

Partnering as a resource: business relationships and changes in SMEs' international sales organization and processes

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Abstract

The paper analyses the changes in SMEs' sales organization and processes as they expand internationally through the development of more and more intense and interdependent business relationships with other companies. A case study of a business relationship between a small company and a large business group in the Italian mechanical industry is described over a period of about thirty years in order to understand main changes in the small company' sales organization and processes as it has become increasingly integrated with the largest business group and the main forces sub-standing the observed dynamics. The paper thus enters into the changes within the inter-organizational processes and into the interplay between inter and intra-organizational issues, especially in respect to specific areas such as sales and marketing.

Key words: business relationship, sales organization, network interdependence

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1. Introduction

This paper studies the changes in SMEs' sales organization and processes as they expand internationally through the development of more and more intense and interdependent business relationships with other companies. Therefore, the paper deals with network dynamics and interdependencies analysing the changes in a small company' sales organization and processes as it has become increasingly integrated with a larger group. Specifically, the paper analyzes the case of Sorbini, a small Italian manufacturing company active in the wood-working machinery sector, which since the 1970s has considerably grown and expanded its international sales network through the intensification of its relationship with Cefla, a large and diversified Italian business group, first acting as a commercial partner and then becoming integrated into one of its product divisions.

This topic is relevant for at least two main reasons. Firstly, the analysed case is an example well representative of many Italian companies acting in the mechanical industry. This typical "made in Italy" sector has always been characterized by a large number of small companies whose distinctive competences were represented by very high quality products. Since the nineties, processes of companies' alliances, mergers and acquisitions have led to the emergence of mid-sized leading companies that have started to gain a significant positioning on the international market (Varaldo, Ferrucci, 1996; Lazerson, Lorenzoni, 1999). The smallest companies' survival was mainly connected to their operating in market niches with sound brand identity or to the reinforcement of their business partnerships with the largest companies, even if maintaining their own identity (Bocconcelli, Tunisini, 2009; Varaldo et al., 2009).

Secondly, the topic let to enter into the details of the interplay between inter and intra-organizational dynamics. While a large extent of literature studies inter-organizational processes and inter-firm networks (Anderson, Hakansson, Johanson, 1994; Powell, 1990), a few researches are devoted to investigate the impact that changes in business relationships between two companies may have on the organizational structures and strategies of the two companies involved (Cousins, Spekman, 2003; Ford, McDowell, 1997, Webster, 1994). Specifically, the paper faces the specific changes in the organizational structures and managerial practices affecting two companies as they become increasingly integrated and especially analyses which kind of forces more intensively affect the changes in their sales organization and processes.

The paper therefore can give three types of contributions: 1) a support to reflect on the strategy of growth increasingly implemented by SMEs; 2) an additional knowledge on the interplay between inter and intra-organizational issues in business networks; 3) a detailed knowledge of the problems and of the opportunities in accompanying two companies' growing integration.

The paper is structured as follows. In the second section it discusses the theoretical background of the study. In the third section it examines the evolution of the relationship between Sorbini and the Cefla Group and the changes in the former' sales organization and processes. The main focus is on the organizational solutions and mechanisms adopted in respect with Sorbini's international customers. In the beginning of the section, the research methodology is outlined. Four distinct phases are explored in depth: the birth and initial growth of the company, the starting of the business relationship between Sorbini and CEFLA at the end of the '80s, the development of a closer relationship in the 90s and then the stronger integration within the Cefla group during the 2000s. Section 4 introduces an interpretative framework where the four above phases area analysed in respect to a number of variables concerning the value and benefits searched by the customer, the offering by Sorbini, the sales organization and processes and the nature of Sorbini differential advantage. Section 5 develops some theoretical reflections on the interplay between inter and intra-organizational issues and their impact of the structuring of business relationships. We thus set the basis for further research.

2. Theoretical background

Under the pressure of the increased competition, of the growing sophistication of customers' demand and of globalization, small and medium enterprises (SMEs) are increasingly engaged in international markets, pursuing new customers and strengthening the existing business relationships (Chetty, Blankenburg Holm, 2000). However, their ability is partially impaired by their size and specifically by their low level and quality of organisational capabilities in the monitoring of foreign markets and in the management of international customers, who display a wide range and variety of needs and are located in highly different social and institutional contexts. SMEs' performance is also affected by the increasing complexity of "solutions" required by international customers, characterized by a mix of tangible and intangibles resources, with a growing emphasis on high degree of customization and on service-centered approaches (Gronroos, 2008; Vargo, Lusch, 2004; Neu, Brown, 2005). In

order to face the difficulties connected to their internationalization, SMEs show a growing propensity to establish business relationships with other companies to gain access to additional and complementary resources and to share and connect innovation production and distribution activities (Hakansson, Snehota, 1995; Jansson, Sandberg, 2008). Business relationships can be considered as resources SMEs leverage on to strengthen their positioning in foreign markets and to reinforce the international sales organization and processes (Chetty, Blankenburg Holm, 2000; Blankenburg Holm, Johanson 1992; Johanson, Vahlne, 1990).

This paper analyses how a business partnership relationship may be viewed as a resource for a small company as it enhances its sales organization and processes supporting its international expansion. Continuous interaction and growing integration between two companies involve many differentiated resources. Through business relationships, product, facility, business units as well as relationship items are resources that are repeatedly combined, renewed, innovated by the actors involved (Hakansson, Waluszewski, 2002; Jahre et al., 2006; Baraldi, 2008). This paper mostly focuses on how these processes of combination, renovation and innovation taking place within a business partnership generate changes in the companies' sales organizational structures and managerial practices. In sum we study how inter-organizational processes have an impact on intra-organizational issues. We thus enter into the characteristics of network dynamics.

In this respect literature on business marketing and industrial networks is very useful to interpret the observed changes. Within this literature, it is stressed how organizational structures and competences are continuously shaped by inter and intra-organizational processes and vice-versa (Hakansson, Snehota, 1989; Forsgren et al., 1995; Lundgren 1991; Ford, Redwood, 2004). Connectedness is at the basis of business networks. What happens in one business relationship has repercussions in others, due to their connectedness. Thus a change in one relationship between two actors may have effects on other relationships and vice-versa (Blankenburg, Johanson, 1992; Hakansson, Snehota, 1995; Hakansson, Prenkert, 2006). Business network literature however, tend to give a strong emphasis on the changes within the inter-organizational processes while a few attention is devoted to the interplay between inter and intra-organizational issues, especially in respect to specific areas such as sales and marketing (Salle et al., 2007; Moller, Rajala, 1999; Dubois, Wynstra, 2005).

By our analysis we explore how inter-organizational dynamics – in specific the growing interaction and interdependence between Sorbini and the Cefla Group, starting from a commercial agreement to an acquisition - affect intra-organizational issues – Sorbini' sales organization, processes and competences - and vice-versa. In this respect, our analysis addresses the issue that changes in the formal aspects of a business relationship – such as the act of acquisition - have a relative importance in explaining changes in inter and intra-organizational processes and structures. Rather, the latter can be better explained by entering into the specific dynamics affecting the substance of the interactions and the interdependencies within the inter and intra-organizational processes.

Literature on mergers and acquisitions highlights how one of the most critical moment to determine the success or failure of an acquisition concerns the post-integration phase, where many different resources are to be combined (Haspeslagh, Jemison, 1992) and it is stressed that difficulties are also connected to the integration of external resources such as business relationships (Anderson et al. 2001; Bocconcelli et al., 2006). Our case poses a different perspective: the integration process between the two companies is not an issue that follows the formalization of the acquisition of the smallest company by the largest group. Rather, the latter is the inevitable result of the growing interactions and interdependences between the two companies, due to certain inter and intra-organizational dynamics.

2. The evolution of the relationship between Sorbini and CEFLA Group

This paragraph analyzes the evolution of the Sorbini-Cefla cooperative relationship. The research methodology follows two complementary approaches: “systemic combining”, based on the parallel integration of theoretical concepts, collection of data and case analysis (Dubois, Gadde, 2002); the longitudinal and processual approach, which is deemed appropriate to examine complex internationalization paths followed by firms (Melin, 1992) and to point out change over time in specific variables and their impact (Pettigrew, 1997). The collection of data is based on eight interviews with the General Manager and the Sales Manager in Sorbini in the 2005-2009 period and on access to information and data by the Italian Association of Wood-working Machinery Companies (ACIMALL, 2007).

2.1 Birth and initial growth of Sorbini

Sorbini is established in 1950 in Pesaro in the centre of Italy by Amedeo Sorbini, whose objective is to produce agricultural machinery. In these years in the Pesaro area various furniture producers are established and they increasingly request machineries and technologies to transform and work wood, which is their main raw material. One of the main emerging need concerns the adoption of wood finishing technologies. In the '50s Sorbini

launches a highly innovative wood painting machinery in Italy, which is successfully sold in the local and national market. Over the '60s the company keeps on growing at the national level and launches its offering in the international market through the participation to the main international trade fairs.

Since its birth foreign markets represent for Sorbini a strategic context for sales growth. However, the penetration of international markets is a very difficult and complex task for a small company as Sorbini, in the light of the language and cultural barriers on the one hand and of the different requirements set up by potential foreign customers on the other. In this period the foreign customer strongly requires high standards by suppliers in terms of level of technologies, quality of the product and delivery and after-sales service. The most selective customers are German and Scandinavian firms. Sorbini attempts to face this challenge by focusing its efforts on the one hand on the technological profile of its product and thus on investing mainly in research and development, on the other on being fast and flexible in implementing customers requests.

In parallel with product development efforts in the '60s and '70s Sorbini starts to set up its international sales network in difficult and complex markets such as Scandinavia, France and Spain through local agents representing various firms, under the condition of exclusive sale of Sorbini products. Main emphasis is placed also on the training activities involving foreign customers' personnel.

The ability to offer a highly technological product, the speed in complying to customers requests and the effort in setting up an initial sales network in foreign markets allow Sorbini to gain a foothold in the highly competitive European wood-working market.

2.2 The starting of the relationship between Sorbini and Cefla and the “independence” between the two companies in the '80s

The wood-working market in the '80s is characterized by increasing competition. Foreign customers require high technological level and product quality and are more eager on levels of service and costs. Therefore competing in European markets becomes a compelling task for Sorbini, which is constrained by its limited size. Thus in this phase Sorbini takes into consideration the option of setting up an alliance with a partner company to face the new market challenges. A pivotal initiative is the partnership with CEFLA group, a company based in Imola – in the centre of Italy - active in the wood-working sector and offering complementary products to the same market segments. In this period CEFLA is a company specializing in handling, drying and rubbing machineries, which combined with Sorbini product compose a full range wood painting offering. Sorbini and CEFLA establish a sales agreement for the expansion in foreign markets and start to cooperate in R&D activities creating a joint-lab, whose goal is to develop innovative solutions for the product offering.

The business relationship with CEFLA represents a relevant asset for Sorbini to promote its product in foreign markets following a more systematic and organized approach, thus complementing Sorbini's ability to serve its foreign customers in a flexible and fast way. Sorbini is allowed to sell its products through CEFLA international sales network and in combination with CEFLA offering, thus promoting a common and wider range of products to the final customer. Sorbini, through its Sales General Manager, and CEFLA assess together how to achieve organizational and sales synergies in each foreign market. Thus Sorbini is able to offer its products in selected foreign countries. In the early '90s CEFLA widens its sales network and allows Sorbini to consider potential customers also outside Europe, mainly in South-America, Eastern Europe and Asia.

Thanks to its business partnership with Cefla, Sorbini is able to face the increasing competition in Europe and to start the penetration in distant foreign markets. The main benefits concern the opportunity to upgrade the technological profile of its products thanks to the common efforts in the joint-lab and the pursue of economies of scale in sales activities.

2.3 The development of a closer partnership in the '90s and early 2000s

The international economic development and the global growth of the furniture sector in the '90s, together with increased competition in both advanced and emerging markets, represent difficult challenges for Sorbini in the '90s. The Italian firm faces both national and foreign customers searching for suppliers able to provide advanced technology, high product variety and flexibility, strong sales service and support. They also search for cost reduction for their strategic purchases of new wood-working machineries. Therefore customers require their suppliers to be able to pursue conflicting objectives, such as advanced technological profile and lower prices, and to follow stricter standards than before.

In this phase Sorbini is aware that its offering should be developed pursuing a strong differentiation in the market. Firstly, Sorbini aims to offer a complete range of wood painting machineries, allowing the customer to receive an integrated solution without buying specific technologies from different suppliers; moreover, Sorbini products are complementary to CEFLA offering and thus each customer might evaluate and buy a full range of wood-working solutions. Complementarity in the product offering is the main distinctive feature of the Sorbini-CEFLA

relationship. This approach is deemed crucial by Sorbini given the high financial effort by furniture producers when they consider investing in new process technologies. Secondly, Sorbini has the goal to provide a technologically advanced product being highly effective in terms of flexibility in use and output. Therefore its offering is based on a modular approach and allows a high degree of customization, thanks to the interaction between customer and Sorbini's sale personnel. Such product features derive from the high cooperation in R&D among Sorbini and CEFLA engineering teams within the joint-lab activities. Thirdly, Sorbini aims to serve its customers providing solutions based on high levels of quality in terms of performance; in this line Sorbini makes a great effort in becoming ENI ISO 9001 certified and thus it is able to display its strong commitment to quality control. Lastly, Sorbini is fully aware that its offering should be based also on intangible components in terms of customer service and technical assistance. The cooperation with the wide international sales network by CEFLA allows the firm to remain close to the customer in all the phases of the purchasing and after-sale processes; such approach has a strategic value in the light of the increasing attitude by customers in investing in maintenance and repair rather than in purchase of new process technologies.

Such effort in differentiating its offering has been combined by a stronger commitment in cost reduction, as required by leading international customers. In order to pursue this difficult objective Sorbini chooses to implement various measures within the production process. First, the adoption of a modular approach in product configuration allows for cost reduction in the production of specific systems and parts, without compromising the goal to achieve higher variety in the product offering. Secondly, Sorbini follows an internationalization strategy of production activities in emerging markets in cooperation with CEFLA. In 2002 the two companies acquire IGM, a Brazilian producer of wood-working machinery, while in the following years market monitoring is started in China in order to set up a production unit in this strategic market. Both initiatives pursue a twofold objectives: to produce close to current, often multinational companies, and new customers in emerging markets and to obtain substantial reduction of production costs. Thirdly, Sorbini aims to achieve further economies by selecting capable and efficient external suppliers, often sharing them with CEFLA group.

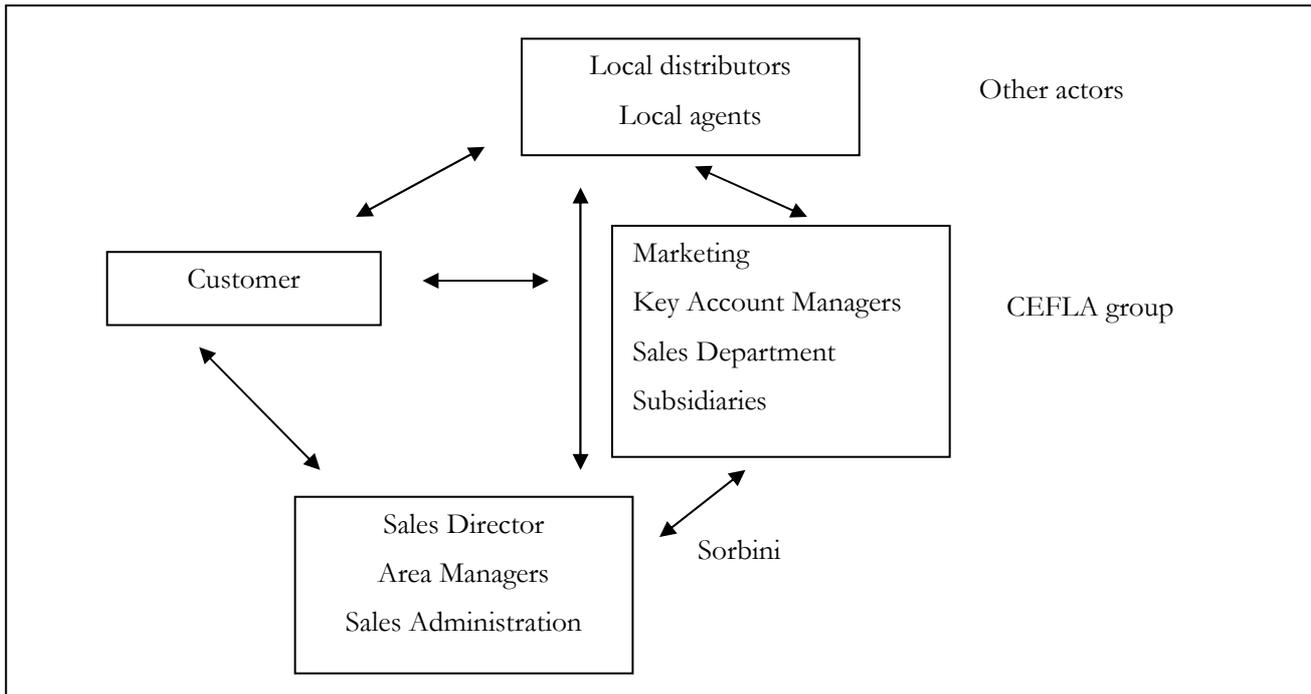
Such complex and difficult competitive context pushes Sorbini to upgrade its sales organization pursuing two main directions. Firstly, during the '90s Sorbini starts to develop relationships with its first exclusive agents. Secondly, Sorbini aims to strengthen its relationships with CEFLA subsidiaries to foster its ability to interact with its foreign clients, particularly in the area of customer search, service and after-sales assistance. The Sorbini family and the company top management are increasingly convinced that the relationship with CEFLA represents a strategic asset in the light of the product complementarity and of its sales and financial strength. Therefore in 1994 Sorbini accept to sell 20% of its shares to the CEFLA group in order to ratify and consolidate the growing partnership in sales and R&D activities. Over the '90s Sorbini and CEFLA follow a gradual growth in their traditional markets and at the beginning of the years 2000 start to penetrate new markets outside Europe (North-America, Singapore, China). A relevant business initiative is the opening of the new subsidiary CEFLA Finishing USA in North Carolina, with the goal of strengthening the existing relationships with strategic American customers such as the Masco Group, one of the main global producer of furniture and kitchens.

Around the year 2003 Sorbini and CEFLA face difficult market conditions, caused by the strengthening of the Euro compared to the US dollar. The partner companies attempt to overcome such difficulties by upgrading the sales operations in North-America and Eastern Europe, with a main focus on the growing Russian market.

In order to foster its product in the market Sorbini develops its sales organization structure (Figure 1). Sales activities are coordinated by a Sales Director, who is supported by two Area Manager assisted by the sales secretariat in charge of the national and foreign markets. In Sorbini the sales strategy, in terms of products and pricing, is planned for each country and is mainly shaped by the sales organization within each specific market, and thus by the local presence of CEFLA subsidiaries or sales agents. For improving planning and coordination in sales activities Sorbini personnel participate to jointly meetings with CEFLA sales managers. Such meetings are planned routinely for ordinary sales activities or are set up for addressing specific commercial projects of strategic importance.

In some cases the management of relationships with key clients gains such a high relevance in terms of economic value to induce the introduction of key account managers (KAM) within CEFLA. Therefore Sorbini can take advantage of such organizational resources to improve its offering and its relationships with large foreign customers such as IKEA and Masco, which play a key role also for their input in new product development processes. Within this configuration foreign customers interact only with the key account and Sorbini provides its support in terms of technical solutions, delivery and service.

In addition to sales activities Sorbini is supported also by the marketing unit active within CEFLA group. Such unit is in charge of developing marketing initiatives for the whole finishing offering, in terms of market analysis, communication/promotion campaigns and trade fairs participation. Moreover, the marketing unit in CEFLA implements customer portfolio and customer satisfaction analyses.

Figure 1. Sorbini-CEFLA partnership in the '90s

In addition to pursue an adequate organizational configuration, in combination with CEFLA organizational resources, for addressing market objectives, Sorbini places great emphasis on the management of all processes concerning the search of new clients and the interaction with customers. A main effort is placed on maintaining current customers and gaining new clients. Within Sorbini the analysis of the customer portfolio is implemented regularly, with a specific focus on the main 30 customers. With regard to business development activities, Sorbini sales organization actively search for relevant market information to be acquired through traditional channels and also by interacting with other companies supplying other inputs to furniture producers. When a new customer is contacted the sales personnel operating in the CEFLA subsidiary is supported by Sorbini sales personnel, who takes a leading position in activities concerning the technical dimension of the offering. Infact, Sorbini is fully committed to propose advanced technological solutions and therefore is very keen in helping sales personnel, both in Sorbini and in CEFLA subsidiaries, to achieve and be able to show strong technical competences while dealing with sales projects. This allows Sorbini to strengthen its brand and reputation as a “niche” leader in the wood-working machinery sector.

Once the sale process is completed, customer service activities are implemented mainly by the after-sales service personnel in CEFLA subsidiaries, under the coordination of a CEFLA service unit supported by an ad hoc call center unit. Sorbini personnel is involved to implement specific complex tasks requested by the customer.

During the '90s and early 2000s Sorbini's top management pursues an incremental process growth placing strong emphasis on the differentiation effort as an effective competitive strategy. In this phase Sorbini faces an increasingly stronger competition, mainly by high-end international players such as the market leader Giardina from Italy, Burkle from Germany, Barberan from Spain and Regma from Taiwan. These competitors have strong brand recognition in the light of their ability to offer technologically advanced products. Given its limited size when compared to such international players, in this period Sorbini actively aims to complement its offering with a highly articulated and autonomous sales network, in order to achieve both geographical and organizational “proximity” with potential current customers. The partnership with CEFLA allows Sorbini to fully exploit an organizational asset as its international sales network to improve the level of interaction with customer during the whole sale and after sale processes. Thus the cooperative relationship with CEFLA helps Sorbini to upgrade its market positioning when compared to its main competitors, which in some cases are able to offer more technologically advanced products but cannot be supported by a similar sales network in foreign markets.

Such strategic approach leads to positive results for Sorbini. The firm increases its turnover from Euro 13,5 millions in 2001 to 16 millions in 2006 and maintains an adequate degree of profitability over the whole period. The market share is increased to 12%, right behind the market leader at 14%. A relevant result is the strong surge in the number of customers, which increases from 200 in 2001 to 300 in 2006. The weight of customers is highly differentiated: the first 10 customers represent 75% of turnover (30% the main client). The majority of turnover

(65%) derives from customers involved in relationships lasting more than 6 years. These results show that Sorbini is able to maintain long-term relationships with strategic customers and to develop business opportunities with new clients.

2.4 Stronger integration within the Cefla business group

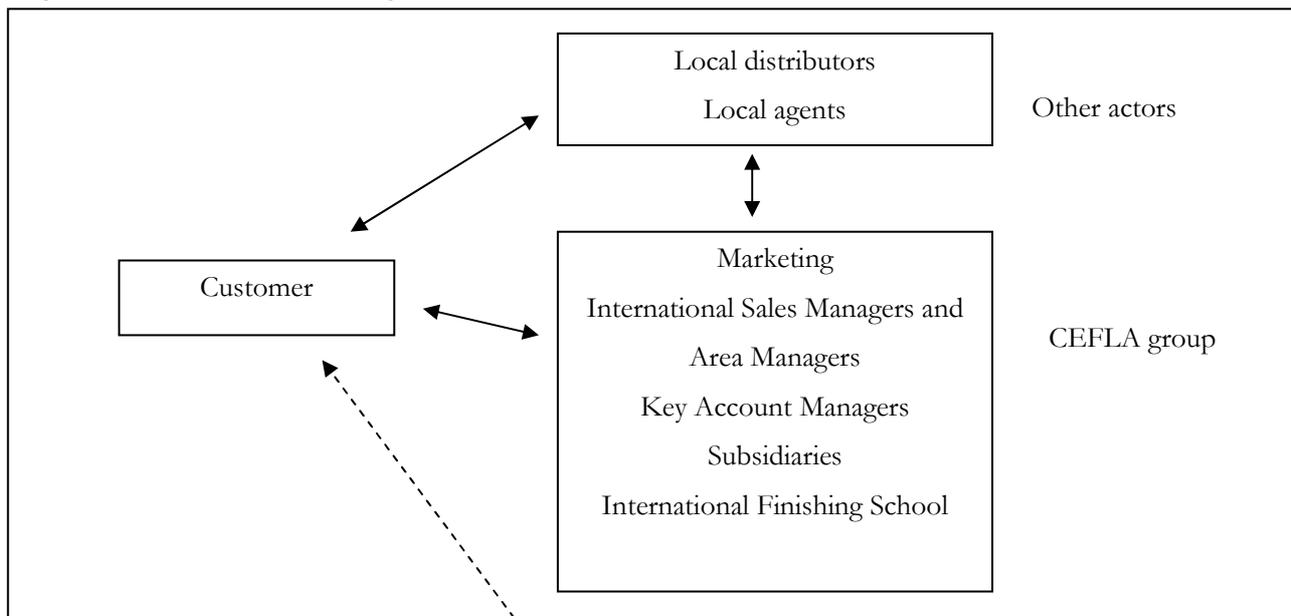
Competition in international markets becomes increasingly strong in the mid-2000s. Key customers keep high product and service standards and search for developing long-lasting partnerships with their suppliers of strategic technologies and related services; the main emphasis is on searching for complete “solutions” to their production requirements, to be defined and developed in cooperation with wood-working machinery providers. Sorbini, in cooperation with CEFLA, aims to provide adequate guarantees to its customers acting as a partner and places increasing attention to the development and management of customer service within the overall offering.

Within this market scenario since 2005 Sorbini and CEFLA aim to strengthen the international sales network covering each country with wholly owned subsidiaries or exclusive agents. In this phase CEFLA sales network is composed by subsidiaries in Spain, France, Germany, the Netherlands, Belgium, United States, Canada, Brazil, Singapore, United Arab Emirates, Poland and Russia, and by agents in Scandinavian countries and South-Africa.

The increasing integration in international sales activities between Sorbini and CEFLA is accompanied by two main changes in the equity ownership of Sorbini. In 2006 CEFLA share of the company shifts from 20% to 40%, leading then to the majority ownership of 60% in 2007. This is a natural consequence of the growing integration that characterizing the relationship between the two companies, as highlighted by the words of Sorbini Sales General Manager: “the acquisition was the natural point of arrival of a history and the ratification of a situation and of a change that was already into existence”. Therefore Sorbini formally becomes an internal unit of CEFLA Finishing Division. In this period CEFLA is a diversified business group with 1300 employees and Euro 327 millions turnover in 2006. CEFLA is structured into four divisions: civil and industrial technological installations, retail outlets for the modern distribution sector, systems for wood finishing and dental technologies.

The strengthening of the joint effort in international sales activities leads to a new configuration and higher integration of the organization of sales activities (Figure 2). The current organization of the Sales Departments in the CEFLA Finishing Division is based on the development of foreign markets penetration through the activities of three International Sales Managers in charge of different geographical markets (Europe - Middle East, India and Russia – North and South America, East Asia and Eastern Europe). The manager in charge of North and South America, East Asia and Eastern Europe is the former Sales general manager in Sorbini. In the new position this manager is able to further transfer his tacit knowledge and networking and market contacts in CEFLA; moreover his effectiveness is further supported by his deep knowledge of CEFLA internal sales organization and processes. Such shift further promotes the integration of Sorbini sales approach and culture with CEFLA organizational routines and practices: while in Sorbini historically high emphasis has been placed on flexibility in customer response and ability in fostering interpersonal relations supporting the business relationship, in CEFLA great relevance has been played by interacting with the customer in a planned and organized way. In the new configuration each International Sales Manager in Cefla promotes Sorbini products and shares sales objectives, specific activities and information with the other International Sales managers to improve coordination in the international sales area. This evolution implies the development of product and technical competences for being able to manage sales activities concerning all CEFLA offer in the finishing division. International sales managers are supported by Area Managers who manage daily interactions with the local subsidiaries, distributors and agents.

Figure 2. CEFLA-Sorbini integration in the mid-2000s





The effectiveness of the International Sales unit is further enhanced by the strengthening of the training activities set up both for customers technical staff and for internal personnel. The International Finishing School is established in 2009 with the aim to centralize training activities and know-how transfer projects, which might concern Sorbini and CEFLA products, technical subjects and sales techniques and approaches. Before the set up of the School training initiatives have been implemented on specific issues separately by CEFLA and Sorbini or by each organizational unit.

Within the new configuration of the sales organization changes have been implemented also within Sorbini. At the beginning a Sales Manager is put in charge of interacting with CEFLA Sales Department, with the support of two Product Managers, who replace the former Area Manager. Currently the position of the Sales Manager has been cut and Product Managers directly support the initiatives of the International Sales staff. Thus more emphasis is placed on the technical competences rather than on the sales skills, in the light of the increasing shift of responsibilities towards CEFLA Sales Department.

Currently the customer management process is structured into five distinct processes. Firstly, effort is placed on the promotion activities and on the search of new customers. Within this activities CEFLA is placing more emphasis on organizing direct visits to the CEFLA headquarters and plants by foreign business delegations, rather than investing in participating to the main international trade fairs. Once the customer is successfully contacted, the analysis of its needs is implemented by the local sales unit, supervised by the Area Managers in the International Sales Unit with the technical support of Sorbini personnel. International Sales Managers are involved in highly critical cases, when the relevance of the customer or the complexity of the sales process require their intervention. Then the sales team develops the project for the customer, in competition with other firms. If the project is positively assessed by the customer, before the purchase is completed technical trials are implemented in CEFLA R&D labs. The fourth phase concern the successful conclusion of the negotiations. The fifth phase regards the development of after-sales assistance, which currently is managed mainly by Sorbini; the goal is to achieve the centralized management of this specific process for all the companies within the CEFLA group.

The further integration within CEFLA group allows Sorbini to strengthen its position in the highly competitive international market. The main benefits concern both the external and the internal dimension of the organization of international sales activities. On the one hand Sorbini is able to interact with existing and potential customers fully exploiting the combined effect of its strong technical reputation and CEFLA image in terms of financial stability, organizational efficiency and service levels; thus customers have the benefit of collaborating with a “single entity” providing a complete “solution” in terms of technologies and services. On the other hand, the implementation of further synergies between CEFLA and Sorbini units and activities allows to achieve higher economies of scope and therefore increased efficiency levels.

3. Discussion of empirical results

The Sorbini case-study offers stimulating insights on the impact of network interdependencies on sales organization and processes. Table 1 shows the evolution of the main variables pointed out in the empirical analysis of Sorbini sales strategy and processes in foreign market. As a general assessment, it could be argued that changes in the needs and product requirements by main foreign customers leads Sorbini to pursue an upgrading of its offering and sales strategy and organization in supporting relationships with clients in foreign markets. While Sorbini can be competitive in terms of level of technology, technical performance of its products and speed in customer response, it lacks the required organizational capabilities in marketing and sales in the light of its limited size and organizational competences. The start of the cooperative relationship with CEFLA and its further development into a partnership and then into an integrated “entity” allows Sorbini to improve its offering according to international market standards and to upgrade its ability in penetrating new markets and serving foreign customers. Such evolution allows Sorbini to gradually increase its competitiveness in the international market focusing on a strong differentiation of its offering towards all increased service-driven capabilities, and a close “geographical and organizational proximity” to its customers.

The evolution of each variable deserves to be discussed in detail. In the wood-working machinery market since the '80s leading customers set high standards for buying technologies from the main providers. While in the first period the emphasis is placed mainly on the technical performance, over time more attention is paid to quality level (Calantone, Knight, 2000) and to the service component of the offering, with a main focus on delivery. During the '90s and the early 2000s customer requirements become more strict and selective in terms of service, often considered as the main differentiating factor in the buying process. Such dynamics are accompanied by a request of higher variety and flexibility of product features and performance, on the basis of customer needs and characteristics. Such new requirements in terms of product features are combined with stronger demand of lower costs concerning the final price of the technologies and the after-sales activities and services. During the 2000s, the degree of adaptation to their application needs, from the deep understanding of their use problems to the after-sale training and support, have lead customers to search for valuable solutions that are satisfied only if a continuous and intense interactions are developed with the suppliers (Tuli et al., 2007).

Sorbini actively introduced improvements and changes in its planned offering in order to adapt to the new requirements requested by leading customers. The company first aims to exploit the full potential of its technical competences in order to provide a technologically advanced product. Being aware of the difficulties in terms of customer and service management which would imply investing more resources on the organizational structure, Sorbini starts to develop a cooperative relationship with CEFLA, a larger company engaged in similar but complementary products. Such approach allows Sorbini to gain over time various positive effects in terms of overall offering. First, its product is offered within a wide range of complementary products, thus providing additional incentives to customers; secondly, Sorbini is able to further support its offering with regard to the degree of technological innovation and modularization and to the range of services bundled with its technologies, thanks to the partnership with CEFLA. The increased integration between the two companies allows Sorbini to become a provider of "solutions" according to customers' needs and requirements. Thus Sorbini over the whole period is able to make its offering evolve towards more advanced configurations based on modularization (Pil, Cohen, 2006), service-related activities (Boyt, Harvey, 1997) and provision of "solutions" rather than selling of products (Anderson, Narus, 2004; Tuli et al., 2007).

The ability by Sorbini in successfully proposing its offering in international markets could not be possible without the support provided by CEFLA international sales organization. The business relationship between Sorbini and CEFLA has a deep impact on how Sorbini is able to contact and interact with new and existing customers worldwide. Sorbini is fully committed to exploit its own organizational resources in terms of market monitoring and sales skills, which are successfully combined with the organizational capabilities detained by CEFLA. On the one hand, Sorbini can benefit from the support of specific organizational units active at CEFLA headquarters in Imola, such as the Marketing function and the key account managers; on the other hand the company is able to count on the activities implemented by CEFLA international sales network of subsidiaries. This approach allows Sorbini to develop more intense relationships with those who are daily in charge of finding new customers and managing current relationships and to gain access to updated information and data on current customers and on the evolution of international demand. Thus in its evolutionary path Sorbini does not follow a typical internationalization process based on an incremental approach (Johanson, Valhne, 1977): even though gradual over time, the partnership with CEFLA allows Sorbini to sell its offering almost in all continents and to operate in each market providing a wide range of services. This case-study highlights that each company, while entering a relationships with a business partner, is involved in a wider network of actors and inter and intra-organizational relationships providing new opportunities; specifically, the ability to enter into existing networks in foreign countries represents a crucial factor in the timing and degree of penetration of the local market (Johanson, Valhne, 1990). On its part CEFLA itself has benefited from the market experience developed in Sorbini by the Sales Manager, who has become International Sales Manager in CEFLA finishing business unit, thus playing as a resource capable to facilitate the integration between Sorbini and CEFLA.

The combination of upgraded offering and the availability of organizational resources represent the valuable assets making Sorbini competitive in the difficult and complex wood-working machinery market. Sorbini always pursues a differential advantage based on high standards in terms of technological profile, quality and service levels. Moreover, over time it has promoted significant cost reduction through various initiatives, such as product modularization, to reduce its efficiency gap with international competitors. However, the distinctive asset fully exploited by Sorbini is the CEFLA international sales network, which allows the Italian company to foster "geographical and organizational proximity" to its customers worldwide. While recognizing the increasing value of services attributed by customers in assessing alternative offering, Sorbini has counted on organizational resources provided by CEFLA in facilitating direct interactions with customers and in changing its product approach placing more emphasis on the intangible component and on the need to provide "solutions", also thanks to the direct contact with customers. The Sorbini case confirms that the availability of additional and complementary organizational assets in sales organization allows a more effective and successful interaction with foreign customers (Johnsen, Ford, 2006; Kaleka, 2002).

The interaction developed over time within the business relationship and the shared experience towards international markets and in relating to international customers have intensified the interdependence between the two companies. The connected growing integration has resulted in an organizational configuration that has increased the relevance of those playing as direct interfaces to customers and transformed Sorbini in a production and after-sales support unit for the CEFLA group. The process has been incremental and not particularly painful, deriving from the actions interactions *de facto* implemented by the two companies by virtue of their joint business goals and gradual combination of their valuable resources.

Table 1. Evolution of changes in customer needs and Sorbini offering, sales organization and competitive strategy

	First period – ‘80s	Second period – end of ‘80s – early ‘90s	Third period – mid ‘90s-early 2000s	Fourth period – mid 2000s - 2009
Value searched by customers	Advanced technology, delivery service and quality	Advanced technology, delivery service, quality, efficiency	Advanced technology, quality, efficiency, customization, service	Advanced technology, quality, efficiency, customization, service within a solution developed in a partnership with the supplier
Offering	Advanced technology	High performance advanced technology	High performance advanced technology quality, customization, service	“Solution” based on advanced technology, high service levels and increased efficiency
Differential advantage based on ...	Advanced technology, speed in customer response	Advanced technology, higher efficiency due to economies of scale in sales activities, speed in customer response	Advanced technology, customization and high “proximity” to the customer; efficiency due mainly to modularization and economies of scale in sales activities; speed in customer response	Provision of advanced and complete “solutions” and high “proximity” to the customer; efficiency due to product modularization, internal economies of scope and economies of scale in sales activities
Sales organization and processes	Focus on specific advanced markets, non-exclusive agents	Focus on selected foreign markets, introduction of exclusive agents, support by CEFLA subsidiaries,	Global expansion in foreign markets, focus on exclusive agents, support by CEFLA subsidiaries, Key Account Managers and Marketing unit	Focus on exclusive agents, integration in CEFLA sales organization, strengthening of service activities, increased role of product managers

4. Final remarks

The analyzed case history concerning a business relationship evolving over time towards an increasing interaction and interdependence between the parties and the connected changes in one of the companies’ sales organization and processes let us to make some reflections on the nature of change and on the interplay between inter-organizational processes and intra-organizational issues.

As concerns the nature of the inter and intra-organizational change our case reveals how it is gradual and continuous, being dependent by different variables: variables concerning the actors involved – Sorbini and Cefla - that perform specific business strategies to reach strong positioning on the international markets; variables concerning the relationship itself, as by the continuous exchange, the sharing of structures and competences, both parties reach economies of scale and efficiency in their activities as well as develop economies of scope promoting synergies and creating greater value for the customers; variables concerning the whole inter and intra-organizational network surrounding the focal relationship; the interconnections among shared customers, sales branches, R&D units, suppliers and other companies of the Cefla Group have inevitably an impact on the evolvement of the Sorbini-Cefla relationship and on Sorbini’ sales organization. The change is not unidirectional from inter to intra-organizational issues. Certainly the evolving substance of the business relationship between Sorbini and Cefla generate a change in Sorbini’ sales structures and processes; on its part, Sorbini’s customer relationships and brand identity influence the direction of the integration between the two companies. The only fact that Sorbini’ Sales General Manager has been put in charge of international sales in the Finishing Division of the Cefla group is an example of how Sorbini’ managerial practices and customer relationships have had an impact on Cefla’ s organization and intra-organizational processes. In these terms we may observe that it is the interplay

between inter and intra-organizational issues that generate change within a single business relationship and in its interconnected processes.

The case suggests however another reflections on the role of the formal nature of business relationships. We have studied the history of a business relationship over a time period of about thirty years from the form of a simple commercial partnership towards the form of an acquisition. Through the reading of the history we can observe that the formality of the business relationship had just a relative influence on the changes occurred both in the interactions between the parties and in the organizational issues. Changes affected the latter are the results of the evolving interactions, interdependences, mutual adaptations, combination and integration of resources and activities involving the parties and also interconnected relationships. Changes in the formal dimension of the business relationships were thus the inevitable result of the growing interactions and interdependences between the two companies.

This case-study provides stimulating insights to pursue further avenues of research. It could be argued that the topic of the interplay of inter-organizational and intra-organizational networks and its effect on sales organization and processes could be developed more in depth pursuing two main research areas. Firstly, it is deemed necessary to assess the impact of partnering relationships on sale and organization processes within specific supplier-buyer relationships. A limitation of the Sorbini-CEFLA case-study is the lack of empirical analysis of the interaction with their customers, at least with the most important ones. More research on the supplier-buyer relationship could provide insights on the possible different impact of relationships with existing and new customer or with large or local companies; thus this line of research could take into account the variety of customer features and behaviors. Secondly, this case-study places emphasis on the small firm/acquired firm perspective. More research is needed on the large firm/acquirer perspective, its behavior while engaged in a variety of business relationships with partner companies, supplying inputs and complementary products, and the effects on sales organization and processes. The analysis of multiple case-studies could point out common and different processes and outcomes. This research area might have relevant managerial implications in the light of the high propensity of Italian fast-growing mid-size companies to pursue strategic business relationships and acquisitions while facing increasing competitive pressure in international markets.

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