The Competence Supplier: Exploring the Resource-based Content of Value for Customers in Business Markets

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Abstract

In this paper we extend the current literature on value creation in business relationships by focusing on the competence-based content of the supplying process.
We draw from previous research about the competence-based view of value creation in business marketing, identifying two alternative perspectives to focus on the supplier's competence value potential: the input view, where resources and competencies are conceived as input factors and organizational routines, and the output view, where resources and competencies are conceived as output of organizational processes, that can be valuable for the customer.
Basing our analysis on four case studies in the yarn manufacturing, weaving machine manufacturing, automotive components (OEM) and IT systems industries, we explore competence supplying in business market and propose a process framework for interpreting it, based on four steps: (1) the competence-based value analysis, where the supplier targets the customer's customer needs, in order to identify competence-gaps in the industrial customer's portfolio (end-market orientation); (2) the competence-based value creation, where the supplier undertakes a path of accumulation of competencies relevant for the customer; (3) the competence-based value delivery, where the supplier bundles its competencies into commercial or "tradable" means; and (4) the competence-based value communication, where the supplier adopts live-communication tools, to allow the industrial customer to experience the value potential of competence supplying.
We discuss our framework against the current research on value for customer and market orientation in B2B relationships. Limitations and contributions to further research are presented in the final section.

Keywords: market orientation, value creation, company competencies, business relationships, experiential communication

Introduction

A widely accepted view in marketing and strategy studies is that market-oriented companies create greater value for their customers and therefore enjoy superior performances in the marketplace (Srivastava, Fahey and Christiensen 2001). By developing an organizational culture for generating, disseminating and responding to market signals, market-oriented companies increase the balance between the sacrifices sustained by the customer and the benefits deriving from their offering, obtaining in this way superior effectiveness in the market and higher financial outcomes (Kohli and Jaworski 1990; Narver and Slater 1990).

Market orientation and value creation have attracted a lot of interest in business marketing research, both because of the peculiar characteristics of the buyer-seller relationship where transactions occur (i.e. the "*where"* value creation takes place) and because of the specific content of value creation processes (i.e. the "*what*" constitutes value for customer).

On the one hand, previous research emphasized the differences of being market oriented in business environments that rarely approximate those of a mass market, requiring the industrial marketer to focus on individual customers and continuative relationships rather than on a set of indistinct entities and spot transactions (Helfer, Ritter, and Walter 2002).

On the other hand, scholars already pointed out that the value of a supplier goes beyond the immediate product, to embrace the value potential engendered by the supplier in the future. More specifically, value creation often entails complex interactions and cooperation between the parties, and requires the market-oriented supplier to make available in the relationship specific resources and competencies, which must contribute to support the industrial buyer's business. Hence, a broad conception of the supplier's value for its customer should better focus on the endowment of resources and competencies that support value creation over time (Harmsen and Jensen 2004; Moeller and Toerroenen 2003).

However, while it has extended the scope of the supplier's value for the business customer to an additional key component - the supplier's competence profile - such research has shown two important shortcomings we address in this paper.

Firstly, it has implicitly restricted the analysis to resources and competencies that enter the supplier's production function as input factors and organizational routines supporting indirectly the value creation for the customer (Peteraf 1993; Prahalad and Hamel 1990), while it has obscured the role of resources and competencies as output marketed in their own right. Yet an output view of competencies is already implicit in the industrial marketing and network literature (Dubois and Torvatn 2002; Gronrös, 1997; Håkansson and Snehota 1995), as well as in literature on solution selling (Bosworth 1995) and customer intimacy (Treacy and Wiersema 1993), where competencies becomes integral part of the supplier's value proposition, and key components in the buyer's analysis of the supplier's value potential. Moreover, it has a notable antecedent in the strategy literature, where it is assumed that non-core competencies are outsourced by leading companies to third-party suppliers, which in turn become competence suppliers (Prahalad and Hamel 1990). Unfortunately, however, we do not know much about how supplied competencies contribute to the value for the customer.

Secondly, by considering resources and competencies mainly as inputs, it has not explained the process through which competencies becomes valuable in front of the market (i.e. the *how* value creation based upon competencies takes place). While it has been acknowledged that the supplier's competencies are a key component of market orientation (Helfer, Ritter, and Walker 2002) and plays a crucial role in the value generation for the customer (Srivastava, Fahey and Christiensen 2001), little is know about how firms select competencies, invest in them, and deliver value to the market throughout their competencies (Harmsen and Jensen 2004).

In this paper we shift from the view of resources and competencies as input and antecedents of supplier's value for its customer to a view of competencies as output and key components of the supplier's value creation potential. Building on recent research on the marketing of the business supplier's competencies (Golfetto and Mazursky 2004; Gibbert Golfetto and Zerbini in press), we further investigate the process through which competencies becomes valuable in the market, and build a theoretical framework for competence supplying.

To this end, we first review previous literature on the resource-based view of value creation; then we discuss the research methodology and present evidence from a case-study analysis to define a framework for competence-providing processes of value creation. Finally, we discuss how our results

might contribute to enhance the understanding of supplier's value potential. Implications for practice are discussed in the ending section of the paper.

The resource-based view of value creation: a review of previous research

The nexus between value for customers and company resources and competencies has been a key debated topic for more than a decade in strategy (Barney 1991; 2001; Priem and Butler 2001a) as well as marketing research (Day 1994; Harmsen and Jensen 2004; Srivastava, Fahey and Christensen 2001).
In order to explain the marketer's superior performances, competence literature has focused on value creation processes mainly from an inside-out perspective (Foss and Knudsen 1996). According to this view, competencies and more generally resources are conceived as inputs factors (Barney 1986; Wernerfelt 1984) and bundles of skills and knowledge embedded in organizational routines (Prahalad and Hamel, 1990; Teece, Pisano and Shuen 1997), which enter into processes of value production and delivery.
The resource-based view has exerted a considerable influence on strategy and marketing studies for over a decade, as it provided a firm-based explanation to companies' success in the market, by defining conditions under which a firm can sustain superior performances. However, it has been also heavily criticized in that it leaves largely unresolved the issue of what gives value to resources and competencies in front of the market (Priem and Butler 2001b).
Such issue has been addressed by further contributions to RBV, along two different directions.
Firstly, scholars have pointed on the outside-in processes where resources and competencies are exploited, linking company competencies to market characteristics (Day, 1994; Harmsen and Jensen 2004). Unfortunately, however, these studies have not explained the process through which competencies becomes valuable for the market.
Secondly, scholars have shifted the perspective from the procurement and utilization of resources to the providing and joint-exploitation of resources: according to the relational perspective, value generation is based on co-development and joint production of resources that cross organizational boundaries between partnering organizational actors such as business suppliers and car manufacturer in the automotive industry (Dyer 1996; Dyer and Singh 1998; Jap, 1999). These studies have posed a promising bridge to industrial marketing literature, where partnering relationships have been traditionally considered as the elective domain of non-formalized competence exchanges (Dubois and Torvatn 2002; Hakansson and Snehota 1995). However, they have not yet explained the mechanisms through which companies get value from competence sharing and transactions (Table 1).

Value creation through "input" resources and competencies

The notion that the firm's success ultimately lays in the endowment of resources and competencies that enter organizational processes to create and deliver superior value to the customer is among the key premises of the resource-based view of the firm (RBV) since its early affirmation in strategy research (Barney 1991; Hitt and Ireland 1986; Thompson and Strickland 1983).
In the resource-based view, organizations are conceived as sets of firm-specific components – the resources – combining physical and immaterial inputs such as know-how or reputation. Such resources give organizations competitive advantages when they are heterogeneously distributed across firms, when they are imperfectly mobile, and do not allow imitation and substitution, and when they are valuable, i.e. when they improve the efficiency and effectiveness of the organization in the market (Barney 1991; Peteraf 1993). Therefore, once conditions of heterogeneity and imperfect imitability/substitutability have been assessed, the issue becomes how to identify resources that are valuable, i.e. how to identify sources of value (Priem and Butler 2001a,b).
Resource-based theorists, however, have not fully explained what gives value to a given resource and mainly considered value determination as exogenous to RBV (Srivastava, Fahey and Christensen 2001). In his seminal work, Barney identifies value sources in the factor market, arguing that transactions cannot take into account a-priori the overall potential of exploitation for a given resource inside firm's business process (Barney 1986). However, he does not say much about how organizations can identify such

valuable resources, and reduces the acquisition of value potential to randomness or "luck". More recent works translates value generation in the firm's internal processes: Barney notes that "resources are valuable when they enable firms to conceive or implement strategies that improve its efficiency and effectiveness" (Barney 1991, p.106). Ray, Barney, and Muhanna (2004, p.26) emphasize that "resources can only be a source of sustained competitive advantage if they are used to 'do something', i.e. if those resources are exploited through business processes". Thus, resource-based view theorists posit that resources and competencies that fulfil certain key characteristics can be a source of superior value when they are used as inputs for business processes. While shifting the unit of analysis from the firm to the process, however, this approach either leaves largely unexplored the sources of value for a given resource.

An exogenous perspective of value generation informs similarly subsequent developments of the resource-based view. The organizational processes by themselves – intended as specific modalities of production, organizational and market knowledge organization –emerge as a key source of competitive advantage in the subsequent contributions to RBV, where capabilities and core competencies are seen as specific routines of transformation of specific mixes between physical and immaterial inputs (Grant 1991). At this level, some scholars point on the strategic approaches for increasing the resource and capability endowment, by highlighting that resources and competencies, being idiosyncratic, are more easily accumulated internally than acquired from outside (Dierickx and Cool, 1989; Teece, Pisano and Shuen 1997). Consistently with this view, Prahalad and Hamel (1990) define competencies as what a firm socially learn about how to coordinate the set of production capabilities by integrating different technological flows. The metaphor of roots of a tree highlights also that resources and competencies last longer than products/fruits: the implication of this view is that firms should focus their attention on the identification of their core-competencies, in order to feed, develop and exploit the fruits. Finally, other scholars contribute to a dynamic perspective of RBV, by focusing on the continuous innovation and reproduction of capabilities as the mechanisms allowing a given organization to limit the path-dependence constraints generated by the resource-accumulation processes, and therefore as the key component of the firm success (Teece, Pisano and Shuen 1997; Kusunoki, Nonaka and Nagata 1998). However, most of this theoretical development leaves largely unanswered the initial issue of what gives value to specific resources and competencies in front of the market (Priem and Butler 2001a,b).

Marketing research attempts to answer this question by pointing on the outside-in processes of value creation. Focusing on market-based assets developed by companies such as Honda or Motorola, Day observes that "the most defensible test of the distinctiveness of a capability is whether it makes a disproportionate contribution to the provision of superior customer value – as defined from the customer's perspective – or permits the business to deliver value to customers in an appreciably more cost-effective way" (Day 1994, p.39). He suggests that competencies, and more generally capabilities, are enhanced by market-oriented programs aimed at diagnosing current capabilities, anticipating future needs of capabilities to satisfy customer needs, and redesign processes in a bottom-up logic, besides supporting such processes through commitment, IT, and continuous assessment.

With few notable exception (Day 2000; Hunt 1997; Srivastava, Fahey and Christiensen 2001), however, little effort has been devoted since this work to identify *what* market-based assets and competencies may contribute to enhance the benefits/efforts trade-off in front of the customer. Recent research probes further in this direction, by shedding more light into the linkage between market characteristics and company competencies. By investigating competence-based strategies in the Danish food industry through managerial cognition techniques, Harmsen and Jensen are able to set up a tight connection between specific market characteristics and the corresponding competencies, and develop a market-based approach to traduce and operationalize market demand into company competencies (Harmsen and Jensen 2004). However, we still lack a comprehensive framework to analyze the process through which competencies and market-based assets are translated into more effective and efficient solutions for customers.

Value creation through "output" resources and competencies

While most of RBV literature implicitly focuses on resources and competencies as input assets and organizational routines that nurture organizational process of value production, there are hints from a few research streams about market-oriented approaches to deliver value for customers which are based on providing competencies as output.

First, the idea of competence supplying is already implicit in some RBV formulations: the core-competence argument, namely, implicitly leads to the consequence that firms focusing on their core competencies needs to purchase non-core competencies from third parties, that acts *de facto* as competence suppliers (Prahalad and Hamel 1990).
Second, the competence supplier approach finds further support in the relational view, where competencies and resources are conceived as relationship specific assets that are co-developed and jointly exploited by cooperating firms that maintain partnering relationship (Dyer 1996; Dyer and Singh 1998). Here cooperative relationships are seen as the locus of resource sharing and transferring processes that contribute to create value for the receiving partner. Previous research on collaborative innovation management further support this view: scholars who focus on competence transfer in new product design (Tripsas 1997) as well as R&D projects (Kogut 1988) similarly find that partnering relationships foster knowledge and skills spillovers.
However, these studies have focused on competence sharing and exchanging mainly from the point of view of the acquirer, while less emphasis has been putted on the supplier's side, as well as the processes allowing the competence supplying (Dyer and Nobeoka 2000). Moreover, competence sharing has been investigated mainly as a secondary output of partnering relationship, either occasional or implicit, and therefore a value creation component difficult to negotiate and to exploit, rather than an explicit component of the value proposition.
Such an issue has been subsequently developed in vertical business relationships by other scholars, who pointed on the governance mechansism needed in order to increase value creation and balance value sharing between buyers and sellers (Jap 1999; 2001). However, there is still a lack of understanding about the process through which competencies becomes valuable for the receiver and engender superior performances for the provider.
The idea of the strategic supplier as a competence supplier is also implicit in most of the industrial marketing and network literature (e.g. Dubois and Torvatn 2002, Håkansson e Snehota, 1995, Foss 1997), and stems from the changes over the past decade, when business firms have become increasingly centred on their core competencies, while externalising traditionally important activities such as manufacturing, design or logistics. This outsourcing of value-added activities has led to a hierarchical configuration of the supply chain, based on several tiers of suppliers, which provide the customer with many opportunities for generating innovative products, services or systems solutions through a joint value creation process. However, as suggested by Moeller and Toerroenen (2003) the selection of the strategic supplier must be done a priori, while the value of those inputs is delivered in the future. So, as Moeller and Toerroenen (2003) highlight, the value potential of the supplier (referred to efficiency, efficacy/innovation and networking functions) should be better assessed by focusing on its competence profile. This view is supported also by Borghini and Rinallo (2003), who highlight that, in business markets, buyers increasingly select their suppliers on the basis of their competencies rather than on the basis of the stand alone product/service features. Both the marketing and strategic management literature, however, have put so far little emphasis on the supplier side of this process.
Finally, previous research also highlight the relevance of adopting a (supplier-buyer) joint approach to value creation, in literature on consultative selling (Hanan 1995, Mullin 1997), solution selling (Bosworth 1995), customer intimacy (Treacy and Wiersema 1993), and customer integration (Normann and Ramirez 1994, Fisher et al. 1997). However, such studies have not deepened the marketing implications for a supplier which bases its competitiveness on the competencies available for the customer. Moreover, the notion of competence supplying stills remain linked to a view which does not define what are the mechanisms enabling value creation through competence supplying.
Hence, we do know that competence transfer occur between firms and contribute to generate value, but we do not know how competencies becomes valuable throughout this process.

INSERT TABLE 1 ABOUT HERE

Methodology

Research design

As we were interested in disentangling the process of value creation through competence supplying from the point of view of the supplier, we fixed our level of analysis at the firm level (supplier).
Lack of prior theorizing about competence supplying suggested a multiple-case study method.
As it has been noted, this approach, while more demanding in terms of research efforts, allows significant benefits in terms of induction of more reliable models (Bourgeois and Eisenhardt 1988).
More specifically, we followed a multiple-case study approach, and selected four different cases, in order to increase variations in the theoretical concepts investigated during the study.
To select the cases, we focused on four different industry contexts in order to increase the external validity of our analysis: automotive components (OEM), yarn manufacturing, IT systems, and textile machines manufacturing. Moreover, to further increase validity, we picked firms from different sizes. In one case – the yarn manufacturer industry – the small size of the suppliers (along with the the spread of cooperation in the industry) suggested us to extend our level of analysis to the industrial district. Therefore, we interviewed managers from twelve different firms in the district and we report data about these firms as well as about the overall district (the "Tuscan Spinners"). Finally, as value creation potential from competence transactions might vary significantly for different stages in the relationship lifecycle, we further checked in order to be sure that our cases included firms focusing both on new business relationships, i.e. contacts with prospects, and long-standing business relationships, i.e. interactions lasting for a long-time period. The selected firms resulted to cover a wide spectrum of conditions in buyer-seller relationships (Table 2).
Finally, in order to maximize reliability, we adopted the same case study protocol and the same sequence of questions with all the informants, as suggested by Yin (1994).

INSERT TABLE 2 ABOUT HERE

Data gathering

For each firm, we collected preliminary evidence about its business relationships through primary and secondary sources over the web. We then selected as the most appropriate informants the CEO, the business unit director, and marketing director, in order to capture the overall picture about the management of business relationships under the marketing as well as the strategic issues. On average, interviews lasted ninety minutes and were conducted with two investigators, with one investigator driving the discussion and the other responsible of codifying into text the conversation and filling eventual gaps in questions. Each interview was transcribed and cross-checked among interviewers within one day from the interview. Whenever a further check was needed after the internal cross-validation, we contacted the interviewee for further clarifications. In addition, we also obtained extensive archival data from each informant, which we used for triangulation purposes. Finally, we also collected a rich amount of qualitative data through participant observation to various European trade fairs. This was an elective context of analysis for our research, which allowed not only to increase the richness of our empirical data through direct observation, but moreover to point the attention to contexts where suppliers directly interact prospective customers and other suppliers, (1) developing an experiential approach to competence-based marketing and communication, (2) improving their ability to anticipate competencies through feedback mechanisms, and (3) increasing through social interaction the likeliness of implementing investment and risk sharing mechanisms.

Case presentation

The first case we selected, Tuscan Spinners, refers to a cluster of small firms operating in the geographical area of Tuscany, which produce knitting yarns and are largely considered leaders for the quality of the yarn they produce and their creativity and innovation of their fibers. Tuscan Spinners control

almost the entire supply of top-of-the-range products, and account for a significant share of the overall worldwide production.
The case was chosen because of the peculiar approach to value creation that Tuscan Spinners share, and focuses on the relationships between Tuscan Spinners and both their prospects and existing customers, who are typically small producers of knitwear and fabrics. Since the 90s, Tuscan Spinners had to face the emergence of low-cost manufacturers from the eastern countries, whose skills in developing efficient production processes and in quickly imitating the most successful creations were exerting a serious thread to the Italian knitting yarn manufacturers survival. The risk that yarn, a rather simple product, would become a commodity increased, eroding the rent potential of high-quality and high-creativity products still demanding considerable investments by Italian manufacturers.
Tuscan Spinners could not answer to such a growing competition by pointing on cost-advantage strategies, nor defend their innovation skills against imitation. However, their ability to anticipate the fashion trends that will become established styles in the downstream market in the future seasons and to incorporate them into the fibers was far more difficult to be replicated. Such skills were particularly important for knitwear, where the yarn is directly embodied in the end-product without any intermediate phase of fabric trading, which characterize instead yarns in the clothing industry. However, such a value potential of Tuscan Spinners' soft skills was not easily to be communicated to the market nor to be translated into a customers' willingness to pay a premium price for the Italian manufactuers' knitting yarn. Hence, in order to elicit customers' perception, Tuscan Spinners heavily re-engineered their communication strategy. They joined during the 90s the organizer of an international trade fair located Florence hold by the local Association of Textile Enterprise – Pitti Filati – in order to promote a collective image about the ability to to work as partners with down-stream companies and to "transfer competencies to down-stream markets", together with the skills incorporated in the spun product.
At the trade fair, nowadays, communication is based on "touchable" presentations (yarns "at work", transformed into dresses) developed through researches about use possibilities of the yarns, as well as proposals and "concertation" for fashion trend, or studies on final market behaviour and consumer tastes evolutions. During the exhibition, a 'collective' or Trends Area is available, where items (fabrics, clothes, symbolic objects, suggestions, shows, pictorial representations, etc.) created with knitting yarns using the colours, themes and workings expected in the following two-year fashion seasons were presented. These items are developed by famous designers and experts in fashion trends, who were selected and funded by Pitti Filati organisers; moreover, they are produced by manufacturers participating to the event . Also the presentations on individual stands were improved. Exhibitors show fabrics, clothes, fashion ideas, etc. for end markets together with their collections of yarns for the season. Some particularly innovative exhibitors do not merely show examples of applications in a strict sense (fabrics, clothes, etc.), but also propose trends resulting from their own research into style and studies of consumer behaviour.
Moreover, products are displayed in such a way that visitors can take with them a part or a sample, such as the colour chart in the collective area, pieces of yarn or fabric from different stands; designers and company staffs present and discuss the meaning of the creations with visitors, while also describing the characteristics and technical solutions in the products on show.
What happens in the case of Tuscan Spinners, in fact, is a process of sharing with customers the results that suppliers obtain from R&D on the down-stream phases. The disclosure and sharing of outcomes of exploration and research conducted by the supplier's designers are fairly evident when multiple elements of communication, such as video, images, claims and other communicative items on the stand are all focused on rendering the message in the products clear and visible.
Such a value communication strategy has turned out to be an immediate success, placing the event and its exhibitors even more decisively in the niche of the most creative, top-of-the-range actors. The 'skills promotion' initiatives, which were initially supported only by the historical group of spinning companies, soon spread to all the other manufacturers, and 'competence-based communication' became the communication style of the whole event. Overall the event rose from 4000 visitors (buyers) in 1994 to 8300 in 2003. Today, visitors to Pitti Filati judge the event as a 'strong learning experience', while the Tuscan Spinners are seen as the reference manufacturers for the sector. Although they are not protected from their competitors, they are in such a position receive the recognition of a premium price.

The second case we selected, Picanol, refers to a Belgian company that is world leader in the production of textile machines. The company was founded in 1936 and since then has marked major successes in using emerging technologies, which have been presented over the years as major attractions at the

sector's leading trade fair, the ITMA. Indeed, from the outset, the company's competitive advantage was centred on its ability to innovate weaving machines.
The case focuses on the re-organization of the business Picanol has implemented since the late 90s to face the growing competitive pressure from far east low-price competitors, which has boosted his customer orientation, implying a substantial re-organization of its value creation and communication business processes around the "customer success". It points on the analysis of the processes Picanol developed to manage relationships with both its prospect and existing customers, that are typically small-to-medium sized companies operating in the textile business.
In order to increase its market orientation and to deliver superior value to his customers, Picanol has defined its own mission as becoming suppliers of "solutions and innovation" for the textiles industry, rather than a mere supplier of machines; moreover, the company has invested significant resources to focus on down-stream markets, and develop analytical and know-how skills to anticipate and deal with the business problems of the customer's customer, which are specific and vary from sector to sector.
Such a process has required, on the one hand, to focus internally on the specialization and specific competencies of Picanol in the three main end-markets of the company (apparels, home-textile, technical fabrics), while, on the other hand, has led to a re-orientation of the communication content and strategy.
At the level of the re-organization of business processes, two separate divisions on Systems and Technology have been settled up, in order to increase the capacity of addressing two different end-markets: on the hand, the textile machines; on the other hand, the technologies and components for other industries. Secondly, a specific business unit for monitoring different end markets for weaving machines has been settled up within the Systems division, in order to extend Picanol offering towards capital goods for all stages of the textiles production process. Thirdly, a new division has been settled-up for customer support services – the Global Textile Partner. The underlying rationale is to provide support and consultancy even to customers other than Picanol, so as to construct, with time, new skills, including from customers' best practices.
At the level of the communication strategy, the new orientation has implied a re-orientation in terms of the communication approach and the content transferred through the traditional communication tools. Picanol traditionally based its communications strategy on "live" means of communication, because of the need of customers to see, test products, and to interact with technicians to get information about the supplier's ability to offer adequate support and to be able to find solutions for specific business issues.
Hence, Picanol has redefined its communication strategy first in terms of advertising. Such a tool, which traditionally weighted for a little share of the communication budget, has been extensively employed during the re-orientation in order to signal to the market the new strategy. Advertising no longer shows machines, but finished products from the three end-markets (clothes, home textiles and technological fabrics). Moreover, the images all evoke current fashion trends specific for each market. Second, sales sales-people have been given the specific responsibility for proposing "total solutions" to customers. Also, it established a direct link between the sales-force and the service department, so enhancing the competencies available to the customer. Third, Picanol has implemented significant changes in the way machines are presented at Trade shows. The focus became the products obtained by the machines as well as the possibilities for weaving, i.e. the softness/rigidity of the fabrics produced . More recently, Picanol has begun to attend to fabrics events, in order to illustrate to product designers the multi-facet functionalities of its own machines, through products realized with the help of famous stylists. A fundamental role at trade fairs is also played by the technicians, who are on a special stand alongside that of the machines. Here, the technicians can discuss different problems and the solutions they have found with visitors, possibly illustrating cases resolved for other customers. Finally Picanol has invested significant resources for Open Houses – i.e. special events on the production site where selected prospects and customers are invited – to support new products introduction. While an entertainment content animates the event and technical discussions through guided visit are performed, Open Houses are mainly aimed at allowing customers to socialise with company staff and among themselves. These events resulted to be strategic for Picanol in that they contributed significantly to the development of an image of expertise precisely through contact with the technicians, allowing at the same time to avoid the loss of richness in information that typically results in the product distribution through channels of intermediaries. More important, such events resulted in important feedback information from customers in order to improve the Picanol products performance.
The new strategy, but, above all, the new communication program, has extremely productive for Picanol. Turnover, which was stagnant, is picking up in 2004, the first year in which the effects of the efforts in

communication and attendance at different events begin to become visible. The company has managed to maintain its position in emerging markets even in the face of low-price competition.

The third case we selected refers to the automotive component (OEM) division of Filtrauto, which is a manufacturer of filters owned by the French-Italian group Sogefi Sogefi supplies automotive components to the world market with a turnover of almost €1,000 million in 2003, being the fourth largest group in the world in suspensions, and the fifth largest in filters.
The case points on the Filtrauto's approach to manage large-sized existing customers belonging from the automotive industry, which is peculiar in that it works mainly on the basis of requests to tender from the constructors for each product launch. In this market, the constructors define the design and performance of the vehicle, as well as the dimensions of the individual parts, and the suppliers present a pre-project. Selection of the supplier is an increasingly competitive process, because of the pressure exerted by car manufacturers towards reducing the number of suppliers for ensuring control quality and strong collaboration skills in problem solving and solution providing. The past decade has seen a decrease of the number of supplier of car manufactured by 38% for an overall population of OEM manufacturers aestimated around 1,500 in 2004. Company's forecasts are of a reduction in the number of OEM manufacturers to 40 within the next 5 years. Moreover, car manufacturers increasingly ask the suppliers to propose new solutions, and to widen the offering scope from the single cartridges to the broad filtration system.
By interpreting such a trend in the market demand, Filtrauto has progressively modified its own business model, shifting from providing stand-alone filters to providing know-how and integrated filtering systems.
The new approach was also consistent with the competence overlap already developed by Filtrauto in order to integrate the single filter into the customer's end product (the car). However, it required to develop new competencies for aggregating a wide system of sub-providers.
Such a new approach demanded significant efforts in developing new competencies, and therefore Filtrauto started to take on specialized technicians to oversee the design of the system, and to bring together qualified suppliers of components.
In order to support such approach of integrated solution providing, the sales activity of the OEM division moved its focus from a sales representatives and advertising based approach, towards modalities of competitive presentations of the pre-project requested by the car manufacturer that exalted Filtrauto's competence at the eyes of the customer. Moreover, while in the past the project was presented by the Technical Director alone, who collected customer's feedbacks, providing inputs to project group and production, today the drafting of the project bid is today undertaken by a larger project team. Such team includes the Platform Director (expert on the customer's specific platform), the Computation technicians, the Product conception technician, and the Quality technician. The group is made up of well-prepared technicians able also to provide solutions not laid out in the project and, essentially, to discuss the customer's problems as if they were their own. The traditional sales representatives who visited the car manufacturer/purchaser, maintained customer relations, and presented the products to the purchase department or to the various technicians the company's products and innovations has, thus, completely disappeared.
As a result, The OEM division obtained significant improvement in performance. Its contribution to the overall turnover grew from 30% to 60% (of which 50% for original equipment and 50% for original spares), reducing at the same time the weight of the aftermarket sales, in which Filtrauto remained to a greater extent a supplier of products. Overall, company turnover has not risen, but it has been a great success to maintain turnover levels in a very difficult market situation.

The fourth case we selected refers to the IT System division of IBM. IBM IT Systems employs 316,000 people in 30 laboratories and 24 factories in 164 countries. Turnover is $81,200 millions and is organized around a three-dimensional matrix based upon: 1) business units (products and services) 2) customer clusters, identified through a combined sector-dimensional approach, in large organizations (Finance/Banks, Distribution, Communication and Media, Public Sector Authorities), small and medium enterprises, OEM, Technology Integrators; 3) geographic markets.
The case points on the successful re-organization of the business that IBM IT Systems undertook in order to shift from a value proposition centered around the mere IT product to a competence-based value proposition letting emerge the company skills in providing on-demand integrated services to small-to-medium and large customers.

Following a serious slump, originated by the adoption of closed standards and causing a significant loss of market share, the company undertook a restructuring process between 1994 and 1997. The re-organization leitmotif was to centre the organization around the goal of value delivering to the customer through selling integrated IT systems and services. Interestingly, during such re-orientation, it emerged that customers where asking a capacity of integrating and delivering solutions which had been already well developed in the IBM competence endowment. However, such capacities were fairly dispersed across the organization and had a little focus on specific needs of different customers. The company had to make considerable investments in understanding what skills were needed, where they were located in the firm, and what to do for providing ad hoc solutions for specific customer problems. To reinforce and speed up the competence accumulation path, IBM performed the acquisition of the management consulting firm PricewaterhouseCoopers, whose consultants already developed problem-solving skills specific for the targeted industries, along with trustable relationships with industry managers. Nowadays, IBM's marketing and sales are driven to a larger extent by the competencies accumulated in the main target industries . Indeed, according to an IBM manager's view, IBM expertise available to the customers can be seen in layers, starting (at the bottom) with the competencies contained in components, in hardware and software, and in system and hardware administration and maintenance, and rising (at the top) to competencies founded on services and ad hoc solutions, configuring a layering of skills from products to services to the availability of the supplier. On the other hand, the expertise tied to individual customer industries can be seen as vertical slices through these layers, meaning that the skills associated to a given group of customers represent all the layered expertise of the company.

Such a layering approach has been a key driver of the success of the market orientation strategy. Namely it allowed to partition the specialization investment on a wider customer base (and sales pro-capita), enhancing its loyalty and leveraging on customer relationships through add-on selling of products and services.

The integrated perspective of the product/service relationship is what pulled IBM out of the slump in 1997 and allowed further expansion, leaving the company as one of the few survivors in the industry over the last thirty years. The competence delivering has been tightly coupled with a communication strategy aimed at transmitting the integration of product-based competencies and customer-based competencies, notwithstanding the significant size of the overall IBM business and the worldwide dispersion of the customer base. Benefiting from the ICT skills, IBM focused on web and tele-web communication, developing highly-flexible contact and communication tools, strongly oriented toward customization and partially based on a promotional transfer of competencies (i.e. publication of cases on problem solution direct contact with technicians). The success of this approach is fairly well represented by the ratio of success contacts through web communication (i.e. contacts converted in orders of purchases), accounting for the 20% of the total success contacts. Today, the IBM site is structured by target industry and presents above all the company's expertise in the specific sector, starting from the customer problems, and allowing customised learning path, including the access to a series of in-depth case histories about customer companies, with a large illustration of the value proposition and original solutions.

Findings: the process of building value for the customer through competence supplying

Grounding on evidence from our case studies, we found that competence supplying is a process structured around four main activities, which overall describe a competence-based value creation and delivery approach (Table 3, Figure 1).

Value analysis: the identification of competence gaps in the buyer's portfolio (end-market orientation)

A first main recurring pattern in the pursuing of value creation through competence supplying is that value stems from a strong orientation of internal and customer-interfacing processes towards the downstream market. Such orientation – which we label end-market orientation – requires not merely to focus on the direct buyer, but even more to understand and deal with the customer's customer needs (Fisher et al. 1997).

For instance, the Picanol's ability to differentiate its value proposition and maintain a premium price positioning against low-cost competitors was grounded on the firm's approach of focusing on the "customers' success", proposing specific solutions and specialized technicians within the Global Textile Partner division, dedicated to deal with issues in the customers' businesses. As it has been noted during an interview with a marketing manager, understanding downstream market needs and providing solutions and innovation for Picanol:

"It means that they worry about all the technical and the technological problems, so that their customers can forget about it and just concentrate on their real core business (using creativity, weaving….)"

Hence,

"The strategy of the Picanol Group is to act as a supplier of total solutions for the textile industry. To this end, the Picanol Group is expanding its package of activities: from being a traditional supplier of weaving machines it is becoming a supplier of total solutions for weavers. .These are solutions which foresee the customer's problems, which take account of changes determined by fashion trends and down-stream markets."
(Interview with the Marketing Director)

The same approach is reflected in the bodycopy of an advertising campaign, which stresses that

"*Picanol produces innovative, state-of-the-art weaving technology. Meeting the wishes of the customer. Matching the needs of the customer's customer.*
A technology that guarantees the highest quality, competitiveness and profitability.
A technology in your interest"

Similarly, the Tuscan Spinners' success is grounded on their ability to identify competence gaps in the downstream market at the level of the forecasting and shaping of fashion trend, as the interviews with both the suppliers and the customers during the trade fairs showed:

"The Italian Spinners know the future fashion trends, they are creative, they know how to adapt products quickly to the tastes of our customers; they often even influence fashion along the entire production chain, they are excellent problem-solvers, they have loads of ideas, they offer what we really need"
(Interviews with two business customers at the Pitti Filati Trade Fair)

"The research we develop on the end market and the styling proposals embodied in our products and in the specialized competence of our companies allow us to overcome the competition from low cost producers"
(Interview with a Tuscan Spinners representative at the Pitti Filati Trade Fair)

In the IBM's case, what emerged during the analyses in support of the re-orientation, was that what customers where asking was a capacity of integrating and delivering flexible solutions which had been already well developed in the IBM competence endowment. However, such capacities were fairly dispersed across the organization and had a little focus on specific needs of different customers. For instance, the low knowledge of sales representatives about IBM products implied that purchasing proposals required the intervention of other technicians, increasing the time of delivery and reducing the capacity of adequately interpreting the customer's needs. The focus on internal process related to the delivery of solutions and the customer relationship management became therefore the main strategic priority, with the purpose of developing a value proposition where services were aligned with specific needs of different customer clusters and different sectors.
The re-organization of the business allowed to concentrate previously dispersed skills into new divisions organized around customer groups, re-designing offerings with reference to the specific business issues in different customer industries, and embodying in the value propositions specific solutions both for production issues and for dealing with the customers' end market. In such a way, IBM experienced a terrific improvement in the success rate of conversion of prospects into customers.

Finally, the growth of the Filtrauto's OE division was allowed by the introduction of project teams for coordinating and making available all Filtrauto's specialistic competencies for the integration the filtering system in the buyer's end product – the car - which increased the firm's competitiveness in pre-sales bid offerings. Such a coordination allowed a terrific improvement of Filtrauto's performances during the pre-sales activity corresponding to the design phase of the car, when constructors send out a request to tender to the 3-4 main suppliers with the definition and size of parts and subsequently assess the supplier's projects asking for further modifications and customization. Filtrauto was able to increase its responsiveness by investing significant resources in terms of project development and "communicate" its to the customer.

In sum, our analysis suggests that the orientation of firm's internal (IBM) and customer-interfacing processes (Picanol, Tuscan Spinners) towards the downstream markets fosters the potential of value creation through competence supplying. Namely, it provides the baseline organizational conditions that shift the focus of the internal development towards competencies which meet customers' specific needs, and which can integrate the overall value proposition for the customers' customer. Such findings build an important bridge between the current literature on customer value in B2B, the research stream on market orientation (Kohli and Jaworski 1990), and the traditional perspective of RBT (Barney 1991; 2001), by suggesting that, in business markets, the end-market orientation of a firm's processes might enlarge the spectrum of uses of the supplier's competencies, and enhance their value in front of the customer (Srivastava, Fahey and Christiensen 2001).

Value creation: the resource development process

As a second step in the competence supplying process, we observed that value creation potential in competence supplying rests in the firms' ability to adapt its competence portfolio according to the customer perspective, by accumulating and developing competencies that can be relevant for the buyer.

We indeed observed in our analysis that suppliers focusing on their buyer's demand of competencies undertook paths of accumulation and development of competencies that fit into the competence gaps of their buyers, obtaining in this way outstanding performance.

The Filtrauto successful approach of developing integrated filtering systems was grounded on the previously accumulated competencies on designing highly-compatible components for increasing the performance of customers' filtering systems. As constructor where demanding for compatibility between filters and the system of supply of the other mechanisms to be inserted in the automobile together with the filter, significant investment were sustained for acquiring new skills, both by taking on specific technicians to oversee the design of the system, and by bringing together qualified suppliers which Filtrauto essentially treats in the same way that it itself is treated by the downstream constructors/purchasers.

Similarly the success of IBM reconfiguration towards a solution selling was strongly based on the acquisition of competencies about the integration of the IT systems into the specific customers' processes. IBM's acquisition of PWC's management consulting division, namely, was not motivated merely by the willingness to integrate downstream in the consulting services market, but by the willingness to get PWC's specific competencies in IBM's target industries, as well as its skills in identifying and dealing with customers' business problems.

Such evidence build on the business-to-business marketing view of value delivering, where the rent generation potential for the supplier is deeply linked to the firm's skills in consultative selling (Hanan 1995, Mullin 1997), solution selling (Bosworth 1995), customer intimacy (Treacey and Wiersema 1993; Azimont, Cova and Salle 1999) and customer integration (Normann and Ramirez 1994, Fisher et al.1997). It suggests that companies generate value for customers not only through input competencies that support their own business and customer interfacing processes, but even more throughout competencies that are exploited by the customer and that contributes to support value creation in the buyer's business processes.. Value creation stems here from a pro-active approach, where the supplier adopts the buyer's view, focusing on the value creation at the buyer's level.

It is worth of attention that such an approach is moreover consistent with the resource-based view framework itself, as the consequence of a buyer's focus on core-competence is the emergence of an implicit need of "non-core" competencies providing by the supplier (Prahalad and Hamel, 1990). However, the competence supplier is not limited to the simple substitution of the buyer, by in-sourcing its non-core competencies. Namely, the mere substitution of the buyer in a competence task he can reproduce internally cannot be distinctive and therefore source of value for the supplier. Value potential stems

instead from a pro-active approach, where the supplier adopts the buyer's view, focusing on the value creation at the buyer's level (industry foresight).

Value delivery: the translation into tradable means

A further step in value creation through competence supplying that emerged from our analysis was the translation of supplied competencies into tradable means. As previous research suggests, the transfer of competencies from the producer to the purchaser occurs for different customer objectives and is allowed by the capability profile of the supplier (Moeller and Toerronen 2003). On the one hand, some competencies – which can been labelled as solid – can be delivered and valued via the baseline product and service which, by definition, incorporates the supplier's resources and competence (Prahalad and Hamel, 1990) in a standard modality. On the other hand, some competencies become available only through the adaptation and customization of products and services according to the customer processes. Such competencies – which can been labeled as fluid – are by nature tacit (Nonaka 1994) and cannot be transferred without a direct contact between the supplier's and the customer's processes. In this case, we found that the medium for materializing and valuing competence supplying is a bundled value proposition explicitly including the buyer's direct access to the supplier's competencies over the business relationship. In IBM, the re-structuring of the value proposition into a layer of products and services enclosing different types of skills, from those tied to the product manufacturing to those allowing product customization and the assistance in its implementation in the buyers' processes, was successful for the ability to convey into the business on demand offering a bundle of solid and fluid competencies. By translating competencies into an embedded value proposition that customers can compose and access according to their specific needs (the "business-on-demand"), IBM has been able to augment its baseline offer, avoiding the risk of becoming a supplier of the stand-alone hardware, increasingly considered as a commodity by the market.

Similarly, Filtrauto was able to maintain its competitive position in the filtering market by traducing its own competencies of interfacing the filter with different filtering systems into an overall filtering system, specifically adapted to each customer's and market needs.

Finally, in the case of Picanol, Asian competitors' pressure was contained by designing a value proposition of "supplier of total solutions", where competencies in innovation and problem solving becomes the value-added component of a baseline offer centered on the physical product. In this case, both an assistance service has been introduced, and sellers' technical competencies have been enhanced, in the effort of embodying into a tradable value proposition the Picanol's ability in the customers' businesses.

Such a view is make esplicit by the company in the value proposition communicated to the market. As an advertisement where a Picanol's customer is represented says

"We don't buy machines…Beating the competition means more than just good machines. It means anticipating the market and reacting flexibly. Adding value, while remaining cost-effective. Making not only a good product, but also a good profit. We don't buy machines, we buy winning solutions."

And the sales-person in the following image says:

"We don't sell machines. We at Picanol aim to be part of this process. In fact, our strategy is aimed at the weaver, not the weaving machine. We look with you at all aspects of the weaving process, searching for improvement, in a cycle of short lead times and ongoing innovation. We don't sell machines, we sell winning solutions. Picanol: why weavers win."

(Content reported from Picanol's advertisement campaign, 2004)

Value communication: experiential approach to solicit competence value

Finally, as competencies are characterized by low degrees of tangibility, firms need to provide prospects and customers with some tangible evidence of the value potential of competence supplying either when they cannot traduce them into tradable means.

A further step enabling value creation is then tied to the supplier's ability of employing experiential marketing and live communication approaches (Golfetto and Mazursky 2004) which makes the customer experimenting competencies and support a promotional delivery of competenies.

In our analysis, we observed that such approach was highly effective in order to enhance buyers' perception of the value delivered through competence supplying.

For instance, IBM was able to convert a large share of its prospects into customers, by adopting a bi-lateral customizable communication on the web site, which leveraged on successful case histories of competence supplying, and through the possibility of contacting via web industry experts and technicians. At the same time, Filtrauto fostered relationships with direct communication and anticipation of competencies to automotive manufacturers during the presentation of competitive projects.
Picanol was far more successful once it defined an experiential content of competence delivering for its on-event communication, based on end-products as samples of its specialized competencies in the customer's field, and discussions with technicians. Trade fairs were the natural context where such an approach was implemented. As it was reported during an interview,

"The trade fairs have proved to be fundamental in giving the idea of company expertise which we want to communicate with the new strategy. The machines are always at the fairs, because the customers want to touch, see the movement, hear the noise and smell the oil. They want to see what the machines can do for them, they want to talk to technicians to find out if they understand their problems, if they can make changes in response to customer needs"
(Interview with the Marketing Director)

The revision in Picanol's strategy also led to a significant change over the last 2-3 years in the way in which the machines were presented. Originally, there were only machines, and mainly technological solutions were shown. Today, the machines are presented in groups by the sector for which they are built, putting emphasis on the products obtained by the machines, and the technical solutions for weaving. At ITMA 2003 (the world event for textile machines), different creations were presented for each of the three market divisions (clothing, home, technological fabrics). The various models and products were designed by a famous Belgian designer and made on Picanol machines. For the machines used in textiles and clothing, there was even a spectacular show of white "woven on Picanol" clothes, onto which images of the company's looms at work were projected. As it was reported during the interviews,

"With these presentations we want to initiate our closeness with the customer, our expertise and knowledge of the specific end-markets. We want to communicate that we are aware of the new trends in fashion, that we know the problems that these new trends present, and that our machines already have the best solutions. We want to communicate that our machines can be updated when fashion changes. In a nutshell, we want to show our interest and our skills, in order to partner our customers….These presentations differentiate us from the competition, because our low-price competitors cannot offer all this."
(Interview with a Marketing Manager)

Similarly, the event-based communication of Tuscan Spinners pointing on communicating how R&D in yarn can impact over customers' outcomes, by showing during the trade fair real and "touchable" wears, or by discussing production and marketing issues with people of the supplier, had significant impact over buyers' perceptions of the suppliers' capacity of problem-solving and market foresight skills.
During our direct observation at the Pitti Filati trade fair, we found exhibits provided with catwalks where presentations of fabrics, apparels were performed, while in the plenary events prototypes proposing trends in fashion for the future seasonal collections were presented. Moreover, there were plenty of international buyers in exhibits involved in touching products, discussing with technicians and stylists, sharing opinions and forecasts about future trends in the consumer market, cutting fabrics from the freely available samples. Such a context-sharing approach was explicitly aimed at making customers aware of the Tuscan Spinners' competencies value potential. As it was noted by a trade fair visitor,

"The visit of Pitti Filati is a true learning expedition and we get competencies from our suppliers"
(Interview with a knitting yarns buyer during the Pitti Filati trade fair)

Such a learning experience based upon promotional transfer of market knowledge and competencies was explicitly organized by the suppliers exhibiting at the trade fair, as it was noted during an interview:

"The research we develop on the end market and the styling proposals embodied in our products and in the specialized competence of our companies allow us to overcome the competition from low cost

producers…..we distribute samples of our creations to visitors even if few of them come back as customers. Nevertheless, this release of creativity serves to underline that just as we can offer free creativity for everyone, we can also create specifically for individual customers. The approach pays off, because the world leading designers in the fashion wear are among our customers. Others can copy an individual item, but not our essential ability, which is to create new items continuously"
(Interview with a Tuscan Spinner during the Pitti Filati trade fair)

This evidence suggest that as far as the buyer can bypass the tacit nature of competencies, perceiving through the direct interaction how and to what extent the supplier's competencies may fit into its business, his willingness to choose/maintain the supplier and to acknowledge a premium price for value from competencies providing should be expected to increase.

INSERT TABLE 3 AND FIGURE 1 ABOUT HERE

Discussion and conclusions

The intuition that value creation processes are based upon the suppliers' competencies is at the roots of current business marketing research (Hakansson and Snehota 1995). Business customers are far more interested in the value potential they access in terms of efficiency, effectiveness and networking functions of their supplier than the mere product constituting the medium of the transaction (Moeller and Toerroenen 2003), since they look at the business offering as an asset that enter in their own value creation functions, being valuable to the extent to which it can be exploited in downstream business processes.
However, in spite of theoretical arguments (Moeller and Toerroenen 2003) and empirical evidence (Borghini and Rinallo 2003) about the relevance of the competence profile in shaping the industrial buyer's choices, most studies so far have considered the suppliers' competencies mainly as an implicit component of the value proposition, whose access is not marketable per se, but remains indirectly linkable to the value generation function.
Strategy literature on resource-based view proposes that industrial buyers build and develop internally their competence endowment (Dierickx and Cool, 1989; Teece, Pisano and Shuen 1997) but also procure other strategic assets in the factor market (Barney, 1986), such as material and immaterial resources as well as specific competencies. Most companies focus on their own core competencies and outsource to their suppliers other competencies that they need in order to perform their business processes (Prahalad and Hamel, 1990). Hence, in business markets, input competencies for a given buyer are output competencies delivered by its seller throughout the business offering. Solution selling (Bosworth 1995) such as in the case of Picanol or customer intimacy (Treacy and Wiersema 1993) such as in the case of Filtrauto are prominent examples of such a kind of interaction occurring in business transactions.
This study points on the underlying process through which the supplier's investment in providing customers with access to its own market-based competencies builds value for customer and therefore enhances the competitive position of the suppliers in front of his rivals.
Through the analysis of four case studies in the yarn, textile machine, automotive components (OEM) and IT industries it seeks to make two contributions to extant research.
Firstly, by shifting the attention form the input view of competence value potential to an output view, it goes further in the analysis of the linkage between market characteristics and competencies' value (Harmsen and Jensen 2004), by identifying crucial sub-processes enabling the identification of competence gaps in the buyers' portfolio, the investment in competencies relevant for the customer, and the delivery and communication of competencies value. The competence supplier – as in the case of Tuscan Spinners – anticipate market trends through an end-market orientation (Fisher et al. 1997) and invest in market intelligence and specialized competencies for building value for given customer clusters. Moreover, it works by engineering offering propositions embodying value added components tied to his own competencies – as in the case of Picanol and Filtrauto – and develop highly interactive communication programs allowing its prospective customers to experience the value potential accessible throughout the supplier's competence endowment.

Secondly, by exploring market-based behaviors through a competence-based perspective, it pushes toward a further integration of the market orientation research stream and the competence-based research stream, specifying how particular market-based assets sustain specific forms of customer value (Srivastava, Fahey and Christiensen 2001, p.796). In the competence-providing framework, access to specific suppliers' competencies is directly linkable to customers' specific gaps in the competence portfolio, as the supplier begin from the customer's need in order to set up dedicated competence accumulation and development strategies.

At the same time, further research seems also needed in order to deepen the understanding of value generation mechanisms in competence supplying. As we focused mainly on the effectiveness dimension, we overlooked the cost-side of investments in competencies. Our analysis suggests that both a replication of competencies over clusters of customers showing homogeneous competence needs (IBM case), and a repartition of competence investments through social sharing routines (Tuscan Spinners) might operate at this level. Further research seems however needed in order to further clarify this issue.

A second area of investigation deals with the value appropriation mechanisms.

Our analysis suggests that competence supplying leads to developing unique and difficult to be imitated output competencies, because of the idiosyncratic nature of buyer-seller relationships where competence gap emerges and competence to be provided are crafted.

However, interaction mechanisms of competence communication and promotional delivery suggest that the disclosure of competencies foster also imitation processes in competitors. Future research seems therefore needed in order to further clarify the dynamics of competence supplying over time.

Finally, this framework has also several implications for practice.

Firstly, it emphasizes that the firm's efforts in intelligence acquisition benefit from a focus on the customers' customer market, which allows to undertake paths of competence development that can integrate those of the industrial customer, being therefore source of superior effectiveness for the business supplier. Secondly, it points on the organizational implications of competence supplying, emphasizing that companies need to align their organizational structures and processes accordingly to the paths of specialization, if they want to be effective in addressing their customer' competence needs throughout the different phases of the supplying process. Thirdly, it suggests that the trading of competencies requires *ad hoc* tools, whenever competencies are not per se tradable. Instead, competence suppliers have to solicit the customer's perception of value for a given output competence throughout live means, allowing to define supply propositions accounting for the added value of the transfer of knowledge and skills.

Figure 1 – The competence supplying process

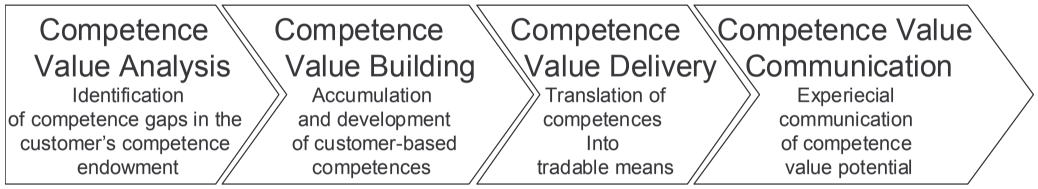

Table 1 – The resource-based view of value creation

Research stream	Perspective	Key references	Argument	Limitations
Resource-based view	Input resources, inside-out perspective	Barney 1986; 1991; Peteraf 1993; Wernerfelt 1984	VRIN resources as input of production processes that generate superior value for customer and superior performance	Tautology in key premises of the theory Missing link between competencies and value for the market
Competence-based view	Organizational factors, inside-out perspective	Grant, 1991; Prahalad and Hamel, 1990	Competencies as distinctive routines of transformation of specific mixes between physical and immaterial inputs (resources) producing superior value for customer and superior performance	
Dynamic capabilities	Organizational factors, inside-out perspective	Teece, Pisano and Shuen, 1997, Kusunoki, Nonaka and Nagata 1998	Ability to continuously innovate and reproduce capabilities over time allows to overcome path-dependency and gain superior value from market transactions	
Competence based view of market orientation and value creation	Organizational factors, outside-in perspective	Day 1994 ; Harmsen and Jensen 2004	Competencies that are valuable for customers needs to be identified against markets needs and throughout customer interfacing processes	Few indications about the process following competence identification
Relational view	Output resources, implicit providing	Dyer 1996; Dyer and Singh 1998; Jap 1999; 2001	Value and competitive advantages stems from co-production and joint-exploitation of resources and competencies shared throughout the relationship	Few indications about how companies can insulate the competence sharing effect from the overall relationships making explicit the competence value
Output view	Output resources, explicit providing	Hanan 1995; Boshworth 1995	Value for customer stems from soft skills provided aside the core product	Few indications about the mechanisms through which soft skills are identified, developed and exploited

Table 2 – Case selection

Case	Industry	Supplier Size	Typical Lifecycle Stage in Customer Relationships
Tuscan spinners	Yarn manufacturing	Small	Both prospects and existing customers
Picanol	Weaving machine manuf.	Medium-Large	Both prospects and existing customers
Filtrauto	Automotive components (OEM)	Large	Mainly existing customers
IBM IT Systems	IT systems	Very Large	Mainly prospects

Table 3 – The process of value creation through competence supplying

	Tuscan Spinners	IBM	Filtrauto	Picanol
Value analysis: the competence gap	Anticipation and incorporation in the yarn of future fashion trends in the end markets	Bundling of IT systems and services and customization according to downstream markets	Integrating OEM components into platforms performing specific functions in the end-product (from filters to filtering systems)	Adapting the supply to the seasonal fashion and to the specifics required for downstream markets (apparels, home-textile, technical fabrics)
Value creation: the resource development process	Collective investments in knowledge on future consumer tastes and behaviours	Acquisition of PWC's consultants experts in customers' businesses to fill the competence gap between IBM's IT potential and customers' needs Reconfiguration of sector-specific competencies dispersed in the organization through a layering approach	Accumulation of architectural competencies on integrated filtering systems Reorganization of R&D processes per *customer platform* in order to ensure superior responsiveness in the pre-bid deals	Specialization and internal development of competencies relevant for each of the main markets
Value delivery: the translation into tradable means	Offering yarns with high content of fashion, incorporating supplier's competencies in fashion business	Solution-offering specific for different customer clusters (by industry, location, size) Availability of technicians and business experts with an industry-specific background	Filtering-solution and systems offering; availability of know-how and "fluid"-customizable competence through technicians specialized per platform/destination market	From machine sellers to solution provider: "why weavers win": problem solving skills become an integral part of the value proposition
Value communication: the experiential approach	Promotional transfer of competencies during trade fairs through: -"touchable" presentations of results of R&D efforts in the "innovation area" -"touchable" prototypes of products for downstream markets	Communication focused on displaying the accumulated knowledge on specific industries and on cases of delivered solutions Live communication tools and free solution presentations improve information acquisition by prospects	Competence free delivery during the competitive offering presentations in the OEM division	Live communication tools (e.g. open houses) to share tacit elements of competencies and raise awareness of competencies in downstream markets Intensive use of technicians to support sales force's competencies

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