

Suppliers' opportunity enactment through the development of valuable capabilities

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Abstract

The debate about the nature and strategic importance of firms' capabilities is related in this paper to the development of different types of supply and types of suppliers and the ways that they perceive and are able to take advantage of opportunities. There is a paucity of literature that attempts to link suppliers, their capabilities and differences in their approaches to acting upon opportunities. The aim of this paper is to develop a theoretical and conceptual understanding of the connections between different types of suppliers, their capabilities and opportunities and illustrate this through case studies of suppliers in the metal industry in Denmark. The paper suggests that the development of 'valuable' capabilities is necessary for suppliers to successfully harness and take advantage of opportunities.

Keywords: Suppliers, opportunities, capabilities, valuable capabilities

The empirical basis for the study

The empirical basis for this paper is a research project about suppliers, called "Suppliers of tomorrow". This research project takes point of departure from the current situation facing many suppliers in Denmark and other high wage countries, as they experience a squeeze between becoming more efficient and facing the problems associated with their customers' increasing moves towards using suppliers based in lower wage countries. Such suppliers may experience, to a varied degree, erosion in their existing business activities because of changes linked to globalisation of sourcing. They are therefore faced with challenges associated with identifying and exploiting new opportunities in order to replace or expand their existing business activities. The identification of these problems facing suppliers gave rise to the research project that aimed to identify concepts and explanations to enable a better understanding of how opportunities are perceived by suppliers and how they can be understood and analysed from a theoretical as well as managerial perspective.

The research project¹ involved 17 suppliers within the metal industry in Denmark and was conducted over a period of two years. A case study methodology was adopted and the data was collected through qualitative in-depth interviews, meetings and participant observations. Each firm was interviewed several times over the research period to be able to identify any significant changes taking place in their situation. The research project builds on an existing theoretical framework for examining different types of suppliers (Philipson, Damgaard and Munksgaard, 2004). The framework was validated through a series of pilot interviews with suppliers prior to conducting the main body of data collection.

Aim of study

This paper is concerned with how a supplier may perceive and take advantage of its opportunities when it is viewed predominantly from a relationship and network perspective. This subject has been dealt with in the network literature by, for example (Haakansson and Ford 2002). They suggest that a company's relationships and resources can be developed and combined with others in many different ways, creating opportunities for innovation for those companies that are able to seize these opportunities.

In this paper we take point of departure from the idea that a firm's relationships and resources can be developed and combined with those of other firms in a large number of ways, creating major opportunities for innovation. We are interested in looking for systematic patterns in the way that suppliers, characterised by certain types of capabilities and certain types of relationships, can perceive and take advantage of opportunities. Previous research in this area by Ritter (1999) investigated the impact of organisational antecedents on network competences and found that "availability of internal resources", "network orientation of human resource management", "integration of communication structure" and "openness of corporate culture" had positive impacts on network competencies. However, a review of the existing literature indicates that previous studies have tended to approach this issue on a general network level and have not related it to the particular situation of suppliers.

The focus on suppliers in this study has been adopted to reflect the paucity of previous research on suppliers and how they develop capabilities and harness opportunities. In particular, the aim of this paper is to investigate whether it is possible to develop a more systematic understanding of how suppliers perceive and take advantage of opportunities based on their approaches to developing valuable capabilities.

The paper addresses this problem through a literature review combined with an empirical investigation of three distinct types of suppliers and their required capabilities in relationships. The paper draws on insights from the strategic management literature and network theory, where the strategic options open to a supplier in a given situation are evaluated, not only through the network in which the firm is embedded and the expected size of the opportunity, but also through an evaluation of whether the supplier has the right set of capabilities to take advantage of a certain opportunity.

¹ The research project had three main objectives: 1) To identify different types of suppliers (their situations, capabilities and relationships); 2) To identify and analyse the pressure for changes from the environment/network for the different types of suppliers; 3) To analyse possible opportunities and strategic options for each type of supplier.

Literature review of suppliers, opportunities and capabilities

The literature review encompasses three distinct areas of theory and these will be integrated in this paper. This section starts with a critical review of relevant theories concerning suppliers. With reference to March (1991) and his distinction between exploration and exploitation, the aim is to develop a conceptual understanding of suppliers, not only by following a deterministic exploitation path of an existing business model, but also by being able to, through exploration, shift to examining how suppliers take advantage of new opportunities within a network context. The section proceeds with a review of two key perspectives on understanding opportunities and how they may be related to different identified types of suppliers. The last part of the section is devoted to a review of capabilities and how these are related to product, process and business system innovation or development.

Suppliers

A number of authors from differing perspectives have been concerned with how to understand, conceptualise and characterise the interaction of suppliers and buyers. Amongst others, Webster (1992) describes a continuum of relationships between long-term 'partnerships' to short-term adversarial relationships. Whilst highlighting an understanding of the extremes of a continuum from markets to vertical integration, this approach also implies a basic model for understanding suppliers and their relationships with customers (Andersen and Christensen 1998:35). Araujo et al. (1999) observe, with reference to a special edition in 1997 about relationship marketing in *Industrial Marketing Management*, that a dramatic shift in purchasing from a transaction to relational-oriented approach has taken place in recent years. This change implies the relationship approach developing greater importance than the transaction approach. However, although the relative importance may have shifted in recent years towards the relational-oriented approach, not all suppliers may be able to follow this strategy in all relationship situations. Customers may only have limited resources to handle suppliers, and may be unable to always fulfil resource-demanding requirements of this approach. Hence, customers need to have a balanced portfolio of different types of suppliers providing them with a range of benefits (Araujo et al. 1999; Gadde and Snehota 1999; Blenker, Kristensen and Servais 2001).

A number of different supplier portfolios have been proposed. We follow the distinction between three types of suppliers proposed by Andersen and Christensen (1998) and Blenker, Kristensen and Servais (2001): standard goods suppliers, traditional suppliers and partnership suppliers. The standard goods supplier is characterised by delivering standardised components and goods; the traditional supplier delivers customer-specified operations; the partnership supplier has a strategic value for customers and delivers goods developed together with the customer. This distinction has some drawbacks. First, suppliers often have many customers, and the research project "Suppliers of tomorrow" has shown that in practice they seldom fit one of the types, but rather, are dominated by one, but also include elements from one or both of the other types. This also seems reasonable because suppliers may deliver different kinds of supply, often customised to different customers. Philipsen, Damgaard and Munksgaard (2004) suggest an approach to solving the problem of classifying suppliers by defining "ideal types". In this paper we suggest going one step back by distinguishing, not between different types of suppliers, but different types of supply. Each type of supply is based on a bundle of capabilities. A supplier may deliver more than one type of supply and thus have the bundle of capabilities (or part of) behind two or three of the supplies.

In Damgaard and Munksgaard (2005) the distinction between standard goods supplier, traditional supplier and partnership supplier is based on two main dimensions (with reference to Andersen and Christensen 1998; Møller, Momme and Johansen 2000): degree of coordination and degree of knowledge exchange. The standard supplier has the lowest degree on both dimensions, the partnership supplier the highest and the traditional type of supplier in-between. Rather than being degrees of, for example, coordination or knowledge exchange, the focus here is on different modes of supply.

The two dimensions "coordination" and "knowledge exchange" describe the relationship between the supplier and the customer (and in a wider sense the relationships of the supplier, customer and third parties). Araujo et al. (1999) are proponents of the existence of four main types of interface between suppliers and customers. The starting point is how the customer and the supplier relate their resources to each other. The most important factor here is whether the supplier or customer understands each other's context. The first type of interface therefore applies when the customer and supplier do not know each other well. Neither the supplier nor the customer needs to know about the other party's context. The products exchanged are standardised. The second type of interface is when the buying firm prefers a customised product. Therefore,

there needs to be some interaction and adaptation from both the supplier and the customer. When the buying firm prescribes the specification of the product, Araujo et al. (1999) suggest that this is a “specified interface”. “A third type of interface appears when the buyer’s direction is based on the function of the product in its user context. Araujo et al. (1999) label this the “translation interface” because the supplier needs to translate the functional characteristics that the customer provides into a product. The fourth type of interface can be labelled “joint learning” because an open-ended dialogue exists between the supplier and customer. Both parties join their knowledge from the user and supplier contexts to develop product specifications together. In this double learning process both supplier and customer mutually specialise and relate to each other. The descriptions of these types of interfaces supplement the understanding of the three types of suppliers defined above. In this paper we will not distinguish between the last two types by Araujo et al. (1999) the “translation interface” and “joint learning”, as both are considered to be included in the “partnership supplier”-type.

Opportunities

The opportunity concept appears in certain aspects to be more highly developed among entrepreneurship rather than marketing researchers. One reason for this is that the opportunity concept seems to have become a cornerstone within entrepreneurship research. Venkataraman (1997) (as quoted in Eckhardt and Shane 2003:336) defines entrepreneurship as “the discovery, evaluation, and exploitation of future goods and services”. This definition suggests that, as a scholarly field, entrepreneurship rightly involves the study of opportunities, defined by Wickham (2004) as:

“An opportunity is the gap left in a market by those who currently serve it. It represents the potential to serve customers better than they are being served at present. The entrepreneur is responsible for scanning the business landscape for unexploited opportunities or possibilities that something important might be done both differently from the way it is done at the moment and, critically, better than it is at the moment” (Wickham 2004:134, Wickham’s emphasis).

Hence, an opportunity is about offering something differently or better than those who currently serve a customer – this suggests that customers have to perceive that the new offer is better or different in some sense to be prepared to switch to the new offer.

Within entrepreneurship research the opportunity concept is divided between two basic perspectives: “opportunity discovery” and “opportunity enactment”. The difference is of an ontological nature:

In the “opportunity discovery” perspective:

“opportunities are, so to speak, concrete realities waiting to be noticed, discovered, or observed by entrepreneurs.”... such a perspective uses the economic literature to emphasize the importance of alertness, observation and informational asymmetries among all individuals who are pursuing their best interests” (Gartner, Carter and Hills 2003:104-105).

The “opportunity discovery” approach is associated with works by Kirzner (1979), Shane (2000) and Shane and Venkataraman (2000). Wickham’s (2004) perception of “scanning the business landscape for unexploited opportunities” suggests that he also concurs with this approach.

The “opportunity enactment” perspective looks at opportunities in a different way:

“...In many circumstances, opportunities are enacted, that is, the salient features of an opportunity only become apparent through the ways that entrepreneurs make sense of their experiences.” ... In the opportunity enactment perspective, opportunities are seen to emerge out of the imagination of individuals by their actions and their interactions with others.” (Gartner, Carter and Hills 2003:105).

This approach is associated with works by Weick (1979), Gartner, Bird and Starr (1992), and Sarasvathy (2001).

Haakanson and Ford (2002) emphasise that a company can only develop and achieve changes through interaction in the network. This suggests they primarily belong to the “opportunity enactment”-approach. The enactment approach is also used in works about management perception of network pictures (Holmen and Pedersen 2003). Although the network picture approach is stimulating, it also has drawbacks. The findings from the “Suppliers of tomorrow” study suggest that firms and their people have different “pictures” of their

network, but that they also have similar perceptions of what it is possible to change and what constitutes “facts” or realities in the business landscape that they are unable to change – at least in the short or medium-term horizon. The “business landscape”-existed-first belongs to the discovery approach, the “network picture” or the “map of the landscape”-existed-first belongs to the enactment approach. Our point is that although two different approaches exist to the opportunity concept, both approaches offer significant insight into the phenomenon. The “discovery opportunity” perspective gives an important analytical insight into where to look for different kinds of new opportunities. The “opportunity enactment” process argues that no opportunity is discovered in an analysis of the market, but rather it is the outcome of a person’s imagination of how to create a new product, service or market. Thus, rather than choosing one or the other, from an ontological perspective, we suggest, with reference to the empirical findings in the “Suppliers of tomorrow” study that all opportunities encompass elements of both approaches.

Capabilities

The importance of possessing core capabilities for a firm’s ability to take advantage of opportunities has been widely discussed in the strategy literature using various concepts such as core competencies (Hamel and Prahalad 1990), core capabilities and rigidities (Leonard-Barton 1992) and dynamic capabilities (Teece, Pisano and Shuen 1997; Teece 1998). All these concepts are based on the assumption that the firm operates as a discrete organisation. In this paper a network approach encompassing a dyadic approach with a focus on the supplier – customer interaction. This raises the need for understanding capabilities in networks (Ritter 1999) and relationships (Johnsen and Ford 2002). Rather than simply reviewing the literature we want to focus on what we will argue is a contribution to understanding both capabilities themselves and relational capabilities. We have drawn inspiration from the contribution by Leonard-Barton (1992) for this paper. She argues that capabilities encompass four basic dimensions: 1) *Skills and knowledge base* (firm-specific techniques and scientific understanding embodied in employees); 2) *technical systems* (information and knowledge embedded in technical systems and procedures); 3) *managerial systems* (formal and informal ways of creating knowledge through e.g. networks, and controlling knowledge through e.g. incentive systems and reporting structures); 4) *values and norms* (the value assigned within the company to the content and structure of knowledge, means of collecting knowledge and controlling knowledge).

If capabilities are considered to be of strategic importance to a firm, they are labelled “core”. So, how do core capabilities come into existence and how do they change over time? Leonard-Barton (1992:114) argues: “All four dimensions of core capabilities reflect accumulated behaviours and beliefs based on early corporate success. One advantage of core capabilities lies in this unique heritage, which is not easily imitated by would-be competitors.”

This highlights the positive side of capabilities. The negative side is encompassed by core rigidities: “Values, skills, managerial systems, and technical systems that served the company well in the past and may still be wholly appropriate for some projects or parts of projects, are experienced by others as core rigidities – inappropriate sets of knowledge. They are not neutral; these deeply embedded knowledge sets actively create problems.” (Leonard-Barton, 1992:118).

So does the concept of core capabilities (and core rigidities) change, when they are looked upon from a relational or network perspective? To be a “valuable” capability the supplier needs to have a capability perceived as valuable by the customer - valuable in the sense that it contributes to solving a problem by the customer, or otherwise gives the customer a benefit. “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 1986:82).

In order to take advantage of identified opportunities, suppliers need to understand the distinct requirements of their current or potential customers and how these should be translated into internal capability development, or access to external capabilities across a number of areas e.g. technological, human, managerial systems and cultural interaction capability (e.g. Leonard-Barton, 1992; Johnsen and Ford, 2002). Furthermore, suppliers’ capabilities need to be perceived as valuable by customers, in excess of those of the suppliers’ network counterparts, in order to enable ‘opportunity enactment’ in relationships with current customers. To take account of the relational perspective we will add “relational” to some of the capability forms described by Leonard-Barton. Our line of argument in this paper is that to be able to take advantage of

new opportunities, a firm has to possess or be able to develop capabilities that are perceived as valuable for the customer.

Types of supplies and suppliers and the links to capability and opportunity

Supplies are exchanged either under market conditions or within collaborative arrangements with markets as well as cooperative institutions. The supplier’s valuable capabilities change according to the type of supply in which they engage. When the supply is of importance to customers we view it as a valuable capability. However, the capability to deliver standard goods supplies, traditional supplier operations and “partnership” supplies differs according to the handling of activities within and across actors. Here two issues are of importance: division of labour and co-ordination, as highlighted in Figure 1.

Figure 1. Activities according to different forms of differentiation and integration



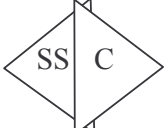
Forms of differentiation	Division of labour across actors			SQUARE 3 Partnership supply Integrated and coordinated activities across company borders via cooperative arrangements
	Governed division of labour across actors		SQUARE 2 Sub-supply activities	
	Actor’s internal division of labour	SQUARE 1 Exchange of standard goods on markets		
		Actor’s internal integration	Governed integration across actors	Integration across actors
Forms of integration				

The two issues of differentiation and integration are handled either within or across actor borderlines. Differentiation concerns the allocation of work in and across companies. Division of labour is essential to find ways to create specialisation and to cope with the development of core capabilities in companies and networks. Specialisation, on the one hand, is linked to integration, i.e. coordination, on the other hand integration of activities is needed to exploit and explore opportunities.

In the lower left square the typical activity is production of standard goods supplies exchanged in markets where neither customer nor supplier knows each other. The more we move towards the upper right square the more integrated and coordinated are the activities. In the middle square the activities are governed e.g. by a customer buying supplier operations or an OEM/Brand selling company. The actors need certain capabilities to cope with the different characteristics of the activities in the different squares. It is in the interplay between these capabilities and the “markets” served that opportunity enactment takes place.

In table 1 our distinctions between the three types of supplies related to squares 1, 2 and 3 are revealed. Alongside each characteristic in the left column of the table the type of capability is added: SKB: skills and knowledge base; TS: technical system, MS: Managerial system; and VN: values and norms. If some of these capabilities are directly related to relational or network elements, an “R” is placed in the table. The labels concerning capabilities are tentative and their main purpose is to illustrate that the bundle of capabilities changes across the type of supply and thus links together capabilities and opportunities with certain types of supply in existing relationships.

Table 1 Three ideal types of supplies related to supplier capabilities, communication patterns, opportunities and limitations

	Standard goods supplies	Traditional supplier supplies	“Partnership” supplies
			
DESCRIPTIONS OF SUPPLY CHARACTERISTICS:			
Products and services delivered by the supplier	Standard products or services which can be ordered from a catalogue or list of order	Products, processes and services done from customer specifications/ drawings	Customer adapted products, services, processes and systems developed in cooperation between suppliers and customers
OVERALL NEED FOR CAPABILITIES BY SUPPLIER			
Needed capabilities for suppliers			
Skills and knowledge base and technical system	Technical skills in production processes and materials. Efficiency in producing	Eventual access to through network: Technical skills in production processes and materials. Efficiency in producing	Eventual access to through network: Technical skills in production processes and materials. Efficiency in producing
Managerial systems and skills and knowledge base and Values and norms	Internally focused	Governance capability Monitor and manage the flow of information, material, components and products	Governance capability Monitor and manage the flow of information, material, components and products
Relational managerial systems			Capability in management of relationships and collaboration

	Standard goods supplies	Traditional supplier supplies	“Partnership” supplies
DESCRIPTION OF CAPABILITIES FOR EACH CHARACTERISTICS OF SUB-SUPPLY			
Time horizon and focus of the relationship between supplier and customers	Short Focus on cash flow Capabilities: TS	Medium Focus on investments in technical ROI Capabilities: TS	Long-term, strategic cooperation Focus on investments in relationship, long term ROI Capabilities: TC and RTC
Contact between companies	Supplier has limited or no contact with customer. It is seldom they meet, if ever. Capabilities: MS	Supplier has some cooperation with customers. They only meet from time to time. Capabilities: MS, RMS	The supplier has a tight cooperation with customers. They meet regularly and work together through teams across organisations. Sometimes they may borrow employees from each other. Capabilities: RMS, MS
Supplier’s degree of coordination with customers	Low Capabilities: MS and VN	Medium Capabilities: RMS and VN and SKB	High to very high degree of coordination and integration of management structures and i.e. logistic or production systems Capabilities: RMS and VN and SKB
Learning processes conducted between supplier and customers	No or few/sporadic Capabilities: SKB	The supplier learns from the customer Capabilities: RSKB	Mutual dependent learning processes Capabilities: RSKB
Dependence of exchange of information between supplier and customers	Low Capabilities: SKB	Medium Capabilities: SKB and RMS	Very high Capabilities: RSKB and RMS
Sharing of resources between supplier and customers	Separate resources Capabilities: TS	A few resources are shared Capabilities: TS	Extensive sharing of joint investments, tasks and activities based on shared resources Capabilities: TS and RTS and RMS
Dominant form of marketing for suppliers	Traditional monadic marketing approach Capabilities: VN and SKB	Reverse marketing approach Capabilities: VN and SKB	Interactive marketing approach Capabilities: VN and SKB
DESCRIPTIONS OF SUPPLIERS OPPORTUNITIES:			
Gathering of information about opportunities	Market research i.e. by segmentation of customers in groups with the same types of needs Capabilities: SKB and VN	Through new tasks or changed specifications to products and service by the customers. Capabilities: SKB and VN and RSKB	Interactive marketing Lead users Capabilities: RMS, RVN, RSKB

	Standard goods supplies	Traditional supplier supplies	“Partnership” supplies
Expected opportunities in the short run	Products clearly related to the existing technology/ capability base Core rigidities/capabilities: TS and MS	Depends on the actual customers needs and demands Core rigidities/capabilities: TS and MS	Depends on both the customers and suppliers mutual interest in actual projects Core rigidities/capabilities: TS and RMS
Expected opportunities in the medium to long run	Develop new products based on existing capabilities to existing new markets Capabilities: TS and ??	Develop products to new specifications by customers Capabilities: TS, RMS and ??	The opportunities depend on the strategy chosen by the customers Capabilities: RMS and ??
Rigidities and limitations	Not to understand changes in customer needs because of lack of tight dialogue with customers. Change in strategic course towards the other types of suppliers (or other strategic options) is restricted by lack of capabilities and experiences in governance and logistic capability Rigidities: TS. SKB, VN and MS	Lock-in to existing customers. If the supplier is able to offer its products and services to several potential new customers the lock-in gives limitations sets by the existing Capabilities. If the suppliers have only several possibilities to attract/be chosen by new customers the lock-in primarily concerns supplier. Rigidities: TS. SKB, VN and RMS	Suppliers' investments in cooperation with certain customers make a heavy commitment to and dependence on the customer choosing the right course. Rigidities: RTS. RSKB, VN and RMS

Types of suppliers: Three cases

In this section three case studies are used to illustrate how opportunities and limitations differ according to the type of supplier in question. Three suppliers are presented and their related opportunities are discussed. Emphasis is placed on how the suppliers' capabilities differ according to the different ways in which they are related to other actors.

The opportunity of each type of supplier is described either in terms of using existing capabilities more efficiently or changing position by developing new capabilities. This may be evident either by the supplier developing its own type or the whole configuration of the network. In the analysis of the following cases this point is discussed more fully.

Standard supplier (BMWworks)

BMWworks is a traditional machine manufacturer involved in traditional chip cutting, bending and punching, to produce standard components in various metallic materials. The majority of the company's product portfolio consists of standard components made to stock and sold as stock goods. The company's market is very heterogeneous as the customers operate in very different lines of business. To some customers, BMWworks functions as a capacity supplier. BMWworks is a standard supplier because its relations with its customers can be characterised as simple transactions, with the customers ordering from the company's catalogue, requiring a few minor specifications, if any.

BMWworks seldom meets with customers and only its running operations influence co-ordination, as BMWworks is never involved in customers' development activities. The company does not take part in customers' projections or drawings and deliveries are agreed upon from order to order.

As with the other types of suppliers, the discussion of opportunity for the standard supplier can be separated into two forms: improving the capabilities that they already possess or developing new capabilities to handle

new problems. Through developing the technical skills in the company and through the development of production and process skills, the supplier can develop new processes and products. As a result, existing markets or new markets may be better served. For example, the provision of machine suppliers' information may create a path to opportunities, whereas the customers or other exchange actors would seldom contribute in this way.

On the other hand, they can seek opportunities through developing capabilities related to a change of supplier type, e.g. towards becoming a traditional supplier. Through the development of governance capabilities they may better adapt to different customers' needs. For example, governance in order to deliver just-in-time solutions or to make processes more customer-adapted to better fit their production and product portfolio.

Traditional supplier (JGL)

JGL engineering works makes simple and complex turning parts in materials such as aluminium, brass, steel, stainless steel and different kinds of synthetic materials. The company primarily sells to the Danish market to globally represented customers, but also exports to Northern Germany. JGL engineering works can be defined as a traditional supplier, as the company primarily manufactures components on the basis of customers' drawings and projections. The company is neither involved in, nor actively contributes to customers' product developments. Customer contact is formal and controlled by top management at JGL. Contact people within customers' firms are primarily based in the purchasing or production department. In general, customer relations are characterised by focusing on price, and customers are frequently unwilling to negotiate. The success of JGL engineering works is often dependent on its relations with customers' purchasing departments.

With a few more strategically-focused customers, JGL's relations can be characterised somewhat differently. JGL has an extended collaboration with one customer where JGL delivers directly to the customer's stock without the customer being involved in entry quality control, and all deliveries to that customer are based on the customer's predictions. In this relationship, JGL stocks on the basis of the customer's forecast. JGL does not have formal relationships with their own suppliers or other partners. They would rather turn down an order than send it to a collaboration partner.

For the traditional supplier, improving what they already do means improving governance capabilities and production and process capabilities. For this type of supplier, developing new capabilities to handle new problems could take the form of development of relationship and collaboration capabilities. The opportunity in this situation, lies in better governance or changing to a different type of supply, by following the opportunities of the partnership supplier, through the development of relational and collaborative capabilities. Alternatively, they could focus inward to efficiency in processes and production, thus heading towards the situation of the standard goods supplier.

In conclusion, opportunities for the traditional supplier can be obtained through better governance, inward movement towards the standard goods supplier's efficiency in technical skills, or outwards towards a partnership, where relational and collaborative capabilities serve as the umbrella.

Partnership supplier (IntercityCom)

IntercityCom produces and sells communication systems for public transport. The end customers are international manufacturers of means of transportation, such as buses and trains. The most important and threatening competitor in this market often wins on price, but the competitor's technological platform is not as highly developed as that of IntercityCom and the competitor often faces technological problems.

IntercityCom can be defined as a partnership supplier, as the company is an active partner in its customers' development activities and co-develops on customers' products. IntercityCom has moved towards the development of closer relationships with customers and other partners in recent years. Its customer relationships are characterised by formality and closeness with several different departments in the customers' organisations. Over the years, several relationships with customers have contributed positively to developing IntercityCom's technological platform. Moreover, customer relationships have contributed to both broadening the scope and focus of IntercityCom's product portfolio. Recently, the company has decided to develop a modularised product portfolio to meet customers' demands for specialised products and to achieve

cost-savings. This development project is accomplished in co-operation with a strategic customer and selected suppliers.

For several years, selected suppliers to IntercityCom have been involved as strategic collaboration partners. This has led to direct relations between the suppliers of IntercityCom and their customers. This sets special demands for co-ordination and securing knowledge flows between all partners. Although this co-ordination is very resource-demanding and time-demanding, the benefits from these partnerships are highly valued by IntercityCom. Therefore, IntercityCom constantly nurtures their strategic relationships and pursues the development of similar new relations that may compliment the company's product portfolio.

Recently IntercityCom has experienced pressure for even higher co-ordination, advanced learning processes and integration in customers' product developments. An indication of this is the growing demand to co-ordinate more and more activities across company borders to reach a still higher focus on the final goods.

As a partnership supplier, relational and collaborative capabilities are essential in reaching a better position in the network. These capabilities are the umbrella under which technical skills are developed across partner companies as well as in the actor's own company. For this type of supplier, opportunities come from the wider network. Governance may be viewed as a chain in which the role of a partnership supplier plays a key role.

The preceding discussions have highlighted that the capabilities and opportunities differ according to the activities in the squares in Table 1 and the three types of suppliers represented in the cases have served to illustrate this point.

Concluding remarks

The findings indicate that the development of valuable capabilities by suppliers may enable opportunity enactment. Thus, the development of valuable capabilities may enable suppliers to improve their responses to opportunities in their current or potential customer relationships. Furthermore, the findings suggest that capability development may also enable suppliers to take advantage of discovery opportunities in the network, by giving them a stronger/wider capability base within the firm, thus giving suppliers more assurance of their longer-term survival in customer relationships and giving them the confidence to take advantage of emerging opportunities with customers. By making a distinction between supply and suppliers in this study, the identification of the capabilities of suppliers has been made more transparent.

We argue that, to be able to take advantage of opportunities, suppliers need certain capabilities. The required capabilities may be present internally or access may be gained to them through the supplier's network. Thus, internal capabilities and those that may be accessed externally in the network are crucial in enabling suppliers to harness opportunities that exist. Furthermore, the development of valuable capabilities may have not only positive, but negative aspects. Thus, focusing on capabilities that are predominantly perceived as valuable to a supplier's network counterparts, may lead to core rigidities and thus hinder the supplier in taking advantage of opportunities.

Further research

This paper has advanced the argument about how valuable capabilities may affect the harnessing of opportunities by suppliers. The way in which core capabilities are defined, to be strategically important, may be too narrow a concept to fully understand the nature of capabilities from a supplier's perspective. Suppliers may be unable to possess great numbers of important capabilities and, as Leonard-Barton argues, non-core capabilities tend to be excluded in any capability assessment. There is also a problem with describing core capabilities in generic terms – when they are to some extent firm-specific. Nevertheless, in developing an understanding of how distinct types of suppliers may improve their positioning in their network, this study has revealed some paths open to suppliers and has suggested that the development of valuable capabilities is a prerequisite to take advantage of opportunities.

Managerial implications include the importance of suppliers' abilities to understand the implications for their approaches to customer relationships and internal capability development, based on their position within the classification of the three identified supplier types. Furthermore, the importance of seizing the strategic opportunities arising from capability development is highlighted as critical for suppliers in maintaining their current relationships or developing new relationships with customers. Thus, developing the capability to take

advantage of opportunities may be a critical skill for suppliers. Avenues for further research include exploring the longer-term impacts of valuable capabilities on opportunity enactment by suppliers, and the examination of key issues arising from the findings across different industries and countries.

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