concrete activities performed in relationships (e.g. Håkansson & Snehota, 1995; Håkansson et al., 2009). Håkansson et al., (2009) suggest the model of action, as a possible starting point. The model of action takes its point of departure from three aspects of acting; ‘perceptions’, ‘behaviors’ and ‘results’, and focuses on analyzing the connectedness between those three aspects. Perceptions, including interpretation of the context, are often seen as the launch pad for how actors act. Consequently perceptions underlie the intended outcomes, and affect how that view is translated into particular behaviors to achieve outcomes. Given the purpose of the thesis, this model makes it possible to capture the aspect of perceptions of value and link it together with behaviors and results, which in this thesis will be approached as relationship activities. The action model is introduced and discussed further in Chapter 6, and contributes to answering the sub-question of *“how do firms’ value perceptions influence relationship activities?”*

2.8. The interconnectedness in the theoretical framework

This thesis is positioned within the industrial network approach. The theoretical framework that has been developed for the thesis consists of three theoretical concepts that are paired and discussed alongside theory on the relationship value concept within the industrial network approach.

These concepts are, the business model concept, the network picture concept, and the notion of activities.

The above sections present a number of arguments for each of the three concepts, which are summarized briefly here.

For *the business model* concept, value is a central theme and there is a growing interest in investigating the value aspects of business models from a more dynamic and development-oriented perspective. The business model concept further offers a framework for answering one of the more complex questions in the business-to-business literature, “*How do firms create value?*” Finally the business model concept provides a perspective for understanding value, by offering a framework for better understanding how firms understand the relationship, and how they manage to act within the relationship

The network picture concept can be useful for building a more comprehensive understanding of various relevant aspects of relationships in networks. Moreover, because it functions as an “open” concept it is possible to select and explore specific dimensions of the network that might appear to be specifically relevant for the present purpose and contribute to simplifying something very complex.

The activity aspect is considered highly relevant in business relationships, as it provides a foundation for gathering insights into, and discusses how, firms actually inter-act and conduct business. For this thesis, the activity dimension provides the framework for more knowledge about how firms manage to transform knowledge of value perceptions into concrete activities, performed either by the firm itself, or in collaboration with a specific counterpart in a dyadic relationship. It also offers the possibility of studying how firms understand value from the counterpart’s perspective, and manage to arrange and organize activities that are considered valuable within the relationship.

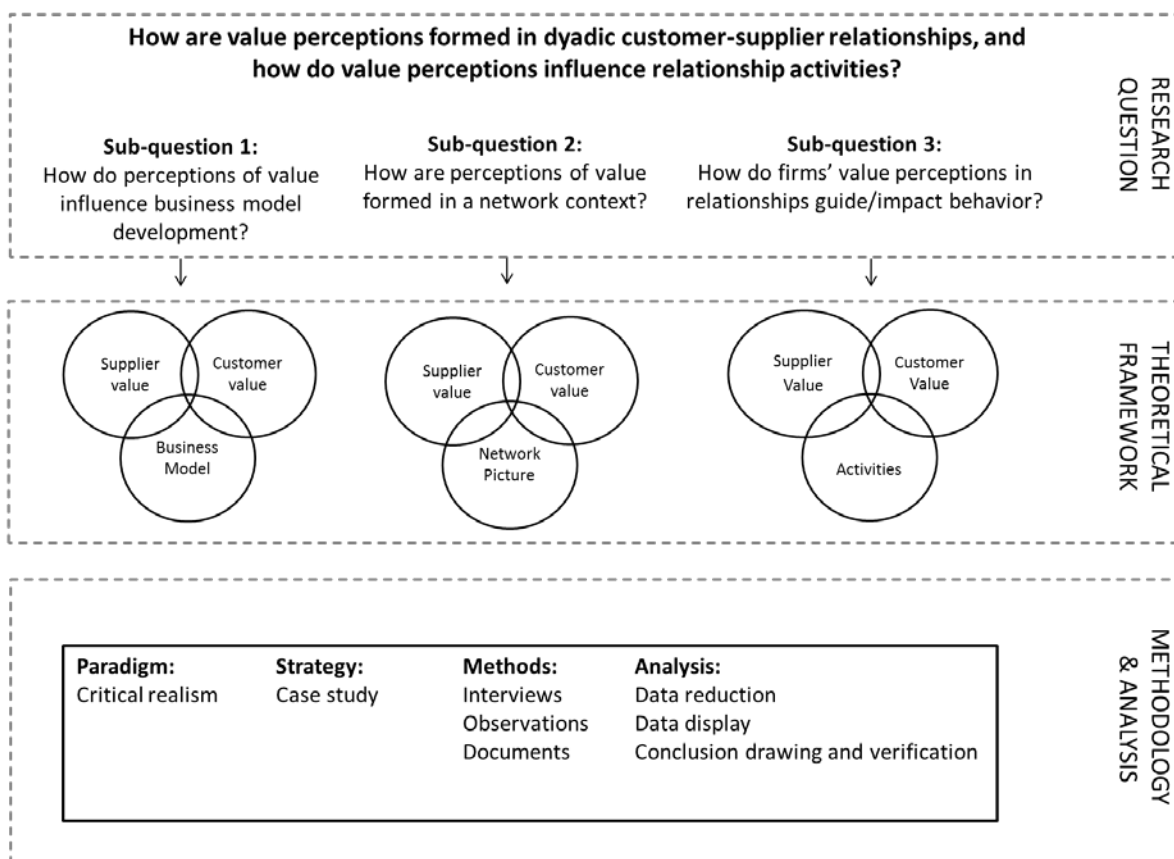
Each of these concepts contributes to answering the overall research question, and individually to answering the three sub-questions. By combining these three concepts, it is possible to broaden the discussion of relationship value and focus on three relevant issues in relationship value, namely the formation of relationship value, acting upon relationship value and development towards relationship value.

Chapter 3. Philosophy of Science and Methodology

This first section of this chapter explains the paradigmatic positioning of the work within the philosophy of science, whilst the second section sets out the research strategy, and methodology utilized in the research.

The methodology and analysis is presented with the research question and theoretical framework in Figure 3.

Figure 3. Structure of the thesis: Research question, theoretical framework and methodology and analysis



3.1 The paradigmatic stance

In terms of scientific study, the word paradigm is generally accepted to have first been used by Kuhn (1962), and later updated in Kuhn (1970) who said that “a paradigm is what the members of a scientific community share, and conversely, a scientific community consists of men who share a paradigm” (Kuhn, 1970, p. 176). Since that time a number of other authors have put forward alternative definitions. For example, Ritzer (1975) claims that a paradigm is an indication of what needs to be studied within a particular scientific field, Hirschman (1986) argues that paradigms represent orientation strategies or guidelines, and as such they reflect values and beliefs as opposed to being factual statements. Burrell & Morgan (1982) categorize a paradigm as having several common characteristics in which a group of researchers conduct their research, and Arbnor and Bjerke (2009, p. 424) propose that a paradigm is “a philosophical and theoretical framework of presumptive and guiding principles, which govern knowledge and the creation of knowledge, but which cannot be empirically or logically tested.” Although different in some respects, these various views of the nature of paradigms do not actually conflict with each other. Instead they all indicate that paradigms influence the nature and limitations of research.

In positioning this thesis, within the wide-ranging and multifaceted discourse on paradigms, the view of Guba and Lincoln (1994) referring to a paradigm as the basic belief system that guides the researcher is used.

Guba (1990) divides a paradigm into three categories: 1) Ontology: dealing with the nature of reality. 2) Epistemology: the perception of reality and how knowledge is created. 3) Methodology: how we find out what we believe can be known. According to Guba (1990) these categories contain four competing paradigms; positivism, post-positivism, critical theory and constructivism each offering its own method of performing and evaluating research.

Since this thesis is guided by a research question focusing on value perceptions in relationships, and how those perceptions influence and guide activities and development, it makes no sense to position this study within the positivistic paradigm, where the intention is to search for an objective measurable truth, based on cause-and effect tests. Neither is the purpose to search for individual actors' feelings, perceptions and learning that stand behind value perceptions, and so the constructivist paradigm is not appropriate either. In between those two paradigms sits post-positivism. The key difference to the positivist paradigm is that post-positivism considers that humans have limited rationality and capacity, and are therefore unable to fully understand the scope and content of reality. In recognizing the existence of a single reality and believing that it cannot be completely understood, the paradigm therefore belongs in the area of critical realism (Heldbjerg, 1997). As a critical realist I accept Sayer's (1992) notion that knowledge of the world is both imperfect and theory-laden. These conditions mean that although the real world 'out there' is the main idea in critical realism (Guba, 1990), researchers need to be critical of their own work. Related to this thesis, this implies that the stated challenges in section 1.1., and the overall research question, can be approached in different theoretical as well as methodological ways, and depending on the choices, different outcomes will emerge. For this thesis I have chosen the dyadic relationship between Hydac and WindPower as the main focus of analysis, and the level of understanding will therefore be mostly related to this context. I am however aware that there is more to the understanding of relationship value than only from a dyadic perspective, why I also choose to include the network perspective into parts of the study.

Considering the research tradition within the industrial network approach, where this thesis is positioned, there is a tradition for using systems methods (Halinen & Törnroos, 2005), which is defined, by some, as

systems analysis (Arbnor & Bjerke, 2008), and by others as critical realism (Easton, 2000).

Given the nature of the research question, and the tradition of research within the industrial network approach, this thesis is positioned within the post-positivist paradigm and takes a critical realist approach. This position affects both the theoretical and methodological framework of the research and also has an effect on how I interpret value, value perceptions and the part they play in influencing dyadic business relationships between customers and suppliers.

3.2. Research strategy

The overall point of departure for conducting research is defined as a research strategy (McGrath, Martin, & Kulka, 1982), and this can take a variety of forms, e.g. surveys, experiments, documents and case studies. Considering that the main goal of this thesis is to contribute to and expand knowledge of relationship value, and in line with the case presented above from a critical realist approach, a case study has been chosen as the research strategy.

This argument for selecting this strategy is also supported from within the literature e.g.

“The more that your questions seek to explain some present circumstance (e.g., how or why some social phenomenon works), the more that the case study method will be relevant” (In Yin 1994..., 2009; p. 4).

“There are events such as social relationships which can only be understood by allowing the researcher to enter the environment. Case research is therefore a necessity (Maaløe, 2002 - translated from Danish into English, p. 49).

“The intense observation made in case studies gives opportunities to study different aspects and put these in relation to each other, to put objects in relation to the environment where they operate and use the abilities of verstehen (understanding) of the researcher” (Valdeling, 1974, in Halinen & Törnroos, 2005, p. 1286).

“The case study is a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989, p. 534).

Finally, Halinen and Törnroos argue, that a case strategy is obviously the most suitable for the study of networks, as *“it allows the study of a contemporary phenomenon, which is difficult to separate from its context, but necessary to study within it to understand the dynamics involved in the setting”* (Halinen & Törnroos, 2005, p. 1268)

Pursuing a case study strategy, provides me, as a researcher, with the possibility of gaining an in-depth understanding of a real-life phenomenon, which in this case means that I will be able to study value perceptions, not at a distance, but when they are expressed, formed and acted upon in an actual dyadic relationship between a customer and supplier. As the research question points at the interconnectedness between value perceptions and relationship activities, choosing a case study strategy provides the opportunity to go deep into the specific relationship, and with the use of triangulation, build an in-depth understanding of value perceptions, activities and their interconnectedness. In line with my position as a critical realist, the case study method is also relevant, as it allows for building on multiple data sources and through that, provides descriptions and reflections of different perceptions of reality (Easton, 2000). Case studies are also a relevant method for handling rich sources of data, obtained through interviews and observations. A case study strategy further provides the opportunity to get closer to the collaborating companies in the quest for seeking insights and understanding of their

interaction and mutual perceptions of value, and also the relationship activities derived therefrom.

3.2.2. Challenges related to the choice of the case study approach

As with everything else, and despite all the positive arguments, a case study researcher is faced with various challenges related to the choice of method. Based on the work of Easton (1995), Halinen & Törnroos distinguish between four major challenges in case research, defined as the problems of network boundaries, complexity, time and comparison. In the following I consider the first three problems, and the fourth problem, related to comparison, is addressed in the section on evaluation criteria.

3.2.2.1. The challenge of network boundaries

The first problem refers to network boundaries, and the problem of separating content and context in a business network. The question of what forms the case network, and what belongs to its context must be addressed. Despite the number of proponents advocating for high levels of analysis (e.g. cluster and network analysis), one should not underestimate the relevance and importance of lower levels of analysis, such as the dyadic level (Wilke & Ritter, 2006).

Wilke and Ritter (2006) differentiate between the actor level and the structural level in their framework of different levels of analysis. For this thesis, the actor level is (primarily) at the organizational level, meaning that it is the firms in the relationship that are the focus i.e. how they, as firms, perceive value, perform activities, and understand the firm's environment. There are though, parts of the thesis where analysis takes place at a group level, for instance when analyzing activities performed at the department level in each of the firms. At the structural level the unit of

analysis in the thesis is a dyadic relationship between a customer and a supplier in a single case, focusing on what takes place in the interaction between them. Both firms are obviously a part of larger networks, and this is implicit in the understanding and treatment of this structural level. Choosing a dyadic level of analysis helps solve the problem of network boundaries, and from a critical realist perspective, choosing a single case design provides the opportunity for greater depth and width in the study (Easton, 1998). Finally the selection of a relevant case to observe, is stressed as being important for the strength of the study (Eisenhardt, 1989).

For this study the case was selected prior to commencement of the research, and features the firm Hydac. Hydac has a broad network of customers and suppliers, but there is one relationship with a customer that is of significant importance to Hydac. This customer is named WindPower in the thesis, and they are a major player in the global wind energy industry. WindPower has been in the wind energy market for many years, and has over the years been through a number of complicated turn arounds that have changed both their position in the market, as well as their overall business strategy. Together, Hydac and WindPower share a highly complex and interdependent relationship, with Hydac as a preferred supplier to WindPower. They have been collaborating for more than 14 years, and the relationship ties the two firms together at operational, tactical and strategic levels, and involves many activities. The relationship is relevant for a number of reasons; first, the wind energy industry is constantly developing, both technologically and due to increased competition in the market. This results in new and intensified demands towards suppliers, where the customers become more specific about what value offering they expect from suppliers in the network, and also how they expect the supplier to respond to those demands. Since WindPower is a highly important customer to Hydac, and a significant share of their total business turnover, Hydac has a great interest in developing this

relationship in a positive direction. This means that Hydac focus on how to develop the collaboration in a way that improves value creation and its capture for both Hydac and WindPower, so that the relationship will remain for as long as possible. As WindPower places a strong demand for value creation on their suppliers, Hydac is in a position where identifying, creating, delivering and securing value creation is at top of their agenda.

It is the relationship between these two firms that provides the focal point in this study, and in particular, the relationship between value perceptions, development and activities in the relationship between them.

3.2.2.2. The challenge of complexity

The second problem refers to the substantial complexity in choosing networks at any level, as the unit of analysis. Complexity arises whenever the focus moves from a single firm perspective to what happens in the relationship between firms (Håkansson et al., 2009), and as a researcher one should be able to somehow relate and cope with that complexity. The literature provides various suggestions on how to handle complexity (e.g. Abrahamsen, Henneberg, & Naudé, 2012; Easton, 2000; Halinen & Törnroos, 2005), and for this study the following three issues are addressed.

One way to reduce complexity is already presented in the above section on network boundaries, and refers to the case design. The choice of actors being studied is important (Easton, 1998), and as this study is designed as a single-case study of a customer-supplier dyad, complexity is lower than in a study of a higher level of analysis (Wilke & Ritter, 2006).

A second way to handle complexity is by producing thorough case descriptions. Presenting and displaying data in illustrative figures and schemes, using quotes, and developing metaphorical descriptions are all

techniques that can be used. According to Harling and Misser (1998), case writing is important for at least two reasons; first of all, case writers may benefit considerably from the writing process, as it broadens understanding, expands knowledge and enriches and stimulates thinking. It was clear in this study process, that writing cases was an effective way to see patterns more clearly and to separate different aspects of the data using case descriptions, but it was also an opportunity for me, as a researcher, to detach myself completely from the story. As a part of case writing I created figures in order to illustrate findings, as well as quotes to underscore and draw a clear line to the data material. The second reason for producing thorough case descriptions is related to the readers and reviews. Because a case, due to multiple sources of data, might be data rich, it can be complex for a third party to actually get a picture of what the key issues are, and what issues are relevant in the surrounding context. By writing a good and thorough case, the researcher has the opportunity of presenting even complex issues in a simple way that can be understood by others.

Gaining access to in-depth and broad empirical data, along with maintaining close contact with the case firms is a third way of handling complexity (Halinen & Törnroos, 2005). For this study I stayed at the supplying firm for a period of three years, and throughout that period was provided with unlimited access to internal meetings and documents, as well as to meetings with customers and suppliers. This opportunity provided the unique possibility of using observation as is explained in section 3.3.1.2. During the period I had the privilege of following, at close quarters, the customer-supplier relationship between Hydac and WindPower, and conducted observation studies as well as additional interviews at both firms. Data collection details are presented in section 3.3.1. along with a more detailed description and discussion of the research role. There were times during the research period when I was absent from the firm, however the contact remained active, e.g. through weekly

management reports and phone meetings with personnel, mainly from the management group.

3.2.2.3. The challenge of time and dynamics

The third challenge refers to the aspects of time and case dynamics. Time and dynamics have been recognized in both theory and practice as important features in understanding collaboration at both the dyadic and network levels (e.g. Freytag & Ritter, 2005; Möller, 2013), and within that also lies the issue of change. Change is central to the relational field of research (Easton, 1998) and is a relevant aspect for this study. Studying value in a relationship context, the aspects of dynamic, time and changes automatically become a part of the picture. Value has, in previous research, been characterized as dynamic and emergent (Corsaro & Snehota, 2010), and in order to capture that, research should be designed in way that enables the researcher to apply a dynamic perspective. The focus of this study is not to study change processes *per se*, because the research process is not especially designed for that. However, since this project focuses on value perceptions and how firms react to them, the dynamic aspects do play a role. As Corsaro & Snehota (2010) also argue, value perceptions are in no way static and unalterable: on the contrary they confirm that value perceptions are emergent and change over time. This means that even though the focus of the present study is not on the aspect of procedural change *per se*, the dynamic nature of value perceptions, and how firms arrange and organize activities to create value become aspects that cannot be ignored. The ambition is not then to perform a longitudinal research process and to study the change process over time, but only to capture some of the dynamic, rather than the complete change.

3.2.2.4. The challenge of case comparison

The fourth and final challenge refers to the issue of case comparison. The purpose of this study is not to make statistical generalizations, based on quantitative data and statistical sampling. Instead, the purpose is to make an analytical generalization (Gummesson, 1991), and through that reach an understanding of connections between value perceptions and how firms develop in a relationship. It is through these connections that understanding of value perceptions is being comprehended. The aspect of generalization is further discussed in Section 3.5, as well as in the conclusion in Chapter 7.

3.3. Conducting the case study

Perhaps the simplest way of finding out why managers behave as they do in relationships is simply to ask them (Ford & McDowell, 1999) – and so I did. However, because managers do not always think about what they do, do what they say, or have the freedom to act (Ford & McDowell, 1999), it can be necessary to do more than just ask.

The use of multiple methods allows the researcher to create an understanding that goes beyond the answers obtained from interviews, which is highly relevant when searching for answers on issues of human interpretation, change and action (Geer, Borglund, & Frostenson, 2004). Geer et al. (2004) provide four arguments for using multiple methods. The first argument refers to the possibility of balancing data from one data source, for instance interviews, with data from other data sources such as observations and documents, and in that process to look for supporting evidence, or incongruence that can provide new angles to study. Secondly, using multiple methods also makes it possible to collect data on which the researcher can build well-grounded and more valid interpretations.

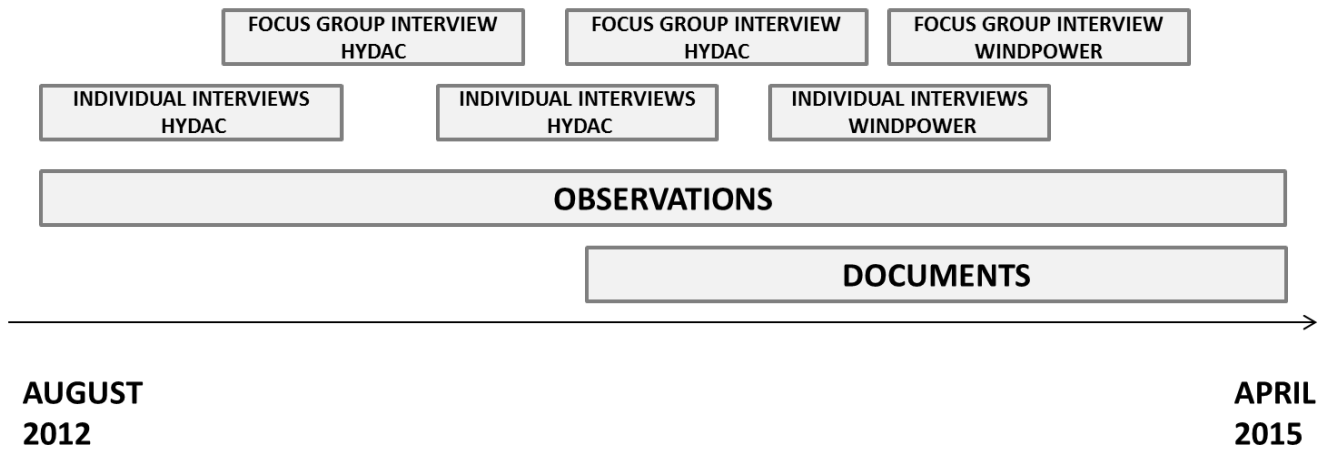
Thirdly, multiple methods may provide the researcher with a more in-depth understanding of shared values and meanings within the organizations, as a result of studying the patterns emerging from observations, interviews and documents. Finally, combining multiple methods helps the researcher to better understand the aspect of change and time: for example, documents from years ago can be compared with information from present interviews and information. For these reasons and in line with the paradigmatic stance and research question addressed, a triangulation of observations, interviews and documents constitute the data foundation of this study. Data triangulation is discussed in more detail in section 3.3.4.

The following sections present each of the data sources.

3.3.1. Data Collection

As described above, primary data were gathered through interviews and observation studies, and secondary data from written documents (e.g. Minutes of meetings, firm presentations, strategy reports). In the following, each of the methods used are presented and the process of data collection described. The process of data collection ran from August 2012 until April 2015, and is illustrated in Figure 3.1. An overview of interviews and observations is included at Appendices B and C.

Figure 3.1. Time line of data collection



Semi-structured interviews

Interviews are a common method and traditional technique for collecting primary data in business settings (Arbnor & Bjerke, 2009), and offer different strategies for more formally asking questions (Jorgensen, 1989). Interviews vary in their degree of formality, depending on whether they are conducted as a casual conversation with a question-and-answer format, or more formally using a clear interview guide that the interviewer systematically follows (Jorgensen, 1989). In this study interviews can be characterized as informal as they were all conducted in an open dialog, allowing the respondents to comment and elaborate on their answers, as well as to touch upon issues that were not originally part of the general topic, but nevertheless appeared to be relevant. Even though the interviews were guided by a semi-structured interview guide (Freytag & Darmer, 1996), the purpose was to create an informal atmosphere, in which issues completely outside the topic could be raised. For example, when conducting an interview with the customer's Category Manager we talked about her upcoming holiday with her family, and all the challenges that she was facing due to that. Another example can be seen from an interview

with the supplier's Research and Development Manager, who compared the subject matter of the interview to one of his favorite television series, and expatiated on that.

Most of the interviews can be characterized as deep and focused (Freytag & Darmer, 1996) as they sought to explore particular matters in elaborate and comprehensive detail (Jorgensen, 1989). Due to the close connection and relationship created with the informants from both firms, it was possible to adopt this particular form of interviewing, and allowed me, as the researcher, to move beyond some of the standardized answers that might have been expected if the connection was not so strong. Participants from both firms appeared to develop some kind of understanding of the PhD project in progress, and turned out to be both willing and interested in assisting me with data. The use of deep and focused interviews was not only valuable in order to collect data on the themes and issues related to the theoretical framework, but also made a valuable contribution by providing new angles and insights that were not originally covered by the framework.

All interviews were personal face-to-face interviews, and respondents were chosen due to their involvement and responsibility with the subject of the study. When respondents were invited to an interview, the general topics and themes of the interview were presented to them. This was repeated at every interview, and the respondent also had the opportunity to ask about the project, and their role as interviewees. All interviews were recorded, and subsequently transcribed. Transcriptions of customer interviews were sent to the respondents for approval, and returned without any comments.

A total of 10 semi-structured interviews were conducted, of which seven were individual interviews and three were focus group interviews. The interviews lasted from 17 minutes to two and a half hours. Three of the interviews were conducted with the customer, while the other seven

interviews were conducted with the supplier. For a detailed overview of interviews, see Appendix B.

Observation studies

Building on a critical realist paradigm, observation studies is a natural choice, because this method allows the researcher to collect data about a phenomenon in its broad natural context (Bøllingtoft & Blundel, 2007). Moreover, according to Ford & McDowell (1999), conducting observations can be a valuable method for obtaining detailed and more comprehensive insights into aspects of business life that cannot easily be obtained through interviews and documents (Geer et al., in Marschan-Piekkari & Welch, 2004). Observation can be an advantageous method for collecting data on beliefs and behavior (Gummesson, 1991), as it provides the observer with the opportunity to obtain an in-depth understanding of what is going on, who or what are involved, when and where it happens, and how and why it occurs (Jorgensen, 1989). For these reasons, and also because observations studies are emphasized as being appropriate in descriptive studies for the purpose of interpreting theory in the light of practical events (Jorgensen, 1989), observations have been applied in this study as a primary source of data. However, observation is not just a matter of “noting a phenomenon”. When undertaking observations as part of a research study, such as this PhD, the task of the researcher is more complicated than merely watching and listening. Scientific observation involves systematic recording, descriptions, analysis and interpretations (Saunders et al, 2000), but also an explicit presentation of the role of the researcher, including possibilities and limitations in following the role, descriptions of the process of the observation study, registration of observations, and the potential use of triangulation (Bøllingtoft, 2007). This is particularly central when subsequently discussing and evaluating

the research quality and judging whether or not the research can be considered a solid piece of scientific work. Healy and Perry (2002) suggest six evaluation criteria appropriate for research within the critical realism paradigm, which are presented in section 3.5 and further in the concluding section 7.3. In the following section four issues related to the process of observations for this particular research project are presented; 1) the role of the researcher, 2) development of the research process 3) registration of observations and 4) the use of data triangulation.

The role of the researcher

When collecting data using observations, there are different roles that one can choose to adopt. Deciding which role to take on is an important matter, since the role of the observer has an important impact on which data can be collected, and the way in which data are collected (Miles & Huberman, 1994). Some of the main issues to decide on in relation to the role of observer concerns whether or not the researcher's identity is concealed or revealed, and also whether the researcher takes part in activities or only observes activities (Bøllingtoft, 2007). The first aspect concerns whether or not the identity of the researcher is known to the people or the organization that are the center of attention in the research process. Jorgensen (1989) explains this as the complete insider role versus the complete outsider role, while Stafford and Stafford (1993) suggest that the observer role is either 'covert' or 'overt', depending on whether or not the observer role is known. Conducting 'covert' observations means that the role of the observer is unknown to the informants, and they are unaware that they are being observed. This might be relevant in situations where it is important that the informants do not change their behavior, or in any way become influenced by being a part of a research project. On the other hand, 'Overt' entails the informants being well aware of being observed, and the role of the observer well known.

My role as researcher has been known to the organizations and people involved in the project from the very beginning of the research project. I was employed at Hydac A/S from June 2012 as an industrial PhD student, and it was announced to the organization that my task was to complete a PhD, starting with a process of formulating the concrete project proposal, then conducting interviews along with a parallel observation process. As there was a wish to have access to data regarding sensitive issues such as value perceptions, future strategies, and collaborative activities at strategic firm levels throughout the entire process, it was important to have commitment, trust and consent from the informants, so that they were positive towards their involvement in the project. It meant that I was regularly informing them about the project, my progress and findings that I explored during the process. This was both at management meetings with the management group and at information meetings with the entire organization. During the process, I discovered that presenting the project, including findings and progress was not particularly easy. I was often accused of being too academic and difficult to understand. This meant that I went through a learning process in presenting complex and academic content in an informal and simple way that could be understood by persons outside academia.

Since this project has a specific focus on the relationship and collaboration between Hydac and WindPower, one of its most important customers, I was also to decide whether or not they should know of my role as researcher and observer. As I also wanted to hold interviews with relevant actors in WindPower, it was natural to inform them about my role as researcher, and observer, as well as the objectives and focus of the project. This was done both in writing prior to meetings and interviews, and also at all meetings where I briefly introduced myself, and my role as an industrial PhD student. As I was an observer at a number of meetings between Hydac and WindPower, it was important that they felt positively about my presence, as well as agreeing to be part of this project. I found,

at all joint meetings, as well as during the interviews, that WindPower was positive towards my role, the atmosphere was always very positive, constructive and open, and they showed great interest in the project from the very beginning. An example is during a strategy meeting between Hydac and WindPower, where the vice president of WindPower's purchase department asked me to talk a bit more about the project, and my background for doing this project. He further asked me to return to him after the project was finished to give a more in-depth presentation of results and indications for their collaboration with Hydac.

In continuing with the identity aspect of the observer role, there is also the aspect of the involvement of the observer. Gold (1958) distinguishes between four different observer roles on a continuum, with the complete participant at one end and the complete observer at the other end. The complete participant role represents the observer role, where the researcher is fully included in the field of observations and participates as a participant, not as a researcher (Stafford & Stafford, 1993). At the other end of the continuum is the complete observer role, where the researcher observes without becoming any part of the context, and the researcher most often observes from a distance, isolated from the phenomena and without any contact or interplay with the persons and activities (Babbie, 1989; Adler & Adler, 1994). In between these two extremes are the participant as observer role and the observer as participant role.

Defining my role as an observer has not been easy, since I have been a part of the firm Hydac for all of the three years of the PhD project process, and it has been necessary to continuously evaluate and adjust my role. This has especially been the case when observing the relationship between Hydac and WindPower. When I was at Hydac I chose to adopt the role as participant observer, whereas I choose to adopt the role of observer as participant in meetings and situations where Hydac and WindPower were

together. As the entire organization, as well as other actors involved in the research project (e.g. WindPower), had been informed from the very beginning about the project, my role as a researcher and their roles as informants, it was not possible to adopt a role as a complete participant. Conversely, it has not been possible to adopt the role of a complete observer, partly because the management team at Hydac was very specific about their expectations of me regarding a positive and constructive involvement, but also because it wouldn't have been possible to gather data rich enough, and with a satisfying degree of detail and depth in order to be able to answer the research question. As the study focuses mainly on aspects of value perceptions and interaction in a very close and tight relationship between Hydac and WindPower, it was essential to the quality of the data to be able to ask questions of how and why, in order to get deeper into what the informants really believe and think, continuously during the process.

From the beginning of the project it was important for me to get to know my colleagues at Hydac, not on a friendship-level, but on a professional level. In the beginning I accepted invitations to participate in meetings even though they were not necessarily directly related to my project, but because I considered it as providing opportunities to build up a professional relationship with my colleagues, and show an interest in their workday at Hydac. In the beginning I was merely observing and asking only a few questions, whereas later in the process I adopted a more active role in the meetings. I also participated in social events where the entire firm was invited, but never in more private events with a more friendship-building purpose. I always kept in mind that I was at Hydac as a part of my research project and as a researcher, I was not there to make new friends. Naturally there were people that I was closer to than others, and in particular I became more involved with the people in the management group. I hoped that this effort in building a professional relationship with my colleagues would help me to more easily obtain access to data, and

also to make my colleagues feel more relaxed, secure and confident with me being there. I wanted to avoid them feeling that they were interviewed, or being under observation, all the time. I did not have the same opportunity to get close to the organization at WindPower, however early in the process I participated in a firms' visit to Germany with Hydac and WindPower, and it was a good opportunity to get closer to WindPower, and to let them get closer to me. We communicated well on the trip, and I had the opportunity to tell them about my project, my background and my role as an industrial PhD student at Hydac, as well as to hear more about their business. I am sure, that this helped me when I later asked for interviews with WindPower, as well as for access to the joint meetings between Hydac and WindPower. Another aspect was WindPower's business related interest in the project, as it might later produce a positive effect on their business, when Hydac manage to develop in a way that WindPower finds positive.

Whilst my role at Hydac was primarily participant as observer, my role in the activities with WindPower can be characterized as observer as participant. I was always introduced as an Industrial PhD student at meetings, and most of the time I was only observing and making notes. I sometimes asked clarifying questions, and the participants in the meetings never refused to answer. On the contrary there was always an open and direct communication, and it was never my experience that they were reluctant due to my presence. It is of course difficult to say whether or not they were affected by my presence. Going through the data however, shows that both Hydac and WindPower were very detailed and in-depth in their descriptions, explanations and arguments, even though the issues in question were very strategic and sensitive. That is especially the case when they explained about their individual value perceptions, and also when they met to evaluate the relationship. There are also examples of internal meetings at Hydac, where the sales group around WindPower was very

explicit about frustrations and lack of understanding towards the relationship that they share.

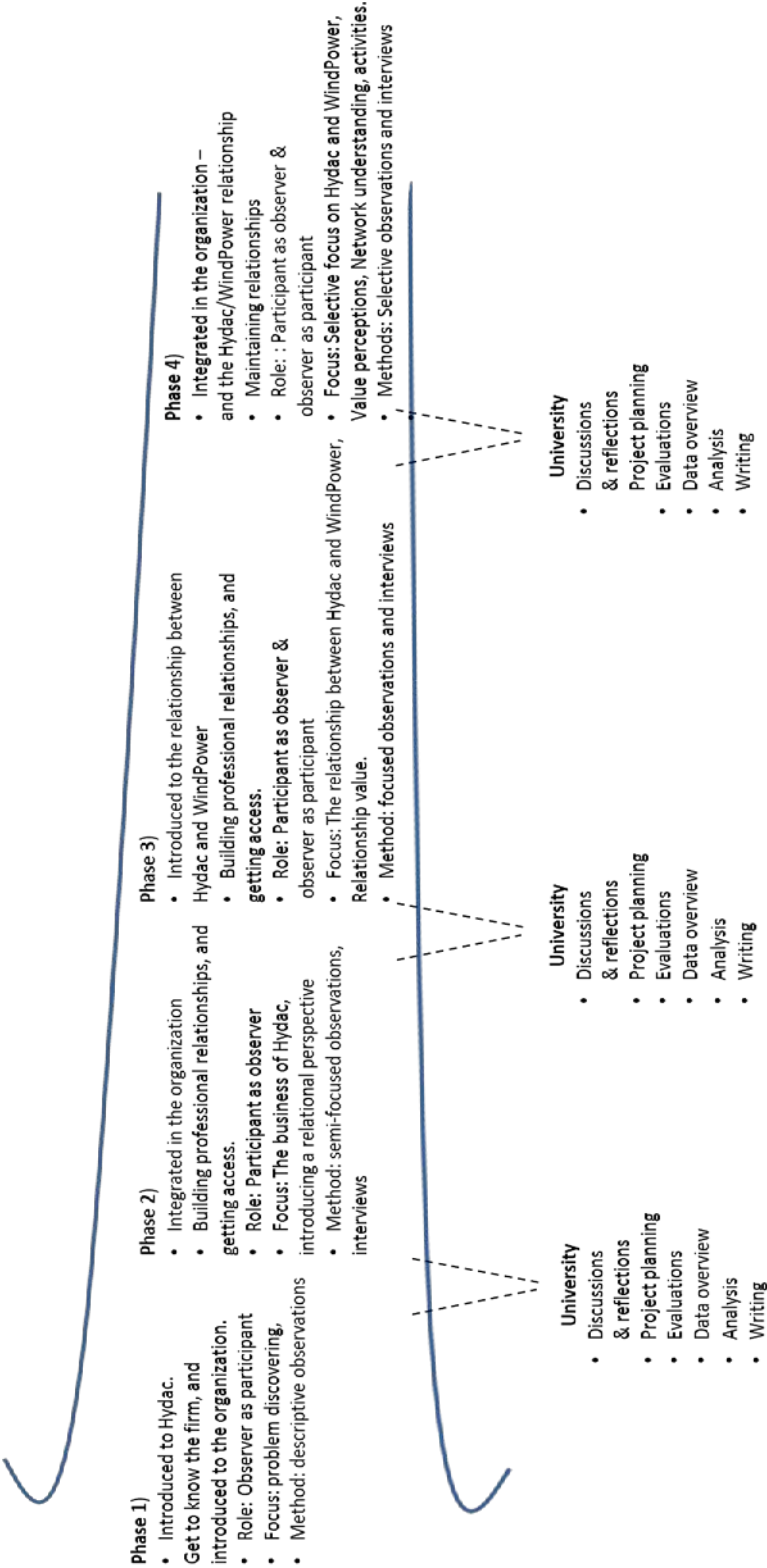
Although it was fairly easy to adopt the role of observer as participant with WindPower, it was not always easy to maintain the role of participant as observer with Hydac. There was a constant pressure, especially from the management team, for me to become more involved in the daily operations at Hydac. They asked me to take more responsibility in running projects, and facilitating activities that were outside the area of my PhD project. When this happened I mostly retreated to the university to have a break from Hydac, and also take a welcome opportunity to evaluate the research process, plan for the next step of the project, complete my analysis, and get an in-depth grip on the theoretical aspect of the project. This was one way to overcome the issue of ‘going native’ (Bøllingstoft, 2007). Another way of escaping from these demands was to present my project. I gave several presentations of the project, including findings, results and managerial considerations to the organization at Hydac, both to the management group and also to interested parties outside the firm. The presentations provided me with the opportunity to draw attention to the project, receive renewed acceptance from the organization for its relevance and progress, and also to restate my role as a researcher.

3.3.2. Development of the research process

In order to ensure methodological trustworthiness, the researcher should provide descriptions of the procedures used and the overall process of the study (Healy & Perry, 2000). This is vital in order to make clear to the reader how the project has developed, which choices have been made during the research process, and why the researcher ends up with the specific focus and research question (Bøllingstoft, 2007). Figure 3.1 illustrates the development of the research process.

The extent of the observations has been large, and made over a period of almost three years, from August 2012 until April 2015. In this period, 38 observations were made, including 29 observations internally at the supplying firm, and 9 observations of joint meetings and firm visits between the supplier and the customer. For a detailed overview of the observations see Appendix C. These observations have been central to answering the overall research question, as observations have provided valuable data on the issues of value perceptions, activities and development processes in the relationship. Internal meetings at the supplier firm were especially appropriate in terms of how the customer's notion of value has been interpreted by the supplier, and also regarding the aspect of impact, as it was possible to follow closely the activities performed by the supplier in order to meet demands and expectations from their customer. It was also possible through observations at the supplier firm, to get insights into some of the activities performed by the customer. This however, was more limited. Business review meetings and firm visits were key interactive events in the relationship, and by observing these joint events, it was also possible to observe, to some extent, their behavior, way of approaching each other and their discussions on issues such as how they each understand the relationship, what each considers to be important, relevant, valuable and vital, as well as the activities being planned and organized.

Figure 3.2. The development of the research process.



Even though my PhD project was planned from the beginning, the research process cannot be characterized as linear. It became clear during the process that observations and data from observations cannot be completely planned. I realized during the process that I could not ‘control’ what was on the agenda of “to-day’s meetings”, or what the informants decided to talk about. It was much easier to plan the interviews, and using semi-structured interviews (as presented in section 3.3.1.1.) it was possible to hold focus on the chosen topic. At the beginning of the process, my focus was mainly on getting to know the firm Hydac, and discovering relevant problems to approach. My role as researcher was more reticent and characterized as observer as participant. I conducted more descriptive observations, and made field notes in relation to what I saw and heard, and more general observations. At that time I was not fully aware of what was going to be the main point of attention in the project, so I basically made notes of everything that I found interesting. After the initial phase, I started to focus my research. The literature on business models was the starting point, and became the focus of observations and interviews. The decision to concentrate on business models was made primarily because Hydac had already introduced the business model concept to the management group, and was starting to work with this concept as a way of gaining and framing new insights to the firm. Reflections on the research focus were presented for, and discussed with academics on PhD courses, conferences, doctoral workshops and internal seminars at the university, which provided me with valuable feedback and suggestions for the later process. In the second phase of the process I was more integrated in the organization, and it was relatively easy to get access to participate in meetings and conduct interviews. After the second phase I spent time in the university going through my data, and again presenting and discussing findings to relevant colleagues in conferences and courses. It became clear during this process that the issue of Hydac’s customers played a

particularly large role in the observation data, as the informants continually referred to what the customers expected. However, the business model literature showed a lack of attention to the relational dimension of the business model concept, and especially on how the business model evolves in a relational context. This new focus on relationships, and especially customer relationships became the starting point in phase three, where observations became more focused on this specific subject. It was also in phase three that I decided to focus specifically on the relationship between Hydac and WindPower, and observe not only at meetings inside Hydac, but also meetings and activities between them. When I was at Hydac my role was participant as observer, whereas I adopted a role as observer as participant in the shared activities and meetings between Hydac and WindPower. After gathering data through observations and interviews in this phase I went back to the university again. At this point in the process I began to analyze data in greater depth (as presented in section 3.4.), and reflecting on how the present results could pave the way for the rest of the process. It became clear when discussing the empirical data against theory that the aspect of relationship value and value perceptions was relevant in the research context, both to the firm Hydac, but absolutely also as a contribution to existing relationship theory. This decision set the scene for the fourth and final data collection phase, where I made selective observations, and where interviews focused particularly on how the two firms, Hydac and WindPower, perceived value, articulated value and acted upon value. As in phase three, my role was shifting from participant as observer to observer as participant.

3.3.3. Registration of observations

Registration of observations is also related to the criterion on methodological trustworthiness, and registration of observations is a pivotal part of the process of conducting observations, as these records are considered to be the data obtained from the observations (Bøllingtoft, 2007). Registering observations can be done in different ways, e.g. by video and voice recordings, as well as taking notes, depending on the situation for the observation.

In this study I have produced a field study report, where all notes from observations have been gathered. In general, all notes contain date of observation, participants at the meetings/activities, and the theme of the meeting (agenda). These notes are made at the beginning of the observation. After these initial notes, there are observation notes that are as detailed as possible, and related to the research question. If time was not available for making the detailed notes during the observation, I elaborated on the notes soon after the observation. The dataset contains some examples of theoretical references in the notes, however most interpretative notes are made separately, either in the margin, or as a separate section at the end of the note, following Babbie's (1986) argument that the researcher must distinguish between empirical observations and the researchers own interpretation.

I made a decision early in the process not to use video or tapes in the observations for the following reasons; video and tapes would possible have a disruptive effect during observations, especially if something was not working properly. It would move some of my attention to the technique, instead of what was going on in the meeting. Another reason was due to the atmosphere and feelings of the informants. I made some attempts with both taping and filming meetings at the beginning of the process, and it

was clear that the informants felt insecure, and not “as free speaking” as when I was only taking notes.

Since this project and observation period lasted almost three years, a large number of notes have been made. As the notes all include dates, it has been possible to arrange them in chronological order for the analysis process. During the process, and the parallel analysis process, it was clear to me, that I should be very specific in my notes, so that it was possible to understand them even after a year or two. This means that I have also developed my note-taking skills during the process.

3.3.4. Data triangulation

As a critical realist the researcher must realize that empirical observations can never be the same as actual reality (Bøllingtoft , 2007; Danermark et al, 2002). Triangulating different perceptions is a way of getting closer to the actual reality (Healy & Perry, 2000). Triangulation can be done in many different ways, and Bøllingtoft (inspired by Denzin, 1978) suggests four different types of triangulation; investigator triangulation, theory triangulation, data triangulation and methodological triangulation. In this project data triangulation and methodological triangulation have been applied.

Hydac and their relationship with WindPower has been the center of observation for almost three years. During that process I have observed under multiple settings, for instance a joint visit to Germany by both firms, meetings at WindPower, meetings at Hydac, factory visits etc. I have also observed different people, as the team from both Hydac and WindPower has changed during the process. This can be characterized as data triangulation. I have conducted both interviews and observations (which both play important roles in the data set) as well as consulting written documents, which can be characterized as methodological triangulation. It has been valuable to the entire project to be able to draw upon data from

both observations and interviews. This made it possible to validate data continuously during the process. Additionally, moving back and forth between the different types of data played an important part due to the evaluation criteria; multiple perceptions of participants and peer researchers. An example of triangulation is when I used minutes of meetings at which I was not present, to support and underpin what I observed in meetings where I was present. This was especially the case when I was studying activities. It was not possible for me to participate in all meetings, or observe all activities, which is why I relied on written documentation from some meetings (e.g. in specific departments of Hydac, or from meetings between Hydac and WindPower, where I was unable to participate) and other events, to support my observations on activities, and how the parties developed their activities together or individually.

3.3.5. Written documentation

Documents such as annual reports, strategy reports, minutes of meetings and mail correspondence from the supplier firm Hydac, were collected. Also included in the secondary data was mail correspondence between Hydac and WindPower, as well as minutes of meetings from joint meetings. These sources of secondary data have contributed with additional insights into several aspects of the relationship between the two firms, as well as insights into the daily operations at Hydac.

3.4. Data analysis using systemic combining

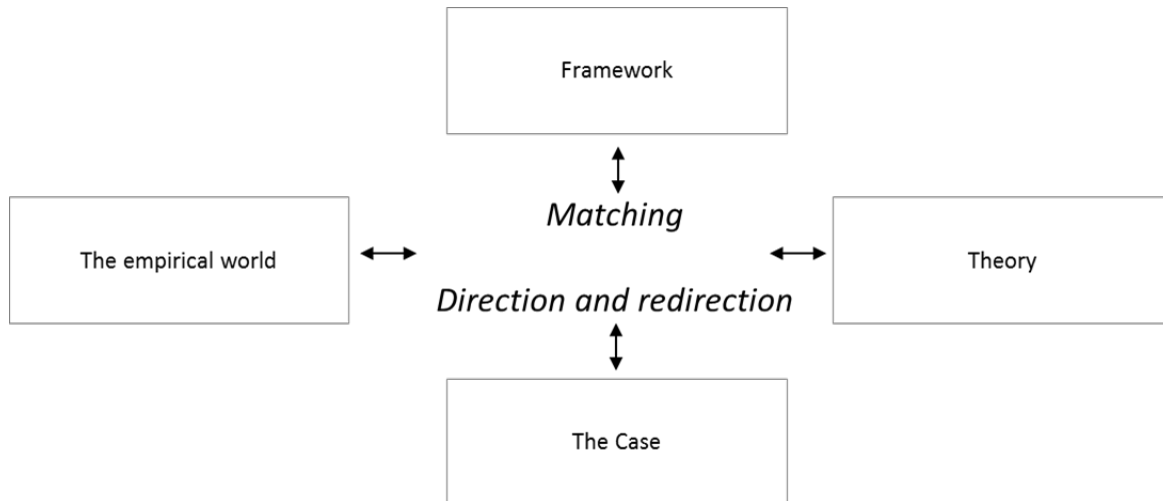
The process of data analysis in this thesis is characterized by an abductive approach named systemic combining, which Dubois and Gadde (2002) present as a process where the researcher moves constantly back and forth between types of research activities and between empirical observations and theory. This approach is especially useful in this project, as the aim is to obtain a deepened and enhanced understanding of both the theoretical

field (e.g. *how is relationship value treated academically*) and the empirical world (e.g. *how do firms perceive value when working together*). Further, the approach is advantageous since the present purpose is to refine and develop existing theory, not to test theory (Dubois & Gadde, 2002). The abductive process is described as a “*non-linear, path dependent process of combining efforts with the ultimate objective of matching theory and reality*” (Dubois & Gadde, 2002, p. 556), and is in clear contrast to the more linear process that characterizes the positivistic research approach to case study research (e.g. Eisenhardt, 1989; Yin, 2009). It is important to state, that using systemic combining in this thesis is not the result of there being a lack of anything better, or the result of an unplanned research process: It is a deliberate choice. The research question in this thesis addresses perceptions of value in business relationships, and specifically how value perceptions are formed in relationships, and how value perceptions influence relationship activities. In answering these questions, the abductive approach and systemic combining is an appropriate choice, as it helps in handling the interrelatedness between relationship value and relationship activities, the interdependences and embeddedness in the relationship between Hydac and WindPower, as well as utilizing the in-depth insights that I have gained from studying Hydac, the relationship with WindPower, and to some extent, the surrounding network. Dubois and Gadde (2002) suggest that *framework, theory, the case and the empirical world* are basic ingredients in systemic combining. They also consider that the entire process consists of continuously *matching* theory with the empirical world, leading to *direction and redirection* of the research.

The main principle of abduction is the process of confronting theory with observations from the empirical field during the entire research process (Dubois & Gadde, 2002). The researcher will then move back and forth between framework, data sources and analysis in what can be a cyclical or spiraling process. This is what Dubois and Gadde (2002) refer to as the

matching process and one of the cornerstones of the research process, as illustrated in figure 3.3.

Figure 3.3. Systemic combining



Source: Dubois and Gadde (2002), p. 555

The research process in this PhD study can be characterized as a non-linear process of continuous confrontations between theory and the empirical world at Hydac. In the initial data collection process, the business model concept (presented in Chapter 2, section X), and in particular the business model canvas (Osterwalder & Pigneur, 2010) functioned as a general and preliminary framework for approaching the empirical field. During the data collection, the preliminary analysis and interpretation, it thus became clear that there was a gap between the theoretical framework and what was going on in the empirical field at Hydac. Where the theoretical framework had an internal firm perspective on value creation, focusing mainly on internal key activities and resources in the value creation process, the empirical data showed that value creation was strongly influenced and affected by the interaction taking place between Hydac and its customers and suppliers. The data provided insights into the complexity of value creation, particularly highlighting the

importance of also considering the surrounding network in the matter of value, and not only from an inside out perspective (as in the original framework), but also vice versa, because what happens in the network affects all actors to some degree. It also became clear, that the approach to perceptions of value in the initial framework was unsubtle and simplistic. Data provide evidence to explain value as being far more complex, both due to different value drivers, as well as the nature of value perceptions as emergent, phenomenological and actor specific (discussed further in Chapter 2). An example comes from a review of the written documentation from management meetings, which shows that most of the discussions and decisions made, refer to demands, expectations and requirements from customers, and especially WindPower, and further reveals that Hydac do not only struggle with meeting the demands, but indeed also in understanding them, and implementing changes into on-going activities. (see also the case presentations in Chapters 4 and 6) What also became clear during this initial part of the process was that the empirical setting was in a state of constant change. It was not possible to identify one static business model; instead a continuously evolving picture was appearing, calling for a more dynamic focus on the business model. Taken together, this matching of theory and empirical data led to a need for refining and developing the theoretical framework so that these new insights and understandings were taken into account.

Another cornerstone of systemic combining is the evolving framework. As described above, matching theory and the empirical world might lead to a need for refining and re-developing the theoretical framework. Miles and Huberman (1994) suggest two types of frameworks; the *tight and pre-structured* framework, and the *loose and emergent* framework. These are related to induction and deduction respectively. As systemic combining follows an abductive approach, Dubois and Gadde (2002) argue that the framework should be tight and evolving.

The hallmark of this research process is also a changing theoretical framework. As exemplified in the section above, the matching process of theory and the empirical world in the initial stage of the process opened up for developing a new theoretical framework. As a result of the matching process, I started exploring theory that has a more business relationship orientation and especially the literature on relationship value. I also searched within the business model literature for a way to somehow capture the dynamic aspect of business models, as well as the relational perspective on business models. In the search for relevant theory and concepts, I went back to the data to find inspiration and guidance, primarily in terms of words and sentences that were spoken during the first period of observation, as well as mentioned in the written documents. The purpose was not only to find literature that supported the initial findings, but also to challenge the findings that appeared from the data. It was in that part of the process that I started to use the “tool” of writing the case (Dubois & Gadde, 2002). I realized that writing the case (even though it was still rather explorative and tentative), helped me to identify arguments for developing the theoretical framework in a new direction. The case was often presented during PhD courses, at conferences and at internal seminars within the university, and the comments received helped me in shaping the framework for the following data collection process. After that, case writing became a tool that I used frequently during the process, and the case only became a “product” (Dubois & Gadde, 2002) when they were written as exemplifications for the three papers. As time went by, and the data foundation became richer, the case naturally evolved and became more detailed and complex.

Another part of the systemic combining is the direction and redirection of the research (Dubois & Gadde, 2002). This implies that several different data collection methods are used (see section 3.3.1.4 for further elaboration of triangulation in the thesis), not to check the accuracy of data, but to reveal new aspects that have hitherto been unknown to the

researcher, including the discovery of new dimensions and perspectives that might be relevant to answering the research question.

I realized during the matching process, and also the development of the theoretical framework that it would be relevant to go deeper into some of the aspects in the data, especially regarding value perceptions. To discover the nature of value perceptions in greater depth, and for this case the value perceptions from both Hydac and WindPower perspectives, it was necessary to use other data collection activities. Whereas most data was gathered through observations and written documents, I decided to conduct a number of interviews with both Hydac and WindPower, not specifically to test or verify the previous data, but in order to discover new dimensions and insights relevant to answering the research question. Conducting interviews further allowed me to be more specific in my data collection, as I had the possibility of asking questions more specific to the issues relevant for the study, including how each of the firms perceived value, both from their own perspective and also from the perspective of the counterpart.

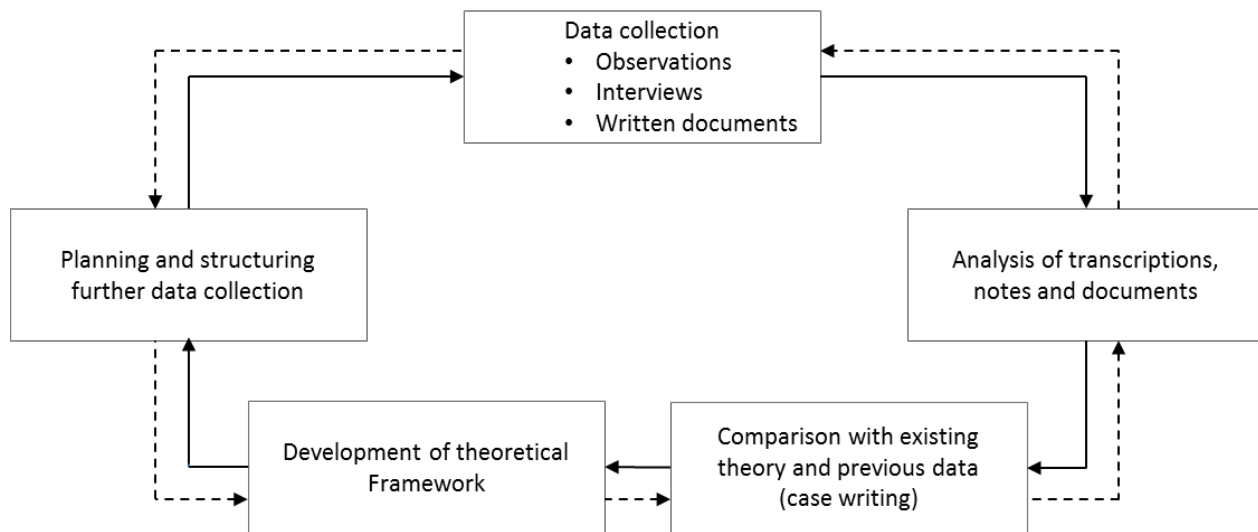
Another relevant aspect which must be taken into consideration is the fact that there are no natural boundaries and no natural ends in the empirical world (Dubois & Gadde, 2002; Halinen & Törnroos, 2005). In a study like this, dealing with interaction in relationships, value perceptions among actors, as well as actors' networks and activities, the boundaries continuously move and new insights and possibilities for further research appear.

I was not far into the project before I realized that the boundaries of the case were moving. Even though the initial theoretical framework was somehow limiting the study to “only” Hydac, it became clear that this was only a part of the picture, and that the initial focus on value from a business model perspective changed to a focus on how value perceptions are formed in relationships, and how value perceptions influence

relationship activities. This meant that the boundaries of the project went from being “limited to the firm” to a far larger empirical setting, including Hydac’s network, and also the larger network surrounding customers and suppliers. It became necessary at that time to make a decision on which part of the network to include. It was then that I chose to eliminate the boundaries of the project that “only” addressed the relationship between Hydac and WindPower, and only to a minor degree the network surrounding them.

Reflecting on the process it becomes clear that the conscious reflections, and matching of theory and empirical data, contributed to building understandings, gaining insights and new knowledge in a complicated and highly complex field of interactions between firms. As this project stands in an empirical field of interaction between firms in networks, it has been most valuable to build on an approach that allows for understandings and insights to appear iteratively as the case, the theoretical framework and the empirical context evolve. This is illustrated in figure 3.4. Even though the arrows in the figure imply a rather linear process, it is important to mention, that the process has been more iterative and dynamic, and not sequential, following a strict line. During the process there has been multiple backflows where it was necessary to revisit data, rewrite the case, redevelop the theoretical framework and also turn against the real world on the basis of wondering, or the need for clarification.

Figure 3.4. The process of collecting and analyzing data



There has been, particularly in the process of analyzing transcriptions, notes and documents, a need for a set of ground rules, in order to create an overview of the data, as well as guide the process of analysis. Since there was a large amount of data, it was necessary to separate relevant data from non-relevant data, and find a way to prepare data in a way that made it possible to draw conclusions from those data. The literature offers a number of outlined general procedures for handling this (e.g. Griggs, 1987; Patton, 2002; Strauss & Corbin, 1998). For this thesis the analysis approach suggested by Miles and Huberman (1994) has been used during the entire process, and consists of the following activities; data reduction, data display and conclusion drawing and verification. Integrating these three activities in the overall research process as described in the above section, has been a way of reducing some of the complexity that arises when conducting research for such a long period of time, and involving several actors. This results in an enormous amount of data, and following the three steps suggested by Miles and Huberman (1994) has been valuable in times where it has been difficult *to see the wood for the trees*. Whereas, Miles and Huberman (1994) describe this as a rather linear

process, this has not been the case in this research process. Instead, the three steps of data reduction, data display and conclusion drawing and verification has been a part of the systematic combining process, and utilized as part of a dynamic and iterative process. For example, it was relevant to work on data reduction continuously during the study, as well as on different kinds of data displays and conclusion drawing. The case writing tool has also been an integrated part of the process (as introduced earlier in this section), which has been guided by the overall research question, and the three sub questions of the thesis.

The first part of the process is data reduction. Miles and Huberman refer to this as “*a process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcriptions*” (Miles & Huberman, 1994, p. 10).

This was done several times during the process as new data were collected, and also as new questions arose and it became relevant to revisit data. Transcripts of interviews, observation notes and written documents formed the basis of this part of the process, where the evolving theoretical frame was used as a point of departure in selecting relevant data. Questions from the interviews were used to guide data from interviews, observations and written documents. As I went through the data line-by-line, smaller sections, passages and specific quotes were categorized as belonging to a specific theme in the theoretical framework, or as a specific answer to the questions. An example is when, during interviews, both WindPower and Hydac were asked directly about what they consider valuable in their relationship. This question was used when going through all the data in order to capture relevant input from both observations and in the written documents. As the matching process ran (as part of the systemic combining), new questions to ask became relevant, which is why it was necessary to revisit the data again to look for new answers. An example of this is related to the development of the theoretical

framework, and the notion of network pictures (see Chapter 2) became a part of the project. At that time I collected new data with that specific purpose in mind, but I also went back to the original set of data, and asked questions related to the network picture elements in the data. It turned out that there was already relevant input for this theme early in the project, where data revealed that Hydac, in particular, had been discussing elements like network activities, actors in the network, network boundaries and power, which are all vital elements of network pictures. This part of the process served as valuable for reducing data, but also as an important point of departure for further theoretical inspiration and development. As I went through data with the theoretical framework in mind, I often discovered new theoretical possibilities to pursue, but also discovered that there were aspects that I had considered to be relevant, but which turned out to be of minor relevance. In other words, I kept an open mind throughout the entire data reducing process, and was not predetermined to specific questions and only answers that I was searching for. As the research process evolved, I became increasingly specific in selecting relevant data, and as I had coded data with numbers, and divided data into theme-categories, it was more and more simple to go back to the data.

The second part of the process is data display, explained by Miles and Hubermann as “an organized, compressed assembly of information that permits conclusion drawing and action” (Miles & Huberman, 1994, p. 11).

As was the case with data reduction, this part was also done multiple times during the process. At first I gathered together all observation data in one text, and all transcriptions in another text. I sorted all data by time, and whether or not it was from Hydac, from WindPower or from a meeting between them. After that I printed all notes, and displayed them in order on the walls of my office. It resulted in a chronological timeline, where different factors were highlighted (joint meetings, individual meetings,

interviews, observations, written documents). It created a good overview of all data and made it possible to follow the development over time, and see the smaller sections, passages and specific quotes that had already been selected in the data reduction process. I used 'post-its' to highlight specific events, quotes, and sections, and spent considerable time in front of this data display. Despite this, there was a need to display in a clearer and more structured way, and to narrow the focus of what I was interested in at a given time. To do that, I developed matrices and cognitive maps, as suggested by Miles and Huberman (1994). I then developed a number of data matrices, guided by the research questions, the questions that I have been focusing on in the data reduction and the theoretical framework. Next, I sorted all answers into the categories of firms, persons in the firm and organizational level. This provided me with a useful overview of the data, and made it possible to go deeper into analyzing the data. It also helped in deciding if further data were needed, and possibly by applying other methods for data collection. I also made a large number of mind-maps during the process. I used the theoretical framework to guide the mind-map, and inspired by (Srivastava & Hopwood, 2009), asked questions in the center of the mind-map, and used the notes to provide the answers. The questions were used as a starting point, and the mind-maps in that way served as a display of answers, as well as new themes or factors relevant for the analysis. As triangulation was taking place during the entire process, displaying data also helped to identify patterns across data from interviews, written documents and observations. An example is when I used the minutes of meetings from management meetings at which I did not participate; to validate findings from the observations where I was present.

The third and last part is conclusion drawing and verification. This is often a part of the process from the very start of data collection, as the researcher begins to decide what things means (Miles & Huberman, 1994). Miles and

Huberman suggest that this can be done by looking for patterns, themes or gestalts.

For this PhD project, conclusions were not drawn at the end of the process, but as Miles and Hubermann (1994) and Dubois and Gadde (2002) suggest, during the entire process. When having a large set of well-organized displays, and in this case also the chronological timeline of observations, it is relevant to use the techniques to look for patterns, themes or gestalts. This was done regularly in the case writing process. I continued, as part of the systemic combining, to write on the case during the process, and the timeline, the matrix and the mind-maps became central in this process. In writing the cases based on the data, themes and patterns emerged. An example is when I wrote the case for the first paper on business model development (Chapter 4). I outlined the value drivers emphasized individually by Hydac and WindPower, and in that process it became clear that an important aspect in the case was related to the ability to couple value drivers. For instance, WindPower repeatedly argued that it was not enough to lower prices; this should be done proactively as a part of having the right mindset. Reflecting on this finding alongside the theoretical framework and literature on value drivers made clear that this offered a new perspective for understanding value drivers in a relational context. Another example is from the process of analyzing data for the second paper on relationship value in a network context (Chapter 5). In this work I also used the concept of network pictures as an analytical tool, and studied value perceptions between Hydac and WindPower alongside the network picture dimensions. By holding the data set on value drivers against the data on network picture dimensions it was possible to identify patterns in how network dimensions influenced value perceptions. For instance, Hydac experienced a need to build a strong network of suppliers due to complications with its main supplier Hydac International. In that matter, Hydac clearly saw a “strong supplier portfolio” as a value driver.

3.5. Evaluating the qualitative research from an critical realist approach

Evaluating research depends on what is considered good and valid research. There are, within different paradigms, different principles for evaluating research and judging whether or not the research can be considered a solid piece of scientific work. Healy and Perry (2002) have identified six evaluation criteria considered to be appropriate when adopting a critical realist approach, and conducting case study research. The criteria are presented below, and to some extent these relate to the present study. In the final chapter of the thesis, these criteria are addressed in a more comprehensive way, so as to evaluate the complete study.

The first criterion is ontological appropriateness. This relates to the character of the phenomenon under study, and posits that the researcher should present their paradigmatic stance and consider the system under analysis. As a critical realist this means that I should ask questions about how and why, and through that, deal with the complexity of undertaking research on *complex social phenomena involving reflective people* (Healy & Perry, 2000, p. 121).

The second criterion is contingent validity, corresponding to the criterion of internal validity as is used, for example by Yin (2013). Whilst internal validity refers to the pertinence and internal coherence of the results, contingent validity is “*validity about (generative) mechanisms and the context that makes them contingent*” (Bøllingtoft, 2007, p. 414). As a critical realist I do not see the world from a laboratory, and I accept that the social phenomena that I am studying are fragile and should be understood in a larger context (Healy & Perry, 2000). This means that I

should pay attention to not only things that happen, but also why they happen. In that, I must acknowledge that actors hold different perceptions, and try to discover those by asking questions, not only in interviews, but also when undertaking observations.

The third criterion is multiple perceptions of participants and of peer researchers. Participants' perception is not reality, but should rather be seen as a window to reality (Healy & Perry, 2000). By this, I mean that participants hold different perceptions and understandings, and to capture that, triangulation of several data sources is necessary. For this study several methods of data collection were chosen, making it possible to triangulate data from each of the sources. Observation notes were triangulated with interviews and documents, in order to capture not only perceptions, but also differences in perceptions, in the best possible way.

The fourth criterion is methodological trustworthiness, and this refers to the extent to which the research can be audited by a third person (Bøllingtoft & Blundel, 2007). One way to address methodological trustworthiness is by creating a database of observations, through the use of quotations and structured presentations of the procedures used in the observation studies and interviews (Healy & Perry, 2000). These are valuable as they make it possible for a third person to follow the steps taken throughout the research project. For this study, quotations and detailed process descriptions are used.

The fifth criterion is analytical generalization. The literature generally defines generalization in two different ways. One way is related to statistical representability and generalization, and the other way, utilized in this thesis, is analytical generalization (Healy & Perry, 2000). Analytical generation has to do with the data analysis, and the domain within which the findings of the study may be generalized (Bøllingtoft & Blundel, 2007). Additionally analytical generalization concerns theory building and whether or not a theory might be confirmed.

The sixth criterion is construct validity, and refers to "*how well information about the constructs in the theory being built are measured in the research*" (Bøllingtoft, 2007, p. 416). This criterion is primarily related to data collection and analysis, and is somewhat similar to the construct validity criterion presented by Yin (2003). Healy and Perry (2000) suggest the following techniques for reaching construct validity; case study database and the use of prior theory and triangulation. A further suggestion by Yin (2003) is having key informants review drafts of the case study reports, as well as confirming interview transcripts.

Overview of papers

Paper 1: *The role of value perceptions in business model development.*

RQ 1: How do perceptions of value influence business model development?

Authors: Kirsten Frandsen, Kristin Balslev Munksgaard and Torben Munk Damgaard

This paper has been presented on the IMP conference in Bordeaux 2014. An earlier version was presented on the Doctoral Consortium at the IMP Conference I Atlanta, 2013, and on the conference of Danish Management Academy in 2013.

Paper 2: *Understanding value perceptions using network pictures*

RQ 2: How are firms' perceptions of value formed in a network context?

Authors: Kirsten Frandsen

This paper has been presented on the IMP conference in Kolding 2015.

Paper 3: *Mission impossible: acting upon relationship value*

RQ 3: How do firms' value perceptions influence relationship activities?

Authors: Kirsten Frandsen

This paper has been submitted for the IMP conference in Poznan, 2016

Chapter 4. Paper 1.

The role of value perceptions in business model development

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Kristin Balslev Munksgaard

Torben Munk Damgaard

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Abstract

Purpose: Building on the business model concept, and the notion of relationship value, this paper investigates the role of value perception in business model development. In particular, this paper focuses on how value perceptions, in a collaborative customer-supplier relationship, influence the development of the supplier's business model.

Design/methodology/approach: An in-depth case study of the relationship between two firms, Hydac and WindPower, was conducted, following the relationship for a period of two years. Data were collected through observation studies and interviews in both firms.

Findings: Business model development is considered an important aspect of relationship value. Findings of this study argue for the relevance of the firm's ability to consistently couple value elements in a dynamic development process

Practical implications: Management's attention to value is a necessity, especially concerning differences in value perceptions. Business model development is a driver of value, and managers should improve their firm's ability to transfer their partner's different value elements into specific actions within the relationship.

Originality/value: A constant focus on business model development is highlighted as being important for firms, in order to create competitive advantages through continuous value creation. Scholars advocate for more knowledge on value in relationships, and specifically how value creation happens through interaction. This study contributes with empirical insights to the concept of relationship value, challenging existing knowledge of the business model concept, and pointing to the multiple functions of value in business relationships

Keywords: Relationship value, business model development, dyadic relationship, value perception

Introduction

Business model development has been highlighted as important for continuous value creation and firms' performance in today's global business environment (Cavalcante et al., 2011; D. Mitchell & Coles, 2003; Zott & Amit, 2010). However, business model development is not so much a single firm activity, but rather a task to be implemented in interaction with important customers and other stakeholders. This is due to customers' increasing use of fewer, but stronger relationships with selected preferred suppliers (e.g. Johnsen, 2009; Wagner, 2010), and suppliers experiencing

additional demands for taking on more pro-active roles that contribute to customers' innovation and business (e.g. Fredriksson & Gadde, 2005; Gadde, 2013). Such developments emphasize the need for suppliers and customers to collaborate on business model development. However, as also pointed out by Gadde and Snehota (2000), developing such close partnerships is resource-intensive, and making the most of the related effort and achieving a valuable outcome is a complex task.

Developing a preferred partnership, customers and suppliers alike will adjust and adapt their business model. The supplier will seek a deeper insight into what the customer values, in order to build an understanding of what offering to deliver. Similarly, engaging and investing in a relationship with a preferred supplier, the customer will aim to understand the value expectations of the supplier. As both partners will strive for value creation in the relationship (Anderson & Narus, 1998), the process of business model development will be mutual and a matter of ongoing adjustment for both parties. Additionally, the partners will have to consider how other actors in their wider network – e.g. the supplier's other customers and the customer's other suppliers – will directly or indirectly take part in, or at least influence, the value creation.

The present study focuses on how a preferred supplier engages in business model development, based on perceptions of value expressed in the collaboration with a preferred and customer. Particular focus is on how the partners' perception of value leads to managerial decisions for developing the supplier's business model. Since value plays a central role in managerial practice and is a dominant criterion used in managerial decision making (Corsaro & Snehota, 2010), it is the aim of the present study to contribute to our knowledge of the impact that perceptions of value have on firms' behavior. Accordingly, the following research question is posed: *How do perceptions of value influence business model development?*

The paper is structured as follows: The next section introduces and outlines the theoretical framework for studying perceptions of value in a preferred partnership and the related impact on the business model of the supplier. This is followed by a section presenting the research design and methodological reflections of the study. Next come a presentation of the case and a discussion of findings. The paper ends with a conclusion highlighting implications for research and management.

A theoretical framework for business model development and perceptions of value

Creating, delivering and capturing value is the essence and main purpose of the business model (Coombes & Nicholson, 2013), and the business model is often described as framing how firms do business (Teece, 2010). Despite disagreement on how to define a business model, researchers do agree that value is the core element (Teece, 2010; Zott & Amit, 2010). Most business model conceptualizations are dominated by a firm-perspective (Morris, Shirokova, & Shatalov, 2013; Simmons, Palmer, & Truong, 2013), considering value to be created within the firm, in order to satisfy needs and demands from customers and the broader network of partners (Amit & Zott, 2001). Interaction with customers and suppliers serves primarily to optimize value creation in the firm (Chesbrough, 2011).

This firm-oriented perspective is problematic for a number of reasons (Bankvall, Dubois, & Lind, 2013). Firstly, most business model conceptualizations do not address the interactive and relational effects experienced by the firm as part of doing business whilst coordinating activities and resources with important partners for the creation of value (Ford, et al., 2009) . As such the business model concept often focuses on the selling firm, while the role of the firm as a buyer from its own suppliers is given less attention. Secondly, since firms may be engaged in several business models within their network (Hedman & Kalling, 2003), it is relevant to include the relatedness between these models. Thirdly, it

has been argued that there are implications for the extent to which the firm can develop its business model independently, because the firm is embedded in a network of interactions and business (Clarke & Freytag, 2011)

There is growing interest in exploring a more relational approach to business models (Coombes & Nicholson, 2013). Analyzing business models from a dyadic and network perspective, Westerlund (2004) finds that interaction with specific relationship actors provides both benefits and sacrifices to the business model of a focal firm. Moreover, in order to cope with the complexity of value drivers in relationships, multiple business models co-exist in a single firm (Benson-Rea, Brodie, & Sima, 2013). Palo & Tähtinen (2013) discuss the development of networked business models in technology-based services, suggesting that the networked business model is “a dynamic device to be used in both planning and conducting future business” (Palo, 2013:780), and to show how actors coordinate and combine activities to create value. Further, as firms set out to develop their business models, the role of business relationships is mostly described as being related to the function of the business partners who perform certain activities in the business model (Amit & Zott, 2012). In general, the literature on business model development mainly centers on barriers, processes, elements, effects and results achieved through business model innovation (Schneider & Spieth, 2013) and does not include the role and influence of partners and relationships.

Utilizing a relational approach to business models and business model development will also have an influence on the central notion of value creation. This is due to value being regarded as co-created in the interaction between firms (Ford, Gadde, Hakansson, & Snehota, 2003:5) and being the very *raison d'être* of relationships (Anderson, Håkansson, & Johanson, 1994). By applying a relational perspective to the value discussion the level of complexity rises and new challenges occur. It is

particularly relevant to note that partners may hold different perceptions of the value created (Walter & Ritter, 2003; Walter, Ritter, & Gemunden, 2001), and that they may value the relationship functions differently (Young, Wiley, & Wilkinson, 2009).

The present aim is to study how a close partnership between a customer and its preferred supplier impacts on decisions to develop the business model of the supplier. Specifically, how the partners' perceptions of value influence managerial decisions and related actions in developing the business model of the supplier. Accordingly, we respond to the call raised by Corsaro and Snehota (2012), arguing that only limited attention has been paid to the impact that perception of value has on firm behavior.

Business Model Development

The business model concept is often introduced as a framework for understanding how firms do business, and two main perspectives can be identified: A static view considering the business model as a blueprint of the firm, and a more dynamic view, arguing that a business model is dynamic and something that firms develop (Demil & Lecocq, 2010). For this particular study the main interest is the theoretical discussions of the dynamic perspective and business model development.

Research into business model development often builds on the concept of innovation, explaining both how business model development can be considered to be innovation (Cavalcante et al., 2011), or vice versa, how innovation (e.g. product innovation) leads to business model development (Calia et al., 2007). Business model development takes its point of departure in the status quo of the firm's current business model, where development is considered to be a minor adjustment and an incremental innovation within the established business model. In contrast, business model innovation focuses on opportunities in the external environment of a firm, in order to phase out the existing business model for a new and improved version (Schneider & Spieth, 2013)

Since, the business model concept became popular during the rise of the internet, it is not surprising that most research starts in the e-business industry, focusing on how environmental flux constantly challenges how firms design and innovate their business model based on, or guided by, technological innovation (Amit & Zott, 2001; H. Chesbrough & Rosenbloom, 2002; Wirtz, Schilke, & Ullrich, 2010).

The literature on how business model development is being affected by firms is more limited. An exception is Cavalcante et al. (2011) who apply a process-based perspective defining the business model as the core standard process of the firm. Four types of business model development are suggested: Business model creation; business model extension; business model revision; and business model termination. It is argued that a prerequisite for business model development is the related effect on the core standard repeated processes of the firm. Mitchel and Coles (2004) suggest three types of business model development; 1) business model improvement, when changing a single element of the business model, 2) business model catch-up, when matching the competitors offering, and 3) business model replacement, when improving four or more of the business model elements.

Finally, Zott and Amit (2010, p.217) apply an activity perspective to the business model, defining it as “a system of interdependent activities that transcends the focal firm and spans its boundaries”. They state that a business model can be seen as a bundle of specific activities, including a specification of which parties conduct which activities, and how the activities are interlinked. Thus, business model development includes: Linking activities in a new way; adding new activities; and/or changing the parties that perform the activities (Amit & Zott, 2012).

Despite that the growing focus on business model development, the concept is still poorly understood (Bucherer et al., 2012). From the limited literature on business model development discussed above, it can be

argued that the different suggestions for business model development have a strict focus on answering the question of *how* business model development can be done in practice. Inadequate attention is given to understanding why business model development is considered to be valuable, identifying specific drivers that lead to change and understanding what characterizes the behavior of firms leading to business model development. Additionally, this literature is dominated by a firm perspective, since the actions suggested are mostly directed towards internal activities and processes, providing less insight to the effects from business relationships on business model development.

In this article the concept of a networked business model is followed. However, in order to answer the research question the focus is on how perceived value in a preferred customer-supplier relationship influences managerial decisions to develop the *networked* business model of the supplier.

Perception of value in business relationships

Taking a relational approach to value has led to several perspectives: a customer perspective (e.g. Anderson & Narus, 1998; Möller, 2006; Ulaga, 2001); a supplier perspective (e.g. Ford et al., 2009; Walter, Ritter, & Gemünden, 2001); a dyadic perspective (e.g. Corsaro & Snehota, 2010; Haas, Snehota, & Corsaro, 2012); and a network perspective (Corsaro et al., 2012; Johanson, 1999). A common interest up to now has been the perception of value in the relationship.

Generally, the predominant focus within current industrial marketing research is on customer value (Walter et al., 2001), addressing how suppliers can create and deliver value to their customers. Essentially, customer value is considered vital for firms' survival and success (Flint et al., 1997), and is regarded as the cornerstone of the marketing management process (Anderson & Narus, 1998). There is empirical evidence that customer value does not originate simply in the products

produced or the lowest prices given by the supplier (Corsaro & Snehota, 2010; Ulaga & Eggert, 2006b). Instead value has multiple dimensions (Ulaga, 2003), ranging between having both tangible and in-tangible elements (Baxter & Matear, 2004). In an empirical study by Ulaga and Eggert (2006) two dimensions of customer value are identified: benefits and cost. These relate to three operational levels: The core offering, including elements such as product quality and delivery performance; the sourcing process, including service support and personal interaction; and customer operations, including supplier know-how and time to market.

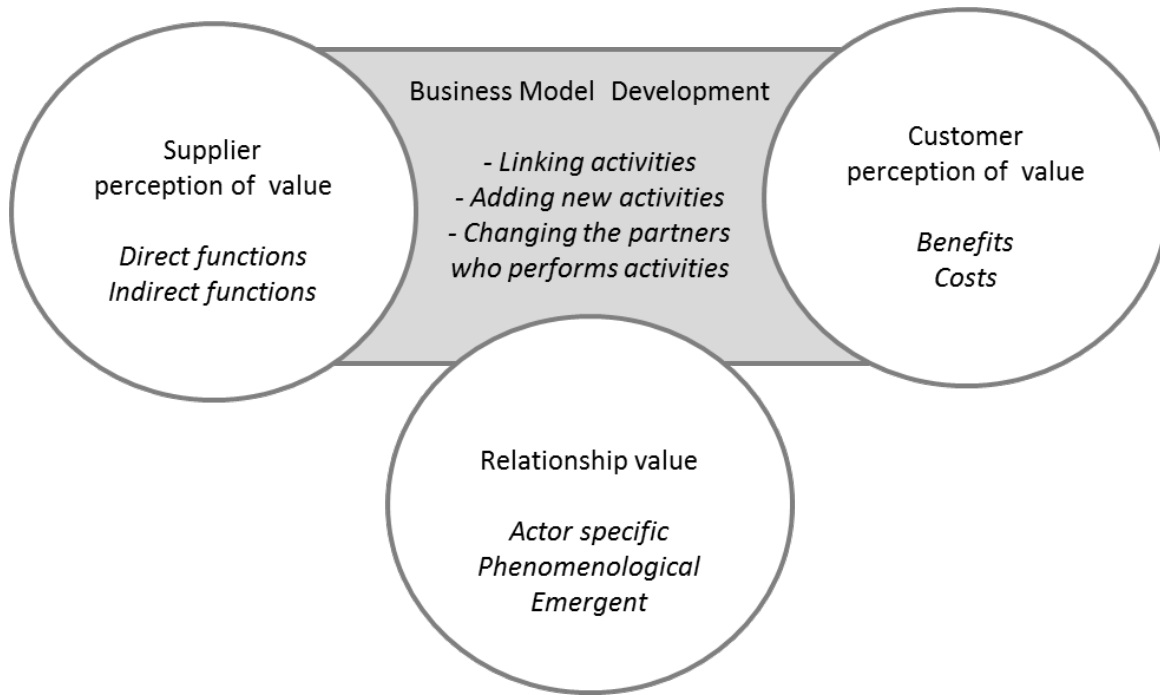
Interest is also growing for studying value from a supplier perspective, thus taking into account that a valuable relationship must be founded on mutual value creation (Ford & McDowell, 1999; Hakansson et al, 2009). In studies of value from a supplier relationship, Ritter et al (2001) suggest that value for the supplier are connected to a number of direct and indirect customer functions. The direct functions concern profit-, volume- and safeguard functions, and are created within the relationship, independent from other actors in the network. The indirect functions are not only related to the customers and suppliers with whom the firm has relationships, but also to the wider network, and refer to *innovation, market, scout and access*. Value from these is indirect since they do not create profit in the same way as direct functions, but as an effect of the relationship.

Thus, these studies of customers' and suppliers' perceptions of value point to somewhat different value elements being of importance to different business actors. Recent literature on value perception in business relationship also points to the complexity that arises because actors perceive and interpret value differently (Corsaro & Snehota, 2010; Young et al., 2009). Corsaro and Snehota (2010) identify three specific patterns related to value perception in a business relationship, arguing that value should be considered actor specific, in the sense that the economic value of

a business relationship originates in the spatial and temporary context of an actor, and cannot be determined from features of the relationship, or of the actor (Corsaro & Snehota, 2010, p. 992). Secondly, value perception differs between supplier and customer in the relationship regarding specific elements (Ulaga & Eggert, 2006b), meaning that value in a business relationship is phenomenological, and that actors judge and define value on only a limited set of elements (Corsaro & Snehota, 2010, p. 993). Thirdly, value perceptions change over time, and so value becomes emergent and mutually enacted as parties interact (Corsaro & Snehota, 2010, p. 993).

Summing up, value in business relationships is a complex matter of different perceptions of “what is value?” and “what is value to whom?” and “when is it value?”. What seems less clear in these value discussions is knowledge about how different perceptions of value in a business relationship affect firms’ behavior, and more specifically “how perception of value impacts the conduct of the parties involved in interaction” (Corsaro & Snehota, 2010, p. 993). Building on the presented literature and discussions of business model development and value perceptions, the concepts listed in Table 1 constitute the theoretical framework utilized for the present purpose of studying how the partners’ perceptions of value influence managerial decisions and related actions, to develop the business model of the supplier.

Figure 1. Theoretical framework for studying the perception of value and business model development



Research design and methodological considerations

The research design of this study builds on a case study method, which allows for obtaining a holistic and meaningful characteristic of a real-life event, such as managerial decisions, to develop a business model based on value perceptions in a preferred customer-supplier relationship (Yin, 2013). Following the arguments of Dubois & Gadde (2002) and Easton (2000) we chose an in-depth study, since this allows us to better understand how value perceptions evolve in a preferred customer-supplier relationship, while reflecting on the complexity of their interaction and context. The relationship studied includes a customer in the global windmill industry (anonymized at the request of the company, however named WindPower in the case) and one of its preferred suppliers of hydraulic solutions. This particular relationship was chosen due to a unique opportunity for one of the authors to follow and study the relationship at close quarters over a one-year period.

The study reported is part of a larger research project into how firm collaboration influences business model development. For the present purpose the empirical material consists of five in-depth interviews: two group interviews at the supplier firm and three personal interviews at the customer firm. Interviewees were chosen on the grounds of their direct engagement in the relationship and direct responsibility for relationship-related activities. The interviews have contributed with insights into which activities the parties consider valuable for developing their own business, as well as their mutual relationship. Furthermore, observation studies of ten business meetings, six of which were held internally by the supplier, and four joint meetings between the customer and supplier have been included. The overall agenda of the ten meetings was to discuss perceptions of value, in order to adjust and initiate relationship activities.

The five interviews selected for this particular study can be characterized as deep and focused (Freytag & Darmer, 1996). The interviews were conducted as an open dialogue in which respondents had the opportunity to elaborate on their answers, along with touching upon relevant issues not covered by the interview guide. When respondents were invited to an interview, they were presented with the general topics and themes of the interview guide. The respondents from the customer were sent the interview guide prior to the interview.

Each interview opened with an introduction to the research project and issues of how the data will be used. The interview guide includes two sections: (1) the first part of the interview gives general insights to customer-supplier relationships in which the parties engage. (2) the second part relates to the specific preferred customer-supplier relationship including activities, actors and resources considered valuable to the collaboration. One interview with the CEO at the supplier includes an additional issue related to outlining the company's business model as well as managerial and strategic considerations related to activities initiated and

completed in order to develop the business model in light of the specific customer-supplier relationship. Every interview was recorded and transcribed. The transcriptions were sent to respondents and approved without comments.

Observation of meetings followed the procedure set out by Jorgensen (1989) and Gold (1958). The role of ‘participant as observer’ (Gold, 1958) has been applied. Since one of the authors stayed for a longer period at the supplier, that observer can also be described as an ‘insider’ (Jorgensen, 1989). However, employees at both the supplier and customer firms were informed of the research data collection taking place, and thus the observer role can be considered ‘overt’ (Jorgensen 1989). Due to the continuous engagement at the supplier company, the observer was a known and recognized person who gained the confidence of employees to such a degree that they did not feel observed (Gold 1958).

From internal meetings at the supplier, observation notes relate to discussions of how the customer’s demands and requirements were to be understood and accommodated, as well as discussions and decisions related to activities to be initiated or adapted at the supplier firm in order to meet the customer’s demands. At joint meetings between the customer and supplier, the customer presented supplier evaluations. During meetings, the partners discussed issues related to improving supplier performance, as well as activities to be initiated and planned to accommodate demands. Notes from observations of joint meetings include the customer’s demands and requirements, and the partners’ discussions and decisions on activities to link and initiate.

Table 1. Participants and involvement

Firm	Name	Function	Involvement
HYDAC	Jens	Managing Director	Observation studies, interviews
	Thomas	Key Account Manager	Observation studies, focus group interview
	Joy	Technical Engineer	Observation studies, focus group interview
	Simony	Product Manager	Focus group interview
	Alexander	Firm owner	Observations
	Mark	Sales Manager	Observation studies, focus group interview
	Jim	Production Planner	Observation studies, focus group interview
WindPower	Christian	Strategic Purchaser	Interview, observations
	Johanne	Purchase Manager	Interview, observations
	Christina	Strategic Purchaser	Interview, observations
	Thomas	Technical Manager	Interview,
	Henrik	Vice President	Observations

Data analysis

The analysis of data from interviews and observations followed the framework developed by Miles and Huberman (1994), building on three phases; data reduction, data display, conclusion drawing and verification.

The data reduction process was conducted as a first step for the purpose of selecting, focusing, simplifying, abstracting and transforming data (Miles

& Huberman, 1994). Since the present study is part of a larger research project, data collection included multiple factors. Accordingly, reduction of data was very important in order to get an overview of which data were useful for this particular paper. By using a set of six questions, building on the nine value drivers identified by Ulaga & Eggert (2006), and the seven functions identified by Ritter et al. (2001), and in order to discover perception of value from the perspectives of both the supplier and customer, we have been able to select data that focus directly on this matter. After reducing data concerning perception of value, we used four questions addressing impact and activities related to cooperation between the customer and supplier, and the development of the supplier's business model in particular. These questions were guided by the three steps of business model development developed by Zott & Amit (2012). By selecting and reducing data with the help of 10 questions, we created a set of useful data that constitute the empirical foundation of the paper addressing the overall research question.

The next phase in the analysis process was to display data, in order to provide an organized, compressed assembly of information (Miles & Huberman, 1994). Using display matrix-analyses, building on the concepts of Corsaro & Snehota (2010), we have distinguished between the roles in the relationship i.e. either customer or supplier. In each matrix, data were gathered related to the ten overall questions, which gave an overview of data divided into roles. This led to the discovery of perceptions of value and the impact on related managerial decisions and activities initiated. Also discovered was how the parties in the relationship consider value from the perspective of their counterpart: similarities and differences were identified.

Finally, conclusions were outlined after considering the analyzed data in line with the overall theoretical framework presented in Figure 1.

Case: developing the business model based on customer perceived value

Hydac is a supplier of hydraulic solutions, servicing local as well as international customers based in Denmark within different industries such as wind power, mobile hydraulic and marine hydraulic. The firm was founded in 2000 as a subsidiary to Hydac International, the world's largest family-owned hydraulic business. Hydac has its own assembly and production facility in Denmark but generally sources components from its international mother and sister organizations. Hydac perceives itself as a typical manufacturing firm, focusing mostly on the operational and technical development of new products. Within the last couple of years the firm has experienced a growing need to develop its business areas and business model, which has resulted in for example a new service department, as well as an expansion of the product catalog.

Hydac's business model covers four main business areas: customized designs and product development, serial production, configurable solutions and service offering. The business model is intended to deliver value to the customers in terms of new designed solutions, high product quality and market based prices. Further, Hydac's business model is characterized by a strong focus on the customer side of the business, and all activities are coordinated and structured towards the demands of the customers. Less attention is given to value creation with its own suppliers and upstream activities in the supply chain.

Customers utilize Hydac solutions and products either in their own production facilities, or as integrated elements in solutions sold under the single customer's brand. In general, customers value Hydac as a supplier, because... Depending on individual customer's expectations and needs Hydac makes an effort to customize the sales efforts and solutions developed. A few customers are selected as preferred customers, based on their potential for profit earning and perceived innovativeness.

Collaboration with such preferred customers places high demands on Hydac's sales effort and performance.

One preferred customer is WindPower, who operate in the international wind power industry. Hydac and WindPower have a close collaboration. Hydac puts many resources and great effort into servicing this specific customer, by adjusting and developing products and solutions, as well as business operations to fit with WindPower's expectations and needs. Together they share a long business history, and over time collaboration has moved towards a closer relationship culminating in Hydac being nominated as a preferred supplier to WindPower in 2013. Initially, WindPower mainly purchased components and minor hydraulic systems from Hydac, but during the last couple of years the firms' joint business has generally grown, and now also includes serial production of larger hydraulic systems and technical development of new systems for the products that WindPower manufactures at its production sites around the world.

Changes in the nature of purchasing and supply between Hydac and WindPower concerning components, systems and technical developments have also led to changes in their daily interaction. Employees from the supplier and customer meet more regularly through conference calls, site visits, and meetings both at operational and strategic levels. The operational activities mostly concern specific technical solutions between the two companies' R&D departments, whereas sales managers, strategic purchasers and category managers meet frequently to discuss more general matters of the business between the partners, and address issues of how the collaboration can be developed and strengthened further. Four times a year, the sales team, including part of the management group from Hydac meets with the purchase team from WindPower to evaluate the relationship and collaboration, and to discuss future shared activities for developing joint business.

Changing expectations

Shortly after Hydac was selected as a preferred supplier to WindPower, the parties met. As often before, discussion at the joint meeting was characterized by a primary focus on Hydac's performance as a supplier in meeting WindPower's specifications and requirements. However, at this meeting, the customer's evaluation led to a downgrading of Hydac on a number of performance areas. WindPower announced that Hydac had not been able to meet demands for lower prices, higher quality in general and optimized logistic activities, in order to support WindPower with a pull strategy in stock. WindPower's category manager explained; "*We need our preferred suppliers to take action in bringing down the cost. Our preferred suppliers must be a part of the development that we are trying to generate*". Furthermore, WindPower explained that their expectations of Hydac are higher since its performance is integrated with the global Hydac International organization. WindPower found that Hydac had been, in general, unable to perform as a global and strategic partner with an explicit strategy towards a main customer. Delivering cost savings, quality improvement and optimizing logistics is not considered sufficient in itself. It has to be delivered with - what the purchaser referred to as - the right mindset: "*We expect our suppliers to be innovative, independent, to act proactively, and to show initiative in the projects that we share. Having the right mindset is a must*".

After WindPower had made it clear that they were not satisfied with the preferred supplier's performance, Hydac decided to undertake an internal assessment of the areas highlighted by WindPower. The Hydac management team was frustrated, and did not understand all of the arguments for the downgrading, particularly since the last evaluation had actually rated Hydac as better compared to earlier ratings; prior to being selected preferred supplier. The key account manager explained: "*I am not quite sure what they actually expect. Six month ago everything was fine, and now it seems like we are doing nothing right*". Frustrations were not

only related to not understanding the customer's arguments and expectations, but also to a feeling of being unable to identify and act on the needs of the customer. The key account manager added: *“One thing is to work towards cost savings in projects or a higher level of quality, we can do that. But how are we supposed to actually change our entire mindset, and what do they actually mean?”* Based on the internal assessment and discussion, the Hydac management team decided to take action on a number of upcoming projects. Accordingly, Hydac developed a new project plan including milestones for both Hydac and WindPower, arranged shared meetings, and took steps to assess the existing development process in the R&D department in order to adjust it more specifically to the demands of WindPower.

Developing a partnership strategy

To emphasize the strength of their strategic intention to develop activities to service WindPower and fulfill the customer's expectations, Hydac invited the WindPower purchasing team for a joint visit at the Hydac International headquarters in Germany. The purpose was to discuss the joint development of business and the collaboration strategy with the top management of Hydac International. Meeting with the international top management, WindPower once more emphasized the importance of developing activities to secure the right prices, cutting down costs and developing global performance, adjusting to the requirements of the customer's global activities. Once again it was stressed that WindPower expected more from Hydac than had been delivered to date. The customer sought a more strategic approach from Hydac, and asked the supplier to develop and formulate a clear collaboration strategy to be presented and discussed as soon as possible.

The joint meeting at Hydac International and WindPower's continuous requests for development of the supplier's mindset and formulation of a collaboration strategy leads to new discussions within the Hydac

management team. Frustrations prevailed and although the management team agreed that something must be done, they found it very difficult to grasp the sense and meaning of what the customer was asking. They decided to launch a new form of project plan for developing the WindPower relationship. The new plan was to explain how Hydac would approach an upcoming WindPower development project, outlining the development activities and process, prices, service and delivery plans, communications, production coordination with sister facilities in the Hydac International organization, as well as other actors involved in the project. Developing the new plan led to discussions of Hydac's existing business model. The management team doubted whether the existing business model and portfolio of business areas could actually meet WindPower's expectations. A gap between WindPower's demands and Hydac's business model was detected. These gaps were primary in terms of having the necessary production facilities, missing competencies in the research and development department, having a high margin on price, as well as developing global collaboration in the global Hydac organization. Hydac's CEO questioned the firm's ability to deliver, based on the current business model, and considered how to optimize value creation: *"We must evaluate our current set-up, and if we cannot make it happen, we must indeed consider doing what it takes"*.

Discussions followed on a number of possible changes, for instance changing the sub-suppliers base in order to bring down cost, outsourcing production to a third party, employing new development resources or reorganizing the production site. Furthermore the CEO pondered whether the current management setup for implementing production plans was sufficient, or required change in order to adjust activities and resources to the activities that WindPower performs in their manufacturing and development processes. A new issue in the management team discussions was raised concerning the return on value of the relationship with WindPower. This was considered to have implications for how interactions

and exchanges are handled in the relationship. The production manager at Hydac explained that a condition for delivering on time, at the right price is reliable forecasts and information on changes in production at WindPower; *“Without the right information, we don’t have a fair chance of making this a success. We need them to understand the importance of sharing knowledge with us”*. The Hydac CEO agreed and argued that respect for Hydac’s business was, to some extent, missing in the relationship, but that it was important to secure a mutual valuable collaboration: *“Sometimes we feel that they have a lack of respect towards our business, and not providing us with information and knowledge in due time is an example of that. But maybe we should be much better in expressing what we consider important in this relationship.”* These discussions resulted in a small step change in the business model, by including a section in the new plan describing expectations towards WindPower and a list of a number of actions that WindPower needed to take responsibility for.

In parallel with developing the new project plan, Hydac also decided to develop a partnership strategy for this specific collaboration. The development process was long, and many meetings were held within the sales group and with other members of the organization involved in the relationship with WindPower. Discussions about how to translate what WindPower perceives as valuable into concrete actions at Hydac were causing problems. One thing is to link activities that might provide lower costs or improved quality, another thing is how to change the mindset or initiate activities that the customers will perceive as proactive behavior. Hydac formulated a range of goals, and for each goal a number of linked activities. However, it was perceived as being difficult to formulate actions concerning what Hydac refers to as ‘soft values’. One of Hydac’s goals was to act openly and honestly, to show respect in all actions, to create trust, and participate actively in creating a constructive dialog. However, ‘softer’ goals, such as honesty, openness and proactivity were perceived as

being complicated, particularly in terms of linking them to ‘harder’ goals such as reducing cost or improving quality.

Additional meetings

At the first meeting Hydac presented the new project plan to WindPower, hoping to achieve credit and acknowledgement of the work and devotion put into the project and joint relationship. However, WindPower did not express satisfaction, but disappointment with the plan. The customer thought that Hydac has not been able to meet their requirements for delivery time, implementation of new sub-suppliers and suggestions for enhancing global performance. WindPower referred to the plan as unambitious and implied that, in their view, Hydac was not taking ownership or global responsibility for developing the relationship.

This evaluation led to a new development process at Hydac, and additional internal meetings and discussions to develop a second version of the plan. As with the first plan, this second edition was developed by the people involved closely in the collaboration with WindPower. “Minutes of meetings” from previous meetings were included in the process, as well as notes from phone meetings and supplier days. A new revised plan for reducing cost, including the introduction of new suppliers, as well as optimizing the entire development process was added to the original plan. Furthermore, a suggestion for coordination and communication with other relevant players in the global Hydac organization was made.

Eventually, Hydac presented an updated version to WindPower, which they accepted. At this point WindPower acknowledged the work done by Hydac. The strategic purchaser from WindPower stated: *“You have done a lot of homework and with this project plan you have shown an organization that at least to some extent, knows when to do what, and how.”* Furthermore, WindPower explained that the revised plan gave confidence and a feeling of security that Hydac would, to some extent, be capable of running the project. Now WindPower were ready to initiate an

internal interval evaluation of its own processes and activities in order to be able to support Hydac in the best possible way.

Developing a new business model

Shortly thereafter, Hydac invited WindPower for a company visit to present new production facilities (stock management system) and a new partnership strategy. The new partnership strategy included goals and actions for developing the WindPower-Hydac relationship, highlighting how Hydac intended to meet demands for additional global performance, strengthening innovation resources and activities, keeping costs down, higher measurement levels, structured communication and activity planning. Activities were launched to organize a global business network, global management reports, and global business meetings. To strengthen innovation and development performance, Hydac planned to develop and implement a new business model dedicated to product and process innovation, and by that deliver value to WindPower in terms of a shorter delivery time and novel product solutions. As such, the new business model deviates from Hydac's former business model by placing a stronger focus on actually developing and delivering solutions with a high degree of novelty for the market. Part of the business model is also to facilitate learning workshops, provide internal and external training, and to develop business cases on the different projects that WindPower asks Hydac to perform. To accommodate the rigorous demands for continuous cost-down activities Hydac ordered and implemented automatic storage racks, as well as new optimization activities in the assembly area, following lean principles. Furthermore, Hydac argued that it was their intention to develop key performance indicators for raising the level of measurement. In order to meet demands for more coordination and structure, Hydac developed an annual time wheel for the purpose of communicating and keeping track of all activities in, or related to, the relationship with WindPower.

Following the presentation of the new partnership strategy, WindPower informed Hydac of its latest evaluation of its supplier's performance. Hydac received a downgrading on several issues. However, WindPower expressed great satisfaction with the work that Hydac had done and complimented the sales team for the effort that had been dedicated to the partnership strategy. The WindPower strategic purchaser explained that: *"...as long as we see that you move forward and keep getting better and better, we don't mind providing you with an extended time frame"*. Nevertheless, WindPower also expressed concern about the level of activities, resources and investments needed to implement the partnership strategy at Hydac. The supplier was encouraged to present a more detailed action plan at an up-coming meeting, providing details of how the plan would be implemented.

The following period was characterized by a number of internal meetings at Hydac, and the management team reflected on the process that Hydac has been going through in the attempt to meet expectations from this preferred customer. The CEO thought that based on the development process that Hydac has been going through, there was a general need for a new strategic approach towards preferred customers. It was decided to employ new sales management resources and reorganize the sales organization. Each preferred customer was now to be handled by a dedicated group of employees across functions in sale, production, purchasing and R&D.

Discussion of findings

A continuous focus on price followed by cost reducing activities, such as optimizing production processes, stock handling or developing the sub-supplier base was explicitly articulated by WindPower as essential for its perception of value. Furthermore, new activities in order to improve quality throughout the entire value chain, and global performance in the joint network, were argued to be vital issues for value creation in the

relationship with Hydac. However, the case also shows that these value drivers would only be appreciated as long as Hydac managed to deliver them proactively and with the right mindset as argued by WindPower. For example, WindPower asked Hydac to initiate cost-reducing activities proactively as a part of everyday business in the relationship, and not only when it was requested explicitly during evaluation meetings. Being positive, enthusiastic and well prepared were described as a part of showing the right mindset towards WindPower. Having the right mindset seems to include the supplier sensing and reacting to expectations and forecasts on issues, in order to be part of the customer's future perception of value. This also relates to the expressed importance of Hydac being able to demonstrate a strategic approach to cooperation including transparency of its own strategy, management and global extension. This is also considered valuable, and a part of showing ownership and responsibility in the relationship with WindPower.

Hydac emphasizes a number of slightly different value elements to be of importance. From the outset, the supplier was very keen to react to the requirements put forward by WindPower, and so initiatives to link cost saving activities to quality, and delivery activities to accommodate this, were implemented. However, as the discussion on value proceeded, Hydac explicitly addressed its own perception of value as being getting the right information at the right time, combined with receiving reliable forecasts. This was considered necessary in order to secure WindPower the right delivery at the expected time. When the first plans for initiating new activities to develop the Hydac business model and the relationship with WindPower received an adverse reaction from the customer, the supplier continued to discuss what to expect from the relationship. As a result Hydac developed a new business model and strategy for the WindPower relationship, emphasizing value through jointness in development and knowledge sharing in concrete development projects, as well upgrading the knowledge base on which Hydac was working in relation to its other

customers. Since Hydac would be dedicating a large amount of resources to adjusting, developing and organizing a large part of its business in accordance with WindPower's requirements, they considered it very important that WindPower make a financial guarantee for future joint business. Hydac expressed such issues by asking WindPower to show respect, reliability and openness.

From the present study we cannot infer that a customer has significantly different perceptions of value compared to a supplier, as claimed by Walter et al. (2001) and Ulaga and Eggert (2006). Issues such as product quality, delivery performance and service support are emphasized as "must haves" along with profit, volume and safeguards being believed by both parties to be valuable. Furthermore, both parties value indirect functions and relationship benefits in terms of respect, reliability, proactivity, mindset and knowledge sharing. Accordingly, in the case of Hydac and WindPower we find confirming suggestions as to how perceptions of value are actor specific and phenomenological, as in the study by Cosaro and Snehota (2010). Additionally, value perceptions of both the supplier and customer are emergent and evolving. From the outset, WindPower expressed the value of cost and quality along with mindset and global performance. However, as discussions on value between the parties continued, and activities were adjusted and initiated, the customer seems to have changed the weighting of different value issues. In the beginning much emphasis was laid on evaluations of Hydac's performance on cost, service and quality. When, at the end, an additional downgrading on these issues was given, these issues were considered to be less important, since WindPower now perceived Hydac as having the 'right mindset'.

Thus, a finding from the present study, contributing to understanding how value perceptions are connected to managerial decisions and related actions to develop a firm's business model, is the ability to couple the different exchange-related and relationship-related elements of value. As

expressed by both WindPower and Hydac, value does not lie in each value element itself. Rather, value is perceived as being highest when elements are coupled together, such as when Hydac managed to bring down cost, but in a proactive way, or when WindPower provided forecasts that were reliable and showed respect for Hydac's business. In particular, WindPower perceives value to be high when, in their opinion, Hydac demonstrates the right mindset and proactively develops the business model to integrate activities e.g. for product and production development, including focus on cost as well as quality and logistics, hiring new employees to implement the initiatives, and linking activities to other partners in the network for global performance.

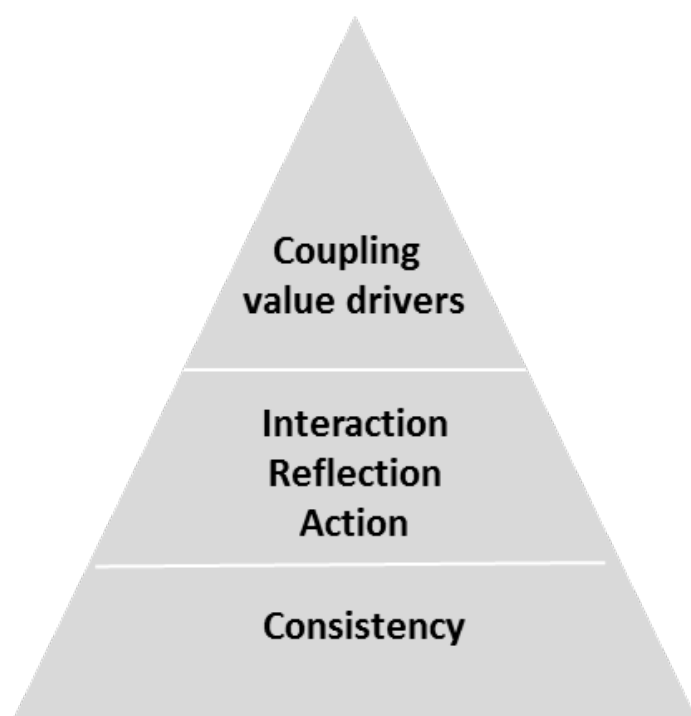
A closely related and second finding is, how value is also captured in the ability to link and initiate activities in the business model in response to the dynamic development of each partners' perception of value. In the relationship between Hydac and WindPower the perceptions of value and the related managerial decisions concerning business model development unfolded in a dynamic process of interaction, reflection and actions. An example of this is the strategy plan that Hydac developed, presented and further adjusted, based on evolving responses from WindPower. Here it was the continuous effort and progress made by Hydac that was perceived to be of high value, rather than the concrete strategy elements in the strategy plan.

In general, Hydac made consistent efforts to link activities in a novel way, adding new activities or involving different actors, in performing activities for the development of the business model (as also addressed by Amit and Zott, 2012). However, these efforts were directed towards the business exchange related to cost reduction, keeping up quality or improved logistics. It appears much more difficult and complex for Hydac to meet the value expectations of having the right mindset, acting proactively and taking ownership. In particular, Hydac stressed on several occasions that

they were having trouble translating and acting upon these rather “soft” values, that were, in their opinion, intangible and difficult to comprehend. Nevertheless, the supplier was consistent in trying, despite the perceived difficulties and frustrations. This consistency is considered to be the third finding from the present study, suggesting that the coupling of value elements in a dynamic development process should be consistent in order to be valuable. When WindPower’s perception of value continuously evolved, and the customer constantly pushed the supplier to develop the business model, Hydac remained persistent in trying. An example of this was when Hydac developed a plan for development and production, and on several occasions presented the plan to WindPower, only to get a harsh evaluation and the message to try all over again. Despite the harsh evaluation, Hydac continually tried to reach WindPower’s expectations, suggesting that success does not necessarily lie in reaching a goal, but in the consistency of trying.

The three findings are illustrated in figure 2.

Figure 2. Perceptions of value in business model development



Conclusion and implications for research and management

Studying perceptions of value in a preferred customer-supplier relationship, and the related managerial decisions and activities initiated to develop the business model of the supplier, has allowed the formulation of three considerations. These contribute to our knowledge of how perceptions of value influences firm behavior. As such the present study contributes and adds to other existing studies stating that relationships are made of behaviors (Corsaro & Snehota, 2010:993), and that behaviors can be explained using the business model concept as a system of interconnected and interdependent activities that determines the way companies “do business” (Amit & Zott, 2012:42). In accordance with existing studies of relationship value, this study also demonstrates the complexity that arises when value between actors in a relationship is to be perceived, understood and subsequently leads to actions.

The first consideration argues for the importance of the firm’s ability to couple different value elements, and translate these into activities and actions for developing the firm’s business model. Creating value closely related to business exchange by applying criteria such as benefits and cost (Ulaga & Eggert, 2006b) or direct functions (Walter et al., 2001), in order to understand customer or supplier perceived value, entails an economic value perspective, that considers value to be comparatively measurable and observable (Corsaro, 2014a). Based on the present study, perceived value in terms of cost, quality and delivery performance are relevant, but inadequate for explaining and understanding the ‘full’ value achieved. However, as shown in this study, the real achievement is abilities and behaviors that couple these economic value elements with the more indirect and ‘soft’ issues, such as having the right mindset, pro-active behavior and showing respect for the partner’s business. The coupling ability, not only offers value in the specific customer-supplier relationship in the presented case, but also a more nuanced and comprehensive value framework, so as to understand value perceptions leading to managerial

decision and activities for developing business models in close relationships.

The second consideration states the importance of handling the dynamic process of business model development. Zott and Amit (2010) characterize business model development as adding new activities, linking activities in a novel way or changing the parties that perform the activities. The case in this study explicates how it is perceived to be straightforward to act upon economic value elements, cost reduction or improved quality, through changes in the activity system of the business model, whilst being far more difficult to implement changes that fulfill the perceived value related to a more proactive behavior or mindset. The supplier and customer engaged in a dynamic and repetitive process of interaction, reflection and action to find common ground. Hereby this study adds to the understanding of business model development, by linking business relationships to the process of business development, as an integrated part of the value creation process.

The third consideration addresses consistency, suggesting that the ability to couple value elements in a dynamic development process requires consistent behavior in order to be valuable. This implies that an important part of perceived value in the relationship lies within the ability to consistently develop the business model, especially, as value perceptions are constantly evolving and thus constitute a ‘moving target’.

Insights from the present study contribute to existing discussions of the concept of value in business relationships and business model development in general. Besides responding to calls for more empirical studies of business model development (Benson-Rea et al., 2013; Coombes & Nicholson, 2013; Ehret, Kashyap, & Wirtz, 2013), the present study contributes to recent discussions on business models as dynamic and relationship dependent (Mason & Mouzas, 2012; Simmons et al., 2013). Furthermore, this study is intended to widen our understanding of value

perception in close co-supplier relationships i.e. with preferred suppliers. Drawing on existing knowledge of business model development discussed in the context of value perception, we challenge the business model concept to explore new directions. Understanding value as the central value proposition (Osterwalder, Pigneur, & Tucci, 2005) is only one side of the story. Indeed value perceptions have multiple functions in the relationship; serving both as a way to communicate and discuss the potential for mutual business, and as a driver of continuous business model development.

However, limitations do apply to these findings, which also call for additional research into the field of business model and value perception from a relational perspective. Firstly, it should be emphasized that the objective of this study has been to study business model development from a supplier perspective, and therefore additional knowledge on business model development from the customer perspective is needed. Research into value tends to predominantly focus on customer value (Walter et al., 2001), however addressing mutual value creation would also be valuable, in order to broaden the relational business model perspective. A further extension, for studies of the perceptions of value co-creation, would be to include perceptions of value in the wider stakeholder and network context (Frow & Payne, 2011).

Developing a business model based on perceptions of value in a preferred partnership has some managerial implications. Firstly, it is germane for managers to pay attention to differences in value perceptions and the potential implications this may have on business model development, as well as the relationship in more general terms. Secondly, it is relevant for managers to develop the firm's abilities for coupling the different elements of the partners' value perceptions, and to be consistent in the dynamic process for business model development that this implies.

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Chapter 5. Paper 2

Understanding value perceptions using network pictures

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Abstract

Purpose: The purpose of this paper is to investigate relationship value in a dyadic customer-supplier relationship from a network perspective. In particular, this paper focuses on how dimensions in the customer and supplier network influence both sides' perceptions of value

Design/methodology/approach: Focusing on a dyadic relationship between Hydac and WindPower, an in-depth case study has been conducted over a period of two years. Data were collected through interviews at both firms, as well as observations from individual meetings and joint meetings between the firms.

Findings: The findings of this study shed light on the connection between firms' network understanding and their perception of value. The study points to three elements, suggesting that value can be understood as reflection, expressions and activities.

Practical implications: Value is not to be formed and understood from a firm perspective. Managers must understand that dimensions in their surrounding network play an important role in value perceptions, both for the firm itself and for other firms in the network.

Originality/value: This study contributes to broadening understanding of relationship value, as it takes the discussion on relationship value to another level, and illustrates how value comes to life in a network setting. Most research on relationship value focuses on form and content, whereas this study considers the role of networks in forming value perceptions.

Keywords: Relationship value, network pictures, business relationships, value perception

Introduction

This paper is about value perception in a network context. Value is considered to be the key issue in business (Anderson & Narus, 1998; Lindgreen & Wynstra, 2005), and paramount to firms' survival (Kotler et al., 2012). The concept of value has been the pivotal point of marketing research for the past few decades, and scholars agree on the complexity of characterizing value in business. Much of the literature on value takes the perspective of the firm (Corsaro et al., 2012; Lindgreen, 2012), however this risks overlooking important aspects of value e.g. how value is perceived and understood differently from actor to actor (Corsaro & Snehota, 2010), from either relationship or network perspectives (Ulaga, 2003; Walter et al., 2001), and also how firms' understanding and perception of value are being influenced by their surroundings, and consequently change over time (Corsaro & Snehota, 2010; Corsaro, 2014a). This realization has led to an increased focus on value in a relationship context, including a new understanding of value as more than just the product produced and exchanged. The concept of relationship value (Ulaga & Eggert, 2006b, 2008) is based on the premise, that value creation happens through interaction between firms (Lindgreen, 2012), and that firms engage in business together for other reasons than just the value of goods and service (Lindgreen & Wynstra, 2005). Lapierre explains value as the benefits and sacrifices of relationships, and finds that value is not only prices and order volume, but is also related to factors such as flexibility, trust, solidarity and reliability (Lapierre, 2000). Ritter et al., (2001) argue that value lies within the functions of relationships, e.g. innovation function, profit function and market function, whereas Frandsen et al (2014) consider value as firms' ability to couple different value elements and translate them into activities, as well as handling dynamic development processes continuously. Common is an implicit or

explicit reference to how value is perceived, which Corsaro & Snehota (2010) characterize as actor specific, phenomenological and emergent.

Thus, although the literature provides insights to a number of relevant aspects of relationship value, there are still scholars advocating for more knowledge in the field (e.g. Anderson, Håkansson, & Johanson, 1994a; Corsaro & Snehota, 2010; Lindgreen, 2012; Ulaga & Eggert, 2006a). In continuation of the relatively significant focus on defining value drivers, elements and functions, and how they are perceived in relationships, a need for more knowledge, concerning how value perception is formed, arises (Corsaro & Snehota, 2010). Addressing the issue of how value perceptions are formed is an opportunity to go deeper into the notion of relationship value and to study the things in-between form and content (Corsaro & Snehota, 2010). The purpose of this study originates in this background, and sets out to examine the underlying factors influencing value perception.

One way to approach this is by adopting a network perspective. This approach emerged from the research of the IMP (Industrial Marketing and Purchasing) group, and works from the idea that firms are embedded in complex networks of interdependent relationships (Håkansson & Ford, 2002), and that “*life of one company is dependent on others and vice versa*” (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009, p. 6). The concept of network pictures has emerged as a frame for making sense of managers’ understanding and perceptions of the network in which they operate (Corsaro et al., 2011; Henneberg, Mouzas, & Naudé, 2006), and are conceptualized as a set of interrelated dimensions that, together, form a picture of the network.

Applying a network approach enables a more holistic perspective of the issue of relationship value, allowing a deeper discussion about how elements in the surrounding network affect perception of value, and the formation of perception. The specific purpose of this study is therefore to

answer the following research question: “*How are perceptions of value formed in a network context?*”

The paper is structured as follows; The first section discusses the theoretical field of relationship value and network understanding. The second section presents the methodological considerations and analysis. The third section contains the case study and the empirical findings, followed by case discussion and findings. The final section is the conclusion and implications for further research and management.

Theoretical Considerations

The concept of value in and out of business plays a significant role in many aspects of industrial marketing research, and the literature contains a range of scholars advocating for the value of value (e.g. Corsaro, 2014; Lindgreen et al., 2012; Ulaga, 2001). Anderson & Narus (1998) state that value creation is an important key to a firm's long term survival, success and competitive advantage, as well as being the essential reason for firms to engage in business relationships and networks (Anderson, 1995). Following the value concept as a research object, there has been a shift from the idea value as being related to the exchange of products and services, towards a new focus on value in, and of, relationships (Lindgreen, 2012). Earlier there was a tendency to frame value as something measurable and quantifiable, related to the object of exchange between firms, while in the recent past value has been seen as the main driver of relationships between firms (Corsaro, 2014a). This shift of focus has resulted in a number of interesting contributions on relationship value, seen from either a customer perspective (Anderson & Narus, 1998; Lapierre, 2000; Möller, 2006; Ulaga, 2001); a supplier perspective (e.g. Ford et al., 2009; Walter, Ritter, & Gemünden, 2001); a dyadic perspective (Corsaro & Snehota, 2010; Henneberg, Pardo, & Naudé, 2009.; Haas et al., 2012); and a network perspective (Corsaro et al., 2012; Johanson, 1999). Scholars have made several contributions to the conceptualization of relationship value for operationalizing the concept, and Table 1 presents an overview of selected value drivers or functions from both customer and supplier perspectives.

Perception of relationship value

Following the IMP tradition of research, value in and of relationships between two or more firms are seen as difficult to evaluate and complex to deal with (Ford., et al, 2009; Håkansson & Snehota, 1995). One reason is that there are multiple levels and dimensions in which value can be considered, and that perception of value tends to be rather complex. Corsaro & Snehota (2010) find that perception of value can be characterized as a) actor specific, meaning that value is perceived differently depending on the actors in the relationship, b) phenomenological, meaning that value is perceived as related to the elements used to assess the value of a given relationship, and c) emergent, as perception of value is fluid and more or less continuously changing. Further Corsaro et al., (2013) develop a relationship value pentagon framework, identifying five elements of value at meta-, network-, and dyadic levels. For the dyadic level, one must consider 1) value to be actor specific, as described in Corsaro and Snehota (2010) and 2) value to be collectively determined; meaning that perception of value differs not only between firms, but also between different actors in the firm, even though they are involved in the same relationship. At the network level one must consider 1) value to be contextual, meaning that value is relative to other relationships within the network of a focal firm, and 2) value to be contextual, meaning that firms have individual perspectives on external interdependence with network relationships. For the meta-level, value should be considered interactive as value changes during continuous interactions between business actors in the wider network.

Related to these value- drivers and functions, it is also relevant to mention, that in an earlier study of the perception of value, in a preferred customer-supplier relationship (Frandsen et al., 2015), three findings have been made that relate to how both customers and suppliers perceive value as part of their relationship. This study was built upon the value drivers of

Uлага and Eggert (2006) and the value functions of Ritter et al. (2001), in order to explain how firms react towards value perception, and the derived effects on how the firms organize activities. The study acknowledges the relevance of the value drivers and functions, however the study further points to the value of actors being able to couple different exchange-related and relationship-related elements of value. Additionally value is created in a process of interaction, reflection and actions, and it is the ability to link and initiate activities, in an activity system, to the dynamic development of each partner's perception of value. Finally an important aspect of value in a relationship is also reflected in the consistency and persistency employed by each partner in trying to develop.

Table 1. Relationship value

Authors	Perspective	Drivers/Elements/Dimensions	
Lapierre, 2000	Customer	Benefits:	Sacrifices:
		Alternative solutions Product quality Product customization Responsiveness Flexibility Reliability Technical competences, Supplier's image Trust Supplier solidarity with customers.	Price Time/effort/energy Conflict

Ulaga, 2003	Customer	Product Quality Delivery Time-to-market Direct Product Costs Service Support Supplier Know-how Personal Interaction Process Costs	
Ulaga and Eggert, 2006	Customer	Benefits	Costs
		Product Quality Delivery Performance Service Support Personal Interaction Supplier Know-how Time-to-market	Direct Costs Acquisition Costs Operation Costs
Walter et al, 2001	Supplier	Direct Functions	Indirect Functions
		Profit Function Volume Function Safeguard Function	Innovation Function Market Function Scout Function
Baxter & Matear, 2004	Supplier	Human intangible	Structural intangible
		Competences Attitude Intellectual Agility	Relationships Organization Renewal Development

Understanding networks

The concept of network pictures has been, both directly and indirectly, a part of the IMP (literature since the end of the 1980's and integrated in discussions on network horizons, network context, network identities and network environment (see e.g. Henneberg et al., 2006 for detailed explanation). Since that time much attention has been given to this concept showing how managers understand networks and act within them.

There is duality in the role of network pictures, as the concept serves both as a research device or tool to capture and analyze actors' subjective views of the business network (Ramos & Ford, 2011), and as a meaning-creating device to construct cognitive maps for decision making in business (Laari-Salmela et al., 2015). Furthermore, network pictures are used from a broad perspective to trace network development longitudinally (Ford & Redwood, 2005), and also from a more narrow perspective, providing insights into the individual actor's frame of mind, and what they, individually, consider to be relevant and important (Abrahamsen et al., 2012a)

Different interpretations and definitions have been put forward to strengthen understanding of the network picture concept. Discussing management in business networks, Håkansson et al., (2009) present network pictures as each *manager's*, “.... *subjective interpretation of the world around them and of the interaction taking place within it, whether or not they are involved in them*” (Håkansson et al, 2009, p. 194). Ramos et al., (2006) define network pictures as “*a representational technique that aims to capture or illustrate views that specific actors have of the networked environment within which they operate*”, while Henneberg et al., (2006) refer to network pictures as being managers', “... *subjective mental representations of their relevant business environment. They are posited to work as sense-making devices, and consequently shape*

managerial decisions, actions, and evaluations” (Henneberg et al., 2006; p. 408)

Reviewing the literature on network pictures shows that there is a strong focus on the link between network pictures, network change and managerial actions, or firm activities, within a strategy perspective. Corsaro et al., (2011) discuss the connection between network pictures and behavioral choices, and find that managerial choices due to strategic actions are affected by perception of the surrounding network. Leek and Mason (2010) examine the network of supplier relationships, and find that network pictures can be used as a sense-making tool for information development and sharing, both internally and externally. Öberg et al., (2007) use the concept to illustrate and analyze changes in networking activities following a merger or acquisition, and find that a changed business landscape affects network pictures, resulting in changed network activities. Ramos et al., (2012) study the complexity of network pictures, and argue that it is important for managers to understand their network pictures in order to understand business performance due to strategic development. Laari-Salmela et al., (2015) also combine network pictures with a practice perspective of strategy, finding that strategy formation is closely related to how managers make sense of changes in their network, and how that is reflected in the strategic activities of the firm. Taken together, the network picture literature presents a number of discussions on how network pictures are created, how they are developed, how they change and how that affects the activities of firms.

Within the network picture discussions is a conceptualization of network pictures as dimensions (e.g. Corsaro et al., 2011; Leek & Mason, 2009). Table 2 presents a selected overview of the network picture dimensions applied in network picture research. This includes the set of interrelated dimensions, conceptualized by Henneberg et al., (2006) in their comprehensive review of network picture literature. The eight dimensions

are proposed as parts of an “open concept,” but not all eight of the dimensions are required in order to create a network picture. Much of the present research applies this conceptualization of dimensions, either completely or in a modified way, selecting only a number of dimensions (e.g. Corsaro et al., 2011; Leek & Mason, 2009).

Table 2. Network Picture Dimensions

Authors	Dimensions/elements	
Ramos & Ford (2011)	Scale and Structure	Number and nature of actors identified in the network
	Process	The relationships taking place in the network (activities, resources and actors)
	Positioning	The position of an actor in the network.
Henneberg et al. (2006)	Boundaries	The depth and width of the network
	Center/Periphery	The center of the network (e.g. focal firm, focal relationship)
	Actors/Activities/Resources	Actors in the network, activities performed in the network and resources tied in the network.
	Focus	The focus of the managers being either entity-related or connectivity-related
	Directionality of interactions	Flow of goods as well as the interdependence of the relationship and the impact on others
	Time/Task	Information regarding the time horizon, long-term or short-term.

	Power	The extent to which the actors involved in the network are perceived independent or dependent upon each other.
	Environment	Aspects that are outside the visibility of the network
Corsaro et al. (2011)	Power	See Henneberg et al. (2006)
	Dynamics	The network involved change and dynamics between the actors involved.
	Breadth	The width and scope of the network
	Indirectness	The number of direct and indirect relationships
Ramos, Henneberg & Naudé (2012)	Actors	The number of identified actors in the surrounding network
	Relationships	The variety of the nature of relationships in the network
	Dynamism and Flexibility	The extent of changes perceived and identified in the network
Abrahamsen et al (2012)	Time	The subjective understanding of past, present and future.
	Space	The level of change (actor, dyad, network)
	Cause – and - effects	The reason(s) why changes occur

Theoretical framework

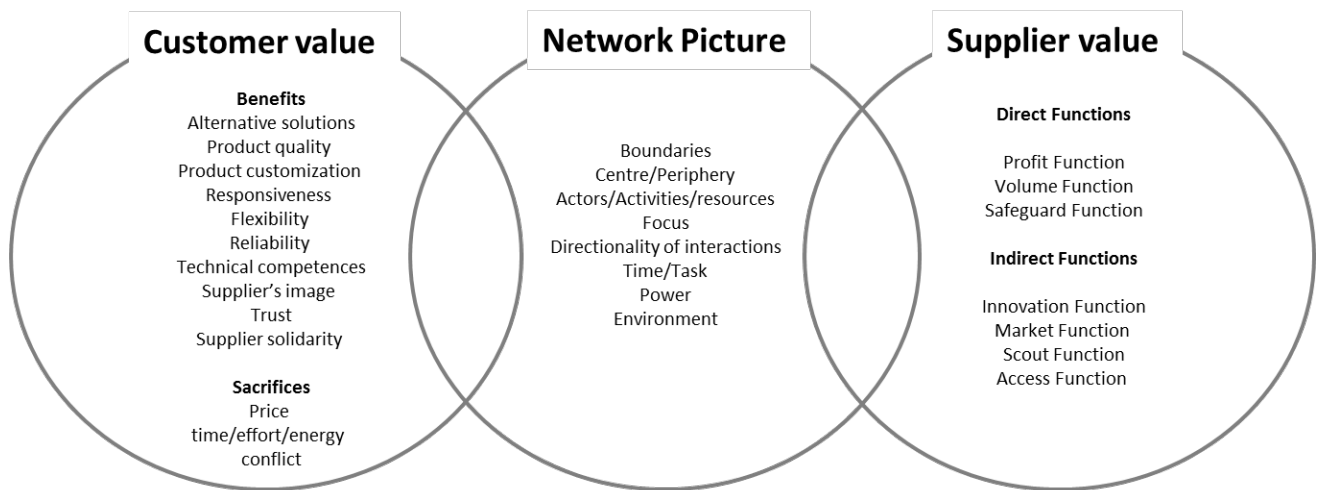
When deciding how to address relationship value, the above section reveals that there are a number of ways to go. The nature of value perception can be seen as actor specific, phenomenological and emergent, but also as functions, benefits, costs, sacrifices, human and structural etc. In an earlier study (Frandsen et al., 2014) it appeared that whilst cost, quality, profit and delivery performance are relevant, they are insufficient when explaining and understanding the full nature of value. Elements like reliability, respect, trust and flexibility must also be considered, as they represent a dimension of value perception that both suppliers and customers value. Based on an empirical study Lapierre (2000), suggests thirteen value drivers as being relevant when studying customer perceived value, and within these are elements such as trust, flexibility and image, following the line of the findings in Frandsen et al., 2014. The same applies for Ritter et al. (2001) who suggest supplier perceived value as functions of relationships. The direct and indirect functions of relationships capture elements such as profit and order volume, as well as innovativeness, gaining new knowledge and providing access to new markets.

Together the value drivers of Lapierre (2000) and the value functions of Ritter et al. (2001) constitute the value part of the theoretical framework. The network part is formed by the eight network picture dimensions of Henneberg et al. (2006). These dimensions are developed through a comprehensive review of the network picture literature. They are often applied by scholars, directly or in an adjusted form, in research on relationships, and follow the tradition of relationship marketing research.

Figure 1 illustrates the theoretical framework of the paper. The left side contains customer value in terms of benefits and sacrifices, and the right side contains supplier value in terms of direct and indirect functions. In the

middle, and overlapping both customer and supplier value, are the eight network picture dimensions. The overlap illustrates the connection between value and network that this paper aims to discuss. Together this represents the theoretical foundation on which the empirical case of this study will be discussed.

Figure 1. Theoretical framework



Source: Customer value: Lapierre, 2000. Network Picture: Henneberg et al., 2006. Supplier value: Ritter et al., 2001

Methodology

In the study of value perception and network understanding a qualitative approach to collection and analysis of data has been chosen. Adopting a case study methodology offers the possibility of creating a many-sided view of a given situation in its context (Halinen & Tornroost, 1998), the opportunity to capture the dynamics of the phenomenon being studied (Eisenhardt, 1989), and provides the researcher with the possibility of obtaining in-depth and comprehensive understanding of the specific phenomenon (Easton, 2000) in close contact with the studied object (firms) (Halinen & Törnroos, 2005).

The research question in this paper asks “*How are perceptions of value formed in a network context?*” Yin (2013) suggests that the case study is a relevant method for investigating this question i.e. when the research question seeks to explain present circumstances related to a social phenomenon answering “how” and “why” questions, the case study method is found to be methodically relevant. The use of the case study method can thus help to strengthen the empirical knowledge within the network picture literature.

The unit of analysis in this paper will be the dyadic level (Wilke & Ritter, 2006), building on an in-depth case study of a business relationship between a customer in the global wind energy industry and one of its preferred suppliers of hydraulic solutions. Together they share a long-term and close relationship as a part of each other’s network, and have eventually developed a deep understanding of each other’s business. During the data collection process the researcher was given privileged access to both companies in the network, both during interaction (observation studies), and individually through interviews. Based on this, the selected case fulfills the two basic requirements presented by Brito (1999): appropriateness and accessibility.

The field study was conducted from January 2012 to June 2014, and as this study is a part of a larger research project, the data foundation contains more than a hundred hours of observation studies along with fifteen in-depth interviews and three major workshops. For the present purpose, the empirical material consists of observation studies of ten business meetings, six of which were held internally at the supplier firm, and four joint meetings between the customer and supplier. The overall and general agenda of the ten meetings was to develop the customer-supplier relationship. Furthermore, five in-depth interviews were completed: two group interviews with the supplier and three interviews with the customer. Interviewees were chosen due to their direct engagement in the

relationship, as well as their direct responsibility for activities related to the collaboration. . They were all in some way responsible for different aspects of the collaboration, meaning that they can be considered as relevant representatives of the firms (Daft & Weick, 1984) .The interviews, along with the observations have contributed with insights to both the relationship between them and the networks of which they are individually a part. Table 3 presents the participants and their involvement.

Table 3. Case participants and involvement

Firm	Name	Function	Involvement
HYDAC	Jens	Managing Director	Observation studies, interviews
	Thomas	Key Account Manager	Observation studies, focus group interview
	Joy	Technical Engineer	Observation studies, focus group interview
	Simony	Product Manager	Focus group interview
	Alexander	Firm owner	Observations
	Mark	Sales Manager	Observation studies, focus group interview
	Jim	Production Planner	Observation studies, focus group interview
WindPower	Christian	Strategic Purchaser	Interview, observations
	Johanne	Purchase Manager	Interview, observations
	Christina	Strategic Purchaser	Interview, observations
	Thomas	Technical Manager	Interview,
	Henrik	Vice President	Observations

Observation of meetings followed the procedure established by Jorgensen (1989) and Gold (1958). The role of 'participant as observer' (Gold 1958) has been applied, whereby the author stayed for a long period within the firm and became what can be described as an 'insider' (Jorgensen 1989). However, employees at both the supplier and customer firms were informed of the research data collection taking place, and thus the observer role can be considered 'overt' (Jorgensen 1989). Due to the continuous engagement at the supplier company, the observer is a known and recognized person who gained the confidence of employees to such a degree that they did not feel observed (Gold, 1958)

The five interviews selected for this particular study can be characterized as deep and focused (Freytag & Darmer, 1996). The interviews were conducted as an open dialogue in which respondents had the opportunity to elaborate on their answers, and had the opportunity to touch upon relevant issues not covered by the interview guide. When respondents were invited to an interview, they were presented with the general topics and themes of the interview guide. The respondents from the customer were sent the interview guide prior to the interview.

Each interview opened with an introduction to the research project and information concerning how the data would be used. The interview guide included two sections: (1) The first part of the interview provided insights to customer-supplier relationships in which the parties engage in general. (2) The second part related to the preferred customer-supplier relationship, specifically focusing on how they perceive and understand the relationship. Every interview were recorded and transcribed. The transcriptions were sent to respondents and approved without comments.

Analysis

The data analysis followed the framework developed by Miles and Huberman (1994) building on three phases; data reduction, data display, conclusion drawing and verification. Building on this framework, data from the observation studies and interviews was analyzed.

The first step is the data reduction process, aimed at selecting, focusing, simplifying, abstracting and transforming data (Miles & Huberman, 1994). As this paper is part of a larger research project, the data collection included multiple factors, which made the reduction of data important in order to get an overview of which data are properly useful for this particular paper.

In order to select the relevant data concerning this specific analysis, a set of questions generated from the theoretical framework was applied to the data. In order to discover the network pictures for both customer and supplier, a set of eight questions following the eight network picture dimensions developed by Mouzas et al., (2006) was used to select data on that specific issue. Customer perception of value has been discovered through questions following the 13 value drivers identified by Lapierre (2000), and supplier perception of value has been discovered through questions following the seven customer functions identified by Ritter et al., (2001).

The next step was to organize and display the data in a way that provided an organized, compressed assembly of information (Miles & Huberman, 1994). For that, a five cross-case display matrix-analysis was made, distinguishing between the customer or supplier roles in the relationship, and the position of the interviewee. Each matrix framed the answers to the questions following the theoretical framework, and provided an overview of the answers divided into both the roles of the companies in the relationships, and the personal position level. Dividing data in this way

made it possible to discover opinions on value and network, not only from two sides, but also according to the position in the firm. Finally, results from the empirical study were discussed against the theoretical references and the specific theoretical framework.

Case presentation

Hydac A/S (hereafter Hydac) is a medium-sized supplier to the Danish industrial market for hydraulic solutions. The firm was founded in 2000 as a subsidiary of Hydac International, the world's largest family-owned hydraulic firm that designs, produces and sells solutions containing components from their headquarter factories in Germany. Hydac supply customers within four main business areas; solutions that are designed and developed specifically for the customer, serial production, configurable solutions and service offering. Hydac serves a broad customer portfolio, and delivers solutions to both small and medium size companies in Denmark, but also to large multinational firms, primarily within the wind sector. One of these customers is WindPower. WindPower is one of the key actors within the global wind energy industry, and serves a global market of both large and medium sized customers. WindPower's work involves development, manufacturing, distribution and supplying aftermarket service. WindPower has existed for more than a century, and from the very beginning the firm has been the subject to 'turnarounds' that have increased their focus on establishing and maintaining a competitive business, especially on the matters of cost, quality and delivery.

Perception of value in the relationship

Studying the interaction between Hydac and WindPower reveals that both parties have a strong focus on what they perceive as value in the relationship, as well as within their own firms. When they meet to discuss

ongoing and future projects they both maintain strong focus on which activities are considered valuable, and WindPower, in particular, stresses value drivers explicitly. The same applied when interviewing managers from both firms.

WindPower

The Category Manager at WindPower gave the following description of value in a supplier relationship;

“Value is when our suppliers present great competencies, the ability to act competitively in the market, and have a large global network to support us. We want them to show the right mindset and attitude, saying “yes we can”. We expect our suppliers to challenge our solutions, and if necessary provide us with better alternatives. Our suppliers must have great confidence and always believe in all the possibilities that occur when we work together”

The Category Manager explained further, that supporting WindPower’s competitiveness is considered to be the highest priority. This means that suppliers must be able to meet demands for lower prices, cost-down in all aspects of business, as well as building a strong portfolio of sub-suppliers that can ensure the right prices, quality and delivery times for WindPower’s business.

Historically, WindPower has had a very conservative approach to their supplier network, and as the Strategic Purchaser explained it; *“Earlier we just wanted everything to be our way or no way”*. Today she describes the approach to be quite different, as WindPower pursues more close and long-term relationships with suppliers. An example of this is the strategy of having a network of a few preferred suppliers, where WindPower invests resources in evaluating, developing and pressuring them to deliver according to WindPower’s changing demands in terms of a larger volume of orders. The Technology manager explained that *“there is a need to interfere in the business of our suppliers in order to make sure that we have control. Building windmills requires that we have a part in all matters of business, also those of our suppliers”*. The Strategic Purchaser further explained that working more closely with suppliers, encourages

WindPower to place more responsibility on the supplier, and in some cases even ask the supplier to be the expert, especially regarding the technical competences. *“We cannot master everything, so we need our suppliers to take the lead on specific projects in which we expect them to be the experts”*.

Although WindPower aims at more reciprocity in their relationship with suppliers, WindPower still maintains a very strong focus on their own business, and what the suppliers can do to support the operations of Wind Power. The Category Manager explained *“Working with a preferred-supplier strategy means that we get to know our suppliers more in-depth, - their weaknesses, but most importantly how they can support our strategy and direction of business with their business and if they need another set-up, we expect them to implement it within their business”*

Hydac

The Managing Director at Hydac explained value from Hydac’s point of view. *“Value is of course when we generate orders from our customers, which will turn out to be a good business case. That is what we are here to do.”* Further he emphasized the value of engaging in relationships with customers and suppliers who possess competences and knowledge that Hydac may learn from, but also that Hydac has the opportunity to become a part of the story that the important customers tell.

The R&D manager stressed the importance of receiving the right information at the right time; *“From our point of view, we rely on customers providing us with valid data on delivery time, project specifications, and price expectations”*. He explained that it is necessary for the entire firm to have specific knowledge of what customers expect from Hydac. *“If they need a shorter delivery time, or specific components or system figures, we need to know in advance. Otherwise we end up with solutions that our customers don’t want to buy and that we cannot sell.”*

The Managing Director explained that a way to ensure a high level of information is through strong commitment between Hydac and its customers. *“We have a strategy of building and maintaining strong relationships with both customers and suppliers, and we need to get in there at an early stage”* He also pointed out that when Hydac engage in close relationships with customers, both parties open up, and share information. *“When knowledge arises in relationships, there is a greater chance that we succeed in creating value for our customers.”*

The same applies when asking Hydac about their broader network. The Supply Chain Manager talked of the importance of having a broad portfolio of sub-suppliers and other relevant players: *“We need our network to be not only broad, but indeed strong. It cannot help if we run out of materials or components because we haven’t got enough suppliers or suppliers that do not have the competencies to support us”*. However he also points to the resources spent on building and maintaining a large network, saying *“Hydac needs to ensure that we have the right network, not necessarily the largest”*.

Network understanding

By using the eight network picture dimensions, proposed by Henneberg et al., (2006), to understand how both Hydac and WindPower see and understand their network, a strong connection between the two firms is revealed, and highlights elements in their relationship as having a major impact on their individual networks.

Center/periphery

The first dimension is the center/periphery; referring to the center of the network. It can be a focal company or a focal relationship. In this relationship, the overall role of Hydac is to supply WindPower with hydraulic solutions for the development and production of windmills,

whereas the overall role of WindPower in the relationship is to purchase from Hydac. There is however more to the relationship than that, and it is not solely a matter of simple transactions. The interaction contains a large scale of knowledge transfer between the two firms, as well as mutual suggestions and expectations for developing their own businesses as well as their joint relationship. This is elaborated in the following network picture dimensions.

Boundaries

The second dimension is *boundaries*. Boundaries represent the ‘depth’ and ‘width’ of the network. Depth refers to the number of relationships, whilst width refers to the nature of relationships.

Both Hydac and WindPower have a large network of actors involved directly or indirectly in their operations. As a subsidiary to the larger group Hydac International, Hydac has a large indirect network of both affiliates globally, along with customers and suppliers in the wider network. Hydac International serves as the main supplier of components and smaller systems for all Hydac subsidiaries. However, since Hydac Denmark is dissatisfied with issues such as the price and delivery time offered, it has established a broad network of suppliers independently from its international sister organizations. This is in order to be able to meet customer demands; shorter delivery times, higher quality and price reduction. The Managing Director of Hydac explained “*Our head organization is a strong supplier with one of the world largest component programs, and it means a lot to us that we are a part of that. It means that we can provide our customers with everything within the category of hydraulics. However, we often experience that Hydac International as a supplier lacks punctuality when it comes to delivery time, and willingness to discuss the price level. As a consequence of that we have our own base of mostly local suppliers as a backup*” Hydac has a strategy of

“partnerships in all operations,” meaning that both purchasers and the sales team strive to build strong and long-term relationships upstream as well as downstream in the value chain. The Supply Chain manager explained: *“We believe that we do business best if we are close to the firms that we do business with. We want to know our customers and suppliers, and preferably become a part of their business.”* The Managing Director added; *“our customers expect us to deliver according to their demands. In order to do that, we need to build a strong supplier foundation that we can rely on at any time. Our large customers expect us to deliver whenever they like”*

Like Hydac, WindPower also has a large network of both customers and suppliers. On the supplier side however, WindPower pursues a strategy of significantly reducing the supplier network. WindPower’s Category Manager explained why: *“Earlier we believed that value was in having a large network of suppliers, but recently we have made a strategic decision to reduce our network of suppliers, and instead focus on stronger relationships with fewer actors. Today we allocate resources so that we can go deeper into each individual relationship and learn about our supplier: where they operate, their main competencies, their willingness to support our strategy and how they may complement our business.”*

Despite this there is a strong focus on close and long-term relationships with suppliers, WindPower still chooses suppliers on the basis of price and the handling costs included as part of the collaboration. For instance, if WindPower has a supplier that does not meet their requirements for delivery time, price or quality, the relationship will end. The Strategic Purchaser said *“In the end, it all comes down to business, and if suppliers cannot match our demands for lower prices, we must look for suppliers that can”*. Demands for lowering prices are a result of demands and expectations from WindPower’s customers, who constantly strive to minimize prices related to the operating costs of wind energy. Also competitors in the market challenge the level of prices, and in order to

maintain position in the market, WindPower attempts to secure prices that are, in total, competitive compared to competing suppliers of wind energy solutions.

Activities, resources and actors

The third dimension concerns activities, resources and actors in the network. Activities refer to specific functions and activities within or between firms in the network, whilst resources refers to the link of resources between actors in the network. Actors represent individuals, groups of individuals or whole firms.

In the relationship between Hydac and WindPower there is a strong link between activities performed in each of the firms. WindPower performs a wide range of development and operational activities that are directly linked to activities at Hydac. An example is when WindPower decides to either postpone or frontload production for which Hydac are supplying solutions, systems or components. In such a case Hydac experiences a strong link to the production planning activities internally, and a derived effect on the purchasing activities towards sub-suppliers. The Sales Manager of Hydac explained; *“If WindPower changes its forecast it often results in new challenges for us. We need to adapt to the new situation, and it also has effects downstream, on our suppliers.”* On the other hand WindPower also finds that activities at Hydac are closely linked to the performance of Wind Power. The Strategic Purchaser explained; *“When Hydac do not manage to fulfill technical requirements, and projects are therefore postponed, for instance due to more test activities, we have problems with our customers. They expect us to deliver on time, and in order to do that, we need to be able to rely on our suppliers to deliver on time to us.”* Another important aspect is the demand for lower prices. WindPower articulates the need for Hydac to develop and implement

projects with the aim of lowering the total cost of the relationship, in terms of the cost of products, the process etc.

Besides exchanging orders for payment, Hydac and WindPower also exchange and engage with many resources in the relationship. Due to requirements from WindPower, Hydac often decides to invest in both tangible and intangible resources. Developing and implementing new methods and processes in production sites is one example, while employing new staff with specialized knowledge of technical solutions for the wind industry is another example. In the relationship, sharing of resources, and especially resources related to knowledge, takes place all the time. WindPower and Hydac often engage in activities for the purpose of sharing specific knowledge on matters that are relevant to both of them. This happens when they meet at development workshops, as well as at weekly meetings. There is also a close link between routines and processes at each of the firms, affecting the relationship between them. For instance WindPower search to minimize the use of resources for stock handling, meaning that they expect Hydac to produce for their own stock, and from this stock WindPower pulls whatever is needed for its own production. In this case, resources in the relationship also affect the surrounding network, and when WindPower decide to build up stock at Hydac, Hydac must eventually decide to do the same to their suppliers in order to secure sufficient stock.

The bonds between Hydac and WindPower are in some ways very clear, as there is a defined group at each firm responsible for the relationship. However, in reality the relationship bonds are more blurred, as there are many cross-organizational bonds between the firms taking place in their everyday work. Hydac for instance generally keeps all communication between the Key Account Manager and Strategic Purchaser at WindPower, but when unpredicted incidents occur in production, communication

between production planners at Hydac and purchasers at WindPower takes place, around the formal group in the relationship.

Focus

The fourth dimension is *Focus*, representing the main ontological property of actors, distinguishing between whether the network consists of connected firms, or sets of connected relationships between firms.

The relationship between Hydac and WindPower has intensified since Hydac was selected as Wind Power's preferred supplier. For example, Hydac has on several occasions made presentations to WindPower about how Hydac considers the relationship between them. At a recent strategy meeting Hydac suggested a joint workshop between the two firms for the purpose of developing a shared strategy for future collaboration. The Managing Director of Hydac explained; *"we have become more aware of the importance of looking not at the relationship from only our point of view, but more from both perspectives. We know now, that we must be more aware of how we create mutual value when working together, because we believe that in the end it will mean more long term collaboration."* The Key Account Manager supplemented this with: *But it is absolutely a matter of changing our mindset, because it is much easier to look at it from only our side".* The suggestion was received positively; however WindPower suggested that the present focus should be kept on reducing prices, and joint activities within that specific focus.

WindPower, on the other hand, maintains a stronger focus on the firms in the relationship, and especially on how Hydac may contribute in a positive way to the business of Wind Power. Discussions between Hydac and WindPower are often characterized by WindPower evaluating and commenting on the performance of Hydac; suggesting how Hydac might perform better in order to support Wind Power. *"We consider Hydac to be well performing on an operational level with very good project plans.*

However, there is still a way to go at the strategic level, where they need to work at a higher level if they want to remain a supplier to Wind Power". The Strategic Purchaser at WindPower added: "At WindPower we know how we want it, and we try to share that knowledge with our suppliers so that they have a better chance of performing well" Once a year WindPower invites all business partners to participate in a supplier day, where the focus is on Wind Power's strategy and how they expect suppliers to support that work. Hydac define the supplier days at WindPower as interesting and instructive, although with a focus that differs from what Hydac experiences in their daily collaboration.

Directionality of interaction

The fifth dimension is directionality of interaction, referring to the main directionality of the interaction and the interdependence of the relationship.

Hydac is acting as a supplier to Wind Power, and services therefore transfer from Hydac to Wind Power. The interaction between them however can be characterized as reciprocal as both Hydac and WindPower communicate and engage in meetings and workshops as part of their collaboration. The interaction is characterized by a strong focus on providing the best possible condition for delivering as expected.

WindPower wants to ensure Hydac the best possible preconditions for delivering, but occasionally Hydac do consider WindPower as being an obstacle, because WindPower is constantly challenging suppliers in order to push them to make positive developments, which might seem to be a hindrance. The relationship between them has a high degree of interdependence, as the business of Hydac depends mostly on the order volume from WindPower, whereas WindPower depends on deliveries from Hydac in order to keep production running. The degree of interdependence is however not equal, as WindPower work with more than

one supplier in each category, meaning that in a situation where Hydac do not deliver, WindPower have the option of purchasing from another supplier. Hydac on the other hand do not have any customers buying in such a large volume as WindPower, and therefore depends strongly on their custom.

Time/Task

The sixth dimension is time and task, referring to the time horizon of the relationship and the network.

As WindPower has been purchasing from Hydac for more than 14 years, the relationship can be categorized as long-term. The relationship has been a central part of the growth that Hydac has accomplished, and WindPower has been a highly important customer for many of those years. One reason for this is related to the volume of orders that WindPower has placed at Hydac, but also because Hydac has been forced, in a positive way, through the relationship, to optimize their business; for example at their production site, with improved procedures and processes, and in developing and implementing strategies in a new way. These improvements have been beneficial for their specific relationship, but have also had a positive effect on other customers in Hydac's network. The Managing director explained; *"We see that our other customers find us more attractive when we improve our way of doing business: Not only because we can deliver good solutions, but also because we manage to develop our business in a positive way"*.

During that time, WindPower has been through a number of turnarounds, which is reflected in their approach towards suppliers. At one point in time WindPower pursued a strategy of having a large network of suppliers in order to accomplish the lowest possible price; making them compete internally in the supplier network. Recently WindPower has changed that strategy, and now works more intensely with fewer suppliers, in the belief

is that this setup will provide WindPower with a better chance of affecting the suppliers' business. These changes have had a significant effect on how collaboration between WindPower and Hydac has been organized, and Hydac often reorganize in order to follow Wind Power's new direction. The Managing Director of Hydac explained; *"we have been working with WindPower for more than 14 years, and in that time we have been a part of major changes at Wind Power. Sometimes it has been confusing, but also an opportunity for us to take part in the development. We have learned about, and implement, new procedures and strategies in our firm. If we get the chance, we would like to stay a part of their history for another 14 years"*. Whilst Hydac's ambition is to build long-term relationships, WindPower pursues a different time strategy towards suppliers. WindPower has one goal, to be the most competitive player on the global wind market, and this may cause reorganization in the supplier network if time changes market conditions. WindPower's Category Manager explained; *"The market in which we operates changes all the time and we cannot stick to a relationship with a supplier only because we have been together for a long period. We need to think of the bigger picture and evaluate what has value in the long-term: And if we cannot see the supplier in that time horizon, we will change."*

Power

The seventh dimension is power, and concerns the interdependency or dependency between the actors in the relationship and network.

In general Hydac holds relatively strong power in the network, because Hydac supplies solutions, services and components that are of significant importance to their customers. On the supplier side of the value chain Hydac also possess relatively strong power, as many of the sub-suppliers rely on Hydac's custom as an important part of their business. WindPower as one of the main actors in the wind energy industry also holds significant

power towards both customers and suppliers. In the relationship between Hydac and WindPower two dimensions of power can be found. There is the short-term day-to-day power, where Hydac as the supplier of important solutions for WindPower has a stronger power position. On the other hand, in the long-term WindPower holds the power, since ending the relationship between them will have considerable effects on Hydac's business.

WindPower on the other hand has a strategy of dual sourcing, and always has another supplier ready to take over business from Hydac. The Strategic Purchaser of WindPower said; *"We need our preferred suppliers to keep trying, and we don't want them to feel especially safe just because they are preferred suppliers"*

Environment

The eighth and final dimension is the environment, which refers to aspects outside the visibility of the relationship and network.

The environment in this case refers to relationships that are outside the immediate dyadic relationship between Hydac and Wind Power. As WindPower work with a strategy of dual sourcing, and manage a number of preferred suppliers within each sourcing category, Hydac's competitors appear in the environment. Both Hydac and WindPower use the competitors for the purposes of comparison. Hydac compare in order to learn about their competitors, whereas WindPower use the comparison to push Hydac towards lower prices.

Another important factor in the environment of the relationship is WindPower's customers. Demands and expectations from WindPower's customers have a derived strong effect on Hydac, as WindPower expect Hydac to perform in way that supports them in their effort to create value for the customers. For Hydac, sub-suppliers, in particular, play a significant role in the environment, and this also includes Hydac International. Since elements of delivery performance, quality standards

and prices are valuable elements for Wind Power, Hydac direct those issues towards their suppliers; expecting them to deliver according to the demands that WindPower places on Hydac.

Case discussion and findings

The case of Hydac and WindPower illustrates a complex relationship between two strong firms in a partnership, where WindPower holds the position as customer, and Hydac is the preferred supplier to WindPower for hydraulic components and systems for the global wind energy industry. With the case as a starting point, this study searches for an answer to the question: *“How are perceptions of value formed in a network context?”*

Analyzing perception of value against network understanding is illustrated in Figure 2. This figure presents the value perceptions identified in the case, with customer perception of value on the left side, and supplier perception of value on the right side. In the center are the network dimensions. The lines illustrate how the different value perceptions are linked to the network picture dimensions.

Figure 2. Value perception and network understanding

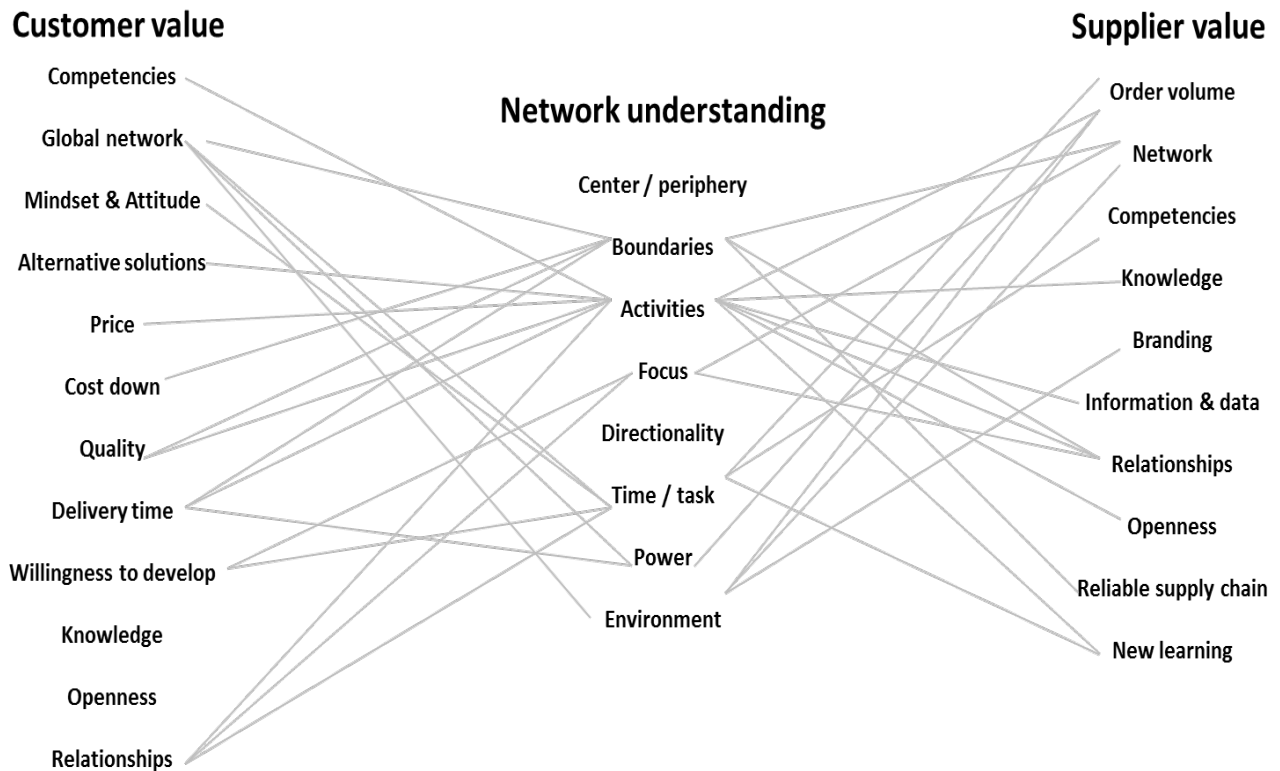


Figure 2 illustrates the case, showing that Hydac and WindPower embrace quite different value drivers as being valuable. Hydac articulates order volume, information and data, new learning and knowledge, as well as strong relationships and a reliable supply-chain-network, as essential value drivers. WindPower emphasizes a number of different value drivers as being important, for example low prices, high quality and cost reduction activities. Additionally, the requirement for suppliers to have the right mindset, and to show openness and a willingness to change are emphasized as being important, as are the capability to challenge existing solutions with new ideas, provide WindPower with the right competencies and engage in close relationships with a high focus on supplier development. When compared with the findings of Walter et al. (2001) and Lapierre (2000), this case confirms their value drivers and functions as

being applicable for this relationship. However additional drivers such as “having the right mindset”, being “proactive” and “managing a larger network” appear as further value drivers from a customer perspective (Lapierre, 2002), whereas “information and data” and “reliable supply-chain-network” add to the findings of Walter et al. (2001). Furthermore, this case also supports the findings of Corsaro & Snehota (2010) that value in a relationship, whether at the firm or individual level, is being understood and perceived differently.

Secondly, Figure 2 illustrates connections between value drivers and network picture dimensions. Analyzing the case it becomes clear that the connections seem strongest between a number of value drivers and the dimensions of boundaries, time, activities and focus. In the following these connections are elaborated and discussed, and finally findings drawn from the discussion are presented.

Value and boundaries

The case shows that both WindPower and Hydac strive to build strong networks around themselves. Hydac explain that requirements and clear demands for lower prices and fast delivery from customers, results in a need for broadening the network of suppliers. Initially Hydac was supposed to purchase only from inside the mother organization: however, Hydac found that buying solely from their own organization was limiting their ability to gain orders of large volume and meet the demands for lower prices that customers, including WindPower, were asking for. Another reason for expanding the supplier network is caused by customers querying solutions containing components from suppliers selected by the customers; meaning that Hydac must build up relationships with suppliers selected by customers. WindPower pursue a strategy of reducing the number of suppliers in parts of their business, in order to intensify their relationship with selected suppliers. This choice is made out of an

expectation that by working closer with fewer suppliers, WindPower will have the opportunity to affect and follow, in more depth, the business of the suppliers. WindPower express clear expectations for preferred suppliers, and by continuously evaluating and measuring suppliers, WindPower believe they have a greater chance of directing suppliers in a direction that will help WindPower to fulfill the need for value creation.

Value and time

The case shows that both parties have been through periods of change that have affected their perception of value at various points in time. As a consequence of intensified competition in the market for global wind energy, combined with the need for internal reorganization, WindPower has been through a number of ‘turnarounds’ that have affected their overall business, and as explained by WindPower, also their organization and priorities regarding their network of suppliers. WindPower has changed from having a large network of suppliers competing mostly on price, to a preferred-supplier strategy, where suppliers are measured and evaluated on a range of different value parameters. This shows in a number of ways, for instance when WindPower articulates their expectations and demands for collaboration with suppliers, whether they are categorized as suppliers of standardized products and solutions, or engaged in more interactive preferred supplier partnerships (Araujo et al., 1999). Earlier WindPower expected suppliers to deliver the lowest possible prices based on short-term project-oriented relationships. Today, WindPower communicates a largely different approach to suppliers, dividing them into preferred and non-preferred supplier categories, as well as in direct collaboration with suppliers where WindPower asks for more openness, shared development and a partnership approach.

Supplying for WindPower for more than 14 years, the case also illustrates some of the impact that changes at WindPower, and the network around

WindPower, has had on Hydac's business. An example is the consequences of the latest 'turnaround' at WindPower, in which Hydac experienced a significant change in the way they work together. Earlier Hydac was a part of a large supplier network to WindPower, competing primarily on price and delivery terms, and supplying mostly on a project basis. At that time, value was considered in relation to the products and components that Hydac supplied, and expressed in terms of delivering the best possible products, with the best possible performance, sustainability and quality. Today Hydac is a part of a smaller network of preferred suppliers to WindPower, still competing on terms of price and delivery, but with drivers such as proactivity, mindset and alternative solutions playing a significant role. Due to the new role that Hydac plays in the supplier network, as well as the changed demands and expectations from WindPower, the case illustrates how the articulation of value changes. Hydac now enhance network, competencies, and strong relationships with sub-suppliers and openness as value drivers.

Value and activities

The case shows, not only the link of activities between Hydac and WindPower, but also a link between perceived value and performed activities. Hydac and WindPower both perform various activities in direct or indirect connection with the relationship that they share, and Figure 2 illustrates how specific value drivers of Hydac and WindPower lead to activities, either shared or individual in each firm. Examples are when Hydac launches projects in their production department due to requirements, from WindPower, for cost reduction, or when WindPower presents the concept of "open book," in order to establish a greater openness on prices and delivery terms. Hydac develops a shared project plan for the purpose of gathering sufficient information and data from WindPower on product specifications and production planning, and WindPower develops a quality program in order to ensure standards and

quality matters in their production line at Hydac. Apart from a strong link between activities and value drivers in the relationship between Hydac and WindPower, the case further shows that when changes occur in the network surrounding Hydac and WindPower there is a derived effect on what each of them considers to be valuable, and thereby also which activities need to be performed in order to create value. An example is when WindPower's customers change their demands for delivery, and accelerate demands for new invented solutions. In this situation, WindPower ask for projects at Hydac for the purpose of developing new solutions, rather than projects focusing on cost reduction, and together they arrange development workshops for the purpose of fulfilling the need for new technical solutions as requested by the customer.

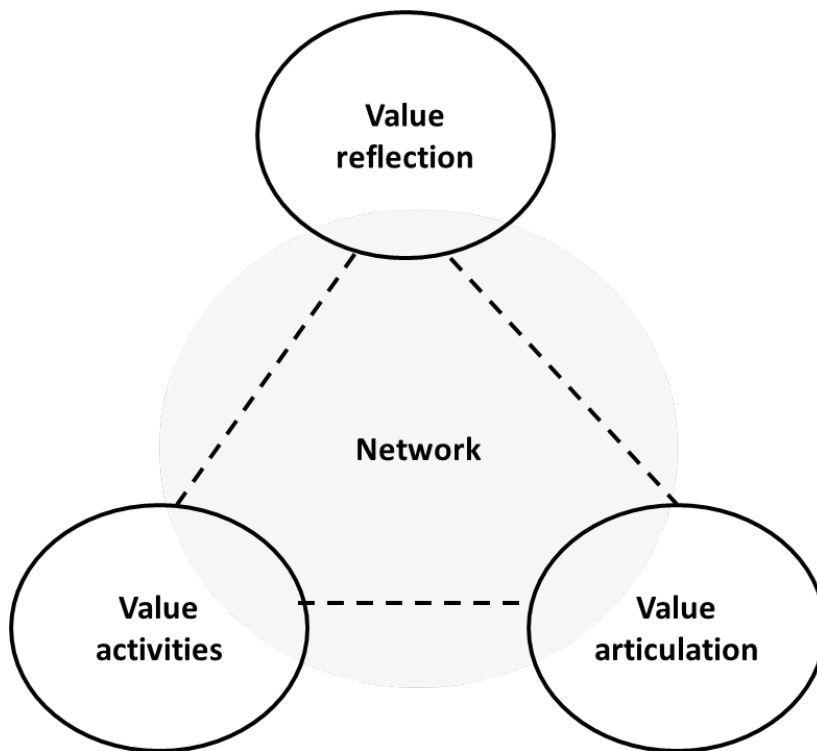
Value and focus

Henneberg et al. (2006) distinguish between an “entity-related” perspective and a “connectivity-related” perspective referring to whether focus is on the firms in the relationships or on the relationships between firms. In this case between Hydac and WindPower their individual value perception is reflected in their network focus. Hydac for instance argue strongly for a more relational perspective, emphasizing the need for building and maintaining relationships that last for a long time, and explain that this is only possible if the focus is on value for both parties. Apart from this direct focus on the relationship, the case further shows that when Hydac reflect on value in relationships with both customers and suppliers, they most often use the term *we* instead of *us*, or *them*. WindPower, on the other hand, express a stronger focus on the firms in the relationship. Both indirectly when describing relationships, mostly in terms of *them* and *us*, but also when describing value as something that suppliers must help WindPower to create for their customers. WindPower is very specific about how Hydac may develop activities in order to become more valuable to WindPower; for instance with cost-down projects, or technical solutions

that challenge existing solutions at WindPower. Hydac's main focus is about how the two firms may, together, create value, and suggest joint activities that they believe will improve value creation for both parties.

Discussing value perception in the context of network understanding provides a number of interesting insights into the complexity of understanding value in business relationships and networks. First of all, it cannot be inferred that customers and suppliers have significantly different perceptions of value (Lapierre, 2001; Ritter et al., 2006; Corsaro & Snehota, 2010), nor can it contradict the idea that dimensions of time and activities play an essential role in the interaction between firms (Ford, D. et al., 2009; Corsaro & Snehota, 2010), or that dynamics in firms' surroundings have an effect on the nature of business. (Håkansson et al., 2009) The above case discussion provides an empirical exemplification of these considerations. However, the case discussion sheds further light on an interesting aspect of value perception in networks and relationships, contributing to the understanding of how value is being expressed. Figure 3 illustrates three elements, suggesting that value can be understood as reflection, articulations, and activities.

Figure 3. Value elements and network picture



The first element refers to how value is reflection. The case shows that Hydac and WindPower continuously reflect on changes and tendencies taking place within the network of influences, whether it is customers, suppliers or competitors. They reflect upon their own value in relation to changes in the surrounding landscape, including how value drivers of customers and suppliers change. Hydac for example, meets the demand for a new collaboration structure as a preferred supplier to WindPower. In that process Hydac needs to adjust its mindset to a new way of being a supplier, including reflections on how to both create value for WindPower and capture value for its own business. In this process of exploring tendencies and changes in the network, it appears that both parties listen to what is actually being verbalized in the network. This leads to the second element in the figure, value articulation.

The case shows that both parties try to put into words, what they perceive to be value. On some occasions they use the term value explicitly, arguing that something has particular value to their business. In other situations, value is covered as something important, relevant or central to business. Value is being articulated both internally in the firms, as well as between firms in the network. The case shows how WindPower, associated with ‘turnarounds’, first articulates, internally, what are to be considered the most important value drivers, and thereafter communicates these to the network, both at individual meetings with suppliers and also at the yearly supplier day. Hydac and WindPower attend joint phone meetings several times a week, and meet on a monthly basis to discuss business between them. These meetings are characterized by a strong focus on value, and WindPower seems to be particularly conscious about what to communicate. In continuation of value articulation is an expectation for actions, leading to the third and final element in the figure, value activities.

Following the relationship between Hydac and WindPower reveals a relatively high level of activities integrated within their collaboration. A number of activities are being launched and performed internally in the firm, and other activities are performed together. Common to the activities, whether they are performed in the focal firm, or together with others, is an expectation from involved parties that they must have a value-adding character. This means that when activities are being performed, both parties expect to have some kind of value output due to what they perceive to be valuable. An example is when both parties engage in joint development workshops in order to meet the wish for the creation of more knowledge and learning, as well as development of new solutions for WindPower. Hydac develops and implements cost-down initiatives at their production site in order to fulfill the requirement for lowering cost and prices, and also builds up a broader network of suppliers to ensure the better prices and delivery expected from customers. As customers expect WindPower to deliver solutions of high quality and with a strong level of

security, WindPower develops and implements a quality program, that they also expect all suppliers to implement within their own management systems

In the center of the figure is the dimension of network. The case illustrates how firms reflect upon , how value is being articulated and how activities are being performed. It appears however, that in order to fully understand value in this context, the network picture must be considered. For value reflection, the surrounding network is an underlying factor influencing reflections on value, and how parties in the network understand value. When articulating value, network becomes the point of direction, as the parties communicate their value drivers to the network, and the case shows how activities are being planned and performed in the network. Even though it is not to be considered a causal process of reflection, articulation and actions, the case shows a connection between the value elements and the network dimension. An example is when Hydac recognizes the need for broadening the network. This recognition is derived from a reflection on how customers in the network asking for more value than Hydac, on its own, is capable of delivering. Hydac then articulates, within the network, a need for expanding the supplier network and launches activities for the purpose of discovering new possible suppliers. That it is not necessarily to be considered a causal process can be seen in the situations where each of the firms acts towards each other, only then to reflect on the counterpart's value expectations, and what has actually been articulated.

Conclusion and implications for research and management

Studying relationship value in a close customer-supplier relationship provides no reason to doubt that the notion of value plays an important role when firms do business together (Ulaga & Eggert, 2008; Walter et al., 2001), and that relationship value cannot be explained simply from the matter of form and content (Corsaro & Snehota, 2010). Positioning this study in the broad and ongoing debate on value, and especially considering the matter of value from a relationship perspective, the purpose is to move beyond “*what is value*”, as many before have approached the issue, and instead address some of the issues affecting how value can be understood. In that regard, this study points to the relevance of including a network understanding in the equation, focusing on how value unfolds between firms and their networks. This work sheds light on the cohesiveness between firms’ understanding of the network by which they are surrounded, including their closer relationships, and their perception of value. It shows that value plays a significant role in what firms reflect upon, what they talk about, and in their actions. The findings indicate that it is during firms’ reflections, expressions and activities that value perception is being formed, and that the network seems to have a strong influence thereon, as it is impacts from and to the network that forms how firms reflect, express and act upon value.

Current literature on relationship value contains a number of contributions to the form and content of value (e.g. Ulaga, 2003; Walter et al., 2001; Lapierre, 2000; Baxter & Matear, 2004), as well as discussions on how to assess and conceptualize value (Corsaro & Snehota, 2010; Henneberg et al., 2009.; Westerlund & Svahn, 2008). The results of this study however, address what e.g. Corsaro & Snehota (2010) have been advocating for i.e. a need for more knowledge on the formation of value perception considered from a network perspective. By suggesting the elements of value reflection, value expression and value activities, this study

contributes to broadening our understanding of relationship value. Discussing the form and content of relationship value in the context of network understanding in forms of network pictures, this study manages to take the discussion of relationship value to another level, illustrating how value comes to life in a network setting. It shows that it is possible to study perception of value from a network perspective, and that this approach contributes to broadening our understanding of value as being actor specific, phenomenological and emergent (Corsaro & Snehota, 2010). It also sheds light on a number of interesting issues to address in further research. First of all, it would be valuable to go deeper into the elements of value reflection, value expressions and value activities. As findings are based on perceptions from one, in-depth, case study of a customer-supplier relationship and their network, it would be interesting to expand the empirical field in order to identify similarities, connections or new ways of forming value perception. Another relevant issue is the dynamic nature of networks. Understanding networks as the interplay between change and stability (Anderson et al., 1998; Freytag & Ritter, 2005), it is relevant to learn more about how dynamics in networks affect perception of value, as well as the derived effects concerning how value is being recognized, expressed and acted upon in a dynamic network setting, coping with change and the need for stability. This study includes the dimension of time in the analysis, however more can definitely be learned by integrating all the dynamics that exist in networks.

As for managerial implications, business-to-business firms should consider differences in value perception as a premise for their business. This consideration should not only be in their understanding of value from their own perspective, but also in their understanding of the network of which they are a part. As perception of value is a complex matter in academia, so it also is in practice. Firms might therefore operationalize value into their business in a way that makes it easier to grasp, and always keep in mind

that the surroundings have an important impact on how value is being perceived and understood.

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Chapter 6. Paper 3

Mission impossible: acting upon relationship value

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Abstract

Purpose: This paper addresses a highly relevant, but rarely researched issue within the concept of relationship value, namely the aspect of impact. The focus of this paper is on the links between activities and perceptions of value in a dyadic relationship between a customer and supplier.

Design/methodology/approach: An in-depth case study of the relationship between the customer WindPower and the supplier Hydac was conducted over a period of three years. A number of interviews and observation studies form the empirical foundation of the study.

Findings: This study presents three links between value perception and activities; links of collaboration, links of activities and links of process.

Practical implications: Value is complex, and so is acting upon value. This paper argues for the importance of prioritizing when trying to create value, as the study shows that it is not possible to meet all demands for value creation. A significant task for managers is to plan activities that

create value for more than one party in the relationship. This requires that managers discover value from the perspective of others.

Originality/value: The form and content of relationship value currently dominates the research field of relationship value, whilst the aspect of how firms actually act upon value perceptions, has attracted less attention. The paper addresses this area within relationship value and, by suggesting three types of links between value perceptions and activities, this paper is one of the first to consider this issue.

Keywords: Relationship value, network pictures, business relationships, value perception

Introduction

“Price is what you pay, value is what you get”

Warren Edward Buffet

Firms are constantly faced with the challenge of creating value. Requests for “something out of the ordinary” characterizes most business to business relationships, with actors demanding a high level of value creation in terms of factors such as loyalty, commitment and preferred partner status. Creating value in business relationships is however, not to be considered a simple task on a manager’s daily to-do list, and transferring value perceptions into specific activities is a challenge that managers face when engaging in collaborative relationships. The case of a relationship between a customer and its preferred supplier, on which this paper is built, supports earlier empirical evidence, showing that managers fight a battle in matching demands for value creation with the right performance, when working together with others. The paper further contributes to our understanding of the managerial difficulties of transforming value perceptions in relationships into activities considered to be valuable by the partner.

Within this challenge of acting in a way that creates value to the counterpart, a number of interesting issues can be approached, including the aspect of how actors in a relationship understand and perceive value, and how value perceptions impact firm behavior. Within academia, there is a long tradition of research into value, including a recent interest in the concept of value in a relational context. The relationship value perspective (Anderson & Narus, 1998; Corsaro, 2014b; Ulaga & Eggert, 2005) offers a (newer) focus on value as mutually created in the relationship for, and by, both parties (Wilson & Jantrania, 1994), suggesting that there is more to value than the exchange of products for price (Ravald & Grönroos, 1996). Relationship value has been conceptualized as a formative,

multidimensional, higher-order construct (Ulaga & Eggert, 2005, p. 88), and is often referred to as relationship benefits and relationship costs or sacrifices (Ulaga & Eggert, 2006a). The literature on relationship value can be characterized as having a dominant focus on the form and content of relationship value (Corsaro & Snehota, 2010; Lindgreen, 2012). The form and content of relationship value can be understood as elements, drivers and function. The discussions in the literature on the form and content of relationship value take different points of departure and perspectives on the matter: customer value (Möller, 2006; Ulaga, 2001), supplier value (Walter et al., 2001), value in networks (Corsaro, 2014b) and value from a dyadic perspective (Henneberg et al., 2009). Corsaro & Snehota (2010) further argue that an important aspect of value perception is related to value perceptions being actor specific, emergent and phenomenological. Despite the interest in value from a relational point of view, a review of the relationship literature reveals that the challenge of acting upon value perceptions, is not exclusively related to empirical practice, as scholars also advocate for more knowledge on the relationship between firms' understanding and perception of value, and how that guides behaviors in relationship interaction (Corsaro & Snehota, 2010). It is against this background, realizing that value plays a central role in managerial practice, and is a dominant criterion for decision making (Corsaro & Snehota, 2010), that this paper takes its point of departure, examining *How do firms' value perceptions influence relationship activities?*

To address the issue of actions or behavior, research is often undertaken from the perspective of the firm, concentrating on how value is created as a matter of internal processes and structures. An example is the popular concept of business models, defined as being the way firms create, deliver and capture value (Teece, 2010). As a response to the firm-oriented

approach, the IMP tradition of research introduces the activity perspective (Håkansson & Snehota, 1995), focusing on activities as a result of interaction. In that context, activities lose their exclusivity, and become something that firms share, as well as something that links firms into a wider network of relationship activities (Håkansson & Snehota, 1995). As this paper addresses value and behavior in a relational context, it is relevant to adopt this activity perspective in discussing value perceptions.

The paper is organized as follows: The next section introduces the theoretical considerations and framework of the paper, and is then followed by methodological considerations. Next, the case is introduced, followed by a case discussion and case findings. Finally there is a concluding section, which also presents implications for management and avenues for further research.

Understanding of relationship value

The matter of how firms do business in order to create value can be approached in a number of ways and from different perspectives. Porter (1985) suggests the generic value chain as a way of creating value through support- and primary-activities, explaining that a firm's success depends on activities at a department level as well as across the entire firm. The business model concept is another way, which has gained great success and popularity within both academia and among practitioners (Chesbrough & Rosenbloom, 2002; Teece, 2010). Creating, delivering and capturing value is stated as being the essence and main purpose of the business model (Coombes & Nicholson, 2013), which can be conceptualized as a system of interdependent activities, enabling the firm to create and appropriate value (Zott & Amit, 2010). The business model concept considers value to be created within the firm (Morris et al., 2013; Simmons et al., 2013) and mainly throughout the firm's activities (Zott & Amit, 2010). The firm-perspective of value creation however, collides with

the relationship marketing perspective, arguing that “*it is not what happens within companies, but what happens between them that constitutes the nature of business*” (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009, p. 27), and that value cannot be created in the isolation of a single firm (Ford et al., 2009).

The distinct focus on relationships as the nature of business has been identified as a paradigm shift in marketing research (Collins, 1999; Ravald & Grönroos, 1996), even though the notion of value has been an implicit part of marketing research since the beginning of the industrial era (Payne & Holt, 1999). Seeing customer value from the viewpoint of relationship marketing was the start of ‘relationship value’ (Payne & Holt, 1999), and from the beginning of the 1990s the Industrial Marketing and Purchasing Group (IMP) introduced different perspectives of value e.g. supplier value (Walter et al., 2001), portfolio value (Corsaro et al., 2013), value in a network context (Corsaro et al., 2012; Johanson & Wedin, 1992), and the most recurring subject, customer value (Möller, 2006; Ulaga, 2001). The starting point for research within the IMP tradition, is that value creation is the essential reason for customers and suppliers to engage together in relationship (Anderson, Håkansson, & Johanson, 1994), and research on value in, and of, business relationships is currently at the top of the research agenda (Corsaro, 2014b).

Research into relationship value often focuses on conceptualizations of form and content (Corsaro & Snehota, 2010; Lindgreen, 2012), and explains relationship value in terms of benefits and sacrifices (Lapierre, 2000), benefits and costs (Ulaga & Eggert, 2006b), direct or indirect functions (Walter et al., 2001) and intangible human or structural issues (Baxter & Matear, 2004). Besides the form and content of relationship value, the literature also describes relationship value as complex and quite difficult to obtain a clear understanding of. One reason for that may be the nature of relationship value perceptions as actor specific,

phenomenological and emergent (Corsaro & Snehota, 2010), as well as interactive, relative, collectively determined and contextual (Corsaro, Fiocca, Henneberg & Tunisini, 2013). In summary, perception of value differs not only from firm to firm, but also between individuals within the same firm. Value depends on the interplay between other relationships in the network, and will always be measured against those. This is also related to the contextual nature of value, as it is being perceived and expressed in the wider network, and as a result of the interactional nature of networks, value is to be considered dynamic and emergent.

Perhaps this complex nature of relationship value is one of the reasons why scholars, so far, have paid only limited attention to the matter of firm behavior from a relationship value perspective. *"Firms do things, they perform various activities, develop products, produce and process information, purchase and sell"* (Håkansson & Snehota, 1995, p. 50), and because all of this is done in interaction with others, the overall level of complexity rises, particularly when also discussing the multifaceted nature of value in relationships. The literature provides only implicit discussions on the connection between value and action (Corsaro & Snehota, 2010). Ulaga & Eggert (2006) discuss differentiation in business relationships, and more specifically how creating value may ensure a position as a key supplier. Ritter et al., (2001) suggest that customers may provide value to the supplier by fulfilling a number of direct or indirect functions, while Henneberg, Pardo, & Naudé (2009) find that firms may use key relationship programs in order to be able to develop different value creation strategies.

Relationship (inter)action

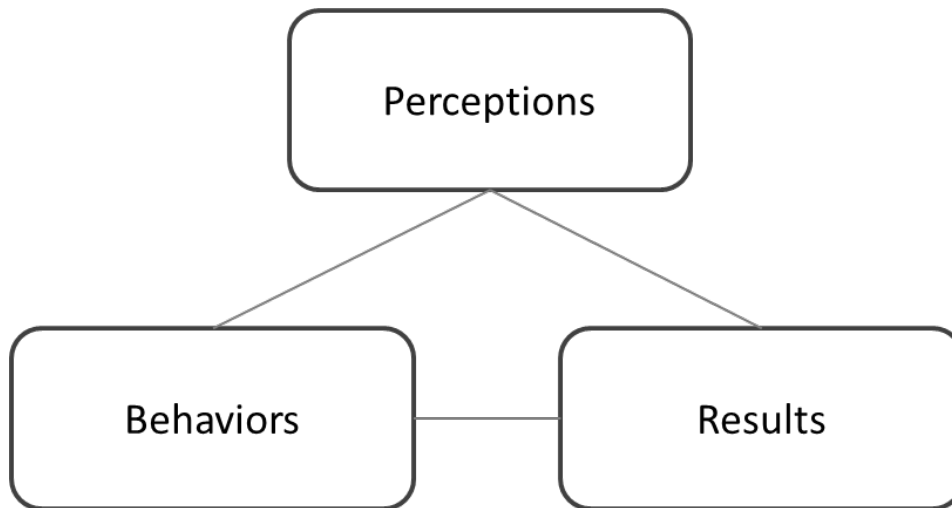
Firms do things: they perform various activities, all for the purpose of creating value (Håkansson & Snehota, 1995). The action dimension has been treated analytically by scholars within different fields of research. In

the field of traditional marketing, the popular “4Ps” or the Marketing Mix model, which originated from economic theory, has been a popular way to discuss how firms handle their products, prices, promotion and distribution (Kotler, 1967). However, Håkansson and Waluszewski (2005) identify a number of problems related to this “firm-oriented” line in the Marketing Mix model, arguing that it is not so simple and straight forward, because issues of active counterparts, uncertainty, market dynamics and interdependencies should be taken into consideration. These issues are central within the IMP tradition of research, where attention is paid to the interaction between firms, and how activities, resources and actors are linked, tied and bonded together across firms’ boundaries, in order to create relationship value (Ford et al., 2009; Håkansson & Snehota, 1995). In that sense, actions become something that firms do together, and cannot be analyzed separately from each other.

Scholars, align themselves with the relationship and interactional premise, and discuss firm behavior in a number of ways; Corsaro, Ramos, Henneberg, & Naudé (2011) discuss whether and how network understanding affects managerial decisions in terms of network strategies; finding a connection between how firms understand their surroundings and the subsequently developed strategies for how to act in the network. Ford & McDowell (1999) examine business relationships in order to map the outcomes of what managers see, the effect they expect will occur through actions and the value of those effects. Ritter, Wilkinson & Johnston (2004) discuss and characterize firms’ ability to manage in both relationships and networks, finding that the challenge lies within firms’ network abilities. Johanson & Mattsson (1992) discover strategic actions, and how efforts by actors influence (change or preserve) their position in their network. Each discuss actions in a relational context, however no well-developed framework for analyzing actors and acting, from an interactive perspective, has yet been developed (Håkansson et al., 2009). The model of action (see Figure 1) can however, be used as a starting point, as it deals

with the variables of perceptions, behaviors and results. These are all widely accepted as relevant when analyzing acting, in the field of social science (Håkansson et al., 2009).

Figure 1 A model of (inter)action



Source: (Håkansson et al., 2009, p. 151)

The first variable concerns perceptions. Håkansson et al. (2009) describe this variable as a matter of perceiving and interpreting the context in which actors act, re-act and interact. The notion of perception can be addressed from a number of perspectives, including how actors perceive their network and elements within it. In that way, the network picture concept can be utilized to provide insights to the individual frame of mind, and what actors individually perceive to be relevant and important (Abrahamsen et al., 2012c). Another highly relevant topic within the issue of actors' perception is the matter of how actors perceive value, including relationship value. As value perception is considered highly relevant in order to understand behaviors in relationships (Corsaro & Snehota, 2010), this constitutes a reasonable point of departure for this study. Discussions of relationship value perception can be divided into two parts, as some scholars specifically study perception of value (Corsaro et al., 2013; Corsaro & Snehota, 2010), while others focus on the elements, dimensions, functions and drivers that may be perceived as valuable

(Lapierre, 2000; Ulaga, 2001; Walter et al., 2001). Taken together, they provide a conceptual base of knowledge/insights to the large number of elements that actors may find valuable, and the characteristics of actors' perception.

The second variable refers to behaviors in interaction, exemplified as product flow, services, technical changes, price changes etc. forming the chain of interaction between firms (Håkansson et al., 2009). A way to conceptually approach the notion of behavior in this study, is through the concept of activities, emphasized within the IMP tradition of research as one of the main elements of a business relationship (Håkansson & Snehota, 1995). The concept of activities addresses the activities of firms, and how those activities are combined, structured and linked as a result of the firm operating in an interactive world. Broadly, activities can be defined as a sequence of acts directed towards a purpose (Håkansson & Snehota, 1995), and despite activities taking place inside one firm, interdependencies still stretch between firms' boundaries (Håkansson et al., 2009). The activity concept deals with activity links, activity structure and activity patterns, and is described by e.g. Håkansson & Snehota (1995) and Håkansson & Ford (2002). Activity links refers to coordination, and happens when there is a mutual adjustment of activities between actors working together. Firms link activities, and in some cases activities are the same for several counterparts, whilst other activities are differentiated and unique for special counterparts; this is referred to as adaptation. As activities performed in one firm are linked to the activities of others, activities then become a part of an activity chain operating across firm boundaries, and also part of a larger pattern of activity chains, as various activity chains coexist within each firm.

The third and final element in the model of action is results. Problem solving is a central issue in the interaction process where the supplier (in particular) attempts to design or develop an offering that will provide a

solution to a customer-defined problem. Results arise from the interplay between perceptions and behavior, and are often referred to as outcome or effect. Outcomes can be either positively perceived, if they in some way fulfill the desire of the counterpart, or negatively perceived if the opposite is the case. What makes this complex and difficult to capture is that, whether or not the outcome is perceived positively or negatively depends on the perceptions of the interconnectedness between activities, actors and resources, and their change over time and space (Ford et al., 2009). As a starting point for this study of relationship value and activities, it makes sense to discuss results or outcome in terms of whether or not the parties manage, to some extent, to organize and perform activities that meet the counterpart's value drivers and expectations hereof.

Together these three variables of behavior, perception and results form the theoretical framework for this study, and it is against this framework that the empirical data are analyzed and discussed, conclusions drawn, and answers to the overall research questions found.

Methodological considerations and analysis

To address the issue at hand, “*How do firms’ value perceptions influence relationship activities?*”

a qualitative approach to data collection has been selected. By adopting a case study methodology, the intention is to approach aspects of the research question from different actors’ view-points (Halinen & Törnroos, 2005), capture an understanding of the dynamics and complexity of relationship value (Eisenhardt, 1989), and investigate the phenomenon within its real-life setting (Yin, 2013). For the present purpose, a dyadic customer-supplier relationship has been selected, and data in form interviews, observations and documents have been collected. The relationship selected, includes a customer in the global windmill industry (anonymous at the request of the company, but referred to as WindPower in this study) and one of its preferred suppliers of hydraulic solutions, Hydac. The relationship is of specific interest to this study because there is a high degree of interdependence between those two firms, who engage in many activities together. Further, the notion of value has been a specific topic in the interaction between the two firms. Data were gathered as part of a larger research project concerning relationship value and business development. The field study process ran from 2012 to 2014, and for the purpose of this study, six in-depth interviews were conducted; two group interviews at the supplier firm, one personal interview with the managing director at the supplier firm, and three personal interviews at the customer firm. Participants for the interviews were selected due to their managerial position and involvement in the collaboration. The interviews can be characterized as deep and focused (Freytag & Darmer, 1996), and were conducted in an open dialog, providing the respondents with the opportunity to elaborate on their answers, as well as leaving room for the interviewer to elaborate, with more ‘why’ questions, in order to ‘peel off the layer of the onion’” (Easton, 2000). Prior to the interviews,

respondents were introduced to the general topics and themes contained within the interview guide, and subsequently the transcript interviews were sent to the respondents for final confirmation, and returned without any comments.

The interviews have contributed with valuable insights in terms of value perceptions, and how each understands value in a relational context. Following the argument put forward by Daft and Weick (1984), the present work specifically presumes that individual managers in the firm act as representatives, formulating and determining the actions of the firm. Furthermore, interviews also focused on the activity layer, especially on how the managers explain and describe their own activities, as well as linking to activities of the counterpart. However, it is often the case that, *managers do not always think about what they do, do what they say or have the freedom to act* (Ford & McDowell, 1999), which made it necessary to supplement the interviews with a number of observation studies, in order to also capture how they actually act. These observation studies, following the procedure by Jorgensen (1989) and Gold (1958), included observation studies of ten business meetings, six of which were held internally at the supplier firm and four joint meetings between the customer and supplier. Further observations have been made of twenty management meetings at the supplier firm. The main agenda of the ten meetings was to discuss perceptions of value (both own value as well as customer value), in order to adjust and initiate relationship activities, whilst the agenda of the twenty management meetings (at the supplier firm) was of a more general character, but predominantly focused on the specific relationship.

After the process of collecting data, a long-term iterative process (Srivastava & Hopwood, 2009) of visiting and revisiting data, took place as part of the analysis.. Since data were collected during a period of two years as part of a larger research project, the author had the privilege of

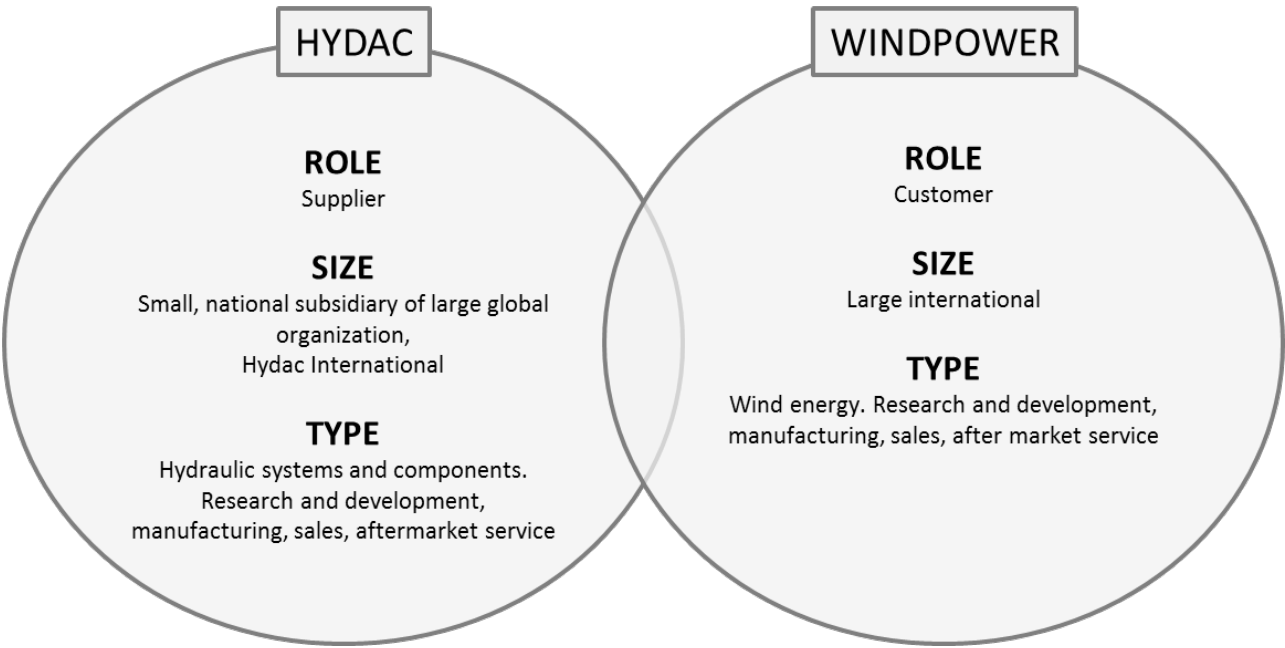
being able to visit the data over and over again, allowing for new insights and meanings to appear. For the analytical framework, the three phases of Miles and Huberman (1994) has been applied. The phase of data reduction was conducted in order to select data for this specific paper, and remove irrelevant data. This was done by using a set of questions formulated to capture data regarding perceptions of value and activities in the relationship. It was necessary not only to capture the use of the word “value”, but also terms like “important”, “relevant” and “central,” which were used by each of the firms. This has resulted in a set of useful empirical data for the purpose of answering the overall research question. Subsequently data have been displayed, using a display matrix-analysis, following the theoretical outline of value perception developed by Corsaro & Snehota (2010). This phase was undertaken to ensure an organized, compressed assembly of information (Miles & Huberman, 1994), and included the division of data into categories, depending on whether the data related to the customer or the supplier, and whether the data concerned activities or value perceptions. Lastly data related to value perceptions and activities were analyzed against each other, within the theoretical framework of the paper, in order to discover correlations and patterns that could shed light on the links between them.

Hydac and WindPower

Hydac and WindPower, as presented in Figure 1, have built/established a relationship in which Hydac’s role is that of the supplier, and WindPower is the customer. The two firms have been working together for more than fourteen years, and as time has passed, their collaboration has intensified and evolved, so that today Hydac is one of WindPower’s preferred suppliers. In respect of the main business between them, Hydac develops and manufactures systems and components that WindPower, as an MRO (Maintenance, Repair, and Operating) customer, utilize in their own

production/manufacturing. Most solutions are customized and based on specifications and design requirements from WindPower. During the period of observation, Hydac became selected as a preferred supplier to WindPower, which is seen as a positive confirmation of the work performed by Hydac. However, it also signaled the beginning of a collaboration in which the firms, in many areas, moved/came much closer to each other and in which new challenges arose. Understanding one another has been an explicit part of the agenda, and many meetings were organized for the purpose of balancing and adjusting expectations, clarifying requirements and needs, and ensuring some kind of common starting point. For both parties this seems to have been a challenging process, which will probably never end, as both parties constantly strive to improve business and maximize value creation.

Figure 1 Hydac and WindPower



The partners perception of value in the relationship

During the relationship development as described above, both firms pointed to a number of elements that they explain/consider/perceive as being valuable. (See Table 2 for complete overview). In some cases they have explicitly used the word valuable, but they have also used words such as, importance, relevance and significance to explain what is considered valuable. The case shows, that WindPower, in particular, has a clear awareness of what to communicate as constituting value throughout joint meetings, as well as when they were asked directly during interviews.

Value perceptions are presented in Table 1, and examples from the case are presented in the sections below, with quotations from both firms.

Table 1 Perceptions of value from respectively Hydac and WindPower perspective

	HYDAC	WINDPOWER
HYDAC	<p><i>Hydac perception of value</i></p> <ul style="list-style-type: none"> • Order volume • Information • Forecast • Supply chain • Supplier support • Access to knowledge • Competencies • Branding • Clear demands and needs 	<p><i>Windpower's perception of value provided by Hydac in the relationship</i></p> <ul style="list-style-type: none"> • Market experience • Knowledge from customer • Profit • Working with large customer • Challenging on own solutions • Access to customer solutions • Attention from large customer • Access to specialist knowledge
WINDPOWER	<p><i>Hydac's perception of the value given to Windpower in the relationship</i></p> <ul style="list-style-type: none"> • Global presence • Technical knowledge • Strategic skills • Low prices • High quality • Agility and willingness to adjust • Delivery times • Payment terms • Documentation • Communication and contact • Support • Proactivity 	<p><i>WindPower perception of value</i></p> <ul style="list-style-type: none"> • High Quality • Delivery time • Low prices • Cost down • Competencies • New solutions • Challenging solutions • Global presence • Transparency & Openness • Honesty • Mindset • Strategic skills

WindPower's perception of value

WindPower stress a number of value drivers that they consider to be important. Present conditions in the market, including a high level of competition on price as well as new technological developments, affect the continual focus on sourcing from suppliers that are capable of developing and delivering high quality solutions within a short time period. The suppliers must concurrently offer continual decreases in price and cost, in order to help WindPower secure competitive advantages.

WindPower ask suppliers to secure the right competencies and manpower within their organization, in order to be able to deliver newly designed solutions, as well as challenging existing solutions with competitive solutions. This is required both locally and in a global context, as WindPower emphasize the need for having global supplier channels, and expect their suppliers to perform in a global manner, with a global setup and with global coordination.

Strategic purchaser, WindPower: *“As we are operating globally, so should our suppliers be. We need them to be able to supply us in all relevant locations around the world.”*

Additionally, WindPower also stress the value of transparency, openness, honesty, and for the supplier to have the right mindset.

Strategic purchase manager, WindPower: *“We need the suppliers to show that they want to collaborate with us. We appreciate it when our suppliers open their business to us. It makes it possible for us to get to know them, but also to suggest how to improve if necessary”*

Hydac’s perception of value

As a manufacturing firm, a high volume of orders is naturally a value driver, and Hydac do not make any secret of the importance of constantly receiving orders for serial production. The manufacturing set-up at Hydac, is developed in a way that makes it possible for Hydac to handle orders with a high volume of the same product. Customers placing serial production orders are therefore valuable.

Managing director at Hydac: *We need the serial production as part of our business. Projects with a high degree of development and a small number of products to be manufactured are most often not a profitable business. We need customers who place orders for serial production.*

Information and reliable forecasting have a significant impact on the business of Hydac. It is important in the design and development process, as the engineers rely on information and data from customers, when developing solutions that are specific to the requirements of those customers. Information and forecasts are also important to production planners and the team in charge of stock handling. If forecasts and information are not accurate, mistakes are likely to happen at the manufacturing site, as well as when planning for stock items. Information is the basis for all coordinating activities, as well as in the process of purchasing from Hydac's sub-suppliers.

Key account manager, Hydac: *If we do not manage to get the customer's needs and expectations clear, and receive all necessary information during the process, the project will definitely not be a success"*

Value of the counterpart

A part of the study has also been to investigate value from the opposite perspective, asking both Hydac and WindPower what they expect and believe their counterpart to perceive as valuable in the relationship (See Table 1 for a complete overview). Hydac explained that their impression of what is required strongly emphasizes elements such as acting and performing globally, having the right skills at both the technical and strategic levels, low prices and continuous price decreases. Furthermore Hydac's enhanced agility and willingness to develop, proactivity and clear communication and contact are also seen as being valuable elements for WindPower.

When WindPower were asked what they think Hydac consider as valuable, they identified the chance of working together with a large global customer and all that it entails, as constituting value to Hydac. WindPower also believe that Hydac values access to market information, profit, specialist knowledge, as well as the possibility of testing their ideas with a

customer of their size, and the attention they receive from the customer as part of that process.

At no point in the process, neither of the firms however seemed to wonder, if the counterpart might have another perceptions of value, than the one they explain.

Activities for value creation

Both Hydac and WindPower perform numerous activities daily, both towards and within the relationship that they share, but also in respect of other customers and suppliers. Common to both of them, is the conviction that activities are performed in order to create value, and that their focus should be on separating the value creating activities from activities that are not of any apparent value. In that sense, WindPower often ask Hydac to deliver an overview of complete activities and money spent, including an evaluation of whether the activities are valuable to WindPower or not.

Activities performed by Hydac

Observing activities from Hydac's perspective, the case shows that Hydac places significant attention on what WindPower perceive as valuable, and how to meet these demands and expectations. The Managing Director at Hydac explained one reason for this: *WindPower is one of the largest customers that we have, so naturally most of our attention goes to them. WindPower, on the other hand, have a number of suppliers that have the same capacity as we do, and therefore they have to share the attention among many others.*

Internally, Hydac work with an integrated management system that defines all processes and activities that are supposed to be completed in different situations. It is, so to say, a standardization of activities, developed in order

to ensure that all challenges and situations are handled using the same activities and processes. However, the case shows that the collaboration with WindPower causes deviations between what the system at Hydac determines, and what activities are actually carried out for WindPower. An example is the project development process of five steps of action that must be completed before passing on a project from the research and development department to the manufacturing department at Hydac. As a result of WindPower frequently changing technical specifications, and demands for more tests during the process of development, Hydac has re-developed the process, and introduced three more steps that projects must complete, in order to make sure that Hydac fulfill WindPower's requirements. Initially this process was an internal process of activities performed solely by Hydac. As a result of the new process, more interaction between Hydac and WindPower takes place, and development activities are now linked together between the firms; for instance when there are steps in the process requiring comments or approval from WindPower in order to proceed. Development engineers from each firm communicate by email and phone during the process, and also meet for project meetings discussing how to move the projects further.

Another example is when WindPower asks for lower prices and a future continuous decline in cost and prices, regardless of whatever price specifications Hydac pursue towards other customers. As this demand has been made on several occasions over the years, a number of activities have been launched and implemented. Hydac has introduced, and to a certain degree implemented, the concept of LEAN at their production site, integrating new manufacturing activities into the daily processes and workflows. Further Hydac has developed and completed a number of cost-down projects, both in manufacturing activities and in the purchase department, all for the purpose of bringing down total cost and allowing for the lowering of final prices. Also included in this process are meetings between Hydac and WindPower, where the parties discuss how, for

instance, technical changes can be effected as a solution to reducing cost. Hydac suggest a new selection of components, and WindPower indicates whether those changes can be accepted. As part of their activities to reduce costs, Hydac places increased focus on the supplier base upon which rely. A particular concern being how those firms supply Hydac in a way that benefits WindPower as the end customer. In that matter, WindPower ask for more price transparency and Hydac release price information on the partner-net platform. Hydac has arranged supplier workshops, aimed at lowering prices from sub-suppliers, as well as making the sub-suppliers more competitive in their pricing structure. Workshops have also been for the purpose of ensuring that sub-suppliers conduct quality assessment and tests to the specifications that WindPower deem important. In some cases Hydac has even sourced new suppliers that have shown a greater willingness to bringing down cost, and also new suppliers selected individually by WindPower. Along with low prices and reducing cost, WindPower also expect Hydac to improve quality, meaning that Hydac must adopt activities that support this. In this regard, Hydac has been the subject of a number of assessments from the quality department at WindPower, on top of their regular quality reviews. When this happens, personnel from the quality department at WindPower visit Hydac for a couple of days to evaluate the quality program, and also to coordinate activities between Hydac and WindPower that can help achieve a better overall quality level. Hydac has consequently launched an extension of their test facilities, employing a person responsible for testing in a newly built test and training center. As a consequence of that, communication with the test-department at WindPower has intensified in order to show transparency in testing, as well as showing that Hydac act proactively by identifying possible mistakes during the tests. A part of the relationship is also a strong concern for knowledge sharing and providing each party with relevant information. At weekly phone meetings both parties exchange information regarding running projects, and discuss the project plans that

Hydac develops and updates to ensure WindPower an overview of the business, and transparency in regard to time schedules, price corrections and future negotiations. On the other hand, WindPower also provides information about forecasts on the online system, *Partner-Net*, and those forecasts provide Hydac with information, which is used by the production planning department to plan staffing, materials and technical specifications for manufacturing. This also ensures that the stock department has the requisite products ready to be pulled by WindPower. The case shows that in situations where information is incorrect or the forecasts do not match WindPower's demands, production and manufacturing are affected in both firms. Situations do occur where Hydac does not have the necessary materials or human capacity to meet orders, and conversely WindPower experience complications at their production sites when they are unable to supply what is necessary for production.

As WindPower has been through a number of 'turnarounds', and most recently decided to change their strategy towards suppliers, there has been growing attention given to the strategic capability of suppliers. In this regard, Hydac has discovered WindPower's strong concerns about how Hydac develop strategies and set strategic goals for the future. WindPower asked Hydac to make decisions and plans for future growth, sub-supplier strategies, and specifically, how Hydac will approach the collaboration with WindPower, also including how Hydac will manage to supply the global part of the WindPower business. This has resulted in a number of new initiatives at Hydac in order to be able to meet the demand for strategic development competencies. Hydac has organized internal workshops for the purpose of developing and formulating a strategy for collaboration with WindPower, as well as organizing a team of employees working with WindPower as their only customer. This process has been going on for more than two years, and Hydac regularly present the results to WindPower at business review meetings. At these meetings WindPower evaluate and comment on the strategy presented, and most often ask Hydac

to adjust or improve what has been done, and then to present the new results at the next meeting. At these meetings, WindPower often refer to Hydac's ability to act proactively and with the right mindset, but Hydac appears to have difficulty in actually acting upon that. During the last year, Hydac has, attempted to be proactive and show a positive mindset by suggesting a joint workshop for the purpose of developing a joint strategy for the relationship. Hydac is currently awaiting a response from WindPower.

Activities performed by WindPower

WindPower works with *category management*- and *preferred supplier* strategies. This means that the collaboration with Hydac is only one among many. Compared to the situation at Hydac, WindPower do not have the same dependency on the relationship as Hydac, which becomes clear in the case when studying WindPower's activities. The case shows that Hydac has a good understanding of what is considered to be value to WindPower, and how to convert those expectations and demands into value creating activities that WindPower will accept. Conversely WindPower do not seem so focused on what Hydac articulate as value, instead their concern, not surprisingly, is mostly on their customers and performing activities directed at their expectations and demand. An example is when WindPower were asked about important aspects of collaboration with suppliers. WindPower's response was that it is vital that suppliers manage to support the business of WindPower in any way possible in order to ensure that WindPower are able to fulfill the needs and demands of their customers. To ensure that suppliers have the necessary information and knowledge base to support them, WindPower organizes an annual supplier day for the purpose of sharing market knowledge, introducing suppliers to new projects at WindPower and informing suppliers about future strategy. Apart from a strategy presentation, WindPower also uses the supplier day

to meet with all relevant suppliers individually, in order to discuss further how each supplier may be able to support the presented strategy.

Internally, WindPower continuously evaluate all suppliers, using criteria such as the supplier's ability to reduce cost, avoid mistakes, maintain a high delivery performance and show transparency, proactivity and the right mindset. In that process, WindPower evaluates earlier transactions between them, and establishes areas where improvements are necessary, in order to maintain position as preferred supplier. WindPower explain that evaluations are based on specific data generated from measurement factors like delivery performance, cost reduction, numbers of mistakes and general daily collaboration. However, evaluation is also based on joint events, where WindPower invite suppliers into its own production sites, or when visiting suppliers in their factories. WindPower also arrange for global and local factory meetings, so that they, together with suppliers, have the opportunity to discuss issues such as production capacity, quality, and potential future orders. At these visits WindPower opens up its own production sites, so that the supplier can see how their own products or solutions are being used and integrated within WindPower's solutions. WindPower also visits suppliers' production sites, and with Hydac there has been a number of visits around the world within the last two years. At these factory meetings, time is spent mostly on production tours, where the parties have the opportunity to discuss how Hydac do business, at an operational level. As those site visits are often away from home, Hydac arrange for all participants to go out for dinner at night. At such events Hydac and WindPower have the opportunity to discuss what they have seen during the day, and also establish a stronger personal relationship between the purchasing team from WindPower and the sales and development team from Hydac.

When the research and development department at WindPower were asked which activities they perform together with suppliers, they emphasized

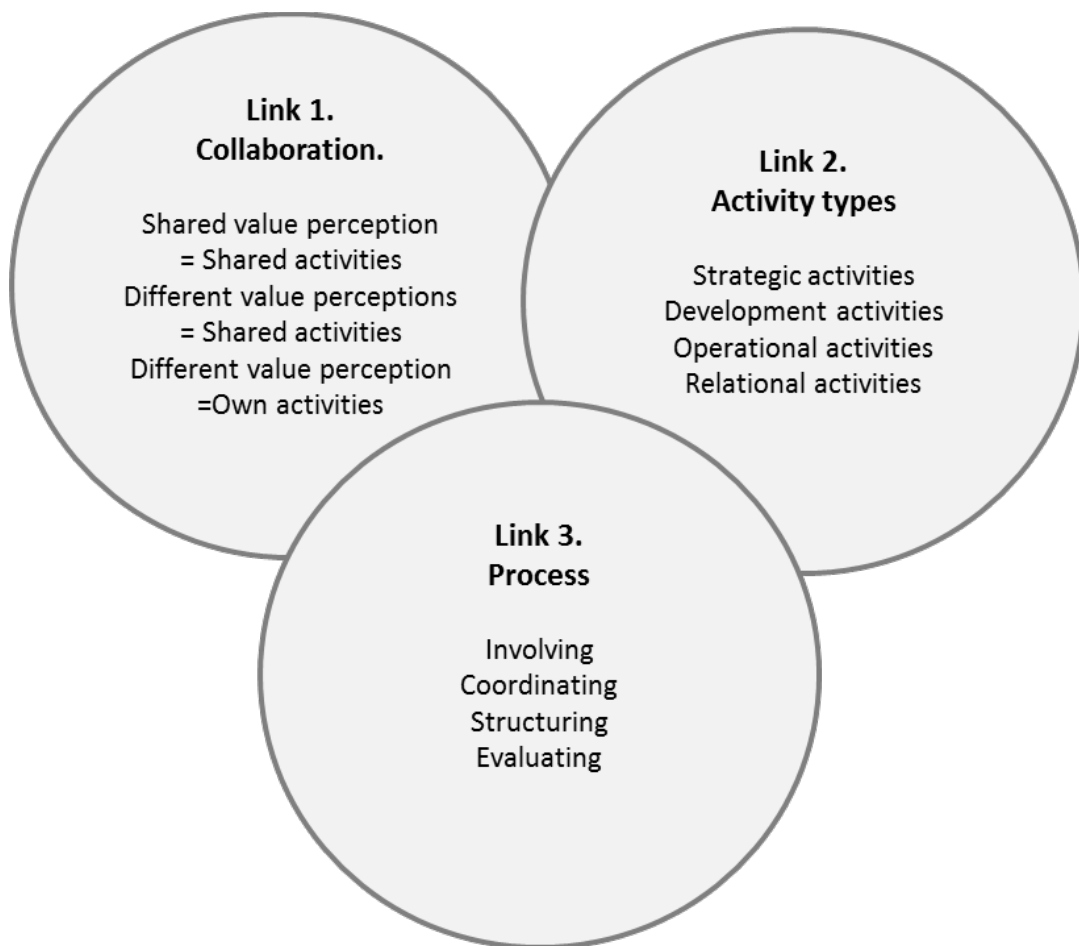
knowledge sharing as being vital. The department manager explained, that much time is spent on the phone and on emails with suppliers' engineers, ensuring that they have the right technical information and specifications. Once in a while WindPower also arrange for their technical staff to meet with technicians at supplier firms to work together on developing new solutions. At these workshops participants from each firm present their starting points and ideas for new solutions, which is followed by a process of generating new ideas based on their input. Often, participants also visit productions sites at these workshops, in order to be able to discuss solutions whilst they are actually operating, or being implemented as part of an end product. These workshops take place twice a year, and WindPower stresses the importance of these workshops, as they provide suppliers with valuable insights to the business of WindPower, and conversely provide WindPower with insights to the development capacity of the supplier. Furthermore, both Hydac and WindPower describe these workshops as opportunities for the people from both firms to get to know each other better, and strengthen the bond between them. As most of their interaction takes place over the phone or by emails, they find it supportive for the collaboration to also meet in person.

Case discussion and findings

This case of the relationship between WindPower as customer and Hydac as supplier provides interesting insights to the nature of value in a real-life setting. The case illustrates how the firms attempt to understand and explain value from their own perspective, as well as from their counterpart's perspective. Furthermore the case shows how the firms attempt to act upon their value understanding in a way that actually creates some kind of value. Asking for value perceptions and trying to act upon them is not a matter of simple performance or linear processes between the firms. In fact, the case illustrates that this is a complex mixture of actors

trying to develop an understanding of what they and their counterpart value, and transforming this knowledge into specific activities performed individually or together. From our study three main considerations emerge, as illustrated in Figure 2. The figure shows that there are three ‘links’ between value perceptions and activities; the link of collaboration, the link of activity types and the link of processes. Each of the links is presented and discussed in the sections below.

Figure 2 Links of activities and value perceptions



Link 1: Collaboration

The first consideration refers to the link between value perceptions and forms of collaboration, and whether activities are performed individually in each firm, or together in the relationship. First, the case illustrates that shared perceptions of value can lead to shared activities. For instance both parties articulate knowledge sharing and gaining new knowledge as being valuable, and that leads to shared activities. An example is when the parties organize development workshops to share experiences concerning existing technical solutions, and market knowledge regarding future technical solutions. Another example is when the engineers meet on production sites to see solutions in action; either how the supplier manufactures the solutions, or how they are implemented in manufacturing at the customer's end. Those activities are performed by the customer and supplier together, and are based on a set of shared value perceptions.

The case shows however, that joint activities are not necessarily synonymous with shared value perceptions. The case illustrates how the parties participate in activities together, but with different perceptions about the outcome of value. The firms often travel together to visit subdivisions and subsidiaries of both firms around the world. At these firm visits the parties have the opportunity to create stronger partnership bonds, and present capabilities and resources available for future projects. This is especially emphasized as being of value to the supplier, whereas the customer uses these firm visits to evaluate the global performance of the supplier and their willingness to show transparency, as well as identifying potential sources of cost reduction for further projects. Another example is when employees from both firms participate in weekly phone meetings. For the customer, these phone meetings are valuable as they provide information on upcoming deliveries, and whether or not the supplier is succeeding in delivering the right solutions, the quantity agreed and at the right time. For the supplier on the other hand, these meetings are valuable

as the customer provides information about forecasts and potential changes in technical specifications. These meetings also provide both firms with relevant information for internal use in production, as well as about external parties. The supplier coordinates with their sub-suppliers based on information from the customer concerning, for instance, quantity or time for purchase. On the other hand, the customer coordinates with other suppliers in order to plan when the next step in production can take place. If delays occur, or information has been inaccurate, it causes deviations throughout the entire chain of customers and suppliers.

The study, exemplified in the above, shows that activities, whether performed together or individually, are driven by value perceptions, and that mutuality in value perceptions (among other things) is an important factor regarding whether or not firms decide to perform activities together. An important point however, is that diversity in value perceptions does not constitute a limitation for performing activities together. Indeed, the case provides several examples of activities performed together, just with different value drivers in mind. Both the customer and supplier argue that they perform activities “solely” for the purpose of creating value for the counterpart, but we might presume that they simultaneously expect that these activities will ultimately lead to value creation for themselves (Håkansson & Ford, 2002) in terms of e.g. improved collaboration terms, lower prices or an increasing number of orders.

Link 2: Activity types

The second consideration refers to the activities performed, including what characterizes those activities. In discussions about how firms do business, and especially in a business relationship context, activities easily become an undefined unit covering the ‘things’ firms do. Classifying or dividing activities into meaningful categories is difficult (Håkansson & Snehota, 1995), and is mostly analyzed from an internal or external perspective,

focusing on whether the activities are performed by firms individually, or together in collaboration. However, analyzing activities against the value perceptions emphasized in the case has made it possible to go deeper into the notion of activities, and for this case to identify (at least) four categories, depending on what value they are supposed to create. The value perceptions from the case fit closely with the functions and elements suggested in earlier research by Ulaga & Eggert (2006) and Walter, Ritter, & Gemünden (2001), but also the findings of Lapierre (2000) and Baxter & Matear (2004), suggesting that value is also intangible, exemplified in the case as proactivity, respect, mindset and openness. Based on this, it has been possible to divide activities into the following four categories

The first category is *strategic activities*, representing activities that are directed towards value drivers like “having strategic skills”, “performing strategic purchase” and “showing capability in developing own business”. An example from the case is when the customer asked the supplier to perform in a more strategic way; developing and formulating strategies for global performance and for their own local performance, as well as for a wide range of areas within business, for instance their approach towards sub-suppliers. As a response to that, the suppliers initiated a variety of activities that, combined, should meet these demands. For instance, organizing and completing a number of strategy workshops with the management team, interviewing the customer for insights on value perceptions, performing business review meetings, management meetings, developing a handbook for global collaboration and re-organizing the sales team. All of these activities are performed for the purpose of creating value related to the firms’ strategic performance, as required by the customer. An underlying factor might be that the customer seeks some kind of insurance that the business of the supplier is solid, and managed by a team of managers capable of not only formulating strategies, but also performing activities that support that. The case illustrates, that this

category of activities is mostly performed at a strategic firm level, by the top management team.

The second category is *development activities*, representing activities that are directed towards value drivers such as “offering new solutions”, “improving technical quality”, “challenging existing solutions” and “providing a high level of technical competencies”. The case shows that activities like optimizing development processes, organizing technical workshops and courses, sharing knowledge at workshops and through phone meetings, as well as employing highly skilled technical employees, are some of the activities performed in the relationship. Each of these activities is performed to demonstrate development capabilities, and to achieve the value drivers related to this category of activities. Most of these activities belong to the development departments, and are mostly performed by engineers and technical designers from both firms, either individually or in shared projects.

The third category is *operational activities*, representing activities that are directed towards value drivers like “lowering prices”, “reducing overall costs”, “shortening delivery time”, “providing reliable forecasts” and “delivering a high level of information”. In the case, the customer constantly asked the supplier to deliver a more competitive price and cost foundation, arguing that the market in which they are competing produces constant pressure for lower prices. As a response to that, the supplier decided to implement the principles of LEAN in its manufacturing department, as well as launching projects that aim to reduce the total cost of collaboration. This means that the supplier analyzes and evaluates all processes, whether internal or shared, in order to find opportunities for improvement, which will hopefully enable the supplier to lower the total cost, and thereby offer the customer lower prices. The customer on the other hand, attempted to ensure the supplier received the best possible foundation for production planning and purchasing, and also to meet the

demand for more information, by providing the customer with more regular updates through a shared information platform, *Partner-net*, as well as raising the information level through weekly phone meetings. These activities are shared between many departments in the two firms, and activities are performed both at a management level, deciding for instance, which projects to launch, as well as at the production site, by implementing new processes and structures.

The fourth and final category is *relationship activities*, referring to activities performed to create and show “the right mindset”, “respect”, “openness”, “proactivity” and “transparency”. Analyzing the case, it becomes apparent, that acting upon these value drivers, relative to the other value drivers, is far more complex. The parties even have difficulty explaining which activities are actually performed for the purpose of meeting those value drivers. Examples of attempts to meet these value drivers are when the parties invite each other on firm visits. At these occasions, it is possible that some of the intangible value drivers are being fulfilled, when they travel together, dine together and spend more informal time together. This might result in a better mutual understanding and respect of each other, as well as providing an opportunity for both parties to open up and show transparency. When the customer asked for more proactivity, the supplier attempted to act more proactively by delivering new business plans for future upcoming projects. However, this has often resulted in wasted effort, as the customer then pointed to all the missing details etc. in the plans, which would have been accessible if only the supplier has waited. On the other hand, the customer attempted to show more respect for the business of the supplier, by taking into account aspects of delivery times, times for development processes etc. However, this is considered to be difficult, as customers usually react on the basis of requirements from their own customers, which are in no way predictable.

Together, the two first considerations demonstrate how value drivers in a customer-relationship have an impact on the level of collaboration, as well as the types of activities being performed. The third and final suggestion refers to the way value drivers and activities are linked together.

Link 3: Process

The study shows that value creation is about more than “just” performing activities, and the study points to the relevance of firms being able to engage in a process of involving actors, coordinate activities, create structures and evaluate the balance between activities and perceptions of value, as an important part of creating value.

Involving actors is an important part of interaction (Gadde & Håkansson, 1994; Wilkinson, Young, & Freytag, 2005). Both the customer and the supplier in this study, address the value of having strong relationships outside the dyadic relationship that they share, as well as the importance of involving the right actors within each, and across both, organizations: involving both directly and/or indirectly derived value drivers articulated by the counterparts. The customer for instance, articulates the value of the supplier having strategic skills. This led to a development process in the management group of the supplier, who decided to involve consultancy resources from outside the firm to improve internal skills. Another example is when the customer referred to the number of sub-suppliers that they expect the supplier to involve in manufacturing the solutions for the customer. A final example is where the supplier pointed to the need for more information and reliable forecasting from the customer, who in return decided to establish and upgrade the involvement of the actors at the production sites and include technical departments in the collaboration.

Collaboration requires *coordination of activities*, whether they are performed individually or together (Ford et al, 2009), as well as coordinating resource ties and actor bonds (Ritter et al., 2004).

Coordination takes place between firms, and in this case coordination refers to efforts made to ensure all parties in the relationship have the necessary information and knowledge on projects, in order to be able to perform in the most value-creating manner. Coordinating activities include developing project plans, filling out time schedules and updating shared information platforms. The case illustrates how coordinating activities between the two firms has an impact on how the supplier plans future and ongoing manufacturing activities, and the customer receives information on project deliveries, enabling them to plan for subsequent activities in the process.

Activity structure is discussed as something that emerges spontaneously as actors develop their own activities in reaction to the activities of the counterpart (Håkansson & Snehota, 1995). In this study both firms *structure activities* in order to establish and secure their own workflow and procedures, as well as the activities they perform together. Structuring activities happens, for instance, when new and existing processes are being developed, when reorganizing internal teams and groups, and when establishing cross-organizational work groups.

Finally both firms perform more or less systematic *evaluations* of the balance between perceived value and performed activities. An example is when the customer regularly measures the performance of the supplier against own value drivers. For instance the supplier is measured on delivery performance, cost reduction and quality level. The supplier on the other hand, measures the turnover created in the collaboration, as well as the balance between cost and revenue. Both firms also measure on the basis of value drivers like openness, respect and honesty; however these evaluations seem to be more reliant on gut feelings rather than actual data.

Besides the three considerations outlined above, attention should also be paid to the results of the relationship, or more specifically the outcomes. If the outcome is measured as the success of activities fulfilling value

perceptions, it is a mission impossible. This is due to the emergent nature of value perceptions, as well as the fact that value perception is actor specific (Corsaro et al., 2013; Corsaro & Snehota, 2010), and thereby impossible to fully accomplish in a way that meets all value drivers. The case shows, that no matter how hard the supplier attempts to reduce prices or act more strategically, new goals to be achieved are determined by the customer, leaving former value drivers behind. It is not “*mission impossible*” to actually create value, but value lies in the effort made by the parties in the relationship, and not in actually reaching a specific goal (value driver).

Chapter 7. Conclusion

This chapter is divided into two parts. First, findings of each of the three papers are presented and discussed. The second part contains the final conclusion of the dissertation, followed by acknowledgement of its limitations and suggestions for further research, a section concerned with practical implications, and finally, an assessment of the quality of the research.

7.1. Conclusive summary.

This thesis has been guided by an underlying construct of empirical challenges that arise as a consequence of strong collaboration between firms, and within that, how they manage dynamics within relationships, how they build up relationship understanding and insights, and how they manage to act upon that understanding in order to create value.

The first challenge concerns the dynamic in collaborative relationships, and in that context how firms manage to handle dynamics in both the relationship and in the broader network. Dynamics place great demands on a firm's ability to continuously develop and improve business, due to their activities, resources, capabilities, and possibly the entire business model.

Secondly, firms are being challenged in creating understanding that goes beyond the firm's boundaries. Firms find that it is not enough to relate only to internal management affairs. Being part of close relationships, firms experience a need to build an understanding of what happens outside the firm, including their partners' expectations, needs and perceptions of value, as well as across their wider network. These insights and understanding play an important role when firms are developing the value offering, and acting within relationships and networks.

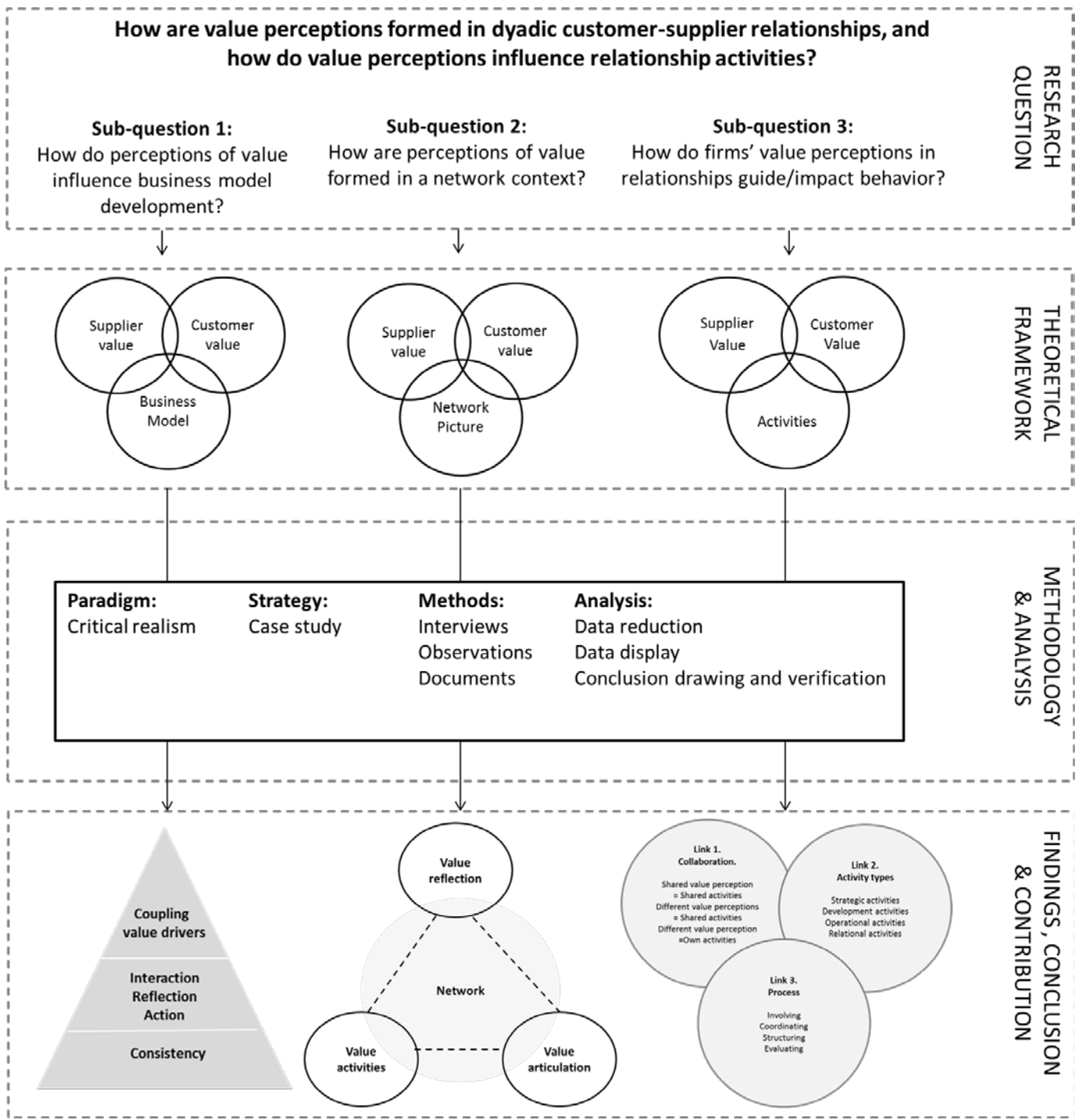
The third challenge refers to acting upon value perceptions, and transforming insights on value perceptions in a relationship into relationship activities. In developing and changing relationships, actors change their perceptions of value, experiencing the need to constantly react to new situations, new demands and new expectations. Activities that were originally performed only within the firm now become shared in the relationship, involving actors and resources from more firms. Planning and performing activities to create value is not a single firm matter, instead the activities of others must also be taken into consideration, as must their perceptions of value. Firms must identify each other's value perceptions, and transfer that knowledge into activities that are considered valuable to their counterparts.

The following three sections address these challenges individually by answering the three sub-questions of the thesis. Together they form the foundation for answering the main research question:

How are value perceptions formed in dyadic customer-supplier relationships and how do value perceptions influence relationship activities?

The presentation of the findings resulting from the studies of the three research questions follow the structure illustrated in Figure 7.1. The presentation is followed by a section highlighting the conclusion and the theoretical contribution of the thesis.

Figure 7.1 Structure of the thesis, and findings from the three papers



RQ 1- How do perceptions of value influence business model development?

This question is answered in Paper 1 in Chapter 4. The title of the paper is: *The role of value perceptions in business model development*.

As firms intensify collaboration with customers and suppliers they experience an increasing need for development that goes beyond product development, and which captures not only the value perceptions of the firm itself, but also the value perceptions of others. This study of value perceptions in business model development argues that business model development is *per se* a value driver. This is outlined in the following presentation of the three findings from Paper 1.

The first finding relates to a firm's ability to couple value drivers together, and translate them into activities and actions. Studying value perceptions from both sides in a close customer-supplier relationship made it clear, that it is not enough to 'just' lower prices, or act in a proactive way. Instead value occurs when value drivers are coupled together so that the intangible value drivers such as proactivity, respect, trust and mindset are coupled together with the more tangible value drivers such as cost reduction, lower prices, quality and delivery time. In practice it means, that cost-reduction should be done proactively, whilst raised quality should be delivered with the right "mindset".

The second finding refers to the dynamic process of development, and the complexity of handling both the tangible as well as intangible value drivers. The case explicates, that it is a far more straightforward task to lower costs, reduce delivery time or improve payment terms, than to act with the right mindset, be proactive or show openness and transparency. This implies that to meet the intangible value drivers, both the customer and the supplier need to engage in a dynamic and cyclical process. In this process the partners interact to discuss implemented actions as well as

potential actions for implementation. Moreover the supplier, in particular, reflects on discussions and adjusts the actions they implement. This dynamic process of interaction, reflection and action is completed in order to find a shared agreement, and fulfill the need for development.

The third finding addresses the issue of continuity, and argues that in order to create, deliver and capture value, firms must be able to continuously couple value elements together in an ongoing and dynamic process. This means that it is not enough to do it just once or twice; development and adjusted actions, as a matter of value creation, must be continuous and something that firms do over and over again. One important reason for this can be found in the nature of value perceptions as emergent and dynamic, and therefore requiring a constant focus on moving forward.

Summing up, perceptions of value influence business model development since value creation is not entirely associated with reaching a specific goal, but is about the effort made in trying to reach the goal. Findings further specify that perceptions of the process of creating, delivering and capturing value, influence how firms manage to couple tangible and intangible value drivers together, act upon them, and do that consistently.

RQ 2- How are firms' perceptions of value formed in a network context?

This question is answered in Paper 2 in Chapter 5. The title of the paper is: *Understanding value perceptions using network pictures*.

Insights and understandings are important when firms work together. Understanding one's own business is only part of the picture, as firms must also build up an understanding of the surrounding network of customers and suppliers. To act in a way that is valuable to others, firms must have an insight into the value perceptions of others, as well as other

relevant dimensions in the context within which these other actors are acting, and which affect their value perceptions. This part of the study argues that perceptions of value are not formed inside firms, but in their network of customers and suppliers, when they reflect upon their network, when they talk together and articulate value perceptions within the network, and when they act together. This is outlined in the following presentation of the three findings from Paper 2.

The first finding refers to value reflections. When parties in a relationship reflect upon value, the surrounding network plays an important role. It is found that the customer and supplier reflect upon changes and tendencies in the network, and compare these with their own perception of value. Aspects of the network enter into the reflections of both the customer and supplier, and affect their perceptions of value.

The second finding refers to value articulation. This thesis argues, that value, implicit and explicit, is articulated in the relationship between the customer and the supplier, and that those value articulations become a part of the formation of value perceptions, when both firms subsequently reflect upon what has been said by the counterpart.

The third finding refers to value activities and concerns how value perceptions are expressed through activities. Both the customer and the supplier perform activities that are directly derived from external dimensions in the network, for instance customers of the customer. When the end-user changes any of their perceptions of value, these affect activities performed in the relationship, as well as what the customer and the supplier in the network perceive value to be.

This part of the thesis thus states that the surrounding network plays an important role in forming value perceptions. Value perceptions are formed when firms reflect upon changes and tendencies in the network. They are formed when firms communicate and articulate value to each other, or in

the network, and they are formed when firms act, either individually or together, in relationships.

RQ 3- How do firms' value perceptions influence relationship activities?

This question is answered in Paper 3 in Chapter 5. The title of the paper is: *Mission impossible: acting upon relationship value*

In dyadic relationships where actors' perceptions of value evolve and change, there is a need for constant adaptation to new situations, new demands and new expectations. More activities become, shared between customers and suppliers, which raises new challenges in arranging, coordinating and performing activities in order to transform value perceptions into actual activities. The findings from Paper 3 show that value perceptions and activities in relationships are closely linked together, as outlined below.

The first finding relates to whether activities are performed individually or together. The study presents a link between perceptions of value and activities, and illustrates that shared value drivers provide the basis for performing activities together. Furthermore, the study shows that even if the parties do not share a perception of value, there might still be opportunities for joint activities, as long as the activities have a value creating character that satisfies (does not dissatisfy) both parties. A third possibility identified is that of activities being performed mainly to satisfy the counterpart, naturally with an underlying assumption that it will eventually have value for the performer.

The second finding concerns the link between value perceptions and types of activities. Activities might be difficult to actually characterize, however this study shows that specific value drivers lead to different types of activities. Four types of activities are identified, and each of these activities are linked to value drivers. For instance, value drivers related to strategic capabilities, lead to a number of activities for the purpose of discussing, developing and communicating new strategies. Another

example is value drivers of a developmental character, which relate to a firm's ability to develop, design and present new technical solutions. This leads to development activities of product courses, development workshops and technical discussions on site. Whilst the link is clear in respect of the strategic, development and operational activities, it seems to be more blurred when focusing on the more intangible values such as respect, openness, stronger relationships and mindset. In those areas, and in order to meet these value drivers, relationship activities are launched, such as firms' visits, joint dinners and spending time together in a more informal way.

The third finding argues for the importance of firms being able to involve other actors (i.e. sub-suppliers), coordinate activities, create structures and evaluate consistently, as a part of the collaboration. This concerns the process involved in creating value and points to the complexity of acting upon value perceptions.

This paper thus states that a firm's value perceptions influence relationship activities in three ways; the types of activities performed, whether the activities are performed individually or together, and finally the process involved in performing activities.

7.2. Theoretical contribution

The findings of this thesis provide strong arguments for value perceptions being an essential part of understanding how firms do business, and especially how and why they interact. Accordingly, the findings presented in the thesis are in line with Anderson, Håkansson, & Johanson, (1994), arguing that value creation is the *raison d'être* of relationships.

Furthermore, this thesis supports other scholars in arguing that value is a complicated matter for both researchers and practitioners, trying to grasp and cope with its complex, diverse and unpredictable nature (Corsaro & Snehota, 2010, 2012; Sanchez-Fernandez & Iniesta-Bonillo, 2007).

The notion of relationship value is attracting an increasing amount of attention from scholars within the relationship marketing discipline, especially from researchers adhering to the Industrial Network approach and representing the IMP group of research. Applying the Industrial Network approach implies an interaction perspective to the notion of value, which offers new opportunities for research, greater depth and width for exploration, and complex research questions to study and answer. In particular an interaction perspective of value implies a focus on how firms interact in order to create value, how they understand value perceptions in a dyadic relationship, as well as in a broader network context, and finally how firms manage to transform insights on value perceptions into concrete relationship activities. Despite the increasing interest in the academic field of relationship value, there are still additional issues to investigate. As argued in the introductory chapter, this thesis makes a particular contribution to the identified gaps in the literature concerning how dynamics in relationships influence value creation, how actors understand differences in value perception, and how value perception is being transformed into relationship activities, as introduced in Chapter 1. Accordingly, the purpose of this thesis has been to study a particular aspect of relationship value, and to contribute with new knowledge on:

How are value perceptions formed in dyadic customer-supplier relationships and how do value perceptions influence relationship activities?

This thesis contributes to the relationship value literature in four ways, as illustrated in Figure 7.1., and presented, in more detail, in the following.

The first contribution concerns the form and content of relationship value, and how development becomes an important value driver. Development is highlighted as an important means for continual value creation and firm performance (Amit & Zott, 2012; Cavalcante et al., 2011; Chesbrough, 2007), and firms are being challenged on their ability to develop their value offering, including the ability to create value for their different business partners. The existing literature conceptualizes relationship value as tangible and intangible drivers (Baxter & Matear, 2004), as value dimensions (Henneberg et al., 2009; Lapierre, 2000), value drivers (Lapierre, 2000; Ulaga & Eggert, 2006b) and value functions (Walter et al., 2001). These are all relevant. However, they are inadequate to explain the substance of value, especially when applying a relational perspective. It is agreed that the tangible, as well as intangible, value drivers presented in the literature have their justification, and this empirical study finds no reason to contradict the idea of those drivers being relevant and descriptive when explaining relationship value. Empirical data from this study underlines the centrality of development in value creation, but finds that existing literature provides a simplified conceptualization of relationship value drivers, and overlooks the development aspect. After studying a close customer-supplier relationship over a period of years, and focusing especially on perceptions of value, this thesis concludes that a supplier's ability to consistently develop its business is an essential driver for relationship value. The supplier's ability to consistently couple value drivers together in a dynamic process of interaction, reflection and action within relationships, represents a main aspect of relationship value. This

challenges the idea that creating, delivering and capturing value (Osterwalder & Pigneur, 2010) is a matter of reaching a target of specific value drivers. Instead this thesis points to development as the main value driver. Besides making a contribution to the relationship value literature, arguing for the relevance of development, this can also be seen as a contribution to the business model concept. The business model literature tends to apply a rather one-sided perspective of the firm (Clarke & Freytag, 2011; Mason & Mouzas, 2012; Palo & Tähtinen, 2013), considering business model development to be a project of the firm (Zott & Amit, 2010). However, this thesis shows that business model development is a dynamic process between firms and includes interaction, reflections on value perceptions and joint activities. In practice this means that firms must look at value creation from a broader perspective than that of their own firm, especially where the firm's ability to consistently move the business forward is the actual value driver.

The second contribution derived from this study concerns network understanding, and how value perceptions are influenced by dimensions in partners' network pictures. In the process of continuous development, the firms' perceptions of relationships and their wider network come to play an important role. In the development in business relationships, firms experience an increasing need to relate to the surrounding network. This is specifically relevant when searching for an understanding of how value perceptions are being formed and expressed. Where existing literature on value links perceptions of value together with product related services and features (Bowman & Ambrosini, 2000; Lindgreen & Wynstra, 2005; Zeithaml, 1988), this thesis points to the surrounding network as a source and influencer of value perceptions. This thesis identifies value reflections, value articulation and value activities as forming elements, and argues that the surrounding network is an important dimension that affects how firms reflect upon value, articulate value and perform activities to create, capture and deliver value. By this, the thesis provides new insights into the

formation of value, and argues that value perceptions arise and are being formed through interaction between firms and their surrounding network. Elements of firms' network picture, such as firm boundaries, focus, power and environment (Henneberg, Mouzas, & Naudé, 2006) play important roles when firms develop their value perceptions. Further, it becomes clear, that firms do not form value perceptions internally, or in the direct interaction of a specific relationship, but are strongly influenced by their surrounding network of other customers, suppliers, and others. As development is also stressed as a value driver (in the first contribution), this contribution also underlines the importance of considering not only the dyadic perspective when developing the business model, but also paying attention to dimensions in the broader network. In practice this implies that management need to be perceptive e.g. not only to the value created and delivered to a specific partner, but also how the partner's understanding of the wider network will have an influence on the value delivering and capturing process.

However, studying perceptions of value in a network context also reveals a limitation in the concept of network pictures. The concept of network pictures is presented as a frame for making sense of managers' understanding and perceptions of the network in which they operate (Corsaro et al., 2011; Henneberg, Mouzas, & Naudé, 2006), and is conceptualized as a set of interrelated dimensions, which form the network picture (Henneberg et al., 2006). This study points to value perceptions as an important aspect of the network, and also of managers' network understanding. In future studies it is accordingly relevant to include the dimension of value perceptions in the concept of network pictures. Analyzing a customer and supplier relationship reveals that to a great extent, the dimension of value guides managers' perception of their surrounding network, sometimes in a very explicit way, and on other occasions more implicitly.

The third contribution concerns value perceptions and activities, and how value perceptions are linked with relationship activities. Creating, delivering and capturing value involves some kind of action, and firms are challenged in their ability to transform knowledge and insights of value perceptions into specific activities, performed either by the firm itself or together in the relationship. With only limited knowledge on how value perceptions influence firm behavior (Corsaro & Snehota, 2010; Corsaro, 2014b; Lindgreen, 2012), this thesis contributes with new knowledge by suggesting three links between value perceptions and relationship activities. The first link concerns the degree of collaboration, arguing that mutuality in value perceptions lead to joint activities. This study shows, that joint activities are being organized and performed primarily when firms share value perceptions, or when the activity is organized in a way that creates value for both parties. The second link concerns activity types, as this study reveals a link between specific value drivers and types of activities. Value drivers with a strategic character leads to strategic activities. The third link refers to the process of linking value perceptions and relationship activities together, and proposes that value is created when firms manage to structure, involve, coordinate and evaluate activities within the relationship. In practice, this implies that managers need to pay attention to all of these activities in the creation of value. However, value is not created simply by performing activities, but also requires managers to organize and plan for activities that are value creating for both parties. Further, value creation also occurs during the activity process, when firms structure, coordinate and evaluates activities, and involve the other relevant actors in the process.

The fourth contribution concerns the focus of analysis. It becomes clear when reviewing the literature on relationship value that the primary focus is from a customer perspective (Flint et al., 1997; Lindgreen et al., 2012; Lindgreen & Wynstra, 2005; A. Payne & Holt, 2001). The supplier perspective garners far less attention (Walter et al., 2001), and almost no

research addresses the (potential) gap between customer and supplier perceptions of value (Ulaga & Eggert, 2008). This thesis addresses both customer and supplier value, and thus stands out as one of the first contributions to relationship value literature that analyzes value from both a customer and a supplier perspective in a dyadic relationship. However, since the creation of customer value is emphasized as the core of marketing, the focus is mostly on the customer perception of value. Nevertheless, this thesis does stress the need for also considering perception of value from a supplier perspective, because the study shows that customer and supplier value are perceived differently, and also because of the premise that value should be created mutually in a customer-supplier relationship, in order to make the relationship mutually attractive. Indeed, the findings from this thesis suggest that the very interplay between value perceptions held by the customer and supplier respectively is vital and central in creating, delivering and capturing value in business relationships. For managers this implies that even though their primary focus is on the customer, it will also, in the future, be germane, to pay attention to value perceptions from the suppliers' perspective. In practice this means that managers should also consider the suppliers' perception of value when initiating and organizing activities, and understand that suppliers, as well as customers, act in a dynamic network context, which also implies that their value perceptions differ from actor to actor, are phenomenological and are dynamic in their nature.

7.3. Quality of the research

As this study takes a critical realist perspective, one could claim that no theory or study offers ultimate knowledge, since research is just the best truth about reality at a particular moment in time (Bøllingtoft & Blundel, 2007). As a critical realist, using abductive systemic combining, I have been encouraged to pay attention to the fact that there might be other various possible explanations, and that I must always look for supplementary insights in the theoretical as well as empirical world. Nevertheless, the methodological choices made throughout the process have to be evaluated, and as part of that evaluation the question arises as to whether other data collection methods could have been valuable and have strengthened the validity of the research.

Provided with almost unlimited access to the case firm, I could have used this access to delve deeper into many aspects of the firm, including other relationships than the one selected for this particular thesis. Hydac has a broad network of customers, as well as suppliers that could have been relevant for this study. It was though, a clear priority to devote my time and resources to the relationship between Hydac and WindPower, and thereby have the opportunity to look at their relationship in depth. Even though this thesis provides insights into relationship value from both a customer and a supplier perspective, the main focus is on the supplier side, as this was the original case firm. It could however have been interesting if I had gained more access to WindPower, and thereby the opportunity to obtain more knowledge of how they actually discuss and reflect upon value from their point of view. This has, of course, been possible during the interviews and the observations of meetings; the study of Hydac shows that much is happening outside of the relationship activities and interviews. However, this was not possible, since WindPower was unwilling to share information concerning internal procedures and processes beyond what they did in the interviews and during the meetings.

The present study has been evaluated based on the criteria for judging validity presented by Healy and Perry (Healy & Perry, 2000). These are presented in detail in Chapter 3, section 3.5.

Ontological appropriateness

This thesis builds on a research question that asks, *how are value perceptions formed in dyadic customer-supplier relationships and how does value perceptions influence relationship activities?* Answering this question has also included questions of why, in order to explain why the firms act as they do, and why they have those perceptions of value. An example is the study of the formation of relationship value in a network context, where the use of the network picture concept helped to ask the ‘why’ questions. Another example is during the observation studies, where it was always acceptable to ask why, in order to gain better understanding of statements and stances. Accordingly, the approach can be considered appropriate in ontological terms.

Contingent validity

In-depth interviews have contributed with detailed insights into perceptions of value from both customer and supplier perspectives, and have allowed for both the how and why questions to be asked. The interviews were open and informal, and in that sense allowed the participants to elaborate on answers, and go beyond the strictures of the interview guide. Observations were conducted throughout the entire research process, and adopting the role of participant observer, made it possible to always ask questions during the observations. Finally, this thesis builds on thorough case descriptions; presenting and displaying data in illustrative figures, schema and through the use of quotes.

Multiple perceptions of participants and of peer researchers.

Participants’ perception is not reality, but should instead be seen as a window to reality (Healy & Perry, 2000). In this thesis, participants’

perception of reality has been sought and identified through observation studies and interviews. Supporting evidence has been found in the form of secondary sources, primary management reports and minutes of meetings from both management meetings, and also meetings between Hydac and WindPower that I was unable to attend. Triangulation of data has been obtained between the findings from interviews, observations and secondary data. During the entire study I attended conferences and workshops where I had the pleasure of presenting my study to other researchers within academia, both from within my field of research as well as other fields. That provided me with valuable comments and input for the research process, and helped me with the choices that I made during the process. On numerous occasions during the process, I also presented my research to practitioners, and this has also provided interesting comments that have been useful. All responses and input have been incorporated in my research, both in the process of collecting data, and in the ongoing process of analysis.

Methodological trustworthiness

During the process I gathered data in a detailed field study report, and transcriptions of all interviews was undertaken, in order to secure methodological trustworthiness. From transcriptions of interviews, and from the field study report, it was possible to use quotations in the case descriptions to support and underpin the findings. Chapter 3, as well as methodological sections in chapters 4, 5 and 6, provide thorough descriptions of the procedures applied in answering each of the three sub-questions in the three papers. This includes how the interviews were conducted, the observations made, and the analysis process. This was done in order to make it possible for the research to be audited by a third person.

Analytical generalization.

As discussed in Chapter 3, the purpose of this study is not to provide statistical generalization. On the contrary, the purpose is to provide a more comprehensive and in-depth understanding of the underlying structures, processes and patterns of value perceptions and activities in relationships. Building on a critical realist approach, this can be a contribution to theory even though it is ‘only’ concluded from a single case study (Harrison & Easton, 2004). Whether a theory applies somewhere else becomes an empirical matter. Findings in this thesis may not be applicable in all relationships, they are however to some extent applicable in customer-supplier relationships with similar structure, closeness and complexity.

Construct validity

Healy and Perry (2000) suggest the following techniques for reaching construct validity; case study database, the use of prior theory and triangulation, while Yin (2003) suggests the use of key informants in reviewing drafts of the case study, as well as confirming interview transcripts. Construct validity in this thesis was sought by triangulating the data collected by various methods (interviews, observations and secondary sources). A book of notes was used during the process, and I made separate notes for answering each of the three sub-questions. Key informants read the papers throughout the entire process, and provided feedback and evaluations.

7.4. Implications for further research

This thesis has investigated relationship value, which may possibly inspire further research. Following the findings from the present study, it could prove beneficial to widen the focus, and investigate value perceptions in a triadic perspective. Exploring how value perceptions evolve and are being influenced in a collaborative relationship between a customer, a supplier and sub-supplier, will strengthen the notion of relationship value, and provide additional input to understanding potential gaps between value perceptions in relationships (Ulaga & Eggert, 2005). This extended focus, will make it possible to contribute with knowledge about how value perceptions in one part of a relationship influence other parts of the network, for instance by applying an activity perspective (H. Håkansson & Snehota, 1995). As this thesis mainly focuses on how value perceptions influence activities in the relationship, there is also an interesting question as to how activities influence value perceptions. This has only been briefly considered in this thesis.

A different way to expand the research on relationship value is to investigate some of the limitations that emerge by applying a relationship value perspective. Where this thesis primarily addresses the aspect of possibilities of creating relationship value, it would also be interesting to ask what kind of challenges and barriers appear when creating relationship value. The literature on the burdens or challenges of relationships might be a relevant starting point (Håkansson & Snehota, 1995). Furthermore, it would be interesting to ask the question; how do perceptions of value in relationships influence the role of actors. This would contribute to the existing literature on actors in relationships (e.g. Wilkinson & Young, 1994).

Further research could also include the concept of network pictures, and the lack of focus on relationship value. From this thesis it has been

possible to underline the relevance of the actors' perception of value as an important part of their network understanding, but it would possibly strengthen understanding of the network picture concept if value was discussed as a network dimension (Henneberg et al., 2006). Accordingly, the findings of this thesis suggest that the network picture concept would benefit from including the concept of relationship value, as it would help to better understand the interplay between different actors' value perceptions. This would also strengthen the notion and use of network pictures for studying interaction, because it will provide a framework for providing insights to the more intangible parts of value perceptions, and for how development is a value driver in the relationship, as well as in the network.

Finally, this thesis also calls for more research on the relational dimension of firms' business models. It would be interesting to study further the role of relationship value in the business model literature, and perhaps discuss the notion of relationship business models.

7.5. The empirical challenges and managerial implications

Throughout this thesis several interrelated aspects have been highlighted as influencing value perceptions in dyadic relationships between customers and suppliers. Indeed firms are facing challenges when engaging in close relationships, with high levels of complexity and a strong focus on value creation. The conclusions of this thesis should, in no way, be considered as a practical handbook for how to handle relationship value in the best possible way. Neither are they a recipe that firms can follow in order to secure value creation. They do however, make a contribution to the relationship value literature that has strong implications for managerial practice. These are presented in this section of the thesis, and since this is

an industrial PhD project, this last part is written in a form that hopefully will make it readable and understandable for people outside academia.

First of all, this thesis underpins the existing literature on relationship value, arguing that the process of creating, delivering and capturing value is both complex and often difficult to fully accomplish. As the case of Hydac and WindPower illustrates, and as also highlighted in recent research on relationship value, firms hold quite different expectations and perceptions regarding value, depending on their situation, their interaction in other relationships, and the impact from their broader network. The dynamic characteristics of relationships and what happens in the network further impacts actors' perceptions of value, so that they are not only different from actor to actor, but also dynamic and emergent. Together, this makes value creation a complex managerial challenge, as it requires managers to build up exhaustive insights into how actors perceive value, into what happens in their network of other relationships, and furthermore, how to transform those insights and understanding into activities in the dynamic and relational process of creating value.

These empirical challenges have guided the genesis of this thesis, and have been presented and illustrated through the case of Hydac and WindPower. Working with, and undertaking research on these challenges has made it possible to go deeper into the challenges, and study, in greater depth, the question of *how value perceptions are formed in dyadic customer-supplier relationships and how value perceptions influence relationship activities*. This overall research question has been divided into three sub-questions;

RQ 1- *How do perceptions of value influence business model development?*

RQ 2- *How are firms' perceptions of value formed in a network context?*

RQ 3- *How do firms' value perceptions influence relationship activities?*

Together, these questions point to three topical aspects of the empirical challenges, namely a) the need for firms to work continuously on developing their business model, b) the need for firms to build an understanding of how value is perceived by their business partners, and how that is influenced by factors in the surrounding network, and c) the need for firms to consider value perceptions when they plan, organize and structure activities individually and together with business partners.

Findings related to each of these three aspects are presented in the following sections, and guided by examples from the Hydac and WindPower case. The focus is on the managerial issues and the implications of these findings. First there is an introduction to some general thoughts that have emerged as a part of working together with Hydac and WindPower. Secondly there are three sections, presenting the three main findings of the thesis, and the related managerial implications.

7.5.1. General thoughts on relationship value in a customer-supplier relationship

The relationship between Hydac and WindPower in this thesis shows that value is something that both parties talk about daily, but that each uses different terms. Sometimes they say “*we want that*”, other times they say “*this is important to us*” or “*we find this relevant*”, and sometimes they even say directly “*this is what we consider to be value*”. This means that when Hydac and WindPower communicate with each other or with other actors, they must be aware that they might articulate value differently, using terms like *relevant*, *important*, *pertinent* and *precious* when they communicate. There is no single language for value, and firms must pay attention to not only the differences in perceptions, but also to the differences in language. The case of Hydac and WindPower further shows that value is not always articulated deliberately; instead it is often “just” a

part of the daily communication, and important messages related to value might vanish into long and complex explanations, or simply not be picked up by the counterpart. It is therefore important that firms like Hydac and WindPower articulate their value perceptions and expectations deliberately and clearly when they communicate, and take the time to ask for clarification if there is something that has not been clearly understood.

The need for articulating value deliberately touches upon another general thought that comes to mind concerning the awareness of “what is value”. The case of Hydac and WindPower shows explicitly that WindPower has a strong focus on what they consider to be value, whilst this is absolutely not the case when it comes to Hydac. This may be caused by the fact that Hydac has such a dedicated focus on what WindPower values, that they seem to lose focus on what is value to themselves. This can be problematic, because both parties in the relationship search for, and expect, value creation that is of mutual benefit. In this case, it is difficult for WindPower to live up to Hydac’s expectations concerning value, when Hydac is neither clear about what they consider value to be, nor able to communicate it in a deliberate and clear manner.

Following on from the above, the last thought refers to firms’ ability to build insights and understanding of value in the relationship. As illustrated above, firms might use different language when communicating about value, and they might not be very specific or clear about value. In the relationship between Hydac and WindPower it is clear that both firms rely, to a certain degree, on what they *believe* the counterpart considers to be value, more than on specific information from the counterpart. An example is when value perception articulated by Hydac is compared with what WindPower believe to be Hydac’s view of value. Here, it becomes clear that there is inconsistency between what Hydac refers to as value, and what WindPower thinks Hydac perceive value to be. One reason might be that WindPower develop supplier programs for their entire supplier

network, and do not pay attention to the differences in value perceptions from supplier to supplier. Another reason might also be that WindPower look at value from their own perspective as a supplier (WindPower is also a supplier to the wind market), and rely on their value perceptions being the same as the perceptions of their suppliers. This calls for not relying solely on own beliefs, own perceptions, or perceptions of third parties, but instead building up insights from the parties involved. Hydac and WindPower should ask their counterpart directly, “what do you consider value to be?”

7.5.2. The dynamic context calls for continuous development

The first finding of this thesis points to the need for continuous development, and identifies business development as an important value driver for value creation. As the case illustrates, Hydac is constantly challenged by changes in WindPower’s value perceptions. At one meeting they asked Hydac to spend more resources and activities on developing new innovative solutions, whilst at the next meeting they asked them to rely strictly on technical specifications in order to lower costs of development. WindPower also explained that the firm has been going through a major strategic turn around, which has completely changed their strategy towards their suppliers. Such changes are caused by the dynamic environment around WindPower, where customers, suppliers, competitors and relevant actors challenge the way that WindPower manages to create, deliver and capture value. When such changes happen around WindPower it results in changing value perceptions. What was considered value at one point in time, had lost its meaning at another point in time, and was replaced with new demands and expectations in terms of value. The emergent and dynamic nature of value perceptions influences the relationship between WindPower and Hydac, as Hydac is facing the need to develop both the business and the relationship with WindPower in a

new direction. Results of the study, from a managerial perspective, point to four important aspects;

- 1) That Hydac is capable of identifying WindPower's value drivers.
- 2) That Hydac is willing to, and can manage to develop their business in a way that creates value for WindPower.
- 3) That Hydac manage to couple different value drivers together in concrete activities (for instance lowering prices proactively), and
- 4) That Hydac manage to develop the business through a continuous process, over and over again

Altogether, this places high demands on the ability to develop, and especially on the ability to develop in a way that creates the value that the counterpart requires. The first aspect refers to identifying value drivers. This has already been discussed in the above section; however it is worth restating that given the emergent and dynamic nature of value perceptions, identifying value drivers is an ongoing task that firms must implement in daily processes and procedures. The second aspect, refers to the willingness and capability of developing the business. The first issue here is that of the firm's willingness to develop. WindPower highlight the need for willingness and "having the right mindset" on numerous occasions, and say specifically that they expect their suppliers to be prepared to possibly change their entire business for their benefit. The second issue concerns the competencies and capabilities related to development, and whether or not the firm is capable of implementing the necessary changes and developments. The third aspect refers to coupling value drivers together in concrete activities. This study emphasizes that it is not enough to be able to create value based on only one value driver at a time. Instead, firms must be able to couple value drivers together, for instance by lowering prices, and doing this continuously. Another example is when WindPower asked Hydac to develop their strategic approach in a transparent and open

way. The fourth and final aspect refers to continuity, and stresses the firm's ability to continually develop. As value perceptions are dynamic and ever changing, so must the firm's development also be. It is not enough to develop business once in a while: on the contrary this study points to the necessity of developing business continuously in order to keep track of the changing value perceptions.

7.5.3. Moving the focus outside the firm

The second finding of this thesis relates to the formation of value perceptions, and the role of the network. This part of the study points to the need for firms to understand collaboration and value in a broader context, and not only consider factors and dimensions in the dyadic customer-supplier relationship. Studying how value perceptions are being formed between Hydac and WindPower reveals that different elements and dimensions in their network play an important role in their value perceptions. As mentioned above, customers, suppliers, competitors and other relevant actors in WindPower's network influence their perceptions of value. Examples are changes in governmental regulations of subsidies regarding the funding of wind-energy projects, or when WindPower's competitors invent new innovative solutions. Another example is when Hydac, due to requirements from WindPower and unsatisfactory delivery and response times from their own existing suppliers, change their strategy from having a single supplier, to building a broader and stronger network of suppliers. From a managerial perspective this implies that managers must pay attention to factors that go beyond the dyadic relationship. For Hydac and WindPower this means that for Hydac to understand value perceptions from WindPower's perspective, they must also take into consideration what happens in the broader network around WindPower. Both firms in the relationship must reflect upon what happens in their broader network, and take that into consideration when they reflect upon value within their dyadic relationship.

7.5.4. Acting to create relationship value

The third finding of this thesis relates to the challenge of acting upon value perceptions. As becomes clear in the relationship between Hydac and WindPower, there is a large managerial challenge in transforming value perceptions into value creating activities. An example is when WindPower informed Hydac that factors such as proactivity, having the right mindset and being transparent are considered to be valuable. This leaves Hydac with considerable frustration and insecurity in terms of how to actually transform those demands into concrete activities. This is different to when WindPower asked Hydac to lower prices or reduce delivery time. Even though this might have consequences for many aspects of the business, it is something that Hydac could actually act upon. This study specifically points to three issues, that managers should take into consideration. The first relates to coupling value drivers together with concrete activities.

The second relates to performing activities in collaboration. The study finds that there is a greater chance of performing activities successfully in collaboration, if both parties benefit positively from the activity. In the collaboration between Hydac and WindPower this means that when Hydac is planning activities that involve actors from both firms, it is important to consider how the activities can be of mutual benefit. An example is when Hydac organized a technical development workshop between engineers from Hydac and WindPower, and developed the agenda for the workshop. WindPower had stated that they value being kept updated on the latest projects and ideas within the hydraulic sector, whereas Hydac had been clear about their need for more knowledge about the wind industry, and especially on what new ideas WindPower has for implementing hydraulic solutions in future projects. These individual requirements should have been on the workshop agenda, together with the opportunity for the actors from both organizations to interact. This is something that both Hydac and WindPower agree on. Another example was when WindPower asked

Hydac to initiate new activities for cost-reduction at Hydac's production site, and informed Hydac that WindPower would assist in this work with a cost-reducing expert from within their own organization. This activity was of mutual benefit for both parties, as WindPower searched for lower costs (and derived lower prices), and Hydac had the opportunity of implementing the suggested changes to production for other customers as well, thereby bringing down their own costs.

The third issue relates to the importance of involving actors in the activities, coordinating activities creating structures and evaluating in a consistent manner. Results of the study point to the importance of involving the right actors in the activities, and possibly also inviting actors that are not necessarily involved in the customer-supplier relationship. This could be a potential sub-supplier who has relevant input and knowledge for a given project. It is also important to coordinate and structure activities, which means that relevant information should be shared, time and place should be consistent with what the parties have planned, and that detailed project plans should be made beforehand, so that the actors know where to begin. Finally it is important to continually evaluate, and make sure that any new information, learning and experience are implemented in future activities.

Chapter 8. References

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Chapter 9. Appendices

Appendix A: Co-author declaration



Medforfattererklæring

I henhold til ph.d.-skolens Retningslinjer for ph.d.-uddannelsen kan hovedvejlederen godkende, at der i afhandlingen kan indgå manuskripter eller allerede publicerede artikler. Hvis afhandlingen baseres på artikler, skal der indgå en sammenfatning, der redegør for de indbyrdes sammenhænge, viser progression og opsummerer de samlede forskningsresultater. Artikler, der indgår i afhandlingen, kan være udarbejdet i samarbejde med andre under forudsætning af, at de medfølger skriftlige erklæringer fra hver af medforfatterne, der angiver forfatterens andel af arbejdet. De overvejende elementer bør være udarbejdet selvstændigt. Den ph.d.-studerende er ansvarlig for at fremskaffe medforfattererklæringer rettidigt. Medforfattererklæringer skal være underskrevet af medforfatterne og den ph.d.-studerende og skal indleveres til ph.d.-skolens sekretariat sammen med afhandlingen.

Ph.d.-studerendes navn: Kirsten Frandsen	Institut: Institut for Entreprenørskab og Relationsledelse
Hovedvejleder: Kristin B. Munksgaard	Evt. medvejledere: Torben Damgaard

Medforfattererklæringen gælder følgende artikel
The role of value perceptions in business model development

Omfanget af den ph.d.-studerendes bidrag til artiklen:		
A. har bidraget til samarbejdet (0-33 %)		
B. har bidraget i væsentlig omfang (34-66 %)		
C. har i alt overvejende grad udført dette arbejde selvstændigt (67-100 %)		
Erklæring om de enkelte elementer		Omfang
1.	Formulering i idéfasen af den basale videnskabelige problemstilling ud fra teoretiske spørgsmål, der ønskes afklaret, herunder sammenfatning af problemstillingen til spørgsmål, der skønnes at kunne besvares gennem udførelsen af analyser	C
2.	Planlægning af analyser og udformning af undersøgelsesmetodikken på en sådan måde at de under 1 stillede spørgsmål med rimelighed kan forventes besvaret, herunder metodevalg og selvstændig metodeudvikling	C
3.	Involvering i og gennemførelse af analysearbejdet	C
4.	Præsentation, fortolkning og diskussion af de opnåede resultater, sådan som de optræder i artiklen	C

Medforfattere			
Dato	Navn	Titel	Underskrift
23. januar 2016	Kristin B. Munksgaard	Lektor, phd, hovedvejleder	
29. januar 2016	Torben Damgaard	Lektor, phd, medvejleder	

Ph.d.-studerende	
Dato	Underskrift

Den udfyldte blanket skal sendes til ph.d.-skolen ved
Det Samfundsvidenskabelige Fakultet på phdsek@sam.sdu.dk

Appendix B: Table of interviews

Interview form	Participants	Time
Individual interview	Development Manager (H)	26 minutes.
Individual interview	Financial Manager (H)	17 m.
Individual interview	Sales Manager (H)	42 m.
Individual interview	Managing Director	01 h:24 m.
Focus group interview	Sales Manager (H) KAM (H) Service technician(H) Engineer (H) Engineer(H) Product Manager(H)	02 h:29 m
Individual interview	Category manager (W)	39 m.
Individual interview	Development manager (W)	20 m.
Focus group	Strategic purchaser (W) Strategic purchaser (W)	01 h:10 m.
Focus group	Sales Manager (H) Sales Manager (H) Managing Director (H)	02 h:15m.
Individual interview	Managing Director (H)	01h :24 m

(H) = Hydac A/S

(W) = WindPower

Appendix C: Table of observations and abbreviations

Internal meetings: Hydac	Participants	Agenda	Joint meetings: Hydac & WindPower	Participants	Agenda
19.09.2013	SCM, SM, KAM	Hydac and WindPower	01.10.2013	PD (H) KAM (H) SCM (H) SP (W) SP (W) WP (W) CM (W)	BRM
23.09.2013	SCM, SM, KAM, R&DM.	Hydac and WindPower	07.10.2013	SM (H) GM (H.International) SP (W) SP (W)	Firm visit in Sulzbach
26.09.2013	SCM, SM, KAM, PM	Hydac and WindPower	08.10.2013	SM (H) GM (H.International) SP (W) SP (W)	Firm visit in Sulzbach
02.10.2013	SCM, MD, PM, KAM	Hydac and WindPower	05.11.2013	PD (H) SCM (H) KAM (H) SP (W) SP(W) CM(W) P(W) WP(W)	BRM
22.10.2013	MD, KAM, SM.	Hydac and WindPower	10.11.2013	Suppliers to W.	Supplier day
November	MD SM KAM	Strategy process	13.11.2013	KAM (H) MD (H) SM (H) SP (W) SP (W) CM (W)	BRM, Strategy

November	MD SM KAM	Strategy process		12.02.2014	MD (H) KAM (H) SM (H) DM (W) SP (W) SP (W) CM (W)	BRM, Strategy
November	MD SM KAM	Strategy process		28.04.2014	MD (H) KAM (H) CM (W) DM (W) SP (W) WP (W)	Strategy
November	MD SM KAM	Strategy process		May 2014	Suppliers to W.	Supplier day
19.11.2013	SCM, SM, FM, MD, R&DM	Management meeting				
26.04.2014	SCM, SM, FM, MD, R&DM	Management meeting				
08.09.2014	SCM, SM, FM, MD, R&DM	Management meeting				
15.09.2014	SCM, SM, FM, MD, R&DM	Management meeting				
22.09.2014	SCM, SM, FM, MD, R&DM	Management meeting				
29.09.2014	SCM, SM, FM, MD, R&DM	Management meeting				
06.10.2014	SCM, SM, FM, MD, R&DM	Management meeting				
20.10.2014	SCM, SM, FM, MD, R&DM	Management meeting				
20.10.	SCM, SM,	Management				

2014	FM, MD, R&DM	meeting			
3.11.2014	SCM, SM, FM, MD, R&DM	Management meeting			
17.11. 2014	SCM, SM, FM, MD, R&DM	Management meeting			
20.11.2014	SCM, SM, FM, MD, R&DM	Management meeting			
26.01.2015	SCM, SM, FM, MD, R&DM	Management meeting			
02.02.2015	SCM, SM, FM, MD, R&DM	Management meeting			
16.02.2015	SCM, SM, FM, MD, R&DM	Management meeting			
23.02.2015	SCM, SM, FM, MD, R&DM	Management meeting			
02.03.2015	SCM, SM, FM, MD, R&DM	Management meeting			
16.03.2015	SCM, SM, FM, MD, R&DM	Management meeting			
23.03.2015	SCM, SM, FM, MD, R&DM	Management meeting			
07.04.2015	SCM, SM, FM, MD, R&DM	Management meeting			

PD = Product developer

PM = Product Manager

KAM = Key Account Manager

SCM = Supply Chain Manager

SP = Strategic Purchaser

WP = Vice President

CM = Category Manager

GM = General Manager

GM (International) = General Manager in Hydac International

R&DM = Research and Development Manager

MD = Managing Director

FM = Finance Manager

SM = Sales Manager

P = Purchaser

Appendix D: Examples of interview guide

Presentation of me, the purpose of the PhD project, and how interviews will be used.

- How would you describe collaboration between your firm and customers/suppliers?
- What do you consider valuable or important in a collaboration between customer and supplier?
- What do you find that the customers/suppliers consider valuable/important?
- Please describe the collaboration between Hydac and WindPower
- How do you see that the collaboration has evolved over time?
- How do you see that this specific collaboration differs from other relationships that you have?
- What do you consider valuable in the collaboration between Hydac/WindPower?
 - Which activities do you perform together?
 - Which activities do you perform independently in respect of Hydac/WindPower?
 - How do you see that your activities are linked together?
 - Are there activities that are more important than others?
 - How do you see that activities are being performed to create value?
 - What are considered valuable activities to you?
 - What do you think are valuable activities for Hydac/WindPower?
 - Do you find that Hydac/WindPower adjust their activities to suit you?
 - Why do you think that?

- How do you find that collaboration between Hydac and WindPower influences your business?
- How do you find that collaboration between Hydac and WindPower influences the business of the other party?
- In what way(s) do you see Hydac/WindPower developing their business?
 - Is that important to you? And why?
 - Do you develop your business to suit Hydac/WindPower?
- What do you see as important aspects of your network?
 - Are there things in your network that influence your business with Hydac/WindPower?
 - How and why?
 - How does your network influence your business with customers/suppliers
 - How does your network influence your relationship with Hydac/WindPower