Developing the Concept of Asymmetrical and Symmetrical Relationships: Linking Relationship Characteristics and Firms' Capabilities

Rhona E Johnsen and David Ford[1]

The concept of asymmetrical and symmetrical relationships is not one that has been well-defined in industrial marketing literature. Although various authors have pinned this title on relationships where there is an imbalance in one or a few characteristics, such as commitment, power or dependence (e.g. Gundlach, Achrol and Mentzer, 1995; Söllner, 1998), knowledge or initiation of change (Holmlund and Kock, 1996), there is yet no clear definition of what constitutes an asymmetrical or symmetrical relationship or what these types of relationships mean for the firms involved.

Asymmetrical relationships may exist when there is an imbalance in the relationship characteristics and one of the companies is able to dominate the relationship and influence what happens in it for its own benefit, often for many years (Johnsen and Ford, 2002). During this time the capabilities of the counterpart company may remain undeveloped while it is locked in a state of continuing dependence. Asymmetrical relationships present particular problems for firms in dyadic relationships where the capabilities in the relationship lie largely with one firm. For example, small and medium-sized suppliers may have limited capabilities as their development has been geared long-term and exclusively to the goals and needs of a large customer. Despite the supplier having been involved in continuous adaptations to its products, processes and technology (Håkansson, 1987) its knowledge may be limited to performing one discrete set of activities, for example, those involved in producing one component or product for the customer. This considerable resource commitment to, and investment in one customer relationship may be a dangerous situation for small and medium-sized suppliers, often exacerbated by sudden relationship dissolution by large customers seeking alternative sources of supply (Harrison, 2001). Therefore, the inflexibility of the asymmetrical relationship may become a burden to small and

[1] Rhona E Johnsen (corresponding author), The Business School, Bournemouth University, Bournemouth House, Christchurch Road, Bournemouth BH1 3LG, UK Email: rjohnsen@bournemouth.ac.uk
Tel: 01202 504217
David Ford, School of Management, University of Bath, Bath BA2 7AY, UK

medium-sized suppliers (Håkansson and Snehota, 1998) and the identification and consideration of alternative ways of managing their current relationships, or developing new relationships may become a necessity.

Previous research in this area has attempted to identify the nature and characteristics of asymmetrical and symmetrical relationships (Johnsen and Ford, 2001). This paper reports on ongoing research on defining the concept of asymmetrical and symmetrical relationships and addresses the problem of identifying the sets of capabilities or 'knowledge set' (Leonard-Barton, 1992) that may influence the development of more symmetrical relationships. A review of the literature on capabilities, their different forms and manifestations is presented. Capabilities in asymmetrical and symmetrical relationships are discussed and the capabilities 'set' to support the development of symmetrical relationships is developed. The paper concludes by outlining avenues of further research.

The Development of Capabilities

The justification of a choice from amongst several strategic options requires a firm to determine whether it is capable of executing its choice with some success. Therefore its capability - "power to do things, its fitness or capacity"(Oxford English Dictionary) - must be evaluated to determine one capability from another and set priorities for the development of those capabilities that will enable the firm to distinguish itself from others. Mintzberg and Quinn (1992) state that the capability of a firm is its demonstrated and potential ability to accomplish, against the opposition of circumstance or competition, whatever it sets out to do. Capability development has been widely discussed in strategic management literature (e.g. Prahalad and Hamel, 1990; Leonard-Barton, 1992). These writers have demonstrated that the individual firm's ability to capitalise on opportunities may often involve identifying and combining internal complementary skills and assets to support new developments. Capability development needs to be a dynamic process to capture the requirements of new opportunities and respond with a set of unique offerings. Teece (1998) suggests that 'dynamic capabilities' are most likely to be resident in firms that are highly entrepreneurial, with flat hierarchies, a clear vision, high-powered incentives and high autonomy (to ensure responsiveness). However, for firms that are not blessed with these advantages, identifying and distinguishing between capabilities and assessing which may be suitable for development may be a lengthy and difficult task. This may in turn be aggravated in asymmetrical relationships where decisions about required capabilities have been left in the hands of the most powerful party in the relationship (Johnsen and Ford, 2002). It may be difficult to admit to, or come to terms with the fact that there are great gaps in knowledge or expertise which must be filled. Furthermore, it may be difficult for firms to face making the required changes with confidence - it may be easier to sweep the issue 'under the carpet' and continue as before with undeveloped capabilities or those that have outlived their usefulness. Self-awareness and knowledge about capabilities is therefore critical in enabling a firm to identify its 'achilles' heel', as demonstrated by Mintzberg and Quinn (1992, p.49):

"Subjectivity, lack of confidence, and unwillingness to face reality may make it hard for organizations as well as for individuals to know themselves. But just as it is essential, though difficult that a maturing person achieve reasonable self-awareness, so an organization can identify approximately its central strength and critical vulnerability"

Capabilities are continuously developing, although not always overtly recognised as such, within the organisation. A firm's survival may be dependent on its ability to develop the right capabilities at the right time in the right relationships. However, once identified and recognised they may be something of a 'double edged sword' that has the potential to both enable and constrain change and development. Quinn and Cameron (1988) highlighted that the identification of capabilities may simultaneously enhance and inhibit development by the presence of contradictory elements. They may present firms with choices to do with retaining established capabilities or developing new and innovative ones. Firms may feel the need to choose one capability path or another rather than trying to integrate or reconcile their conflicting capabilities. Tensions and friction between different parties in the firm may develop as it may be preferred by those with a vested interest in the 'established' ways and accepted reality of institutionalised capabilities that the issue of change in capabilities remains unchallenged or lies dormant. Therefore, the culture of the firm needs to fully embrace capability development to enable it to have the potential to take place effectively.

In strategic management literature capabilities are deemed to be ‘core’ to the firm if they differentiate it strategically from competitors (Leonard-Barton, 1992). The terminology surrounding capabilities is somewhat confusing with authors discussing ‘distinctive competencies’ (Snow and Hrebiniak, 1980), ‘core or organisational competencies’ (Prahalad and Hamel, 1990), ‘firm-specific competence’ (Pavitt, 1986) in similar contexts. The dimensions of capabilities have often been considered from a knowledge-based perspective. For example, according to authors such as Teece (1998) capabilities are a combination of knowledge, organisation and skills. Much literature on capabilities has focused on technological capabilities. Tsekouras (1998) has commented that technological capability exists not in the knowledge that is possessed but in the use of that knowledge and in the proficiency of its use in production, investment and innovation. Therefore the possession of capabilities alone may not be sufficient to ensure strategic differentiation. To possess them and know how to apply them in the right place at the right time in the right relationships may distinguish a firm and make its capabilities valuable.

The emphasis of much of the strategic management literature on tangible technological capabilities means that intangible capabilities, such as those areas of knowledge that may enable a firm to create the values and norms associated with the development of a particular area of knowledge, are often overlooked. Leonard-Barton’s (1992) work identified that a discrete knowledge ‘set’ distinguishes the firm and may be grown and deployed by it to achieve competitive advantage. Therefore a ‘core capability’ may be defined as the ‘knowledge set that distinguishes and provides a competitive advantage’ (*ibid.*). This ‘knowledge set’ is embodied by *employee knowledge and skills* and embedded in *technical systems.* Knowledge development and hence capability development are guided by *managerial systems* and the *values and norms* associated with the development of the knowledge and the processes under which it is created and controlled.

Capabilities in Relationships

The discrete organisation perspective adopted by the strategic management literature on capabilities implies that the individual firm controls and manages the development of its own capabilities without the consideration of external influences. By applying a relationship and network perspective to the development of capabilities the picture of the process of capability development is entirely changed. In addition to technical and organisational capabilities to contribute to production and management processes, capabilities that enable the firm to relate to other organisations more successfully, contributing not only to its own knowledge, but to that of the relationship and thereby the knowledge of other firms in the network will be required. Recent work on 'network competence' has identified that the ability to apply a firm's technologies through its inter-organisational networks is an important managerial skill (Ritter, 1999). However this area of literature has focused on the network perspective rather than the dyadic relationship which is the focus of this paper.

At the dyadic relationship level, Håkansson and Snehota (1995, p.46) suggest that,

"business relationships affect the productivity, innovativeness and competence – that is, all the components of a company's capability and thus its performance potential. The capabilities of a company reflect how successful it has been in combining relationships and its internal features. Managing the dyadic function is a condition for developing capabilities and for the strategy development in a company".

Established capabilities therefore indicate to other firms that a company has the potential to be a strong contributor to knowledge development, creativity and innovation within relationships. Without the types of capabilities that are considered to make an important contribution in relationships and are seen as valuable and distinctive by the other party, skills, knowledge and resources possessed by the firm may be considered to be hollow capabilities. Interaction with another party in a relationship will determine the usefulness of a firm's capabilities and will define the way in which these capabilities develop. As Ford, Håkansson and Johanson (1986, p.82) argue,

"resources which have no value to any counterpart remain passive and do not constitute worthwhile capabilities. Capabilities can be more or less unique to a single company, counterparts may have greater or less difficulty in finding similar alternatives".

To create valuable capabilities a firm must therefore consider how it will be viewed in relationships and how its capabilities will contribute to further knowledge development by combining with the capabilities of the other party in the relationship.

Capabilities in Asymmetrical Relationships

It has been suggested in strategic management literature that institutionalised capabilities reduce the flexibility of the firm and lead to 'incumbent inertia' (Lieberman and Montgomery, 1988). This may be an extremely important consideration for suppliers that have been in customer-dominated asymmetrical relationships - where a powerful customer has controlled the direction of interaction and capability development in the weaker firm has been stifled in that relationship. To free itself from this relationship and become established with new customers, a supplier may have to take a close look at the types of capabilities required to succeed in those customer relationships and make technological, organisational and relationship adaptations to enable the change to take place (Johnsen and Ford, 2002). In dyadic relationships interaction makes use of the capabilities of a company but may also lead to their change or development over time (Ford, Håkansson and Johanson, 1986). However, for suppliers in asymmetrical relationships, their capabilities may be employed for the customer's benefit and changes may only be sanctioned when customers require them and made in ways that meet with their approval. For example, Marks and Spencer recently made it a requirement of their UK textile suppliers that they develop production in low cost labour locations with immediate effect. This required suppliers to develop an 'international capability' not previously required in their relationship with Marks and Spencer, but which had now been made a essential capability for the continuation of the suppliers' relationships with the customer (Johnsen and Ford, 2001). Changes in relationships and in the wider network can therefore lead to obsolescence of a firm's capability or require that new capabilities are quickly developed. Furthermore, changes in the type of relationship required by customers can make a supplier's relationships obsolete if they do not have the ability to re-deploy their current capabilities in new relationships or adapt their relationship characteristics and capabilities to suit new network demands (*ibid*.).

The following table, **Table 1: *Capability, its different forms, definitions and manifestations*** sets out definitions of 'capability' and identifies different forms and manifestations of capabilities, derived from both relevant strategic management literature and relationship and network literature.

Table 1: *Capability, its different forms, definitions and manifestations*

Capability and its different forms	**Definitions**	**Manifestation in the firm**
CAPABILITY	'power to do things, fitness or capacity, undeveloped faculties or qualities that can be developed' (Oxford English Dictionary) 'demonstrated and potential ability to accomplish, against the opposition of circumstance or competition, whatever it sets out to do' (Mintzberg and Quinn, 1992) 'a set of differentiated skills, complementary assets and routines that provide the basis for a firm's competitive capacities' (Teece, 1998) 'the knowledge set that provides a competitive advantage' (Leonard-Barton, 1992) 'business relationships affect productivity, innovativeness and competence, that is, all the components of a company's capability and its performance potential. The capabilities reflect how successful it has been in combining relationships and its internal feature. Managing the dyadic function is a condition for developing capabilities and for strategy development' (Håkansson and Snehota, 1995) 'interaction employs the capabilities of a company but may also lead to their change or development. Resources which have no value to any counterpart remain passive and do not constitute worthwhile capabilities. Capabilities can be more or less unique to a single company, counterparts may have greater or less difficulty in finding similar alternatives' (Ford, Håkansson and Johanson, 1986)	▪ Developed or undeveloped faculties or qualities ▪ Demonstrable ability to accomplish set goals (Mintzberg and Quinn, 1992) ▪ Differentiated skills, assets, routines (Teece, 1998) ▪ Competitive knowledge set (Leonard-Barton, 1992) ▪ Evidence of combining relationships and internal features ▪ Evidence of ability to manage the dyadic function (Håkansson and Snehota, 1995) ▪ Capability dynamics affected by relationships. Importance of uniqueness and value of capabilities in relationships (Ford, Håkansson and Johanson, 1986)
Skills and Knowledge Capability	'knowledge and skills embodied in people' (Leonard-Barton, 1992) 'the ability to sense and then to seize new opportunities, and to reconfigure and protect knowledge assets, competencies and complementary assets and technologies' (Teece, 1998)	• Firm-specific techniques • Scientific understanding (Leonard-Barton, 1992) • Creating 'new combinations' • Alliances to share risks & rewards • The ability to 'strategize' (Teece, 1998)
Technical Systems/ Technological Capability	'compilations of knowledge from multiple individual sources..results from years of accumulating, codifying and structuring the tacit knowledge in people's heads'(Leonard-Barton, 1992) 'the resources needed to generate and manage technical change, including skills, knowledge and experience, institutional structures and linkages' (Pavitt, 1986) 'technological capabilities are separable in three areas: production, investment and innovation' (Tsekouras, 1998) 'business relationships have effects on the development of the technical competence and capacity of the company' (Håkansson and Snehota, 1995)	• Physical production • Information systems • Procedures or sets of rules (Leonard-Barton, 1992) • technical change • adaptation and improvement of existing capacity (Pavitt, 1986) • use of knowledge and proficiency of its use in production, investment and innovation (Tsekouros, 1999) • effect of technical competence on business relationships and vice versa (Håkansson and Snehota, 1995)
Managerial Systems Capability	'formal and informal ways of creating knowledge and controlling knowledge'(Leonard-Barton, 1992)	• Sabbaticals • Apprenticeships • Partnerships • Incentive systems • Reporting structures (Leonard-Barton, 1992)
Values and Norms Capability	'the value assigned within the company to the content and structure of knowledge'(Leonard-Barton, 1992)	▪ Functional predispositions ▪ Experiential vs theoretical acquisition of knowledge ▪ Individual vs centralised control over information ▪ Empowerment vs management hierarchy (Leonard-Barton, 1992)

Capabilities in Asymmetrical and Symmetrical Relationships

Capabilities may be manifested in the firm in several different forms. Table 1 has identified these areas by drawing on the literature on capabilities. We shall now discuss each of these forms of capability and consider how they manifest themselves in firms in the setting of asymmetrical and symmetrical relationships. **Table 2*: Capabilities in Asymmetrical and Symmetrical Relationships*** presents a summary of these capabilities in asymmetrical and symmetrical relationships and a discussion of each of the areas of capability follows.

Table 2: Capabilities in Asymmetrical and Symmetrical Relationships

Forms of Capability	**Asymmetrical Relationships**	**Symmetrical Relationships**
Skills and knowledge capability	▪ Individual development of knowledge and scientific understanding in relationships. Most powerful actor is proactive. Weaker actor is reactive. ▪ Discrete capabilities and individual areas of expertise	▪ **Proactive, joint development of knowledge and 'scientific' understanding in relationships** ▪ **Combined capabilities through sharing expertise and resulting in new knowledge**
Technical systems / technological capability	▪ Discrete technical systems and procedures ▪ Company-specific technology/technical systems applied separately in relationships	▪ **Integrated technical systems and procedures** ▪ **Joint identification of technical competence and requirements of each party** ▪ **Relationship-specific technology/ technical systems transferable or adaptable to new relationships**
Managerial Systems Capability	▪ Relationship planning and strategy controlled by powerful actor ▪ No experience of collaboration, nor established techniques to facilitate ▪ Capabilities developed to meet requirements of one type of relationship	▪ **Integrated relationship planning and strategy** ▪ **Experience of collaboration** ▪ **Established techniques to facilitate collaboration** ▪ **Capabilities developed to meet requirements of a range of counterparts**
Values and Norms Capability	▪ Discrete (clashing) norms and values ▪ internal beliefs and intellectual development controlled by dominant actor ▪ domestic market focus deprives firms of cross-cultural learning and development of international management skills	▪ **Cross-fertilisation of norms and values in relationships** ▪ **Internal beliefs and intellectual development integrated across firms in relationship** ▪ **Cross-cultural learning and development of international management skills through international relationships**

Skills and Knowledge Capability

Skills and knowledge are considered to be embodied within people (Leonard-Barton, 1992). Specialist knowledge and skills are sought out in relationships and give each firm its own character and uniqueness. People have the ability to reconfigure these skills and translate them into knowledge, assets and technologies (Teece, 1998). Skills and knowledge may manifest themselves in the firm through highly-developed firm-specific qualities, faculties or techniques which may form the basis of distinctive 'offerings' (Ford et al, 1998) to customers (where offerings consist of the product, process and market technologies which enable suppliers to offer superior products and services).

The presence of distinctive skills and knowledge capability will mean that the firm is sought out by customers for its 'scientific'understanding. It may also be sought out in other types of relationships, for example as a joint venture or strategic alliance partner, by virtue of the knowledge base within the firm and the distinctive way in which this may be employed in relationships. Firms with established skills and knowledge capability will have the flair to deploy or combine this capability in new ways in relationships by linking with the capabilities of the other party in a relationship and developing new resources, new technologies, new management styles and approaches and new methods of relating to markets.

In asymmetrical relationships the 'scientific' understanding in the relationship may lie with the most powerful party, often the customer. This presents its weaker suppliers with the problem of under-developed skills and knowledge, reinforcing the power of the stronger party. The skills and knowledge of suppliers will be developed reactively, to contribute to the customer's 'scientific' understanding rather than that of the relationship. In asymmetrical relationships weaker suppliers may be conditioned to have low self-esteem and expectations, leading to a lack of confidence in the potential of their dormant skills and knowledge capabilities.

In symmetrical relationships skills and knowledge capabilities will have been developed proactively by the firm, drawing on its understanding of the knowledge requirements of the other party and the relationship. These capabilities will be evidenced by the firm's commitment to developing its contribution to 'scientific understanding' in its relationships. Value will be placed on innovation, developing new ideas and challenging the status quo, rather than on routine and order. For example, 'scientific understanding' may be encouraged by staff exchanges between firms or combined development programmes. Exchanges and development programmes may identify new ways of combining capabilities, leading to new knowledge in relationships which will be evident in new product, market or technology developments in combination with the other firm. Strategic considerations concerning the skills and knowledge to take the relationship further will be openly discussed and the basis for future interaction will be thought through.

Technical Systems / Technological Capability

Technical systems / technological capability in firms may be demonstrable by 'procedures or sets of rules' (Leonard-Barton, 1992). These are often evident in the way a company uses its knowledge and proficiency in production, investment and innovation (Tsekouras, 1998). Dynamic technological capabilities (Teece, 1998) are important constituents of the offering of any firm and may be an important signal to others that it will be a strong contributor in the relationship. Firms may be sought out by others in the network because of their technical competence and the positive impact that this may have on business relationships (Håkansson and Snehota, 1994).

Business relationships play a role in developing the technological capabilities of firms by expanding their view of technical systems and offering opportunities for combining extant technologies or collaborating on new configurations. Therefore, firms in asymmetrical relationships may lack technological development potential as they are forced to be introspective in their view of technology by focusing only on one discrete part of the technological systems puzzle. Customer-dominated suppliers in asymmetrical relationships may not be able to see the 'bigger picture' of how their technological capability has the potential to be integrated with that of customers and combined with customers' technology to create new combinations. In asymmetrical relationships involving stronger customers and weaker suppliers, technology development may be suppressed and the creative potential of the suppliers' contribution to the relationship may not develop. Strong and powerful customers will view their suppliers as capable of performing only basic production tasks and may exclude them from innovation projects. However, through this exclusion, the supplier remains weak and undeveloped but the customer also loses out on harnessing the potential creativity and innovation lying dormant in its network.

In symmetrical relationships importance will be placed on the joint identification of technical competence and requirements of each party, enabling the technological developments within the relationship to be planned for and predicted by both firms. This will enable new technological configurations resulting in possibilities for improving or increasing the range and scope of offerings resulting from the combined capabilities in the relationship. Integrated technical systems and procedures will enable technological problems to be identified and coped with at an early stage and will create an open forum for exchange of technological expertise. Opportunities for applying technological expertise will be enhanced through the development of relationship-specific technology and the learning that has taken place about combining technological capabilities. This will enable suppliers to adapt their technologies and have the flexibility to apply them across a range of customer relationships.

Managerial Systems Capability

Managerial systems capability involves 'formal and informal ways of creating knowledge and controlling knowledge' (Leonard-Barton, 1992). Unique methods of creating knowledge give each business relationship that a company possesses its own character. Leonard-Barton's research (1992) highlighted approaches such as sabbaticals, apprenticeships and partnerships as methods of for combining the managerial systems capability. From a relationship perspective, such methods are a reflection of the integration of relationship planning and strategy and merely act as the vehicle for combining the managerial systems capability of the two firms in a relationship.

In asymmetrical relationships methods of creating and transferring knowledge between firms may be limited by the most powerful party's conditioning of the weaker one to have low expectations about its managerial development. Therefore, knowledge creation and capability development will be controlled by the stronger actor, often the customer. Integration of managerial systems capability will therefore not take place, as the primary concern of the stronger party (the customer) will be its own capabilities. Suppliers will only be recognised as contributing to its capability development in very limited ways, such as fulfilling its designated production requirements on time.

In symmetrical relationships long-term relationship planning and strategy are critical to establish a common understanding of goals and priorities for the relationship and to ensure that both parties contribute equally to achieving the shared future vision for the relationship. Managerial systems capability will be nurtured through the combined wisdom of the two firms and be evident in the relationship's ability to outlast changes and crises.

Relationship Management Aspects of Managerial Systems Capability
The role of relationship management in Managerial Systems capability has not been fully explored in the strategic management literature as authors have taken a discrete rather than an embedded organisation perspective on capability development. We argue in this paper that relationship management - investments in initiating, developing and maintaining relationships and the allocation of resources between different relationships according to their likely return (Ford, 1980) - is a vital area of Managerial Systems capability, and without it integration of 'formal and informal ways of creating knowledge and controlling knowledge' (Leonard-Barton, 1992) across firms in a relationship may not take place.

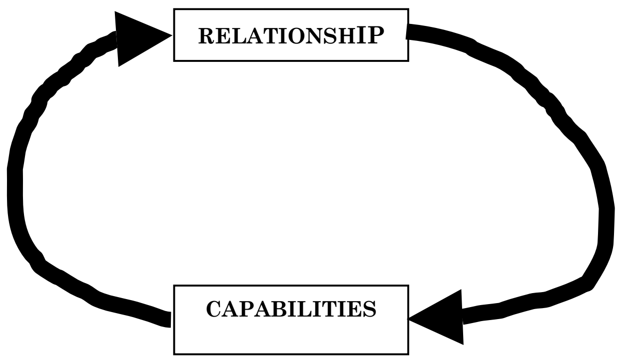
It may be argued that relationship management capabilities are an especially important consideration for customer-dominated suppliers in asymmetrical relationships as their relationship problems may be closely linked to their frequent focus on single customer relationships. Ford (2002, p.xii) suggests that:

"the relationship management task is not confined to a single relationship. Instead each company has a portfolio of purchase and sales relationships in which it is enmeshed and it must manage that portfolio."

In asymmetrical relationships the dominated supplier must develop its relationship management capabilities to improve its interaction with current customers and its potential to develop new relationships. A supplier alone will be unable to change the nature of a customer relationship and it will have to collaborate more effectively with customers to change the nature of their relationship. Techniques for collaborating in relationships are therefore central to developing relationship management capability. Suppliers must have the capability to initiate, influence and implement collaboration in their customer relationships to avoid the trap of asymmetrical relationships. Suppliers that have lived in relationships with no established collaboration on product, technology or market development projects, for example, will have little experience of developing techniques for influencing or managing their relationships and will therefore be unlikely to have the capability to improve their interaction with customers and facilitate more collaborative ways of working. Lack of collaborative experience will be compounded by poor techniques for facilitating relationships, such as problem-solving skills or communication skills for relationships.

Suppliers in asymmetrical relationships may also lack the skills to manage different types of relationships. This may confine them to their existing relationships or restrict them to new relationships that are similar to their existing portfolio (Håkansson, and Snehota, 1998; Håkansson and Ford, 2002). These companies may be locked into the "vicious circle" of relationships (Johnsen and Ford, 2002) where a company's relationships control and restrict the development of its capabilities and this lack of capabilities restricts its ability to change its relationships or to develop new ones, as illustrated in *Figure 1.*

FIGURE 1. THE VICIOUS OR VIRTUOUS RELATIONSHIP CIRCLE:
A Company's Relationships Affect its Capabilities and its Capabilities Affect its Relationships



Other suppliers may have a broader range of capabilities that have been developed to meet the requirements of a range of demanding counterparts. These enable them to respond to change and may also be transferred to new relationships, thus avoiding asymmetrical relationships. For these companies, the diagram in Figure 1 could be renamed the "virtuous circle".

Developing a company's strategy for managing in (and out of) an asymmetrical relationship will depend on a clear analysis of the asymmetry. This will involve a critical analysis of its relationship characteristics (Johnsen and Ford, 2002) and current capabilities and the identification of those that need to be enhanced or changed to meet the challenge of achieving more symmetrical relationships.

Values and Norms Capability

All firms have their own unique value systems and norms. Values are defined as 'standards' (Oxford English Dictionary), norms as 'standards or patterns representative of a group' (*ibid.*). Values and norms may be imprinted on an organisation by its early founders and subsequent leaders, evolving through experience, and embedded in its managerial practices and approaches (Kimberly, 1987). Minzberg and Quinn (1992) highlighted that many co-ordination mechanisms within organisations revolve around the standardisation of norms, where management shares a common set of beliefs and attempts to achieve co-ordination based on their acceptance throughout the firm. However, in the same way that individuals can adapt to change and to their social surroundings, firms may adapt their standards, and patterns of behaviour to circumstance (Kanter, Stein and Jick, 1992).

Leonard-Barton (1992) suggests that the values and norms associated with the knowledge that a firm possesses and the processes of creating and controlling that knowledge are often overlooked in the strategic management literature. She identifies values and norms capability - 'the value assigned within the company to the content and structure of knowledge', as being critical to the development of projects or lines of business. In her (1992) study she determines that two sub-dimensions of values and norms are especially important – the degree to which project or company members are empowered and the status assigned to various disciplines. She suggests that each company displays a bias towards the technical base in which it has its roots, but that this bias can constrain the development of capabilities as well as enabling them and result in limiting the status and empowerment of individuals from non-dominant disciplines, losing the potential for cross-functional integration.

In considering values and norms capability from a relationship perspective, the difficulties and constraints of ingrained values or patterns of behaviour may be aggravated by the impact not only of cross-functional bias but cross-firm bias. Therefore the technical base of one firm may take precedence by virtue of the empowerment and status of the dominant firm and the subjugation of the values and status of the non-dominant firm. Many firms with ingrained values and behaviours may fight against changes that will disrupt their established view of reality and pattern of responses. The constraints of their technical bias and inflexible values and norms could have a detrimental effect on their relationships but may not be overtly recognised. This may be true for many suppliers in asymmetrical relationships which will often have developed established values and patterns of behaviour in their customer-dominated relationships (Johnsen and Ford, 2002). By focusing on one customer-dominated relationship the values of a customer may become imprinted on the supplier, as it knows no alternative. Its flexibility in adapting its values and norms to those of a range of counterparts will be limited by its lack of experience and lack of opportunity for learning about the values of firms across a range of relationships. Therefore the 'content and structure of knowledge' (Leonard-Barton, 1992) in the firm will be constrained by its limited experience of the cross-fertilisation of values and norms.

Suppliers in asymmetrical relationships may have had limited opportunities for integrating their values with that of the customer as the customer's interest in them lies only within one limited area of capability, often production based. As the supplier's development has been geared long-term and exclusively to the goals and needs of its customer, its established values and norms reflect the pattern of behaviour in that relationship alone. Any challenge to the established pattern, such as the dissolution of the relationship with the customer (Harrison, 2001), or a disruption to normal patterns of behaviour through new suppliers entering the network, may cause a crisis in the value systems of suppliers.

In symmetrical relationships, by combining skills and knowledge capabilities for new outcomes, integration of the values and norms of the two firms in the relationship can take place. Each firm will be influenced by the other to adopt new management standards, approaches and behaviour that in turn will influence the development of the relationship. Thus, the firms will develop a unique organisational capability grounded in the cross-fertilisation of norms and values in the relationship. Moreover, by being involved in a range of customer relationships a supplier will develop flexibility in its values and norms, learning about different value systems and patterns of behaviour, potentially enriching the relationships that it has with customers. In drawing on a variety of experiences of patterns of behaviour and responses across its relationships, a supplier will have the potential to better overcome crises or disruptions in its relationships and in the wider network.

Cultural and International Aspects of Values and Norms Capability

One aspect of capability that has so far been ignored in the literature is the cultural and international capability of firms. The authors suggest that this area is an important part of the values and norms capability of the firm. Our justification for including this within values and norms capability follows.

In relationships between organisations there may exist a dominant cultural assumption about priorities (Usunier, 2001). Cultural assumptions describe deep-rooted beliefs which generate basic values (*ibid*.). These values may have great influence over standards of behaviour, for example in corporate culture (Laurent, 1983), or through the firm's network connections, influence over the culture of its relationships.

The development of an internal culture in a supplier that is conducive to collaborative, mutual and intense relationships and is assertive may be a critical element in the value system of the firm and play a vital role in enabling it to influence the content and structure of knowledge within the firm and in its relationships. Cultural capability in relationships comprises the firm's own internal beliefs and intellectual development and its skill in integrating this with its counterparts across a range of relationships. This implies a certain confidence in its own culture and assertiveness in communicating the positive aspects of its cultural influence in relationships. In symmetrical relationships this may be indicated by the firm's ability to teach its counterparts about its beliefs and methods of learning or acquiring knowledge, whilst at the same time encouraging cross-cultural learning via its counterparts. Firms in asymmetrical relationships often lose out on opportunities for cross-cultural learning in relationships by being culture-bound by the prominence and forcefulness of the beliefs and intellectual development of the most powerful party. This is compounded in relationships where exclusivity is required, eliminating the opportunity for growth in cultural knowledge and skills across more than one relationship.

As networks are by nature international systems, success in international relationships will depend on the capability to manage relationships at a considerable "distance" (Ford, 1980) and to manage the internationalisation process in general (Bilkey & Tesar, 1977; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). Many suppliers in asymmetrical relationships only have experience of domestic market relationships. However, the development of the capability to manage international business relationships and to establish a position in new networks, may be critical to the transition from asymmetrical to symmetrical customer relationships, particularly when faced with home market customers that are switching the focus of their supply to global sourcing strategies.

The development of an international perspective on new relationships may, despite its difficulties, offer suppliers more flexibility and opportunities to gain new capabilities, to develop symmetrical relationships and to avoid over-dependence on vulnerable domestic-based relationships. This may appear a daunting task for suppliers with little experience of developing new relationships, let alone those with customers based in other countries or regions. However, international networks may contain customers that are more dependent on a range of capabilities in their suppliers than those in domestic-centred networks providing scope for development of the suppliers' capabilities. Indeed the unique flavour and characteristics of international relationships will offer opportunities for cross-cultural learning and development of international management skills. The alternative of seeking to develop within its existing domestic network may not be viable for two reasons: firstly, the supplier's domestic-centred network may not contain sufficient customers that are oriented towards more symmetrical relationships; secondly, these domestic customers themselves may be seeking more international relationships, thus making this approach of only short-term benefit.

Linking Relationship Characteristics and Capabilities – Avenues for Further Research

Our earlier work on asymmetrical and symmetrical supplier-customer relationships (Johnsen and Ford, 2001) developed a typology of relationship characteristics in asymmetrical and symmetrical relationships. This work indicated that the capabilities of the firms in a relationship are separated from, but inter-related with the characteristics of the relationship itself, leading to their change, development, or indeed stagnation over time. Thus, in asymmetrical customer-dominated relationships the capabilities of the supplier in that relationship, and in others, are reduced because it operates as a controlled manufacturing function for the customer, with limited requirements, limited revenue, limited interaction and limited opportunities to enhance its capabilities.

In the previous discussions in this paper we have identified the capabilities that may be present or absent in asymmetrical and symmetrical relationships and examined how they may be manifested in the firm. In the empirical study to follow, we will attempt to identify the relationship between the presence of our identified capabilities in supplier firms and symmetrical customer relationships. A set of indicators of the presence of these capabilities in symmetrical relationships have been identified in ***Figure 2: Capabilities to Support Development of Symmetrical Relationships***.

Nine case studies with suppliers will be carried out, with the overall aim of identifying how small and medium-sized customer-dominated suppliers in asymmetrical relationships can change the nature of their customer relationships from asymmetrical to more symmetrical, and in so doing establish an improved network position.

In Stage 1 interviews we will identify the asymmetrical or symmetrical characteristics of the suppliers' relationships with customers and examine the presence or lack of our identified sets of capabilities. These will be followed by Stage 2 interviews where the process of developing capabilities for symmetrical relationships will be examined by comparing three groups of suppliers each with differing experiences of asymmetrical and symmetrical customer relationships, specifically these will comprise –

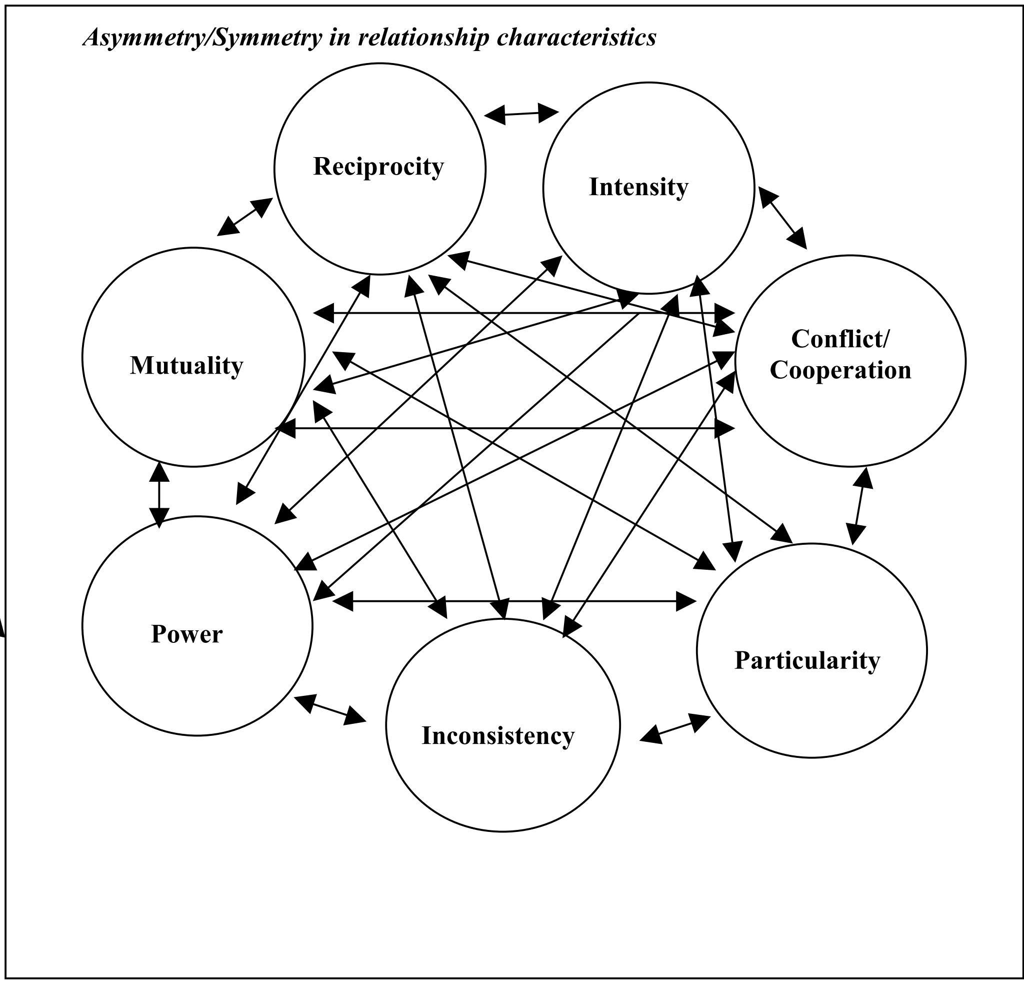
- three firms currently in customer-dominated asymmetrical relationships

- three firms that have changed the nature of their current relationships from customer-dominated asymmetrical relationships to more symmetrical relationships

- three firms that have developed new, more symmetrical relationships – these may comprise firms that have either developed a portfolio of diverse relationships (asymmetrical and more symmetrical) or that have developed new international relationships.

By focusing on these three types of firm the research will seek to ensure that each demonstrates an experience of customer-dominated asymmetrical or symmetrical relationships. However, the nature and extent of that experience will mean that each case demonstrates different perspectives, views and approaches to relationships. Multiple case studies will be used to try to capture the different relationship experiences of firms and identify the contingent factors that differentiate each one from the others.

Figure 2: Capabilities to Support Development of Symmetrical Relationships



Capabilities to Support Development of Symmetrical Relationships

Skills and knowledge capability

- Proactive, joint development of knowledge and 'scientific' understanding in relationships

Indicator = engages proactively in joint exchanges/development programmes

- Combined capabilities through sharing expertise and resulting in new knowledge

Indicator = new product, market or technology developments

Technical systems / technological capability

- Integrated technical systems and procedures

Indicator = technological problems identified and coped with at an early stage / open forum for exchange of technological expertise

- Joint identification of technical competence and requirements of each party

Indicator = technological developments planned for and predicted

- Relationship-specific technology/ technical systems transferable or adaptable to new relationships

Indicator = adapts and applies technologies across a range of relationships

Managerial Systems Capability

- Integrated long-term relationship planning and strategy

Indicator = has pivotal role in planning for relationships
Indicator = relationship outlasts changes and crises

- Experience of collaboration

Indicator = initiates, influences, and implements collaboration in relationships

- Established techniques to facilitate collaboration

Indicator = engages in relationship problem-solving

- Capabilities developed to meet requirements of a range of counterparts

Indicator = copes with diversity in different types of relationships

Values and Norms Capability

- Cross-fertilisation of norms and values in relationship

Indicator = adopts new management standards, approaches and behaviour via relationships

- Internal beliefs and intellectual development integrated across firms in relationship

Indicator = learns about beliefs, methods of learning/acquiring knowledge via relationships

- Cross-cultural learning and development of international management skills through international relationships

Indicator = adapts to cultural norms and behaviours in different international relationships

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