

# **ESTABLISHING AN INTERNATIONAL NETWORK POSITION: FINDINGS FROM AN EXPLORATORY SURVEY OF UK TEXTILE SUPPLIERS**

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## **Abstract**

This paper is concerned with firms that attempt to break out of their current position in their domestic market network. Specifically, how small suppliers in buyer-dominated relationships in the UK textile industry can develop an international network position. The paper draws on the findings of an exploratory study of five UK-based small and medium-sized textile suppliers.

## **Introduction**

This paper examines a problem faced by suppliers in the UK textile industry; the problem of developing new relationships and repositioning in international networks after many years of operating in buyer - dominated relationships in domestic markets alone. These suppliers have limited knowledge of the process of developing new relationships and as such have been reluctant to break ties with their current customers. Their knowledge is limited to the domestic market whilst the competition and new customers that they face are often highly internationalised. Such firms have not been thinking strategically about whom they should interact with and often pay the penalty of having a large and influential customer withdraw business without having alternative relationships in place.

This paper looks at how small suppliers develop relationship knowledge, attempt to build a relationship strategy, and the impact that this has on re-positioning in international networks. It documents the findings of a pilot study of small and medium-sized textile industry suppliers that examined the characteristics of relationships of these suppliers and their customers and the way in which these characteristics influenced their network positioning in domestic and international markets. The paper describes the way in which small suppliers can develop an international network position by developing new customer relationships with different characteristics from those with their dominating UK customers. It draws on literature related to international network positioning, relationship characteristics and relationship strategy.

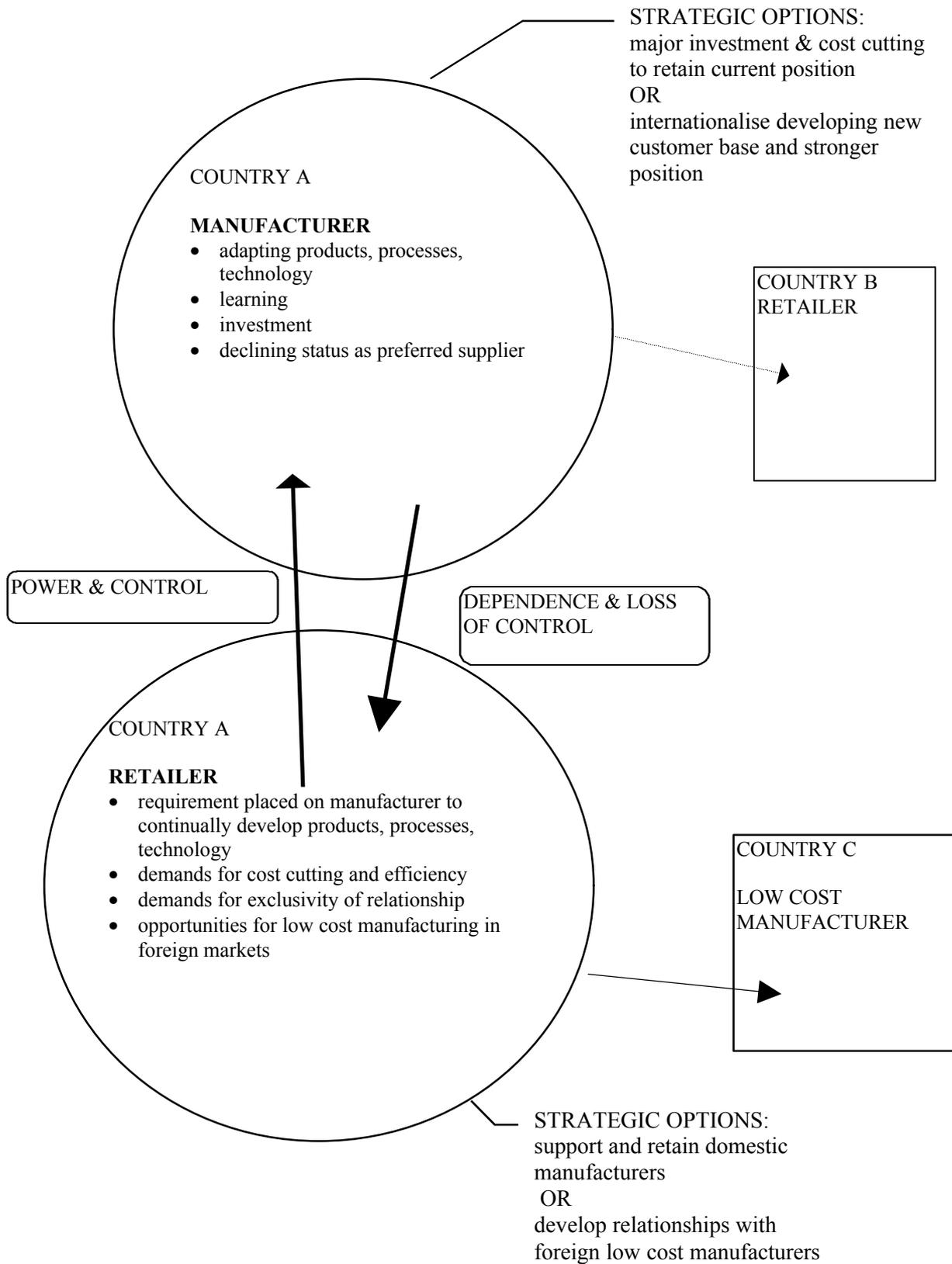
## **Background**

In mature industries such as textiles, small suppliers are often involved in relationships with one or a few major customers on which they rely for survival. Such relationships may have been developed over decades, however, the length and closeness of these relationships often belies the fact that they are asymmetrical in terms of control, power and influence over future development. This adverse situation of small and medium-sized textile suppliers has arisen because of the power and influence of large customers which have a wealth of suppliers to choose from and are often in a position to dictate conditions for the continuation of the relationship to their weaker, reliant suppliers, raising the threat of changing supplier if these conditions cannot be met.

Recent trends in the textile industry have shown that UK-based retail buyers are increasingly focused on international sources of supply and are not prepared to support uncompetitive domestic suppliers. The suppliers are therefore faced with internationalising quickly by developing their own international supply relationships in order to placate their customers, or by seeking alternative customer relationships and breaking into new international networks. For many the development of an international supplier base causes problems as they are vertically integrated, owning their own weaving or yarn manufacturing facilities. It may be argued that for such companies the development of new international customer rather than supply relationships would be more beneficial by enabling them to internationalise and break their reliance on one or a few UK retail customers.

Despite the threat of losing UK customers, small suppliers in the textile industry may still have something to offer international customers. Many have learned from the experience of adapting to dominating and powerful customers' requirements in areas such as flexible manufacturing and design - responding effectively to the fashion cycle means that timing is all important in scheduling design and production according to seasonal product launches. In such an environment, where survival is dependent on adapting or dying, small suppliers in the textile industry must seek to develop new relationships outside of their current experience in buyer-dominated networks. Figure 1 shows an example of a textile industry network, highlighting the relationships of buyers and suppliers in different countries. The focus of interest in this paper relates to the relationship shown with dotted lines i.e. how can a small supplier such as Supplier A in country A establish a new network position by developing relationships with new customers such as Retailer B in country B, and competing effectively for this position against suppliers in several countries?

**Figure 1. Textile Industry Network: Relationships of Manufacturers and Retail Customers**



## **Literature Review**

Three main theoretical areas are reviewed in the following sections - namely international network positioning, characteristics of relationships and the role of the development of relationship strategy in establishing an improved network position.

### **International Network Positioning**

The focus of this study is firms that attempt to break out of their current position in their domestic market network. Specifically, how small suppliers can change their situation from a domestic to an international network position. We shall examine current strands of literature on network positioning and assess their relevance for the study.

A network has been described as “a series of interlocking positions” (Easton, 1992), the unique position which a firm holds being influenced by the role that the firm has in its relationships with other organisations with which it is directly or indirectly related (Mattson, 1986). Its position is defined by the role that it is seen to play in the network (Mattson, 1984) and has been viewed by Mattson (1986) from the perspective of “macropositions” and “micropositions”, whereby micropositions represent the role of the firm in its dyadic relationships and macropositions relate to the role of the firm in the network. Macropositions are influenced by the entirety of relationships in the network, thus the challenge of developing a new network position involves more than simply forming some new customer relationships and may be influenced by the way other firms in the network view the firm and its role. The network position may therefore influence and be influenced by the expectations of other actors in the network as to how the firm should behave and relate to other organisations. As a result it may be constrained by this position and limited in its role and relationship to other firms in the network or enabled by its position to gain access to new resources, relationships and markets.

Recent empirical studies on network positioning have tended to examine the concept from the perspective of either retaining a current position by internationalising, or from the point of view of developing a position in a network in one specific country. Seyed-Mohamed and Bolte (1992) examined a Swedish manufacturer’s attempts to enter the US market and found this firm was able to establish a position by adapting to the US network and taking over another firm’s position. Holmlund and Kock (1997) studied the internationalisation of Finnish SMEs and suggested that a firm may be coerced into internationalisation by the need to retain or defend its position in its current network or when other firms in its network establish international relationships. This mirrors the situation of the UK textile suppliers but focuses on retaining current domestic relationships rather than breaking these ties to replace them with new types of international customer relationships. Johanson and Mattson (1992) have highlighted the connection between network position and “the means and ends of strategic action”. This link between strategy and positioning is important as it suggests that it is useful for firms attempting to change network position to consider how they may develop a relationship and positioning strategy.

In the next section we shall consider this link to strategy by examining the literature on relationship strategy.

### **Relationship Strategy**

Many small manufacturers in buyer-dominated relationships are inexperienced when it comes to strategy development and implementation, by virtue of the fact that they may have operated under conditions where they have been implementing a component part of a major

customer's strategy, or operating under what may be termed an "imposed" strategy. An imposed strategy occurs when an external individual or group with a strong influence over the organisation imposes a strategy upon it (Mintzberg and Waters, 1985). These imposed strategies may be deliberate i.e. they are deliberate intentions of one company imposed on another over which it exerts control, and are deliberately followed by the firm which adopts them. Alternatively, they may be emergent (Mintzberg and Quinn, 1992); for example a small supplier may over time become more influenced, dependent and reliant on its large customer and be drawn into a situation where it is increasingly controlled by its customer without having intended this to take place.

The imposed strategy is representative of the situation of textile manufacturers in buyer-dominated relationships which can be forced into strategic actions by forces or individuals from outside the boundaries of the organisation e.g. the influence of a UK retailer such as Marks and Spencer over the strategic direction of its suppliers. The firm is therefore held in its position by often long-held ties, expectations or tensions in dyadic relationships or in the surrounding business network. These suppliers face problems as a result of being tied to such relationships - their strategic options may be restricted as the large buyer can control and manipulate the resources of a small supplier, making it difficult for it to use its resources to develop and build new relationships. The additional problem of lack of skills and experience in building relationships and developing and implementing a strategy means that such firms may not possess an appropriate combination of competencies nor the confidence of experience to develop new customers. However, despite such problems firms can and do often escape their past adverse relationships and achieve their re-positioning goals. As Easton (1992, p. 115) has suggested, "history determines the current position but the future offers opportunities for change".

Most companies in business markets have to choose to interact with some companies at the expense of others and to restrict their options for building relationships. Indeed, it may be important for small firms in buyer-dominated relationships to take a strategic decision about which customers they should not be interacting with, as well as those relationships that they wish to nurture and develop. When assessing their future market and customer options it will undoubtedly be necessary to identify core skills, assets, capabilities and resources that will play a role in developing new customer relationships and opening up opportunities for re-positioning the firm in international markets with a stronger network position.

The interdependence of relationships in business networks makes it difficult for any firm to design and implement a strategy without consideration of the impact and influences of external parties in the network. However, despite such difficulties firms do make decisions about future markets and relationships and attempt to develop strategies based on their experience of previous or current relationships. In this way they may approach the future by drawing on past experiences in business relationships. Håkansson and Snehota (1995, pp. 48-49) defined this as "manoeuvring for a favourable position" by elaborating "the experience and thus the adoption in a company of an effective 'relationship strategy'".

### **Relationship Characteristics**

The previous section has highlighted the difficulties that SMEs often face in lacking the knowledge required to develop new types of relationships with customers. The characteristics of supplier-customer relationships are therefore important in giving small suppliers the flexibility to regain control over their strategic direction. Often the characteristics of relationships between small firms and their large suppliers may be negative and asymmetrical

from the perspective of the small supplier. To be able to better understand the type of relationships that small firms have with their customers it is important to be able to analyse how the firms relate to each other and understand the nature of the interaction taking place between the two parties. We shall therefore identify and describe the dimensions that several authors have used to describe relationships between firms and examine their relevance for this study.

Organisational theorists such as Marrett (1971) developed dimensions that describe inter-organisational relationships. Marrett's classification involved the dimensions of :

**Formalisation** – the extent to which the relationship is agreed upon and made explicit.

**Intensity** – the level of contact and resource exchange between the parties.

**Reciprocity** – the extent to which the two parties are both involved in decision-making.

**Standardisation** – the extent to which established roles and routines are adhered to.

Ford and Rosson (1982) added the dimensions of “conflict” and “distance” to these dimensions arising from their study of manufacturer-distributor relationships.

Relationship characteristics have been the focus of later studies by IMP researchers, primarily concerned with the way in which organisations relate to each other in dyadic relationships, and the structure and process of these relationships (Håkansson and Snehota,1995; Ford, 1980; Ford, Håkansson and Johanson, 1986). The nature of interactions between firms have been compared according to several dimensions. Ford, Hakansson and Johanson (1986) focused on four aspects of interaction that are useful in describing the way in which interactions are at the same time both unique but also influenced by other interactions taking place in the network.

**Capability** – describes the relationship between the parties in terms of what they can do for each other, involving the width and importance of the functions and the interdependence between the capabilities of the parties.

**Mutuality** – describes how the parties share common goals or interests and views the interacting parties as a social entity. It involves the extent to which a company will be prepared to give up its individual goals or intentions for the sake of the other firm and thereby increase its own ultimate well being.

**Inconsistency** – refers to ambiguity and lack of clarity in interaction. Interpersonal inconsistency relates to the personal expectations and individual interests influencing the interaction. Intertemporal inconsistency relates to the differences in interaction between firms at different points in time.

**Pariculiarity** – refers to the complexities surrounding networks of interaction whereby the interaction with one firm may directly influence others.

The classifications described above offer a useful guide when examining the nature of relationships. However they tend to paint a static picture of how firms relate to each other in their current relationships. They do not give a view of how the firm could or should attempt to change or redirect the dimensions of its relationships or how the nature of its relationships may influence its ability to change its network position. We therefore know much about the nature of relationships between firms in dyadic relationships but perhaps less about the process of how a firm can change the nature of its interactions with other firms with the goal of improving its position. The following exploratory study attempts to address some of these issues.

## **The Pilot Study**

### **Research Questions**

Two research questions were highlighted in the paper “Changing Network Position through Internationalisation” (Johnsen and Ford, 1999) which were concerned with initial attempts to understand the way in which small suppliers develop new international customer relationships and change their position in buyer-dominated relationships.

- *Can small suppliers initiate a change in their buyer-dominated network position in domestic markets?*
- *How does experience in their previous network position influence their ability to internationalise and develop a new network position?*

These research questions were the starting point for an exploratory study of suppliers operating in the UK textile industry. They represented the initial point of departure for developing research questions for semi-structured interviews with textile manufacturers. The two initial research questions were broad enough to allow for further tightening of the focus of the research to be made after the results of exploratory interviews have been analysed. It is envisaged that these results will assist in the development of a more detailed conceptual framework to be examined in subsequent in-depth case studies.

The supplier-customer relationship was identified as the appropriate unit of analysis for the study as it enabled a comparison to be made between the relationships of ‘domestic’ and ‘international’ textile suppliers and their customers. Examining the relationships of the two types of firm also gave the opportunity to explore the impact of customer relationships on the internationalisation process and repositioning of UK textile suppliers.

## **Methodology**

### **Research Process**

The exploratory research covered five semi-structured interviews with textile suppliers. The interviews focused on suppliers as it seemed appropriate to gain an understanding of the key issues facing small manufacturers before discussing them in the context of complex relationships with major, powerful UK retailers and other network actors. The companies involved in the exploratory research were chosen on the basis of their involvement in the clothing fabric / garment manufacture industry and, where possible, by identifying their involvement in buyer-dominated relationships where an asymmetrical balance of power in favour of retail customers exists or had existed in the past. Each company had internationalised to a different extent, hence differences in their strategy, positioning and future goals could be reflected upon in the light of their distinct international business experience.

### **Interviews and Respondents**

Exploratory qualitative research was conducted between September and November 1999. Five semi-structured interviews, of 1 1/2 to 2 hours each in length, were conducted with directors or managers of textile industry suppliers, each having some responsibility for or experience of developing customer relationships and / or international markets. These respondents comprised 1 Sales Manager, 1 Commercial Manager, 1 Commercial Director, 1 Marketing Director, 1 Managing Director for Global Retail Supply and one Production Manager. This range of respondents highlights the diverse range of company personnel that

may be involved in customer relationships from company to company and presents a challenge in comparing their responses considering their range of experience and functional backgrounds.

### **Discussion Issues**

The pilot interviews were designed and conducted with the aim of exploring and gaining insight into the position of UK textile suppliers and establishing the relevance of the research questions posed and issues developing around this pilot study. The issues explored in these interviews included:

- characteristics of current relationships with customers and suppliers
- experience of foreign markets
- current network position
- future strategy and positioning in domestic and foreign markets

These issues were seen as important considerations in determining the companies' levels of involvement and experience in foreign markets and in seeking to understand the range of relationships that each company currently held, together with their views of possible options for future development and positioning. All interviews were recorded and transcribed and the qualitative data from interviews was analysed in relation to the initial research questions that guided the pilot study. The findings of these interviews will be used as the basis for developing the methodology for subsequent research and in guiding the development of research questions for the following stage of the study.

### **Limitations**

Initial problems were encountered in the study when contacting very small firms in engaging them in discussions on the purpose of the study. Feedback from these small firms highlighted the problem of facing so many day to day issues that needed attention that they had difficulty finding time to be interviewed. This appeared to be particularly prevalent in the case of small firms dealing with large UK retail firms. Limitations were faced in the particular interview of Company D (see profile below). The Company D respondent replaced the Managing Director, who was the target respondent, and therefore did not feel in a position to respond freely to some questions posed regarding the future of the firm. Furthermore, the interview was cut short as the respondent ran out of time. No problems were faced in other interviews as larger firms were very responsive and keen to take part in the project as they appeared to find the issues under discussion relevant and timely given current changes taking place in the industry.

### **Company Profiles**

The five companies interviewed in the pilot study represented a cross-section of suppliers in the UK textile industry. They represented firms involved in a range of textile manufacturing activities (jersey clothing, leisure/ corporate wear, fine suiting cloth, quality ladies, men's and childrenswear) and different company sizes and industry experience. The firms also represented a spread across different stages of the development of an international market presence, with one being focused solely on the domestic market and the others having a range of international business involvement in terms of market spread and experience. The companies also ranged in the type of relationships that they had developed with major customers. Three of the five were suppliers to major retail groups in the UK. One had a dispersed range of domestic and international customers and one was involved with a very focused group of large design house customers across a wide range of international markets.

The companies' positions ranged from those competing at the domestic medium-value end of the market in fiercely competitive situations, to one company supplying premium products with an established position across many international markets.

### **Company A Profile**

Interviewees: Marketing and Business Development Director,  
Managing Director for Global Retail Supply

Major supplier to one large UK based retailer which has had a previously strong but now declining profile in UK ladies, men's and children's wear. Relationship with this retailer has existed for more than 60 years with the supplier consistently positioned as one of the top four UK suppliers to this retailer. 40% of supplier's business is in serving this customer, whilst 60% is in internationally recognised own brands selling in concessions in major international department stores across 20 countries in Europe and North America. UK production occurs in Company A's wholly owned factories, whilst international brand production is sourced from around the world. Several days following the interview, the sole UK customer withdrew all business from Company A resulting in a critical situation of factory closures and job losses across Company A's domestic business and adding impetus to some of the internationalisation, relationship and positioning issues discussed in the interview.

### **Company B Profile**

Interviewee: Production Manager

Two hundred and twenty five year old textile manufacturer located in the south west of England. In early years of 20th century the company supplied the army through the Ministry of Defence in the UK and invented 'flannel'. In the post-war era the company supplied major UK retailers, primarily Marks and Spencer producing high volume standard bulk fabrics. During the 1970's and 1980's the company changed direction and withdrew from its previous customer base. It now focuses on developing luxury suiting fabrics of 100% wool or wool/cashmere blends for men's and ladies wear. Until the 1980's the company was vertically integrated, through spinning, weaving and the production of finished fabrics. However they have since rationalised the business and now only finish the fabrics and are not involved in spinning. The company is currently positioned as an internationally renowned supplier of major international design houses, supplying fine suiting fabric to a select range of design houses serving independent high income level global customers.

### **Company C Profile**

Interviewee: Commercial Manager

This company is situated in the Midlands and is a young textile supplier by general industry standards, having been in operation for 15 years. It specialises in the development and manufacture of jersey fabrics and garments for several major UK retailers. The company is vertically integrated with its own operations for dyeing and finishing. In terms of markets, it is currently purely domestically focused but is interested in developing internationally in the future.

### **Company D Profile**

Interviewee: Sales Manager

Located in the South West of England this company previously manufactured and supplied ladies and men's wear to major retail groups. With increasing pressure from these customers to cut costs the company recently withdrew from this market and now supplies corporate textile products to customers in a range of diverse industries such as automotive, hotel and leisure, food and drink and information technology. The company has several internationally based customers and is keen to develop further international customer relationships in its areas of supply expertise.

## **Company E Profile**

Interviewee: Commercial Director

The company is a manufacturing subsidiary of a large textile firm operating from its base in the Midlands. The UK/export sales split is 97% UK and 3% export. UK manufacturing accounts for 60% of output but foreign manufacturing is growing steadily and currently accounts for 40% of output. The company is a major supplier of jersey fabric to garment manufacturers which supply Marks and Spencer. Marks and Spencer's influence is such that it often specifies the material inputs to its products and thus has a close working relationship with the company as well as the garment manufacturers. As part of a larger group, 50% of the company's finished product supplies group customers, which are garment manufacturers supplying M&S. Another 30% supplies three other major UK M&S suppliers, with the remaining 20% supplying non-M&S business. The company believes it has benefited from the recent rationalisation in M&S's supply base and believes it has a sound future in continuing to supply M&S whilst being flexible enough to change according to their needs and requirements.

## **Findings**

The following table compares responses from all companies on major issues discussed during the interviews.



<b>Issues</b>	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>
Current Level of Internationalisation	Domestic with some wholly owned foreign operations. Customers- UK sole major retail customer. International brands sold in Canada, Northern Europe, Scandinavia. "The UK is closing down at a rapid rate of manufacturing units"	Exports over 70% of product. UK manufacturing base. Customers- Design houses USA, Italy, Germany, Holland, Japan, Greece. Operating initially through direct exporting via agents, then customers target company as supplier as reputation built.	Domestic market only	Exports 10% of product. Outsourcing finished garments from UK and a range of foreign locations. Supplying several European customers. Seeking to extend international scope.	Exports 3% of product. Sourcing yarn and manufacturing in Far East. Supply a few European lingerie customers. "Rapid decline in European industry".
Future Internationalisation goals	Aiming for a "global sourcing operation...to internationalise rapidly in 2 to 3 years. Textiles are so much slower than many industries. We are just now moving out of the UK"	Extending scope and level of involvement with current customers. Establishing relationships in emerging markets in Eastern Europe and Far East. Aim to be one of top suppliers to international and domestic market based design houses.	Extending scope of involvement with current customers and establishing relationships with further UK retailers.	International markets expected to offer further opportunities in future.	Proactive international sourcing. Morocco is now considered to be "home" manufacturing .
Catalyst to Internationalisation	Customers. Slow rate of internationalisation because of "attachment" to major UK customer. Situation of UK customer has now forced quick move	Customer pressure in previous markets, new company management, changes in structure of some areas of the market with international design houses gaining	No internationalisation planned, but opportunity in future possibly through indirect	Opportunity to supply international customer.	UK customers will drive future direction towards increasing foreign

	to international customer base.	prominence. Development of one influential international relationship led to others.	involvement by storing and refurbishing garments for foreign goods entering UK.		manufacturing to reduce costs.
Characteristics of Current Customer Relationships	UK: “forcing” “controlling” International Brand: “flexible”, “value”, “cache”	“personal level”, “meeting and developing” “keep building the relationship” “finding out their needs” “exclusive relationship”	“demanding” “conditional relationships” “tailored to suit customer needs”	Customer relationships built on “word of mouth” and “reputation“ with influential customers.	“brutal” “dictates price and strategy” “powerful”
Customers’ Influence	“Complete influence” throughout network of supplier, manufacturer, consumer. Running of business in key areas such as quality, design, price. Control product development process. Control over choice of fabric supplier.	Shape and direction of the markets influence on designs, trends, colours in the whole market few customers..our dependence level is quite high	Influence entire supply chain, day to day running of business and future strategy. Control over UK business direction but cannot hinder company’s international development.	Positively influence ability of firm to develop new relationships through association and reputation.	Influence direct relationships with customers and suppliers through imposing sources of supply. Indirectly influence co. through controlling garment manfs. “Pushing the industry offshore”.
Continuation of Customer Relationships	Retail: meeting the performance criteria Brands:	Continuous design improvement. Maintaining good relationships with	Dependent on faster response & continuously	A good working relationship. Loyalty on both	New product innovation, right price, quality

	personal contacts, relationship building, NPD	customers. Good dialogue between buyer and sales & marketing and designers.	decreasing lead times. Expect smaller orders more frequently supplied.	sides.	and delivery. Having UK manufacturing base.
Power & Control in Customer Relationships	Asymmetrical balance of power & control in favour of retailer	Manufacturer has control to a great extent- can demand asking price, few competing alternatives in the market. Customers source internationally-possible threat.	Asymmetrical balance of power heavily in favour of retailers	“We are not dominated at all”	“M&S has a massive hold over us”
Characteristics of Supplier Relationships	Relationships with 10 key raw mat’s suppliers. Brands: source garments from 100 international suppliers. “Country hop on price” Retail: wholly owned UK factories Manufacturer exerts pressure on raw mats/fabric suppliers to meet retailer’s standards. Lower control as no supplier has only one customer.	Relationships with 2 or 3 major suppliers for over 20 years. Seek high quality yarn at good price. Trust Reliable	Vertically integrated operation, but customer pressures have effect of pressure passed down supply chain.	Broad spectrum of supplier relationships.	“Family networks” in foreign markets used to source other suppliers. Relationships with suppliers have been built up and have grown. Reliability and “personal touch” important.
Suppliers’ Influence	Timing of delivery/quality of supply influences performance of manf. Supp. relationships moving further towards ad hoc, not long term. Could be developed internationally	Understanding of the market. International location and status e.g. Italy design focused and at heart of European industry.	Vertically integrated supply plays important role in meeting retailers’ fabric development requirements.	Broad supplier base allows for flexibility and keeping abreast of new product s.	Help “defend” co. through innovation in yarns and fabric finishes.

	given adequate quality.				
Constraints to reaching desired future Position	Competition and lack of international connections.	Current customer relationships could restrict development of relationships with direct competitors of customers or those with lower quality products.	Internal constraints to meeting demands of retailers. Increasing UK and international competitive constraints.	N/A	With increased foreign competition, have to provide competitive advantages other than location.
Determinants of a Change in Position	By internationalising and increasing customer base. Becoming less visible to attack when a retailer declines or withdraws business.	By building strong relationships with the 5-10 key players. Supplying all of them, being on their list of top suppliers. Having such influence that they seek out the company, visit and place orders.	Tied to goals set by retailers for supplier - greater flexibility, improved delivery times.	N/A	Strong relationships with UK retailers which were prepared to work with co. through changes.
Achievement of Change in Position	Achieving market share, turnover and profit targets by country/region. Becoming less visible to attack when a retailer declines or withdraws business.	Through increased international market presence and turnover. Design and marketing staff with network contacts.	Through being open to changes required by retailer. Company permitting itself to be dictated to by retailer.	N/A	By moving with current customer base and responding to changes that customers want to make e.g. increased foreign sourcing of raw materials.
Influence of buyer-dominated relationships on competencies transferable to international markets	Influence on design and quality development. Manufacturing capability. Financial credibility.	Influence on fabric technology.	Influence on design, product development, marketing.	N/A	Influence on processes, controls, systems and standards.

## **Discussion of Findings**

### **Internationalisation**

By viewing the involvement in international activity across the five firms it is possible to divide them into two groups, namely those involved in domestic relationships with UK retail customers and those involved in international customer relationships. This distinction is useful as it allows a comparison of the positioning of firms that have been able to break into international networks with those that are predominantly involved with domestic customers. By comparing the relationships and positioning of the two types of firm it may be possible to identify some important areas where the domestic firms can learn from the experience of those that have gone through the process of developing an international network position.

### **The Domestic Firms**

The UK focused companies had put the majority of their resources and efforts into maintaining their relationships with UK customers such as Marks and Spencer, Next and BHS. Their interests lay largely in developing these relationships as they appeared to lack the skills, experience and knowledge to develop international relationships. The focus on these domestic market relationships highlighted the dilemma of these firms -an awareness of the need to develop new international customer relationships whilst being frozen in their current position by an inability or unwillingness to do so. The domestic firms were aware of the need for international supplier and customer relationships, with even their domestic customers pushing them to develop international sources of supply. However, despite recognising the need to develop a wider range of relationships across more markets they were unable or unwilling to shift resources away from current customers to focus on developing the skills and knowledge required to develop new relationships.

There was evidence of a belief that UK retailers would not break their ties with these suppliers because of the length of time that these relationships had lasted. An “ostrich” mentality of burying one’s head in the sand was evident. Suppliers such as A, C and E aimed to focus efforts on maintaining current relationships with customers by being responsive to their requirements and being prepared to make adaptations in the hope that customers would not break ties with such flexible, long-held suppliers.

### **The International Firms**

The internationally focused firms, B and D each had very different profiles, but despite the differences their behaviour and approach to internationalisation and customer relationships was remarkably similar.

Supplier B, which supplies luxury suiting fabric to international design houses, had internationalised during the 1980s and had developed strong international relationships in Europe and USA. The company had made a conscious decision to break out of previous relationships with UK retailers and focus on developing new types of international customer relationships with a wider spectrum of customers where the focus was on quality rather than price and the relationships were “mutual” i.e. having shared goals and compatible aspirations (Ford, Håkansson and Johanson, 1986).

Despite operating at the lower end of the market, Supplier D had also been able to diverge from its previous buyer-dominated relationships with UK customers and focus on building a larger variety of less “intense” relationships i.e. a lower level of contact between firms with lower level of resource exchange (Ford and Rosson, 1982). It seemed that by changing its role in the network from one of manufacturer to outsourcing production, focusing on tightly

managing a range of international supplier relationships, Supplier D appeared to now perform the role of a service function for its customers.

This section has highlighted the different types of relationships that the firms had, dependent on whether their focus was on domestic or international customers. The following section will explore the characteristics of these relationships and attempt to identify the differences between the relationships of the domestic and international firms.

## Characteristics of Buyer-Supplier Relationships

### Mutuality and Intensity

The major differences between the relationships of the two firms that had broken out of domestic relationships and those that remained embedded in domestic relationships appeared to lie in the mutuality and intensity of the relationships. Supplier B and D's relationships differed from the domestic-orientated firms by having a range of international relationships which, however, apparently varied in terms of mutuality and intensity (see table 1.).

**Table 1. Mutuality and Intensity Matrix Showing Positions of 'Domestic' and 'International' Firms**

		<b>Mutuality</b>	
		<b>Low</b>	<b>High</b>
<b>Intensity</b>	<b>Low</b>	<u>Domestic Firms</u> Supplier A Supplier C Supplier E	<u>International with Wide Customer Relationships</u>  Supplier D
	<b>High</b>		<u>International with Narrow Customer Relationships</u>  Supplier B

The relationships of Supplier B with customers involved high levels of interaction and involvement by the supplier and customer in each others business and high mutuality in terms of being prepared to make sacrifices or be flexible for the sake of the other firm - "collective goals or common interests" (Ford, Håkansson and Johanson, 1986). This was demonstrated by Supplier B's customers' being prepared to wait for particular fabrics to be manufactured and both parties being flexible on price. This behaviour differed greatly to that of the UK retailers which "dictated" prices and lead times to suppliers and where no mutuality existed. The relationships of Supplier B and its design house customers were "intense" in that a very high level of contact existed between the customer and supplier across a range of different actors within each firm. Resource exchange was common and existed in the form of staff, technology and knowledge. For example, staff from Supplier B and customer companies would frequently visit each other's plants to learn about new manufacturing techniques, products or to work together on projects. These visits were viewed very positively as being a

learning opportunity which would have a positive outcome for both firms and develop their relationship.

Supplier D had reduced the level of intensity in the relationships with its customers, in most cases, in comparison with its previous relationships with UK retailers. As the manufacture of its products was outsourced, the firm had focused its resources on building a large international customer base of flexible relationships and supplying these customers often on an ad hoc basis. Relationships displayed elements of high mutuality as customers dipped in and out of their relationships with the firm but were prepared to be flexible in terms of product specifications and delivery dates in order to be uncompromising on quality and because there was a level of trust between the two firms.

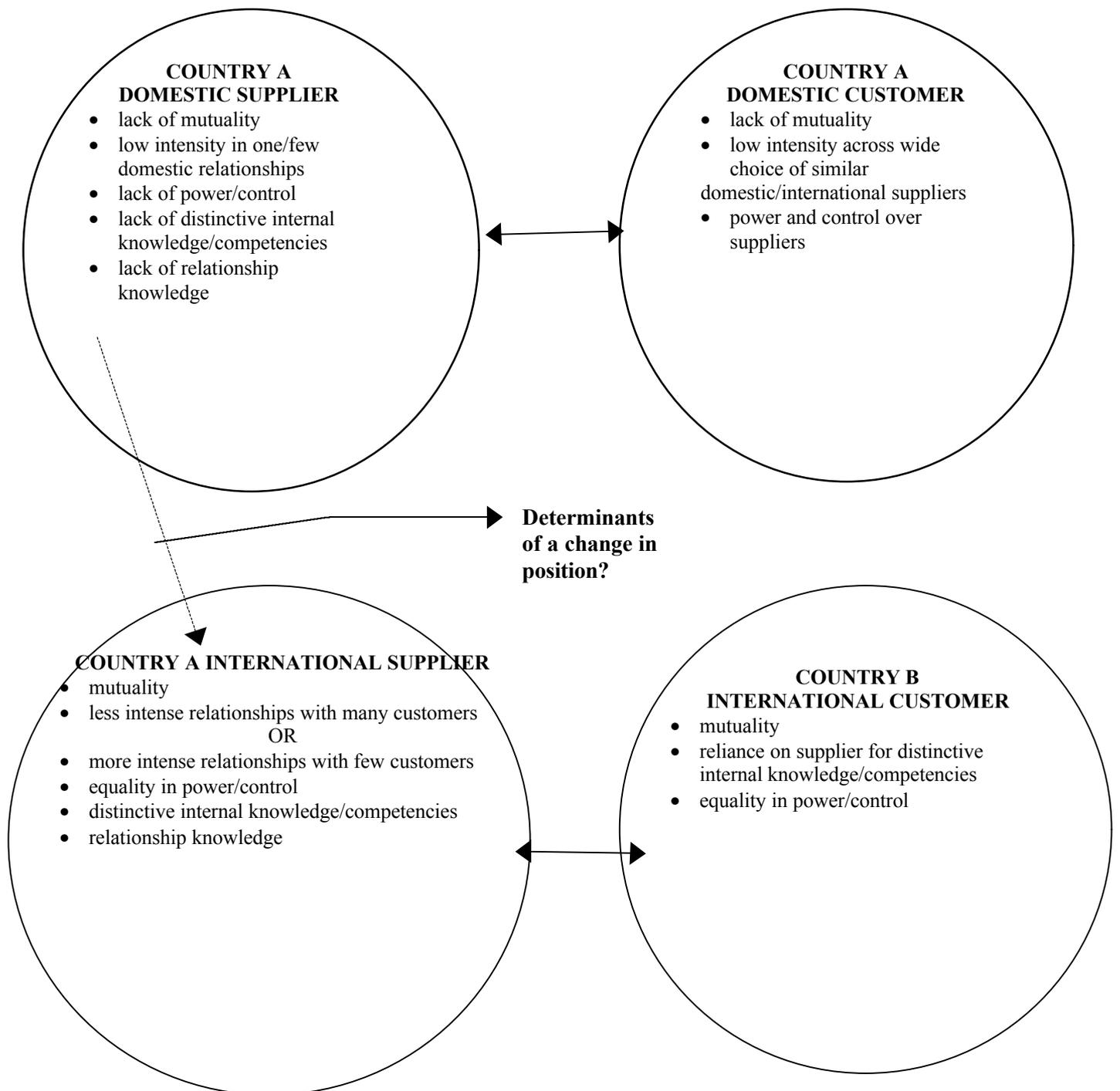
### **Power and Dependency**

Power and dependency are important distinguishing factors between the situations of the domestic and international firms. The domestic firms' relationships all displayed characteristics of asymmetrical power balance in favour of UK retailers with the suppliers experiencing loss of control in the relationship and dependence on the retailer for decision-making such as which sub-supplier should be used. Future opportunities and direction were influenced by the customer in areas such as internationalisation and development of new customer and supplier relationships. For example, Supplier A had been told by Marks and Spencer that it must develop international sources of supply in order to retain its status as a preferred supplier and was dissuaded from seeking new customers by the threat of discontinuation of its M&S relationship.

The international firms, Supplier B and Supplier D, displayed very different characteristics with regard to power and dependency in their customer relationships. Both professed to a lack of domination on the part of their customers and appeared to be in control as much as the customer of the development of both current and new relationships. With its large customer base, Supplier D had a wide range of alternative relationships in place which gave it the freedom to choose to interact with customers that did not exert pressure on the firm. Supplier B was in a position where there were "few competing alternatives" to its design and technology-intensive products meant that customers sought out the company.

The distinction between the relationship characteristics of intensity, mutuality and power-dependence of the domestic and international firms has highlighted the differences in customer relationships between these two types firms. Figure 2. illustrates the differences in the relationships between 'domestic' firms and their customers and 'international' firms and their customers.

**Figure 2. Characteristics of Domestic and International Supplier-Customer Relationships**



In the following section the positioning of the two types of firms will be compared with the aim of understanding how the international firms have developed new international network positions.

### **Establishing a Change in Network Position**

The study examined two types of firm -

- a) those that had developed new relationships and changed their position from one of supplier to domestic market customers to one of having established a new network position as suppliers to international customers
- b) those that had retained their domestic supplier position.

The ability to establish a new network position appears to have been influenced by several factors. Firstly, the two firms that had broken into new networks had purposely made the decision to seek out new relationships and had ideas about the characteristics that they required these new relationships to possess. The firms had wanted to gain an element of flexibility in their relationships in the sense of having a wider choice of customers. It was important that they were not dominated by customers in these relationships and that they had some control over how the relationships developed. Furthermore, the firms appeared to have sought to develop some 'relationship knowledge' or an understanding of how to deal with and behave towards new sets of customers. The relationship knowledge also appeared to play an integral part in the internationalisation of the firms, as learning about behaviour in new customer relationships invariably involved becoming linked to customers with international connections. However, the most critical factor in breaking into a new network appeared to be the relationship knowledge, rather than the knowledge of international markets and the geographic location of customers.

Relationship knowledge seemed to be lacking in the suppliers that were still reliant on a few key relationships with UK retailers as they expressed concerns over their inexperience in new types of customer relationship despite several having researched international markets. This appears to indicate that market knowledge must be combined with relationship knowledge in breaking into new international networks.

### **Conclusions**

The study attempted to answer questions related to whether firms could change network position and how their previous position would influence their ability to internationalise and establish a new network position. The findings of the study have indicated that the relationship characteristics differed between the 'domestic' and 'international' firms and that these characteristics had an impact on the ability of the firms to implement their own relationship strategy, as opposed to having a strategy imposed upon them by customers. The key differences lay in the mutuality, intensity and control of relationships as outlined in Figure 2.

The findings suggested that a key factor in establishing new relationships leading to a change in network position related to the development of internal changes that take place in organisations in areas of learning or acquiring knowledge about relationship skills. This 'relationship knowledge' requires further investigation with regard to its component parts or

elements and in relation to the role that it plays in the ability of firms to internationalise and develop a new network position.

Future avenues of research relate to further investigation of the differences in relationship characteristics between 'domestic' and 'international' firms and their customers and in exploring how firms develop and implement relationship knowledge, together with an examination of the role of relationship knowledge in positioning in international networks.

### **Emergent Questions**

- How do small and medium-sized textile suppliers acquire and implement the knowledge to develop new customer relationships?
- What are the key elements of this 'relationship knowledge'?
- How does 'relationship knowledge' contribute to the ability of small and medium-sized textile suppliers to develop an international network position?

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